Canadian Commercial Corporation

Quarterly Financial Report (Unaudited)

For the three month period ended June 30, 2015

Overview

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

Nature of Business and Operating Environment

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

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

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

Financial Highlights

Historically, large contracts have materially impacted the Corporation's financial statements and can often cause significant variations in certain year-over-year amounts on the Statement of Financial Position and the Statement of Comprehensive Income. In late 2009-2010, a $2.2 billion multi-year contract was signed with the U.S. DoD Foreign Military Sales (FMS) organization for the supply of Light Armoured Vehicles (LAVs) manufactured by General Dynamics Land Systems Canada (GDLS). This contract signing was followed by the signing in late 2013-2014 of the historic multi-billion dollar Armoured Brigades Program (ABP) contract in the Middle East for the supply of LAVs and associated equipment, training and support services manufactured and provided by GDLS. This activity will result in advances and progress payments to Canadian exporters and from foreign customers, commercial trading transactions, cost of commercial trading transactions and fees for service showing significant increases from last year to the current year.

For the three-month period ended June 30, 2015, the net result of operations was a surplus of $1.8 million, compared to a surplus of $1.2 million reported for the three-month period ended June 30, 2014. The increase of $0.6 million was due to a significant increase in fees for service earned and recorded on delivery transactions related to several GDS contracts apart from the ABP contract during the three-month period.

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

Statement of Comprehensive Income Discussion

Summary results

	FOR THE THREE MONTHS ENDED		
	June 30 2015 ($ Millions)	**June 30 2014 ($ Millions)**	**% Increase (Decrease)**
Revenues:			
Commercial trading transactions - prime contracts	**$ 663.2**	$ 537.1	23%
Cost of commercial trading transactions - prime contracts	**(663.2)**	(537.1)	(23%)
Fees for service	**7.3**	4.4	66%
Other revenues	**0.7**	0.2	250%
Total Revenues	**8.0**	4.6	74%
Expenses:			
Administrative expenses	**8.4**	7.3	15%
Contract remediation expenses	**-**	-	-
Total Expenses	**8.4**	7.3	15%
Sourcing services transactions	**9.4**	8.4	12%
Cost of sourcing services transactions	**(9.4)**	(8.4)	(12%)
Parliamentary appropriation	**2.2**	3.9	(44%)
Net results of operations	**$ 1.8**	**$ 1.2**	50%

Revenues: General

Revenues consist of commercial trading transactions on prime contracts, fees for service, other income, net interest income, and gains (losses) on foreign exchange. It is important to note that as an international trade intermediary, revenues from commercial trading transactions on prime contracts are fully offset by the cost of commercial trading transactions on prime contracts.

After offsetting the cost of commercial trading transactions, total revenues were $8.0 million for the three-month period ended June 30, 2015 compared to $4.6 million for the three-month period ended June 30, 2014, an increase of $3.4 million or 74%.

Revenues: Commercial trading transactions

Commercial trading transactions measure the value of delivery of a good or service or progress work once a contract is signed and becomes effective. Commercial trading transactions were $663.2 million for the three-month period ended June 30, 2015, compared to $537.1 million for the three-month period ended June 30, 2014, an increase of $126.1 million or 23%.

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

- DPSA commercial trading transactions of $134.0 million, representing 20% of the Corporation's total commercial trading transactions were $4.2 million or 3% higher compared to the three-month period ended June 30, 2014.

- Non-DPSA GDS commercial trading transactions of $459.3 million, representing 68% of the Corporation's total commercial trading transactions were $116.3 million or 34% higher compared to the three-month period ended June 30, 2014. The Corporation is beginning to benefit from the consistent and increasing number of non-DPSA GDS contracts that have been signed over the last several years that contribute a regular and increasing number of delivery transactions per year. Of significance, $327.3 million or 71% of the total non-DPSA GDS commercial trading transactions were recorded for deliveries and progress work related to the ABP contract.

ICB commercial trading transactions of $70.0 million, representing 10% of the Corporation's total commercial trading transactions were $5.5 million or 9% higher compared to the three-month period ended June 30, 2014. ICB commercial trading transactions were higher than the previous year due to accelerated deliveries of potash under the Cuba Contracting Program.

Revenues: Fees for service

For GDS and ICB business lines and services, the Corporation charges fees, generally as a percentage of the contract value and at negotiated rates for services provided. Fees are recognized as revenue when commercial trading transactions related to prime contracts and international sourcing services agreements are recorded and from other international and domestic activities when services are rendered. Fees for service were $7.3 million for the three-month period ended June 30, 2015 compared to $4.4 million for the three-month period ended June 30, 2014, an increase of $2.9 million or 66%.

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

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

- Non-DPSA GDS fees for service of $5.3 million, which account for 72% of the total fees for service, were $2.4 million or 81% higher compared to fees of $2.9 million for the three-month period ended June 30, 2014. The fee increase was commensurate with the increased level of non-DPSA GDS commercial trading transactions discussed previously. Of the $5.3 million total GDS fees, $2.6 million or 50% of the total GDS fees were earned based on the deliveries and progress work related to the ABP contract.

