Canadian Commercial Corporation

2017-2018 Third Quarter Financial Report (Unaudited)

For the period ended December 31, 2017

Management's Discussion and Analysis

BASIS OF PREPARATION

This discussion and analysis was prepared in accordance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations and is not intended to be a full Management Discussion and Analysis.

The following discussion and analysis of the operating results and financial position of the Canadian Commercial Corporation for the quarter ending December 31, 2017 should be read in conjunction with the enclosed unaudited condensed interim financial statements as well as the Corporation's Annual Report for the year ended March 31, 2017.

The disclosures and information contained in the Canadian Commercial Corporation Annual Report for the year ended March 31, 2017 are also mostly applicable to the current quarter.

FINANCIAL HIGHLIGHTS

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

(1) International Commercial Business (ICB); and
(2) Global Defence and Security (GDS) which includes the administration of the Canada-US Defence Production Sharing Agreement (DPSA)

In addition to its core business line operations, CCC performs activities related to sourcing and other Government of Canada priorities. This includes the maintenance and administration, on behalf of Global Affairs Canada, of trade development offices in China, providing sourcing services to Government of Canada departments and a shared services arrangement with another crown corporation.

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

In late 2013-2014, the Armoured Brigades Program (ABP), a historic multi-billion dollar 14-year contract, was signed for the supply of light armored vehicles (LAVs) and associated equipment, training and support services. Because of the magnitude of this transaction, this activity could result in significant variations from period-to-period on certain accounts. The accounts impacted will most notably be receivables, payables, advances to Canadian exporters and from foreign customers, progress work by Canadian exporters and for foreign customers as well as revenue accounts.

A discussion of CCC's financial highlights for the three and nine-month periods ended December 31, 2017 follows:

STATEMENT OF COMPREHENSIVE INCOME DISCUSSION

Summary - Net profit (loss) (in millions of dollars)	FOR THE THREE MONTHS ENDED DECEMBER 31				FOR THE NINE MONTHS ENDED DECEMBER 31			
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)	
Revenues	$ 5.8	$ 8.6	$ (2.8)	(32%)	$ 18.2	$ 20.0	$ (1.8)	(9%)
Expenses	(7.9)	(7.2)	(0.7)	(10%)	(23.6)	(21.0)	(2.6)	(12%)
Parliamentary appropriation	-	0.8	(0.8)	(100%)	-	2.6	(2.6)	(100%)
Net profit (loss)	**$ (2.1)**	**$ 2.2**	**$ (4.3)**	**< (100%)**	**$ (5.4)**	**$ 1.6**	**$ (7.0)**	**< (100%)**

For the three and nine month periods ended December 31, 2017, the overall net loss was due to a combination of lower revenues paired with increased expenses for the period. The reduction in revenues for the periods is driven by a decrease in fees for services, which is discussed later in the report, offset by an increase in other income, derived from early payment discounts secured by the corporation, as well as higher net finance income. The remainder of the net loss is explained by higher expenses, discussed in the administration expense section of the report and the elimination of the parliamentary appropriation.

REVENUES

Revenues (in millions of dollars)	FOR THE THREE MONTHS ENDED DECEMBER 31				FOR THE NINE MONTHS ENDED DECEMBER 31				
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)		% of Total 2017
Commercial trading transactions									
- prime contracts	$ 642.6	$ 925.2	$ (282.6)	(31%)	$ 1,872.0	$ 2,118.6	$ (246.6)	(12%)	
Cost of commercial trading transactions									
- prime contracts	(642.6)	(925.2)	282.6	31%	(1,872.0)	(2,118.6)	246.6	12%	
Fees for service	5.4	8.3	(2.9)	(34%)	16.7	19.1	(2.4)	(12%)	91%
Other income	0.2	0.2	-	-	1.2	0.6	0.6	> 100%	7%
Finance income, net	0.2	0.1	0.1	50%	0.5	0.3	0.2	52%	3%
Loss on foreign exchange	-	-	-	-	(0.2)	-	(0.2)	< (100%)	(1%)
Total Revenues	**$ 5.8**	**$ 8.6**	**$ (2.8)**	**(32%)**	**$ 18.2**	**$ 20.0**	**$ (1.8)**	**(9%)**	**100%**

For the three and nine month periods ended December 31, 2017, after offsetting commercial trading transactions with the cost of commercial trading transactions, revenues were lower by $2.8 or 32% for the three month period and $1.8 or 9% for the nine month period compared to the previous year. The reduction in revenues is primarily attributable to lower fees for service, as discussed in the Fees for service section of the report and was partially offset by increases in other income and net finance income. The increase in other income was mainly derived from discounts for early payments.

