Canadian Commercial Corporation

Quarterly Financial Report
(Unaudited)

For the three and six month periods ended September 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nature of Business and Operating Environment

In this current climate of global economic challenges and increased competition for Canadian exporters, the Canadian Commercial Corporation (CCC) has strategically positioned itself to play a leadership role in working as a Government of Canada partner with a broad spectrum of Canadian companies who are looking to access international defence markets, and international infrastructure markets in emerging and developing countries. The five business line strategy that CCC has developed is already proving 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

CCC's year to date operations and comprehensive income for the period ended September 30, 2011 is a surplus of $0.8 million, compared to a surplus of $0.2 million reported for the same period ended September 30, 2010. The year-over-year net increase of $0.6 million, or approximately 300%, is the result of revenues increasing by $0.8 million partially offset by total expenses increasing by $0.2 million. The parliamentary appropriation remained the same as compared to last year. The increase in revenues resulted from increases in fees for service of $0.3 million and other revenue of $0.5 million. CCC continues to make important investments to support its growth, however, expenditures are incurred in a controlled manner, relative to revenues earned and respective of the spirit of the Government of Canada's cost containment measures set out in the 2010 Budget. Second quarter results for both fiscal years 2011-12 and 2010-11 were virtually the same, resulting in an operating surplus of $0.5 million in both years. Total revenues and appropriation in the second quarter of fiscal years 2011-12 and 2010-11 were both $7.1 million, partially offset by total expenses of $6.7 and $6.6 million respectively.

A more detailed discussion of CCC's fiscal year 2011-12 financial highlights follows:

Statement of Comprehensive Income Discussion

Summary results

	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED		
	September 30 2011 ($ Millions)	**September 30 2010 ($ Millions)**	**% Increase (Decrease)**	**September 30 2011 ($ Millions)**	**September 30 2010 ($ Millions)**	**% Increase (Decrease)**
Revenues:						
Commercial trading transactions - prime contracts	$ 589.3	$ 470.7	25%	$ 1,052.5	$ 703.6	50%
Cost of commercial trading transactions - prime contracts	($ 589.3)	($ 470.7)	(25%)	($1,052.5)	($ 703.6)	(50%)
Fees for service	$ 2.8	$ 3.3	(15%)	$ 5.6	$ 5.3	6%
Other revenues	$ 0.5	($ 0.1)	600%	$ 0.7	$ 0.2	250%
Total Revenues	$ 3.3	$ 3.2	3%	$ 6.3	$ 5.5	15%
Expenses:						
Administrative expenses	$ 6.7	$ 6.5	5%	$ 13.2	$ 12.8	4%
Contract remediation expenses	$ 0.0	$ 0.1	(100%)	$ 0.0	$ 0.3	(100%)
Total Expenses	$ 6.7	$ 6.6	2%	$ 13.2	$ 13.1	1%

	FOR THE THREE MONTHS ENDED				FOR THE SIX MONTHS ENDED		
	September 30 2011 ($ Millions)	**September 30 2010 ($ Millions)**	**% Increase (Decrease)**		**September 30 2011 ($ Millions)**	**September 30 2010 ($ Millions)**	**% Increase (Decrease)**
International procurement services for government clients	$ 9.7	$ 5.4	80%		$ 14.6	$ 25.6	(43%)
Cost of international procurement services for government clients	($ 9.7)	($ 5.4)	(80%)		($ 14.6)	($ 25.6)	43%
Parliamentary appropriations	$ 3.9	$ 3.9	0%		$ 7.7	$ 7.8	(1%)
Net results of operations and comprehensive income	$ 0.5	$ 0.5	0%		$ 0.8	$ 0.2	300%

Revenues

Revenues consist of commercial trading transactions on prime contracts, fees for service, other income, net interest income, and gains (or an offset to revenues if a loss) on foreign exchange. It is important to note that revenues for 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 for the year to date were $6.3 million as at September 30, 2011 compared to $5.5 million reported in the same period ended September 30, 2010, an increase of $0.8 million, or approximately 15%. In the second quarter of fiscal year 2011-12 total revenues were virtually the same as in the second quarter of fiscal year 2010-11 at $3.3 million and $3.2 million respectively.

Commercial trading transactions and Procurement services transactions for the year to date were cumulatively $1,067.1 million as at September 30, 2011 compared to the $729.2 million reported for the same period ended September 30, 2010, a $337.9 million or 46% increase. In the second quarter of fiscal 2011-12 commercial trading transactions and Procurement services transactions of $599.0 million were $122.9 million, or 26%, higher than in the second quarter of fiscal 2010-11. The increase in both instances is due predominately to the accelerated production of Light-Armoured Vehicles (LAV) related to the large volume of US Department of Defence (DoD) Foreign Military Sales (FMS) and Marine Corp contracts.

CCC does not charge fees for its Defence Production Sharing Agreement (DPSA) business line transactions as these are funded through parliamentary appropriations. As at September 30, 2011, commercial trading transactions generated from DPSA activity (including sales of LAV's to the U.S. DoD) represent 87% (85% as at September 30, 2010) of the Corporation's total commercial trading transactions. For all of its other business lines the Corporation charges fees, generally as a percentage of the contract value. Fees are recognized as revenue when goods and services are delivered. Fees for service for the year to date were $5.6 million as at September 30, 2011 compared to $5.3 million reported for the same period ended September 30, 2010, a 6% increase. The second quarter of fiscal year 2011-12 fees for service of $2.8 million were $0.5 million, or 15%, lower than in the second quarter of fiscal year 2010-11. This occurred as there were no contracted milestones (on which fees are recognized) scheduled in the second quarter of fiscal year 2011-12 related to the Corporation's Ghana power plant project.

Other revenue items that contributed to the year-over-year increase in revenues for the period ended September 30 are: (1) A $0.2 million increase resulting from a foreign exchange gain due to the weakening of Canadian dollar during the second quarter of fiscal year 2011-12 compared to its US dollar counterpart on exposed U.S. cash balances (which are monitored closely and kept at nominal levels); (2) A $0.1 million increase in interest income earned on the Corporation's cash balances due to slightly

higher interest rates in fiscal year 2011-12; and (3) A $0.2 million increase in other income, as a result of fees earned on increased requests for early payment discounts by Canadian exporters related to the DPSA business line during the second quarter of fiscal year 2011-12.

Expenses

Total expenses for the year to date as at September 30, 2011 were $13.2 million, $0.1 million higher than the same period ended September 30, 2010. An increase in administrative expenses of $0.4 million was partially offset by a $0.3 million decrease in contract remediation expenses. For the reporting period, management did not accrue any contract remediation expenses and will defer recognition until such time as actual amounts are or can be determined. Administrative expenses are paid primarily in Canadian dollars and are not impacted by exchange fluctuations. Significant administrative expenses were:

- Workforce compensation was $7.7 million. This increased by $0.3 million, or 4%, compared to the amount spent for the same six month period last year. The increase is due primarily to a combination of staff increases and annual salary band increment increases. Workforce compensation accounted for 58% of CCC's administrative expenditures. Workforce compensation was the same at $3.9 million in the second quarter of fiscal periods 2011-12 and 2010-11.

