Canadian Commercial Corporation

2024–2025 Second Quarter
Financial Report (Unaudited)

For the period ended
September 30, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

CCC operates at the crossroads of commerce and international relations to help Canadian businesses succeed in complex and highly competitive foreign government procurement markets. CCC's corporate strategy positions the Corporation to provide Canadian exporters with services that support the growth of their international revenue streams, align business with the Government of Canada's international priorities, and adhere to the highest standards of ethical business conduct.

The Corporation's financial results are grounded in the three-pillar strategy articulated in the 2024-25 Corporate Plan (Plan): Growth; Operational Excellence; and enhancing CCC's impact through Environmental, Social and Corporate Governance.

Given the timing of specific contract requirements and associated delivery schedules, significant variations in CCC's income and operations are expected when comparing period-over-period results.

Pillar 1: Growing Canadian exports through inclusive trade
CCC's growth strategy aligns with Canada's inclusive trade priorities to ensure the benefits and opportunities that flow from trade are shared by all.

Across its three business lines, CCC helped Canadian businesses secure $3.5 billion in the Value of Contracts Signed (VCS)[1] in the six-month period ended September 30, 2024, exceeding Corporate Plan targets (by $2.1 billion) and prior year results (by $1.8 billion).

CCC also delivered $1.2 billion in commercial trading transactions (CTT)[2], reflecting goods and services exported under CCC contracts. This fell short of Corporate Plan targets (by $9.6 million), and represents a decrease compared to prior year results (by $1.1 billion) given the timing of specific contract requirements and associated delivery schedules.

The Corporation earned $12.5 million in fees for service revenues, which exceeded Corporate Plan targets (by $3.4 million) and a decrease from prior year results (by $3.1 million).

Pillar 2: Delivering value to Canadians through operational excellence

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[1] VCS is a non-GAAP measure that represents the value of contracts and amendments singed during a reporting period. It measures the total value of goods and services to be delivered over the entire duration of a contract, and hence represents the full contract value when the contract is signed.
[2] CTT is a non-GAAP measure of economic activity that represents the value of goods and services delivered under contract during the reporting period.

Delivering value to Canada through operational excellence involves continuously streamlining business for CCC and its customers by optimizing processes, systems and the workforce. For the six-month period ended September 30, 2024, CCC continued to enhance operational effectiveness by making strategic investments in innovation and workplace transformation.

CCC achieved a net profit of $14.7 million in the six-month period ended September 30, 2024, exceeding Corporate Plan targets (by $11.4 million), and increase compared to prior year results (by $0.9 million). The favourable variance compared to prior year and to plan is largely attributable to higher than anticipated income earned on cash balances.

The year-to-date net profit of $14.7 million, as well as the offsetting dividend of $10.0 million which was declared by the Board of Directors during the first quarter resulted in an overall increase to retained earnings of $4.7 million to $68.8 million (from $64.1 million as at March 31, 2024).

Pillar 3: Enhancing CCC's impact through Environmental, Social and Corporate Governance
With a focus on enhancing the Corporation's impact through environmental, social and corporate governance (ESG), CCC launched an ESG strategy that builds on years of responsible business conduct leadership across the federal family. It sets the foundation for increased oversight and transparency to deliver stronger environmental stewardship, broaden engagement with all sectors of Canadian industry in international trade, and strengthen influence across the exporter community to conduct international business responsibly and sustainably.

CCC launched its own *Code for Exporters* in March 2023 to outline expectations in areas related to responsible business, human rights, labour and human trafficking, and responsible supply chains. As at September 30, 2024, the *Code* was acknowledged by 119 Canadian exporters, an important part of CCC's objective to build awareness of responsible business conduct across the exporter community. In addition, so far this year CCC influenced 11 exporters to implement or make improvements to their existing integrity policies, procedures, or employee training programs.

The Risk Management section of the MD&A offers additional details of CCC's application of ESG principles.

BASIS OF PREPARATION AND DISCLOSURE

The following management's discussion and analysis (MD&A) was prepared in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. It is not intended to be a full MD&A and it should be read in conjunction with the Corporation's audited annual financial statements and accompanying notes for the year ended March 31, 2024. All amounts presented are in Canadian dollars unless otherwise specified.

Forward-looking statements
This document contains projections and other forward-looking statements that require management to make assumptions subject to risk and uncertainty. Consequently, actual results may differ materially from expectations expressed in forward-looking statements. These risks and uncertainties are discussed in the risk section.