ICB fees for service of $961 thousand, which account for 13% of the total fees for service, were $245 thousand or 34% higher compared to fees of $716 thousand for the three-month period ended June 30, 2014. The increase in ICB fees compared to the three-month period ended June 30, 2014 was the result of fees earned and recorded related to accelerated deliveries of potash under the Cuba Contracting Program.

Fees for service from sourcing and other Government of Canada priorities of $1.1 million, accounting for 15% of the total fees for service, were $314 thousand or 40% higher compared to fees of $782 thousand for the three-month period ended June 30, 2014. Of the $1.1 million, $698 thousand or 64% relate to the maintenance and administration of the trade development offices in China on behalf of the Department of Foreign Affairs, Trade and Development (DFATD). Another $210 thousand or 19% of the $1.1 million fees earned were for services provided by CCC, specifically related to sourcing transactions which occur at the discretion of DFATD and the availability of budget funding to satisfy requirements of their programs.

Revenues: Other

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

For the three-month period ended June 30, 2015, a foreign exchange gain of $439 thousand was reported compared to a foreign exchange loss of $27 thousand for the three-month period ended June 30, 2014. A gain of $464 thousand realized due to foreign exchange implications related to a long outstanding accounts receivable balance of approximately $15.0M USD from the U.S. Department of Defense (U.S.DoD) under the DPSA which was finally paid in April 2015 was partially offset by a loss of $25 thousand resulting from the strengthening of Canadian dollar relative to its U.S. dollar (USD) counterpart from $0.7895 USD as at March 31, 2015 to $0.8006 USD as at June 30, 2015. The Corporation manages exchange gains and losses through monitoring and maintaining unhedged foreign currency balances at negligible levels.

For the three-month period ended June 30, 2015, finance income of $94 thousand was $44 thousand or 88% higher compared to the result of $50 thousand for the three-month period ended June 30, 2014. Average Canadian cash balances were higher during the first three months of 2015-2016 as a result the cash received and recorded as deferred revenue in July 2014 related to the ABP contract.

For the three-month period ended June 30, 2015, other income of $118 thousand was comparable to the result of $123 thousand for the three-month period ended June 30, 2014.

Expenses

For the three-month period ended June 30, 2015, administrative expenses of $8.4 million were $1.1 million or 15% higher than the expenses for the three-month period ended June 30, 2014. Administrative expenses are paid primarily in Canadian dollars and are not impacted by foreign exchange fluctuations. Administrative expenses include the following:

- Workforce compensation and related expenses of $4.6 million for the three-month period ended June 30, 2015 were $150 thousand or 3% higher than the expenses for the three-month period ended June 30, 2014 of $4.4 million. Workforce compensation and related expenses accounts for approximately 55% of CCC's administrative expenditures.

- Public Works Government and Services Canada (PWGSC) is paid for certain core contract management services under the DPSA. In recent years, as part of an initiative to streamline processes in the delivery of the DPSA and decrease related expenses, CCC has brought in-house certain contract management services previously performed by PWGSC. As a result, total PWGSC expenses of $813 thousand for the three-month period ended June 30, 2015 were $55 thousand or 6% lower than expenses of $868 thousand for the three-month period ended June 30, 2014.

- Rent and related expenses of $1.1 million for the three-month period ended June 30, 2015 were $521 thousand or 90% higher than the expenses of $576 thousand for the three-month period ended June 30, 2014. The increase was due to a one-time payment of $1.8 million (amortized over a 12 month period commencing October 1, 2014) as Management exercised its right, on September 26, 2014, to terminate the current lease agreement for office space effective September 30, 2015. In November 2014, the Corporation entered into a less expensive fifteen-year lease agreement for office space in a new location, which expires at the end of November 2031, in order to achieve future cost reduction goals.

- Travel and hospitality expenses of $472 thousand for the three-month period ended June 30, 2015 were consistent with the expenses of $477 thousand for the three-month period ended June 30, 2014. Travel and hospitality expenses are incurred primarily for business development activity in support of Canadian exporters in pursuit of, and to secure, projects in Latin America, Africa, Pacific-Asia and the Middle East and the management of the projects once they are signed and effective.

- Consultant expenses of $476 thousand for the three-month period ended June 30, 2015 were $215 thousand or 82% higher compared to the expenses of $261 thousand for the three-month period ended June 30, 2014. Consultant expenses were higher during the first three months of 2015-16 due to increased activity required to assist in the management of an additional four regional offices in China and planning for the fit-up of the office space at the new location. Consultant expenses complement CCC's workforce and perform assignments requiring a specific expertise.

- The amortization of intangible assets and depreciation of property and equipment and leasehold improvement costs of $145 thousand for the three-month period ended June 30, 2015 were $103 thousand or 245% higher than expenses of $42 thousand for the three-month period ended June 30, 2014. The increase resulted from the accelerated amortization of the remaining net book value on existing leasehold improvements at its current location over an abbreviated period of time which corresponds with the current lease termination date of September 30, 2015.

