Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canadian Commercial Corporation

Quarterly Financial Report
(Unaudited)

For the three and six months period ended September 30, 2015

Overview

Canadian Commercial Corporation (CCC) was established in 1946 under the *Canadian Commercial Corporation Act*. The Act outlines CCC's broad mandate, which is to assist in the development of trade by helping Canadian exporter's access markets abroad and by helping foreign customers obtain goods from Canada. The legislation also provides the Corporation with a range of powers, including the ability to export goods from Canada either as principal or as agent in such a manner and to such an extent as it deems appropriate. As a result, CCC negotiates and executes bilateral government-to-government procurement arrangements, facilitating export transactions on behalf of Canadian exporters.

Nature of Business and Operating Environment

CCC delivers its government-to-government contracting services through two core lines of business: Global Defence and Security Sales (GDS), which includes administering the Canada – United States Defence Production Sharing Agreement (DPSA), and International Commercial Business sales (ICB).

World trade is expected to grow at a modest pace to about 5 percent annually over the next few years following years of recession and there is a global economic shift from developed to emerging countries. Most developed nations are expected to continue the trend to reduce their defence expenditures and seek to shift the terms of engagement towards limited interventions and burden-sharing through participation in alliances, conflict prevention and contracting out security. Emerging countries will move toward expanding their military capacities. Countries are expected to continue to purchase defence equipment in efforts to contain illegal activities and terrorism within their borders. Military spending in the U.S. is expected to have continued pressure to decrease given constrained budgets and the reduction of resources in Iraq and Afghanistan.

For the CCC, this shift is manifested in the decreasing volume of the DPSA related business in the U.S.; nevertheless, the Corporation plays an important role in promoting Canadian capabilities and increasing exports beyond the U.S. CCC works with its base of exporters in global defence and security markets to leverage Canadian and U.S. military and security related procurements that are export-ready in order to open new markets with allied nations. The GDS and ICB business line strategy that CCC has developed continues to prove its effectiveness through increased sales for Canadian exporters and a greater number of jobs for Canadians. These accomplishments are being achieved while managing the Corporation in a cost efficient manner.

Financial Highlights

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 2009-2010, a $2.2 billion multi-year contract was signed with the U.S. DoD Foreign Military Sales (FMS) organization for the supply of Light Armoured Vehicles (LAVs) manufactured by General Dynamics Land Systems Canada (GDLS). This contract signing was followed by the signing in late 2013-2014 of the historic multi-billion dollar Armoured Brigades Program (ABP) contract in the Middle East for the supply of LAVs and associated equipment, training and support services manufactured and provided by GDLS. This activity will result in progress payments to Canadian exporters and from foreign customers, commercial trading transactions, cost of commercial trading transactions and fees for service showing significant increases from last year to the current year.

For the six-month period ended September 30, 2015, the net result of operations was a surplus of $3.4 million, compared to a surplus of $4.6 million reported for the six-month period ended September 30, 2014. The decrease of $1.2 million was due to the phased in reduction of the appropriation in accordance with the corporate plan. The appropriation received for the six-month period ended September 30, 2015 was $3.4 million lower than received for the six-month period ended September 30, 2014. Otherwise, for the six-month period ended September 30, 2015 the increase in operating revenues of $5.3 million exceeded the increase in operating expenses of $3.1 million for a net surplus contribution of $2.2 million compared to the six-month period ended September 30, 2014.

A more detailed discussion of CCC's three-month and six-month period ended September 30, 2015 financial highlights follows:

Statement of Comprehensive Income Discussion

Summary results

	FOR THE THREE MONTHS ENDED				FOR THE SIX MONTHS ENDED		
	September 30 2015 ($ Millions)	**September 30 2014 ($ Millions)**	**% Increase (Decrease)**		**September 30 2015 ($ Millions)**	**September 30 2014 ($ Millions)**	**% Increase (Decrease)**
Revenues:							
Commercial trading transactions - prime contracts	**$ 688.2**	$ 639.1	8%		**$ 1,351.4**	$ 1,176.2	15%
Cost of commercial trading transactions - prime contracts	**(688.2)**	(639.1)	(8%)		**(1,351.4)**	(1,176.2)	(15%)
Fees for service	**7.7**	6.1	26%		**15.0**	10.5	43%
Other revenues	**0.5**	0.3	67%		**1.2**	0.4	200%
Total Revenues	**8.2**	6.4	28%		**16.2**	10.9	49%
Expenses:							
Administrative expenses	**8.7**	6.9	26%		**17.1**	14.1	21%
Contract remediation expenses	**0.1**	-	- %		**0.1**	-	- %
Total Expenses	**8.8**	6.9	28%		**17.2**	14.1	22%
Sourcing services transactions	**5.4**	17.4	(69%)		**14.8**	25.9	(43%)
Cost of sourcing services transactions	**(5.4)**	(17.4)	69%		**(14.8)**	(25.9)	43%
Parliamentary appropriation	**2.2**	3.9	(44%)		**4.4**	7.8	(44%)
Net results of operations	**$ 1.6**	$ 3.4	(53%)		**$ 3.4**	$ 4.6	(26%)

Revenues: General

Revenues consist of commercial trading transactions on prime contracts, fees for service, other income, net interest income, and gains (losses) on foreign exchange. 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.

After offsetting the cost of commercial trading transactions, total revenues were $16.2 million for the six-month period ended September 30, 2015 compared to $10.9 million for the six-month period ended September 30, 2014, an increase of $5.3 million or 49%.

After offsetting the cost of commercial trading transactions, total revenues were $8.2 million for the three-month period ended September 30, 2015 compared to $6.4 million for the three-month period ended September 30, 2014, an increase of $1.8 million or 28%.

Revenues: Commercial trading transactions

Commercial trading transactions measure the value of delivery of a good or service or progress work once a contract is signed and becomes effective. Commercial trading transactions were $1,351.4 million for the six-month period ended September 30, 2015, compared to $1,176.2 million for the six-month period ended September 30, 2014, an increase of $175.2 million or 15%. Commercial trading transactions were $688.2 million for the three-month period ended September 30, 2015, compared to $639.1 million for the three-month period ended September 30, 2014, an increase of $49.1 million or 8%.

Contributions to commercial trading transactions by the two programs within the GDS business line are as follows:

- DPSA commercial trading transactions of $284.6 million, representing 21% of the Corporation's total commercial trading transactions were $7.1 million or 3% higher compared to the six-month period ended September 30, 2014.

- Non-DPSA GDS commercial trading transactions of $918.6 million, representing 68% of the Corporation's total commercial trading transactions were $155.1 million or 20% higher compared to the six-month period ended September 30, 2014. The Corporation is beginning to benefit from the consistent and increasing number of non-DPSA GDS contracts that have been signed over the last several years that contribute a regular and increasing number of delivery transactions per year. Of the total non-DPSA GDS commercial trading transactions, $704.7 million or 77% more were recorded for deliveries and progress work related to the ABP contract.

ICB commercial trading transactions of $148.2 million, representing 11% of the Corporation's total commercial trading transactions were $13.0 million or 10% higher compared to the six-month period ended September 30, 2014. ICB commercial trading transactions were higher than the previous year due to the increased level of gross sales related to the Corporation's two lottery system management projects in Central America.

Revenues: Fees for service

For GDS and ICB business lines and services, the Corporation charges fees, 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.

