Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canadian Commercial Corporation

2016-2017 Second Quarter Financial Report (Unaudited)

For the period ended September 30, 2016

Management's Discussion and Analysis

BASIS OF PREPARATION

This discussion was prepared in accordance with the Treasury Board Standard on Quarterly Financial reports for Crown Corporations. This narrative discussion is not intended to be a full Management Discussion and Analysis. Disclosures and information in the Canadian Commercial Corporation annual report for the year ended March 31, 2016 are assumed to apply to the current quarter unless otherwise stated.

The following discussion and analysis of the operating results and financial position of the Canadian Commercial Corporation for the quarter ending September 30, 2016 should be read in conjunction with the enclosed unaudited condensed interim financial statements as well as the Corporation's annual report for the year ended March 31, 2016.

FINANCIAL HIGHLIGHTS

CCC delivers its government-to-government contracting services through two core lines of business:

1) Global Defence and Security (GDS) which includes administrating the Defence Production Sharing Agreement (DPSA); and
2) International Commercial Business (ICB)

In addition to its core business line operations, CCC performs activities related to sourcing and other Government of Canada priorities which include the maintenance and administration of the trade development offices in China on behalf of Global Affairs Canada, sourcing transactions with Government of Canada departments and agencies and a shared services arrangement with another crown corporation which generates economies of scale in providing a variety of corporate services to both organizations.

Historically, large contracts have materially impacted the Corporation's financial statements and can often cause significant variations in certain year-over-year amounts on the Statement of Financial Position and the Statement of Comprehensive Income.

In late 2013-2014 the Armoured Brigades Program (ABP), a historic multi-billion dollar contract, was signed for the supply of light armored vehicles (LAVs) and associated equipment, training and support services. This activity will result in advances and progress payments to Canadian exporters and from foreign customers to show significant variations from last year to the current year. Although, ABP transactions on which revenues are recorded are trending lower compared to the previous year, commercial trading transactions, cost of commercial trading transactions and fees for service will remain relatively consistent from last year to the current year.

(in millions of Canadian dollars, unless otherwise indicated)

A discussion of CCC's three and six month period ended September 30, 2016 financial highlights follows:

STATEMENT OF COMPREHENSIVE INCOME DISCUSSION

Summary - Net profit (loss)	FOR THE THREE MONTHS ENDED SEPTEMBER 30				FOR THE SIX MONTHS ENDED SEPTEMBER 30			
	2016	2015	Increase (Decrease)		2016	2015	Increase (Decrease)	
Revenues	$ 5.6	$ 8.2	$ (2.6)	-32%	$ 11.4	$ 16.2	$ (4.8)	-30%
Expenses	(6.4)	(8.8)	2.4	27%	(13.8)	(17.2)	3.4	20%
Parliamentary appropriation	0.9	2.2	(1.3)	-60%	1.8	4.4	(2.6)	-60%
Net profit (loss)	**$ 0.1**	**$ 1.6**	**$ (1.5)**	**-97%**	**$ (0.6)**	**$ 3.4**	**$ (4.0)**	**-118%**

For the three and six months ended September 30, 2016, the overall decrease to the net profit (loss) was due to decreases to total revenues and the parliamentary appropriation offset partially by a decrease to total expenses.

REVENUES

Revenues	FOR THE THREE MONTHS ENDED SEPTEMBER 30				FOR THE SIX MONTHS ENDED SEPTEMBER 30				
	2016	2015	Increase (Decrease)		2016	2015	Increase (Decrease)		% of Total 2016
Commercial trading transactions-prime contracts	$ 611.0	$ 688.2	$ (77.2)	-11%	$ 1,193.4	$ 1,351.4	$ (158.0)	-12%	
Cost of commercial trading transactions-prime contracts	(611.0)	(688.2)	77.2	11%	(1,193.4)	(1,351.4)	158.0	12%	
Fees for service	5.2	7.7	(2.5)	-33%	10.8	15.0	(4.2)	-29%	94%
Other income	0.3	0.2	0.1	111%	0.4	0.3	0.1	61%	4%
Finance income, net	0.1	0.1	-	58%	0.2	0.2	-	32%	2%
Gain (Loss) on foreign exchange	-	0.2	(0.2)	-90%	-	0.7	(0.7)	-98%	0%
Total Revenues	**$ 5.6**	**$ 8.2**	**$ (2.6)**	**-32%**	**$ 11.4**	**$ 16.2**	**$ (4.8)**	**-30%**	**100%**

For the three and six months ended September 30, 2016, after offsetting commercial trading transactions with the cost of commercial trading transactions, the decrease in total revenues was due mainly to lower fees for service recorded resulting from a lower volume of contracts signed in 2015-2016 and during the first several months of 2016-2017 related primarily to the GDS business line.

(in millions of Canadian dollars, unless otherwise indicated)

Commercial trading transactions

Commercial Trading Transactions (CTT)	FOR THE THREE MONTHS ENDED SEPTEMBER 30				FOR THE SIX MONTHS ENDED SEPTEMBER 30				
	2016	2015	Increase (Decrease)		2016	2015	Increase (Decrease)		% of Total 2016
GDS:									
DPSA	$ 149.2	$ 150.6	$ (1.4)	-1%	$ 299.7	$ 284.6	$ 15.1	5%	25%
Non-DPSA GDS	382.6	459.4	(76.8)	-17%	724.2	918.6	(194.4)	-21%	61%
Total GDS	**$ 531.8**	**$ 610.0**	**$ (78.2)**	**-13%**	**$ 1,023.9**	**$ 1,203.2**	**$ (179.3)**	**-15%**	**86%**
ICB	**79.2**	**78.2**	**1.0**	**1%**	**169.5**	**148.2**	**21.3**	**14%**	**14%**
Total CTT	**$ 611.0**	**$ 688.2**	**$ (77.2)**	**-11%**	**$ 1,193.4**	**$ 1,351.4**	**$ (158.0)**	**-12%**	**100%**

Commercial trading transactions measure the value of delivery of a good or service or progress work once a contract is signed and becomes effective. It is important to note that as an international trade intermediary, revenues from commercial trading transactions on prime contracts are fully offset by the cost of commercial trading transactions on prime contracts.

