



Canadian Commercial Corporation

Quarterly Financial Report (Unaudited)

**For the three-month period ended
June 30, 2013**

Management's Discussion and Analysis

Overview

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 buyers 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

In this current climate of underperforming and uncertain state of the global economy, Canadian companies continue to face a period of dramatic economic shift in certain key industry sectors. For the Canadian Commercial Corporation (CCC), this shift is manifested in the decreasing volume of the Defence Production Sharing Agreement (DPSA) related business; nevertheless, the Corporation plays an important role in promoting Canadian capabilities and increasing exports beyond the United States (U.S.) and DPSA markets. 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 DPSA, Global Defense and Security (GDS) and International Commercial Business (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

CCC's operations and comprehensive income for the three-month period ended June 30, 2013 resulted in a loss of \$0.5 million, compared to a loss of \$0.1 million reported for the three-month period ended June 30, 2012. The year-over-year negative variance of \$0.4 million, or 251%, is the result of decreased revenues of \$0.6 million, while total expenses decreased by \$0.2 million.

With regard to total expenses, expenses of \$7.3 million continue to be 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.

A more detailed discussion of CCC's three-month period ended June 30, 2013 financial highlights follows:

Statement of Comprehensive Income Discussion

Summary results

	FOR THE THREE MONTHS ENDED		
	June 30 2013 (\$ Millions)	June 30 2012 (\$ Millions)	% Increase (Decrease)
Revenues:			
Commercial trading transactions - prime contracts	\$ 373.7	\$ 692.6	(46%)
Cost of commercial trading transactions - prime contracts	(373.7)	(692.6)	46%
Fees for service	2.6	3.3	(21%)
Other revenues	0.3	0.2	35%
Net Revenues	2.9	3.5	(17%)
Expenses:			
Administrative expenses	7.3	7.5	(4%)
Contract remediation expenses	-	-	- %
Total Expenses	7.3	7.5	(4%)
International procurement services for government clients	10.2	4.6	124%
Cost of international procurement services for government clients	(10.2)	(4.6)	(124%)
Parliamentary appropriations	3.9	3.9	- %
Net results of operations	\$ (0.5)	\$ (0.1)	(251%)

Revenues

Revenues consist of commercial trading transactions on prime contracts, fees for service, other income, net finance income, and gains (or an offset to revenues if a loss) on foreign exchange. It is important to note that 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, net revenues were \$2.9 million for the three-month period ended June 30, 2013 compared to the \$3.5 million for the three-month period ended June 30, 2012, a decrease of \$0.6 million, or 17%.

For the three month period ended June 30, 2013, commercial trading transactions (CTT) and the cost of CTT of \$373.7 million is \$318.8 million or 46% lower than the three month period ended June 30, 2012. DPSA CTT of \$300.5 million represents 80% of the Corporation's total CTT of \$373.7 million and is \$290.3 million or 49% lower than the DPSA CTT for the three month period ended June 30, 2012. Of the total DPSA CTT, \$157.6 million were recorded on DPSA Light Armoured Vehicles (LAV) related projects compared to \$404.2 million recorded on DPSA LAV related projects for the three month period ended June 30, 2012. CTT are anticipated to trend downward through the

remaining delivery period of the \$2.22 billion LAV contract signed with the U.S. Department of Defense Foreign Military Sales organization (U.S. DoD FMS) in 2009-2010. This LAV contract was the largest contract signed by the Corporation in its history and has contributed to significantly higher levels of CTT for the last several years. GDS CTT of \$22.3 million represents 6% of the Corporation's total CTT and is \$8.7 million or 64% higher than GDS CTT for the three month period ended June 30, 2012. ICB CTT of \$50.9 million represent 14% of the Corporation's total CTT and is \$37.3 million or 42% lower than ICB CTT for the three month period ended June 30, 2012. The ICB CTT total of \$50.9 million includes \$5.7 million from the Cuba Contracting Program.

For the three month period ended June 30, 2013, procurement service transactions and the cost of procurement service transactions of \$10.2 million is \$5.6 million or 124% higher than procurement service transactions and the cost of procurement service transactions for the three month period ended June 30, 2012.

CCC does not charge fees for its DPSA business line transactions as these are funded through parliamentary appropriations. 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. For the three month period ended June 30, 2013, total fees for service of \$2.6 million is \$0.7 million or 21% lower than total fees for services for the three month period ended June 30, 2012. GDS fees for services of \$0.9 million account for 35% of the total fees for service and are \$19 thousand or 2% lower than GDS fees for services for the three month period ended June 30, 2012. ICB fees for service of \$0.9 million account for 35% of the total fees for service and are \$0.5 million or 36% lower than the ICB fees for service for the three month period ended June 30, 2012. Of the total ICB fees, 90% are contributed from the Cuba Contracting Program. Procurement Services (including China-regional offices and PPP Canada-shared services agreement) fees for service of \$0.8 million account for 30% of the total fees for service and are \$0.2 million or 17% lower than procurement services for the three month period ended June 30, 2012.