International Financial Reporting Standards
The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. Under IFRS, the Canadian Commercial Corporation's (CCC or the Corporation) financial results are presented on an agent basis. However, as a prime contractor, CCC remains contractually obligated to ensure completeness of contracts with foreign buyers, ensuring that the terms of the contract are fulfilled regardless of performance by the Canadian exporter.

Non-GAAP measures
The Corporation also uses certain non-GAAP financial measures to evaluate its performance. Non-GAAP measures are defined and qualified when presented.

Large material contracts
Historically, large contracts have materially affected the Corporation's financial statements. These may cause significant variations in certain year-over-year amounts on the Statement of Financial Position and the Statement of Comprehensive Income. The most significant of these contracts is the multi-billion-dollar multi-year Armoured Brigade Program (ABP) contract. The magnitude of the contract is such that the ABP is presented separately in some sections of the MD&A (as indicated).

Foreign exchange
The Corporation's contracts with foreign buyers are currency matched to offset contracts with Canadian exporters. Currency-matching for contractual receipts and payments limits CCC's foreign exchange risk. In cases where payment between parties is made in different currencies, the Corporation may enter forward contracts. The majority of CCC transactions are conducted in U.S. dollars (USD). Since CCC's reporting currency is the Canadian dollar, reported results may be impacted due to fluctuations in foreign exchange rates.

BUSINESS LINE REPORTING STRUCTURE

CCC works with exporters from across Canada's industrial sectors through its three main lines of business.

Defence Production Sharing Agreement (DPSA)
CCC supports significant Canadian export activity under the Defence Production Sharing Agreement (DPSA). The DPSA enables Canadian exporters to compete for contracts as part of the United States Department of Defense (DoD) domestic supply base. Enabling access in this manner provides Canadian exporters with business opportunities that drive exports and jobs in Canada, while generating economic benefits in both Canada and the United States.

The DPSA continues to help underpin the collective security of Canada and the United States by leveraging each country's industrial and technological strengths in meeting respective defence procurement needs. Cross-border trade linked to the DPSA also offers important opportunities for firms in some of Canada's most innovative sectors.

Federal Budget 2021 reinstated an annual appropriation of $13.0 million to administer the DPSA. This appropriation was increased to $13.8 million from 2023-24 onwards.

International Prime Contracting (IPC)
The Corporation's International Prime Contracting (IPC) business line is a fee-based service that establishes government-to-government (G2G) contracts with foreign government buyers and concurrent contracts with Canadian exporters. The Corporation works with Canadian exporters of all sizes and across diverse Canadian industrial sectors. The goal of these business activities is to increase the volume of exports and the number of exporters that CCC serves while supporting Government of Canada priorities. Every contract is unique, and CCC's guarantee of contract performance provides added incentive for foreign governments to procure Canadian expertise for priority strategic projects (e.g., food security, transportation, infrastructure, national security, and others).

Concessions contracts provide electronic lotteries by a Canadian exporter to various countries.

Sourcing services for other Government of Canada Departments (Sourcing)
CCC assists Government of Canada departments and agencies to fulfill urgent and complex procurement needs related to international commitments or programming needs. A fee is charged to cover CCC's costs to manage these programs.

VALUE OF CONTRACTS SIGNED (VCS)

CCC uses VCS (a non-GAAP measure) to represent the value of contracts and amendments signed during a reporting period. It measures the total value of goods or services to be delivered over the entire duration of a contract, therefore it represents the full contract value at the time the contract is signed.

The sales cycle for international government contracting is often measured in years and subject to impacts related to international political and economic events. Consequently, significant variations in VCS are normal when comparing year-over-year results and results in a business cycle that can be difficult to predict and repeat consistently.

