Canadian Commercial Corporation
Corporation Commerciale Canadienne

# Canadian Commercial Corporation

## Quarterly Financial Report
## (Unaudited)

## For the three and nine-month periods ended December 31, 2013

# Management's Discussion and Analysis

## Overview

Canadian Commercial Corporation (CCC) was established in 1946 under the *Canadian Commercial Corporation Act*. The Act outlines CCC's broad mandate, which is to assist in the development of trade by helping Canadian exporters access markets abroad and by helping foreign 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 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 year to date net results of operations and total comprehensive income for the nine-month period ended December 31, 2013 was a deficit of $234 thousand, compared to a surplus of $632 thousand reported for the nine-month period ended December 31, 2012. The bottom line decline by $0.9 million, was the result of savings to total expenses of $1.1 million offset be a decrease in revenue of $2.0 million. The parliamentary appropriation was the same as compared to last year. The $2.0 million decrease in revenue was due to a decrease of $2.2 million related to fees for service offset by a $0.2 million increase from other income. The decrease in fees for service year period over period is primarily due to a large contract being signed and delivered in full during the three-month period ending December 31, 2012 therefore earning fees in an abbreviated and accelerated manner in the prior yearly period.

Expenses continue to be incurred in a controlled manner with a resulting decrease of $1.1 million, relative to revenues earned and respective of the spirit of the Government of Canada's Budget 2012 savings measure.

The net results of operations and total comprehensive income for the three-month period ended December 31, 2013 was a deficit of $186 thousand compared to a surplus of $1.5 million for the three-month period ended December 31, 2012. The decrease of $1.7 million was the result of revenues decreasing by $2.3 million and total expenses decreasing by $0.6 million. The entire decrease in revenues was due to the decrease in fees for service noted previously**.**

For the fiscal year ended March 31, 2014, commercial trading and procurement services transactions combined are forecasted to be $1.62 billion, $638.7 million or 28% lower than the fiscal year ended March 31, 2013 and $27.6 million or 2% higher than the 2013-2014 Corporate Plan budget. For the fiscal year ended March 31, 2014, fees for service are forecasted to be $13.7 million, $1.5 million or 10% lower than the fiscal year ended March 31, 2013 and $2.2 million or 19% higher than the 2013-2014 Corporate Plan budget. For the fiscal year ended March 31, 2014, the Corporation is forecasting an operating surplus of $1.7 million, versus an operating surplus of $1.3 million for the fiscal year ended March 31, 2013 and $3.1 million better than the 2013-2014 Corporate Plan budget.

A more detailed discussion of CCC's 2013-2014 financial highlights follows:

## Statement of Comprehensive Income Discussion

### *Summary results*

| | FOR THE THREE MONTHS ENDED | | | FOR THE NINE MONTHS ENDED | | |
|---|---|---|---|---|---|---|
| | **December 31 2013 ($ Millions)** | **December 31 2012 ($ Millions)** | **% Increase (Decrease)** | **December 31 2013 ($ Millions)** | **December 31 2012 ($ Millions)** | **% Increase (Decrease)** |
| Revenues: | | | | | | |
| Commercial trading transactions - prime contracts | **$ 412.9** | **$ 532.4** | (22%) | **$ 1,134.7** | **$ 1,804.8** | (37%) |
| Cost of commercial trading transactions - prime contracts | **(412.9)** | **(532.4)** | 22% | **(1,134.7)** | **(1,804.8)** | 37% |
| Fees for service | **2.8** | **5.1** | (45%) | **8.9** | **11.1** | (20%) |
| Other revenues | **0.3** | **0.2** | 23% | **0.6** | **0.4** | 53% |
| Total Revenues | **3.1** | **5.3** | (42%) | **9.5** | **11.5** | (17%) |
| Expenses: | | | | | | |
| Administrative expenses | **7.2** | **7.7** | (7%) | **21.4** | **22.5** | (5%) |
| Contract remediation expenses | **-** | - | - % | **-** | - | - % |
| Total Expenses | **7.2** | **7.7** | (7%) | **21.4** | **22.5** | (5%) |
| International procurement services for government clients | **5.9** | **3.5** | 68% | **36.5** | **12.7** | 188% |
| Cost of international procurement services for government clients | **(5.9)** | **(3.5)** | (68%) | **(36.5)** | **(12.7)** | (188%) |
| Parliamentary appropriations | **3.9** | **3.9** | - % | **11.6** | **11.6** | - % |
| Net results of operations and comprehensive income | **$ (0.2)** | **$ 1.5** | (112%) | **$ (0.2)** | **$ 0.6** | (137%) |

### *Revenues*

Revenues consist of Commercial Trading Transactions (CTT) 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 from commercial trading transactions on prime contracts are fully offset by the cost of commercial trading transactions on prime contracts. After offsetting the cost of commercial trading transactions, total revenues were $9.5 million for the nine-month period ended December 31, 2013 compared to $11.5 million for the nine-month period ended December 31, 2012, a decrease of $2.0 million or 17%. Total revenues were $3.1 million for the three-month period ended December 31, 2013 compared to the $5.3 million for the three-month period ended December 31, 2012, a decrease of $2.2 million or 42%.

Commercial trading transactions where CCC acts as prime contractor combined with procurement services transactions were $1,171.2 million for the nine-month period ended December 31, 2013, compared to the $1,817.5 million for the nine-month period ended December 31, 2012, a decrease of $646.3 million or 36%. Commercial trading transactions and procurement services transactions combined were $418.8 million for the three-month period ended December 31, 2013, compared to the $535.9 million for the three-month period ended December 31, 2012, a decrease of $117.1 million or 22%.

For the nine-month period ended December 31, 2013, DPSA CTT of $860.3 million represent 76% of the Corporation's total CTT and are $647.8 million or 43% lower than DPSA CTT for the nine-month period ended December 31, 2012. DPSA CTT are anticipated to trend downward through the remaining delivery period of the Light Armoured Vehicles (LAV) contract signed with the U.S. Department of Defense Foreign Military Sales organization (U.S. DoD FMS) in 2009-2010 valued at $2.22 billion. 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. For the three-month period ended December 31, 2013, DPSA CTT of $301.2 million and are $103.7 million or 26% lower than DPSA CTT for the three-month period ended December 31, 2012.