- Computer software, hardware and support costs of $384 thousand, over and above the information management personnel included in workforce compensation or consultants, for the three-month period ended June 30, 2015 were consistent with the expenses of $320 thousand for the three-month period ended June 30, 2014.

- Other expenses of $256 thousand were $109 thousand or 74% higher for the three-month period ended June 30, 2015 compared to expenses of $147 thousand for the three-month period ended June 30, 2014. Other expenses were higher during the first three months of 2015-16 due to one-time costs required establish CCC representation in South America. Other expenses include Corporate communication costs (e.g. marketing, advertising, and the design and printing of corporate promotional material), telecommunications, bank charges and other miscellaneous amounts.

For the three-month period ended June 30, 2015, the Corporation recorded $17 thousand in contract remediation expenses compared to $11 thousand for the three-month period ended June 30, 2014. Contract remediation expenses are recorded as actual amounts are incurred or can be determined. The Corporation has robust risk management practices, including the Enterprise Risk Management (ERM) framework and contract management practices, which contribute to containing these expenses.

Sourcing services for support of international government assistance programs

Sourcing Services for support of international assistance programs represent transactions whereby the Corporation acts as an agent on behalf of a domestic or foreign Government entity. In these engagements, CCC is not the prime contractor. All of the activity that is generated through DFATD under these terms is classified as this transaction type. This activity occurs at the discretion of DFATD and the availability of budget funding to satisfy requirements of their programs. In addition, there is one GDS project originally signed in 2007 that is classified under this transaction type. CCC entered into an agreement to act as agent to procure six wing kits and manage the replacement of the wings kits on six Norwegian aircraft on behalf of the Royal Norwegian Air Force. For the three-month period ended June 30, 2015, Sourcing Service transactions and the cost of Sourcing Service transactions of $9.4 million is $987 thousand or 12% higher than the $8.4 million recorded for the three-month period ended June 30, 2014. The increase was due to accelerated delivery activity of $5.0 million related to the Norwegian wing replacement contract offset by a decrease of $4.0 million due to reduced activity related to support of international assistance programs with DFATD.

Parliamentary appropriation

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

The Corporation's appropriation is being gradually phased out in accordance with the corporate plan which commenced in 2014-2015. Over the course of the five-year planning period, CCC will reduce the appropriation to $8.9 million in 2015-2016,

$3.5 million in 2016-2017 and then nil from 2017-2018 and ongoing, reaching its planned objective of financial self-sufficiency.

Statement of Financial Position Discussion

Summary of financial position

	June 30 2015 ($ Millions)	March 31 2015 ($ Millions)	% Increase (Decrease)
Total assets	**$ 2,979.3**	$ 3,058.7	(3%)
Total liabilities	**$ 2,956.8**	$ 3,038.0	(3%)
Shareholder's Equity	**$ 22.5**	$ 20.7	9%

CCC's total assets were $2,979.3 million as at June 30, 2015, $79.4 million, or 3%, lower than at March 31, 2015. The decrease from March 31, 2015 was primarily due to a decrease in the amount of advances to Canadian exporters of $357.0 million or 30% and a decrease of $18.9 million or 17% from all other assets combined offset by an increase in the amount of progress payments to Canadian exporters of $296.5 million or 18%.

CCC's total liabilities were $2,956.8 million as at June 30, 2015, $81.2 million, or 3%, lower than at March 31, 2015. The decrease from March 31, 2015 was primarily due to a decrease in the amount of advances from foreign customers of $363.6 million or 30% and a decrease of $14.1 million or 7% from all other liabilities combined offset by an increase in the amount of progress payments from foreign customers of $296.5 million or 18%.

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

Trade receivables of $125.5 million were $41.9 million or 25% lower than the balance at March 31, 2015 and represents 4% of the total assets of $2,979.3 million. Trade payables and accrued liabilities of $157.4 million were $14.1 million or 8% lower than the balance at March 31, 2015 and represent 5% of the total liabilities of $2,956.8 million. The decrease in trade receivables and trade payables was the result of a greater number of accrual transactions to record delivery activity on projects for which cash had not been received from the foreign buyer nor paid to the Canadian exporter as at March 31, 2015 compared to June 30, 2015.

Progress payments to Canadian exporters of $1,935.4 million represent 65% of the total assets of $2,979.3 million, increased by $296.5 million or 18% compared to the balance at March 31, 2015. Progress payments from foreign customers of $1,935.4 million represent 65% of the total liabilities of $2,956.8 million, increased by $296.5 million or 18% compared to the balance at March 31, 2015. Contractually, progress payments occur most frequently on the DPSA business contracts and are required to flow through in their entirety to the Canadian exporter. Of the total progress payments to Canadian exporters and from foreign customers, $1,773.3 million or 92% related to progress work associated with the ABP contract. The increase in progress payments to Canadian exporters and from foreign customers was due directly to the reclassification of advances from the customer and to the Canadian exporter to progress payments as progress work continues on the production of the LAVs related to the ABP contract.