Year-over-year comparison

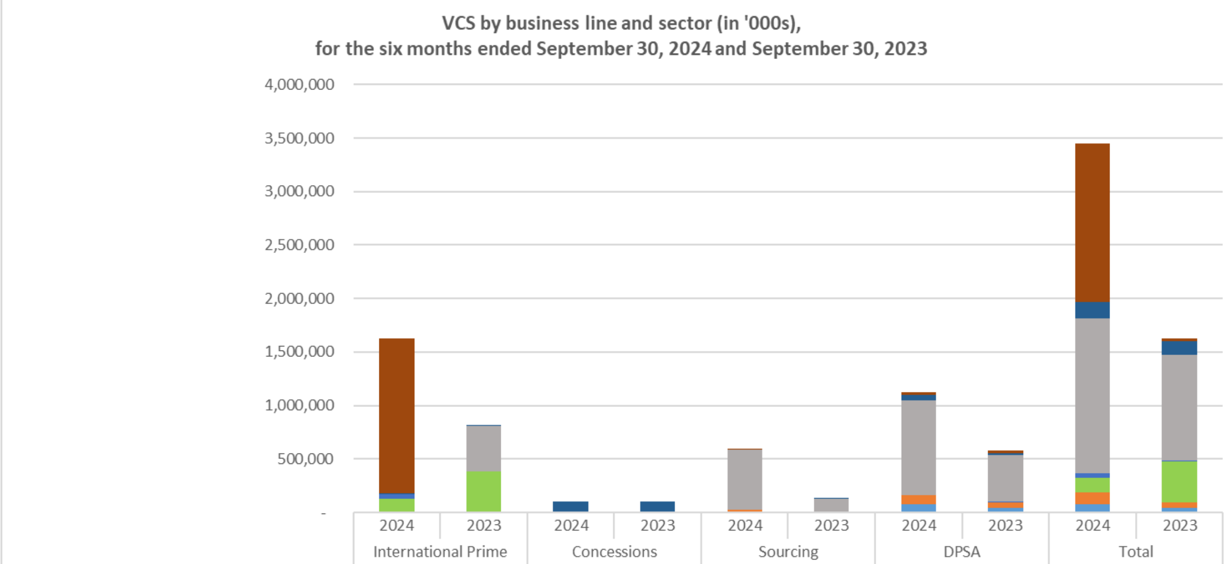
The VCS for all three business lines is $3.5 billion for the six-month period ended September 30, 2024. The increase of $1.8 billion (over 100%) over the $1.6 billion reported for the prior year is due to several factors, of which the following are noteworthy:

- Higher VCS in IPC (increase of $818.5 million over the prior year), primarily attributable to the signature of the RescEU contract with five of six European nations. This contract is expected to be delivered over the next seven years;
- Higher VCS in DPSA (increase of $544.0 million over the prior year), attributable to an increase in contracts signed in comparison to the prior year. This result aligns with the proactive strategy to continue strengthening the results of this mandated business line, administered on behalf of the Government of Canada.

VCS by business line for the three and six-month period ended September 30:

	For the three months ended September 30,				For the six months ended September 30,				% of Total	
VCS by business line ($000's)	**2024**	2023	$ Change	% Change	**2024**	2023	$ Change	% Change	**2024**	2023
International Prime	**$ 1,447,636**	$ (53,389)	$ 1,501,025	>100%	**$ 1,629,550**	$ 811,056	$ 818,494	>100%	**47%**	50%
Concessions	**52,284**	53,804	(1,520)	(3%)	**106,614**	103,279	3,335	3%	**3%**	6%
Sourcing	**35,233**	72,644	(37,411)	(51%)	**591,904**	132,222	459,682	>100%	**17%**	8%
DPSA	**431,667**	214,529	217,138	>100%	**1,122,567**	578,536	544,031	94%	**33%**	36%
Total	**$ 1,966,820**	$ 287,588	$ 1,679,232	>100%	**$ 3,450,635**	$ 1,625,093	$ 1,825,542	>100%	**100%**	100%

VCS by business line and sector for the six-month period ended September 30:



	International Prime 2024	International Prime 2023	Concessions 2024	Concessions 2023	Sourcing 2024	Sourcing 2023	DPSA 2024	DPSA 2023	Total 2024	Total 2023
Other	1,452,828	(950)	-	-	2,975	-	24,679	23,183	1,480,482	22,233
ICT	4,430	448	106,614	103,279	-	973	46,816	21,547	157,860	126,247
Defence	(52)	431,631	-	-	559,121	131,249	888,362	428,110	1,447,431	990,990
Construction / Infrastructure	40,830	-	-	-	-	-	2,259	11,842	43,089	11,842
Cleantech	-	-	-	-	-	-	-	-	-	-
Agriculture	130,245	380,779	-	-	-	-	-	-	130,245	380,779
Aerospace	1,269	917	-	-	29,792	-	87,351	51,562	118,412	52,479
Advanced Manufactured Goods & Services	-	(1,769)	-	-	17	-	73,100	42,292	73,117	40,523

As noted in the above chart, there were substantive gains made in the other sector with the addition of the RescEU contracts, as well as within DPSA and Sourcing in the defence sector.

COMMERCIAL TRADING TRANSACTIONS (CTT)

CCC uses CTT (a non-GAAP measure of economic activity) to represent the value of goods and services delivered under contract during the reporting period.