For the nine-month period ended December 31, 2013, GDS CTT of $121.5 million represent 11% of the Corporation's total CTT and are $76.0 million or 167% higher than GDS CTT for the nine-month period ended December 31, 2012. For the three-month period ended December 31, 2013, GDS CTT of $55.0 million and are $39.9 million or 264% higher than GDS CTT for the three-month period ended December 31, 2012.

For the nine-month period ended December 31, 2013, ICB CTT of $152.9 million represent 13% of the Corporation's total CTT and are $98.3 million or 39% lower than ICB CTT for the nine-month period ended December 31, 2012. The ICB CTT total of $152.9 million includes $14.8 million from the Cuba Contracting Program. For the three-month period ended December 31, 2013, ICB CTT of $56.7 million and are $54.3 million or 49% lower than ICB CTT for the three-month period ended December 31, 2012.

In the case of procurement service transactions the Corporation acts as an agent on behalf of a domestic or foreign Government entity and is not the prime contractor. A large proportion of the activity is dependent upon DFATD and other Government of Canada requirements with a large majority of the forecast activity is based on the Corporation's involvement with DFATD's Global Partnership Program, ACCBP, Global Peace and Security Fund and the Counter-Terrorism Capacity Building Program. Procurement service transactions also include activity from a GDS project signed in 2007 whereby CCC entered into an agreement to act as agent to procure wing kits and manage the replacement of the wings kits on Norwegian aircraft on behalf of the Royal Norwegian Air Force.

For the nine month period ended December 31, 2013, procurement service transactions and the cost of procurement service transactions of $36.5 million were $23.8 million or 188% higher than procurement service transactions and the cost of procurement service transactions for the nine month period ended December 31, 2012. For the three-month period ended December 31, 2013, procurement service transactions and the cost of procurement service transactions of $5.9 million were $11.2 million or 65% lower than procurement service transactions and the cost of procurement service transactions for the nine month period ended December 31, 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. Fees for service are $8.9 million for the nine-month period ended December 31, 2013 compared to $11.1 million for the nine-month period ended December 31, 2012, a decrease of $2.2 million or 20%. GDS fees for services of $3.4 million account for 38% of the total fees for service and are $1.4 million or 71% higher than GDS fees for services for the nine-month period ended December 31, 2012. ICB fees for service of $2.8 million account for 32% of the total fees for service and are $3.5 million or 55% lower than the ICB fees for service for the nine-month period ended December 31, 2012. The decrease in ICB fees for service year period over period is primarily due to a large contract being signed and delivered in full during the three-month period ending December 31, 2012 therefore earning fees in an abbreviated and accelerated manner in the prior year period. Procurement and Other Service (including China-regional offices and PPP Canada Inc.-shared services agreement) fees for service of $2.7 million account for 30% of the total fees for service and are $0.2 million or 6% lower than procurement services for the nine-month period ended December 31, 2012. Fees for service are $2.8 million for the three-month period ended December 31, 2013 compared to $5.1 million for the three-month period ended December 31, 2012, a decrease of $2.3 million or 45%.

Other revenues include: (1) Foreign exchange gains or losses due to the weakening or strengthening of the Canadian dollar compared to its U.S. dollar counterpart on exposed U.S. cash balances; (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 to Canadian exporters.

For the nine-month period ended December 31, 2013: (1) The foreign exchange gain of $0.3 million, due to the weakening of the Canadian dollar compared to its U.S. dollar counterpart was $0.3 million higher compared to the foreign exchange loss of $15 thousand for the nine-month period ended December 31, 2012; (2) Finance income of $0.2 million was $0.1 million lower compared to the result for the nine-month period ended December 31, 2012 as cash balances were generally lower; and (3) Other income of $0.2 million was the same compared to the result for the nine-month period ended December 31, 2012.

For the three-month period ended December 31, 2013: (1) The foreign exchange gain of $0.2 million, due to the fluctuation of the Canadian dollar compared to its U.S. dollar counterpart was $0.1 million higher compared to the foreign exchange gain of $0.1 million for the three-month period ended December 31, 2012; (2) Finance income was $41 thousand lower compared to the result for the three-month period ended December 31, 2012; and (3) Other income was $46 thousand lower compared to the result for the three-month period ended December 31, 2012 as Canadian exporters opted for less early payment discounts in the current year.

***Expenses***

For the nine-month period ended December 31, 2013, total expenses were $21.4 million, a decrease of $1.1 million or 5% lower than the nine-month period ended December 31, 2012. For the three-month period ended December 31, 2013, total expenses were $7.2 million, a decrease of $0.5 million or 7% lower than the three-month period ended December 31, 2012. For the nine-month period ended December 31, 2013, Management did not incur or 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, are not impacted by foreign exchange fluctuations, and included the following:

- Workforce compensation and related expenses of $14.0 million for the nine-month period ended December 31, 2013 was $0.1 million, or 1%, higher than the nine-month period ended December 31, 2012. Workforce compensation and related expenses of $4.7 million for the three-month period ended December 31, 2013 was $0.3 million, or 6%, higher than the three-month period ended December 31, 2012. The increase is due to regular collective bargaining and annual salary band increment increases. Workforce compensation and related expenses accounts for approximately 65% of CCC's administrative expenditures.

- PWGSC costs for core contract management services under the DPSA that were not insourced by CCC, were $2.8 million for the nine-month period ended December 31, 2013, $0.3 million or 10% lower than the nine-month period ended December 31, 2012. PWGSC costs of $0.8 million for the three-month period ended were $0.2 million or 17% lower than the three-month period ended December 31, 2012.

- Rent and related expenses of $1.7 million for the nine-month period ended December 31, 2013 was $0.1 million, or 4%, lower than the nine-month period ended December 31, 2012. Rent and related expenses of $0.6 million for the three-month period ended December 31, 2013 was $44 thousand, or 8%, higher than the three-month period ended December 31, 2012.

- Travel and hospitality expenses of $1.1 million for the nine-month period ended December 31, 2013 were $0.2 million, or 13%, lower than the nine-month period ended December 31, 2012. Travel and hospitality expenses of $0.5 million for the three-month period ended December 31, 2013 were the same for the three-month period ended December 31, 2012. Travel and hospitality expenses are incurred due primarily to business development activity in support of Canadian exporters in pursuit of and to secure of projects in Colombia, Peru and the Middle East and the management of the projects once they are secured and effective.

