Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canadian Commercial Corporation

2021-2022 Second Quarter
Financial Report (Unaudited)

For the period ended
September 30, 2021

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PREPARATION AND DISCLOSURE

The following management's discussion and analysis ("MD&A") was prepared in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports and is not intended to be a full MD&A. It should be read in conjunction with the Corporation's Annual report and audited annual financial statements and accompanying notes for the year ended March 31, 2021. All amounts presented are in Canadian dollars unless otherwise specified.

This document contains projections and other forward-looking statements regarding future events. Such statements require management to make assumptions that are subject to risk and uncertainty. Consequently, actual results may differ materially from expectations expressed in forward-looking statements. These risks and uncertainties are discussed in the risk section following the financial analysis.

The financial statements have been prepared in accordance with International Financial Reporting standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as reference for Generally Accepted Accounting Principles ("GAAP"). In the following discussion, the Corporation also uses certain non-GAAP financial measures, such as the Value of Contracts Signed ("VCS") and Commercial Trading Transactions ("CTT"), to evaluate its performance. Non-GAAP measures are defined and qualified when presented.

Historically, large contracts have materially affected the Corporation's financial statements, causing significant variations in certain year-over-year amounts on the Statement of Financial Position and the Statement of Comprehensive Income (Loss). The most significant of these contracts is the multi-year, multi-billion-dollar Armoured Brigades Program ("ABP") contract. Due to the magnitude of this contract, the ABP has been presented separately in certain sections of the MD&A.

BUSINESS LINE REPORTING STRUCTURE

CCC has three business lines which engage the exporting capabilities of small, medium, and large Canadian companies from across diverse sectors of the economy. Through these business lines, the Corporation supports the pursuit of business deals in government procurement markets around the world. The Corporation delivers value through government-to-government ("G2G") contracting arrangements, where CCC enters into a prime contract with an international government buyer - guaranteeing delivery of goods and services - and enters into a domestic contract with a Canadian company to supply and fulfill the contractual terms and conditions. The Corporation conducts all performance oversight and financial administration of these arrangements and helps to mitigate the buyers' risk, thereby providing an added incentive to procure from Canada. The Corporation also assists Government of Canada departments and agencies to fulfill complex purchasing needs related to various international commitments and programs.

International Prime Contracting (IPC)

The Corporation's International Prime Contracting ("IPC") business line is a fee-based service involving the establishment of G2G contracts with foreign government buyers.

The Corporation works with Canadian exporters of all sizes, across a diversified number of Canadian industrial sectors and focuses its efforts in five priority sectors: Aerospace, Clean Technology ("Cleantech"), Construction & Infrastructure, Defence and Information and Communications Technology ("ICT"). These growth sectors reflect priority areas for foreign buyers and align with the Government of Canada's progressive trade and investment agenda. The goal of these business activities is to increase the number of exporters that CCC serves while also supporting a wide range of Government of Canada priorities**.** Canadian exporters are internationally recognized as leaders in Aerospace and have specialized Cleantech expertise in areas of public utilities, transportation, and water management systems. Construction and Infrastructure is focused on international projects in emerging and developing markets and Defence relates to the export of goods and services for global defence and security. ICT includes Concessions contracts which include the establishment of lotteries by a Canadian exporter on behalf of foreign governments to generate revenues used to help relieve poverty and support social programs abroad. The business activities from all other industries are classified as Other which includes the export of agricultural products.

Defence Production Sharing Agreement (DPSA)

CCC supports significant Canadian export activity under the Defence Production Sharing Agreement ("DPSA"). The DPSA is CCC's core public policy mandate, which enables Canadian exporters to compete for contracts as part of the U.S. Department of Defense ("DoD") domestic supply base. Enabling access in this manner provides Canadian exporters with business opportunities which drive exports and jobs in Canada, while generating economic benefits in both Canada and the U.S. CCC does not charge fees for services provided under the DPSA.

Sourcing

CCC assists Government of Canada departments and agencies in efficiently and effectively fulfilling urgent and complex procurement needs. This involves sourcing goods and services to meet a variety of international commitments or programming needs. CCC charges a fee to cover its costs to manage these programs.

Additionally, on behalf of Global Affairs Canada ("GAC"), CCC manages 10 Canadian Trade Offices in China. These offices, located in China's rapidly developing second-tier cities, provide support to Canadian companies as they seek to enter the Chinese market, while also providing a cost-effective trade representation solution for GAC. CCC recovers all of its costs from this program and charges a fee to GAC for its services.

Small and medium sized enterprises (SMEs)

Small-and-medium-enterprises ("SMEs") from across Canadian industrial sectors are an important part of CCC's IPC, DPSA, and Sourcing activities. CCC supports the development of trade between SME exporters and foreign government buyers by forging connections, lowering transactional risks and providing access to new and emerging international markets. Consistent with Global Affairs Canada, CCC defines SMEs as Canadian companies with less than 500 employees. Where appropriate, comparative SME figures have been reclassified to align with this definition.[1]

VALUE OF CONTRACTS SIGNED

VCS is a non-GAAP measure used by the Corporation that represents the value of contracts and amendments signed in a given period. It measures the total value of goods or services to be delivered over the entire duration of a contract and hence, represents the full contract value when the contract is signed.

The tables below present the VCS by business line for the three and six month periods ended September 30, 2021 and 2020.

	For the three months ended September 30,				For the six months ended September 30,					
									% of Total	
VCS by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change	**2021**	2020
IPC										
Core IPC	**$ 15,317**	$ 59,661	$ (44,344)	(74%)	**$ 22,579**	$ 54,125	$ (31,546)	(58%)	**4%**	9%
Concessions	**52,467**	36,234	16,233	45%	**112,698**	58,713	53,985	92%	**20%**	10%
DPSA	**242,605**	281,692	(39,087)	(14%)	**415,727**	455,248	(39,521)	(9%)	**75%**	79%
Sourcing	**263**	1,523	(1,260)	(83%)	**294**	8,955	(8,661)	(97%)	**<1%**	2%
Total	**$ 310,652**	$ 379,110	$ (68,458)	(18%)	**$ 551,298**	$ 577,041	$ (25,743)	(4%)	**100%**	100%

The above figures include VCS with SMEs as follows:

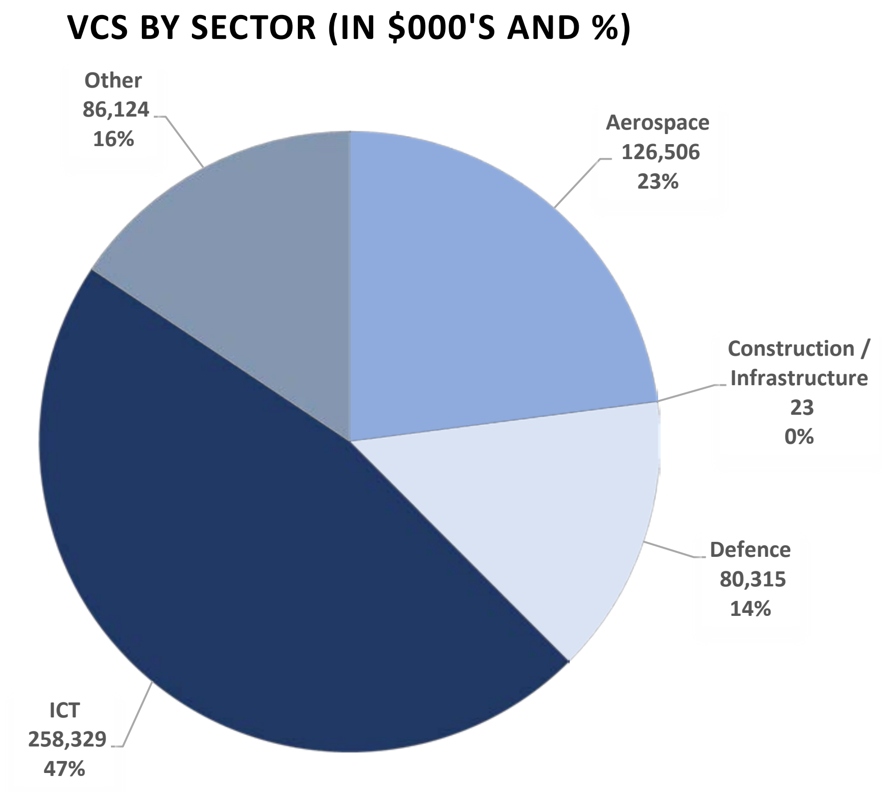
	For the three months ended September 30,				For the six months ended September 30,					
									% of Total	
SME VCS by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change	**2021**	2020
IPC										
Core IPC	**$ 14,902**	$ 59,575	$ (44,673)	(75%)	**$ 21,387**	$ 63,206	$ (41,819)	(66%)	**10%**	26%
DPSA	**51,590**	104,132	(52,542)	(50%)	**182,173**	169,260	12,913	8%	**89%**	71%
Sourcing	**263**	180	83	46%	**260**	7,612	(7,352)	(97%)	**<1%**	3%
Total	**$ 66,755**	$ 163,887	$ (97,132)	(59%)	**$ 203,820**	$ 240,078	$ (36,258)	(15%)	**100%**	100%

Total VCS decreased by $25.7 million or 4% compared to the prior year as a result of a combined decrease of $79.7 million across all of the Corporation's business lines except for Concessions where VCS increased by $54.0 million. Additionally, SME VCS decreased by $36.3 million which was the net result of a combined decrease in SME VCS of $49.2 million from Core IPC and Sourcing partially offset by an increase in SME VCS of $12.9 million from DPSA.

[1] Prior to fiscal year 2021-2022, SMEs were defined as Canadian companies with <500 employees, <$50 million in revenue, and with a SME parent (if applicable).

The sales cycle for international government contracting is often measured in years, and can be directly impacted by foreign political, economic and geo-political events beyond the control of CCC. This results in a business cycle that is difficult to predict accurately and repeat consistently.

The graph below presents the VCS by sector for the six months ended September 30, 2021.



- ICT VCS of $258.3 million were primarily from DPSA ($144.8 million) as well as the Concessions business line ($112.7 million).
- Aerospace VCS of $126.5 million were from DPSA.
- Defence VCS of $80.3 million were primarily from DPSA ($79.7 million)
- VCS of $86.1 million classified within the "Other" category were from DPSA ($64.7 million) as well as from Core IPC ($21.4 million) primarily related to business activities in support of the agricultural sector in Cuba ($12.1 million) and the sale of potash to Bangladesh ($9.0 million).

COMMERCIAL TRADING TRANSACTIONS

Commercial Trading Transactions ("CTT") is a non-GAAP measure used by the Corporation that represents the value of goods and services delivered under contract during the reporting period (i.e., an economic activity measure). Given the Corporation's status as an agent for reporting under International Financial Reporting Standards, CTT is not recognized as revenue. The Corporation continues to capture CTT data since this is a measure of the Corporation's impact on the Canadian economy.

The tables below reflect CTT by business line for the three and six month periods ended September 30, 2021 and 2020.

	For the three months ended September 30,				For the six months ended September 30,					
									% of Total	
CTT by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change	**2021**	2020
IPC										
Core IPC	**$ 23,775**	$ 38,655	$ (14,880)	(38%)	**$ 51,913**	$ 76,741	$ (24,828)	(32%)	**9%**	6%
Concessions	**52,467**	36,234	16,233	45%	**112,698**	58,713	53,985	92%	**20%**	5%
DPSA	**208,795**	208,804	(9)	(0%)	**404,439**	418,316	(13,877)	(3%)	**70%**	33%
Sourcing	**866**	9,071	(8,205)	(90%)	**8,761**	9,399	(638)	(7%)	**2%**	<1%
Total excluding ABP	**$ 285,903**	$ 292,764	$ (6,861)	(2%)	**$ 577,811**	$ 563,169	$ 14,642	3%	**100%**	45%
ABP	**-**	683,636	(683,636)	(100%)	**-**	695,641	(695,641)	(100%)	**0%**	55%
Total including ABP	**$ 285,903**	$ 976,400	$ (690,497)	(71%)	**$ 577,811**	$ 1,258,810	$ (680,999)	(54%)	**100%**	100%

The above figures include CTT with SMEs as follows:

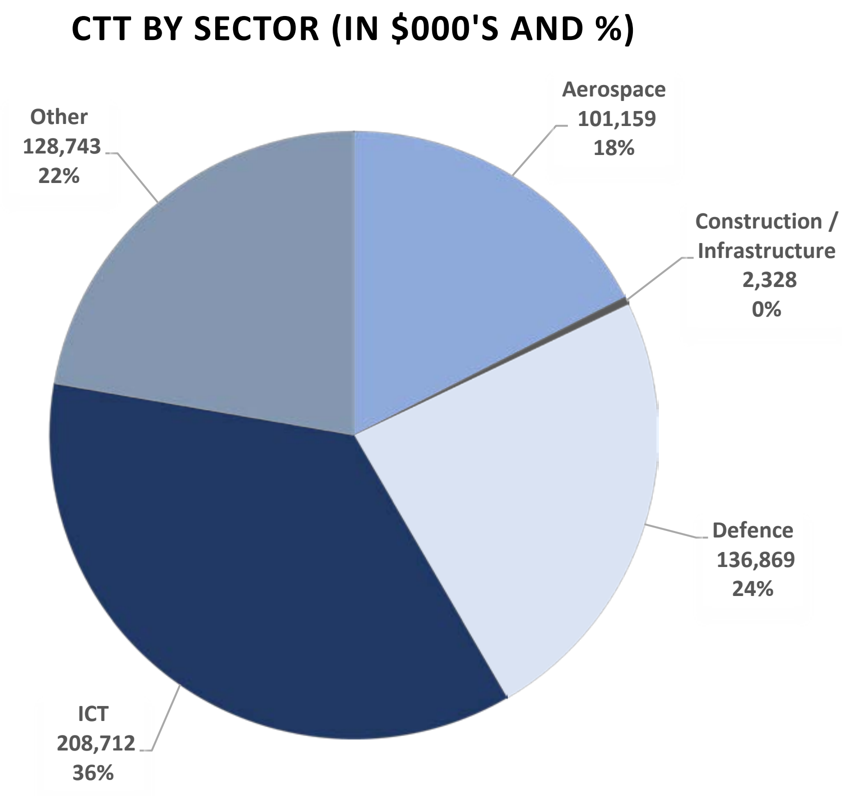
	For the three months ended September 30,				For the six months ended September 30,					
									% of Total	
SME CTT by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change	**2021**	2020
IPC										
Core IPC	**$ 21,171**	$ 20,080	$ 1,091	5%	**$ 46,411**	$ 24,656	$ 21,755	88%	**26%**	14%
DPSA	**45,481**	64,706	(19,225)	(30%)	**123,115**	139,618	(16,503)	(12%)	**70%**	82%
Sourcing	**640**	6,224	(5,584)	(90%)	**7,265**	6,518	747	11%	**4%**	4%
Total	**$ 67,292**	$ 91,010	$ (23,718)	(26%)	**$ 176,791**	$ 170,792	$ 5,999	4%	**100%**	100%