Commercial trading transactions

Commercial Trading Transactions (CTT) (in millions of dollars)	FOR THE THREE MONTHS ENDED DECEMBER 31				FOR THE NINE MONTHS ENDED DECEMBER 31				
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)		% of Total 2017
GDS:									
DPSA	$ 202.7	$ 214.2	$ (11.5)	(5%)	$ 569.4	$ 513.9	$ 55.5	11%	30%
Non-DPSA GDS	348.9	619.9	(271.0)	(44%)	975.3	1,344.1	(368.8)	(27%)	53%
Total GDS	**$ 551.6**	**$ 834.1**	**$ (282.5)**	**(34%)**	**$ 1,544.7**	**$ 1,858.0**	**$ (313.3)**	**(17%)**	**83%**
ICB	**91.0**	**91.1**	**(0.1)**	**0%**	327.3	260.6	**66.7**	**26%**	**17%**
Total CTT	**$ 642.6**	**$ 925.2**	**$ (282.6)**	**(31%)**	**$ 1,872.0**	**$ 2,118.6**	**$ (246.6)**	**(12%)**	**100%**

Commercial trading transactions measure the value of goods or services delivered or progress work performed during the period. Since CCC acts as an international trade intermediary, revenues from commercial trading transactions on prime contracts are fully offset by the cost of commercial trading transactions on prime contracts.

For the three and nine month periods ended December 31, 2017, the respective decreases of $282.6 or 31% and $246.6 or 12% in commercial trading transactions are mostly attributable to changes in timing related to the execution and deliveries of the ABP contract, which is included in the non-DPSA GDS business line.

The decrease in the nine month period was partially offset by increased activity of $55.5 on various contracts in the DPSA business line and the beginning of construction on a large infrastructure project in Bermuda, included in the ICB Business line.

Fees for service

Fees for service (in millions of dollars)	FOR THE THREE MONTHS ENDED DECEMBER 31				FOR THE NINE MONTHS ENDED DECEMBER 31				
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)		% of Total 2017
GDS:									
Non-DPSA GDS	$ 3.1	$ 5.5	$ (2.4)	(43%)	$ 8.5	$ 11.7	$ (3.2)	(27%)	50%
Total GDS	**$ 3.1**	**$ 5.5**	**$ (2.4)**	**(43%)**	**$ 8.5**	**$ 11.7**	**$ (3.2)**	**(27%)**	**50%**
ICB	**1.2**	**1.2**	**-**	**-**	**4.6**	**3.5**	**1.1**	**31%**	**28%**
Sourcing services transactions and other	**1.1**	**1.6**	**(0.5)**	**(27%)**	**3.6**	**3.9**	**(0.3)**	**(7%)**	**22%**
Total Fees for service	**$ 5.4**	**$ 8.3**	**$ (2.9)**	**(34%)**	**$ 16.7**	**$ 19.1**	**$ (2.4)**	**(12%)**	**100%**

The Corporation charges fees for service on non-DPSA GDS, ICB business and other services, generally calculated as a percentage of the contract value. The rates for services provided, or fees for services are negotiated on a contract by contract basis. 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. Pursuant to the DPSA agreement, CCC does not charge fees for service on the DPSA program. In addition to fees for service recorded from the non-DPSA core operations business line, CCC earns fees related to sourcing services transactions and other initiatives of Government of Canada departments and agencies.

For the three and nine month periods ended December 31 2017, the respective reductions in fees of $2.9 or 34% and $2.4 or 12% are primarily attributable to changes in timing of deliveries and work performed on ABP contract in the Global Defence business line. The winding down of contracts to sell potash to Bangladesh and a smart water meter project in Barbados also resulted in the lower fees recorded in the period. These reductions in fees for service were partially offset by an airport rehabilitation and expansion project in Bermuda.

EXPENSES

Expenses (in millions of dollars)	FOR THE THREE MONTHS ENDED DECEMBER 31				FOR THE NINE MONTHS ENDED DECEMBER 31				
	2017	2016*	Increase (Decrease)		2017	2016*	Increase (Decrease)		% of Total 2017
Administrative expenses									
Workforce compensation and related expenses	$ 5.5	$ 5.0	$ 0.5	10%	$ 15.7	$ 14.2	$ 1.5	10%	67%
Contract management services	0.8	0.6	0.2	20%	2.2	2.0	0.2	7%	9%
Rent and related expenses	0.4	0.3	0.1	41%	1.3	1.2	0.1	13%	6%
Travel and hospitality	0.4	0.4	-	-	1.3	1.2	0.1	7%	6%
Consultants	0.3	0.4	(0.1)	(30%)	1.3	1.0	0.3	33%	5%
Software, hardware and support	0.1	0.1	-	-	0.6	0.5	0.1	20%	2%
Communications	0.2	0.2	-	-	0.5	0.3	0.2	99%	2%
Depreciation	0.1	0.1	-	-	0.3	0.3	-	-	1%
Other expenses	0.1	0.1	-	-	0.4	0.3	0.1	42%	2%
Total Administrative expenses	**$ 7.9**	**$ 7.2**	**$ 0.7**	**10%**	**$ 23.6**	**$ 21.0**	**$ 2.6**	**12%**	**100%**
Contract remediation expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**
Total Expenses	**$ 7.9**	**$ 7.2**	**$ 0.7**	**10%**	**$ 23.6**	**$ 21.0**	**$ 2.6**	**12%**	**100%**

* Some comparative figures have been reclassified to conform to current year's presentation.

Administrative expenses

For the three and nine month periods ended December 31 2017, expenses increased by $0.7 or 10% and $2.6 or 12% respectively. The increase in administrative expenses is primarily related to increases in workforce compensation from two new regional offices in Abu Dhabi and Bangkok, as well as the impact of increases related to collective agreements coming into effect in the current period.