Other revenues of \$0.3 million include: (1) Foreign exchange gains or losses due to fluctuations in the Canadian dollar compared to its U.S. dollar counterpart on exposed U.S. cash balances (which are monitored closely and kept at nominal levels); (2) Finance income earned on the Corporation's cash balances; and (3) Other income, comprised primarily of fees earned for providing early payment discounts and payment wiring. Other revenues are \$79 thousand or 35% higher as a result of a greater gain on foreign exchange reported for the three-month period ended June 30, 2013 compared to the three-month period ended June 30, 2012.

Expenses

For the three-month period ended June 30, 2013, total expenses were \$7.3 million, a decrease of \$0.2 million or 4% lower than the three-month period ended June 30, 2012. For the three-month period ended June 30, 2013, 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 foreign exchange fluctuations. For the three-month period ended June 30, 2013 significant administrative expenses were:

- Workforce compensation was \$4.6 million. This was higher by \$0.2 million, or 4%, compared to the amount spent in the three-month period ended June 30, 2012. The increase is due to regular escalation in accordance with the current collective bargaining agreement. Workforce compensation accounted for 63% of CCC's administrative expenditures.
- Public Works and Government Services Canada (PWGSC) costs for core contract management services under the DPSA that will not or have not yet been transferred to CCC, of \$1.0 million were relatively the same amount spent as in the three-month period ended June 30, 2012.
- Rent and related expenses of \$0.6 million were relatively the same amount spent as in the three-month period ended June 30, 2012.
- Travel expenses of \$0.3 million, principally for operational requirements to secure or manage CCC's international contracts, were lower by \$0.2 million or 37%, compared to the amount spent in the three-month period ended June 30, 2012.
- Consultant expenses of \$0.2 million, to complement CCC's workforce and perform assignments requiring a specific expertise, were lower by \$0.1 million or 41%, compared to the amount spent in the three-month period ended June 30, 2012.
- The amortization of intangible assets and depreciation of property and equipment and leasehold improvement costs of \$42 thousand was lower by \$159 thousand or 79% compared to the amount amortized and depreciated as in the three-month period ended June 30, 2012. The Enterprise Resource Planning (ERP) system that was overhauled and implemented during 2008, along with related upgrades, was fully amortized by the end of fiscal year 2012-2013.
- Computer software, hardware and support costs, over and above the information management personnel included in workforce compensation or consultants of \$0.3 million were relatively the same amount spent as in the three-month period ended June 30, 2012.
- Other expenses, including corporate communication costs (marketing, advertising, and the design and printing of corporate promotional material) telecommunications and bank charges, of \$0.2 million were relatively the same amount spent as in the three-month period ended June 30, 2012.

For the three-month period ended June 30, 2013, Management did not incur any contract remediation expenses. This is reflective of the Corporation's current portfolio of stable active projects and its robust risk management processes.

Parliamentary Appropriations

The Corporation is to receive parliamentary appropriations of \$15.5 million in fiscal year 2013-2014, the same amount as in fiscal year 2012-2013. The appropriation is drawn down in equal monthly instalments throughout the year. For the three-month period ended June 30, 2013, the amount drawn down was \$3.9 million the same as in the three-month period ended June 30, 2012.

Statement of Financial Position Discussion

Summary of financial position

	June 30 2013 (\$ Millions)	Mars 31 2013 (\$ Millions)	% Increase (Decrease)
Total assets	\$ 1,196.9	\$ 1,172.6	2%
Total liabilities	\$ 1,147.0	\$ 1,122.2	2%
Shareholder's Equity	\$ 49.9	\$ 50.4	(1%)

CCC's total assets were \$1,196.6 million as at June 30, 2013, \$21.3 million, or 2%, higher than at March 31, 2013. The increase is due to an increase from March 31, 2013 in the amount of progress payments to Canadian exporters of \$43.8 million or 5%, offset by a net decrease from March 31, 2013 across all other asset statement line items combined of \$22.5 million or 7%.

CCC's total liabilities were \$1,147.0 million as at June 30, 2013, \$24.8 million, or 2%, higher than at March 31, 2013. The increase is due to an increase from March 31, 2013 in the amount of progress payments from foreign customers of \$46.9 million or 6%, offset by a net decrease from March 31, 2013 across all other liability statement line items combined of \$22.1 million or 8%.

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 \$119.2 million were \$27.7 million or 19% lower than the balance at March 31, 2013 and represents 10% of the total assets of \$1,196.9 million. Trade payables and accrued liabilities of \$105.5 million were \$15.5 million or 13% lower than the balance at March 31, 2013 and represent 9% of the total liability of \$1,147.0 million.

Progress payments to Canadian exporters of \$886.9 million represent 74% of the total assets of \$1,196.9 million. Progress payments from foreign customers of \$889.7 million represent 78% of the total liabilities of \$1,147.0 million. Contractually, progress payments occur predominantly on the DPSA business line 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, \$749.2 million or 84% relate to the significant \$2.2 billion U.S. DoD FMS LAV contract.