Advances from foreign customers of $861.9 million that represent 29% of the total liabilities of $2,956.8 million, decreased by $363.6 million or 30% compared to the balance at March 31, 2015. Advances to Canadian exporters of $830.2 million that represent 28% of the total assets of $2,979.3 million, decreased by $357.0 million or 30% compared to the balance at March 31, 2015. Of the $861.9 million in advances from foreign customers and the $830.2 million in advances to Canadian exporters, $785.2 million or 91% and 95% respectively was related to the ABP contract. Another $48.4 million was related to projects in Ghana, Mexico, Norway, Peru and Philippines. Of these advances from foreign customers, $39.6 million were passed on to Canadian exporters. The decrease in advances from foreign customers and to Canadian exporters was due directly to the reclassification of advances from the customer and to the Canadian exporter to progress payments as progress work continues on the production of the LAVs related to the ABP contract. Contractually, advances are not offered on the DPSA business. For all other business lines, CCC's risk mitigation practices require that for most projects CCC hold back some advance payments made by foreign customers and release them to Canadian exporters as delivery obligations are fulfilled. As a result period-over-period variations will occur.

As at June 30, 2015, CCC's equity, fully ascribed to the Government of Canada, was $22.5 million, an increase of $1.8 million from March 31, 2015. A discussion of commercial and operational risks follows in CCC's Commitment to Performance and Risk Management section.

Statement of Cash Flows Discussion

Summary of cash flows

	FOR THE THREE MONTHS ENDED		
	June 30 2015 ($ Millions)	**June 30 2014 ($ Millions)**	**% Increase (Decrease)**
Operating activities	**$ 22.8**	$ 22.2	3%
Investing activities	**$ -**	$ -	-
Financing activities	**$ -**	$ -	-
Effect of exchange rate change on cash and cash equifalents	**$ 0.4**	$ -	-
Increase in cash and cash equivalents	**$ 23.2**	$ 22.2	5%

Operating activities

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

For the three-month period ended June 30, 2015, $22.8 million in cash was provided by operating activities, as compared to $22.2 million provided by operating activities for the three-month period ended June 30, 2014, an increase of $0.5 million or 2%. Details are as follows:

- Receipts from foreign customers include cash received for deliveries, progress payments and advances as stipulated under the foreign customer contract. Receipts from foreign customers were $351.0 million for the three-month period ended June 30, 2015, $59.6 million or 20% higher than the amount reported for the three-month period ended June 30, 2014. The increase was due to the receipt of more cash from foreign customers on non-DPSA business line projects, commensurate with the increase in delivery activity discussed under the Commercial Trading Transaction section.

- Payments to Canadian exporters include cash paid for deliveries, progress payments and advances as stipulated under the domestic contract. Payments to Canadian exporters were $329.8 million for the three-month period ended June 30, 2015, $59.4 million or 22% higher than the amount reported for the three-month period ended June 30, 2014. The increase in payments to Canadian exporters is consistent with the increase of receipts from foreign customers.

- For the three-month period ended June 30, 2015 compared to the three-month period ended June 30, 2014, the increase in receipts from foreign customers was more than the increase in payments to Canadian exporters by $0.3 million therefore resulting in an overall increase of $0.3 million to cash used in export transactions. In addition to the $0.3 million increase to cash used in export transactions, an increase of $3.0 million to cash was provided by finance income, fees for service and other income received offset by a decrease of $1.0 million due to cash used as administrative payments and a decrease to cash of $1.7 million as less parliamentary appropriation was drawn down for the three-month period ended June 30, 2015 compared to the three-month period ended June 30. The decrease in the appropriation is the result of the implementation of the directed phased in plan towards becoming self-sufficient as described under the Parliamentary Appropriation section.

Effect of exchange rate changes on cash and cash equivalents

As discussed previously, for the three-month period ended June 30, 2015, a foreign exchange gain of $439 thousand was reported compared to a foreign exchange loss of $27 thousand for the three-month period ended June 30, 2014. A gain of $464 thousand realized due to foreign exchange implications related to a long outstanding accounts receivable balance of approximately $15.0M USD from the U.S.DoD under the DPSA which was finally paid in April 2015 was partially offset by a loss of $25 thousand resulting from the strengthening of Canadian dollar relative to its U.S. dollar (USD) counterpart from $0.7895 USD as at March 31, 2015 to $0.8006 USD as at June 30, 2015.

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

For the three-month period ended June 30, 2015, the net results of operations was a surplus of $1.8 million, $2.5 million or 379% higher than the budgeted deficit of $656 thousand.

For the three-month period ended June 30, 2015, total commercial trading transactions of $663.2 million were $33.0 million or 5% higher than budget of $630.2 million. The GDS business line contributed a favourable variance of $69.5 million or 18% offset by an unfavourable variance of $36.5 million contributed by all other lines of business. The favourable variance related to GDS was due to the delivery of certain GDS projects ahead of schedule, apart from the ABP contract.