Fees for service were $15.0 million for the six-month period ended September 30, 2015 compared to $10.5 million for the six-month period ended September 30, 2014, an increase of $4.5 million or 43%. Fees for service were $7.7 million for the three-month period ended September 30, 2015 compared to $6.1 million for the six-month period ended September 30, 2014, an increase of $1.6 million or 26%.

Contributions to fees for service by the two programs within the GDS business line are as follows:

- DPSA: CCC does not receive fees for service for the DPSA business and was previously funded for this business by an annual parliamentary appropriation. In accordance with the plan which started in 2014-2015, the Corporation's appropriation will be gradually phased out. Over the course of the five-year planning period, CCC will reduce the appropriation to $8.9 million in 2015-2016, $3.5 million in 2016-2017 and then nil from 2017-2018 going forward, reaching its planned objective of financial self-sufficiency.

- Non-DPSA GDS fees for service of $9.9 million, which account for 66% of the total fees for service, were $3.0 million or 43% higher compared to fees of $6.9 million for the six-month period ended September 30, 2014. The fee increase was commensurate with the increased level of non-DPSA GDS commercial trading transactions discussed previously. Of the $9.9 million total GDS fees, $5.5 million or 55% of the total GDS fees were earned based on the deliveries and progress work related to the ABP contract.

ICB fees for service of $2.8 million, which account for 18% of the total fees for service, were $1.0 million or 59% higher compared to fees of $1.7 million for the six-month period ended September 30, 2014. The increase in ICB fees compared to the six-month period ended September 30, 2014 was primarily the result of fees earned and recorded related to the commencement of a smart water meter project signed in Barbados.

Fees for service from sourcing and other Government of Canada priorities of $2.4 million, accounting for 16% of the total fees for service, were $546 thousand or 30% higher compared to fees of $1.8 million for the six-month period ended September 30, 2014. Of the $2.4 million, $1.4 million or 59% relate to the maintenance and administration of the trade development offices in China on behalf of the Department of Foreign Affairs, Trade and Development (DFATD). Another $592 thousand or 25% of fees earned were for services provided by CCC, specifically related to sourcing transactions which occur at the discretion of DFATD and the availability of budget funding to satisfy requirements of their programs. The remaining $375 thousand or 16%

is from a shared services arrangement with another crown corporation which generates economies of scale in providing a variety of corporate services to both organizations.

Revenues: Other

Other revenues include: (1) foreign exchange gains or losses due to the weakening or strengthening of the Canadian dollar compared to the U.S. dollar on exposed U.S. cash balances; (2) finance income earned on the Corporation's cash balances; and (3) other income comprised of fees earned for providing discounted early payment and payment wiring to Canadian exporters, and other miscellaneous amounts.

For the six-month period ended September 30, 2015, a foreign exchange gain of $744 thousand was reported compared to a foreign exchange gain of $64 thousand for the six-month period ended September 30, 2014. The overall foreign exchange gain of $744 thousand resulted from: (1) a gain of $464 thousand due to foreign exchange implications related to a long outstanding accounts receivable balance of approximately $15.0 million USD from the U.S. Department of Defence (U.S.DoD) under the DPSA which was paid in April 2015; and (2) a gain of $280 thousand from the weakening of Canadian dollar relative to the U.S. dollar (USD) from $0.7895 USD as at March 31, 2015 to $0.7493 USD as at September 30, 2015. For the three-month period ended September 30, 2015, a foreign exchange gain of $305 thousand was reported compared to a foreign exchange gain of $92 thousand for the three-month period ended September 30, 2014. The Corporation manages exchange gains and losses through monitoring and maintaining unhedged foreign currency balances at negligible levels.

For the six-month period ended September 30, 2015, finance income of $161 thousand was $32 thousand or 25% higher compared to the result of $129 thousand for the six-month period ended September 30, 2014. For the three-month period ended September 30, 2015, finance income of $67 thousand was $13 thousand or 16% lower compared to the result of $80 thousand for the three-month period ended September 30, 2014. Average Canadian cash balances were higher during the first six months of 2015-2016 as a result of the cash received and recorded as deferred revenue in July 2014 related to the ABP contract.

For the six-month period ended September 30, 2015, other income of $275 thousand was $52 thousand or 23% higher compared to the result of $223 thousand for the six-month period ended September 30, 2014. For the three-month period ended September 30, 2015, other income of $157 thousand was $57 thousand or 57% higher compared to the result of $100 thousand for the three-month period ended September 30, 2014. The increase is due to a rise for the requirement of discounted early payments under the DPSA.

Expenses

For the six-month period ended September 30, 2015, administrative expenses of $17.1 million were $3.0 million or 21% higher than the expenses for the six-month period ended September 30, 2014. For the three-month period ended September 30, 2015, administrative expenses of $8.7 million were $1.8 million or 26% higher than the expenses for the three-month period ended September 30, 2014. Administrative expenses are paid primarily in Canadian dollars and are not impacted by foreign exchange fluctuations. Administrative expenses include the following:

- Workforce compensation and related expenses of $9.3 million for the six-month period ended September 30, 2015 were $190 thousand or 2% higher than the expenses for the six-month period ended September 30, 2014 of $9.1 million. Workforce compensation and related expenses of $4.7 million for the three-month period ended September 30, 2015 were $39 thousand or 1% higher than the expenses for the three-month period ended September 30, 2014 of $4.7 million. Workforce compensation and related expenses accounts for approximately 55% of CCC's administrative expenditures.

- Public Works Government and Services Canada (PWGSC) is paid for certain core contract management services under the DPSA. In recent years, as part of an initiative 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 PWGSC. As a result, total PWGSC expenses of $1.6 million for the six-month period ended September 30, 2015 were $112 thousand or 6% lower than expenses of $1.7 million for the six-month period ended September 30, 2014. Total PWGSC expenses of $812 thousand for the three-month period ended September 30, 2015 were $57 thousand or 6% lower than expenses of $869 thousand for the three-month period ended September 30, 2014.

- Rent and related expenses of $2.2 million for the six-month period ended September 30, 2015 were $1.0 million or 92% higher than the expenses of $1.1 million for the six-month period ended September 30, 2014. Rent and related expenses of $1.1 million for the three-month period ended September 30, 2015 were $512 thousand or 93% higher than the expenses of $549 thousand for the three-month period ended September 30, 2014. The increase was primarily due to a one-time payment of $1.8 million (amortized over a 12 month period commencing October 1, 2014) as Management exercised its right, on September 26, 2014, to terminate the current lease agreement for office space effective September 30, 2015. In November 2014, the Corporation entered into a less expensive 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.

- Travel and hospitality expenses of $852 thousand for the six-month period ended September 30, 2015 were $51 thousand or 6% higher than the expenses of $801 thousand for the six-month period ended September 30, 2014. Travel and hospitality expenses of $380 thousand for the three-month period ended September 30, 2015 were $56 thousand or 17% higher than the expenses of $324 thousand for the three-month period ended September 30, 2014. Travel and hospitality expenses are incurred primarily for business development activity in support of Canadian exporters in pursuit of, and to secure, projects in Latin America, Africa, Pacific-Asia and the Middle East and the management of the projects once they are signed and effective.