- Consultant expenses of $0.6 million for the nine-month period ended December 31, 2013 were $0.2 million, or 20%, lower than the nine-month period ended December 31, 2012. The decrease was primarily the result of a the completion of consultation engagements in 2013-2014 related to the delivery of contract management services on the Business Process Improvement Initiative (BPII) which was a strategic relationship with PWGSC to optimize the expenditure of the Corporation's financial resources in support of DPSA responsibilities, Quito airport and Ghana In addition, the Corporation was able to negotiate significant savings on in-country consultation services related to the delivery of export promotion undertaken in China. Consultant expenses of $0.3 million for the three-month period December 31, 2013 were the same for the three-month period ended December 31, 2012. Consultant expenses complement CCC's workforce and perform assignments requiring a specific expertise.

- The amortization of intangible assets and depreciation of property and equipment and leasehold improvement costs of $0.2 million were $0.5 million or 79% lower for the nine-month period ended December 31, 2013 compared to the nine-month period ended December 31, 2012. Amortization and depreciation of $42 thousand was $160 thousand or 79% lower for the three-month period ended December 31, 2013 compared to the three-month period ended December 31, 2012. The Enterprise Resource Planning (ERP) system that was implemented during 2008, along with related upgrades, was fully amortized by the end of fiscal year 2012-2013.

- Computer software, hardware and support costs of $0.3 million, over and above the information management personnel included in workforce compensation or consultants, were approximately the same for the nine-month period ended December 31, 2013 compared to the nine-month period ended December 31, 2012. Computer software, hardware and support costs were $23 thousand approximately the same for the three-month period ended December 31, 2013 compared to the three-month period ended December 31, 2012.

- Other expenses of $0.7 million were approximately the same for the nine-month period ended December 31, 2013 compared to the nine-month period ended December 31, 2012. Other expenses of $0.2 million were the same for the three-month period ended December 31, 2013 compared to the three-month period ended December 31, 2012. Other expenses include Corporate communication costs (marketing, advertising, and the design and printing of corporate promotional material) telecommunications and bank charges.

For the nine-month period ended December 31, 2013, Management did not incur any contract remediation expenses, the same as the nine-month period ended December 31, 2012.

### *Parliamentary Appropriations*

The Corporation is to receive parliamentary appropriations of $15.7 million in fiscal year 2013-2014, $173 thousand higher than the amount as in fiscal year 2012-2013. The favourable variance reflects the amount calculated and distributed by the Treasury Board Secretariat (TBS) for collective agreements signed or other compensation adjustments made between August 1, 2012 and July 31, 2013. The appropriation is drawn down in equal monthly instalments throughout the year. The amount drawn down of $11.6 million for the nine-month period ended December 31, 2013 was the same as nine-month period ended December 31, 2012. The amount drawn down of $3.9 million for the three-month period ended December 31, 2013 was the same as three-month period ended December 31, 2012.

## Statement of Financial Position Discussion

### *Summary of financial position*

| | **December 31 2013 ($ Millions)** | **March 31 2013 ($ Millions)** | **% Increase (Decrease)** |
|---|---|---|---|
| Total assets | **$ 739.1** | $ 1,172.6 | (37%) |
| Total liabilities | **$ 689.0** | $ 1,122.2 | (39%) |
| Shareholder's Equity | **$ 50.1** | $ 50.4 | (<1%) |

CCC's total assets were $739.1 million as at December 31, 2013, $433.5 million, or 37%, lower than at March 31, 2013. The decrease is due to a decrease from March 31, 2013 in the amount of progress payments to Canadian exporters of $342.1 million or 41%, and a decrease from March 31, 2013 across all other asset statement line items combined of $91.4 million or 27%.

CCC's total liabilities were $689.0 million as at December 31, 2013, $433.2 million, or 39%, lower than at March 31, 2013. The decrease from March 31, 2013 is due to a decrease in the amount of progress payments from foreign customers of $342.5 million or 41%, offset by a net decrease from March 31, 2013 across all other liability statement line items combined of $90.7 million or 32%.

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 $114.6 million were $32.3 million or 22% lower than the balance at March 31, 2013 and represents 16% of the total assets of $739.1 million. Trade payables and accrued liabilities of $91.2 million were $29.7 million or 25% lower than the balance at March 31, 2013 and represent 13% of the total liability of $689.0 million.

Progress payments to Canadian exporters of $498.0 million represent 41% of the total assets of $739.1 million. Progress payments from foreign customers of $500.3 million represent 41% of the total liabilities of $689.0 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, $356.5 million or 71% relate to the significant $2.22 billion U.S. DoD FMS LAV contract.

Advances from foreign customers of $95.4 million, decreased by $59.4 million or 38% compared to the balance at March 31, 2013. Advances to Canadian exporters of $70.6 million, decreased by $52.8 million or 43% compared to the balance at March 31, 2013. Of the $95.4 million in advances from foreign customers, $76.9 million or 81%, were related to projects for Colombia, Ghana, Mexico, Norway, and Peru. Of these advances from foreign customers, $67.7 million were passed on to Canadian exporters, accounting for 96% 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 nine-month period ended December 31, 2013, CCC's equity, fully ascribed to the Government of Canada, was $50.1 million, a decrease of $0.2 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 $1.60 billion at December 31, 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 $1.60 billion had been delivered as of December 31, 2013. The undelivered portion of this contract represents 37% of the Corporation's total undelivered commitments.

## Statement of Cash Flows Discussion

### *Summary of cash flows*

| | FOR THE THREE MONTHS ENDED | | | | FOR THE NINE MONTHS ENDED | | |
|---|---|---|---|---|---|---|---|
| **Source (use) of cash** | **December 31 2013 ($ Millions)** | **December 31 2012 ($ Millions)** | **% Increase (Decrease)** | | **December 31 2013 ($ Millions)** | **December 31 2012 ($ Millions)** | **% Increase (Decrease)** |
| Operating activities | **$ (4.6)** | **$ (8.4)** | 37% | | **$ (6.4)** | **$ 25.3** | (131%) |
| Investing activities | **$ -** | **$ -** | - | | **$ -** | **$ (0.1)** | 101% |
| Effect of exchange rate changes on cash and cash equivalents | **$ 0.2** | **$ 0.1** | 253% | | **$ 0.3** | **$ -** | 2133% |

***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 may use 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 (generally outside of the core DPSA program), 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 momentarily provided to the operation at the end of one period until the payment is made to the Canadian exporter, as stipulated in the contract, early in the next period.