Total CTT decreased by $681.0 million or 54% compared to prior year. This was primarily due to a decrease in CTT of $695.6 million from the ABP program as well as a combined decrease in CTT of $39.4 million across all other business lines except for Concessions, which had an increase of $54.0 million compared to the same period in the prior year. CTT with SMEs increased by $6.0 million which was primarily attributable to an increase of $21.8 million from Core IPC and partially offset by a decrease in SME CTT from DPSA of $16.5 million.

CTT have variations when comparing year-over-year results, which is reflective of the timing of specific contract requirements and associated delivery schedules. Furthermore, CTT for fiscal 2021-2022 continues to be impacted by the Coronavirus 2019 (COVID-19) pandemic as some activities and deliveries were delayed due to disruptions in the supply chain and foreign buyers focusing on their domestic response to COVID-19.

Overall, CTT trends in a similar direction to VCS for contracts related to the DPSA and Concessions. This is due to the more regular and consistent year-over-year VCS results for these contracts. In contrast, given the irregular nature of international contracts, CTT in the Core IPC and Sourcing business lines will often trend in different directions than VCS signed in the same year.

The graph below presents the CTT by sector for the six months ended September 30, 2021.



- ICT CTT of $208.7 million were primarily from the Concessions business line ($112.7 million) as well as from DPSA ($93.7 million).
- Aerospace CTT of $101.2 million were from DPSA ($90.2 million) and from the Core IPC business line ($11.0 million) related to aircraft sales to Morocco.
- Defence CTT of $136.9 million were primarily from DPSA ($134.1 million).
- CTT classified within the "Other" sector of $128.7 million were from DPSA ($84.8 million) and the Core IPC business line ($35.4 million) primarily related to the sale of potash to Bangladesh ($28.4 million) and business activities in support of the agricultural and tourism sectors in Cuba ($6.9 million). Additionally, the "Other" sector also includes Sourcing CTT of $8.5 million primarily related to the provision of personal protective equipment to Ethiopia in response to COVID-19.

SUMMARY OF FINANCIAL RESULTS

A discussion of CCC's financial highlights for the three and six month periods ended September 30, 2021, follows.

The April 2021 budget release from the Government of Canada included annual funding of $13.0 million for CCC to cover the costs of delivering Canada's commitment under the DPSA commencing in fiscal year 2021-2022. The funding will assist CCC to maximize both the number of exporters served and economic value of transactions to Canada related to the DPSA.

Statement of Comprehensive Income discussion

	For the three months ended September 30,				For the six months ended September 30,			
Net profit (loss) ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change
Fees for service revenue	**$ 1,267**	$ 5,767	$ (4,500)	(78%)	**$ 2,609**	$ 7,353	$ (4,744)	(65%)
Finance and Other income	**73**	130	(57)	(44%)	**171**	246	(75)	(30%)
Government funding	**3,119**	-	3,119	100%	**6,122**	-	6,122	100%
Expenses	**6,072**	5,594	478	9%	**12,277**	11,809	468	4%
Gain (loss) on foreign exchange	**222**	(13)	235	>100%	**5**	(109)	114	>100%
Net profit (loss)	**$ (1,391)**	$ 290	$ (1,681)	<(100%)	**$ (3,370)**	$ (4,319)	$ 949	22%

For the six months ended September 30, 2021, the Corporation recorded a net loss of $3.4 million, an improvement of $949 thousand from the prior year net loss of $4.3 million. This favorable variance was primarily driven by the recognition of $6.1 million in funding from the Government of Canada which was offset by a decrease in Fees for service revenue of $4.7 million and an increase in expenses of $468 thousand compared to prior year levels.

Revenues

Fees for service by business line

	For the three months ended September 30,				For the six months ended September 30,					
									% of Total	
Fees for service by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change	**2021**	2020
IPC										
Core IPC	**526**	1,089	(563)	(52%)	**$ 1,115**	$ 2,005	$ (890)	(44%)	**43%**	27%
Concessions	**219**	179	40	22%	**449**	302	147	49%	**17%**	4%
Sourcing	**522**	605	(83)	(14%)	**1,045**	1,045	-	0%	**40%**	14%
Total excluding ABP	**$ 1,267**	$ 1,873	$ (606)	(32%)	**$ 2,609**	$ 3,352	$ (743)	(22%)	**100%**	46%
ABP	**-**	3,894	(3,894)	(100%)	**-**	4,001	(4,001)	(100%)	**0%**	54%
Total including ABP	**$ 1,267**	$ 5,767	$ (4,500)	(78%)	**$ 2,609**	$ 7,353	$ (4,744)	(65%)	**100%**	100%

The Corporation charges Fees for service on all contracts, except the DPSA. Fees are generally calculated as a percentage of the contract value. Fees are negotiated on a contract-by-contract basis, and, within an acceptable range, are generally reflective of a project's risk profile and competitive market conditions. Fees are recognized as revenue when the Corporation has completed its performance obligation pursuant to each contract and are generally commensurate with CTT.

For the six months ended September 30, 2021, total Fees for service of $2.6 million were $4.7 million lower compared to prior year. The period-over-period decrease was primarily driven by a decrease of $4.0 million in Fees for service from ABP in addition to a net decrease of $743 thousand across all business lines.

Expenses

Administrative expenses

Administrative expenses ($000's)	For the three months ended September 30 2021	2020	$ Change	% Change	For the six months ended September 30 2021	2020	$ Change	% Change	% of Total 2021	% of Total 2020
Workforce compensation and related expenses	**$ 4,376**	$ 3,805	$ 571	15%	**$ 8,794**	$ 8,395	$ 399	5%	**73%**	72%
Contract management services	**634**	639	(5)	>(1)%	**1,284**	1,279	5	<1%	**11%**	11%
Consultants	**299**	332	(33)	(10%)	**677**	431	246	57%	**6%**	4%
Rent and related expenses	**192**	206	(14)	(7%)	**450**	543	(93)	(17%)	**4%**	5%
Software, hardware and support	**198**	169	29	17%	**396**	387	9	2%	**3%**	3%
Depreciation	**143**	190	(47)	(25%)	**291**	376	(85)	(23%)	**2%**	3%
Communications	**50**	123	(73)	(59%)	**105**	146	(41)	(28%)	**<1%**	1%
Travel and hospitality	**34**	6	28	>100%	**35**	21	14	67%	**<1%**	<1%
Other expenses	**91**	72	19	26%	**141**	127	14	11%	**1%**	1%
Total	**$ 6,017**	$ 5,542	$ 475	9%	**$ 12,173**	$ 11,705	$ 468	4%	**100%**	100%

For the six months ended September 30, 2021, administrative expenses of $12.2 million were $468 thousand, or 4%, higher compared to prior year levels. The variance was primarily driven by an increase in workforce compensation and related expenses ($399 thousand) as vacant key positions from the same period in the prior year were filled and an increase in consultant expenses ($246 thousand) primarily attributable to fees for professional services incurred in relation to contract management of certain export projects. CCC continuously reviews and improves the alignment between the Corporation's resources and operational activities. Budgets are set with assumptions regarding capacity required to deliver the Corporation's forecasted contract activities and are managed with a view to controlling expenditures relative to revenues earned throughout the year. CCC continues to strengthen its culture of continuous improvement, implementing process changes to improve efficiencies and allow resources to be redistributed, resulting in an increase of overall capacity.