- Consultant expenses of $940 thousand for the six-month period ended September 30, 2015 were $532 thousand or 130% higher than the expenses of $408 thousand for the six-month period ended September 30, 2014. Consultant expenses of $464 thousand for the three-month period ended September 30, 2015 were $317 thousand or 216% higher than the expenses of $147 thousand for the three-month period ended September 30, 2014. Consultant expenses are higher during the first six months of 2015-2016 due to several one-time corporate initiatives related to human resource management, business development and the move to the new office space location. Consultant expenses complement CCC's workforce and perform assignments requiring a specific expertise.

- The amortization of intangible assets and depreciation of property and equipment and leasehold improvement costs of $1.1 million for the six-month period ended September 30, 2015 were $1.0 million higher than expenses of $84 thousand for the six-month period ended September 30, 2014. The amortization of intangible assets and depreciation of property and equipment and leasehold improvement costs of $994 thousand for the three-month period ended September 30, 2015 were $952 thousand higher than expenses of $42 thousand for the three-month period ended September 30, 2014. The increase resulted from the accelerated amortization of the remaining net book value on existing leasehold improvements at the previous location over an abbreviated period of time which corresponds with the current lease termination date of September 30, 2015 and payment made in consideration for the contractual requirement to restore the premises at the previous location to its 2005 condition.

- Computer software, hardware and support costs of $401 thousand, over and above the information management personnel included in workforce compensation or consultants, for the six-month period ended September 30, 2015 were $84 thousand or 27% higher than the expenses of $317 thousand for the six-month period ended September 30, 2014. Computer software, hardware and support costs of $17 thousand, over and above the information management personnel included in workforce compensation or consultants, for the three-month period ended September 30, 2015 were $17 thousand or 100% higher than the three-month period ended September 30, 2014 in which no expenses were recorded.

- Other expenses of $615 thousand were $107 thousand or 21% higher for the six-month period ended September 30, 2015 compared to expenses of $508 thousand for the six-month period ended September 30, 2014. Other expenses of $248 thousand were $18 thousand or 8% higher for the three-month period ended September 30, 2015 compared to expenses of $230 thousand for the three-month period ended September 30, 2014. Other expenses were higher during the first three months of 2015-2016 due to one-time costs required establish CCC representation in South America. Other expenses include Corporate communication costs (e.g. marketing, advertising, and the design and printing of corporate promotional material), telecommunications, bank charges and other miscellaneous amounts.

For the six-month period ended September 30, 2015, the Corporation recorded $156 thousand in contract remediation expenses compared to $21 thousand for the six-month period ended September 30, 2014. For the three-month period ended September 30, 2015, the Corporation recorded $139 thousand in contract remediation expenses compared to $10 thousand for the three-month period ended September 30, 2014. The increase was due to a one-time payment made in September 2015 in-order to settle a long standing litigation case. Contract remediation expenses are recorded as actual amounts are incurred or can be determined. The Corporation has robust risk management practices, including the Enterprise Risk Management (ERM) framework and contract management practices, which contribute to containing these expenses.

Sourcing services for support of international government assistance programs

Sourcing Services for support of international assistance programs represent transactions whereby the Corporation acts as an agent on behalf of a domestic or foreign Government entity. In these engagements, CCC is not the prime contractor. All of the activity that is generated through DFATD under these terms is classified as this transaction type. This activity occurs at the discretion of DFATD and the availability of budget funding to satisfy requirements of their programs. In addition, there is one GDS project originally signed in 2007 that is classified under this transaction type. CCC entered into an agreement to act as agent to procure six wing kits and manage the replacement of the wings kits on six Norwegian aircraft on behalf of the Royal Norwegian Air Force. For the six-month period ended September 30, 2015, Sourcing Service transactions and the cost of Sourcing Service transactions of $14.8 million is $11.1 million or 43% lower than the $25.9 million recorded for the six-month period ended September 30, 2014. For the three-month period ended September 30, 2015, Sourcing Service transactions and the cost of Sourcing Service transactions of $5.4 million is $12.0 million or 69% lower than the $17.4 million recorded for the three-month period ended September 30, 2014. The decrease was due primarily to less delivery activity related to the Norwegian wing replacement at this time.

Parliamentary appropriation

The Corporation received a parliamentary appropriation of $4.4 million for the six-month period ended September 30, 2015, which was $3.4 million or 44% lower than the amount received for the six-month period ended September 30, 2014. The Corporation received a parliamentary appropriation of $2.2 million for the three-month period ended September 30, 2015, which was $1.7 million or 43% lower than the amount received for the three-month period ended September 30, 2014.

The Corporation's appropriation is being gradually phased out in accordance with the corporate plan which commenced in 2014-2015. Over the course of the five-year planning period, CCC will reduce the appropriation to $8.9 million in 2015-2016, $3.5 million in 2016-2017 and then nil from 2017-2018 and ongoing, reaching its planned objective of financial self-sufficiency.

Statement of Financial Position Discussion

Summary of financial position

	September 30 2015 ($ Millions)	March 31 2015 ($ Millions)	% Increase (Decrease)
Total assets	**$ 3,813.8**	$ 3,058.7	25%
Total liabilities	**$ 3,789.7**	$ 3,038.0	25%
Shareholder's equity	**$ 24.1**	$ 20.7	16%

CCC's total assets were $3,813.8 million as at September 30, 2015, $755.1 million, or 25%, higher than at March 31, 2015. The increase from March 31, 2015 was primarily due to a increase in the amount of progress payments to Canadian exporters of $672.1 million or 89% of the total increase in assets and a net increase of $83.0 million or 11% of the total increase in assets from all other assets.

CCC's total liabilities were $3,789.7 million as at September 30, 2015, $751.7 million, or 25%, higher than at March 31, 2015. The increase from March 31, 2015 was primarily due to a increase in the amount of progress payments from foreign customers of $672.1 million or 89% of the total increase in liabilities and a net increase of $79.6 million or 11% of the total increase in liabilities from all other liabilities.

As an international trade intermediary, CCC offsets its trade-related assets 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.

Trade receivables of $140.7 million were $26.7 million or 16% lower than the balance at March 31, 2015 and represents 4% of the total assets of $3,813.8 million. Trade payables and accrued liabilities of $160.5 million were $11.1 million or 6% lower than the balance at March 31, 2015 and represent 4% of the total liabilities of $3,789.7 million. The decrease in trade receivables and trade payables was the result of a greater number of accrual transactions to record delivery activity on projects for which cash had not been received from the foreign buyer nor paid to the Canadian exporter as at March 31, 2015 compared to September 30, 2015.

Progress payments to Canadian exporters of $2,311.0 million represent 61% of the total assets of $3,813.8 million, increased by $672.1 million or 41% compared to the balance at March 31, 2015. Progress payments from foreign customers of $2,311.0 million represent 61% of the total liabilities of $3,789.7 million, increased by $672.1 million or 41% compared to the balance at March 31, 2015. Of the total progress payments to Canadian exporters and from foreign customers, $2,150.6 million or 93% related to progress work associated with the ABP contract. The increase in progress payments to Canadian exporters and from foreign customers was due directly to the completion of a contractual milestone event for progress work related to the production of LAV's on the ABP contract.