For the three and six months ended September 30, 2016, the overall decrease in commercial trading transactions was due to a decrease in deliveries and work performed related primarily to the GDS business line offset partially by increased delivery and work performed activity on other business lines and programs.

The decrease to GDS commercial trading transactions can be primarily attributed to two circumstances:

(1) In 2015-2016, the Corporation benefited from the record breaking total of non-DPSA GDS contracts signed in 2014-2015 ($431.8) as the large majority of these contracts were delivered or had significant progress work performed throughout 2015-2016; and
(2) Conversely, the non-DPSA GDS contracts signed in 2015-2016 ($33.8) were significantly less which resulted in a much lower amount of deliveries and progress work performed in 2016-2017.

Of significance, for the six months ended September 30, 2016, $685.2 or 95% of the total non-DPSA GDS commercial trading transactions were recorded for progress work related to the ABP contract.

The increase to ICB commercial trading transactions was due to greater delivery and work performed related to the Barbados smart water meter project and various projects under the Cuba Contracting program.

(in millions of Canadian dollars, unless otherwise indicated)

Fees for service

Fees for service	FOR THE THREE MONTHS ENDED SEPTEMBER 30				FOR THE SIX MONTHS ENDED SEPTEMBER 30				
	2016	2015	Increase (Decrease)		2016	2015	Increase (Decrease)		% of Total 2016
GDS:									
Non-DPSA GDS	$ 3.2	$ 4.7	$ (1.5)	-33%	$ 6.2	$ 9.9	$ (3.7)	-38%	58%
Total GDS	**$ 3.2**	**$ 4.7**	**$ (1.5)**	**-33%**	**$ 6.2**	**$ 9.9**	**$ (3.7)**	**-38%**	**58%**
ICB	**0.9**	**1.8**	**(0.9)**	**-48%**	**2.3**	**2.8**	**(0.5)**	**-17%**	**21%**
Sourcing and other Government of Canada priorities	**1.1**	**1.2**	**(0.1)**	**-12%**	**2.3**	**2.3**	**-**	**-2%**	**21%**
Total Fees for service	**$ 5.2**	**$ 7.7**	**$ (2.5)**	**-33%**	**$ 10.8**	**$ 15.0**	**$ (4.2)**	**-29%**	**100%**

The Corporation charges fees for service on non-DPSA GDS, ICB business and other services, generally as a percentage of the contract value and at negotiated rates for services provided. Fees are recognized as revenue when commercial trading transactions related to prime contracts and international sourcing services agreements are recorded and from other international and domestic activities when services are rendered. It is important to note that CCC does not charge fees for service on the DPSA program.

The overall net fee decrease is commensurate with the decrease in activity explained under the commercial trading transactions section.

In addition to fees for service recorded on core operations business line activity, CCC collects fees related to sourcing and other Government of Canada priorities.

(in millions of Canadian dollars, unless otherwise indicated)

EXPENSES

Expenses	FOR THE THREE MONTHS ENDED SEPTEMBER 30				FOR THE SIX MONTHS ENDED SEPTEMBER 30				
	2016	2015	Increase (Decrease)		2016	2015	Increase (Decrease)		% of Total 2016
Administrative expenses									
Workforce compensation and related expenses	$ 4.4	$ 4.7	$ (0.3)	-5%	$ 9.1	$ 9.3	$ (0.2)	-1%	67%
Contract management services	0.6	0.8	(0.2)	-26%	1.4	1.6	(0.2)	-17%	10%
Rent and related expenses	0.5	1.1	(0.6)	-59%	0.9	2.2	(1.3)	-59%	6%
Travel and hospitality	0.3	0.4	(0.1)	-18%	0.8	0.9	(0.1)	-7%	6%
Consultants	0.3	0.4	(0.1)	-43%	0.6	0.9	(0.3)	-40%	4%
Software, hardware and support	-	-	-	24%	0.4	0.4	-	-1%	3%
Depreciation	0.1	1.0	(0.9)	-90%	0.2	1.1	(0.9)	-82%	1%
Corporate communications	-	-	-	26%	-	0.1	(0.1)	-72%	0%
Other expenses	0.2	0.3	(0.1)	-24%	0.4	0.6	(0.2)	-24%	3%
Total Administrative expenses	**$ 6.4**	**$ 8.7**	**$ (2.3)**	**-26%**	**$ 13.8**	**$ 17.1**	**$ (3.3)**	**-19%**	**100%**
Contract remediation expenses	**-**	**0.1**	**(0.1)**	**-100%**	-	0.1	**(0.1)**	**-100%**	**0%**
Total Expenses	**$ 6.4**	**$ 8.8**	**$ (2.4)**	**-27%**	**$ 13.8**	**$ 17.2**	**$ (3.4)**	**-20%**	**100%**

Administrative expenses

For the three and six months ended September 30, 2016, the overall decrease is due primarily to a reduction in rent and related expenses. In November 2014, the Corporation entered into a fifteen-year lease agreement for office space in a new location, which expires at the end of November 2031, in order to achieve future cost reduction goals. A one-time payment made to terminate the previous lease at the old location was amortized over a twelve month period from October 2014 to September 2015 and as a result rent and related expenses were higher over that period of time. In addition, monthly rent expenses at the new location are lower by approximately 25%.

Public Services and Procurement Canada (PSPC) is paid for certain core contract management services under the DPSA. In recent years, an initiative was undertaken to streamline processes in the delivery of the DPSA and decrease related expenses, CCC has brought in-house certain contract management services previously performed by PSPC and as a result has reduced associated expenses by an estimated 50% to the levels incurred the last two years.

Contract remediation expenses

Contract remediation expenses are recorded as actual amounts are incurred or can be determined.