Given the Corporation's status as an agent for reporting under IFRS Accounting Standards, CTT is not recognized as revenue. CTT data is captured to measure the Corporation's impact on the Canadian economy and as the main driver of the fees for service revenue. CCC's fees for service revenues are generally commensurate with CTT. The variance detailed in this section also applies to the fees for service variance discussion.

Year-over-year comparison

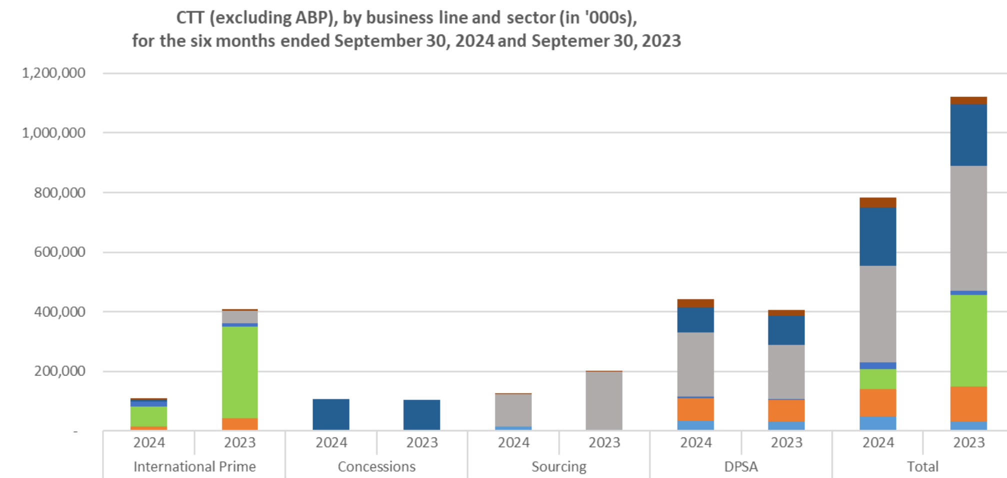
Given the timing of specific contract requirements and associated delivery schedules, significant variations in CTT are expected when comparing period-over-period results. The total CTT for the six-month period ended September 30, 2024 was $1.2 billion (a $1.1 billion decrease compared to the previous year). These results were generated from:

- The ABP program's $756.4 million CTT decrease from the prior year, attributable to timing changes in the delivery schedule;
- The IPC's $297.5 million CTT decrease over the prior year, primarily attributable to a decline in the value of deliveries in the agricultural sector (caused in part by market prices of potash, which affected the value of the Canpotex project with Bangladesh).

CTT by business line for the three and six-month period ended September 30:

	For the three months ended September 30,				For the six months ended September 30,				% of Total	
CTT by business line ($000s)	**2024**	2023	$ Change	% Change	**2024**	2023	$ Change	% Change	**2024**	2023
International prime	**$ 54,677**	$ 188,489	$ (133,812)	(71%)	**$ 111,339**	$ 408,884	$ (297,545)	(73%)	**9%**	18%
Concessions	**52,284**	53,804	(1,520)	(3%)	**106,614**	103,279	3,335	3%	**9%**	5%
Sourcing	**92,639**	79,356	13,283	17%	**123,751**	202,374	(78,623)	(39%)	**10%**	9%
DPSA	**219,826**	224,358	(4,532)	(2%)	**441,266**	406,941	34,325	8%	**37%**	18%
Total excluding ABP	**$ 419,426**	$ 546,007	$ (126,581)	(23%)	**$ 782,970**	$ 1,121,478	$ (338,508)	(30%)	**65%**	49%
ABP	**64,281**	533,658	(469,377)	(88%)	**415,945**	1,172,349	(756,404)	(65%)	**35%**	51%
Total including ABP	**$ 483,707**	$ 1,079,665	$ (595,958)	(55%)	**$ 1,198,915**	$ 2,293,827	$ (1,094,912)	(48%)	**100%**	100%

CTT (excluding ABP) by business line and sector for the six-month period ended September 30:



	International Prime		Concessions		Sourcing		DPSA		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Other	7,044	4,703	-	-	758	2,367	26,150	19,587	33,952	26,657
ICT	4,466	2,056	106,614	103,279	288	1,760	83,403	99,407	194,771	206,502
Defence	14	41,823	-	-	107,280	197,598	215,616	179,663	322,910	419,084
Construction / Infrastructure	18,598	9,238	-	-	-	-	5,767	3,487	24,365	12,725
Cleantech	-	-	-	-	-	-	-	-	-	-
Agriculture	66,926	308,174	-	-	-	-	-	-	66,926	308,174
Aerospace	14,291	42,890	-	-	331	-	76,902	73,539	91,524	116,429
Advanced Manufactured Goods & Services	-	-	-	-	15,094	649	33,428	31,258	48,522	31,907

SUMMARY OF FINANCIAL RESULTS

The Corporation had favourable financial results in the six-month period ended September 30, 2024, when compared to Corporate Plan targets and prior year results. These results are due primarily to significant variances in income earned on cash balances held by CCC, offset by greater than budgeted operating expenses.