Cumulative expenses increased primarily due to the cost of consultants hired to assist the corporation with the search and recruitment of skilled labour to fill vacancies. Communication and marketing efforts were also increased to deliver the strategic plan of the corporation supporting the diversification initiatives in a broader set of sectors and geographic regions.

Contract remediation expenses

Contract remediation expenses are recorded as actual amounts are incurred or can be reasonably estimated. For the three and nine month periods ended December 31, 2017, no contract remediation expenses were recorded. The result reflects the Corporation's robust contract management and Enterprise Risk Management (ERM) practices.

SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS

Sourcing services transactions (in millions of dollars)	**FOR THE THREE MONTHS ENDED DECEMBER 31**				**FOR THE NINE MONTHS ENDED DECEMBER 31**			
	2017	**2016**	**Increase (Decrease)**		**2017**	**2016**	**Increase (Decrease)**	
Sourcing services transactions	$ 5.4	$ 11.9	$ (6.5)	(54%)	$ 20.9	$ 25.6	$ (4.7)	(18%)
Cost of sourcing services transactions	(5.4)	(11.9)	6.5	54%	(20.9)	(25.6)	4.7	18%
	$ -	**$ -**	**$ -**	**-**	**$ -**	**$ -**	**$ -**	**-**

Sourcing services transactions are generally in support of international assistance programs, where the Corporation is not the prime contractor, but rather acts as an agent on behalf of Global Affairs Canada in accordance with a Memorandum of Understanding signed in 2007.

CCC also has sourcing services agreements with the National Research Council (NRC) and the Department of National Defence (DND) since 2016-17. For the three and nine month periods ended December 31, 2017, the decrease in activity of $6.5 or 54% and $4.7 or 18% respectively are mostly related to the completion of aerospace work for the Department of National Defence, partially offset by new international aid initiatives in the middle east on behalf of Global Affairs Canada.

PARLIAMENTARY APPROPRIATION

Parliamentary appropriation (in millions of dollars)	**FOR THE THREE MONTHS ENDED DECEMBER 31**				**FOR THE NINE MONTHS ENDED DECEMBER 31**			
	2017	**2016**	**Increase (Decrease)**		**2017**	**2016**	**Increase (Decrease)**	
Parliamentary appropriation	$ -	$ 0.8	$ (0.8)	(100%)	$ -	$ 2.6	$ (2.6)	(100%)
Total Parliamentary appropriation	**$ -**	**$ 0.8**	**$ (0.8)**	**(100%)**	**$ -**	**$ 2.6**	**$ (2.6)**	**(100%)**

In 2017-18, CCC no longer receives an appropriation. The Corporation's appropriation was phased out in accordance with the direction detailed in its 2014-2015 Corporate Plan.

STATEMENT OF FINANCIAL POSITION DISCUSSION

SUMMARY

Summary - Statement of financial position (in millions of dollars)	AS AT December 31, 2017	March 31, 2017	Increase (Decrease)	
Assets	**$ 6,680.9**	**$ 5,664.6**	**$ 1,016.3**	**18%**
Liabilities	**$ 6,657.4**	**$ 5,635.7**	**$ 1,021.7**	**18%**
Shareholder's equity:				
Contributed surplus	10.0	10.0	-	-
Retained earnings	13.5	18.9	(5.4)	(28%)
Total Shareholder's equity	**$ 23.5**	**$ 28.9**	**$ (5.4)**	**(19%)**

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

ASSETS

Assets (in millions of dollars)	AS AT December 31, 2017	March 31, 2017	Increase (Decrease)		% of Total
Cash	$ 41.7	$ 76.4	$ (34.7)	(45%)	1%
Trade Receivables	956.9	741.2	215.7	29%	14%
Advances to Canadian exporters	105.1	175.4	(70.3)	(40%)	2%
Progress work by Canadian exporters	5,574.0	4,668.2	905.8	19%	83%
Property and equipment	3.2	3.4	(0.2)	(7%)	0%
Total Assets	**$ 6,680.9**	**$ 5,664.6**	**$ 1,016.3**	**18%**	**100%**

The net increase in assets, when compared to March 31, 2017 is primarily related to the amount of progress work by Canadian exporters and trade receivables, partially offset by a decrease in advances to Canadian exporters and a decrease in cash balances. The net increase in assets is due mainly to an increase in progress work related to the ABP and, to a lesser extent the Bermuda smart meter contract, an aerospace project in Peru and several contracts under the DPSA line of business.

LIABILITIES

Liabilities (in millions of dollars)	AS AT December 31, 2017	March 31, 2017	Increase (Decrease)		% of Total
Trade payables and accrued liabilities	$ 949.7	$ 760.4	$ 189.3	25%	14%
Advances from foreign customers	128.0	201.3	(73.3)	(36%)	2%
Progress work for foreign customers	5,574.0	4,668.2	905.8	19%	84%
Deferred lease incentives	3.7	3.9	(0.2)	(5%)	0%
Employee benefits	2.0	1.9	0.1	3%	0%
Total Liabilities	**$ 6,657.4**	**$ 5,635.7**	**$ 1,021.7**	**18%**	**100%**

The net increase in liabilities when compared to March 31, 2017 was due to increases in the amount of progress work for foreign customers and trade payables and accrued liabilities partially offset by a decrease in advances from foreign customers. The net change to the liabilities is directly related to the change in assets discussed earlier, due to the back to back nature of CCC's business model.