During the nine-month period ended December 31, 2013, CCC used $6.4 million in cash from its operating activities, as compared to the $25.3 million provided during the nine-month period ended December 31, 2012, a decrease of $31.7 million. Details are as follows:

- Receipts from foreign customers include cash received for deliveries and advances as stipulated under the foreign customer contract. Receipts from foreign customers were $1,144.1 million for the nine-month period ended December 31, 2013, $838.2 million or 42% lower than the amount reported for the nine-month period ended December 31, 2012. The decrease is due to the downward trend in CTT during the remaining delivery period under the significant LAV contract.

- Payments to Canadian suppliers include cash paid for deliveries and advances as stipulated under the domestic contract. Payments to Canadian suppliers were $1,148.2 million for the nine-month period ended December 31, 2013, $813.2 or 41% lower than the amount reported in the nine-month period ended December 31, 2012. The decrease is due to the downward trend in CTT during the remaining delivery period under the significant LAV contract.

- For the nine-month period ended December 31, 2013 compared to the nine-month period ended December 31, 2012, the decrease in receipts from foreign customers was greater than the decrease in payments to Canadian suppliers, therefore reducing cash by $25.0 million. In addition to the $25.0 million cash reduction by export transactions, another $6.7 million decrease in cash came from finance income, fees for services, use of cash for administrative payments, progress payments made and other income received combined. The $6.7 million decrease was largely attributed to a large contract being signed and delivered in full during the three-month period ending December 31, 2012 therefore earning fees in an abbreviated and accelerated manner in the prior year period.

During the three-month period ended December 31, 2013, CCC used $4.6 million in cash from its operating activities, as compared to the $8.4 million used during the three-month period ended December 31, 2012, an increase of $3.8 million. Details are as follows:

- Receipts from foreign customers include cash received for deliveries and advances as stipulated under the foreign customer contract. Receipts from foreign customers were $381.3 million for the three-month period ended December 31, 2013, $287.7 million or 43% lower than the amount reported for the three-month period ended December 31, 2012. The decrease is due to the downward trend in CTT during the remaining delivery period under the significant LAV contract.

- Payments to Canadian suppliers include cash paid for deliveries and advances as stipulated under the domestic contract. Payments to Canadian suppliers were $385.5 million for the three-month period ended December 31, 2013, $296.7 million or 43% lower than the amount reported in the three-month period ended December 31, 2012. The decrease is due to the downward trend in CTT during the remaining delivery period under the significant LAV contract.

- For the three-month period ended December 31, 2013 compared to the three-month period ended December 31, 2012, decrease in receipts from foreign customers were less than the decrease in payments to Canadian suppliers, therefore providing $9.0 million of cash for export transactions.

- The $9.0 million cash provided by export transactions was offset by a $5.2 million decrease in cash came from finance income, fees for services, use of cash for administrative payments, progress payments received and made and other income received combined

***Investing activities***

For the nine-month period ended December 31, 2012, the Corporation capitalized $0.1 million related to property, equipment or intangible but only capitalized a negligible amount related to property, equipment or intangible for the nine-month period ended December 31, 2013, resulting in a negligible use of cash for investing activities.

For the three-month period ended December 31, 2012, the Corporation capitalized a negligible amount related to property, equipment or intangible but did not capitalize anything related to property, equipment or intangible for the three-month period ended December 31, 2013, resulting in no impact to cash.

***Effect of exchange rate changes on cash and cash equivalents***

For the nine-month period ended December 31, 2013, CCC recorded a foreign exchange translation gain of $0.3 million as a result of the decrease of the Canadian dollar compared to its U.S. dollar (USD) counterpart, from $0.9843 USD at March 31, 2013 to

$0.9402 USD at December 31, 2013. This resulted in $0.3 million source of cash when compared to the nine-month period ended December 31, 2012.

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

For the nine-month period ended December 31, 2013, total commercial trading transactions (including procurement services transactions) of $1,171.2 million were $14.2 million, or 1%, higher than budget.

Fees for service of $8.9 million were higher than budget by $1.0 million, or 13%. Fees for service are earned as contract work is delivered or completed. For the nine-month period ended December 31, 2013, fees generated from the ICB business line were $0.9 million or 49% higher than budget, mainly due to Cuba Contracting Program fees which are $0.7 million or 46% 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 $0.1 million higher than budget as more than originally expected scheduled contracted milestones (on which fees are recognized) occurred in the nine-month period ended December 31, 2013.

Results for the nine-month period ended December 31, 2013 include a foreign exchange gain of $0.3 million resulting from movements in the Canadian dollar relative to its U.S. dollar counterpart decreasing from $0.9843 USD at March 31, 2013 to $0.9402 USD at December 31, 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 December 31, 2013 and will only do so once actual amounts are or can be determined. As a result, contract remediation expenses were under budget by $75 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 $21.4 million were $0.6 million, or 3%, lower than the budgeted amount of $22.0 million. Direct expenses of $14.2 million are $0.2 million or 2% below budget. Indirect expenses of $7.2 million are $7.6 million or 0.4% 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 $15.7 million in fiscal year 2013-2014, which will be drawn down in equal monthly instalments throughout the year. For the nine-month period ended December 31, 2013, the amount drawn down was $11.6 million, the same amount as was budgeted for this period.

**2013-2014 Forecast**

For the fiscal year ending March 31, 2014, the Corporation is forecasting an operating surplus of $1.7 million, versus an operating surplus of $1.3 million for the fiscal year ended March 31, 2013. The $1.7 million is a significant improvement over the $1.4 million deficit which was planned and contained in the Board of Director approved 2013-2014 to 2017-18 Corporate Plan..

For fiscal year 2013-2014, revenues after offsetting the cost of commercial trading transactions are expected to be $14.5 million, $1.8 million or 11% lower than the results achieved in fiscal year 2012-2013. This decrease is largely attributed to a large contract being signed and delivered in full during the three-month period ending December 31, 2012 therefore earning fees in an abbreviated and accelerated manner in the prior year period. In addition, transactions related to the Quito airport and Ghana power plant continued in the prior year period but had very few remaining delivery requirements in 2013-2014. 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.

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 $28.2 million, $2.2 million or 7% 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 $15.7 million, $173 thousand higher than the amount as in fiscal year 2012-2013. The favourable variance reflects the amount calculated and distributed by TBS for collective agreements signed or other compensation adjustments made between August 1, 2012 and July 31, 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 and 2013-2014 Corporate Plan Summary.