- PWGSC costs, for core contract management services under the DPSA, of $2.0 million was $0.1 million higher than the same six month period last year.

- Rent and related expenses of $1.1 million was $0.2 million higher than the same period of time last year due to annual rent increases in accordance with the lease.

- Consultant expenses of $0.8 million, to complement CCC's workforce and perform assignments requiring a specific expertise, was the same amount in fiscal years 2011-12 and 2010-11 on a year to date basis and remained consistent from quarter to quarter in both fiscal years.

- Travel expenses of $0.5 million, was the same amount in fiscal years 2011-12 and 2010-11.

- The amortization of property and equipment, intangible assets and leasehold improvement costs of $0.4 million was the same amount in fiscal years 2011-12 and 2010-11 on a year to date basis and was expensed consistently from quarter to quarter in both fiscal years.

- Computer software, hardware and support costs, over and above the information management personnel included in workforce compensation or consultants of $0.3 million decreased by $0.2 million, or 40%, compared to the same period of time last year. However, the expenses were consistent at $0.1 million in the second quarter of both fiscal years 2011-12 and 2010-11.

- Other expenses, including corporate communication costs (marketing, advertising, and the design and printing of corporate promotional material) telecommunications and bank charges, of $0.4 million, were consistent as compared to the same six month period last year. The expenses were also consistent at $0.2 million in the second quarter of both fiscal years 2011-12 and 2010-11.

For the year to date ended September 30, 2011, management has recorded contract remediation expenses of $8,000 based on actual determined amounts. This is reflective of the Corporation's current portfolio of stable active projects and its robust risk management processes. Last year at this time, management had recorded an accrual of $250,000 in anticipation of potential expenses.

Parliamentary Appropriations

The Corporation is to receive parliamentary appropriations of $15.5 million in fiscal year 2011-12, virtually the same amount as in the previous year. The appropriation is drawn down in equal monthly installments throughout the year.

Statement of Financial Position Discussion

Summary of financial position

	September 30 2011 ($ Millions)	March 31 2011 ($ Millions)	% Increase (Decrease)
Total assets	$ 852.5	$ 646.8	32%
Total liabilities	$ 802.3	$ 597.4	34%
Shareholder's Equity	$ 50.2	$ 49.4	2%

CCC's total assets were $852.5 million as at September 30, 2011, $205.7 million, or 32%, higher than at March 31, 2011. The increase is due predominantly to an increase in the amount of progress payments to Canadian exporters of $137.0 million, representing a 61% increase compared to March 31, 2011 and accounting for 67% of the $205.7 million overall increase in total assets. All other asset statement line items combined for a net increase of $68.7 million from March 31, 2011.

CCC's total liabilities were $802.3 million as at September 30, 2011, $204.9 million, or 34%, higher than at March 31, 2011. The increase is due primarily to an increase in the amount of progress payments from foreign customers of $137.3 million, representing a 60% increase compared to March 31, 2011 and accounting for 67% of the $204.9 million overall increase in total liabilities. All other liability statement line items combined for a net increase of $67.6 million from March 31, 2011.

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

Accounts receivable of $287.2 million ($235.0 million at March 31, 2011), represents 34% (36% at March 31, 2011) of the total assets of $852.5 million ($646.8 million at March 31, 2011). Accounts payable and accrued liabilities of $260.4 million ($223.2 million at March 31, 2011), represents 32% (37% at March 31, 2011) of the total liability of $802.3 million ($597.4 million at March 31, 2011). Generally, the Corporation pays its Canadian exporters within 30 days of receipt of an invoice and substantiating documentation according to the terms of the contract under its core DPSA program.

Advances from foreign customers and advances to Canadian exporters both increased by 21% since March 31, 2011. Of the $172.6 million ($142.2 million at March 31, 2011) in advances from foreign customers, $152.4 million ($126.5 million as at March 31, 2011), or 88% (89% as at March 31, 2011), were related to six projects in Ecuador, Norway, Kingdom of Saudi Arabia, Peru and a procurement services project for each of DFAIT and CIDA. Of these advances from foreign customers, a significant portion, $130.1 million ($103.2 million as at March 31, 2011), was passed on to Canadian exporters, accounting for 99% (96% as at March 31, 2011) of advances to Canadian exporters. Contractually, advances are not offered on the DPSA business line. For all other business lines, CCC's risk mitigation

practices require, that for most projects, CCC hold back advance payments made by foreign customers and only release them to Canadian exporters as delivery obligations are fulfilled.

As at September 30, 2011, CCC's equity, fully ascribed to the Government of Canada, was $50.2 million, an increase of $0.8 million from March 31, 2011 as detailed in the Statement of Comprehensive Income Discussion. CCC's equity backstops the commercial risks inherent in its portfolio of undelivered contracts which totalled approximately $3.8 billion at September 30, 2011. It is worth noting that in 2009-10 CCC signed a significant contract with the US DoD FMS for the delivery of LAV's. The maximum potential value of this contract is $2.2 billion of which only $278.0 million had been delivered as of September 30, 2011. The undelivered portion of this contract represents 50% of the Corporation's total undelivered commitments.

Statement of Cash Flows Discussion

Summary of cash flows

	FOR THE THREE MONTHS ENDED				FOR THE SIX MONTHS ENDED		
	September 30 2011 ($ Millions)	September 30 2010 ($ Millions)	% Increase (Decrease)		September 30 2011 ($ Millions)	September 30 2010 ($ Millions)	% Increase (Decrease)
Operating activities	$ 3.8	($ 7.5)	151%		($ 5.7)	$ 13.1	(143%)
Investing activities	$ 0.0	$ 0.0	0%		$ 0.0	$ 0.0	0%
Effect of exchange rate changes on cash and cash equivalents	$ 0.3	$ 0.0	100%		$ 0.2	$ 0.0	100%

Operating activities

During the first six months of fiscal 2011-12, CCC used $5.7 million in cash from its operating activities, as compared to the $13.1 million provided during the first six months of fiscal 2010-11. This increased usage is attributable to several factors as follows:

- During the first six months, $8.1 million was provided from advance payments that were received from foreign governments and were being held pending achievement of delivery obligations per contract terms and conditions.

- During the first six months, $14.4 million was used due to timing differences between the receipt of cash on CCC's accounts receivable and disbursements of cash for its accounts payable. On certain contracts, the Corporation only pays its Canadian exporters after it receives the 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 wide variations in cash flows from one period to the next.