Statement of Financial Position discussion

Assets and liabilities include amounts received from a foreign buyer that have not yet been transferred to the Canadian exporter, or where the Corporation has made payments to Canadian exporters before collecting from foreign buyers.

Statement of Financial Position items such as Cash and cash equivalents, Accounts receivable and Accounts payable and accrued liabilities represent amounts at a specific point in time. These balances can fluctuate widely on a daily basis. Tens of millions of dollars can be received one day and paid the next day or vice versa.

It is notable that although the financial results are presented on an agent basis, CCC remains the primary obligor on its contracts with foreign buyers, and remains liable for contractual performance in accordance with contractual terms. As the prime contractor, the Corporation is contractually obligated to complete contracts with foreign buyers, ensuring that the terms of the contract are fulfilled regardless of performance by the Canadian exporter.

As at	September 30, 2021	March 31, 2021	$ Change	% Change
Total assets	**$ 85,083**	$ 79,204	$ 5,879	7%
Total liabilities	**66,362**	57,113	9,249	16%
Total equity	**18,721**	22,091	(3,370)	(15%)
Total liabilities and equity	**$ 85,083**	$ 79,204	$ 5,879	7%

As at September 30, 2021, total assets of $85.1 million increased by $5.9 million or 7% from the prior year end. This was primarily driven by an increase in cash and cash equivalents of $12.7 million which was partially offset by a decrease in accounts receivable of $7.1 million.

Total liabilities of $66.4 million increased by $9.2 million or 16% from the prior year end. This was primarily driven by increases in accounts payable and accrued liabilities of $10.9 million and deferred government funding of $6.9 million, which were partially offset by a decrease in advances of $8.1 million.

The similar increases in both total assets and liabilities reflect the nature of the contracts under management and the effect on balances due to the timing of receipts and payments.

The decrease in total equity was driven by the net loss of $3.4 million.

Statement of Cash Flows discussion

	For the six months ended September 30,	
Cash flows ($000's)	**2021**	2020
Operating activities	**$ 13,138**	$ (25,210)
Investing activities	**(53)**	(111)
Financing activities	**(211)**	(207)
Effect of exchange rate changes on cash and cash equivalents	**(156)**	(1,836)
Changes in cash and cash equivalents	**$ 12,718**	$ (27,364)

During the six months ended September 30, 2021, the Corporation's cash and cash equivalents increased by $12.7 million which was primarily driven by cash inflows from operating activities of $13.1 million and partially offset by cash outflows totaling $420 thousand from investing and financing activities as well as the unfavorable effect of changes in exchange rates. Cash inflows from operating activities were primarily a result of the favorable net change in working capital of $16.0 million which was partially offset by the net loss of $3.4 million.

Cash and cash equivalents represent a momentary view at a specific point in time. The Corporation's cash balances fluctuate widely on a daily basis because, at times, tens of millions of dollars can be received one day and paid out the next day or vice versa. It is notable that although cash flows reported reflect reporting as an agent, CCC also receives significant amounts from foreign buyers for payment to Canadian exporters as contractual performance obligations are fulfilled.

On contracts outside of the DPSA, the Corporation generally pays its Canadian exporters within five business days after CCC receives payment from the foreign buyer (i.e. pay when paid). Under the DPSA, the Corporation generally pays its Canadian exporters within thirty days of receipt of an invoice. The Corporation may use its own funds to pay Canadian exporters on or before the 30th day in instances where payment has not yet been received from the DPSA buyer. Depending on the timing differences between receipt and payment, these transactions can span across reporting periods and can cause variations in cash flows from one period to the next, with receivables being paid to the Corporation at the end of one period and payments being made to the Canadian exporter early in the next.

Comparison of financial results to budget

The financial results for the six months ended September 30, 2021 are compared to budget as follows:

Net loss ($000's) **For the six months ended September 30, 2021**	Actual	Budget	$ Change	% Change
Revenues				
Fees for service	**$ 2,609**	$ 4,251	$ (1,642)	(39%)
Other income	**77**	112	(35)	(31%)
Finance income	**94**	112	(18)	(16%)
	2,780	4,475	(1,695)	(38%)
Government funding	**6,122**	6,500	(378)	(6%)
Expenses				
Administrative expenses	**12,173**	13,522	(1,349)	(10%)
Finance costs	**104**	-	104	100%
Expenses	**12,277**	13,522	(1,245)	(9%)
Gain on foreign exchange	**5**	-	5	100%
Net loss	**$ (3,370)**	$ (2,547)	$ (823)	32%

The Corporation recorded a net loss of $3.4 million for the six month period ended September 30, 2021, an unfavorable variance of $823 thousand compared to the budgeted net loss of $2.5 million. This unfavorable variance was primarily due to lower than expected Fees for service revenue ($1.6 million) as well as lower than budgeted government funding recognized ($378 thousand) which were partially offset by lower than expected administrative expenses ($1.3 million). Government funding is recognized as revenue when the related DPSA administration costs, which are included in administrative expenses, are incurred.

The unfavorable variance in Fees for service revenue of $1.6 million is primarily attributable to lower than expected revenue recognized within the Corporation's IPC business line due to delays in the signing of a significant contract. The contract was initially expected to be signed in the second quarter of the fiscal year.

The favorable administrative expense variance of $1.3 million is due to: (1) lower workforce compensation expenses stemming from staff vacancies ($507 thousand); (2) cost management and containment in consulting and communications initiatives ($546 thousand); and (3) several other expenditures being lower than planned ($295 thousand). Expense budgets are set based on capacity requirement assumptions related to the Corporation's forecasted contract activity. Expenditures are managed in a prudent manner and are controlled to the extent possible relative to revenues earned throughout the year.

2021-22 CORPORATE PLAN OUTLOOK

CCC's 2021-22 to 2025-26 Corporate Plan was amended based on direction included in the July 2021 Statement of Priorities and Accountabilities (SPA) provided by the Minister of Small Business, Export Promotion and International Trade of Canada. The amended Corporate Plan was approved by the Corporation's Board of Directors in October 2021 and forwarded to the Minister.

For 2021-22, net revenues are forecasted to be lower than prior year. Revenues are forecasted to be lower due to less fee generating contracts signed in 2020-21 due to the impact of the COVID-19 pandemic, combined with lower Fees for service earned on active contracts that have extended delivery obligations to future years or are winding down to completion.

To offset the anticipated revenue shortfalls, Management is proactively reducing and controlling expenditures relative to forecasted revenues as required. Expenditures will be actively managed and continually evaluated during 2021-22.