(in millions of Canadian dollars, unless otherwise indicated)

SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS

Sourcing services transactions	FOR THE THREE MONTHS ENDED SEPTEMBER 30				FOR THE SIX MONTHS ENDED SEPTEMBER 30			
	2016	2015	Increase (Decrease)		2016	2015	Increase (Decrease)	
Sourcing services transactions	$ 9.9	$ 5.4	$ 4.5	84%	$ 13.7	$ 14.8	$ (1.1)	-7%
Cost of sourcing services transactions	(9.9)	(5.4)	(4.5)	-84%	(13.7)	(14.8)	1.1	7%
	$ -	**$ -**	**$ -**	**0%**	**$ -**	**$ -**	**$ -**	**0%**

Sourcing services for support of international assistance programs represent transactions whereby the Corporation is not the prime contractor, however acts as an agent on behalf of a domestic or foreign Government entity. The decrease for the six months ended September 30, 2016, was due primarily to a reduction of deliveries related to a project in the final stages to procure and manage the replacement of wing kits on six Norwegian aircraft on behalf of the Royal Norwegian Air Force.

PARLIAMENTARY APPROPRIATION

Parliamentary appropriation	FOR THE THREE MONTHS ENDED SEPTEMBER 30				FOR THE SIX MONTHS ENDED SEPTEMBER 30			
	2016	2015	Increase (Decrease)		2016	2015	Increase (Decrease)	
Parliamentary appropriation	$ 0.9	$ 2.2	$ (1.3)	-60%	$ 1.8	$ 4.4	$ (2.6)	-60%
Total Parliamentary appropriation	**$ 0.9**	**$ 2.2**	**$ (1.3)**	**-60%**	**$ 1.8**	**$ 4.4**	**$ (2.6)**	**-60%**

The Corporation's appropriation is being gradually phased out in accordance with the 2014-2015 Corporate Plan as follows: $15.7 in 2013-2014; $14.2 in 2014-2015; $8.9 in 2015-2016; $3.5 in 2016-2017; and nil from 2017-2018 and ongoing, reaching its directed objective of financial self-sufficiency.

(in millions of Canadian dollars, unless otherwise indicated)

STATEMENT OF FINANCIAL POSITION DISCUSSION

SUMMARY

Summary - Statement of financial position	AS AT			
	September 30, 2016	March 31, 2016	Increase (Decrease)	
Assets	**$ 4,473.6**	**$ 3,815.8**	**$ 657.8**	**17%**
Liabilities	**$ 4,445.6**	**$ 3,787.1**	**$ 658.5**	**17%**
Shareholder's equity:				
Contributed surplus	10.0	10.0	-	0%
Retained earnings	18.0	18.7	(0.7)	-3%
Total Shareholder's equity	**$ 28.0**	**$ 28.7**	**$ (0.7)**	**-2%**

As an international trade intermediary, CCC trade-related assets are offset with matching liabilities. Therefore, trade receivables from foreign customers and progress payments to Canadian exporters are normally offset by trade payables and accrued liabilities to Canadian exporters and progress payments from foreign customers, respectively.

ASSETS

Assets	AS AT				
	September 30, 2016	March 31, 2016	Increase (Decrease)		% of Total
Cash	$ 75.9	$ 85.7	$ (9.8)	-11%	2%
Trade Receivables	443.5	130.8	312.7	239%	10%
Advances to Canadian exporters	136.6	473.6	(337.0)	-71%	3%
Progress payments to Canadian exporters	3,814.0	3,122.1	691.9	22%	85%
Property and equipment	3.6	3.6	-	-1%	0%
Total Assets	**$ 4,473.6**	**$ 3,815.8**	**$ 657.8**	**17%**	**100%**

The increase from March 31, 2016 was due to increases in the amount of progress payments to Canadian exporters and trade receivables offset partially by a decrease primarily from advances to Canadian exporters. The net change to the assets resulted primarily from the continued progress work related to the ABP contract.

(in millions of Canadian dollars, unless otherwise indicated)

LIABILITIES

Liabilities	**AS AT**				
	September 30, 2016	**March 31, 2016**	**Increase (Decrease)**		**% of Total**
Trade payables and accrued liabilities	$ 475.4	$ 162.7	$ 312.7	192%	11%
Advances from foreign customers	150.7	497.6	(346.9)	-70%	3%
Progress payments from foreign customers	3,814.0	3,122.1	691.9	22%	86%
Deferred lease incentives	3.4	2.7	0.7	28%	0%
Employee benefits	2.1	2.0	0.1	5%	0%
Total Liabilities	**$ 4,445.6**	**$ 3,787.1**	**$ 658.5**	**17%**	**100%**

The increase from March 31, 2016 was due to increases in the amount of progress payments from foreign customers and trade payables and accrued liabilities offset by a decrease primarily from advances from foreign customers. The net change to the liabilities resulted primarily from continued progress work related to the ABP contract.

SIGNIFICANT TRANSACTIONS IN ASSETS AND LIABILITIES

Given the back to back nature of CCC's contracting with foreign customers and Canadian exporters, movements in assets and liabilities are closely related and mostly offset one another.

The net increase in trade receivables and trade payables from March 31, 2016 was due to the recording of accrued receivable and payable transactions related to the ABP to reflect progress work to date.

Contractually, progress payments from foreign customers are required to flow through in their entirety to the Canadian exporter. Of the total progress payments to Canadian exporters and from foreign customers, $3,690.9 or 97% related to continued progress work on the ABP contract.

Of the advances from foreign customers and advances to Canadian exporters, $78.3 or 52% and 57% respectively was related to the ABP contract. Another $59.5 was related to projects under the GDS and ICB business lines. Of the $59.5 advances from foreign customers, $58.3 were passed on to Canadian exporters. Contractually, advances are not offered on DPSA contracts. For all other contracts, CCC's risk mitigation practices require that for most projects CCC hold back some advance payments made by foreign customers and release them to Canadian exporters as delivery obligations are fulfilled. As a result, period-over-period variations will occur.