- During the first six months, $0.6 million ($0.8 million excluding the $0.2 million effect of exchange rate changes on cash and cash equivalents) was provided due to an increase in retained earnings as described in the Statement of Comprehensive Income Discussion.

Investing activities

As described in the Statement of Financial Position Discussion, the Corporation capitalized a negligible amount related to property, equipment or intangible assets during fiscal 2010-11.

Effect of exchange rate changes on cash and cash equivalents

During the first six months, CCC recorded a foreign exchange translation gain of $0.2 million as a result of the Canadian dollar's decline compared to its US dollar counterpart, from $1.0314 USD at March 31, 2011 to $0.9540 USD at September 30, 2011.

Comparison of Financial Results to the Budget contained in the 2011-12 to 2015-16 Corporate Plan

For the six-month period ended September 30, 2011, total commercial trading transactions (including procurement services transactions) of $1,067.1 million were $38.9 million, or 4%, lower than budget. Commercial trading transactions are lower than budget as a significant proportion of the budget is based on the delivery of work related to new business anticipated to be signed during the year which has not occurred to date due primarily to an increasingly global economy and shifting foreign government priorities.

Fees for service of $5.6 million were higher than budget by $0.5 million, or 10%. Fees for service are earned as contract work is delivered or completed. During the first six-months of fiscal 2011-12, fees for service related to the trade financing business line exceeded budget expectations.

CCC recorded a foreign exchange translation gain of $0.2 million as a result of the Canadian dollar's decline compared to its US dollar counterpart, from $1.0314 USD at March 31, 2011 to $0.9540 USD at September 30, 2011. The Corporation controls exchange gains and losses through monitoring and maintaining unhedged foreign currency balances at negligible levels. The Corporation's unhedged US currency balance of $3.0 million represents 0.4% of its total US assets.

The Corporation recorded an amount of $8,000 in contract remediation expenses at this time and does so only when actual amounts are or can be determined. As a result, contract remediation expenses were under budget by $0.2 million. This reflects the Corporation's robust risk management practices, including its robust ERM framework and contract management practices.

Administrative expenses of $13.2 million were $1.1 million, or 8%, lower than the budgeted amount of $14.3 million. This result reflects management's continued control of expenditures relative to revenues earned, while also respecting the spirit of the Government of Canada's cost containment measures set out in Budget 2010.

Fiscal 2011-12 Forecast

During fiscal 2010-11 and continuing into 2011-12, the Corporation examined and analyzed key processes in delivery of the DPSA business line. Through this analysis, it was determined that a new approach was required in order to optimize expenditures while maximizing the quality of service being provided to clients. Accordingly, CCC is making investments to transition some of the work currently subcontracted to PWGSC, to CCC. This will require a transition investment of $2.3 million which will span fiscal 2011-12 and 2012-13. This new approach will generate almost $5 million in cost savings for the Corporation over the period of the 2011-12 to 2015-16 Corporate Plan. Accordingly, in June 2011, the Board of Directors directed management to proceed with the transition. As a result of this transition investment, CCC expects to incur an operating loss of $0.6 million in fiscal 2011-12.

In fiscal 2011-12, revenues after offsetting the cost of commercial trading transactions are expected to be $14.2 million, $1.0 million, or 8%, greater than the results achieved in fiscal 2010-11. An expected increase in fees for service will contribute to this result, as fees are expected to increase based on the

forecast delivery requirements on several contracts in defence and emerging and developing markets. Interest income of $0.5 million is anticipated to be higher than in fiscal 2010-11 as average interest rate yields and cash balances are expected to increase in fiscal 2011-12.

Total expenses are forecast to be $30.2 million, $2.0 million, or 7%, greater than the 2010-11 actual results. The increase is primarily due to the estimated $0.6 million in DPSA investment transition costs discussed above and a $1.2 million difference from a reversal of $1.0 million in 2010-11 of a provision for contract remediation compared to a contract remediation expense of $0.2 million in 2011-12.

International Financial Reporting Standards (IFRS)

The Corporation determined that IFRS was the most appropriate basis of accounting and has adopted IFRS beginning in fiscal 2011-12. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are some differences between IFRS and Canadian GAAP. These differences include several accounting policy choices and increased disclosure requirements which are disclosed in the notes to the financial statements of this report, as well as, in the management discussion and analysis and notes to the financial statements of the previously issued condensed interim statements as of June 30, 2011.

CCC's Commitment to Performance and Risk Management

CCC manages a wide range of 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 are discussed in detail in the Corporation's fiscal 2010-11 Annual Report and 2011-12 Corporate Plan Summary.

During the quarter, debt issued by the Government of the United States was downgraded by Standard & Poor's from a AAA rating to AA+. Other key ratings agencies maintained the US credit rating at AAA. The risk impact is immaterial on the Corporation as the rating is above the requirements set forth by the Corporation's credit policy.

There are no other significant changes, new risks or uncertainties identified during the second quarter as compared to those previously reported or discussed.

Management Representation

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

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.

Marc Whittingham
President and CEO

Martin Zablocki, B.Com, MBA, CBV, CMA
Vice-President, Risk and Finance, and CFO

Ottawa, Canada
November 15, 2011

Statement of Financial Position (Unaudited)

(in thousands of dollars)	September 30 2011	March 31 2011	April 1 2010
Assets			
Current assets			
Cash and cash equivalents (Note 4)	$ 69,764	$ 75,254	$ 42,982
Accounts receivable (Notes 5 and 9)	287,211	235,029	251,889
Advances to Canadian exporters	130,169	107,887	85,944
Progress payments to Canadian exporters	363,488	226,456	92,101
	850,632	644,626	472,916
Non-current assets			
Property and equipment	1,047	1,115	1,264
Intangible assets	831	1,108	1,661
	1,878	2,223	2,925
	$ 852,510	$ 646,849	$ 475,841
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Notes 5 and 9)	$ 260,422	$ 223,187	$ 236,327
Advances from foreign customers	172,556	142,153	96,550
Progress payments from foreign customers	366,755	229,426	91,625
Short-term employee future benefits (Note 6)	708	708	643
	800,441	595,474	425,145
Non-current liabilities			
Long-term employee future benefits (Note 6)	1,431	1,547	1,484
Provision for contract remediation expenses (Notes 7 and 13)	397	407	1,442
	1,828	1,954	2,926
	802,269	597,428	428,071
Shareholder's Equity			
Contributed surplus	10,000	10,000	10,000
Retained earnings	40,241	39,421	37,770
	50,241	49,421	47,770
	$ 852,510	$ 646,849	$ 475,841

Commitments, contingencies and guarantees (Note 13)

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

Approved:

Marc Whittingham
President and CEO

Martin Zablocki, B.Com, MBA, CBV, CMA
Vice-President, Risk and Finance and CFO

Statement of Comprehensive Income (Unaudited)