In addition, the 2021 Federal Budget allocated $13.0 million in funding for fiscal year 2021-22 specifically for the administration costs related to the delivery of the DPSA.

CCC'S COMMITMENT TO RISK MANAGEMENT

CCC's Enterprise Risk Management ("ERM") Framework sets out an approach to manage a wide variety of risks while assisting the Corporation in fulfilling its mandate to facilitate international trade on behalf of Canadian exporters. The strategy for managing these risks is discussed in detail in the Corporation's 2020-21 Annual Report.

The impact of COVID-19 on CCC's business during the reporting period continues to be significant. Employees continue to work from home with secured connectivity and controls regarding CCC's information systems. The continuing COVID-19 pandemic has increased business environment risk as foreign buyers recalibrate their procurement needs. Furthermore, CCC's suppliers have also been impacted economically by COVID-19, thereby increasing CCC's supplier risk.

One other risk that CCC is closely monitoring is reputational risk. Performance issues with certain export projects may have an impact on CCC's reputation with foreign buyers. Management is working closely with the affected Canadian suppliers and foreign buyers to resolve the issues.

Two risks decreased from the previous quarterly report. New financial forecasts including the recently reinstated appropriation have led to lower financial risk. During the quarter, Management also determined that human resources risk had decreased due to staffing actions at both the senior executive and staff.

Management continues to align its environmental, social and governance (ESG) framework with that of the Government of Canada. As a part of CCC's commitment to responsible business conduct, collaboration with other Government stakeholders ensures that a robust, consistent approach and decision-making process is in place when assessing Canadian exporters on issues related to bribery and corruption as well as determining the risk of adverse human rights impacts in reference to a transaction.

Except for the changes mentioned above, there are no other significant changes, new risks or uncertainties identified during the period ended September 30, 2021, as compared to those previously reported or discussed.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, 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.

Bobby Kwon
President and Chief Executive Officer

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

Ottawa, Canada
November 15, 2021

(In thousands of Canadian dollars, unless otherwise indicated)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Statement of Financial Position (Unaudited)

As at	Notes	September 30, 2021	March 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	**$ 62,166**	$ 49,448
Accounts receivable	5 , 12	**16,706**	22,699
Other assets	6	**1,060**	567
		79,932	72,714
Non-current assets			
Accounts receivable	5 , 12	**34**	1,135
Property and equipment		**2,015**	2,098
Right-of-use assets		**3,102**	3,257
		5,151	6,490
Total assets		**$ 85,083**	$ 79,204
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7 , 12	**$ 37,714**	$ 26,847
Advances		**14,041**	22,140
Deferred revenue	8	**126**	405
Deferred government funding	9	**6,878**	-
Lease liabilities	10	**485**	446
Employee benefits		**1,194**	1,111
		60,438	50,949
Non-current liabilities			
Lease liabilities	10	**5,722**	5,972
Employee benefits		**202**	192
		5,924	6,164
Total liabilities		**66,362**	57,113
EQUITY			
Contributed capital		**10,000**	10,000
Retained earnings		**8,721**	12,091
Total equity		**18,721**	22,091
Total liabilities and equity		**$ 85,083**	$ 79,204
Contingencies	17		

The accompanying notes are an integral part of the financial statements.
Authorized for issue on November 15, 2021

Bobby Kwon
President and Chief Executive Officer

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

(In thousands of Canadian dollars, unless otherwise indicated)

Statement of Comprehensive Income (Loss)(Unaudited)

		For the three months ended September 30		For the six months ended September 30	
	Notes	**2021**	2020	**2021**	2020
REVENUES					
Fees for service	13	**$ 1,267**	$ 5,767	**$ 2,609**	$ 7,353
Other income	14	**28**	93	**77**	171
Finance income		**45**	37	**94**	75
		1,340	5,897	**2,780**	7,599
GOVERNMENT FUNDING					
Transfers from Government of Canada	9	**3,119**	-	**6,122**	-
		3,119	-	**6,122**	-
EXPENSES					
Administrative expenses	15	**6,017**	5,542	**12,173**	11,705
Finance costs	10	**55**	52	**104**	104
		6,072	5,594	**12,277**	11,809
Net income (loss) before gain (loss) on foreign exchange		**(1,613)**	303	**(3,375)**	(4,210)
Gain (loss) on foreign exchange		**222**	(13)	**5**	(109)
Net profit (loss)		**$ (1,391)**	$ 290	**$ (3,370)**	$ (4,319)
OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)					
Actuarial gain (loss) on employee benefits obligation		**-**	-	**-**	-
Total comprehensive income (loss)		**$ (1,391)**	$ 290	**$ (3,370)**	$ (4,319)

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

(In thousands of Canadian dollars, unless otherwise indicated)

Statement of Changes in Equity (Unaudited)

For the three and six months ended September 30, 2021	**Contributed Capital**	**Retained Earnings**	**Total**
BALANCE JUNE 30, 2021	**$ 10,000**	**$ 10,112**	**$ 20,112**
Net loss		**(1,391)**	**(1,391)**
BALANCE SEPTEMBER 30, 2021	**$ 10,000**	**$ 8,721**	**$ 18,721**
BALANCE MARCH 31, 2021	**$ 10,000**	**$ 12,091**	**$ 22,091**
Net loss		**(3,370)**	**(3,370)**
BALANCE SEPTEMBER 30, 2021	**$ 10,000**	**$ 8,721**	**$ 18,721**

For the three and six months ended September 30, 2020	**Contributed Capital**	**Retained Earnings**	**Total**
BALANCE JUNE 30, 2020	$ 10,000	$ 9,305	$ 19,305
Net profit		290	290
BALANCE SEPTEMBER 30, 2020	$ 10,000	$ 9,595	$ 19,595
BALANCE MARCH 31, 2020	$ 10,000	$ 13,914	$ 23,914
Net loss		(4,319)	(4,319)
BALANCE SEPTEMBER 30, 2020	$ 10,000	$ 9,595	$ 19,595

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

(In thousands of Canadian dollars, unless otherwise indicated)

Statement of Cash Flows (Unaudited)

	Notes	For the three months ended September 30 **2021**	2020	For the six months ended September 30 **2021**	2020
OPERATING ACTIVITIES					
Net profit (loss)		**$ (1,391)**	$ 290	**$ (3,370)**	$ (4,319)
Adjustments to determine net cash from (used in) operating activities:					
Depreciation property and equipment		**67**	111	**136**	219
Depreciation right-of-use assets		**76**	79	**155**	157
Employee benefit expense		**46**	46	**93**	92
(Gain) loss on foreign exchange		**(548)**	626	**156**	1,836
Change in working capital from:					
Accounts receivable	5 , 12	**3,715**	(5,046)	**7,094**	5,047
Other assets	6	**(57)**	340	**(493)**	(355)
Accounts payable and accrued liabilities	7 , 12	**23,362**	(14,707)	**10,867**	(18,991)
Holdbacks	17	**-**	-	**-**	(5,003)
Advances		**(5,369)**	(9,263)	**(8,099)**	(3,663)
Deferred revenue	8	**(139)**	(175)	**(279)**	(230)
Deferred government funding	9	**(3,119)**	-	**6,878**	-
Cash provided (used in) by operating activities		**16,643**	(27,699)	**13,138**	(25,210)
INVESTING ACTIVITIES					
Acquisitions of property and equipment		**(53)**	(56)	**(53)**	(111)
Cash used in investing activities		**(53)**	(56)	**(53)**	(111)
FINANCING ACTIVITIES					
Principal repayment of lease liabilities	10	**(107)**	(104)	**(211)**	(207)
Cash used in financing activities		**(107)**	(104)	**(211)**	(207)
Effect of exchange rate changes on cash and cash equivalents		**548**	(626)	**(156)**	(1,836)
Net increase (decrease) in cash and cash equivalents		**17,031**	(28,485)	**12,718**	(27,364)
Cash and cash equivalents at the beginning of the period		**45,135**	66,939	**49,448**	65,818
Cash and cash equivalents at the end of the period		**$ 62,166**	$ 38,454	**$ 62,166**	$ 38,454
Supplementary disclosure of cash flows from operating activities					
Amount of interest received		**$ 45**	$ 37	**$ 94**	$ 75
Amount of interest paid	10	**$ 55**	$ 52	**$ 104**	$ 104