SIGNIFICANT TRANSACTIONS IN ASSETS AND LIABILITIES

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

The increases in trade receivables and trade payables when compared to March 31, 2017 was due primarily to the recording of accrued receivable and payable transactions related to the ABP contract to reflect progress work to date.

Of the total progress work by Canadian exporters and for foreign customers, $5,397.2 or 97% was related to continued progress work on the ABP contract.

Of the advances from foreign customers and advances to Canadian exporters, over 70% can be attributed to 3 projects: ABP, an aerospace project in Peru and the construction of infrastructure in Ghana.

Of the $128.0 advances from foreign customers, $105.1 were passed on to Canadian exporters. Contractually, advances are not offered on DPSA contracts. For some non-DPSA contracts, CCC may hold back some advance payments made by foreign customers as a risk mitigation practice and release them to Canadian exporters as delivery obligations are fulfilled. This often results in period-over-period variations due to the timing of collection and payments.

STATEMENT OF CASH FLOWS DISCUSSION

Summary - Statement of cash flows (in millions of dollars)	FOR THE THREE MONTHS ENDED DECEMBER 31				FOR THE NINE MONTHS ENDED DECEMBER 31				
	2017	2016	Increase (Decrease)		2017	2016	Increase (Decrease)		% of Total 2017
Operating activities	$ 2.5	$ (3.0)	$ 5.5	> 100%	$ (34.0)	$ (13.2)	$ (20.8)	< (100%)	98%
Investing activities	-	(0.1)	0.1	100%	(0.1)	(0.1)	-	-	0%
Effect of exchange rate changes on cash	1.2	0.9	0.3	28%	(0.6)	1.3	(1.9)	< (100%)	2%
Net increase (decrease) in cash	**$ 3.7**	**$ (2.2)**	**$ 5.9**	**> 100%**	**$ (34.7)**	**$ (12.0)**	**$ (22.7)**	**< (100%)**	**100%**

Under the DPSA program, the Corporation generally pays its Canadian exporters within thirty 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 thirty days. On certain contracts (generally outside of the DPSA program), the Corporation pays its Canadian exporters within five business days after CCC receives payment from the foreign customer. Depending on the timing of receipts compared to payments, these transactions often cross reporting periods and can cause variations in cash flows from one period to the next. In these instances, cash is provided to the Corporation at the end of one period until the payment is made to the Canadian exporter, as stipulated in the contract, early in the next period.

The decrease in cash over the nine month period is primarily coming from operating activities combined with the effect of exchange rate fluctuations on cash. The decrease in cash from operating activities is primarily related to accelerated payments made by the corporation, to assist Canadian exporters, while taking advantage of early payment discounts. The receipts of cash from foreign buyers to cover these payments are expected to occur in the next reporting period.

COMPARISON OF FINANCIAL RESULTS TO THE 2017-2018 TO 2021-2022 CORPORATE PLAN

Statement of Comprehensive income (in millions of dollars)	FOR THE NINE MONTHS ENDED DECEMBER 31, 2017			
	Actual	Corporate Plan	Variance	% Variance
Revenues				
Commercial trading transactions				
- prime contracts	$ 1,872.0	$ 2,453.9	$ (581.9)	(24%)
Less: cost of commercial trading transactions				
- prime contracts	(1,872.0)	(2,453.9)	581.9	24%
Fees for service	16.9	22.8	(5.9)	(26%)
Other income	1.2	0.3	0.9	> 100%
Finance income, net	0.5	0.4	0.1	25%
Loss on foreign exchange	(0.2)	-	(0.2)	(100%)
	18.4	23.5	(5.1)	(22%)
Expenses				
Administrative expenses	23.8	24.4	(0.6)	(2%)
Contract remediation expenses	-	-	-	-
	23.8	24.4	(0.6)	(2%)
				-
Sourcing services for support of international government assistance programs				-
Sourcing services transactions	20.9	15.3	5.6	37%
Less: cost of sourcing services transactions	(20.9)	(15.3)	(5.6)	(37%)
	-	-	-	-
				-
Net loss before Parliamentary appropriation	(5.4)	(0.9)	(4.5)	< (100%)
Parliamentary appropriation	-	-	-	-
Net loss	**$ (5.4)**	**$ (0.9)**	**$ (4.5)**	**< (100%)**

The unfavorable variance of $4.5 in Net loss, compared to the Corporate Plan is due to a lower than budgeted level of fees for service earned for the period ended December 31 2017, partially offset by higher other income and by cost saving efficiencies in administrative expenses.

The $581.9 or 24% unfavorable variance related to commercial trading transactions was mostly due to a lower level of ABP progress work than originally planned of $438.0 and variances across all other business lines and programs of $143.9.

Fees for service are earned as contract work is delivered or completed and are largely commensurate with commercial trading transactions, leading to similar results. The $5.9 or 26% unfavorable variance was due primarily to ABP fees for service earned on the progress work that were $3.1 under budget, unfavorable variances of $1.4 in ICB and other GDS projects accounting for the remaining $1.4 balance.