	For the three month period ended September 30		For the six month period ended September 30	
(in thousands of dollars)	**2011**	**2010**	**2011**	**2010**
Revenues				
Commercial trading transactions - prime contracts (Note 8)	$ 589,334	$ 470,671	$ 1,052,499	$ 703,597
Less: cost of commercial trading transactions - prime contracts	(589,334)	(470,671)	(1,052,499)	(703,597)
Fees for service (Note 8)	2,753	3,326	5,550	5,280
Other income (Note 8)	116	(154)	229	73
Net interest income	131	89	268	134
Gain (loss) on foreign exchange	257	(32)	240	11
	3,257	3,229	6,287	5,498
Expenses				
Administrative expenses (Note 10)	6,662	6,505	13,200	12,790
Contract remediation expenses (recovery) (Note 13)	8	125	8	250
	6,670	6,630	13,208	13,040
International procurement services for government clients				
Procurement services transactions (Note 8)	$ 9,680	$ 5,360	$ 14,569	$ 25,558
Less: cost of procurement services transactions	(9,680)	(5,360)	(14,569)	(25,558)
	-	-	-	-
Net results of operations before Parliamentary appropriations	(3,413)	(3,401)	(6,921)	(7,542)
Parliamentary appropriations (Note 11)	3,871	3,888	7,741	7,775
Net results of operations and comprehensive income	$ 458	$ 487	$ 820	$ 233

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

Statement of Changes in Equity (Unaudited)

For the three and six month period ended September 30, 2011

(in thousands of dollars)	Contributed Surplus	Retained Earnings	Total
Balance - July 1, 2011	$ 10,000	$ 39,783	$ 49,783
Net Income		458	458
Balance - September 30, 2011	$ 10,000	$ 40,241	$ 50,241
Balance - April 1, 2011	$ 10,000	$ 39,421	$ 49,421
Net Income		820	820
Balance - September 30, 2011	$ 10,000	$ 40,241	$ 50,241

For the three and six month period ended September 30, 2010

(in thousands of dollars)	Contributed Surplus	Retained Earnings	Total
Balance - July 1, 2010	$ 10,000	$ 37,516	$ 47,516
Net Income		487	487
Balance - September 30, 2010	$ 10,000	$ 38,003	$ 48,003
Balance - April 1, 2010	$ 10,000	$ 37,770	$ 47,770
Net Income		233	233
Balance - September 30, 2010	$ 10,000	$ 38,003	$ 48,003

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

Statement of Cash Flows (Unaudited)

(in thousands of dollars)	For the three month period ended September 30 2011	For the three month period ended September 30 2010	For the six month period ended September 30 2011	For the six month period ended September 30 2010
Cash flows from operating activities				
Receipts from foreign customers	$ 612,856	$ 428,740	$ 1,182,617	$ 757,570
Interest received	131	89	268	134
Fees for service and other income received	2,869	3,172	5,779	5,353
Payments to Canadian exporters	(609,238)	(437,234)	(1,189,113)	(745,272)
Administrative payments	(6,653)	(6,204)	(13,015)	(12,439)
Parliamentary appropriations	3,871	3,888	7,741	7,775
Cash provided by (used in) operating activities	3,836	(7,549)	(5,723)	13,121
Cash flows from investing activities				
Purchase of property and equipment, and intangible assets	(7)	(16)	(7)	(35)
Cash (used in) investing activities	(7)	(16)	(7)	(35)
Effect of exchange rate changes on cash and cash equivalents	257	(32)	240	11
Increase (decrease) in cash and cash equivalents	4,086	(7,597)	(5,490)	13,097
Cash and cash equivalents at beginning of period	65,678	63,676	75,254	42,982
Cash and cash equivalents at end of period (Note 4)	$ 69,764	$ 56,079	$ 69,764	$ 56,079

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

Notes to Unaudited Condensed Interim Financial Statements

September 30, 2011

1. Nature, organization and funding

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* (the "Act") and is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*.

The Corporation generally 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 procurement services agreements to procure goods and services for international end use on behalf of Canadian and foreign governments. The Corporation operates primarily in Canada with additional offices in Asia and representation in the Caribbean.

The Corporation's operations are funded primarily by parliamentary appropriation. This is supplemented by a combination of fees for service, interest income and discounting revenues.

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

2. Basis of preparation

Compliance with 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 and using the International Financial Reporting Standards ("IFRS") accounting policies the Corporation expects to adopt in its financial statements as at and for the year ending March 31, 2012. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These IFRS condensed interim financial statements represent part of the period covered by the Corporation's first IFRS annual financial statements. The Corporation has elected April 1, 2010 as the date of transition to IFRS (the "transition date"). IFRS 1, First-time Adoption of IFRS ("IFRS 1"), has been applied.

Changes to IFRS that are given effect in the Corporation's annual financial statements for the year ending March 31, 2012 could result in restatement of these condensed interim financial statements, including the transition adjustments recognized with the adoption of IFRS.

These condensed interim financial statements should be read in conjunction with the Corporation's annual financial statements as of March 31, 2011 prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and in consideration of the IFRS transition disclosures included in this report and in the condensed interim financial statements previously issued as of June 30, 2011.

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect 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. The most significant management estimates are the provision for contract remediation expenses and the liability for employee future benefits. Actual results could differ significantly from those estimates as factors impacting the ability of Canadian exporters to fulfill their contracts change or there are changes in the Corporation's discount rate and rate of compensation increases. Any changes in estimates are reflected in the financial statements in the period in which they become known.

Functional and presentation currency

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

3. Significant accounting policies

The significant accounting policies of the Corporation are summarized below. These policies have been consistently applied to all years and periods presented, unless otherwise stated.

(a) Contracts

The Corporation records its **commercial trading transactions** and **procurement services transactions**, and their offsetting costs, when a delivery has taken place thus passing title of the purchased goods to the foreign customer. However, in the case where the contract provides for progress payments, commercial trading transactions and procurement services transactions are recorded upon acceptance by the Corporation of the work performed. Commercial trading transactions related to prime contracts are included in **revenues**, and procurement services transactions, whereby the Corporation acts as an agent for another government or government department, are shown on a net basis under **international procurement services for government clients**.

Fees for service from commercial trading transactions related to prime contracts and international procurement services agreements, and fees from other international and domestic activities are recognized in **revenues** when services are rendered.

Progress payments from foreign customers and **progress payments to Canadian exporters**, when required, represent payments on a percentage-of-completion basis associated with the work performed on a contract leading up to delivery. Usually these payments are restricted to 75 percent of costs incurred. Since title has not yet passed to foreign customers, the Corporation recognizes the progress payments made to Canadian exporters as an asset and the progress payments received from foreign customers as a liability. Progress payment assets and liabilities are reduced upon completion of delivery and acceptance by the foreign customer.

Advances from foreign customers and **advances to Canadian exporters** represent a down payment made at the outset of the contract before any work has been performed. The Corporation recognizes the advances made to Canadian exporters as an asset and the advances received from foreign customers as a liability. Advances made and received are reduced upon completion of delivery and acceptance by the foreign customer.