Advances from foreign customers of $1,316.1 million that represent 35% of the total liabilities of $3,789.7 million, increased by $90.6 million or 7% compared to the balance at March 31, 2015. Advances to Canadian exporters of $1,291.3 million that represent 34% of the total assets of $3,813.8 million, increased by $104.0 million or 9% compared to the balance at March 31, 2015. Of the $1,316.1 million in advances from foreign customers and the $1,291.3 million in advances to Canadian exporters, $1,261.5 million or 96% and 98% respectively was related to the ABP contract. Another $31.0 million was related to projects in Barbados, Ghana, Norway and Peru. Of these advances from foreign customers, $27.1 million were passed on to Canadian exporters. The increase in advances from foreign customers and to Canadian exporters was due directly to the receipt of advances from the customer and payment to the Canadian exporter related to the ABP contract. Contractually, advances are not offered on the DPSA business. For all other business lines, 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.

As at September 30, 2015, CCC's equity, fully ascribed to the Government of Canada, was $24.1 million, an increase of $3.4 million from March 31, 2015. A discussion of commercial and operational risks follows in CCC's Commitment to Risk Management section.

Statement of Cash Flows Discussion

Summary of cash flows

	FOR THE THREE MONTHS ENDED				FOR THE SIX MONTHS ENDED		
	September 30 2015 ($ Millions)	**September 30 2014 ($ Millions)**	**% Increase (Decrease)**		**September 30 2015 ($ Millions)**	**September 30 2014 ($ Millions)**	**% Increase (Decrease)**
Operating activities	**$ (16.7)**	$ (21.1)	21%		**$ 6.1**	$ 1.1	455%
Investing activities	**$ (0.8)**	$ -	-		**$ (0.8)**	$ -	-
Effect of exchange rate change on cash and cash equivalents	**$ 0.3**	$ 0.1	200%		**$ 0.7**	$ 0.1	600%
Increase (decrease) in cash and cash equivalents	**$ (17.2)**	$ (21.0)	18%		**$ 6.0**	$ 1.2	400%

Operating activities

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 only 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, the actual execution of these transactions often cross reporting periods and can cause variations in cash flows from one period to the next. In this instance, 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.

For the six-month period ended September 30, 2015, $6.1 million in cash was provided by operating activities, as compared to $1.1 million provided by operating activities for the six-month period ended September 30, 2014, an increase of $5.0 million or 455% to cash. Details are as follows:

- Receipts from foreign customers include cash received for deliveries, progress payments and advances as stipulated under the foreign customer contract. Receipts from foreign customers were $1,483.5 million for the six-month period ended September 30, 2015, $1,721.3 million or 59% lower than the amount reported for the six-month period ended September 30, 2014. The decrease was due primarily to a $1,720.0 million difference between $2,574.5 million that was received from the foreign customer related to the ABP contract in order to commence progress work during the six-month period ended September 30, 2014 compared to $854.5 million that was received from the foreign customer related to the ABP contract in accordance with contractual requirements during the six-month period ended September 30, 2015.

- Payments to Canadian exporters include cash paid for deliveries, progress payments and advances as stipulated under the domestic contract. Payments to Canadian exporters were $1,481.4 million for the six-month period ended September 30, 2015, $1,725.2 million or 59% lower than the amount reported for the six-month period ended September 30, 2014. The decrease was due primarily to a $1,707.7 million difference between $2,554.2 million that was paid to the Canadian exporter related to the ABP contract in order to commence progress work during the six-month period ended September 30, 2014 compared to $846.5 million that was paid to the Canadian exporter related to the ABP contract in accordance with contractual requirements during the six-month period ended September 30, 2015.

- For the six-month period ended September 30, 2015 compared to the six-month period ended September 30, 2014, the decrease in receipts from foreign customers was less than the decrease in payments to Canadian exporters by $3.8 million therefore resulting in an overall increase of $3.8 million to cash from export transactions. In addition to the $3.8 million increase to cash from export transactions, an increase of $4.6 million to cash was provided by finance income, fees for service and other income received offset by an increase of $0.1 million due to cash used as administrative payments and a decrease to cash of $3.4 million as less parliamentary appropriation was drawn down for the six-month period ended September 30, 2015 compared to the six-month period ended September 30, 2014. The decrease in the appropriation is the result of the implementation of the directed phased in plan towards becoming self-sufficient as described under the Parliamentary Appropriation section.

For the three-month period ended September 30, 2015, $16.7 million in cash was used by operating activities, as compared to $21.1 million used by operating activities for the three-month period ended September 30, 2014, resulting in an increase of $4.4 million or 21% to cash. Details are as follows:

- Receipts from foreign customers include cash received for deliveries, progress payments and advances as stipulated under the foreign customer contract. Receipts from foreign customers were $1,132.5 million for the three-month period ended September 30, 2015, $1,781.0 million or 61% lower than the amount reported for the three-month period ended September 30, 2014. The decrease was due primarily to a $1,720.0 million difference between $2,574.5 million that was received from the foreign customer related to the ABP contract in order to commence progress work during the six-month period ended September 30, 2014 compared to $854.5 million that was received from the foreign customer related to the ABP contract in accordance with contractual requirements during the six-month period ended September 30, 2015.

- Payments to Canadian exporters include cash paid for deliveries, progress payments and advances as stipulated under the domestic contract. Payments to Canadian exporters were $1,151.7 million for the three-month period ended September 30, 2015, $1,784.5 million or 61% lower than the amount reported for the three-month period ended September 30, 2014. The decrease was due primarily to a $1,707.7 million difference between $2,554.2 million that was paid to the Canadian exporter related to the ABP contract in order to commence progress work during the six-month period ended September 30, 2014 compared to $846.5 million that was paid to the Canadian exporter related to the ABP contract in accordance with contractual requirements during the six-month period ended September 30, 2015.

- For the three-month period ended September 30, 2015 compared to the three-month period ended September 30, 2014, the decrease in receipts from foreign customers was less than the decrease in payments to Canadian exporters by $3.5 million therefore resulting in an overall increase of $3.5 million to cash from export transactions. In addition to the $3.5 million increase to cash from export transactions, an increase of $1.7 million to cash was provided by finance income, fees for service and other income received, and an increase of $0.9 million to cash due to lower administrative payments was offset by a decrease to cash of $1.7 million as less parliamentary appropriation was drawn down for the three-month period ended September 30, 2015 compared to the three-month period ended September 30. The decrease in the appropriation is the result of the implementation of the directed phased in plan towards becoming self-sufficient as described under the Parliamentary Appropriation section.

Investing activities

For the six-month period and three-month period ended September 30, 2015, the Corporation capitalized a $849 thousand payment made in consideration for the contractual requirement to restore the premises at the previous location to the 2005 condition, resulting in a decrease to cash of $849 thousand compared to the six-month period and three-month period ended September 30, 2014. The Corporation did not capitalize any amount related property, equipment or intangible assets during the six-month period and three-month period ended September 30, 2014.

Effect of exchange rate changes on cash and cash equivalents

As discussed previously, for the six-month period ended September 30, 2015, a foreign exchange gain of $744 thousand was reported compared to a gain of $64 thousand for the six-month period ended September 30, 2014. A gain of $464 thousand was realized due to foreign exchange implications related to a long outstanding accounts receivable balance of approximately $15.0M USD from the U.S.DoD under the DPSA which was paid in April 2015 and a gain of $280 thousand resulting from the weakening of Canadian dollar relative to the U.S. dollar (USD) from $0.7895 USD as at March 31, 2015 to $0.7493 USD as at September 30, 2015.

Comparison of Financial Results to the Budget contained in the 2015-2016 to 2019-2020 Corporate Plan

For the six-month period ended September 30, 2015, the net results of operations was a surplus of $3.4 million, $2.2 million or 176% higher than the budgeted surplus of $1.2 million.