The Government of the United States remains at a AAA rating for most rating agencies and as a 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 and nine-month periods ended December 31, 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
February 12, 2014

# Statement of Financial Position (Unaudited)

| **As at** (in thousands of Canadian dollars) | | **December 31 2013** | | **March 31 2013** |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents (note 4) | **$** | **54,988** | $ | 61,068 |
| Trade receivables (notes 5 and 10) | | **114,570** | | 146,907 |
| Advances to Canadian exporters | | **70,628** | | 123,436 |
| Progress payments to Canadian exporters | | **498,034** | | 840,148 |
| | | **738,220** | | 1,171,559 |
| **Non-current assets** | | | | |
| Property and equipment | | **919** | | 1,046 |
| Intangible assets | | **-** | | - |
| | | **919** | | 1,046 |
| | **$** | **739,139** | $ | 1,172,605 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade payables and accrued liabilities (notes 5 and 10) | **$** | **91,218** | $ | 120,961 |
| Advances from foreign customers | | **95,360** | | 154,799 |
| Progress payments from foreign customers | | **500,254** | | 842,769 |
| Employee benefits (note 6) | | **508** | | 1,984 |
| | | **687,340** | | 1,120,513 |
| **Non-current liabilities** | | | | |
| Employee benefits (note 6) | | **1,430** | | 1,428 |
| Provision for contract remediation expenses (notes 7 and 8) | | **235** | | 296 |
| | | **1,665** | | 1,724 |
| | | **689,005** | | 1,122,237 |
| **Shareholder's Equity** | | | | |
| Contributed surplus | | **10,000** | | 10,000 |
| Retained earnings | | **40,134** | | 40,368 |
| | | **50,134** | | 50,368 |
| | **$** | **739,139** | $ | 1,172,605 |

Contingencies and guarantees (note 15)

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

Authorized for issue on February 12, 2014:

**Marc Whittingham**
President and CEO

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

## Statement of Comprehensive Income (Unaudited)

| (in thousands of Canadian dollars) | For the three months ended December 31 2013 | For the three months ended December 31 2012 Restated (note 3) | For the nine months ended December 31 2013 | For the nine months ended December 31 2012 Restated (note 3) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Commercial trading transactions - prime contracts (note 9) | **$ 412,874** | $ 532,406 | **$1,134,725** | $1,804,790 |
| Less: cost of commercial trading transactions - prime contracts | **(412,874)** | (532,406) | **(1,134,725)** | (1,804,790) |
| Fees for service (note 9) | **2,793** | 5,119 | **8,862** | 11,082 |
| Other income (note 9) | **49** | 95 | **170** | 179 |
| Finance income net (note 12) | **53** | 94 | **176** | 262 |
| Gain (loss) on foreign exchange | **201** | 57 | **305** | (15) |
| | **3,096** | 5,365 | **9,513** | 11,508 |
| **Expenses** | | | | |
| Administrative expenses (note 11) | **7,152** | 7,713 | **21,358** | 22,487 |
| Contract remediation expenses | **-** | - | **-** | - |
| | **7,152** | 7,713 | **21,358** | 22,487 |
| **International procurement services for government clients** | | | | |
| Procurement services transactions (note 9) | **5,894** | 3,515 | **36,507** | 12,698 |
| Less: cost of procurement services transactions | **(5,894)** | (3,515) | **(36,507)** | (12,698) |
| | **-** | - | **-** | - |
| Net results of operations before Parliamentary appropriations | **(4,056)** | (2,348) | **(11,845)** | (10,979) |
| Parliamentary appropriations (note 13) | **3,870** | 3,870 | **11,611** | 11,611 |
| **Net results of operations** | **$ (186)** | $ 1,522 | **$ (234)** | $ 632 |
| **Other Comprehensive income (loss)** | | | | |
| **Items that will not be reclassified to net results of operations** | | | | |
| Actuarial loss on employee benefits obligation | **-** | - | **-** | - |
| **Total Comprehensive income (loss)** | **$ (186)** | $ 1,522 | **$ (234)** | $ 632 |

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

# Statement of Changes in Equity ( Unaudited)

**For the three and nine months ended December 31, 2013**

| (in thousands of Canadian dollars) | Contributed Surplus | Retained Earnings | Total |
|---|---|---|---|
| **Balance September 30, 2013** | **$ 10,000** | **$ 40,320** | **$ 50,320** |
| Net results of operations | **-** | **(186)** | **(186)** |
| Actuarial loss on employee benefits obligation | - | - | - |
| Total comprehensive loss | - | **(186)** | **(186)** |
| **Balance December 31, 2013** | **$ 10,000** | **$ 40,134** | **$ 50,134** |
| **Balance March 31, 2013** | **$ 10,000** | **$ 40,368** | **$ 50,368** |
| Net results of operations | - | **(234)** | **(234)** |
| Actuarial loss on employee benefits obligation | - | - | - |
| Total comprehensive loss | - | **(234)** | **(234)** |
| **Balance December 31, 2013** | **$ 10,000** | **$ 40,134** | **$ 50,134** |

**For the three and nine months ended December 31, 2012**

| (in thousands of Canadian dollars) | Contributed Surplus | Retained Earnings | Total |
|---|---|---|---|
| **Balance September 30, 2012** | $ 10,000 | $ 38,555 | $ 48,555 |
| Net results of operations | - | 1,522 | 1,522 |
| Actuarial loss on employee benefits obligation | - | - | - |
| Total comprehensive income | - | 1,522 | 1,522 |
| **Balance December 31, 2012** | $ 10,000 | $ 40,077 | $ 50,077 |
| **Balance March 31, 2012** | $ 10,000 | $ 39,445 | $ 49,445 |
| Net results of operations | - | 632 | 632 |
| Actuarial loss on employee benefits obligation | - | - | - |
| Total comprehensive income | - | 632 | 632 |
| **Balance December 31, 2012** | $ 10,000 | $ 40,077 | $ 50,077 |