Financial Management Policy
CCC plans for financial sustainability and manages surpluses and deficits across multi-year horizons. This approach addresses the lengthy sales cycle of international government contracting and the effects of geopolitical and economic events.

CCC's Financial Management Policy defines the requirements to maintain a financial self-sustainability model over the long term. It requires CCC to maintain sufficient equity to meet its commitments and undertake appropriate capital investments to ensure operational effectiveness and efficiency and to sustain the Corporation's workforce, facilities, systems and processes.

The framework considers four factors for managing capital and monitoring financial sustainability: the timing of contractual revenues and expenses, net results of operations, working capital requirements, and equity position.

Comprehensive Income discussion

For the six-month period ended September 30, 2024, the Corporation recorded a net profit of $14.7 million, an increase of $0.9 million over the prior year's net profit of $13.8 million. The corporation achieved lower CTT (as outlined in the previous sections), resulting in fees for service revenue of $12.5 million, which is also lower than the prior year. The favourable variance in net profit was primarily attributable to increased finance income resulting from increased cash balances and interest rates ($7.8 million) and an increase in parliamentary appropriation ($2.3 million) resulting from timing differences associated with the increased operating and administrative expenses. These were partially offset by decreased fees for service revenue ($3.1 million) and higher operating and administrative expenses ($5.7 million).

	For the three months ended September 30				For the six months ended September 30			
Comprehensive Income ($000s)	**2024**	2023	$ Change	% Change	**2024**	2023	$ Change	% Change
Fees for service revenue	**$ 8,468**	$ 6,408	$ 2,060	32%	**$ 12,499**	$ 15,648	$ (3,149)	(20%)
Finance and other income	**6,019**	2,324	3,695	>100%	**13,399**	5,552	7,847	>100%
Government funding	**4,157**	3,280	877	27%	**9,345**	7,014	2,331	33%
Expenses*	**9,191**	7,224	1,967	27%	**20,307**	14,577	5,730	39%
Gain (loss) on foreign exchange	**(245)**	520	(765)	<(100%)	**(193)**	143	(336)	<(100%)
Net profit	**$ 9,208**	$ 5,308	$ 3,900	73%	**$ 14,743**	$ 13,780	$ 963	7%
Other comprehensive income	**-**	-	-	-	**-**	-	-	-
Total comprehensive Income	**$ 9,208**	$ 5,308	$ 3,900	73%	**$ 14,743**	$ 13,780	$ 963	7%

* Included in expenses is accelerated depreciation on right-of-use assets and leasehold improvements resulting from the termination of the lease of $1,707 (2023 - nil) and $777 (2023 - nil), respectively, $2.5 million in total.

FEES FOR SERVICE REVENUE

The Corporation charges Fees for service on its IPC and Sourcing programs. IPC fees are generally calculated as a percentage of the contract value, with fees negotiated on a contract-by-contract basis. They are generally reflective of a project's risk profile and competitive market conditions.