Other income is comprised mostly of income from discounting revenues related to advance payments. The Corporation offers, in certain circumstances, early payment on amounts owing to Canadian exporters in exchange for a fee. This discounting revenue is determined by applying a set percentage ranging from 0.03%, for one day of advance payment, to 1.32%, for forty days of advance payment. Discounting revenues are recognized as other income when the services are provided to the Canadian exporters.

Finally, for commercial trading transactions related to prime contracts, the Corporation is responsible for ensuring that the terms of the contract with the foreign customer are fulfilled regardless of the quality of performance by the Canadian exporter. If the Canadian exporter fails to fulfill its domestic contract obligations to the Corporation, the Corporation may encounter contract remediation expenses. These costs and the associated provision are determined on a contract-by-contract basis, and include completion, re-procurement, associated legal and other costs that are based on quotes or estimates. **Contract remediation expenses** are recorded in the Statement of Comprehensive Income in the period in which the non-performance is identified by the Corporation as probable and the amounts are reasonably determinable.

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period-end exchange rates. Revenues and expenses are translated at the average monthly exchange rate. Any gains or losses on foreign currencies are recorded as a gain or loss on foreign exchange on the Statement of Comprehensive Income.

(c) Financial instruments

The term “financial instrument” is defined as any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

i) Derivative financial instruments

The Corporation may enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The Corporation does not use derivative financial instruments for speculative purposes. As the Corporation does not account for these forward contracts using hedge accounting, these instruments are classified as held-for-trading, and measured at fair value using quoted forward prices with changes recognized in net income in the period in which they occur as a gain or loss on foreign exchange on the Statement of Comprehensive Income. Derivatives are recognized as either an asset in accounts receivable, or as a liability in accounts payable and accrued liabilities on the Statement of Financial Position.

The Corporation enters into certain non-financial instrument contracts which contain embedded foreign currency derivatives. Where these contracts are not leveraged, do not contain an option feature, and are denominated in a currency in which any substantial party to that contract measures the items in its financial statements, or in a currency that is commonly used in the economic environment where the transaction takes place, the embedded derivatives are not separated from the host contract.

The Corporation has no significant derivatives or embedded derivatives that require recognition as an asset or liability on the Statement of Financial Position.

ii) Determination of fair value

All financial instruments are initially included on the Statement of Financial Position and are measured at fair value. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using observable market data based on a three level hierarchy as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates fair value based on level 1 inputs due to the relatively short-term nature of these financial instruments.

(d) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and temporary investments, maturing in less than three months from acquisition date and are recorded at fair value based on the transaction price on the trade date. All interest income, gains and losses are recognized in net interest income in the period in which they arise. The Corporation has designated its cash and cash equivalents as held-for-trading since they can be reliably measured at fair value due to their short term to maturity. The changes in fair value of cash and cash equivalents are recognized in the period incurred as a gain or loss on foreign exchange on the Statement of Comprehensive Income.

(e) Accounts receivable

Accounts receivable are classified as loans and receivables and measured at amortized cost using the effective interest rate method. The Corporation does not establish an allowance for doubtful accounts since it has contractual recourse, in all material respects, whereby the Canadian exporter assumes the risk of non-payment from the foreign buyer.

(f) Accounts payable and accrued liabilities, and provision for contract remediation expenses

Accounts payable and accrued liabilities, and the provision for contract remediation expenses are classified as other financial liabilities and carried at amortized cost using the effective interest rate method.

(g) Property and equipment and intangible assets

Property and equipment includes costs associated with information systems hardware and operating systems, and leasehold improvements. Information systems hardware and operating systems are amortized, after technological feasibility is established, on a straight-line basis over the estimated useful life of five years. Leasehold improvements are amortized on a straight-line basis over the lesser of the useful life and the remaining term of the lease agreement.

Intangible assets include costs associated with information systems software and related initial set-up and configuration costs. These costs are amortized, after technological feasibility is established, on a straight-line basis over the estimated useful life of five years.

(h) Parliamentary appropriations

Parliamentary appropriations that are not in the nature of contributed surplus are recorded as funding in the year for which they are appropriated, except for appropriations restricted by legislation and related to expenses of future periods which are deferred and recognized as funding in the period in which the related expenses are incurred. Appropriations used for the purchase of property and equipment are deferred and amortized into income on the same basis as the related asset.

(i) Interest income

Interest income is recorded on an accrual basis and represents interest earned on cash balances and investments held throughout the year, and interest charged to customers related to late payments.

(j) Employee future benefits

i) Pension benefits

Substantially all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

ii) Employee severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on services. The valuation of the liability is based upon a current market-related discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by this plan as of March 31, 2011 was 14 years (March 31, 2010 – 14 years).

An update of the actuarial valuation was performed at March 31, 2011. The last full actuarial valuation was performed March 31, 2010 and the next full actuarial valuation is scheduled for March 31, 2012.

iii) Employee sick leave benefits

Employees are entitled to non-vested sick leave benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The actuarial valuation of the liability is based on assumptions which represent management's best estimates of factors used to determine the liability.

iv) Other employee benefits
The federal government sponsors a variety of other future benefit plans from which employees and former employees may benefit during employment or upon retirement. The Public Service Health Care Plan and the Corporation's Dental Plan are the two major plans available to employees and retirees of the Corporation. The Corporation's responsibility with regard to these two plans is limited to its contributions, which are recorded in the Statement of Comprehensive Income.

(k) Impairment

i) Impairment of financial assets
For financial assets that are not classified as fair value through net income, the Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of assets is impaired. Once impaired, financial assets carried at amortized cost are re-valued at net recoverable amount with the amount of the impairment recognized in net income. Unrealized losses on impaired available-for-sale financial assets are recognized in net income at the time of impairment. Financial assets carried at amortized cost are measured at net recoverable amount.

ii) Impairment of non-financial assets
Non-financial assets, including property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount.

(l) Provisions
A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably as at the Statement of Financial Position date, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Future accounting changes

International Financial Reporting Standards

IFRS 9
IFRS 9 Financial instruments ("IFRS 9") as issued in November 2009 and revised in October 2010, and the related consequential amendments, will replace International Accounting Standard 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 relates to the recognition and derecognition and measurement of financial assets and financial liabilities.

IFRS 9 eliminates the existing financial asset categories and requires all financial assets to be classified on initial recognition either at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Gains and losses on financial assets measured at fair value will be recognized through net income with the exception of equity investments not held for trading for which gains or losses will be recognized directly in equity.

The new standard also requires the use of a single impairment method for financial assets based on expected losses and incurred losses, replacing the multiple impairment methods in IAS 39.