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

## Statement of Cash Flows (Unaudited)

| (in thousands of Canadian dollars) | For the three months ended December 31 2013 | For the three months ended December 31 2012 | For the nine months ended December 31 2013 | For the nine months ended December 31 2012 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Receipts from foreign customers | **$ 381,301** | $ 666,668 | **$ 1,144,130** | $ 1,933,505 |
| Progress payments received (made) | **(43)** | 2,343 | **(401)** | 2,335 |
| Finance income, net (note 12) | **53** | 94 | **176** | 262 |
| Fees for service and other income received | **2,842** | 5,214 | **9,032** | 11,261 |
| Payments to Canadian exporters | **(385,484)** | (679,833) | **(1,148,228)** | (1,912,584) |
| Administrative payments | **(7,119)** | (6,790) | **(22,706)** | (21,061) |
| Parlimentary appropriations | **3,870** | 3,870 | **11,611** | 11,611 |
| Cash provided by (used in) operating activities | **(4,580)** | (8,434) | **(6,386)** | 25,329 |
| **Cash flows from investing activities** | | | | |
| Acquisition of property and equipment | **-** | - | **1** | (79) |
| Acquisition of intangible assets | **-** | (1) | **-** | (7) |
| Cash provided by (used in) investing activities | **-** | (1) | **1** | (86) |
| Effect of exchange rate changes on cash and cash equivalents | **201** | 57 | **305** | (15) |
| Increase (decrease) in cash and cash equivalents | **(4,379)** | (8,378) | **(6,080)** | 25,228 |
| Cash and cash equivalents at the beginning of period | **59,367** | 92,091 | **61,068** | 58,485 |
| Cash and cash equivalents at the end of period (note 4) | **$ 54,988** | $ 83,713 | **$ 54,988** | $ 83,713 |

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

# Notes to Unaudited Condensed Interim Financial Statements

## December 31, 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 December 31, 2012:

- Advances to Canadian exporters and advances from foreign customers were overstated in the Statement of Financial Position and both decreased by $42,781,000.

**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 and nine months ended December 31, 2012:

- Trade receivables and trade payables and accrued liabilities were understated in the Statement of Financial Position and both were increased by $2,109,000.
- Supplier progress payments and Customer progress payments were overstated in the Statement of Financial Position and both were decreased by $8,435,000.
- Commercial trading transactions-prime and the cost of commercial trading transactions-prime contracts in the Statement of Comprehensive Income were understated for the three months ended December 31, 2012 and both

were increased by $1,481,000, and were overstated for the nine months ended December 31, 2012 and both were decreased by $3,909,000.

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 table summarizes the restatements made to the Statement of Financial Position for the nine months ended December 31 2012:

Restatement of Statement of Financial Position (Unaudited)

| **As at** (in thousands of Canadian dollars) | **December 31 2012** | **Impact of restatement** | **December 31 2012** Restated |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | $ 83,713 | $ - | $ 83,713 |
| Trade receivables | 157,942 | 2,109 | 160,051 |
| Advances to Canadian exporters | 130,924 | (42,781) | 88,143 |
| Progress payments to Canadian exporters | 847,079 | (8,435) | 838,644 |
| | 1,219,658 | (49,107) | 1,170,551 |
| **Non-current assets** | | | |
| Property and equipment | 1,080 | - | 1,080 |
| Intangible assets | 196 | - | 196 |
| | 1,276 | - | 1,276 |
| | $ 1,220,934 | $ (49,107) | $ 1,171,827 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade payables and accrued liabilities | $ 157,126 | $ 2,109 | $ 159,235 |
| Advances from foreign customers | 160,150 | (42,781) | 117,369 |
| Progress payments from foreign customers | 849,707 | (8,435) | 841,272 |
| Employee benefits | 624 | - | 624 |
| | 1,167,607 | (49,107) | 1,118,500 |
| **Non-current liabilities** | | | |
| Employee benefits | 2,932 | 254 | 3,186 |
| Provision for contract remediation expenses | 318 | - | 318 |
| | 3,250 | 254 | 3,504 |
| | 1,170,857 | (48,853) | 1,122,004 |
| **Shareholder's Equity** | | | |
| Contributed surplus | 10,000 | - | 10,000 |
| Retained earnings | 40,077 | (254) | 39,823 |
| | 50,077 | (254) | 49,823 |
| | $ 1,220,934 | $ (49,107) | $ 1,171,827 |

The following tables summarize the restatements made to Statement of Comprehensive Income for the three and nine months ended December 31 2012:

Restatement of Statement of Comprehensive Income (Unaudited)

| **For the three months ended December 31** (in thousands of Canadian dollars) | **2012** | **Impact of restatement** | **2012** Restated |
|---|---|---|---|
| **Revenues** | | | |
| Commercial trading transactions - prime contracts (note 9) | $ 530,925 | $ 1,481 | $ 532,406 |
| Less: cost of commercial trading transactions - prime contracts | (530,925) | (1,481) | (532,406) |
| Fees for service | 5,119 | - | 5,119 |
| Other income | 95 | - | 95 |
| Finance income, net | 94 | - | 94 |
| Gain on foreign exchange | 57 | - | 57 |
| | 5,365 | - | 5,365 |
| **Expenses** | | | |
| Administrative expenses | 7,713 | - | 7,713 |
| Contract remediation expenses | - | - | - |
| | 7,713 | - | 7,713 |
| **International procurement services for government clients** | | | |
| Procurement services transactions | 3,515 | - | 3,515 |
| Less: cost of procurement services transactions | (3,515) | - | (3,515) |
| | - | - | - |
| Net results of operations before Parliamentary appropriations | (2,348) | - | (2,348) |
| Parliamentary appropriations | 3,870 | - | 3,870 |
| **Net results of operations** | $ 1,522 | $ - | $ 1,522 |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to net results of operations** | | | |
| Actuarial loss on employee benefits obligation | - | - | - |
| **Total comprehensive income** | $ 1,522 | $ - | $ 1,522 |