Fees for service of $7.3 million were $1.6 million or 27% higher than the budget of $5.7 million. Fees for service are earned as contract work is delivered or completed. For the three-month period ended June 30, 2015, fees generated from GDS business line of $5.3 million were $1.3 million or 31% higher than budget of $4.0 million, resulting from the recording of fees from certain GDS projects that were delivered ahead of schedule, apart from the ABP contract. In addition, fees generated from the ICB business line of $1.0 million were $0.4 million or 65% higher than budget of $0.6 million, resulting from potash sales under the Cuba Contracting Program, that were originally scheduled to be delivered at the end of fiscal 2014-15 but due to unforeseen delays were delivered early in fiscal 2015-16. Fees earned on sourcing and other services of $1.1 million were $53 thousand lower than the budget of $1.2 million, as fewer than originally expected sourcing services were required by DFATD during the three-month period ended June 30, 2015. CCC provides sourcing services at the discretion of DFATD and the availability of budget funding to satisfy requirements of their programs.

As discussed previously, for the three-month period ended June 30, 2015, the Corporation recorded a foreign exchange translation gain of $439 thousand that was realized on a long outstanding significant USD accounts receivable balance from the U.S. DoD under the DPSA which was paid in the three-month period ended June 30, 2015. Generally, the Corporation manages exchange gains and losses through monitoring and maintaining of its exposed foreign currency balances and does not budget for gains or losses on foreign exchange. The Corporation's exposed U.S. currency balance of $3.1 million represents 0.1% of its U.S. denominated assets.

For the three-month period ended June 30, 2015, the Corporation recorded $17 thousand in contract remediation expenses. As a result, contract remediation expenses contributed a favorable budget variance of $155 thousand.

For the three-month period ended June 30, 2015, administrative expenses of $8.4 million were $276 thousand or 3% lower than the budgeted amount of $8.6 million. Direct expenses of $5.2 million were $397 thousand or 7% below budget primarily the result of incremental expenses anticipated to manage the ABP contract that were not incurred as of June 30, 2015. Indirect expenses of $3.2 million were $121 thousand or 4% over budget the result of the one-time payment that was required in order to terminate the current lease for office space which is amortized for the three-month period ending June 30, 2015.

As explained previously, the Corporation received a parliamentary appropriation of $2.2 million for the three-month period ended June 30, 2015, consistent with the budget.

2015-2016 Forecast

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

CCC is forecasting an operating surplus of $1.4 million in 2015-2016. Net revenues (which exclude the Parliamentary appropriation) will increase to $27.5 million from $24.2 million in 2014-2015, an increase of $3.3 million or 14%.

The ABP contract will contribute approximately 70% of the overall $3.6 million increase in fees for service. Apart from the ABP contract, the GDS business line contributed signed contracts of $431.8 million in Latin America and Asia in 2014-2015. A large portion of these contracts will be delivered in 2015-2016, on which fees for service are earned.

Other revenue sources which include finance income, accounts receivable discounting fees, foreign exchange gains (or losses) and other miscellaneous transactions, combined are forecast to be $1.1 million in 2015-2016, $283 thousand or 20% lower than in

2014-2015. The decrease is due to several miscellaneous amounts that were identified and taken into income during contract close-out activities conducted in 2014-2015.

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

Administrative expenses are forecast to increase to $34.3 million in 2015-2016 from $30.0 million in 2014-2015, an increase of $4.3 million or 14%. Of the $4.3 million increase in administrative expenses, $1.6 million are related to the increased cost in the effort and associated expenses required to contract manage the ABP contract and another $0.4 million are related to direct expenses for regional staff, rent of premises and other operational requirements to manage the additional offices in China on behalf of DFATD (the latter being fully offset and recoverable through DFATD). Both the ABP and the setting up of additional representative offices in China on behalf of DFATD experienced delays upon implementation, and, as a result, expenses did not materialize to the levels anticipated in CCC's original 2014-2015 forecast. The $4.3 million increase to administrative expenses also reflects one-time costs of approximately $1.3 million related to the negotiation of a new lease for office space. The incursion of these expenses in 2015-2016 will contribute to future cost reduction goals. The remaining $1.0 million increase is related to the establishment of foreign office representation commencing in mid-2015-2016 with the expectation that position vacancies will be fully staffed.

In 2015-2016, contract remediation expenses are forecast at $690 thousand, $541 thousand higher than 2014-2015. The amount represents approximately 0.025% of commercial trading transactions and is consistent with the budget set for 2015-2016. Although indications are trending in a positive direction through the first three months of the fiscal year, the Corporation is conservatively forecasting the budget total at this early stage. Contract remediation expenses are recorded as actual amounts are incurred or can be determined.

CCC's Commitment to Performance and Risk Management

CCC manages various risks as it undertakes to fulfill its mandate of promoting and facilitating international trade on behalf of Canadian exporters. The strategy for managing these risks is discussed in detail in the Corporation's fiscal 2014-2015 Annual Report and 2015-2016 Corporate Plan Summary.