(in millions of Canadian dollars, unless otherwise indicated)

STATEMENT OF CASH FLOWS DISCUSSION

Summary - Statement of cash flows	FOR THE THREE MONTHS ENDED SEPTEMBER 30				FOR THE SIX MONTHS ENDED SEPTEMBER 30				
	2016	2015	Increase (Decrease)		2016	2015	Increase (Decrease)		% of Total 2016
Operating activities	$ (10.9)	$ (16.7)	$ 5.8	-34%	$ (10.2)	$ 6.1	$ (16.3)	-269%	104%
Investing activities	-	(0.8)	0.8	-98%	-	(0.8)	0.8	-98%	0%
Effect of exchange rate changes on cash	0.6	0.3	0.3	107%	0.4	0.7	(0.3)	-44%	-4%
Net increase (decrease) in cash	**$ (10.3)**	**$ (17.2)**	**$ 6.9**	**-40%**	**$ (9.8)**	**$ 6.0**	**$ (15.8)**	**-265%**	**100%**

Under the DPSA program, the Corporation generally pays its Canadian exporters within 30 days of receipt of an invoice and substantiating documentation according to the terms and conditions of the contract. Consequently, the Corporation may use its own cash to pay Canadian exporters on the 30th day funding its trade receivables in instances where there are collection delays and payment is not received from the DPSA customer until beyond the 30 days. On certain contracts (generally outside of the DPSA program), the Corporation pays its Canadian exporters within five business days after CCC receives payment from the foreign customer. Depending on the timing of receipts compared to payments, these transactions often cross reporting periods and can cause variations in cash flows from one period to the next. In these instances, cash is momentarily provided to the operation at the end of one period until the payment is made to the Canadian exporter, as stipulated in the contract, early in the next period.

The decrease is due to the general timing of receipts from foreign customers compared to payments made to Canadian exporters related to the Corporation's main operating activities.

(in millions of Canadian dollars, unless otherwise indicated)

COMPARISON OF FINANCIAL RESULTS TO THE 2016-2017 TO 2020-2021 CORPORATE PLAN

Statement of comprehensive income	2016-2017			
	Actual September 30, 2016	Corporate Plan September 30, 2016	Variance	% Variance
Revenues				
Commercial trading transactions				
- prime contracts	$ 1,193.4	$ 989.9	$ 203.5	21%
Less: Cost of commercial trading transactions				
- prime contracts	(1,193.4)	(989.9)	(203.5)	-21%
Fees for service	10.8	10.2	0.6	5%
Other income	0.4	0.2	0.2	193%
Finance income, net	0.2	0.2	-	-3%
Gain (Loss) on foreign exchange	-	-	-	100%
	11.4	10.6	0.8	8%
Expenses				
Administrative expenses	13.8	16.2	2.4	15%
Contract remediation expenses	-	0.4	0.4	100%
	13.8	16.6	2.8	17%
Sourcing services for support of international Government assistance programs				
Sourcing services transactions	13.7	15.6	(1.9)	-12%
Less: Cost of sourcing services transactions	(13.7)	(15.6)	1.9	12%
	-	-	-	0%
Net loss before Parliamentary appropriation	(2.4)	(6.0)	3.6	60%
Parliamentary appropriation	1.8	1.8	-	0%
Net loss	**$ (0.6)**	**$ (4.2)**	**$ 3.6**	**85%**

The $3.5 favourable variance compared to corporate plan resulted from a combination of recording higher fees for service and incurring lower expenses than originally anticipated for the six months ended September 30, 2016.

ABP commercial trading transactions contributed a favourable variance of $283.1 which was offset by a net $79.6 unfavourable variance spread across the other business lines and programs. The favourable ABP result was realized due to an accelerated level of progress work than initially expected for the six month period ended September 30, 2016. The unfavourable result across the other business lines and programs is due to the lower level of GDS and ICB contracts signed in 2015-16 and so far into 2016-17 as delays have been encountered in the signing and/or effectivity of certain projects.

(in millions of Canadian dollars, unless otherwise indicated)

As fees for service are earned as contract work is delivered or completed, and are largely commensurate with commercial trading transactions, a similar result was realized. ABP fees for service contributed a favourable variance of $1.8 which was offset by a net $1.3 unfavourable variance spread across the other business lines and programs.

The Corporation manages exchange gains and losses through monitoring and maintaining its exposed foreign currency balances at negligible levels and does not budget for gains or losses on foreign exchange. The Corporation's exposed U.S. currency balance of $0.7 represents less than 0.03% of its U.S. denominated assets.

Administrative expenses are paid primarily in Canadian dollars and, as such, are not impacted by foreign exchange fluctuations.

The favourable variance related to administrative expenses resulted primarily from:

(1) Savings realized through efficiencies related to the China Offices Program;
(2) Expenses that have not occurred to date as originally planned due to delays encountered in the establishment of foreign representative offices;
(3) Expenses that have not occurred to date as originally planned related to managing the ABP contract; and
(4) Savings realized due to numerous staff vacancies at various times during the year.

2016-2017 FORECAST

Statement of comprehensive income	**FOR YEAR ENDED MARCH 31, 2017**			
	Forecast	**Corporate Plan**	**Variance**	**% Variance**
Revenues	$ 25.4	$ 29.8	$ (4.4)	-15%
Expenses	(30.4)	(33.2)	2.8	9%
Parliamentary appropriation	3.5	3.5	-	0%
Net profit (loss)	**$ (1.5)**	**$ 0.1**	**$ (1.6)**	**-1932%**

Based on results as at September 30, 2016 and anticipated trend in operational activities, the Corporation is expecting to incur a net loss of $1.5 compared to the net profit amount established in the 2016-17 Corporate Plan which is pending approval from the Government of Canada.

Although expenses which are prudently managed are forecast to be 9% below the Corporate Plan budgeted amount, the expected savings will be more than offset by a 15% shortfall in revenues due to contract signing and delivery delays encountered. Due to the Government-to-Government nature of CCC's business, many variables impact the Corporation's ability to sign contracts and CCC adeptly partners with Canadian suppliers to manage these variables in the interest of generating exports.

CCC'S COMMITMENT TO PERFORMANCE AND RISK MANAGEMENT

CCC manages various risks as it undertakes to fulfill its mandate of promoting and facilitating international trade on behalf of Canadian exporters. The strategy for managing these risks is discussed in detail in the Corporation's fiscal 2015-2016 Annual Report and 2016-2017 Corporate Plan Summary.

There are no significant changes, new risks or uncertainties identified during the three and six months period ended September 30, 2016 as compared to those previously reported or discussed.

Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as Management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements. These quarterly financial statements have not been audited or reviewed by an external auditor.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Martin Zablocki
President and Chief Executive Officer

Ernie Briard
Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada
November 14, 2016

Statement of Financial Position (Unaudited)

As at (in thousands of Canadian dollars)		September 30, 2016		March 31, 2016
ASSETS				
Current assets				
Cash (note 4)	**$**	**75,851**	$	85,670
Trade receivables (notes 5 and 8)		**443,511**		130,779
Advances to Canadian exporters		**136,608**		473,609
Progress payments to Canadian exporters		**3,813,999**		3,122,080
		4,469,969		3,812,138
Non-current assets				
Property and equipment		**3,587**		3,630
	$	**4,473,556**	$	3,815,768
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities (notes 5 and 8)	**$**	**475,259**	$	162,722
Advances from foreign customers		**150,709**		497,597
Progress payments from foreign customers		**3,813,999**		3,122,080
Employee benefits		**255**		243
		4,440,222		3,782,642
Non-current liabilities				
Deferred lease incentives		**3,437**		2,690
Employee benefits		**1,858**		1,767
		4,445,517		3,787,099
SHAREHOLDER'S EQUITY				
Contributed surplus		**10,000**		10,000
Retained earnings		**18,039**		18,669
		28,039		28,669
	$	**4,473,556**	$	3,815,768

Guarantees (note 13)

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

Authorized for issue on November 14, 2016

Martin Zablocki
President and
Chief Executive Officer

Ernie Briard
Vice-President, Corporate Services and
Chief Financial Officer

Statement of Comprehensive Income (Unaudited)

(in thousands of Canadian dollars)	For the three months ended September 30 2016	For the three months ended September 30 2015	For the six months ended September 30 2016	For the six months ended September 30 2015
REVENUES				
Commercial trading transactions				
- prime contracts (note 7)	**$ 611,003**	$ 688,214	**$ 1,193,376**	$ 1,351,438
Less: cost of commercial trading transactions				
- prime contracts	**(611,003)**	(688,214)	**(1,193,376)**	(1,351,438)
Fees for service (note 7)	**5,139**	7,691	**10,738**	15,019
Other income (note 7)	**331**	157	**444**	275
Finance income, net (note 9)	**106**	67	**212**	161
Gain on foreign exchange	**30**	305	**17**	744
	5,606	8,220	**11,411**	16,199
EXPENSES				
Administrative expenses (note 10)	**6,430**	8,713	**13,796**	17,066
Contract remediation expenses	**-**	139	**-**	156
	6,430	8,852	**13,796**	17,222
SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS				
Sourcing services transactions (note 7)	**9,898**	5,373	**13,719**	14,804
Less: cost of sourcing services transactions	**(9,898)**	(5,373)	**(13,719)**	(14,804)
	-	-	**-**	-
Net loss before Parliamentary appropriation	**(824)**	(632)	**(2,385)**	(1,023)
Parliamentary appropriation (note 11)	**877**	2,220	**1,755**	4,440
NET PROFIT (LOSS)	**$ 53**	$ 1,588	**$ (630)**	$ 3,417
OTHER COMPREHENSIVE INCOME (LOSS)				
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)				
Actuarial gain (loss) on employee benefits obligation	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 53**	$ 1,588	**$ (630)**	$ 3,417

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

Statement of Changes in Equity (Unaudited)

For the three and six months ended September 30, 2016 (in thousands of Canadian dollars)	Contributed Surplus	Retained Earnings	Total
BALANCE JUNE 30, 2016	**$ 10,000**	**$ 17,986**	**$ 27,986**
Net profit	**-**	**53**	**53**
BALANCE SEPTEMBER 30, 2016	**$ 10,000**	**$ 18,039**	**$ 28,039**
BALANCE MARCH 31, 2016	**$ 10,000**	**$ 18,669**	**$ 28,669**
Net loss	**-**	**(630)**	**(630)**
BALANCE SEPTEMBER 30, 2016	**$ 10,000**	**$ 18,039**	**$ 28,039**

For the three and six months ended September 30, 2015 (in thousands of Canadian dollars)	Contributed Surplus	Retained Earnings	Total
BALANCE JUNE 30, 2015	$ 10,000	$ 12,530	$ 22,530
Net profit	-	1,588	1,588
BALANCE SEPTEMBER 30, 2015	$ 10,000	$ 14,118	$ 24,118
BALANCE MARCH 31, 2015	$ 10,000	$ 10,701	$ 20,701
Net profit	-	3,417	3,417
BALANCE SEPTEMBER 30, 2015	$ 10,000	$ 14,118	$ 24,118

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

Statement of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	For the three months ended September 30 2016	For the three months ended September 30 2015	For the six months ended September 30 2016	For the six months ended September 30 2015
OPERATING ACTIVITIES				
Net profit (loss)	**$ 53**	$ 1,588	**$ (630)**	$ 3,417
Adjustments to determine net cash from (used in) operating activities:				
Depreciation	**101**	995	**202**	1,140
Employee benefit expense	**52**	13	**103**	26
Gain on foreign exchange	**(631)**	(305)	**(420)**	(744)
Deferred lease incentives	**306**	-	**612**	-
Change in working capital:				
(Increase) decrease in trade and other receivables	**(328,716)**	(15,253)	**(312,732)**	26,655
Decrease (increase) in advances to Canadian exporters	**3,131**	(461,019)	**337,001**	(103,975)
(Increase) in progress payments to Canadian exporters	**(332,594)**	(375,587)	**(691,919)**	(672,108)
Increase (decrease) in trade payables and accrued liabilities	**323,271**	3,072	**312,527**	(11,050)
(Decrease) increase in advances from foreign customers	**(8,533)**	454,207	**(346,888)**	90,596
Increase in progress payments from foreign customers	**332,594**	375,587	**691,919**	672,108
Cash provided by (used) in operating activities	**(10,966)**	(16,702)	**(10,225)**	6,065
INVESTING ACTIVITIES				
Acquisitions of property and equipment	**(14)**	(849)	**(14)**	(849)
Cash used in investing activities	**(14)**	(849)	**(14)**	(849)
Effect of exchange rate changes on cash	**631**	305	**420**	744
Net increase (decrease) in cash	**(10,349)**	(17,246)	**(9,819)**	5,960
Cash at the beginning of period	**86,200**	87,820	**85,670**	64,614
Cash at the end of period	**$ 75,851**	$ 70,574	**$ 75,851**	$ 70,574

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

Notes to Financial Statements

September 30, 2016

1. Nature, organization and funding

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* (the "Act"), is wholly owned by the Government of Canada and is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. The Corporation is domiciled in Canada with a head office located at 350 Albert Street, Ottawa, Ontario. The Corporation operates primarily in Canada with representation in Asia and South America.