Advances from foreign customers of \$149.6 million, decreased by \$5.2 million or 3% compared to the balance at March 31, 2013. Advances to Canadian exporters of \$112.9 million, decreased by \$10.5 million or 9% compared to the balance at March 31, 2013. Of the \$149.6 million in advances from foreign customers, \$123.1 million or 82%, were related to projects for Argentina, Colombia, Ecuador, Ghana, Norway, and Peru. Of these advances from foreign customers, \$111.8 million were passed on to Canadian exporters, accounting for 99% 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 holds back advance payments made by foreign customers and releases them to Canadian exporters as delivery obligations are fulfilled. This explains the period-over-period variations that occur.

For the three-month period ended June 30, 2013, CCC's equity, fully ascribed to the Government of Canada, was \$49.9 million, a decrease of \$0.5 million from March 31, 2013 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 \$2.23 billion at June 30, 2013. It is worth noting that in 2009-2010, CCC signed the U.S. DoD FMS LAV contract. The maximum potential value of this contract is \$2.22 billion of which \$1.10 billion had been delivered as of June 30, 2013. 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		
	June 30 2013 (\$ Millions)	June 30 2012 (\$ Millions)	% Increase (Decrease)
Operating activities	\$ 15.7	\$ 25.3	(38%)
Investing activities	\$ -	\$ (0.1)	100%
Effect of exchange rate changes on cash and cash equivalents	\$ 0.2	\$ 0.1	124%

Operating activities

Generally, the Corporation pays its Canadian exporters within 30 days of receipt of an invoice and substantiating documentation according to the terms and conditions of the contract under its core DPSA program. Consequently the Corporation uses its own cash to pay Canadian exporters on the 30th day and funds its trade receivables in instances where there are collection delays and payment is not received from the foreign customer until beyond the 30 days. On certain contracts, the Corporation only pays its Canadian exporters, usually within five 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 wide variations in cash flows from one period to the next. In this instance, cash is provided to the operation until the payment is made to the Canadian exporter as stipulated in the contract.

During the three-month period ended June 30, 2013, CCC provided \$15.7 million in cash from its operating activities, as compared to the \$25.3 million provided during the three-month period ended June 30, 2012. Details are as follows:

- Receipts from foreign customers include cash received for deliveries, progress work performed and advances as stipulated under the foreign customer contract. Receipts from foreign customers were \$453.4 million for the three-month period ended June 30, 2013, \$417.8 million or 48% lower than the amount reported for the three-month period ended June 30, 2012. Over the course of the previous couple of years, large amounts of funds were received for progress work as activity accelerated during the mass production phase of hundreds of LAV vehicles related to the \$2.22 billion U.S. DoD FMS LAV contract. As the vehicles come off the production line and are delivered only residual amounts of funds are received as the project enters the mass delivery phase of the contract.
- Payments to Canadian suppliers include cash paid for deliveries, progress work performed and advances as stipulated under the domestic contract. Payments to Canadian suppliers were \$435.7 million for the three-month period ended June 30, 2013, \$408.9 million or 48% lower than the amount reported in the three-month period ended June 30, 2012. The decrease is due to the evolution of the significant U.S. DoD FMS LAV contract into the delivery phase of the project as noted above.
- For the three-month period ended June 30, 2013, receipts from foreign customers were greater than payments to Canadian suppliers by \$15.7 million. Of note, a payment of approximately \$20.0 million was received immediately prior to June 30, 2012 and paid to the Canadian exporter subsequent to June 30, 2012.

Investing activities

The Corporation capitalized \$0.1 million related to property, equipment or intangible assets during the three-month period ended June 30, 2012, but did not capitalize any property, equipment or intangible assets during the three-month period ended June 30, 2013.

Effect of exchange rate changes on cash and cash equivalents

For the three-month period ended June 30, 2013, CCC recorded a foreign exchange translation gain of \$0.2 million as a result of movements in the Canadian dollar relative to its U.S. dollar (USD) counterpart decreasing from \$0.9843 USD at March 31, 2013 to \$0.9508 USD at June 30, 2013, a \$0.0335 drop in the Canadian dollar compared to a \$0.0203 USD drop in the Canadian dollar from March 31, 2012 to June 30, 2012 which resulted in a foreign exchange translation gain of \$0.1 million.

Comparison of Financial Results to the Budget contained in the 2013-2014 to 2017-2018 Corporate Plan

For the three-month period ended June 30, 2013, total commercial trading transactions (including procurement services transactions) of \$383.9 million were \$0.3 million, or less than 1%, lower than budget.

Fees for service of \$2.6 million were lower than budget by \$0.1 million, or 3%. Fees for service are earned as contract work is delivered or completed. For the three-month period ended June 30, 2013, fees generated from the ICB business line were \$0.2 million higher than budget, mainly due to Cuba Contracting Program fees which are \$0.2 million or 37% higher than budget as the Corporation continues to finance Cuba Contracting Program transactions and earn related financing fees until the financing components of the program are transferred to Export Development Canada (EDC), while fees generated from all other business lines were \$0.3 million lower than budget as there were not as many scheduled contracted milestones (on which fees are recognized) occurring in the three-month period ended June 30, 2013 as originally expected.