IFRS 9 requires all financial liabilities not designated at fair value through net income to be subsequently measured at amortized cost using the effective interest method.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, although early adoption is permitted. The Corporation is currently evaluating the impact of IFRS 9 on its financial statements, and will continue to do so during the remaining stages of this project.

4. Cash and cash equivalents

Cash and cash equivalents included:

	September 30, 2011		March 31, 2011		April 1, 2010	
(in thousands)	**Original currency**	**Canadian dollars**	**Original currency**	**Canadian dollars**	**Original currency**	**Canadian dollars**
Canadian dollars	39,637	$ 39,637	39,808	$ 39,808	22,132	$ 22,132
U.S. dollars	27,997	29,346	35,729	34,643	19,256	19,561
Euros	272	381	424	584	847	1,163
Chinese renminbi	1632	266	575	85	61	2
Australian dollars	133	134	133	134	133	124
		$ 69,764		$ 75,254		$ 42,982

The Corporation invests in short-term deposits in Canadian banks. At September 30, 2011, the average term to maturity of short-term deposits was 3 days (March 31, 2011 - 1 day, April 1, 2010 – 1 day) and the portfolio yield to maturity as of September 30, 2011 was 0.01% (March 31, 2011 - 0.08%, April 1, 2010 – 0.04%).

Of the cash and cash equivalents, $43,670,000 as of September 30, 2011 (March 31, 2011 - $35,463,000, April 1, 2010 - $11,497,000) represents advances and holdbacks received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

5. Accounts receivable and accounts payable and accrued liabilities

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

	September 30 2011		March 31, 2011		April 1, 2010	
(in thousands)	**Original currency**	**Canadian dollars**	**Original currency**	**Canadian dollars**	**Original currency**	**Canadian dollars**
U.S. dollars	234,615	$ 245,923	153,403	$ 148,739	136,903	$ 139,066
Canadian dollars	40,597	40,597	85,391	85,391	103,065	103,065
Malaysian ringgit	2,110	687	2,735	878	-	-
Australian dollars	5	5	5	5	5	5
Chinese renminbi	(15)	(1)	113	16	47	7
Euros	-	-	-	-	7,095	9,746
		$ 287,211		$ 235,029		$ 251,889

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

	September 30, 2011		March 31, 2011		April 1, 2010	
(in thousands)	**Original currency**	**Canadian dollars**	**Original currency**	**Canadian dollars**	**Original currency**	**Canadian dollars**
U.S. dollars	245,352	$ 257,178	169,579	$ 164,423	148,632	$ 150,979
Canadian dollars	2,437	2,385	57,136	57,136	74,465	74,465
Malaysian ringgit	2,047	666	2,653	852	-	-
Australian dollars	138	140	138	139	138	129
Chinese renminbi	324	53	433	65	-	-
Euros	-	-	415	572	7,828	10,753
Indian rupee	-	-	-	-	53	1
		$ 260,422		$ 223,187		$ 236,327

6. Employee future benefits

(a) Employee severance benefits

The Corporation provides severance benefits to its employees based on years of service and final salary. This benefit plan is unfunded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations.

Information about the plan, measured from April 1, 2010 (the date of transition) to March 31, 2011 is as follows:

(in thousands)

Accrued benefit obligation		
Accrued benefit obligation - April 1, 2010	$	1,484
Current service cost		159
Interest cost		80
Benefits paid		(1)
Actuarial loss		96
Accrued benefit obligation - March 31, 2011	$	1,818
Unamortized net actuarial losses		(271)
Accrued employee future benefits - March 31, 2011	$	1,547

Assumptions	
Accrued benefit obligation as of March 31, 2011	
Discount rate	5.10%
Rate of economic salary increase	
Management	1.50%
Non management	1.50%
Benefit costs for year ended March 31, 2011	
Discount rate	5.10%
Rate of economic salary increase	
Management	1.50%
Non management	1.50%

Seniority and promotional salary increase assumptions are also considered in the actuarial valuation of accrued employee future benefits.

The liability for long-term employee future benefits was reduced by $116,000 as of September 30, 2011 as a result of the departure of employees, leaving a balance of $1,431,000 as of September 30, 2011 (March 31, 2011 - $1,547,000, April 1, 2010 - $1,484,000).

(b) Employee sick leave benefits

The Corporation provides non-vested sick leave benefits to its employees, as provided for under labour contracts and conditions of employment. This benefit plan is unfunded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations.

Information about the plan, measured from April 1, 2010 (the date of transition) to March 31, 2011 is as follows:

(in thousands)

Accrued benefit obligation		
Accrued benefit obligation - April 1, 2010	$	643
Current service cost		272
Interest cost		34
Benefits paid		(241)
Actuarial loss		39
Accrued benefit obligation - March 31, 2011	$	747
Unamortized net actuarial losses		(39)
Accrued employee future benefits - March 31, 2011	$	708

Assumptions	
Accrued benefit obligation as of March 31, 2011	
Discount rate	5.10%
Rate of economic salary increase	
Management	1.50%
Non management	1.50%
Benefit costs for year ended March 31, 2011	
Discount rate	5.10%
Rate of economic salary increase	
Management	1.50%
Non management	1.50%

Seniority and promotional salary increase assumptions are also considered in the actuarial valuation of accrued employee future benefits.

7. Capital management

The objective of the Corporation is to preserve and strengthen its capital base through prudent risk management and through the implementation of strategies to optimize operating surpluses. Capital is required to facilitate investments and to mitigate any potential losses, (including both expected and unexpected losses) related to operational, supplier performance and credit risk. Capital management strategies include minimizing contract remediation expenses; pacing growth in operating expenses commensurate with growth in revenues; minimizing foreign exchange exposure; attaining appropriation funding for collective bargaining salary increases and increases in Defence Production Sharing

Agreement (DPSA) activities and service offerings related to public policy; and optimizing interest income.

The Corporation is not subject to externally imposed capital requirements. The Corporation's breakdown of supply of capital is as follows:

(in thousands)		September 30, 2011		March 31, 2011		April 1, 2010
Contributed surplus	$	10,000	$	10,000	$	10,000
Retained earnings		40,241		39,421		37,770
Provision for contract remediation expenses		397		407		1,442
	$	50,638	$	49,828	$	49,212

8. Commercial trading transactions, fees for service, other income and procurement 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 procurement services transactions related to international procurement services for government clients. The profile by geographic region is as follows:

For the three month period ended September 30 (in thousands)	2011 Revenues	2011 International procurement services	2011 Total	2010 Revenues	2010 International procurement services	2010 Total
United States	$ 529,186	$ 766	$ 529,952	$ 417,982	$ 398	$ 418,380
South America	43,336	-	43,336	(1,023)	-	(1,023)
Central America & Caribbean	16,639	721	17,360	7,916	-	7,916
Europe	102	4,592	4,694	107	3,189	3,296
Canada	443	3,132	3,575	531	-	531
Asia	2,483	364	2,847	1,069	792	1,861
Africa	14	105	119	47,199	981	48,180
Other	-	-	-	62	-	62
	$ 592,203	$ 9,680	$ 601,883	$ 473,843	$ 5,360	$ 479,203