The Corporation manages exchange gains and losses through monitoring and maintaining its foreign currency balances at an adequate level to extinguish liabilities in that currency and does not budget for gains or losses on foreign exchange. At December 31, 2017 the corporation held cash in Chinese renminbi (CNY) and United States Dollars (USD) in various bank accounts. The amount exposed to currency risk in Chinese renminbi was negligible, with $4.8 USD exposed to foreign currency risk representing 0.9 % of the corporation's assets at the end of the quarter.

Administrative expenses are paid primarily in Canadian dollars and, as such, are not impacted by foreign exchange fluctuations. The favorable variance of $0.6 related to administrative expenses resulted primarily from savings realized due to staff vacancies during the first half of the year.

2017-2018 CORPORATE PLAN FORECAST

Statement of comprehensive income	**FOR YEAR ENDED MARCH 31, 2018**			
(in millions of dollars)	**Forecast**	**Corporate Plan**	**Variance**	**% Variance**
Revenues	$ 24.8	$ 32.6	$ (7.8)	(24%)
Expenses	(31.9)	(32.6)	0.7	2%
Net profit (loss)	**$ (7.1)**	**$ (0.0)**	**$ (7.1)**	**> 100%**

The planning objectives and assumptions used to forecast the Operating Budget for 2017-2018 are detailed and discussed in CCC's Corporate Plan 2017-2018 to 2021-2022.

CCC is forecasting an operating deficit of $7.1 in 2017-2018 with net revenues of $24.8.

In 2017-2018, net revenues are expected to be lower than the corporate plan by $7.8 or 24%. The decrease is primarily attributable to lower fees for service recognized, related to lower than planned ABP progress work performed in 2017-18. This reduction is the reflection of timing changes to ABP delivery schedules, reducing fees for service in 2017-18, and increasing fees for service in future years.

Expenses are forecasted at $31.9 in 2017-2018 compared to $32.6 in the corporate plan, a decrease of $0.7 or 2%. The decrease comes from targeted cost containment measures and savings due to staff vacancies. In 2017-2018, no contract remediation expenses are forecasted, due to CCC's proven risk and contract management practices.

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 2016-2017 Annual Report and 2017-2018 Corporate Plan Summary.

During the period ended December 31, 2017, the sensitivity of CCC's financial forecasts to changes in assumptions related the timing of delivery schedules and fee generation on its key contracts was reflected.

Management also focused on continuing the alignment of its corporate social responsibility framework with that of the Government of Canada. Collaboration with other Government stakeholders ensures that a consistent approach and decision making process is in place when assessing Canadian exporters on issues related to bribery and corruption as well as buyer human rights records.

Cyber risk is also seen trending upward as the increased threat of cyber-attacks appear to be the new reality. Management has implemented numerous improvements to its information systems during the year to manage this risk.

Except for the changes mentioned above, there are no other significant changes, new risks or uncertainties identified during the three and nine month periods ended December 31, 2017 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 Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as Management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements. These quarterly financial statements have not been audited or reviewed by an external auditor.

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

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

Ottawa, Canada
February 8, 2018

Statement of Financial Position (Unaudited)

As at (in thousands of Canadian dollars)	December 31, 2017	March 31, 2017
ASSETS		
Current assets		
Cash (note 4)	**$ 41,666**	$ 76,430
Trade receivables (notes 5 and 7)	**956,904**	741,193
Advances to Canadian exporters (note 6)	**105,096**	175,367
Progress work by Canadian exporters (note 6)	**5,574,023**	4,668,186
	6,677,689	5,661,176
Non-current assets		
Property and equipment	**3,208**	3,432
	$ 6,680,897	$ 5,664,608
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities (notes 5 and 7)	**$ 949,657**	$ 760,346
Advances from foreign customers (note 6)	**128,017**	201,338
Progress work for foreign customers (note 6)	**5,574,023**	4,668,186
Employee benefits	**292**	292
	6,651,989	5,630,162
Non-current liabilities		
Deferred lease incentives	**3,687**	3,886
Employee benefits	**1,696**	1,646
	6,657,372	5,635,694
SHAREHOLDER'S EQUITY		
Contributed surplus	**10,000**	10,000
Retained earnings	**13,525**	18,914
	23,525	28,914
	$ 6,680,897	$ 5,664,608

Guarantees (note 14)

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

Authorized for issue on February 8, 2018

Martin Zablocki
President and
Chief Executive Officer

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

Statement of Comprehensive Income (Unaudited)

(in thousands of Canadian dollars)	**For the three months ended December 31**		**For the nine months ended December 31**	
	2017	**2016**	**2017**	**2016**
REVENUES				
Commercial trading transactions				
- prime contracts (note 9)	**$ 642,580**	$ 925,237	**$ 1,872,027**	$ 2,118,613
Less: cost of commercial trading transactions				
- prime contracts	**(642,580)**	(925,237)	**(1,872,027)**	(2,118,613)
Fees for service (note 9)	**5,519**	8,327	**16,733**	19,065
Other income (note 9)	**214**	116	**1,224**	560
Finance income, net (note 10)	**159**	106	**482**	318
Gain (loss) on foreign exchange	**(58)**	12	**(235)**	29
	5,834	8,561	**18,204**	19,972
EXPENSES				
Administrative expenses (note 11)	**7,889**	7,187	**23,593**	20,983
	7,889	7,187	**23,593**	20,983
SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS				
Sourcing services transactions (note 9)	**5,405**	11,865	**20,875**	25,584
Less: cost of sourcing services transactions	**(5,405)**	(11,865)	**(20,875)**	(25,584)
	-	-	**-**	-
Net profit (loss) before Parliamentary appropriation	**(2,055)**	1,374	**(5,389)**	(1,011)
Parliamentary appropriation (note 12)	**-**	877	**-**	2,632
NET PROFIT (LOSS)	**$ (2,055)**	$ 2,251	**$ (5,389)**	$ 1,621
OTHER COMPREHENSIVE INCOME (LOSS)				
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)				
Actuarial gain (loss) on employee benefits obligation	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ (2,055)**	$ 2,251	**$ (5,389)**	$ 1,621