For the six-month period ended September 30, 2015, total commercial trading transactions of $1,351.4 million were $1.9 million or less than 1% higher than budget of $1,349.5 million. Non-DPSA GDS and ICB commercial trading transactions combined to contribute a favourable variance of $73.4 million or 7% higher than budget offset by an unfavourable variance of $71.5 million or 20% lower than budget contributed by the DPSA commercial trading transactions.

Fees for service of $15.0 million were $1.5 million or 11% higher than the budget of $13.5 million. Fees for service are earned as contract work is delivered or completed. Fees generated from the ICB business line of $2.8 million were $1.4 million or 111% higher than budget of $1.3 million, resulting primarily from potash sales under the Cuba Contracting Program, that were originally scheduled to be delivered at the end of fiscal 2014-2015 but due to unforeseen delays were delivered early in fiscal 2015-2016. Fees earned on sourcing and other services of $2.4 million were $62 thousand higher than the budget of $2.3 million, as fees recovered for the maintenance and administration of the trade development offices in China on behalf DFATD during the six-month period ended September 30, 2015 were higher. For the six-month period ended September 30, 2015, fees generated from GDS business line of $9.9 million were on budget.

As discussed previously, for the six-month period ended September 30, 2015, the Corporation recorded a foreign exchange translation gain of $744 thousand, of which $464 thousand was realized on a long outstanding significant USD accounts receivable balance from the U.S. DoD under the DPSA which was paid in the six-month period ended September 30, 2015 with the remaining $280 thousand resulting from currency fluctuation on the Corporation's exposed foreign currency balances. Generally, the Corporation manages exchange gains and losses through monitoring and maintaining of its exposed foreign currency balances and does not budget for gains or losses on foreign exchange. The Corporation's exposed U.S. currency balance of $5.9 million represents less than 0.2% of its U.S. denominated assets.

For the six-month period ended September 30, 2015, the Corporation recorded $156 thousand in contract remediation expenses. As a result, contract remediation expenses contributed a favorable budget variance of $189 thousand.

For the six-month period ended September 30, 2015, administrative expenses of $17.1 million were $343 thousand or 2% higher than the budgeted amount of $16.7 million. Direct expenses of $10.3 million were $599 thousand or 5% below budget primarily the result of incremental expenses anticipated to manage the ABP contract that were not incurred as of September 30, 2015. Indirect expenses of $6.7 million were $942 thousand or 16% over budget which was the result of the one-time payment that was required in order to terminate the current lease for office space which is amortized for the six-month period ending September 30, 2015. The unfavourable variance is due to timing differences on the recording of the amortized leasehold improvements related to the Corporation's move to new the new location.

As explained previously, the Corporation received a parliamentary appropriation of $4.4 million for the six-month period ended September 30, 2015, consistent with the budget.

2015-2016 Forecast

The planning objectives and assumptions used to forecast the Operating Budget for 2015-2016 and in subsequent years are detailed and discussed in CCC's Corporate Plan 2015-2016 to 2019-2020.

CCC is forecasting an operating surplus of $4.0 million in 2015-2016. Net revenues (which exclude the Parliamentary appropriation) will increase to $27.6 million from $24.2 million in 2014-2015, an increase of $3.4 million or 14%.

The ABP contract will contribute approximately 32% of the overall $3.5 million increase in fees for service. Apart from the ABP contract, the GDS business line contributed signed contracts of $431.8 million in Latin America and Asia in 2014-2015. A large portion of these contracts will be delivered in 2015-2016, on which fees for service are earned and account for 26% of the increase. In addition, greater activity related to the Cuba Contracting Program under the ICB business line will contribute another 32% of the increase.

Other revenue sources which include finance income, accounts receivable discounting fees, foreign exchange gains (or losses) and other miscellaneous transactions, combined are forecast to be $1.3 million in 2015-2016, $92 thousand or 7% lower than in 2014-2015. The decrease is due to several miscellaneous amounts that were identified and taken into income during contract close-out activities conducted in 2014-2015.

As previously discussed, the Corporation's appropriation will be gradually phased out in accordance with the corporate plan. Over the course of the five-year planning period, CCC will reduce the appropriation to $8.9 million in 2015-2016, $3.5 million in 2016-2017 and then nil from 2017-2018 and ongoing, reaching its planned objective of financial self-sufficiency.

Administrative expenses are forecast to increase to $32.3 million in 2015-2016 from $30.0 million in 2014-2015, a net increase of $2.3 million or 8%. The following one-time or evolving initiatives contributed an increase of $2.7 million to the prior year administrative expenses: (1) $616 thousand are related to the increased cost in the effort and associated expenses required to contract manage the ABP contract; (2) $319 thousand are related to direct expenses for regional staff, rent of premises and other operational requirements to manage the additional offices in China on behalf of DFATD (the latter being fully offset and recoverable through DFATD); (3) one-time costs of approximately $1.2 million related to the negotiation of a new lease for office space which will contribute to future cost reduction goals; and (4) $539 thousand related to the establishment of foreign office representation commencing in mid-2015-2016 with the expectation that position vacancies will be fully staffed. Both the ABP and the establishment of additional representative offices in China on behalf of DFATD experienced implementation delays resulting in expense levels that are lower than anticipated in CCC's original 2014-2015 forecast. The $2.7 million increase contributed by the one-time or evolving initiatives, were offset by net savings of $392 thousand for cost efficiencies achieved throughout other areas of the organization.

In 2015-2016, contract remediation expenses are forecast at $200 thousand, $51 thousand higher than 2014-2015. The increase was due to a one-time payment made in September 2015 to settle a long standing litigation case Contract remediation expenses are recorded as actual amounts are incurred or can be determined.

CCC's Commitment to 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 2014-2015 Annual Report and 2015-2016 Corporate Plan Summary.

Most major ratings agencies have maintained an AAA rating for the Government of the United States. These ratings remain within the requirements of CCC's credit policy.

There are no significant changes, new risks or uncertainties identified during the six-month period ended September 30, 2015 as compared to those previously reported or discussed.

Management Representation

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	Tania Kingsberry
President and CEO	Acting Chief Financial Officer

Ottawa, Canada
November 10, 2015

Statement of Financial Position (Unaudited)

As at (in thousands of Canadian dollars)	September 30 2015	March 31 2015
Assets		
Current assets		
Cash and cash equivalents (note 4)	**$ 70,574**	$ 64,614
Trade receivables (notes 5 and 9)	**140,738**	167,393
Advances to Canadian exporters	**1,291,259**	1,187,284
Progress payments to Canadian exporters	**2,311,005**	1,638,897
	3,813,576	3,058,188
Non-current assets		
Property and equipment	**222**	513
	$ 3,813,798	$ 3,058,701
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (notes 5 and 9)	**$ 160,487**	$ 171,537
Advances from foreign customers	**1,316,105**	1,225,509
Progress payments from foreign customers	**2,311,005**	1,638,897
Employee benefits (note 6)	**221**	219
	3,787,818	3,036,162
Non-current liabilities		
Employee benefits (note 6)	**1,862**	1,838
	3,789,680	3,038,000
Shareholder's Equity		
Contributed surplus	**10,000**	10,000
Retained earnings	**14,118**	10,701
	24,118	20,701
	$ 3,813,798	$ 3,058,701

Guarantees (note 14)