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE, ORGANIZATION AND FUNDING

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* ("CCC Act"). The Corporation is wholly owned by the Government of Canada, is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act* ("FAA") and is accountable for its affairs to Parliament through the Minister of Small Business, Export Promotion and International Trade (The "Minister"). The Corporation is domiciled in Canada with a head office located at 350 Albert Street, Ottawa, Ontario. The Corporation operates in Canada.

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

The Corporation's operations are funded by Fees for service, supplemented by transfers from the Government of Canada which are to be used exclusively for the administration of the DPSA.

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 FAA, 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 and has remained compliant with the directive since then.

In July 2015, the Corporation was issued a directive (P.C. 2015-1110) pursuant to section 89 of the FAA 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 implemented the directive in August 2016 and has remained compliant with the directive since then.

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

2. BASIS OF PREPARATION

(a) Compliance with International Financial Reporting Standards (IFRS)

These condensed interim financial statements have been prepared in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports 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, 2021. 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, 2021.

(b) 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 and other long-term employee benefit plans are recognized at the present value of the defined benefit obligations.

(c) 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.

The Corporation's key sources of estimation uncertainty during the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are related to the measurement of expected credit loss for accounts receivable and unbilled revenue, the determination of the useful lives of property and equipment, the determination of employee benefit obligations, the determination of unsatisfied (or partially unsatisfied) performance obligations and the determination whether a contingent liability needs to be disclosed or a provision for contract remediation expenses or other contract related liabilities needs to be recognized.

The critical judgements that management has made in applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the financial statements are related to the determination of the amount and timing of revenue recognition and related expenses, the accounting for cost recovery transactions, the assessment whether there have been significant changes in credit risks impacting the expected credit loss for accounts receivable and unbilled revenue, the determination of right-of-use assets and lease liabilities and the determination of whether an item is recognized in the financial statements as a provision or disclosed as a contingent liability.

Impact of COVID-19

In addition to the significant estimates and the critical judgements mentioned previously, management has assessed the impact of the COVID-19 pandemic on the Corporation in the preparation of the financial statements based on available information without undue cost or effort and has not recognized any allowance for expected credit loss or provisions nor identified any contingent liabilities to disclose as a result of COVID-19 as at September 30, 2021. However, the increase in both the magnitude and duration of the pandemic may result in future changes in estimates that may affect the timing of future revenue recognition, the accounting and disclosure for provisions, contingent liabilities and allowance for expected credit losses. Further information on the impact of COVID-19 on the Corporation is disclosed in note 12(d).

(d) 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, 2021.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents balances include advances received from foreign buyers and others not yet paid to Canadian exporters and amounts held back from Canadian exporters to be remitted at later dates in accordance with the terms and conditions of contracts. Also, see note 12 for a description of the Corporation's revolving line of credit that is included in the balance of Cash.

(In thousands of Canadian dollars, unless otherwise indicated)

The components of cash and cash equivalents were as follows as at:

		September 30, 2021		March 31, 2021
Cash	**$**	**50,596**	$	30,297
Notice deposits		**10,561**		5,538
Short term investments		**1,009**		13,613
Cash and cash equivalents	**$**	**62,166**	$	49,448

Cash and cash equivalents had the following balances by currency as at:

	September 30, 2021			March 31, 2021		
	Original currency		**Canadian dollars**	Original currency		Canadian dollars
U.S. dollars	**24,191**	**$**	**30,870**	23,380	$	29,381
Canadian dollars	**30,733**		**30,733**	19,599		19,599
Chinese renminbi	**2,860**		**563**	2,440		468
		$	**62,166**		$	49,448

5. ACCOUNTS RECEIVABLE

Accounts receivable include amounts that are due to the Corporation for Fees for service invoiced and yet to be collected, amounts due from foreign buyers related to amounts already paid to Canadian exporters and other amounts primarily from Canadian government organizations. These amounts are based on normal international trade terms and are generally non-interest bearing.

The Corporation's accounts receivable consisted of the following as at:

		September 30, 2021		March 31, 2021
Accounts receivable	**$**	**16,824**	$	23,884
Accrued receivables		**62**		96
Allowance for expected credit loss		**(146)**		(146)
	$	**16,740**	$	23,834

QUARTERLY FINANCIAL REPORT (In thousands of Canadian dollars, unless otherwise indicated)

The accounts receivable are presented on the Statement of Financial Position as follows as at:

	September 30, 2021	March 31, 2021
Current	**$ 16,706**	$ 22,699
Non-current	**34**	1,135
	$ 16,740	$ 23,834

The currency profile of the Corporation's accounts receivable was as follows as at:

	September 30, 2021		March 31, 2021	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
U.S. dollars	**12,602**	**$ 16,081**	18,343	$ 23,051
Canadian dollars	**659**	**659**	783	783
		$ 16,740		$ 23,834

Credit and market risks related to accounts receivable are disclosed in note 12.

6. OTHER ASSETS

The Corporation's other assets included the following as at:

	September 30, 2021	March 31, 2021
Prepaid expenses	**$ 666**	$ 456
Unbilled revenues	**394**	111
	$ 1,060	$ 567

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due related to the Corporation's administrative and operating expenses, amounts due to Canadian exporters from amounts received from foreign buyers and other miscellaneous amounts due. These amounts are due on normal trade terms.

QUARTERLY FINANCIAL REPORT (In thousands of Canadian dollars, unless otherwise indicated)

The Corporation's accounts payable and accrued liabilities consisted of the following as at:

		September 30, 2021		March 31, 2021
Accounts payable	**$**	**35,123**	$	24,216
Accrued liabilities		**2,591**		2,631
	$	**37,714**	$	26,847

The currency profile of the Corporation's accounts payable and accrued liabilities was as follows as at:

	September 30, 2021			March 31, 2021		
	Original currency		**Canadian dollars**	Original currency		Canadian dollars
U.S. dollars	**27,242**	**$**	**34,764**	18,534	$	23,293
Canadian dollars	**2,920**		**2,920**	3,486		3,486
Chinese renminbi	**155**		**30**	354		68
		$	**37,714**		$	26,847

Market and liquidity risks related to accounts payable and accrued liabilities are disclosed in note 12.