## Restatement of Statement of Comprehensive Income (Unaudited)

| **For the nine months ended December 31** (in thousands of Canadian dollars) | **2012** | **Impact of restatement** | **2012** Restated |
|---|---|---|---|
| **Revenues** | | | |
| Commercial trading transactions - prime contracts (note 9) | $ 1,808,699 | $ (3,909) | $ 1,804,790 |
| Less: cost of commercial trading transactions - prime contracts | (1,808,699) | 3,909 | (1,804,790) |
| Fees for service | 11,082 | - | 11,082 |
| Other income | 179 | - | 179 |
| Finance income, net | 262 | - | 262 |
| Loss on foreign exchange | (15) | - | (15) |
| | 11,508 | - | 11,508 |
| **Expenses** | | | |
| Administrative expenses | 22,487 | - | 22,487 |
| Contract remediation expenses | - | - | - |
| | 22,487 | - | 22,487 |
| **International procurement services for government clients** | | | |
| Procurement services transactions | 12,698 | - | 12,698 |
| Less: cost of procurement services transactions | (12,698) | - | (12,698) |
| | - | - | - |
| Net results of operations before Parliamentary appropriations | (10,979) | - | (10,979) |
| Parliamentary appropriations | 11,611 | - | 11,611 |
| **Net results of operations** | $ 632 | $ - | $ 632 |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to net results of operations** | | | |
| Actuarial loss on employee benefits obligation | - | - | - |
| **Total comprehensive income** | $ 632 | $ - | $ 632 |

## 4. Cash and cash equivalents

Cash and cash equivalents included:

| | December 31, 2013 | | March 31, 2013 | |
|---|---|---|---|---|
| **(in thousands)** | **Original currency** | **Canadian dollars** | **Original currency** | **Canadian dollars** |
| U.S. dollars | **27,577** | **$ 29,331** | 21,515 | $ 21,859 |
| Canadian dollars | **24,950** | **24,950** | 38,975 | 38,975 |
| Chinese renminbi | **3,309** | **581** | 568 | 93 |
| Australian dollars | **133** | **126** | 133 | 141 |
| | | **$ 54,988** | | $ 61,068 |

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

Of the cash and cash equivalents, $31,341,000 as at December 31, 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:

| | December 31, 2013 | | March 31, 2013 | |
|---|---|---|---|---|
| **(in thousands)** | **Original currency** | **Canadian dollars** | **Original currency** | **Canadian dollars** |
| U.S. dollars | **70,099** | **$ 74,558** | 100,167 | $ 101,770 |
| Canadian dollars | **40,004** | **40,004** | 45,127 | 45,127 |
| Australian dollars | **5** | **4** | 5 | 5 |
| Chinese renminbi | **27** | **4** | 29 | 5 |
| | | **$ 114,570** | | $ 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:

| | December 31, 2013 | | | March 31, 2013 | | |
|---|---|---|---|---|---|---|
| (in thousands) | Original currency | | Canadian dollars | Original currency | | Canadian dollars |
| U.S. dollars | **77,672** | **$** | **82,612** | 105,601 | $ | 107,291 |
| Canadian dollars | **8,428** | | **8,428** | 13,480 | | 13,480 |
| Australian dollars | **138** | | **131** | 138 | | 146 |
| Chinese renminbi | **265** | | **47** | 208 | | 34 |
| British pounds | **-** | | **-** | 6 | | 10 |
| | | **$** | **91,218** | | $ | 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:

| | December 31, 2013 | | | March 31, 2013 | | |
|---|---|---|---|---|---|---|
| (in thousands of Canadian dollars) | Sick Leave | Severance | Total Benefits | Sick Leave | Severance | Total Benefits |
| Total employee | **$ 1,158** | **$ 780** | **$ 1,938** | $ 1,083 | $ 2,329 | $ 3,412 |
| Less: current portion employee benefits | **(74)** | **(434)** | **(508)** | (69) | (1,915) | (1,984) |
| Non-current portion employee benefits | **$ 1,084** | **$ 346** | **$ 1,430** | $ 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:

| | Sick leave benefits | | Severance benefits | |
|---|---|---|---|---|
| **(in thousands of Canadian dollars)** | **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 December 31, 2013 was a charge of $25,000 (December 31, 2012 – $25,000), $75,000 for the nine months ended December 31, 2013 (December 31, 2012 – $75,000) for sick leave.

## 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 re-procurement | Legal | Total |
|---|---|---|---|
| Balance, March 31, 2013 | $ - | $ 296 | $ 296 |
| Provision used during the year | - | (61) | (61) |
| **Balance, December 31, 2013** | **$ -** | **$ 235** | **$ 235** |

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 December 31, 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. The Corporation may return any part of capital to the Government deemed to be in excess of the amount required for the purposes for which it was constituted.

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) | December 31, 2013 | March 31, 2013 |
|---|---|---|
| Contributed surplus | **$ 10,000** | $ 10,000 |
| Retained earnings | **40,134** | 40,368 |
| Provision for contract remediation expenses | **235** | 296 |
| | **$ 50,369** | $ 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.

The profile by geographic region is as follows:

| For the three months ended December 31 | 2013 | | | 2012 Restated (note 3) | | |
|---|---|---|---|---|---|---|
| (in thousands of Canadian dollars) | Revenues* | International procurement services | Total | Revenues* | International procurement services | Total |
| United States | **$ 301,219** | **$ -** | **$ 301,219** | $ 406,436 | $ - | $ 406,436 |
| South America | **60,537** | **-** | **60,537** | 7,793 | - | 7,793 |
| Central America & Caribbean | **44,582** | **942** | **45,524** | 54,492 | 712 | 55,204 |
| Africa | **8,466** | **1,263** | **9,729** | 61,973 | 75 | 62,048 |
| Europe | **63** | **3,116** | **3,179** | 43 | 2,239 | 2,282 |
| Canada | **404** | **528** | **932** | 460 | 363 | 823 |
| Asia | **439** | **45** | **484** | 6,442 | 126 | 6,568 |
| Other | **6** | **-** | **6** | (19) | - | (19) |
| | **$ 415,716** | **$ 5,894** | **$ 421,610** | $ 537,620 | $ 3,515 | $ 541,135 |

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

| **For the nine months ended December 31** | **2013** | | | **2012** Restated (note 3) | | |
|---|---|---|---|---|---|---|
| **(in thousands of Canadian dollars)** | **Revenues*** | **International procurement services** | **Total** | **Revenues*** | **International procurement services** | **Total** |
| United States | **$ 860,870** | **$ -** | **$ 860,870** | $ 1,508,753 | $ - | $ 1,508,753 |
| Central America & Caribbean | **138,060** | **6,168** | **144,228** | 128,021 | 2,908 | 130,929 |
| South America | **122,310** | **525** | **122,835** | 71,874 | - | 71,874 |
| Europe | **1,863** | **23,006** | **24,869** | 167 | 8,770 | 8,937 |
| Africa | **10,094** | **1,984** | **12,078** | 85,929 | 100 | 86,029 |
| Asia | **8,905** | **976** | **9,881** | 18,971 | 177 | 19,148 |
| Canada | **1,273** | **3,848** | **5,121** | 1,402 | 743 | 2,145 |
| Other | **382** | **-** | **382** | 934 | - | 934 |
| | **$ 1,143,757** | **$ 36,507** | **$ 1,180,264** | $ 1,816,051 | $ 12,698 | $ 1,828,749 |