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

Authorized for issue on November 10, 2015

Martin Zablocki
President and CEO

Tania Kingsberry
Acting Chief Financial Officer

Statement of Comprehensive Income (Unaudited)

(in thousands of Canadian dollars)	For the three months ended September 30 2015	2014	For the six months ended September 30 2015	2014
Revenues				
Commercial trading transactions - prime contracts (note 8)	**$ 688,214**	$ 639,073	**$ 1,351,438**	$ 1,176,207
Less: cost of commercial trading transactions - prime contracts	**(688,214)**	(639,073)	**(1,351,438)**	(1,176,207)
Fees for service (note 8)	**7,691**	6,059	**15,019**	10,471
Other income	**157**	100	**275**	223
Finance income, net (note 11)	**67**	80	**161**	129
Gain on foreign exchange	**305**	92	**744**	64
	8,220	6,331	**16,199**	10,887
Expenses				
Administrative expenses (note 10)	**8,713**	6,856	**17,066**	14,126
Contract remediation expenses	**139**	10	**156**	21
	8,852	6,866	**17,222**	14,147
Sourcing services for support of international government assistance programs				
Sourcing services transactions (note 8)	**5,373**	17,408	**14,804**	25,852
Less: cost of sourcing services transactions	**(5,373)**	(17,408)	**(14,804)**	(25,852)
	-	-	**-**	-
Net results of operations before Parliamentary appropriation	**(632)**	(535)	**(1,023)**	(3,260)
Parliamentary appropriation (note 12)	**2,220**	3,914	**4,440**	7,827
Net results of operations	**$ 1,588**	$ 3,379	**$ 3,417**	$ 4,567
Other comprehensive income (loss)				
Items that will not be reclassified to net results of operations				
Actuarial loss on employee benefits obligation	**-**	-	**-**	-
Total Comprehensive income	**$ 1,588**	$ 3,379	**$ 3,417**	$ 4,567

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, 2015 (in thousands of Canadian dollars)	**Contributed Surplus**	**Retained Earnings**	**Total**
Balance June 30, 2015	**$ 10,000**	**$ 12,530**	**$ 22,530**
Net results of operations	**-**	**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 results of operations	**-**	**3,417**	**3,417**
Balance September 30, 2015	**$ 10,000**	**$ 14,118**	**$ 24,118**

For the three and six months ended September 30, 2014 (in thousands of Canadian dollars)	**Contributed Surplus**	**Retained Earnings**	**Total**
Balance June 30, 2014	$ 10,000	$ 3,697	$ 13,697
Net results of operations	-	3,379	3,379
Balance September 30, 2014	$ 10,000	$ 7,076	$ 17,076
Balance March 31, 2014	$ 10,000	$ 2,509	$ 12,509
Net results of operations	-	4,567	4,567
Balance September 30, 2014	$ 10,000	$ 7,076	$ 17,076

Statement of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	For the three months ended September 30 2015	For the three months ended September 30 2014	For the six months ended September 30 2015	For the six months ended September 30 2014
Cash flows from operating activities				
Receipts from foreign customers	**$1,132,542**	$2,913,521	**$1,483,493**	$3,204,835
Finance income, net	**67**	80	**160**	129
Fees for service and other income received	**7,848**	6,159	**15,294**	10,694
Payments to Canadian exporters	**(1,151,672)**	(2,936,186)	**(1,481,420)**	(3,206,579)
Administrative payments	**(7,707)**	(8,597)	**(15,902)**	(15,775)
Parliamentary appropriation	**2,220**	3,914	**4,440**	7,827
Cash provided by (used in) operating activities	**(16,702)**	(21,109)	**6,065**	1,131
Cash flows from investing activities				
Acquisition of property and equipment	**(849)**	-	**(849)**	-
Cash used in investing activities	**(849)**	-	**(849)**	-
Effect of exchange rate changes on cash and cash equivalents	**305**	92	**744**	64
Increase (decrease) in cash and cash equivalents	**(17,246)**	(21,017)	**5,960**	1,195
Cash and cash equivalents at the beginning of period	**87,820**	111,750	**64,614**	89,538
Cash and cash equivalents at the end of period	**$ 70,574**	$ 90,733	**$ 70,574**	$ 90,733

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

Notes to Financial Statements

September 30, 2015

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 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 50 O'Connor Street, Ottawa, Ontario. The Corporation operates primarily in Canada with representation in Asia and the Caribbean.

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 a parliamentary appropriation, and fees for service.

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.

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, 2015. 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, 2015.

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 in the Statement of Financial Position:

- derivative financial instruments are measured at fair value
- 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 and the reported amounts of assets and liabilities and 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 notes:

Note 6 – employee benefits
Note 14 – guarantees

Functional and presentation currency

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

(in thousands of Canadian dollars, unless otherwise indicated)

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, 2015.

4. Cash and cash equivalents

Cash and cash equivalents included:

	September 30, 2015		**March 31, 2015**	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
Canadian dollars	**41,615**	**$ 41,615**	45,514	$ 45,514
U.S. dollars	**20,837**	**27,807**	14,859	18,821
Chinese renminbi	**3,252**	**685**	1,363	279
Euros	**312**	**467**	-	-
		$ 70,574		$ 64,614

The Corporation invests in short-term deposits in Canadian banks. At September 30, 2015, the average term to maturity of short-term deposits was one day (March 31, 2015 - one day) and the portfolio yield to maturity was 0.13% as at September 30, 2015 (March 31, 2015 - 0.10%).

Of the cash and cash equivalents, $32,981 (March 31, 2015 - $45,945) 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 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.

(in thousands of Canadian dollars, unless otherwise indicated)

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, 2015		**March 31, 2015**	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
U.S. dollars	**59,937**	**$ 79,987**	79,647	$ 100,881
Canadian dollars	**60,751**	**60,751**	66,395	66,395
Chinese renminbi	**-**	**-**	575	117
		$ 140,738		$ 167,393

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, 2015		**March 31, 2015**	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
U.S. dollars	**66,924**	**$ 89,359**	79,085	$ 100,130
Canadian dollars	**71,120**	**71,120**	71,337	71,337
Chinese renminbi	**41**	**8**	345	70
		$ 160,487		$ 171,537

Credit, market and liquidity risks relating to trade receivables and to trade payables and accrued liabilities are disclosed in Note 9.

6. Employee benefits

The Corporation provides non-vested sick leave benefits to its employees, as provided for under labour contracts and conditions of employment. Certain employees are entitled to severance benefits based on years of service and final salary. These benefit plans are unfunded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

(in thousands of Canadian dollars, unless otherwise indicated)

The sick leave and severance employee benefits have a current and non-current portion and are presented on the Statement of Financial Position as follows:

	September 30, 2015			**March 31, 2015**		
	Sick Leave	**Severance**	**Total Benefits**	**Sick Leave**	**Severance**	**Total Benefits**
Total employee benefits	**$ 1,409**	**$ 674**	**$ 2,083**	$ 1,384	$ 673	$ 2,057
Less: current portion	**(114)**	**(107)**	**(221)**	(112)	(107)	(219)
Non-current portion	**$ 1,295**	**$ 567**	**$ 1,862**	$ 1,272	$ 566	$ 1,838

The Corporation eliminated the accrual of its employee severance benefits upon resignation or retirement and consequently, employees no longer accrue severance benefits.