The Corporation acts as the prime contracting agency when foreign governments, international organizations, or foreign private sector buyers wish to purchase products and services from Canada through the Canadian Government. The Corporation enters into contracts with these foreign customers and into corresponding supply contracts with Canadian exporters. Additionally, the Corporation enters into sourcing services agreements to procure goods and services for international end use on behalf of Canadian and foreign governments.

The Corporation's operations are funded primarily by fees for service, and a parliamentary appropriation.

In September 2008, the Corporation, together with a number of other Crown corporations, was issued a directive (P.C. 2008-1598) pursuant to Section 89 of the *Financial Administration Act*, entitled *Order giving a direction to parent Crown corporations involved in commercial lending to give due consideration to the personal integrity of those they lend to or provide benefits to in accordance with Government's policy to improve the accountability and integrity of federal institutions*. The Corporation implemented the directive effective January 1, 2010.

In July 2015, the Corporation was issued a directive (P.C. 2015-1110) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation has undertaken a detailed review of its existing policies regarding travel, hospitality, conferences and events, as well as the approach to public disclosure of this information and has implemented the directive in fiscal 2016-2017.

The Corporation is not subject to the provisions of the *Income Tax Act*.

2. Basis of preparation

Compliance with International Financial Reporting Standards (IFRS)

These condensed interim financial statements have been prepared in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* using the International Financial Reporting Standards ("IFRS") accounting policies adopted in the Corporation's audited annual financial statements as at and for the year ended March 31, 2016. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's annual report and audited financial statements for the year ended March 31, 2016.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for as permitted by IFRS and to the extent material, the following items:

- derivative financial instruments are measured at fair value through profit or loss
- accrued employee benefit liabilities for post-employment benefit plans are recognized at the present value of the defined benefit obligations

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from estimates resulting in significant differences in the related financial statement balances.

Estimates and underlying assumptions are reviewed on an ongoing basis and in detail as at the date of the financial statements. Any changes in estimates are reflected in the financial statements in the period in which they become known and in any future periods affected. Management has used estimates in determining the useful lives of property and equipment, in accounting for the employee benefits liabilities, the provisions and contingent liabilities, lease commitments and contingencies and used judgment in determining whether a provision for contract remediation expenses should be recognized or disclosed.

Information about areas where management has exercised judgment and made significant use of estimates and assumptions are included in the following note:

Note 13 – guarantees

(in thousands of Canadian dollars, unless otherwise indicated)

Functional and presentation currency

The Corporation's functional and presentation currency is the Canadian dollar.

3. Significant accounting policies

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those disclosed in the Corporation's audited annual financial statements for the year ended March 31, 2016.

Changes in Accounting standards

In September 2014, the IASB issued its Annual Improvements 2012–2014 cycle, resulting in minor amendments to *IFRS 7- Financial Instruments: Disclosures* (IFRS 7). The amendment is generally intended to clarify requirements rather than result in substantive changes to current practice. The amendment is effective for annual periods beginning on or after January 1, 2016, with early application permitted.

In December 2014, the IASB issued amendments to *IAS 1 – Presentation of financial statements* (IAS 1) which clarifies the existing presentation and disclosure requirements including the presentation of line items, subtotals and notes and provides guidance to assist in applying judgement in determining what information to disclose and how that information is presented in financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Management has elected to reflect changes, if any, in the upcoming annual audited financial statements and, consequently, these condensed interim financial statements do not include the potential impact of the two new accounting standards mentioned above.

4. Cash

Cash included:

	September 30, 2016		**March 31, 2016**	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
U.S. dollars	**28,840**	**$ 37,822**	31,151	$ 40,456
Canadian dollars	**37,635**	**37,635**	44,352	44,352
Chinese renminbi	**2,005**	**394**	2,990	601
Euros	**-**	**-**	176	261
		$ 75,851		$ 85,670

(in thousands of Canadian dollars, unless otherwise indicated)

Of the cash, $20,130 (March 31, 2016, $29,958) represents advances and holdbacks received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Advances from foreign customers also include overpayments from foreign customers due to temporary timing differences in their liquidation methods and accounting for work performed. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

5. Trade receivables and trade payables and accrued liabilities

Trade receivables are based on normal trade terms and are generally non-interest bearing. The currency profile of the Corporation's trade receivables was as follows:

	September 30, 2016		**March 31, 2016**	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
Canadian dollars	**262,774**	**$ 262,774**	65,551	$ 65,551
U.S. dollars	**137,777**	**180,722**	50,229	65,228
Chinese renminbi	**76**	**15**	-	-
		$ 443,511		$ 130,779

Trade payables and accrued liabilities are due on normal trade terms. The currency profile of the Corporation's trade payables and accrued liabilities was as follows:

	September 30, 2016		**March 31, 2016**	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
Canadian dollars	**264,531**	**$ 264,530**	70,032	$ 70,032
U.S. dollars	**160,644**	**210,717**	71,313	92,663
Chinese renminbi	**59**	**12**	135	27
		$ 475,259		$ 162,722

Credit, market and liquidity risks relating to trade receivables and to trade payables and accrued liabilities are disclosed in Note 8.

6. Capital management

The Corporation's objective with respect to capital is to preserve and strengthen its capital base through prudent risk management. This, coupled with the implementation of strategies to optimize operating surpluses ensures that capital is available to facilitate investments in people and processes and to mitigate any potential losses related to operational, performance and credit risk.