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

There are no other significant changes, new risks or uncertainties identified during the three-month period ended June 30, 2015 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 CEO	Anthony Carty Vice-President, Corporate Services and Chief Financial Officer

Ottawa, Canada
August 14, 2015

Statement of Financial Position (Unaudited)

As at (in thousands of Canadian dollars)		June 30 2015		March 31 2015
Assets				
Current assets				
Cash and cash equivalents (note 4)	**$**	**87,820**	$	64,614
Trade receivables (notes 5 and 10)		**125,485**		167,393
Advances to Canadian exporters		**830,240**		1,187,284
Progress payments to Canadian exporters		**1,935,418**		1,638,897
		2,978,963		3,058,188
Non-current assets				
Property and equipment		**368**		513
	$	**2,979,331**	$	3,058,701
Liabilities				
Current liabilities				
Trade payables and accrued liabilities (notes 5 and 10)	**$**	**157,415**	$	171,537
Advances from foreign customers		**861,898**		1,225,509
Progress payments from foreign customers		**1,935,418**		1,638,897
Employee benefits (note 8)		**220**		219
		2,954,951		3,036,162
Non-current liabilities				
Employee benefits (note 8)		**1,850**		1,838
		2,956,801		3,038,000
Shareholder's Equity				
Contributed surplus		**10,000**		10,000
Retained earnings		**12,530**		10,701
		22,530		20,701
	$	**2,979,331**	$	3,058,701

Guarantees (note 15)

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

Authorized for issue on August 14, 2015

Martin Zablocki
President and CEO

Anthony Carty
Vice-President, Corporate Services and Chief Financial Officer

Statement of Comprehensive Income (Unaudited)

For the three months ended June 30 (in thousands of Canadian dollars)	2015	2014
Revenues		
Commercial trading transactions - prime contracts (note 9)	**$ 663,224**	$ 537,134
Less: cost of commercial trading transactions - prime contracts	**(663,224)**	(537,134)
Fees for service (note 9)	**7,328**	4,411
Other income	**118**	123
Finance income, net (note 12)	**94**	50
Gain (loss) on foreign exchange	**439**	(27)
	7,979	4,557
Expenses		
Administrative expenses (note 11)	**8,353**	7,271
Contract remediation expenses	**17**	11
	8,370	7,282
Sourcing services for support of international government assistance programs		
Sourcing services transactions (note 9)	**9,431**	8,444
Less: cost of sourcing services transactions	**(9,431)**	(8,444)
	-	-
Net results of operations before Parliamentary appropriation	**(391)**	(2,725)
Parliamentary appropriation (note 13)	**2,220**	3,914
Net results of operations	**$ 1,829**	$ 1,189
Other comprehensive income (loss)		
Items that will not be reclassified to net results of operations		
Actuarial loss on employee benefits obligation	**-**	-
Total Comprehensive income	**$ 1,829**	$ 1,189

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

Statement of Changes in Equity (Unaudited)

For the three months ended June 30, 2015 (in thousands of Canadian dollars)	**Contributed Surplus**	**Retained Earnings**	**Total**
Balance March 31, 2015	**$ 10,000**	**$ 10,701**	**$ 20,701**
Net results of operations	**-**	**1,829**	**1,829**
Balance June 30, 2015	**$ 10,000**	**$ 12,530**	**$ 22,530**

For the three months ended June 30, 2014 (in thousands of Canadian dollars)	**Contributed Surplus**	**Retained Earnings**	**Total**
Balance March 31, 2014	$ 10,000	$ 2,509	$ 12,509
Net results of operations	-	1,189	1,189
Balance June 30, 2014	$ 10,000	$ 3,698	$ 13,698

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

Statement of Cash Flows (Unaudited)

For the three months ended June 30 (in thousands of Canadian dollars)	2015	2014
Cash flows from operating activities		
Receipts from foreign customers	**$ 350,952**	$ 291,313
Finance income, net	**94**	50
Fees for service and other income received	**7,447**	4,534
Payments to Canadian exporters	**(329,750)**	(270,394)
Administrative payments	**(8,196)**	(7,179)
Parliamentary appropriation	**2,220**	3,914
Cash provided by operating activities	**22,767**	22,238
Effect of exchange rate changes on cash and cash equivalents	**439**	(27)
Increase in cash and cash equivalents	**23,206**	**22,211**
Cash and cash equivalents at the beginning of period	**64,614**	89,538
Cash and cash equivalents at the end of period	**$ 87,820**	$ 111,749

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

Notes to Financial Statements

June 30, 2015

1. Nature, organization and funding

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* (the "Act"), is wholly owned by the Government of Canada and an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. The Corporation is domiciled in Canada with a head office located at 50 O'Connor Street, Ottawa, Ontario. The Corporation operates primarily in Canada with representation in Asia and the Caribbean.

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

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

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

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

2. Basis of preparation

Compliance with International Financial Reporting Standards (IFRS)

These condensed interim financial statements have been prepared in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* using the International Financial Reporting Standards ("IFRS") accounting policies adopted in the Corporation's audited annual financial statements as at and for the year ended March 31, 2015. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's annual report and audited financial statements for the year ended March 31, 2015.

Basis of measurement

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

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

Use of estimates and judgments

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

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

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

Note 6 – employee benefits
Note 14 – guarantees

Functional and presentation currency

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

(in thousands of Canadian dollars, unless otherwise indicated)

3. Significant accounting policies

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those disclosed in the Corporation's audited annual financial statements for the year ended March 31, 2015.