* 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 $794 million for the nine months ended December 31, 2013 (December 31, 2012 - $698 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 nine months ended December 31, 2013, 76% (December 31, 2012 – 84%) 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) | December 31, 2013 | March 31, 2013 |
|---|---|---|
| United States | **$ 65,442** | $ 96,867 |
| Central America and Caribbean | **34,667** | 38,001 |
| Africa | **8,709** | 128 |
| Canada | **1,990** | 2,217 |
| Asia | **1,545** | 3,481 |
| Europe | **1,168** | 1,769 |
| South America | **1,041** | 4,436 |
| Other | **8** | 8 |
| | **$ 114,570** | $ 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) | December 31, 2013 | March 31, 2013 |
|---|---|---|
| < 1 year | **$ 113,670** | $ 146,019 |
| > 1 and < 3 years | **900** | 888 |
| | **$ 114,570** | $ 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) | December 31, 2013 | March 31, 2013 |
|---|---|---|
| < 30 days | **$ 6,547** | $ 19,146 |
| > 30 days and < 180 days | **12,406** | 15,273 |
| > 180 days | **3,919** | 4,496 |
| | **$ 22,872** | $ 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) | December 31, 2013 | March 31, 2013 |
|---|---|---|
| Holdbacks | **$ 6,609** | $ 9,381 |
| Bank guarantees | **$ 24,397** | $ 39,146 |
| Surety bonds | **$ 88,055** | $ 84,064 |
| Parent guarantees | **$ 290,813** | $ 346,125 |
| Other | **$ 12,242** | $ 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 as at December 31, 2013 (March 31, 2013 - nil) of which nil as at December 31, 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 December 31, 2013, there were no draws on this line of credit (March 31, 2013 – nil).

ii) The Corporation enters into discounting arrangements with recourse with a financial institution, up to a maximum of $15 million as at December 31, 2013 (December 31, 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 December 31, 2013 (March 30, 2013 - $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 December 31, 2013 (December 31, 2012 – nil) and an expense of nil for the nine months ended December 31, 2013 (December 31, 2012 – expense 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) | December 31, 2013 | March 31, 2013 |
|---|---|---|
| < 1 year | **$ 91,218** | $ 120,961 |
| | **$ 91,218** | $ 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 December 31, 2013 (March 31, 2013 - nil) of which nil as at December 31, 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 $32,999,000 as at December 31, 2013 (March 31, 2013 - $36,706,000) and was profiled as follows:

| (in thousands of Canadian dollars) | December 31, 2013 | March 31, 2013 |
|---|---|---|
| < 1 year | **$ 32,099** | $ 35,818 |
| > 1 and < 3 years | **900** | 888 |
| | **$ 32,999** | $ 36,706 |

## 11. Administrative expenses

Administrative expenses included the following:

| (in thousands of Canadian dollars) | For the three months ended December 31 2013 | For the three months ended December 31 2012 | For the nine months ended December 31 2013 | For the nine months ended December 31 2012 |
|---|---|---|---|---|
| Workforce compensation and related expenses | **$ 4,733** | $ 5,055 | **$ 14,023** | $ 13,913 |
| Contract management services | **756** | 910 | **2,831** | 3,163 |
| Rent and related expenses | **586** | 542 | **1,692** | 1,754 |
| Travel and hospitality | **490** | 477 | **1,094** | 1,261 |
| Consultants | **280** | 282 | **642** | 798 |
| Software, hardware and support | **23** | 31 | **327** | 337 |
| Corporate communications | **76** | 49 | **144** | 89 |
| Amortization and depreciation | **42** | 202 | **126** | 604 |
| Other expenses | **166** | 165 | **479** | 568 |
| | **$ 7,152** | $ 7,713 | **$ 21,358** | $ 22,487 |

## 12. Finance income, net

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

| | For the three months ended December 31 | | For the nine months ended December 31 | |
|---|---|---|---|---|
| **(in thousands of Canadian dollars)** | **2013** | **2012** | **2013** | **2012** |
| Financial assets | | | | |
| - Finance income earned on cash and cash equivalents | **$ 185** | $ 94 | **$ 307** | $ 262 |
| Financial liabilities | | | | |
| - Finance cost on payables and other liabilities | **130** | - | **130** | - |
| | **$ 55** | $ 94 | **$ 177** | $ 262 |

## 13. Parliamentary appropriations

Appropriations authorized by the Parliament of Canada are included in the net results of operations for the three months ended December 31, 2013 in the amount of $3,870,000 (December 31, 2012 - $3,870,000) and for the nine months ended December 31, 2012 in the amount of $11,611,000 (December 31, 2012 - $11,611,000)

## 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)** | **December 31, 2013** | **March 31, 2013** |
|---|---|---|
| Trade receivables | **$ 954** | $ 891 |
| Trade payables | **$ 2,150** | $ 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 December 31, 2013, the cost of these services amounted to $765,000 (December 31, 2012 - $917,000) and $2,858,000 for the nine months ended December 31, 2013 (December 31, 2012 - $3,191,000) 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 December 31, 2013, revenues related to the provision of these services amounted to $187,900 (December 31, 2012 - $187,500) and $562,900 for the nine months ended December 31, 2013 (December 31, 2012 - $562,500) 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 December 31 | | For the nine months ended December 31 | |
|---|---|---|---|---|
| **(in thousands of Canadian dollars)** | **2013** | **2012** | **2013** | **2012** |
| Department of Foreign Affairs, Trade and Development | **$ 5,895** | $ 2,371 | **$ 15,928** | $ 5,996 |
| Department of National Defence | **$ 363** | $ 100 | **$ 369** | $ 100 |
| 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)** | **December 31, 2013** | **March 31, 2013** |
|---|---|---|
| < 1 year | **$ 1,070,757** | $1,980,641 |
| > 1 and < 3 years | **530,151** | 250,933 |
| > 3 and < 5 years | **726** | 7,265 |
| **Total contract portfolio** | **$ 1,601,634** | $2,238,839 |

## 16. Comparative figures

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