(in thousands of Canadian dollars, unless otherwise indicated)

Key strategies used by the Corporation to manage its capital base include: minimizing contract remediation expenses; balancing smart growth with operating expenses; minimizing foreign exchange exposure; optimizing interest income. The Corporation may be required to return to the Government of Canada any part of capital deemed to be in excess of the amount required for the purposes for which the Corporation was constituted.

The Corporation's breakdown of supply of capital is as follows:

	September 30, 2016	March 31, 2016
Contributed surplus	**$ 10,000**	$ 10,000
Retained earnings	**18,039**	18,669
	$ 28,039	$ 28,669

7. Commercial trading transactions, fees for service, other income and sourcing services transactions

The Corporation facilitates sales of Canadian goods to foreign customers including governments, international agencies and other buyers and receives revenues from commercial trading transactions related to prime contracts, fees for service and other income. The Corporation also engages in transactions related to sourcing services for support of international programs.

The profile by geographic region is as follows:

	For the three months ended September 30					
	2016			2015		
	Revenues*	Sourcing services transactions	Total	Revenues*	Sourcing services transactions	Total
Asia	**$ 373,541**	**$ 4,645**	**$ 378,186**	$ 434,791	$ 2,675	$ 437,466
United States	**149,551**	**-**	**149,551**	150,729	-	150,729
Central America and Caribbean	**69,512**	**-**	**69,512**	88,395	90	88,485
South America	**22,002**	**566**	**22,568**	20,996	-	20,996
Europe	**1,195**	**3,488**	**4,683**	137	2,367	2,504
Australia	**234**	**-**	**234**	505	-	505
Canada	**417**	**1,120**	**1,537**	507	103	610
Africa	**21**	**79**	**100**	2	138	140
	$ 616,473	**$ 9,898**	**$ 626,371**	$ 696,062	$ 5,373	$ 701,435

* Revenues include revenue related to Commercial Trading Transactions, Fees for Service and Other Income.

(in thousands of Canadian dollars, unless otherwise indicated)

	For the six months ended September 30					
	2016			**2015**		
	Revenues*	**Sourcing services transactions**	**Total**	**Revenues***	**Sourcing services transactions**	**Total**
Asia	**$ 711,883**	**$ 5,768**	**$ 717,651**	$ 856,161	$ 3,166	$ 859,327
United States	**300,041**	**-**	**300,041**	284,837	-	284,837
Central America and Caribbean	**150,371**	**174**	**150,545**	176,560	90	176,650
South America	**37,335**	**694**	**38,029**	42,840	-	42,840
Europe	**1,331**	**5,778**	**7,109**	755	10,587	11,342
Australia	**2,664**	**-**	**2,664**	740	-	740
Canada	**898**	**1,226**	**2,124**	852	327	1,179
Africa	**35**	**79**	**114**	3,987	634	4,621
	$1,204,558	**$ 13,719**	**$1,218,277**	$1,366,732	$ 14,804	$1,381,536

* Revenues include revenue related to Commercial Trading Transactions, Fees for Service and Other Income.

Revenues for the three months ended September 30, 2016 include $362,801 (September 30, 2015 – $380,222), $690,188 for the six months ended September 30, 2016 (September 30, 2015 – $710,482) of accrued unbilled revenues. Value of contracts signed is distinct from revenues. During the six months ended September 30, 2016, the value of contracts and amendments which were signed and became effective amounted to $689.1 million (September 30, 2015 - $512.7 million).

8. Risk management and financial instruments

As described in the Corporation’s annual report and audited financial statements for the year ended March 31, 2016, the Corporation is exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments.

The following is a description of the most significant risks associated with financial instruments and how the Corporation manages its risk exposure:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from the Corporation’s cash and trade receivables from customers. The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk.

(in thousands of Canadian dollars, unless otherwise indicated)

Trade receivables

The Corporation's exposure to credit risk associated with trade receivables are influenced mainly by the demographics of the Corporation's customer base. The Corporation generally manages foreign customer credit risk by extending open account terms to parties with a Moody's credit rating of at least AAA, and seeks security where the rating falls below this threshold. During the six months ended September 30, 2016, 9% (March 31, 2016 - 25%) of the Corporation's trade receivables were from AAA credit rated customers.

The maximum exposure to credit risk for trade receivables by geographic region was as follows:

	September 30, 2016	March 31, 2016
Asia	**$ 380,437**	$ 23,760
United States	**37,280**	30,510
Central America and Caribbean	**17,594**	62,272
South America	**3,717**	12,369
Canada	**3,440**	1,167
Europe	**1,043**	701
	$ 443,511	$ 130,779

Trade receivables are based on normal international trade terms and are generally non-interest bearing. The maturity profile of the Corporation's trade receivables was as follows:

	September 30, 2016	March 31, 2016
< 1 year	**$ 443,508**	$ 130,539
> 1 and < 3 years	**3**	240
	$ 443,511	$ 130,779

Trade receivables are considered past due when the payor has failed to make the payment by the contractual due date. The aging profile of the Corporation's past due trade receivables was as follows:

	September 30, 2016	March 31, 2016
< 30 days	**$ 6,131**	$ 17,916
> 30 days and < 180 days	**4,346**	24,135
> 180 days	**21,532**	1,516
	$ 32,009	$ 43,567

(in thousands of Canadian dollars, unless otherwise indicated)

Advances and progress payments to Canadian exporters

Credit risk exposure related to advances and progress payments to Canadian exporters is mitigated by the back to back nature of the Corporation's contractual obligations and supplemented by collateral held.

Collateral

The profile of the Corporation's total collateral held with respect to its contractual obligations in the unlikely event of contractual non-performance by Canadian companies was as follows:

		September 30, 2016		March 31, 2016
Holdbacks	**$**	**6,029**	$	5,970
Bank guarantees	**$**	**-**	$	30,452
Surety bonds	**$**	**-**	$	26,864
Parent guarantees	**$**	**17,780,911**	$	17,535,138
Other	**$**	**9,659**	$	6,590

The above amounts approximate the fair values of collateral held.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation is not exposed to significant currency risk or other price risk. The Corporation has no significant derivatives or embedded derivatives that require recognition as an asset or liability on the Statement of Financial Position.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's exposure to fair-value interest rate risk arises from investing cash. The risks associated with fluctuations in interest rates are minimized by investing in highly liquid temporary deposits with a reputable chartered bank.