8. DEFERRED REVENUE

The change in the Corporation's deferred revenue was as follows:

		September 30, 2021		March 31, 2021
Balance at the beginning of the year	**$**	**405**	$	547
Plus: additional deferred revenue, net of refunds		**-**		107
Less: amounts recognized as Fees for service or cost recovery		**(73)**		(285)
Impact of netting unbilled and deferred revenue from same contract		**(206)**		36
Balance at the end of the period	**$**	**126**	$	405

(In thousands of Canadian dollars, unless otherwise indicated)

9. DEFERRED GOVERNMENT FUNDING

In May 2021, the Corporation received $13.0 million from the Department of Finance Canada for the 2021-22 fiscal year. This funding is to be used exclusively for the costs of administration of the DPSA.

A reconciliation of the Corporation's deferred government funding is as follows:

		September 30, 2021
Balance at the beginning of the year	**$**	**-**
Plus: funding received from the Governement of Canada		**13,000**
Less: government funding revenue recognized		**(6,122)**
Balance at the end of the period	**$**	**6,878**

During the three and six month periods ended September 30, 2021, the Corporation recognized revenue of $3,119 and $6,122 respectively (for the three and six month periods ended September 30, 2020 — nil), received from the Government of Canada for the costs to administer the DPSA.

10. LEASE LIABILITIES

The Corporation's leasing activities relate to office space and office equipment.

In November 2014, the Corporation entered into a fifteen-year lease agreement for office space at the Corporation's current location. The lease payments commenced on December 1, 2016, and the lease expires at the end of November 2031 with an option to extend the term of the lease for an additional five years.

A reconciliation of the Corporation's lease liabilities is as follows:

		September 30, 2021		March 31, 2021
Balance at the beginning of the year	**$**	**6,418**	$	6,836
Interest expense		**98**		205
Lease payments		**(309)**		(623)
Balance at the end of the period	**$**	**6,207**	$	6,418

QUARTERLY FINANCIAL REPORT (In thousands of Canadian dollars, unless otherwise indicated)

The lease liabilities are presented on the Statement of Financial Position as follows as at:

	September 30, 2021	March 31, 2021
Current	**$ 485**	$ 446
Non-current	**5,722**	5,972
	$ 6,207	$ 6,418

Interest expense related to lease liabilities are included in finance cost. For the three and six month periods ended September 30, 2021, the Corporation's administrative expenses include $148 and $354 respectively ($208 and $416 for the three and six month periods ended September 30, 2020) of variable lease payments not included in the measurement of lease liabilities. For the three and six month periods ended September 30, 2021 and September 30, 2020, there were no significant expenses related to leases of low-value assets and short-term leases for which the recognition exemption has been applied.

11. CAPITAL MANAGEMENT

The Corporation's objective with respect to capital is to preserve and strengthen its capital base through prudent risk management. This objective and 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.

The Corporation defines capital as its contributed capital and retained earnings. The Corporation's contributed capital consists of the capital contributed by the Government of Canada. The capital allocation model used by the Corporation determines the capital required across three risk areas: operational risk, performance risk, and credit risk.

The Corporation is not subject to externally imposed capital requirements.

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 and 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 was as follows as at:

	September 30, 2021	March 31, 2021
Contributed capital	**$ 10,000**	$ 10,000
Retained earnings	**8,721**	12,091
	$ 18,721	$ 22,091

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As described in the Corporation's Annual Report and audited financial statements for the year ended March 31, 2021, the Corporation is exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments. The following section 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. The credit risk arises principally from the Corporation's cash and cash equivalents, accounts receivable and unbilled revenue which includes Fees for service due to the Corporation. 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 specifies approved investment instruments and portfolio limits. The Corporation invests cash and cash equivalents in highly liquid demand deposits and temporary investments 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)

Accounts receivable

The Corporation has credit risk related to accounts receivable which includes Fees for service revenue and other amounts owed to the Corporation. Other amounts include situations where the Corporation may agree to pay DPSA and non-DPSA invoices at the request of Canadian exporters prior to receiving funds from the US Department of Defence or other foreign buyers.

Since the DPSA foreign buyer is rated AAA by recognized rating agencies, the credit exposure is minimized to acceptable levels. For non-DPSA foreign buyers, the Corporation assesses the credit risk to ensure it is also within acceptable levels.

As at September 30, 2021, 54% (March 31, 2021 — 26%) of the Corporation's accounts receivable were from AAA credit rated counterparties.

QUARTERLY FINANCIAL REPORT (In thousands of Canadian dollars, unless otherwise indicated)

The Corporation measures a loss allowance on accounts receivable equal to the lifetime expected credit loss. The lifetime expected credit loss is estimated based on the Corporation's historical credit loss experience adjusted for factors specific to foreign buyers or other entities including credit risk rating, general economic conditions and an assessment of both the current and forecasted direction of conditions at the reporting date.

Since March 31, 2021, there has been no movement in lifetime expected credit loss recognized for accounts receivable in accordance with the simplified approach set out in *IFRS 9.* When applicable, changes in allowance for expected credit loss are included in the Other expenses' component of Administrative expenses.

As at September 30, 2021, the Corporation recognized a loss allowance for expected credit loss of $89 related to accounts receivable from foreign buyers and other entities arising from contracts with customers. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The maximum exposure to credit risk for accounts receivable by geographic region was as follows as at:

	September 30, 2021	March 31, 2021
United States	**$ 8,300**	$ 5,445
Asia *	**7,166**	17,019
Canada	**768**	772
Central America and Caribbean	**453**	554
South America	**53**	44
	$ 16,740	$ 23,834

* Includes Middle East

Accounts receivable are considered past due when the payer has failed to make the payment by the contractual due date. The ageing profile of the Corporation's past due accounts receivable was as follows as at:

	September 30, 2021	March 31, 2021
< 30 days	**$ 1,296**	$ 390
> 30 days and < 180 days	**7,295**	4,495
> 180 days	**500**	1,115
	$ 9,091	$ 6,000

Except for the amounts included in allowance for expected credit loss, all overdue accounts receivable are considered fully collectable as at September 30, 2021.

When applicable, accounts receivable from the ABP contract covered by payments expected to be received beyond 12 months after the reporting period are presented as long term. As at September 30, 2021, there were no long-term receivable related to the ABP contract. As at March 31, 2021, these receivables were categorized as level 2 in the fair value hierarchy and the Corporation had determined that their fair value approximated their carrying value using the income approach.

(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 interest rate risk or other price risk, however, as noted below, does have currency risk exposure. The Corporation has no significant derivatives or embedded derivatives that require recognition as an asset or liability on the Statement of Financial Position.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is exposed to foreign currency risk due to timing differences between the recognition of Fees for service revenue and actual cash receipt for certain contracts. As at September 30, 2021, the Corporation’s currency risk exposure is minimal.

(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 and cash equivalents are invested in highly liquid demand deposits and temporary investments with a Canadian financial institution in order to meet financial obligations on a timely basis.

A potential claim for damages for non-performance of outstanding contracts could create liquidity risk for the Corporation. To mitigate this risk, the Corporation has contractual recourse that consists of, in all material respects, back-to-back contractual obligations from Canadian exporters in an amount equal to the value of the contract. In addition, the Corporation receives an indemnity from the exporter against any additional costs incurred by entering into the back-to-back contractual relationship. In order to further mitigate its overall liquidity risk exposure from non-performance on contracts, the Corporation may supplement this recourse by requiring the Canadian exporter to provide commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash to be held in trust with the Corporation.