4. Cash and cash equivalents

Cash and cash equivalents included:

	June 30, 2015		**March 31, 2015**	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
Canadian dollars	**43,834**	**$ 43,834**	45,514	$ 45,514
U.S. dollars	**33,734**	**42,134**	14,859	18,821
Australian dollars	**630**	**1,236**	-	-
Chinese renminbi	**3,060**	**616**	1,363	279
		$ 87,820		$ 64,614

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

Of the cash and cash equivalents, $39,108 (March 31, 2015 - $45,945) represents advances and holdbacks received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Advances from foreign customers also include overpayments from customers due to temporary timing differences in their liquidation methods and accounting for work performed. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

(in thousands of Canadian dollars, unless otherwise indicated)

5. Trade receivables and trade payables and accrued liabilities

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

	June 30, 2015		March 31, 2015	
	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	**51,561**	**$ 64,398**	79,647	$ 100,881
Canadian dollars	**61,087**	**61,087**	66,395	66,395
Chinese renminbi	**-**	**-**	575	117
		$ 125,485		$ 167,393

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

	June 30, 2015		March 31, 2015	
	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	**68,423**	**$ 85,461**	79,085	$ 100,130
Canadian dollars	**70,703**	**70,703**	71,337	71,337
Australian dollars	**630**	**1,236**	-	-
Chinese renminbi	**75**	**15**	345	70
		$ 157,415		$ 171,537

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

6. Employee benefits

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

(in thousands of Canadian dollars, unless otherwise indicated)

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

	June 30, 2015			March 31, 2015		
	Sick Leave	**Severance**	**Total Benefits**	**Sick Leave**	**Severance**	**Total Benefits**
Total employee benefits	**$ 1,396**	**$ 674**	**$ 2,070**	$ 1,384	$ 673	$ 2,057
Less: current portion	**(113)**	**(107)**	**(220)**	(112)	(107)	(219)
Non-current portion	**$ 1,283**	**$ 567**	**$ 1,850**	$ 1,272	$ 566	$ 1,838

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

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

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

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

(in thousands of Canadian dollars, unless otherwise indicated)

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

7. Capital management

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

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

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

		June 30, 2015		**March 31, 2015**
Contributed surplus	**$**	**10,000**	$	10,000
Retained earnings		**12,530**		10,701
	$	**22,530**	$	20,701

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

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

(in thousands of Canadian dollars, unless otherwise indicated)

For the three months ended June 30, the profile by geographic region is as follows:

	2015			2014		
	Revenues*	Sourcing services transactions	Total	Revenues*	Sourcing services transactions	Total
Asia	**$ 421,370**	**$ 491**	**$ 421,861**	$ 319,154	$ 1,231	$ 320,385
United States	**134,108**	**-**	**134,108**	130,480	-	130,480
Central America & Caribbean	**88,165**	**-**	**88,165**	66,999	1,214	68,213
South America	**21,844**	**-**	**21,844**	24,591	-	24,591
Europe	**618**	**8,220**	**8,838**	64	3,210	3,274
Africa	**3,985**	**496**	**4,481**	16	1,976	1,992
Canada	**345**	**224**	**569**	339	813	1,152
Other	**235**	**-**	**235**	25	-	25
	$ 670,670	**$ 9,431**	**$ 680,101**	$ 541,668	$ 8,444	$ 550,112

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

Revenues for the three months ended June 30, 2015 include $329,960 (June 30, 2014 – $318,730) of accrued unbilled revenues. Value of contracts signed is distinct from revenues. During the three months ended June 30, 2015, the value of contracts and amendments which were signed and became effective amounted to $260.8 million (June 30, 2014 - $353.5 million).

9. Risk management and financial instruments

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

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

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

(a) Credit risk

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

Cash and cash equivalents

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

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

Trade receivables

The Corporation's exposure to credit risk associated with trade receivables are influenced mainly by the demographics of the Corporation's customer base. The Corporation generally manages foreign customer credit risk by extending open account terms to parties with a Moody's credit rating of at least AAA, and seeks security where the rating falls below this threshold. During the three months ended June 30, 2015, 32% (March 31, 2015 - 40%) 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:

	June 30, 2015	March 31, 2015
Central America and Caribbean	**$ 52,711**	$ 54,734
United States	**33,392**	59,366
Asia	**25,656**	34,122
Canada	**6,057**	3,401
South America	**3,216**	10,924
Europe	**401**	862
Other	**-**	3,984
	$ 125,485	$ 167,393

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

	June 30, 2015	March 31, 2015
< 1 year	**$ 125,485**	$ 167,393
	$ 125,485	$ 167,393

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:

	June 30, 2015	March 31, 2015
< 30 days	**$ 646**	$ 567
> 30 days and < 180 days	**1,913**	19,857
> 180 days	**2,244**	2,330
	$ 4,803	$ 22,754

Advances and progress payments to Canadian exporters

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

(in thousands of Canadian dollars, unless otherwise indicated)

Collateral

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

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

		June 30, 2015		**March 31, 2015**
Holdbacks	**$**	**7,613**	$	7,720
Bank guarantees	**$**	**27,600**	$	33,730
Surety bonds	**$**	**103,342**	$	104,798
Parent guarantees	**$**	**16,929,965**	$	17,172,356
Other	**$**	**3,306**	$	4,570

The above amounts approximate the fair values of collateral held.