Results for the three month period ended June 30, 2013 include a foreign exchange gain of \$0.2 million resulting from movements in the Canadian dollar relative to its U.S. dollar (USD) counterpart decreasing from \$0.9843 USD at March 31, 2013 to \$0.9508 USD at June 30, 2013. The Corporation manages exchange gains and losses through monitoring and maintaining unhedged foreign currency balances at negligible levels. The Corporation does not budget for gains or losses on foreign exchange.

The Corporation did not record any contract remediation expenses as of June 30, 2013 and will only do so once actual amounts are or can be determined. As a result, contract remediation expenses were under budget by \$25 thousand. This reflects the Corporation's

robust risk management practices, including its updated Enterprise Risk Management (ERM) framework and improved contract management practices.

Administrative expenses of \$7.3 million were \$0.3 million, or 4%, lower than the budgeted amount of \$7.6 million. Direct expenses of \$4.7 million are \$0.1 million or 3% below budget. Indirect expenses of \$2.6 million are \$0.2 million or 6% under budget. This result reflects Management's continued control of expenditures relative to revenues earned.

As explained under the *Parliamentary Appropriations* section of the Statement of Comprehensive Income Discussion, the Corporation was approved to receive parliamentary appropriations of \$15.5 million in fiscal year 2013-2014, which will be drawn down in equal monthly instalments throughout the year. For the three-month period ended June 30, 2013, the amount drawn down was \$3.9 million, the same amount as was budgeted for this quarter.

2013-2014 Forecast

For the fiscal year ending March 31, 2014, the Corporation is forecasting an operating deficit of \$1.4 million, \$2.7 million or 202% lower than the result at March 31, 2013. The \$1.4 million deficit is in accordance with the Board of Directors approved plan and budget contained in the 2013-2014 to 2017-18 Corporate Plan. Deficits are expected in the first couple of years of the five-year Corporate Plan as the Corporation transitions out of or reduces activity in certain lines of business and refocuses pursuit of remaining business line opportunities which will eventually replace and increase fee revenue, and simultaneously implement cost reduction measures which will be achieved through an improved alignment between CCC's resources and future activities.

For fiscal year 2013-2014, revenues after offsetting the cost of commercial trading transactions are expected to be \$11.9 million, \$4.4 million, or 27%, lower than the results achieved in fiscal year 2012-2013. This decrease is largely attributed to the transfer of the trade financing currently carried out by CCC to EDC. Working with EDC, the Corporation is working through an approach to transfer its trade financing in a manner that will improve the balance of risks while continuing to ensure support to the Canadian exporters that CCC has been in business with over the past twenty years and to other Canadian exporters present in this market. As well, in 2012-2013 under the ICB business line, two major infrastructure projects in Ecuador and Ghana were substantially completed and a significant project signed in Kenya was completed, as a result, fees in 2013-2014 are expected to be lower, given the long timelines associated with winning infrastructure procurement contracts, until replacement projects emerge from the Corporation's pipeline of opportunities being explored. Average annual revenues are forecast to return to traditional levels of approximately \$13.0 to \$14.0 million over the five year period of the Corporate Plan. Net finance income for fiscal year 2013-2014 is anticipated to be \$0.3 million, approximately the same as in fiscal year 2012.

With respect to expenses, CCC is not anticipating to incur any contract remediation expenses, the same as in fiscal year 2012-2013. This reflects the high degree of risk management that is applied to all of CCC's business. This amount is achievable given CCC's current portfolio of active and potential projects and the robust nature of its ERM framework, as well as the Corporation's continued investments to improve contract due diligence and management practices.

Administrative expenses are forecast to be \$29.3 million, \$1.8 million, or 6%, lower than in fiscal year 2012-2013. A large portion of the reduction is due to savings achieved through attrition as positions vacated through fiscal year 2012-2013 year were not staffed. A further reduction of \$0.7 million occurs due to a non-recurring, one-time charge recorded in 2012-2013 related to the additional severance expense in accordance with the newly signed collective bargaining agreement.

As noted earlier, the parliamentary appropriation for fiscal year 2013-2014 has been approved at \$15.5 million the same level as in fiscal year 2012-2013.

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 is discussed in detail in the Corporation's fiscal 2012-2013 Annual Report.

The Government of the United States remains at an AAA rating for most rating agencies and as an AA+ by one agency. 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, 2013 as compared to those previously reported or discussed.

Management Representation

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements. These quarterly financial statements have not been audited or reviewed by an external auditor.