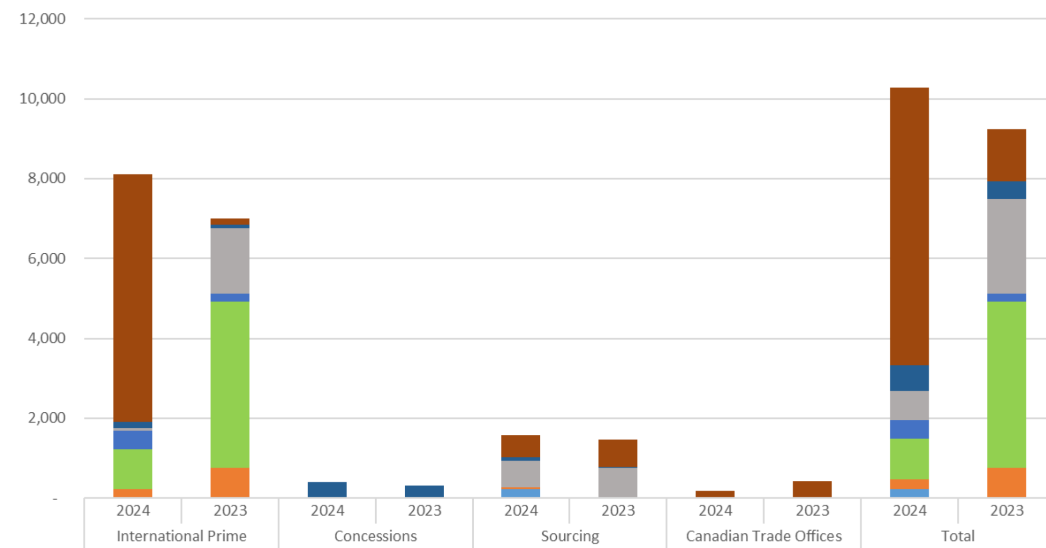
Fees may be recognized as revenue differently, depending on the performance obligations related to the various business lines. However, the majority are recorded based on the performance of activities required for the Canadian exporter to obtain the right to payment under the terms and conditions of the prime contract. This is generally commensurate with CTT. Fees for Sourcing are recognized on a straight-line basis over the term of the contract.

For the six-month period ended September 30, 2024, the fees for service revenue of $12.5 million was $3.1 million lower than the prior year. Fees for service are generally correlated with CTT.

The table below shows that the year over year change in total is roughly 20%, which is largely consistent with that observed in the variance in CTT, with the exception of fees recognized on advances for certain projects which are not recognized as CTT. As discussed above, the overall decrease is primarily attributable to decreases seen in the ABP project, as well as the IPC and Sourcing business lines.

Fees for service by business line ($000s)	**For the three months ended September 30,**				**For the six months ended September 30,**				**% of Total**	
	2024	2023	$ Change	% Change	**2024**	2023	$ Change	% Change	**2024**	2023
International Prime	**$ 6,959**	$ 2,427	$ 4,532	>100%	**$ 8,110**	$ 7,011	$ 1,099	16%	**65%**	45%
Concessions	**195**	164	31	19%	**396**	317	79	25%	**3%**	2%
Sourcing	**868**	642	226	35%	**1,584**	1,467	117	8%	**13%**	9%
Canadian Trade Offices	**80**	135	(55)	(41%)	**190**	433	(243)	(56%)	**2%**	3%
Total excluding ABP	**$ 8,102**	$ 3,368	$ 4,734	>100%	**$ 10,280**	$ 9,228	$ 1,052	11%	**82%**	59%
ABP	**366**	3,040	(2,674)	100%	**2,219**	6,419	(4,200)	(65%)	**18%**	41%
Total including ABP	**$ 8,468**	$ 6,408	$ 2,060	32%	**$ 12,499**	$ 15,648	$ (3,148)	(20%)	**100%**	100%

Fees for service (excluding ABP), by business line and sector (in '000s), for the six months ended September 30, 2024 and Septemer 30, 2023



	International Prime 2024	International Prime 2023	Concessions 2024	Concessions 2023	Sourcing 2024	Sourcing 2023	Canadian Trade Offices 2024	Canadian Trade Offices 2023	Total 2024	Total 2023
Other	6,199	172	-	-	571	683	190	433	6,960	1,288
ICT	151	92	396	317	88	37	-	-	635	446
Defence	79	1,632	-	-	660	748	-	-	739	2,380
Construction / Infrastructure	463	196	-	-	-	-	-	-	463	196
Cleantech	-	-	-	-	-	-	-	-	-	-
Agriculture	1,004	4,161	-	-	-	-	-	-	1,004	4,160
Aerospace	214	759	-	-	47	-	-	-	261	759
Advanced Manufactured Goods & Services	-	-	-	-	218	-	-	-	218	-

GOVERNMENT FUNDING

Federal Budget 2021 recognized the importance of CCC's role in administering the DPSA and restored an annual parliamentary appropriation of $13.0 million, commencing in fiscal year 2022–2023. This appropriation was increased to $13.8 million for 2023-24 onwards to reflect the results of collective bargaining in 2023.

Given that CCC does not receive Fees for service on DPSA contracts, this appropriation will exclusively fund the operating and administrative expenses incurred for the DPSA. For the six-month period ended September 30, 2024, the Corporation recognized government funding of $9.3 million, an increase of $2.3 million over the prior year, as an offset to costs incurred for DPSA administration. This is resulting from timing differences associated with the increased operating and administrative expenses.