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

Statement of Changes in Equity (Unaudited)

For the three and nine months ended December 31, 2017 (in thousands of Canadian dollars)	**Contributed Surplus**	**Retained Earnings**	**Total**
BALANCE SEPTEMBER 30, 2017	**$ 10,000**	**$ 15,580**	**$ 25,580**
Net loss	**-**	**(2,055)**	**(2,055)**
BALANCE DECEMBER 31, 2017	**$ 10,000**	**$ 13,525**	**$ 23,525**
BALANCE MARCH 31, 2017	**$ 10,000**	**$ 18,914**	**$ 28,914**
Net loss	**-**	**(5,389)**	**(5,389)**
BALANCE DECEMBER 31, 2017	**$ 10,000**	**$ 13,525**	**$ 23,525**

For the three and nine months ended December 31, 2016 (in thousands of Canadian dollars)	**Contributed Surplus**	**Retained Earnings**	**Total**
BALANCE SEPTEMBER 30, 2016	$ 10,000	$ 18,039	$ 28,039
Net profit	-	2,251	2,251
BALANCE DECEMBER 31, 2016	$ 10,000	$ 20,290	$ 30,290
BALANCE MARCH 31, 2016	$ 10,000	$ 18,669	$ 28,669
Net profit	-	1,621	1,621
BALANCE DECEMBER 31, 2016	$ 10,000	$ 20,290	$ 30,290

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

Statement of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	For the three months ended December 31 2017	For the three months ended December 31 2016*	For the nine months ended December 31 2017	For the nine months ended December 31 2016*
OPERATING ACTIVITIES				
Net profit (loss)	**$ (2,055)**	$ 2,251	**$ (5,389)**	$ 1,621
Adjustments to determine net cash from (used in) operating activities:				
Depreciation	**113**	105	**334**	307
Employee benefit expense	**50**	51	**149**	154
Employee benefit payments	**-**	-	**(99)**	-
Effect of exchange rate changes on cash	**(1,169)**	(910)	**626**	(1,330)
Deferred lease incentives	**(66)**	181	**(199)**	793
Change in working capital from:				
Trade and other receivables	**408,237**	(598,819)	**(215,711)**	(911,551)
Advances to Canadian exporters	**31,496**	(32,950)	**70,271**	304,051
Trade payables and accrued liabilities	**(407,605)**	598,875	**189,311**	911,402
Advances from foreign customers	**(26,564)**	28,287	**(73,321)**	(318,601)
Cash from (used by) operating activities	**2,437**	(2,929)	**(34,028)**	(13,154)
INVESTING ACTIVITIES				
Acquisitions of property and equipment	**-**	(44)	**(110)**	(58)
Cash used in investing activities	**-**	(44)	**(110)**	(58)
Effect of exchange rate changes on cash	**1,169**	910	**(626)**	1,330
Net increase (decrease) in cash	**3,606**	(2,063)	**(34,764)**	(11,882)
Cash at the beginning of period	**38,060**	75,851	**76,430**	85,670
Cash at the end of period	**$ 41,666**	$ 73,788	**$ 41,666**	$ 73,788

The accompanying notes are an integral part of the financial statements.
** Change made to the presentation of the comparative figures (Note 15)*

Notes to Financial Statements

December 31, 2017

1. Nature, organization and funding

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

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

The Corporation's operations are funded primarily by fees for service.

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

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

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, 2017. 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, 2017.

Basis of measurement

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

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

Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis and in detail as at the date of the financial statements. Any changes in estimates are reflected in the financial statements in the period in which they become known and in any future periods affected. Management has used estimates to determine the useful lives of property and equipment, to account for employee benefits liabilities, provisions, 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 Note 14 – Guarantees.

(in thousands of Canadian dollars, unless otherwise indicated)

Functional and presentation currency

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

3. Significant accounting policies

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those disclosed in the Corporation's audited annual financial statements for the year ended March 31, 2017.