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



Marc Whittingham
President and CEO



Anthony Carty
Vice-President, Risk and Finance, and CFO

Ottawa, Canada
August 13, 2013

Statement of Financial Position (Unaudited)

As at (in thousands of Canadian dollars)	June 30 2013	March 31 2013
Assets		
Current assets		
Cash and cash equivalents (note 4)	\$ 76,939	\$ 61,068
Trade receivables (notes 5 and 10)	119,167	146,907
Advances to Canadian exporters	112,921	123,436
Progress payments to Canadian exporters	886,912	840,148
	1,195,939	1,171,559
Non-current assets		
Property and equipment	1,004	1,046
Intangible assets	-	-
	1,004	1,046
	\$ 1,196,943	\$ 1,172,605
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (notes 5 and 10)	\$ 105,499	\$ 120,961
Advances from foreign customers	149,580	154,799
Progress payments from foreign customers	889,686	842,769
Employee benefits (note 6)	539	1,984
	1,145,304	1,120,513
Non-current liabilities		
Employee benefits (note 6)	1,452	1,428
Provision for contract remediation expenses (notes 7 and 8)	275	296
	1,727	1,724
	1,147,031	1,122,237
Shareholder's Equity		
Contributed surplus	10,000	10,000
Retained earnings	39,912	40,368
	49,912	50,368
	\$ 1,196,943	\$ 1,172,605

Contingencies and guarantees (note 15)

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

Authorized for issue on August 13, 2013:



Marc Whittingham
 President and CEO



Anthony Carty
 Vice-President, Risk and Finance, and CFO

Statement of Comprehensive Income (Unaudited)

For the three months ended June 30 (in thousands of Canadian dollars)	2013	2012
		Restated (note 3)
Revenues		
Commercial trading transactions - prime contracts (note 9)	\$ 373,739	\$ 692,585
Less: cost of commercial trading transactions - prime contracts	(373,739)	(692,585)
Fees for service (note 9)	2,632	3,323
Other income (note 9)	39	59
Finance income, net (note 12)	63	76
Gain on foreign exchange	202	90
	2,936	3,548
Expenses		
Administrative expenses (note 11)	7,262	7,548
Contract remediation expenses	-	-
	7,262	7,548
International procurement services for government clients		
Procurement services transactions (note 9)	10,197	4,560
Less: cost of procurement services transactions	(10,197)	(4,560)
	-	-
Net results of operations before Parliamentary appropriations	(4,327)	(4,000)
Parliamentary appropriations (note 13)	3,870	3,870
Net results of operations	\$ (456)	\$ (130)
Other comprehensive income		
Items that will not be reclassified to net results of operations		
Actuarial loss on employee benefits obligation	-	-
Total comprehensive loss	\$ (456)	\$ (130)

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

Statement of Changes in Equity (Unaudited)

For the three months ended June 30, 2013

(in thousands of Canadian dollars)	Contributed Surplus	Retained Earnings	Total
Balance - March 31 , 2013	\$ 10,000	\$ 40,368	\$ 50,368
Net results of operations	-	(456)	(456)
Actuarial loss on employee benefits obligation	-	-	-
Total comprehensive loss	-	(456)	(456)
Balance - June 30, 2013	\$ 10,000	\$ 39,912	\$ 49,912

For the three months ended June 30, 2012

(in thousands of Canadian dollars)	Contributed Surplus	Retained Earnings	Total
Balance - March 31 , 2012	\$ 10,000	\$ 39,445	\$ 49,445
Net results of operations	-	(130)	(130)
Actuarial loss on employee benefits obligation	-	-	-
Total comprehensive loss	-	(130)	(130)
Balance - June 30, 2012	\$ 10,000	\$ 39,315	\$ 49,315

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)	2013	2012
Cash flows from operating activities		
Receipts from foreign customers	\$ 453,374	\$ 871,210
Finance income, net (note 12)	63	76
Fees for service and other income received	2,671	3,383
Payments to Canadian exporters	(435,668)	(845,981)
Administrative payments	(8,641)	(7,298)
Parliamentary appropriations	3,870	3,870
Cash provided by operating activities	15,669	25,260
Cash flows from investing activities		
Acquisition of property and equipment	-	(79)
Acquisition of intangible assets	-	-
Cash used in investing activities	-	(79)
Effect of exchange rate changes on cash and cash equivalents	202	90
Increase in cash and cash equivalents	15,871	25,271
Cash and cash equivalents at beginning of period	61,068	58,485
Cash and cash equivalents at end of period (note 4)	\$ 76,939	\$ 83,756

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

Notes to Unaudited Condensed Interim Financial Statements

June 30, 2013

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 is a company domiciled in Canada with a head office located at 50 O'Connor Street, Ottawa, Ontario. The Corporation operates primarily in Canada with representative offices in Asia and representation in the Caribbean.

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'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 has since 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, 2013. 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, 2013.

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 at fair value through profit or loss are measured at fair value
- accrued employee benefit liabilities for post-employment benefit plans are recognized at the present value of the defined benefit obligations
- provision for contract remediation expense measured at the present value of future expected cash flows

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, intangible assets, in accounting for the employee benefits liabilities, the provision for contract remediation expenses, lease commitments and contingencies and used judgment in accounting for the provision for contract remediation expenses.

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

Note 6 – pension and employee benefits

Note 7 – provision for contract remediation expenses

Note 15 – guarantees

Functional and presentation currency

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

3. Significant accounting policies

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those disclosed in the Corporation's audited annual financial statements for the year ended March 31, 2013.