Information about the sick leave long-term benefit plan and severance post-employment defined benefit plan, as at March 31 is as follows:

	Sick leave benefits		**Severance benefits**	
	2015	**2014**	**2015**	**2014**
Accrued benefit obligation				
Balance at beginning of year	**$ 1,350**	$ 1,083	**$ 659**	$ 2,329
Current service cost	**138**	119	**11**	11
Interest cost	**59**	40	**22**	48
Benefits paid	**(111)**	(179)	**(118)**	(1,821)
Actuarial loss	**(52)**	288	**99**	92
Total accrued benefits at end of year	**$ 1,384**	$ 1,350	**$ 673**	$ 659
Economic assumptions				
Accrued benefit obligation as of March 31				
Discount rate	**3.24%**	4.34%	**2.49%**	3.76%
Rate of economic salary increase	**1.00%**	2.00%	**1.00%**	2.00%
Benefit costs for year ended March 31				
Discount rate	**4.34%**	3.76%	**3.76%**	3.40%
Rate of economic salary increase	**2.00%**	2.00%	**2.00%**	2.00%

Demographic assumptions including seniority and promotional salary increases, withdrawal rates, rates of retirement, pensionable disability, mortality and longevity improvement factors, taken from the actuarial report on the pension plan for the Public Service of Canada, are also considered in the actuarial valuation of accrued employee sick leave benefits. The underlying assumptions adopted in measuring the Corporation's sick leave and severance benefits are reviewed annually by management and have been consistently applied. Changes in these assumptions can have a significant impact on the related financial statement balances.

(in thousands of Canadian dollars, unless otherwise indicated)

Included in administrative expenses as workforce compensation and related expenses for the three months ended September 30, 2015 was a charge of $13 (September 30, 2014 – $50) and $25 for the six months ended September 30, 2015 (September 30, 2014 – $100), for sick leave benefitsfor sick leave benefits.

7. 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.

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, 2015	March 31, 2015
Contributed surplus	**$ 10,000**	$ 10,000
Retained earnings	**14,118**	10,701
	$ 24,118	$ 20,701

8. 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.

(in thousands of Canadian dollars, unless otherwise indicated)

The profile by geographic region is as follows:

For the three months ended September 30	**2015**			**2014**		
	Revenues*	**Sourcing services transactions**	**Total**	**Revenues***	**Sourcing services transactions**	**Total**
Asia	**$ 434,791**	**$ 2,675**	**$ 437,466**	$ 403,499	$ 379	$ 403,878
United States	**150,729**	**-**	**150,729**	147,848	-	147,848
Central America & Caribbean	**88,395**	**90**	**88,485**	66,924	-	66,924
South America	**20,996**	**-**	**20,996**	25,667	-	25,667
Europe	**137**	**2,367**	**2,504**	863	16,907	17,770
Canada	**507**	**103**	**610**	33	105	138
Africa	**2**	**138**	**140**	362	17	379
Other	**505**	**-**	**505**	37	-	37
	$ 696,062	**$ 5,373**	**$ 701,435**	$ 645,233	$ 17,408	$ 662,641

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

For the six months ended September 30	**2015**			**2014**		
	Revenues*	**Sourcing services transactions**	**Total**	**Revenues***	**Sourcing services transactions**	**Total**
Asia	**$ 856,161**	**$ 3,166**	**$ 859,327**	$ 722,654	$ 1,610	$ 724,264
United States	**284,837**	**-**	**284,837**	278,327	-	278,327
Central America & Caribbean	**176,560**	**90**	**176,650**	133,922	1,214	135,136
South America	**42,840**	**-**	**42,840**	50,258	-	50,258
Europe	**755**	**10,587**	**11,342**	927	20,118	21,045
Africa	**3,987**	**634**	**4,621**	49	2,080	2,129
Canada	**852**	**327**	**1,179**	702	830	1,532
Other	**740**	**-**	**740**	62	-	62
	$1,366,732	**$ 14,804**	**$1,381,536**	$1,186,901	$ 25,852	$1,212,753

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

Revenues for the three months ended September 30, 2015 include $380,222 (September 30, 2014 – $392,315), $710,482 for the six months ended September 30, 2015 (September 30, 2014 – $711,045) of accrued unbilled revenues. Value of contracts signed is distinct from revenues. During the six months ended September 30, 2015, the value of contracts and amendments which were signed and became effective amounted to $512.7 million (September 30, 2014 - $709.6 million).

9. Risk management and financial instruments

The Corporation is exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments. The Board of Directors has responsibility for the oversight of the Corporation's risk management framework and the review, approval and monitoring the Corporation's risk management policies including the development of an Enterprise Risk Management program which involves establishing corporate risk tolerance, identifying and measuring the impact of various risks and developing risk management action plans to mitigate risks that exceed corporate risk tolerance.

The Audit Committee of the Board of Directors provides oversight of management's compliance with the Corporation's risk management policies and procedures, and periodically reviews the adequacy of the risk management framework in relation to the risk exposure of the Corporation. The Audit Committee is assisted in its oversight role by the Internal Audit function of the Corporation. Internal audits of the Corporation are performed as both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The following is a description of 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 cash equivalents and trade receivables from customers. The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk.

Cash and cash equivalents

The Corporation invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements. The Corporation's exposure to credit risk from investing cash and cash equivalents is minimized through compliance with the Corporation's Board of Directors approved investment policy which includes approved investment instruments and portfolio limits. The Corporation invests cash and cash equivalents in highly liquid temporary deposits with a Canadian chartered bank. Investments must maintain credit ratings at or above thresholds identified from at least two of the agencies listed below:

Moody's rating of P1
Standard and Poor's (S&P) rating of A1
Dominion Bond Rating Service (DBRS) rating of R1 (low)

(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, 2015, 40% (March 31, 2015 - 40%) 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, 2015	**March 31, 2015**
Central America and Caribbean	**$ 52,565**	$ 54,734
United States	**52,124**	59,366
Asia	**22,919**	34,122
South America	**8,364**	10,924
Canada	**3,389**	3,401
Europe	**1,365**	862
Africa	**12**	-
Other	**-**	3,984
	$ 140,738	$ 167,393

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, 2015	**March 31, 2015**
< 1 year	**$ 136,423**	$ 167,393
> 1 and < 3 years	**4,316**	-
	$ 140,738	$ 167,393

(in thousands of Canadian dollars, unless otherwise indicated)

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, 2015	March 31, 2015
< 30 days	**$ 1,779**	$ 567
> 30 days and < 180 days	**8,753**	19,857
> 180 days	**3,773**	2,330
	$ 14,305	$ 22,754

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

With respect to managing credit risk related to its outstanding contractual obligations, the Corporation has contractual recourse that consists, in all material respects, of corresponding contractual obligations against Canadian exporters in the same amount. In addition, in order to further mitigate its overall credit risk exposure, depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash held in trust with the Corporation.

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:

	Setember 30, 2015	March 31, 2015
Holdbacks	**$ 8,134**	$ 7,720
Bank guarantees	**$ 35,478**	$ 33,730
Surety bonds	**$ 27,604**	$ 104,798
Parent guarantees	**$ 18,048,271**	$ 17,172,356
Other	**$ 3,305**	$ 4,570

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 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.

i) Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To address foreign exchange risks, contracts with foreign customers and corresponding contracts with Canadian exporters are generally transacted in the same currency. In some cases where payment between parties is made in a different currency the Corporation may enter into forward contracts. The Corporation uses these strategies to effectively transfer the currency risk to the Canadian exporter resulting in minimal net exposure.

ii) 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 and cash equivalents. The risks associated with fluctuations in interest rates are minimized by investing in highly liquid temporary deposits with a Canadian 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 financing contracts, included in trade payables and accrued liabilities, the Corporation owed $43,573 as at September 30, 2015 (March 31, 2015 - $51,962) which bears interest at the cost of funds plus 0.25% (March 31, 2015 – 0.25%).