OPERATING AND ADMINISTRATIVE EXPENSES

The Corporation's $20.2 million in operating and administrative expenses for the six-month period ended September 30, 2024, increased by $5.7 million (over the previous year's $14.5 million). The increase was primarily driven by increases in depreciation and workforce compensation.

In the current period, CCC increased its depreciation expenses ($2.5 million), primarily due to the termination of its previous office lease. This concludes the accounting of the previous lease, which also included both an accelerated depreciation of $1.7 million and a gain on lease termination of $2.5 million recognized in the previous fiscal year.

CCC further incurred increased workforce and compensation expenses ($1.7 million) due to filling staff vacancies (as planned).

	For the three months ended September 30				For the six months ended September 30					
									% of Total	
Operating and administrative expenses ($000s)	**2024**	2023	$ Change	% Change	**2024**	2023	$ Change	% Change	**2024**	2023
Workforce compensation and related expenses	**$ 6,121**	$ 4,977	$ 1,144	23%	**$ 11,440**	$ 9,753	$ 1,687	17%	**57%**	68%
Depreciation*	**127**	154	(27)	(18%)	**2,816**	305	2,511	>100%	**14%**	2%
Consultants	**1,205**	304	901	>100%	**2,018**	842	1,176	>100%	**10%**	6%
Contract management services	**750**	650	100	15%	**1,500**	1,300	200	15%	**7%**	9%
Travel and hospitality	**489**	425	64	15%	**989**	784	205	26%	**5%**	5%
Software, hardware and support	**315**	185	130	70%	**566**	374	192	51%	**3%**	3%
Rent and related expenses	**148**	214	(66)	(31%)	**427**	466	(39)	(8%)	**2%**	3%
Communications	**(89)**	(3)	(86)	>100%	**221**	316	(95)	(30%)	**1%**	2%
Other expenses	**71**	277	(206)	(74%)	**246**	354	(108)	(31%)	**1%**	2%
Total Operating and administrative expenses	**$ 9,137**	$ 7,183	$ 1,954	27%	**$ 20,223**	$ 14,494	$ 5,729	40%	**100 %**	100%

*Included in depreciation is accelerated depreciation on right-of-use assets and leasehold improvements resulting from the termination of the lease of $1,707 (2023 - nil) and $777 (2023 - nil), respectively, $2.5 million in total.

CCC continuously assesses expenditure levels to achieve cost efficiencies where possible. Budgets are managed on a continuous basis from the outset of the year with a view to controlling expenditures relative to forecast business volumes and revenues. Additionally, CCC continues to strengthen its culture of innovation, invest in digital transformation, and implement process changes to improve efficiency and increase the capacity of existing resources.

STATEMENT OF FINANCIAL POSITION DISCUSSION

Assets and liabilities include payments made to Canadian exporters prior to collecting from foreign buyers, and amounts received from foreign and other buyers that have not yet been transferred to Canadian exporters. As contractual performance obligations are fulfilled, balances for cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, which represent amounts at a specific point in time, can fluctuate widely.

Asset and Liability positions
As at September 30, 2024, total assets of $717.3 million increased by $419.0 million or greater than 100% from the prior year-end. The increase is mainly attributable to:

- An increase in cash and cash equivalents of $381.3 million, driven by higher receipts of advance payments from Government of Canada departments, as well as timing differences between cash receipts from foreign buyers and the related payments to Canadian exporters, favourable exchange rate fluctuations on CCC cash balances, and higher yields earned on balances held on deposit; and
- An increase in accounts receivable of $33.9 million, primarily attributable to receivable amounts from the Government of Canada relating to the Corporation's parliamentary appropriation.

Total liabilities of $648.5 million increased by $414.3 million, or greater than 100% from the prior year-end. This increase is primarily driven by:

- An increase in advances of $468.3 million, primarily attributable to receipts from Government of Canada departments, as well as from foreign buyers; and
- An offsetting decrease in accounts payable and accrued liabilities of $70.0 million, primarily driven by timing differences between cash receipts from foreign buyers and payments to Canadian exporters.

The offsetting increases in both total assets and liabilities reflect the nature of the contracts under management and the effect on balances due to the timing of receipts and payments.

Equity position
Equity for the period increased by $4.7 million, reflecting year-to-date net profit of $14.7 million, reduced by the dividend of $10.0 million declared during the year. These balances include shareholder Contributed Surplus of $10.0 million.