Correction of prior period accounting errors

The Corporation retrospectively restated the comparatives as of March 31, 2012 in the audited financial statements for the year ended March 31, 2013 to correct the following prior period accounting errors which also impacted previously issued unaudited interim financial statements for fiscal year 2012-2013:

- i) On March 15, 2012 an Incremental Contract Price (ICP) agreement of \$65,000,000 USD was signed to settle a claim as a result of a political event that caused unforeseen delays in a construction contract. The ICP claim was not considered a contract amendment at the time and therefore not originally fully recorded in the books of the Corporation as of March 31, 2012.

The ICP claim should have been considered a contract amendment and consequently resulted in restatement of the following line items and disclosures for the three months ended June 30, 2012:

- Advances to Canadian exporters and advances from foreign customers were overstated in the Statement of Financial Position and both decreased by \$43,778,000.

- ii) As a result of the review of transactions for year-end cut-off purposes, errors were identified that individually were not material but, in the aggregate, required correction in the Corporation's previously issued financial statements.

These cut-off issues consequently resulted in restatement of the following line items and disclosures for the three months ended June 30, 2012:

- Trade receivables and trade payables and accrued liabilities were understated in the Statement of Financial Position and both were increased by \$3,350,000.
- Supplier progress payments and Customer progress payments were overstated in the Statement of Financial Position and both were decreased by \$26,312,000.
- Commercial trading transactions-prime and the cost of commercial trading transactions-prime contracts were overstated in the Statement of Comprehensive Income and both were decreased by \$2,669,000.

Overall, there is no impact on the previously reported total comprehensive income (previously in prior year: net results of operations and comprehensive income) and retained earnings.

The following tables summarize the restatements made to the Statement of Financial Position and Statement of Comprehensive Income for the three months ended June 30 2012:

Restatement of Statement of Financial Position (Unaudited)

As at (in thousands of Canadian dollars)	June 30, 2012	Impact of restatement	June 30, 2012 Restated
Assets			
Current assets			
Cash and cash equivalents	\$ 83,756	\$ -	\$ 83,756
Trade receivables	335,124	3,350	338,474
Advances to Canadian exporters	127,637	(43,778)	83,859
Progress payments to Canadian exporters	726,616	(26,312)	700,304
	1,273,133	(66,740)	1,206,393
Non-current assets			
Property and equipment	1,194	-	1,194
Intangible assets	479	-	479
	1,673	-	1,673
	\$ 1,274,806	\$ (66,740)	\$ 1,208,066
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	\$ 337,591	\$ 3,350	\$ 340,941
Advances from foreign customers	157,867	(43,778)	114,089
Progress payments from foreign customers	726,916	(26,312)	700,604
Employee benefits	302	-	302
	1,222,676	(66,740)	1,155,936
Non-current liabilities			
Employee benefits	2,482	-	2,482
Provision for contract remediation expenses	333	-	333
	2,815	-	2,815
	1,225,491	(66,740)	1,158,751
Shareholder's Equity			
Contributed surplus	10,000	-	10,000
Retained earnings	39,315	-	39,315
	49,315	-	49,315
	\$ 1,274,806	\$ (66,740)	\$ 1,208,066

Restatement of Statement of Comprehensive Income (Unaudited)

For the three months ended June 30 (in thousands of Canadian dollars)	2012	Impact of restatement	2012 Restated
Revenues			
Commercial trading transactions - prime contracts (note 9)	\$ 695,254	\$ (2,669)	\$ 692,585
Less: cost of commercial trading transactions - prime contracts	(695,254)	2,669	(692,585)
Fees for service	3,323	-	3,323
Other income	59	-	59
Finance income, net	76	-	76
Gain on foreign exchange	90	-	90
	3,548	-	3,548
Expenses			
Administrative expenses	7,548	-	7,548
Contract remediation expenses	-	-	-
	7,548	-	7,548
International procurement services for government clients			
Procurement services transactions	4,560	-	4,560
Less: cost of procurement services transactions	(4,560)	-	(4,560)
	-	-	-
Net results of operations before Parliamentary appropriations	(4,000)	-	(4,000)
Parliamentary appropriations	3,870	-	3,870
Net results of operations	\$ (130)	\$ -	\$ (130)
Other comprehensive income			
Items that will not be reclassified to net results of operations			
Actuarial loss on employee benefits obligation	-	-	-
Total comprehensive loss	\$ (130)	\$ -	\$ (130)

4. Cash and cash equivalents

Cash and cash equivalents included:

(in thousands)	June 30, 2013		March 31, 2013	
	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	42,493	\$ 44,694	21,515	\$ 21,859
Canadian dollars	31,692	31,692	38,975	38,975
Chinese renminbi	2,483	425	568	93
Australian dollars	133	128	133	141
		\$ 76,939		\$ 61,068

The Corporation invests in short-term deposits in Canadian banks. At June 30, 2013, the average term to maturity of short-term deposits was four days (March 31, 2013 - five days) and the portfolio yield to maturity was 0.01% as at June 30, 2013 (March 31, 2013 - 0.08%).