For the six month period ended September 30 (in thousands)	2011 Revenues	2011 International procurement services	2011 Total	2010 Revenues	2010 International procurement services	2010 Total
United States	$ 928,554	$ 2,599	$ 931,153	$ 621,420	$ 747	$ 622,167
South America	61,140	-	61,140	4,472	-	4,472
Central America & Caribbean	34,012	927	34,939	17,578	2,253	19,831
Africa	29,765	378	30,143	61,916	3,258	65,174
Europe	128	6,040	6,168	332	17,612	17,944
Asia	2,856	1,493	4,349	1,631	1,688	3,319
Canada	913	3,132	4,045	1,539	-	1,539
Other	910	-	910	62	-	62
	$ 1,058,278	$ 14,569	$ 1,072,847	$ 708,950	$ 25,558	$ 734,508

Value of contracts signed is distinct from revenues. Value of contracts signed describes the value of contracts and amendments signed and effective which amounted to $892 million as of September 30, 2011 (September 30, 2010 - $597 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 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 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 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)

Accounts receivable

The Corporation's exposure to credit risk associated with accounts receivable is 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. As at September 30, 2011 88.43%, (March 31, 2011 - 89.25%, April 1, 2010 – 84.68%) of the Corporation's revenues were from AAA customers.

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

(in thousands)	September 30, 2011	March 31, 2011	April 1, 2010
United States	$ 207,978	$ 150,386	$ 111,104
Central America and Caribbean	58,680	67,299	73,814
South America	14,162	6,083	31,666
Canada	3,611	7,824	4,308
Asia	2,293	2,395	1,567
Europe	334	899	13,603
Africa	141	131	15,361
Other	12	12	466
	$ 287,211	$ 235,029	$ 251,889

Accounts receivable are based on normal international trade terms and are generally non-interest bearing.

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

(in thousands)	September 30, 2011	March 31, 2011	April 1, 2010
< 1 year	$ 287,053	$ 228,739	$ 244,824
> 1 and < 3 years	158	6,290	7,065
	$ 287,211	$ 235,029	$ 251,889

Accounts receivable 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 accounts receivable was as follows:

(in thousands)	September 30, 2011	March 31, 2011	April 1, 2010
< 30 days	$ 12,167	$ 23,693	$ 16,543
> 30 days and < 180 days	12,126	3,757	24,897
> 180 days	2,010	3,445	10,594
	$ 26,303	$ 30,895	$ 52,034

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 back to back 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:

(in thousands)	September 30, 2011	March 31, 2011	April 1, 2010
Holdbacks	$ 1,284	$ 1,197	$ 891
Bank guarantees	$ 58,757	$ 52,766	$ 62,802
Surety bonds	$ 117,868	$ 109,030	$ 114,986
Parent guarantees	$ 578,563	$ 542,904	$ 479,941
Other	$ 16,308	$ 10,201	$ 281

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.

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. The Corporation uses this strategy 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.

Under a specific series of financing contracts, included in accounts payable and accrued liabilities the Corporation owed $15,267,000 as of September 30, 2011 (March 31, 2011 - $27,619,000, April 1, 2010 - $42,868,000) of which $13,882,000 as of September 30, 2011 (March 31, 2011 - $22,415,000, April 1, 2010 - $32,405,000) bears interest at the cost of funds plus 0.20%.

(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, the Corporation has contractual recourse that consists of, in all material respects, back to back contractual obligations against Canadian exporters in the same amount. 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 million:

i) The Corporation has a revolving credit facility providing access to funds in the amount of $40,000,000 Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at September 30, 2011, there were no draws on this line of credit (March 31, 2011– nil, April 1, 2010 - nil).

ii) The Corporation enters into discounting arrangements with recourse with a financial institution, up to a maximum of $15,000,000 as of September 30, 2011 (March 31, 2011 - $15,000,000, April 1, 2010 - $15,000,000) to support its trade financing program.

In addition, the Corporation enters into further credit arrangements up to a maximum of $25,000,000 as of September 30, 2011 (March 31, 2011 - $25,000,000, April 1, 2010 - $25,000,000) 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 its trade financing program.

Accounts payable and accrued liabilities

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

(in thousands)	**September 30, 2011**		**March 31, 2011**		**April 1, 2010**	
< 1 year	$	260,225	$	222,732	$	235,670
> 1 and < 3 years		197		455		657
	$	260,422	$	223,187	$	236,327

Under a specific series of financing contracts related to the Corporation's trade financing program, included in accounts payable and accrued liabilities, the Corporation owed $15,267,000 as of September 30, 2011 (March 31, 2011 - $27,619,000, April 1, 2010 - $42,868,000) of which $13,882,000 as of September 30, 2011 (March 31, 2011 - $22,415,000, April 1, 2010 - $32,405,000) bears interest at the cost of funds plus 0.20% and the Corporation has offered as security certain foreign accounts receivable under certain conditions. The Corporation, however, also has access to a number of commercial securities should the foreign party fail to repay these receivables. The amount of outstanding accounts receivable pledged as securities under these arrangements was $59,312,000 as of September 30, 2011 (March 31, 2011 - $67,378,000, April 1, 2010 - $74,879,000) and was profiled as follows:

(in thousands)	**September 30, 2011**		**March 31, 2011**		**April 1, 2010**	
< 1 year	$	59,312	$	61,484	$	67,814
> 1 and < 3 years	$	-	$	5,894	$	7,065

10. Administrative expenses

Administrative expenses included the following:

(in thousands)	For the three month period ended September 30 2011	2010	For the six month period ended September 30 2011	2010
Workforce compensation and related expenses	$ 3,934	$ 3,925	$ 7,687	$ 7,423
Contract management services	1,024	900	2,047	1,900
Rent and related expenses	525	423	1,053	927
Consultants	425	551	847	765
Travel and hospitality	289	207	544	475
Amortization	176	176	352	351
Software, hardware and support	40	98	291	485
Corporate communications	75	33	87	88
Other expenses	174	192	292	376
	$ 6,662	$ 6,505	$ 13,200	$ 12,790

11. Parliamentary appropriations

Appropriations authorized by the Parliament of Canada are included in income for the three months ended September 30, 2011 in the amount of $3,871,000 (September 30, 2010 - $3,888,000) and for the six months ended September 30, 2011 in the amount of $7,741,000 (September 30, 2010 - $7,775,000).

12. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties, and are measured at the exchange amount. Relationships exist between the Corporation and government related entities whereby no transactions have occurred. These relationships have not been disclosed as permitted by the partial exemption available to wholly owned government entities in International Accounting Standard 24 – Related Parties (“IAS 24”).