4. Cash

Cash included:

	December 31, 2017		March 31, 2017	
	Original currency	Canadian dollars	Original currency	Canadian dollars
Canadian dollars	**25,052**	**$ 25,052**	51,277	$ 51,277
U.S. dollars	**13,097**	**16,397**	18,684	24,848
Chinese renminbi	**1,123**	**217**	1,574	305
		$ 41,666		$ 76,430

Of the cash, $28,680 (March 31, 2017 - $32,084) represents advances and holdbacks received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Advances from foreign customers also include overpayments from foreign customers due to temporary timing differences in their liquidation methods and accounting for work performed. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

5. Trade receivables and trade payables and accrued liabilities

Trade receivables are based on normal international trade terms and are generally non-interest bearing. The Corporation's trade receivables consisted of the following:

	December 31, 2017	March 31, 2017
Accrued receivables	**$ 755,525**	$ 657,900
Trade receivables	**201,379**	83,293
	$ 956,904	$ 741,193

(in thousands of Canadian dollars, unless otherwise indicated)

The currency profile of the Corporation's trade receivables was as follows:

	December 31, 2017		March 31, 2017	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
U.S. dollars	**755,817**	**$ 946,283**	548,567	$ 729,540
Canadian dollars	**10,615**	**10,615**	11,639	11,639
Chinese renminbi	**32**	**6**	75	14
		$ 956,904		$ 741,193

The Corporation's trade payables and accrued liabilities are due on normal trade terms and consisted of the following:

	December 31, 2017	**March 31, 2017**
Accrued liabilities	**$ 848,630**	$ 667,053
Trade payables	**99,679**	91,142
Deferred revenues	**1,348**	2,151
	$ 949,657	$ 760,346

The currency profile of the Corporation's trade payables and accrued liabilities was as follows:

	December 31, 2017		March 31, 2017	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
U.S. dollars	**751,525**	**$ 940,910**	558,464	$ 742,700
Canadian dollars	**8,735**	**8,735**	17,598	17,598
Chinese renminbi	**63**	**12**	146	28
Australian dollars	**-**	**-**	20	20
		$ 949,657		$ 760,346

Credit, market and liquidity risks relating to trade receivables and to trade payables and accrued liabilities are disclosed in Note 7.

6. Advances from foreign customers, advances to Canadian exporters, Progress work by Canadian exporters and progress work for foreign customers

Advances received from foreign customers in advance of work being performed and advances paid to Canadian exporters, in accordance with contract terms and conditions, are reduced as the work is performed or upon delivery and acceptance by the foreign customer in the normal course of business. During the nine months ended December 31, 2017, the Corporation received $44,801 in advances from foreign customers (March 31, 2017 - $145,503). Conversely, $4,356 advance payments were made to Canadian exporters (March 31, 2017 - $68,852). The amounts of advances expected to be recognized into income and expense over the next twelve months are respectively $93,302 and $70,541 (March 31, 2017 - $87,175 and $61,204) with the remaining $34,715 and $34,555 (March 31, 2017 - $114,163 and $114,163) to be recognized in more than twelve months.

Given the back-to-back nature of CCC's contracting with foreign customers and Canadian exporters, the balances of progress work by Canadian exporters and progress work for foreign customers are reduced by amounts that are equal and opposite. The reductions expected due to deliveries over the next twelve months are $1,865,554 (March 31, 2017 - $578,561) with the remaining $3,708,469 (March 31, 2017 - $4,089,625) to be delivered in more than twelve months.

7. Risk management and financial instruments

As described in the Corporation's Annual Report and audited financial statements for the year ended March 31, 2017, the Corporation is exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments.

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

(a) Credit risk

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

Trade receivables

The Corporation generally passes credit risk related to trade receivables from export transactions through to Canadian exporters. This is achieved through a back-to-back payment mechanism whereby exporters are paid when the Corporation has received the related payment from the foreign customers. Where a foreign customer is rated AAA by recognized rating agencies, CCC may agree to pay the Canadian exporter in advance of receiving the foreign customer's payment, thereby creating a credit exposure. With the AAA rating, the credit risk is deemed mitigated and acceptable. During the nine months ended December 31, 2017, 6% (March 31, 2017 - 6%) of the Corporation's trade receivables were from AAA credit rated customers.

(in thousands of Canadian dollars, unless otherwise indicated)

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

		December 31, 2017		March 31, 2017
Asia *	**$**	**872,755**	$	670,223
United States		**50,462**		46,363
Africa		**12,361**		7,915
South America		**9,561**		2,768
Canada		**5,946**		1,744
Central America and Caribbean		**5,410**		12,150
Europe		**409**		4
Australia		**-**		26
	$	**956,904**	$	741,193

* Includes Middle East

The maturity profile of the Corporation's trade receivables was as follows:

		December 31, 2017		March 31, 2017
< 1 year	**$**	**956,044**	$	741,164
> 1 and < 3 years		**860**		29
	$	**956,904**	$	741,193

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:

		December 31, 2017		March 31, 2017
< 30 days	**$**	**10,951**	$	3,718
> 30 days and < 180 days		**13,330**		2,928
> 180 days		**9,249**		1,560
	$	**33,530**	$	8,206

(in thousands of Canadian dollars, unless otherwise indicated)

Collateral

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

	December 31, 2017	**March 31, 2017**
Holdbacks	**$ 5,759**	$ 6,113
Parent guarantees	**$ 17,310,141**	$ 18,483,325
Other	**$ 3,848**	$ 9,764

The above amounts approximate the fair values of collateral held.

(b) Market risk

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

(c) Liquidity risk

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

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

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, personal guarantees and shareholder cash held in trust with the Corporation.

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.

(in thousands of Canadian dollars, unless otherwise indicated)

As at December 31, 2017, the Corporation has a revolving credit facility providing access to funds in the amount of $40.0 million (March 31, 2017 - $40.0 million) Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at December 31, 2017, there were no draws on this line of credit (March 31, 2017 – nil).