Of the cash and cash equivalents, \$46,353,000 as at June 30, 2013 (March 31, 2013 - \$40,745,000) 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. Trade receivables and trade payables and accrued liabilities

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

(in thousands)	June 30, 2013		March 31, 2013	
	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	74,987	\$ 78,872	100,167	\$ 101,770
Canadian dollars	40,277	40,277	45,127	45,127
Chinese renminbi	85	14	29	5
Australian dollars	5	4	5	5
		\$ 119,167		\$ 146,907

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:

(in thousands)	June 30, 2013		March 31, 2013	
	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	91,087	\$ 95,805	105,601	\$ 107,291
Canadian dollars	9,511	9,511	13,480	13,480
Australian dollars	138	133	138	146
Chinese renminbi	293	50	208	34
British pounds	-	-	6	10
		\$ 105,499		\$ 120,961

6. Employee benefits

The Corporation provides non-vested sick leave benefits to its employees, as provided for under labour contracts and conditions of employment, as well as severance benefits to its employees 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.

The sick leave and severance employee benefits have a current (payable within 12 months) and non-current portion and are presented on the Statement of Financial Position as follows:

(in thousands of Canadian dollars)	June 30, 2013			March 31, 2013		
	Sick Leave	Severance	Total Benefits	Sick Leave	Severance	Total Benefits
Total employee benefits	\$ 1,108	\$ 883	\$ 1,991	\$ 1,083	\$ 2,329	\$ 3,412
Less: current portion employee benefits	(70)	(469)	(539)	(69)	(1,915)	(1,984)
Non-current portion employee benefits	\$ 1,038	\$ 414	\$ 1,452	\$ 1,014	\$ 414	\$ 1,428

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

(in thousands of Canadian dollars)	Sick leave benefits		Severance benefits	
	2013	2012	2013	2012
Accrued benefit obligation				
Balance at beginning of year	\$ 909	\$ 746	\$ 2,079	\$ 1,818
Current service cost	106	87	188	165
Interest cost	36	36	84	87
Benefits paid	(113)	(42)	(170)	(148)
Actuarial loss	145	82	148	157
Total accrued benefits at end of year	\$ 1,083	\$ 909	\$ 2,329	\$ 2,079

Economic assumptions

Accrued benefit obligation as of March 31

Discount rate	3.76%	4.01%	3.40%	3.98%
Rate of economic salary increase	1.50%	1.50%	1.50%	1.50%

Benefit costs for year ended March 31

Discount rate	3.76%	4.01%	3.40%	3.98%
Rate of economic salary increase	1.50%	1.50%	1.50%	1.50%

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.

Included in administrative expenses as workforce compensation and related expenses for the three months ended June 30, 2013 was a charge of \$25,000 (June 30, 2012 – \$25,000) for sick leave benefits and for the three months ended June 30, 2013 was a charge of nil (June 30, 2012 – \$25,000) for severance benefits related to the change in liability of these benefits in the reporting period and changes in management estimates.

7. Provision for contract remediation expenses

The Corporation may incur contract remediation expenses should Canadian exporters fail to fulfill the terms and conditions 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 more likely than not and the associated costs can be reliably estimated.

(in thousands of Canadian dollars)	Contract		Total
	re-procurement	Legal	
Balance, March 31, 2013	\$ -	\$ 296	\$ 296
Provision used during the year	-	(21)	(21)
Balance, June 30, 2013	\$ -	\$ 275	\$ 275

Management used judgment in determining whether a provision should be recognized or disclosed considering the probability that a payment will be required to settle the obligation and that a reliable estimate of the amount can be made. Management's estimate of the provision is subject to many uncertainties, including the timing and the actual amount of the payout.

No onerous contracts have been identified as at June 30, 2013 and March 31, 2013.

8. Capital management

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

Key strategies used by the Corporation to manage its capital base include: controlling contract remediation expenses; balancing smart growth with operating expenses; minimizing foreign exchange exposure; optimizing interest income; and ensuring that appropriation funding is sufficient to cover Defence Production Sharing Agreement activities and service offerings related to public policy.

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

(in thousands of Canadian dollars)	June 30, 2013	March 31, 2013
Contributed surplus	\$ 10,000	\$ 10,000
Retained earnings	39,912	40,368
Provision for contract remediation expenses	275	296
	\$ 50,187	\$ 50,664

9. 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.

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

(in thousands of Canadian dollars)	2013			2012		
	Revenues*	International procurement services	Total	Revenues*	International procurement services	Total
United States	\$300,562	\$ -	\$300,562	\$587,198	\$ -	\$587,198
Central America & Caribbean	48,338	2,692	51,030	31,667	610	32,277
South America	19,384	254	19,638	43,997	-	43,997
Asia	5,440	817	6,257	7,807	39	7,846
Europe	512	4,292	4,804	77	3,853	3,930
Canada	386	1,908	2,294	481	39	520
Africa	1,488	235	1,723	23,929	19	23,948
Other	300	-	300	811	-	811
	\$376,410	\$ 10,197	\$386,607	\$695,967	\$ 4,560	\$700,527

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

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 \$217 million for the three months ended June 30, 2013 (June 30, 2012 - \$200 million).

10. 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 Corporation 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 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, 2013, 80% (June 30, 2012 – 86%) of the Corporation's revenues were from AAA customers.