As directed by the Minister of International Trade, during the year ended March 31, 2014, the Corporation developed an approach to transfer its Cuba trade financing activities to a related Crown Corporation which eliminates related risks to the Corporation while continuing to ensure support to the Canadian exporters.

Under a specific series of contracts, included in trade payables and accrued liabilities, the Corporation owed $8,915 as at September 30, 2016 (March 31, 2016 - $34,355) which bears interest at the cost of funds plus 0.25% (March 31, 2016 – 0.25%).

(in thousands of Canadian dollars, unless otherwise indicated)

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is minimized through compliance with the Corporation's investment policy whereby cash is invested in highly liquid temporary deposits with a reputable financial institution in order to meet financial obligations on a timely basis.

The *Canadian Commercial Corporation Act* permits the Corporation to borrow from the Consolidated Revenue Fund or enter into other credit arrangements or indemnities from other sources for an amount not to exceed $90.0 million.

The Corporation has a revolving credit facility providing access to funds in the amount of $40.0 million (March 31, 2016 – $40.0 million) Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at September 30, 2016, there were no draws on this line of credit (March 31, 2016 – nil).

In addition, the Corporation enters into credit arrangements up to a maximum of $70.0 million as at September 30, 2016 (March 31, 2016 – $70.0 million) where transactions are fully insured by a related Crown Corporation with a Moody's credit rating of AAA, thereby mitigating all liquidity risk related to the Cuba contracting program. The Corporation incurred expenses of $203 during the three months ended September 30, 2016 (September 30, 2015 – $178) and expense of $669 for the six months ended September 30, 2016 (September 30, 2015 – $616) related to the Cuba contracting program.

Trade payables and accrued liabilities

Trade payables and accrued liabilities are due on normal trade terms. The maturity profile of the Corporation's trade payables and accrued liabilities was as follows:

	September 30, 2016	**March 31, 2016**
< 1 year	**$ 475,259**	$ 162,722
	$ 475,259	$ 162,722

(in thousands of Canadian dollars, unless otherwise indicated)

Under a specific series of contracts, related to the Cuba contracting program included in trade payables and accrued liabilities the Corporation owed $8,915 as at September 30, 2016 (March 31, 2016 – $34,355) which bears interest at the cost of funds plus 0.25% (March 31, 2016 - 0.25%) and the Corporation has offered as security certain foreign trade receivables under certain conditions. The amount of outstanding trade receivables which are fully insured by a related Crown corporation under these arrangements was $ 8,915 as at September 30, 2016 (March 31, 2016 – $34,355) and was profiled as follows:

	September 30, 2016	March 31, 2016
< 1 year	**$ 8,912**	$ 34,115
> 1 and < 3 years	**3**	240
	$ 8,915	$ 34,355

No onerous contracts have been identified as at September 30, 2016 and March 31, 2016.

9. Finance income, net

The Corporation has recorded finance income and cost in relation to the following financial instruments:

	For the three months ended September 30		For the six months ended September 30	
	2016	**2015**	**2016**	**2015**
Financial assets				
Finance income earned on cash	**$ 117**	$ 99	**$ 237**	$213
Financial liabilities				
Finance cost on payables and other liabilities	**(11)**	(32)	**(25)**	(52)
	$ 106	$ 67	**$ 212**	$161

(in thousands of Canadian dollars, unless otherwise indicated)

10. Administrative expenses

Administrative expenses included the following:

	For the three months ended September 30		For the six months ended September 30	
	2016	**2015**	**2016**	**2015**
Workforce compensation and related expenses	**$ 4,497**	$ 4,737	**$ 9,215**	$ 9,336
Contract management services	**600**	812	**1,350**	1,625
Rent and related expenses	**436**	1,061	**880**	2,158
Travel and hospitality	**311**	380	**791**	852
Consultants	**264**	464	**560**	940
Software, hardware and support	**21**	17	**396**	401
Depreciation	**101**	995	**202**	1,140
Corporate communications	**29**	23	**37**	134
Other expenses	**171**	224	**365**	480
	$ 6,430	$ 8,713	**$ 13,796**	$ 17,066

11. Parliamentary appropriation

The appropriation authorized by the Parliament of Canada is included in the Statement of Comprehensive Income. For the three and six months ended September 30, 2016, the appropriation totalled $877 (September 30, 2015 - $2,220) and $1,755 (September 30, 2015 - $4,440) respectively.

12. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties, and as such the transactions approximate fair value.

13. Guarantees

As prime contractor, the Corporation is contractually obligated to complete contracts with foreign customers ensuring that the terms of the contract are fulfilled regardless of the quality of performance by the Canadian exporter. The Corporation also engages in the fulfilment of contractual obligations related to sourcing services for support of international assistance programs.

(in thousands of Canadian dollars, unless otherwise indicated)

The total prime and sourcing services contract portfolio value remaining to be fulfilled was as follows:

	September 30, 2016	March 31, 2016
< 1 year	**$ 1,266,408**	$ 861,011
> 1 and < 3 years	**9,688,167**	6,522,408
> 3 and < 5 years	**6,659,295**	9,244,089
> 5 years	**1,069,991**	1,695,523
Total contract portfolio	**$ 18,683,861**	$ 18,323,031

14. Comparative figures

Effective March 31, 2016, the Corporation changed the method of presentation of the Statement of Cash Flows from the direct method to the indirect method. Management concluded that the indirect method will result in more relevant and reliable information about the Corporation's cash flows and a more practical approach to derive and present cash flows from operating activities based on the nature of the Corporation's business activities and financial accounting system.

This resulted in a reclassification of balances and line item descriptions included within the cash flows from operating activities section of the Statement of Cash Flows. Certain comparative figures for 2015 have been reclassified to conform to the 2016 presentation. This change had no impact on the total amounts presented in the comparative figures for cash provided by (used in) operating activities or investing activities in the Statement of Cash Flows, and did not impact any other statements or note disclosures.