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 related to cash and cash equivalents is minimized through compliance with the Corporation’s investment policy whereby cash and cash equivalents are invested in highly liquid temporary deposits with a Canadian chartered bank.

With respect to outstanding contractual obligations to foreign customers, the Corporation has contractual recourse that consists of, in all material respects, back to back contractual obligations against Canadian exporters in the same amount. Under contract terms, payments to exporters usually are not made in advance of receipt of payment from foreign customers. In addition, in order to further mitigate its overall liquidity risk exposure, depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens and shareholder cash held in trust with the Corporation.

(in thousands of Canadian dollars, unless otherwise indicated)

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, 2015 – $20.0 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, 2015, there were no draws on this line of credit (March 31, 2015 – nil).

In addition, the Corporation enters into credit arrangements up to a maximum of $70.0 million as at September 30, 2015 (March 31, 2015 – $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 an expense of $178 during the three months ended September 30, 2015 (September 30, 2014 – $765) and expense of $616 for the six months ended September 30, 2015 (September 30, 2014 – $1,049) related to the Cuba contracting program.

Trade payables and accrued liabilities

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

	September 30, 2015	**March 31, 2015**
< 1 year	**$ 160,487**	$ 171,537
	$ 160,487	$ 171,537

(in thousands of Canadian dollars, unless otherwise indicated)

Under a specific series of financing contracts, related to the Cuba contracting program included in trade payables and accrued liabilities the Corporation owed $43,573 as at September 30, 2015 (March 31, 2015 – $51,962) which bears interest at the cost of funds plus 0.25% (March 31, 2015 - 0.25%) and the Corporation has offered as security certain foreign trade receivables under certain conditions. The amount of outstanding trade receivables fully insured by a related Crown corporation under these arrangements was $43,575 as at September 30, 2015 (March 31, 2015 – $52,733) and was profiled as follows:

	September 30, 2015	March 31, 2015
< 1 year	**$ 39,259**	$ 52,733
> 1 and < 3 years	**4,316**	-
	$ 43,575	$ 52,733

No onerous contracts have been identified as at September 30, 2015 and March 31, 2015.

10. Administrative expenses

Administrative expenses included the following:

	For the three months ended September 30		For the six months ended September 30	
	2015	**2014**	**2015**	**2014**
Workforce compensation and related expenses	**$ 4,737**	$ 4,698	**$ 9,336**	$ 9,146
Rent and related expenses	**1,061**	549	**2,158**	1,125
Contract management services	**812**	869	**1,625**	1,737
Amortization and depreciation	**994**	42	**1,139**	84
Consultants	**464**	147	**940**	408
Travel and hospitality	**380**	324	**852**	801
Software, hardware and support	**17**	(3)	**401**	317
Corporate communications	**23**	47	**134**	178
Other expenses	**225**	183	**481**	330
	$ 8,713	$ 6,856	**$ 17,066**	$ 14,126

(in thousands of Canadian dollars, unless otherwise indicated)

11. 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	
	2015	**2014**	**2015**	**2014**
Financial assets				
- Finance income earned on cash and cash equivalents	**$ 99**	$ 101	**$ 213**	$ 175
Financial liabilities				
- Finance cost on payables and other liabilities	**(32)**	(21)	**(52)**	(46)
	$ 67	$ 80	**$ 161**	$ 129

12. Parliamentary appropriation

The appropriation authorized by the Parliament of Canada is included in the Statement of Comprehensive Income for the three months ended September 30, 2015 in the amount of $2,220 (September 30, 2014 - $3,914) and for the six months ended September 30, 2015 in the amount of $4,440 (September 30, 2014 - $7,827).

13. 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.

The amounts due from and to these parties included in trade receivables and trade payables and accrued liabilities respectively were as follows:

	September 30, 2015	March 31, 2015
Trade receivables	**$ 1,557**	$ 1,101
Trade payables	**$ 912**	$ 1,042

Individually significant transactions and transactions that are collectively significant are listed below.

(a) Public Works and Government Services Canada

Public Works and Government Services Canada provides contract management and other administrative services to the Corporation at negotiated rates which reflect fair value.

For the three months ended September 30, 2015, the cost of these services amounted to $812 (September 30, 2014 - $868) and $1,625 for the six months ended

(in thousands of Canadian dollars, unless otherwise indicated)

September 30, 2015 (September 30, 2014 - $1,737) and is included in administrative expenses.

(b) PPP Canada Inc.
The Corporation has a Memorandum of Understanding with PPP Canada Inc. for the provision of shared services primarily in the areas of information technology, human resource management, finance and procurement, legal services, research and communications, governance and facilities management. This arrangement generates savings through economies of scale for both organizations.

For the three months ended September 30, 2015, revenues related to the provision of these services amounted to $188 (September 30, 2014 - $188) and $375 for the six months ended September 30, 2015 (September 30, 2014 - $375) and are included in fees for service.

(c) Other Government of Canada departments, agencies and Crown corporations
Commercial trading transactions, fees for service, and sourcing services transactions, arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, and other international activities include the following transactions with related party entities:

	For the three months ended September 30		For the six months ended September 30	
	2015	**2014**	**2015**	**2014**
Department of Foreign Affairs, Trade and Development	**$ 3,601**	$ 1,346	**$ 5,402**	$ 7,175
	$ 3,601	$ 1,346	**$ 5,402**	$ 7,175

The Corporation also participates in employee interchange programs with the Department of Foreign Affairs, Trade and Development.

(d) Transactions with Canadian exporters solely or jointly governed by key management personnel
The Corporation may enter into supply contracts with Canadian exporters whose financial and operating policies are solely or jointly governed by key management personnel of the Corporation. The Corporation enters into transactions with these Canadian exporters 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.

	For the three months ended September 30		For the six months ended September 30	
	2015	**2014**	**2015**	**2014**
Weatherhaven Global Resources Ltd.	**$ 4,753**	$ -	**$ 4,753**	**$ -**
Blue Drop Performance Learning Inc.	**$ 37**	$ 37	**$ 37**	$ 37
	$ 4,790	$ 37	**$ 4,790**	$ 37

(in thousands of Canadian dollars, unless otherwise indicated)

The total contract portfolio value remaining to be fulfilled involving related Canadian exporters were as follows:

	September 30, 2014	March 31, 2015
Blue Drop Performance Learning Inc.	**$ 8,291**	$ 30
Weatherhaven Global Resources Ltd.	**$ -**	$ 7,608
	$ 8,291	$ 7,638

No amounts were due from and to these related Canadian exporters as at September 30, 2015 (March 31, 2015 – nil).

14. 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.

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

	September 30, 2015	March 31, 2015
< 1 year	**$ 901,653**	$ 922,284
> 1 and < 3 years	**4,468,485**	2,342,986
> 3 and < 5 years	**10,368,175**	9,699,879
> 5 years	**3,306,506**	5,296,627
Total contract portfolio	**$ 19,044,819**	$18,261,776