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

(in thousands of Canadian dollars)	June 30, 2013	March 31, 2013
United States	\$ 77,815	\$ 96,867
Central America and Caribbean	33,640	37,746
Europe	2,187	1,769
Asia	1,828	3,136
Canada	1,690	2,813
South America	1,589	4,436
Africa	131	132
Other	287	8
	\$ 119,167	\$ 146,907

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:

(in thousands of Canadian dollars)	June 30, 2013	March 31, 2013
< 1 year	\$ 118,794	\$ 146,019
> 1 and < 3 years	373	888
	\$ 119,167	\$ 146,907

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:

(in thousands of Canadian dollars)	June 30, 2013	March 31, 2013
< 30 days	\$ 4,471	\$ 19,146
> 30 days and < 180 days	2,057	15,273
> 180 days	3,059	4,496
	\$ 9,587	\$ 38,915

Advances and progress payments to Canadian exporters

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

Collateral

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

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

(in thousands of Canadian dollars)	June 30, 2013	March 31, 2013
Holdbacks	\$ 9,694	\$ 9,381
Bank guarantees	\$ 40,188	\$ 39,146
Surety bonds	\$ 87,026	\$ 84,064
Parent guarantees	\$ 297,585	\$ 346,125
Other	\$ 10,775	\$ 12,897

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. 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.

Under a specific series of financing contracts, included in trade payables and accrued liabilities the Corporation owed nil for the three months ended June 30, 2013 (March 31, 2013 - nil) of which nil for the three months ended June 30, 2013 (March 31, 2013 - nil) 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 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 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, 2013, there were no draws on this line of credit (June 30, 2012 – nil).
- ii) The Corporation enters into discounting arrangements with recourse with a financial institution, up to a maximum of \$15 million as at June 30, 2013 (June 30, 2012 - \$15 million) to support its trade financing program.

In addition, the Corporation enters into further credit arrangements up to a maximum of \$25 million as at June 30, 2013 (June 30, 2012 - \$25 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 its trade financing program. The Corporation incurred an expense of nil for the three months ended June 30, 2013 (June 30, 2012 – recovery of \$16,000) related to this trade financing 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:

(in thousands of Canadian dollars)	June 30, 2013	March 31, 2013
< 1 year	\$ 105,499	\$ 120,961
	\$ 105,499	\$ 120,961

Under a specific series of financing contracts related to the Corporation's trade financing program, included in trade payables and accrued liabilities, the Corporation owed nil as at June 30, 2013 (March 31, 2013 - nil) of which nil as at June 30, 2013 (March 31, 2013 - nil) bears interest at the cost of funds plus 0.20%. The Corporation also has access to a number of commercial securities should the foreign party fail to repay these trade receivables. The amount of outstanding trade receivables pledged as securities under these arrangements was \$32,512,000 as at June 30, 2013 (March 31, 2013 - \$36,706,000) and was profiled as follows:

(in thousands of Canadian dollars)	June 30, 2013	March 31, 2013
< 1 year	\$ 32,139	\$ 35,818
> 1 and < 3 years	373	888
	\$ 32,512	\$ 36,706

11. Administrative expenses

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

(in thousands of Canadian dollars)	2013	2012
Workforce compensation and related expenses	\$ 4,598	\$ 4,429
Contract management services	1,038	1,023
Rent and related expenses	559	582
Travel and hospitality	330	521
Software, hardware and support	325	268
Consultants	167	282
Amortization and depreciation	42	201
Corporate communications	39	20
Other expenses	164	222
	\$ 7,262	\$ 7,548

12. 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:

(in thousands of Canadian dollars)	2013	2012
Financial assets		
- Finance income earned on cash and cash equivalents	\$ 63	\$ 76
Financial liabilities		
- Finance cost on payables and other liabilities	-	-
	\$ 63	\$ 76

13. Parliamentary appropriations

Appropriations authorized by the Parliament of Canada are included in the net results of operations for the three months ended June 30, 2013 in the amount of \$3,870,000 (June 30, 2012 - \$3,870,000).

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

As a result of all related party transactions, the amounts due from and to these parties included in trade receivables and trade payables respectively were as follows:

(in thousands of Canadian dollars)	June 30, 2013	March 31, 2013
Trade receivables	\$ 388	\$ 891
Trade payables	\$ 246	\$ 477

(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, 2013, the cost of these services amounted to \$1,046,000 (June 30, 2012 - \$1,034,000) 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.

For the three months ended June 30, 2013, revenues related to the provision of these services amounted to \$187,500 (June 30, 2013 - \$187,500) 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 June 30:

(in thousands of Canadian dollars)	2013	2012
Department of Foreign Affairs, Trade and Development	\$ 7,556	\$ 1,373
Department of National Defence	\$ 6	\$ -
Canadian International Development Agency	\$ -	\$ 8
Environment Canada	\$ -	\$ 8

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

15. Guarantees

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 was as follows:

(in thousands of Canadian dollars)	June 30, 2013	March 31, 2013
< 1 year	\$1,934,257	\$1,980,641
> 1 and < 3 years	219,522	250,933
> 3 and < 5 years	7,123	7,265
Total contract portfolio	\$2,160,902	\$2,238,839