Trade payables and accrued liabilities

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

	December 31, 2017	March 31, 2017
< 1 year	**$ 949,657**	$ 760,346
	$ 949,657	$ 760,346

No onerous contracts have been identified as at December 31, 2017 and March 31, 2017.

8. 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.

(in thousands of Canadian dollars, unless otherwise indicated)

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

	December 31, 2017	March 31, 2017
Contributed surplus	**$ 10,000**	$ 10,000
Retained earnings	**13,525**	18,914
	$ 23,525	$ 28,914

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

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

The profile by geographic region is as follows:

	For the three months ended December 31					
	2017			2016		
	Revenues*	Sourcing services transactions	Total	Revenues*	Sourcing services transactions	Total
Asia **	**$ 346,345**	**$ 1,525**	**$ 347,870**	$ 630,858	$ 2,463	$ 633,321
United States	**202,903**	**-**	**202,903**	214,241	-	214,241
Central America and Caribbean	**75,195**	**798**	**75,993**	66,618	55	66,673
South America	**22,452**	**-**	**22,452**	13,008	30	13,038
Africa	**101**	**37**	**138**	6,881	30	6,911
Canada	**449**	**3,045**	**3,494**	798	2,148	2,946
Europe	**868**	**-**	**868**	142	7,139	7,281
Australia	-	-	-	1,134	-	1,134
	$ 648,313	**$ 5,405**	**$ 653,718**	$ 933,680	$ 11,865	$ 945,545

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

(in thousands of Canadian dollars, unless otherwise indicated)

	For the nine months ended December 31					
	2017			2016		
	Revenues*	Sourcing services transactions	Total	Revenues*	Sourcing services transactions	Total
Asia **	**$ 993,081**	**$ 7,115**	**$ 1,000,196**	$1,342,741	$ 8,231	$ 1,350,972
United States	**570,065**	**1**	**570,066**	514,282	-	514,282
Central America and Caribbean	**276,380**	**1,583**	**277,963**	216,989	229	217,218
South America	**32,929**	**-**	**32,929**	50,343	724	51,067
Africa	**11,246**	**1,769**	**13,015**	6,916	109	7,025
Canada	**1,714**	**10,398**	**12,112**	1,696	3,374	5,070
Europe	**4,472**	**9**	**4,481**	1,473	12,917	14,390
Australia	**97**	**-**	**97**	3,798	-	3,798
	$ 1,889,984	**$ 20,875**	**$ 1,910,859**	$2,138,238	$ 25,584	$ 2,163,822

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

10. Finance income, net

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

	For the three months ended December 31		For the nine months ended December 31	
	2017	2016	2017	2016
Financial assets				
Finance income earned on cash	**$ 208**	$ 118	**$ 624**	$ 355
Financial liabilities				
Finance cost on payables and other liabilities	**(49)**	(12)	**(142)**	(37)
	$ 159	$ 106	**$ 482**	$ 318

(in thousands of Canadian dollars, unless otherwise indicated)

11. Administrative expenses

Administrative expenses included the following:

	For the three months ended December 31 2017	For the three months ended December 31 2016*	For the nine months ended December 31 2017	For the nine months ended December 31 2016*
Workforce compensation and related expenses	**$ 5,470**	$ 4,983	**$ 15,681**	$ 14,269
Contract management services	**807**	675	**2,157**	2,025
Rent and related expenses	**430**	305	**1,347**	1,194
Travel and hospitality	**439**	428	**1,309**	1,219
Consultants	**259**	369	**1,238**	929
Software, hardware and support	**71**	54	**558**	464
Communications	**227**	116	**524**	263
Depreciation	**113**	105	**334**	307
Other expenses	**73**	152	**445**	313
	$ 7,889	$ 7,187	**$ 23,593**	$ 20,983

* Some comparative figures have been reclassified to conform to current year's presentation.

12. Parliamentary appropriation

No appropriation was authorized by the Parliament of Canada for the three and nine months ended December 31, 2017 (for the three and nine months ended December 31, 2016, the appropriation totalled $877 and $2,632 respectively).

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.

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.

(in thousands of Canadian dollars, unless otherwise indicated)

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

	December 31, 2017	**March 31, 2017**
< 1 year	**$ 5,787,502**	$ 2,940,244
> 1 and < 3 years	**9,939,046**	10,777,469
> 3 and < 5 years	**1,644,887**	4,535,665
> 5 years	**653,098**	1,036,032
Total contract portfolio	**$ 18,024,533**	$ 19,289,410

During the nine months ended December 31, 2017, the value of contracts and amendments signed and effective, representing contractual amounts to be fulfilled, amounted to $843.3 million (December 31, 2016 - $997.2 million). It is expected that the contract portfolio to be fulfilled will be reduced by approximately $3,563.1 million due to anticipated contract amendments.

15. Comparative figures

To provide more relevant information about the Corporation’s cash flows, the Corporation changed the presentation of the Statement of Cash Flows by removing the changes in Progress work by Canadian exporters and Progress work for foreign customers from the change in working capital section of the cash flows provided by (used in) operating activities. This change had no net impact on the total amounts presented in the comparative figures for cash provided by (used in) operating activities in the Statement of Cash Flows as it resulted in removing a cash inflow of $624,406 for three months and $1,316,325 for nine months and cash outflow of the same amounts. This change did not impact any other statements or note disclosures.