(b) Market risk

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

i) Currency risk

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

ii) Interest rate risk

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

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

Under a specific series of financing contracts, included in trade payables and accrued liabilities, the Corporation owed $50,110 as at June 30, 2015 (March 31, 2015 - $51,962) which bears interest at the cost of funds plus 0.25% (March 31, 2015 – 0.25%).

c) Liquidity risk

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

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

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

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 $90.00 million.

The Corporation has a revolving credit facility providing access to funds in the amount of $40.00 million (March 31, 2015 – $20.00 million) Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at June 30, 2015, there were no draws on this line of credit (March 31, 2015 – nil).

(in thousands of Canadian dollars, unless otherwise indicated)

In addition, the Corporation enters into credit arrangements up to a maximum of $70.00 million as at June 30, 2015 (March 31, 2015 – $70.00 million) where transactions are fully insured by a related Crown Corporation with a Moody's credit rating of AAA, thereby mitigating all liquidity risk related to the Cuba contracting program. The Corporation incurred an expense of $439 during the three months ended June 30, 2015 (June 30, 2014 – $682) related to the Cuba contracting program.

Trade payables and accrued liabilities

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

	June 30, 2015	**March 31, 2015**
< 1 year	**$ 157,415**	$ 171,537
	$ 157,415	$ 171,537

Under a specific series of financing contracts, related to the Cuba contracting program included in trade payables and accrued liabilities the Corporation owed $50,110 as at June 30, 2015 (March 31, 2015 – $51,962) which bears interest at the cost of funds plus 0.25% (March 31, 2015 - 0.25%) and the Corporation has offered as security certain foreign trade receivables under certain conditions. The amount of outstanding trade receivables fully insured by a related Crown corporation under these arrangements was $50,052 as at June 30, 2015 (March 31, 2015 – $52,733) and was profiled as follows:

	June 30, 2015	**March 31, 2015**
< 1 year	**$ 50,052**	$ 52,733
	$ 50,052	$ 52,733

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

(in thousands of Canadian dollars, unless otherwise indicated)

10. Administrative expenses

Administrative expenses for the three months ended June 30 included the following:

	2015	2014
Workforce compensation and related expenses	**$ 4,599**	$ 4,449
Rent and related expenses	**1,097**	576
Contract management services	**813**	868
Consultants	**476**	261
Travel and hospitality	**472**	477
Software, hardware and support	**384**	320
Amortization and depreciation	**145**	42
Corporate communications	**111**	131
Other expenses	**256**	147
	$ 8,353	$ 7,271

11. Finance income, net

For the three months ended June 30, the Corporation has recorded finance income and cost in relation to the following financial instruments:

	2015	2014
Financial assets		
- Finance income earned on cash and cash equivalents	**$ 114**	$ 74
Financial liabilities		
- Finance cost on payables and other liabilities	**(20)**	(24)
	$ 94	$ 50

12. Parliamentary appropriation

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

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.

(in thousands of Canadian dollars, unless otherwise indicated)

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

	June 30, 2015	**March 31, 2015**
Trade receivables	**$ 1,079**	$ 1,101
Trade payables	**$ 169**	$ 1,042

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

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

For the three months ended June 30, 2015, the cost of these services amounted to $813 (June 30, 2014 - $868) and is included in administrative expenses.

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

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

(c) Other Government of Canada departments, agencies and Crown corporations
Commercial trading transactions, fees for service, and sourcing services transactions, arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, and other international activities include the following transactions with related party entities for the three months ended June 30:

	2015	**2014**
Department of Foreign Affairs, Trade and Development	**$ 2,146**	$ 5,828
	$ 2,146	$ 5,828

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

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

(in thousands of Canadian dollars, unless otherwise indicated)

Canadian exporters in the normal course of business, under the same terms and conditions that apply to unrelated parties, and as such the transactions approximate fair value.

No supply contract transactions were recorded with related Canadian exporters for the three months ended June 30, 2015.

The total contract portfolio value remaining to be fulfilled involving related Canadian exporters for the three year months ended June 30 were as follows:

	2015	2014
Weatherhaven Global Resources Ltd.	**$ 7,502**	$ -
Blue Drop Performance Learning Inc.	**30**	-
	$ 7,532	$ -

No amounts were due from and to these related Canadian exporters as at June 30, 2015 (June 30, 2014 – nil).

14. Guarantees

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

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

	June 30, 2015	March 31, 2015
< 1 year	**$ 838,506**	$ 922,284
> 1 and < 3 years	**3,233,603**	2,342,986
> 3 and < 5 years	**9,770,043**	9,699,879
> 5 years	**4,054,094**	5,296,627
Total contract portfolio	**$17,896,246**	$18,261,776