QUARTERLY FINANCIAL REPORT (In thousands of Canadian dollars, unless otherwise indicated)

As part of the normal course of business, management assesses the likelihood of any contingent liabilities. Contingent liabilities with respect to certain unresolved contract issues are disclosed in note 17(b).

Under contract terms, other than DPSA related contracts, payments to Canadian exporters are usually not made in advance of receipt of payment from foreign buyers, and therefore do not expose the Corporation to liquidity risk.

The CCC 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, 2021 — $40.0 million) Canadian or its U.S. dollar equivalent. The credit facility is used exclusively for the Corporation's working capital requirements to facilitate payments to Canadian exporters under the DPSA business line.

As per contractual terms in the DPSA business line, the Corporation commits to payments to Canadian exporters within thirty days on most contracts. For the International contracts, the Corporation commits to payments within two to five business days from receipt of payments from the foreign buyer. At times, collection of amounts from the foreign buyer on DPSA contracts can take more than thirty days. This can occasionally result in the Corporation using the credit facility in the normal course of operations. Indebtedness under this agreement is unsecured and this credit facility has an expiry date of December 31, 2021 subject to extension by the Minister of Finance or the approval of a corporate plan. As at September 30, 2021, the draw on this line of credit was nil (March 31, 2021 — nil).

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are due on normal trade terms. The maturity profile of the Corporation's accounts payable and accrued liabilities was as follows as at:

	September 30, 2021	March 31, 2021
< 1 year	**$ 37,714**	$ 26,847
	$ 37,714	$ 26,847

(In thousands of Canadian dollars, unless otherwise indicated)

(d) Risk associated to COVID-19

COVID-19 has impacted the following risks for the Corporation:

Business environment risk

Potential foreign buyers may adjust their procurement plans to focus on their domestic response to COVID-19 which could result in decreased demand for the Corporation's services and therefore, impacting its revenue generating potential. The Corporation monitors environmental changes resulting from COVID-19 to manage this risk and adapts processes as necessary. Additionally, the magnitude of the adverse economic impact of COVID-19 may differ from one country to another which may impact the credit risk associated to the Corporation's accounts receivable and unbilled revenue from its foreign buyers. To manage this risk, the Corporation closely monitors the aging of its accounts receivable and unbilled revenue and monitors the general economic conditions of its foreign buyers to determine whether there has been an increase in credit risk and whether any allowance for expected credit loss should be recognized. As at September 30, 2021, the Corporation's allowance for expected credit loss are not related to COVID-19.

Supplier performance risk

COVID-19 may impact exporters' capacity to meet their contractual obligations either through possible reduced sales volumes or impacted supply chains. Ultimately, some companies may fail during the pandemic. To manage this risk, the Corporation monitors the financial condition of its exporter portfolio and assesses whether any provision for contract remediation should be recognized or a contingent liability disclosed. As at September 30, 2021, the Corporation has not recognized any provisions nor identified any contingent liabilities to disclose as a result of COVID-19.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of Fees for service revenue

For the three and six month periods ended September 30, the sources of the Corporation's Fees for service revenue were as follows:

	For the three months ended September 30		For the six months ended September 30	
	2021	**2020**	**2021**	2020
International business	**$ 525**	$ 4,983	**$ 1,115**	$ 6,006
Lottery programs	**219**	179	**449**	302
	$ 744	$ 5,162	**$ 1,564**	$ 6,308
Government of Canada initiatives	**523**	605	**1,045**	1,045
	$ 1,267	$ 5,767	**$ 2,609**	$ 7,353

QUARTERLY FINANCIAL REPORT (In thousands of Canadian dollars, unless otherwise indicated)

(b) Unsatisfied (or partially unsatisfied) performance obligations

Unsatisfied, or partially unsatisfied, contractual performance obligations are mostly due to services which are yet to be provided by the Corporation over the remaining duration of the contract. The following table sets out the estimated transaction prices allocated to unsatisfied, or partially unsatisfied contracted performance obligations of the Corporation to be met in the future and the estimated timing of revenue recognition as at September 30, 2021. Actual amounts may differ from these estimates due to a variety of factors, including the unpredictable nature of customer behaviour, industry regulation and the economic and political environments in which the Corporation operates.

	September 30, 2021
< 1 year	$ 13,457
> 1 year	23,522
	$ 36,979

The above amounts do not include the variable consideration portions of the lottery programs as they cannot be reliably estimated.

14. OTHER INCOME

The Corporation earns other income from various sources which are typically not from international business activities. The table below illustrates the sources of other income for the three and six month periods ended September 30:

	For the three months ended September 30		For the six months ended September 30	
	2021	2020	2021	2020
Discounting income	$ 13	$ 76	$ 46	$ 137
Miscellaneous income	15	17	31	34
	$ 28	$ 93	$ 77	$ 171

(In thousands of Canadian dollars, unless otherwise indicated)

15. ADMINISTRATIVE EXPENSES

Administrative expenses for the three and six month periods ended September 30 are as follows:

	For the three months ended September 30		For the six months ended September 30	
	2021	2020	**2021**	2020
Workforce compensation and related expenses	**$ 4,376**	$ 3,805	**$ 8,794**	$ 8,395
Contract management services	**634**	639	**1,284**	1,279
Consultants	**299**	332	**677**	431
Rent and related expenses	**192**	206	**450**	543
Software, hardware and support	**198**	169	**396**	387
Depreciation	**143**	190	**291**	376
Communications	**50**	123	**105**	146
Travel and hospitality	**34**	6	**35**	21
Other expenses	**91**	72	**141**	127
	$ 6,017	$ 5,542	**$ 12,173**	$ 11,705

16. 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.

17. CONTINGENCIES

(a) Collateral

The value of outstanding deliverables to be performed by Canadian exporters for which the Corporation, on behalf of the Government of Canada, has guaranteed performance to foreign government buyers as at September 30, 2021 was $9.6 billion (March 31, 2021 — $9.4 billion).

To manage performance risk of outstanding deliverables, the Corporation has contractual recourse that consists, in all material respects, of corresponding deliverables from Canadian exporters in the same amount. The collateral pledged by Canadian exporters is to mitigate counterparty risk to the deliverables guaranteed by the Corporation in the event of non-performance claims against the Corporation for reasons related to the Canadian exporter failing to perform per the terms and conditions of contracts. In addition, to further mitigate the overall exposure to potential damage claims for non-performance, and depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring the Canadian exporter to provide 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.

Commercial securities that have been pledged to the Corporation as collateral by Canadian exporters in the unlikely event of their contractual non-performance were as follows as at:

	September 30, 2021	March 31, 2021
Parent guarantees	**$ 9,058,074**	$ 8,852,878

The above amounts approximate the fair values of collateral held.

(b) Other contingent liabilities

As part of the normal course of business, management assesses the likelihood of any contingent liabilities. As of September 30, 2021, the Corporation has certain unresolved contract issues that are being actively managed towards resolution. Except for the amounts included in allowance for expected credit loss (note 12(a)), any financial impact on the Corporation, including the potential for future contract remediation expenses, cannot be reasonably estimated at this time.