(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, based in part on the amount of contracts procured, and provides certain functions at cost.

The cost of these services amounted to $1,051,000 for the three months ended September 30, 2011 (September 30, 2010 - $932,000) and $2,112,000 for the six months ended September 30, 2011 (September 30, 2010 - $1,964,000) 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.

Revenues related to the provision of these services amounted to $187,500 for the three months ended September 30, 2011 (September 30, 2010 - $187,500) and $375,000 for the six months ended September 30, 2011 (September 30, 2010 - $375,000) and are included in fees for service.

(c) Other

Commercial trading transactions, fees for service, and procurement 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 government entities.

For the three months ended September 30

(in thousands)		2011		2010
Canadian International Development Agency	$	918	$	1,138
Department of Foreign Affairs and International Trade	$	778	$	1,942
Department of National Defence	$	3,126	$	(1,000)

(in thousands)		2011		2010
Canadian International Development Agency	$	3,232	$	834
Department of Foreign Affairs and International Trade	$	1,373	$	5,347
Department of National Defence	$	3,126	$	-

The Corporation also participates in employee interchange programs with the following departments or agencies: Canada Public Service Agency, Department of Foreign Affairs and International Trade, Department of National Defence, Export Development Canada, and Public Works and Government Services Canada.

As a result of all related party transactions, the amounts due from and to these parties included in accounts receivable and accounts payable respectively were as follows,

(in thousands)		September 30, 2011		March 31, 2011		April 1, 2010
Accounts receivable	$	1,064	$	6,135	$	3,585
Accounts payable	$	6,208	$	2,739	$	930

13. Contingencies and Guarantees

The Corporation may incur contract remediation expenses should Canadian exporters fail to fulfill the terms of their contracts. The Corporation is the claimant or defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs can be significant, management has, based on advice from legal counsel, recorded in the period a liability when damages are considered likely and the associated costs can be reasonably estimated. The Corporation incurred contract remediation expenses for the three months ended September 30, 2011 of $8,000 (September 30, 2010 - $125,000) and for the six months ended September 30, 2011 - $8,000 (September 30, 2010 - $250,000), leaving a balance of $397,000 as of September 30, 2011 (March 31, 2011 - $407,000, April 1, 2010 - $1,442,000), representing management's best estimate of the additional costs which will likely be incurred by the Corporation to meet its contractual obligations.

As prime contractor, the Corporation is contractually obligated to complete numerous 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 international procurement services for government clients. The total prime and procurement services contract portfolio value remaining to be fulfilled approximates $3.8 billion as of September 30, 2011 (March 31, 2011 - $3.6 billion, April 1, 2010 - $2.7 billion).

The profile of the Corporation's total contract portfolio was as follows:

(in thousands)		**September 30, 2011**		**March 31, 2011**		**April 1, 2010**
< 1 year	$	1,856,040	$	1,602,730	$	1,361,783
> 1 and < 3 years	$	1,874,866	$	1,895,621	$	1,030,167
> 3 and < 5 years	$	48,301	$	60,544	$	323,811
> 5 years	$	3,667	$	3,787	$	2,470

The total contract portfolio remaining to be fulfilled, in addition to the provision for contract remediation expenses provided for in the Statement of Financial Position, represents the Corporation's maximum contractual obligations and is estimated to be $3,783,271,000 as of September 30, 2011 (March 31, 2011 - $3,563,089,000, April 1, 2010 - $2,719,673,000).

14. Transition to International Financial Reporting Standards.

The Corporation adopted IFRS on April 1, 2011 with a date of transition effective April 1, 2010. Prior to the adoption of IFRS the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The first annual financial statements issued by the Corporation that will comply with IFRS will be those issued for the year ending March 31, 2012. Accordingly, the Corporation will make an unreserved statement of compliance with IFRS beginning with its 2012 fiscal annual financial statements. The Corporation has prepared its opening IFRS Statement of Financial Position as of the transition date of April 1, 2010.

These financial statements have been prepared in accordance with the accounting polices described in Note 3 and in accordance with the requirements of IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), which is applicable upon first-time adoption of IFRS. IFRS 1 requires that the same policies are applied for all periods presented and that those policies are based on IFRS effective at the end of the first IFRS year-end, or March 31, 2012 for the Corporation.

The Corporation will ultimately prepare its opening Statement of Financial Position by applying existing IFRS with an effective date of March 31, 2012, or earlier. Accordingly, it is possible that the opening Statement of Financial Position and financial statements for fiscal 2011 and 2012 may differ from the information presented in these interim financial statements.

In preparing the opening IFRS *Statement of Financial Position*, the Corporation has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Corporation's financial position and comprehensive income is explained in the following tables and the notes accompanying the tables. Additional reconciliations and information explaining the effect of the transition to IFRS has been disclosed in the previously issued condensed interim statements as of June 30, 2011.

Reconciliation of Financial Position and Equity as at September 30, 2010

(in thousands of dollars)	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets			
Cash and cash equivalents	$ 56,079	$ -	$ 56,079
Accounts receivable	286,036	-	286,036
Advances to Canadian exporters	85,628	-	85,628
Progress payments to Canadian exporters	147,297	-	147,297
	575,040	-	575,040
Non-current assets			
Property and equipment	1,193	-	1,193
Intangible assets	1,416	-	1,416
	2,609	-	2,609
	$ 577,649	$ -	$ 577,649
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 275,110	$ -	$ 275,110
Advances from foreign customers	103,656	-	103,656
Progress payments from foreign customers	147,081	-	147,081
Short-term employee future benefits	-	643	643
	525,847	643	526,490
Non-current liabilities			
Long-term employee future benefits	1,308	176	1,484
Provision for contract remediation expenses	1,672	-	1,672
	2,980	176	3,156
	528,827	819	529,646
Shareholder's Equity			
Contributed surplus	10,000	-	10,000
Retained earnings	38,822	(819)	38,003
	48,822	(819)	48,003
	$ 577,649	$ -	$ 577,649

Net results of operations and comprehensive income as reported under Canadian GAAP and IFRS

There were no changes to the net results of operations and comprehensive income for the three or six month period ended September 30, 2010 as a result of the conversion to IFRS from Canadian GAAP.

Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as of September 30, 2010.

(in thousands)	Contributed Surplus	Retained Earnings	Total Equity
As reported under Canadian GAAP - September 30, 2010	$ 10,000	$ 38,822	$ 48,822
Differences increasing (decreasing) reported amounts:			
Short-term employee future benefits		(643)	(643)
Long-term employee future benefits		(176)	(176)
As reported under IFRS - September 30, 2010	$ 10,000	$ 38,003	$ 48,003

Cash flow statement as reported under Canadian GAAP and IFRS

There were no changes to the cash flow statement for the three or six month period ended September 30, 2010 as a result of the conversion to IFRS from Canadian GAAP.

15. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.