As at (in '000s)	September 30, 2024	March 31, 2024	$ Change	% Change
Total assets	**$ 717,324**	$ 298,302	$ 419,022	>100%
Total liabilities	**648,510**	234,231	414,279	>100%
Total equity	**68,814**	64,071	4,743	7%
Total liabilities and equity	**$ 717,324**	$ 298,302	$ 419,022	>100%

Dividend declaration
On June 5, 2024, in alignment with its Financial Management Policy and Dividend Policy, the Corporation's Board of Directors approved the issuance of a dividend of $10.0 million payable to its shareholder.

CORPORATE PLAN DISCUSSION

The Corporation operates in challenging global markets where government budgets are dynamic and subject to frequent changes. Demand for Canadian-made solutions varies with economic and geopolitical factors, which increases the complexity of G2G export sales and the duration of the sales cycle. In the face of these uncertainties, the Corporation is committed to continuing to work with Canadian exporters to ensure efficiency in services provided so they can continue to pursue better opportunities. To this end, CCC engages in prudent financial management, including rigorous risk management processes, strategically invests in critical capabilities, and focuses on creating value for Canadian stakeholders.

Comparison of financial results to 2024–2025 Corporate Plan
CCC's 2024–2025 to 2028–2029 Corporate Plan was approved by the Corporation's Board of Directors and submitted, as required, to the Minister of Export Promotion, International Trade and Economic Development. The analysis below reflects the revised Plan as approved by the Directors and reflects the expense reduction measures stemming from the Federal Budget 2023.

The Corporation's strong financial performance compared to plan for the six-month period ended September 30, 2024, is primarily attributed to greater finance and other income as discussed below. CCC achieved a net profit of $14.7 million, marking a significant positive variance of $11.4 million compared to the budgeted net profit outlined in the Plan, which projected $3.3 million.

Several factors contributed to these results:
- Greater finance and other income ($8.8 million) in comparison to the Plan is the result of higher interest rates combined with larger than expected cash balances due to the timing of receipt of advances;

- This was partially offset by the expenses variance ($2.6 million) which was also greater than plan and was primarily due to the lease termination.

Government funding is recorded as an offset to costs incurred related to the administration of the DPSA. Funding is capped at the approved parliamentary appropriation. The funding was $2.0 million higher than the initial budget, which correlates with higher than planned DPSA expenses.

The table below presents financial results compared to the Corporate Plan for the six-month period ended September 30, 2024.

	For the six-month ended September 30, 2024				
		Q2	Variance		2024-2025
	Actual (YTD)	CP Target (YTD)	$	%	CP Target
VCS ($000s)	**$ 3,450,635**	$ 1,357,500	$ 2,093,135	>100%	$ 3,811,500
CTT ($000s)	**$ 1,198,915**	$ 1,208,466	$ (9,551)	(1%)	$ 2,433,197

			Variance		2024-2025
Net profit ($000s)	**Actual (YTD)**	CP Target (YTD)	$	%	CP Target
Revenues					
Fees for service	**$ 12,499**	$ 9,111	$ 3,388	37%	$ 21,838
Finance and other income	**13,399**	4,574	8,825	>100%	6,659
	25,898	13,685	12,213	89%	28,497
Government funding	**9,345**	7,315	2,030	28%	13,792
Expenses *					
DPSA expenses	**9,345**	8,443	902	11%	15,919
Non-DPSA expenses	**10,962**	9,241	1,721	19%	17,424
	20,307	17,684	2,624	15%	33,343
Gain (loss) on foreign exchange	**(193)**	-	(193)	>100%	-
Net profit	**$ 14,743**	$ 3,316	$ 11,427	>100%	$ 8,946

* Expenses include accelerated depreciation on right-of-use assets and leasehold improvements resulting from the termination of the lease of $1,707 (2023 - nil) and $777 (2023 - nil), respectively, $2.5 million in total.

CCC'S Commitment to Risk Management

CCC's Enterprise Risk Management (ERM) framework promotes and sustains a risk- aware culture that excels at identifying, assessing and managing risks to CCC continuously, proactively, and systematically. The strategy for managing these risks is discussed in detail in the Corporation's 2023–2024 Annual Report.

KEY RISKS FACING CCC

The risks discussed below exist within the context of a complex business environment that reflects the continued war in Ukraine, high interest rates, and the tendency towards greater protectionism within CCC's key markets.

Reputation (entity-wide)

This risk relates to the possibility that CCC's actions may tarnish CCC's reputation with stakeholders, buyers and/or Canadian exporters. CCC's role in the sale of defence products and services internationally can lead to reputational issues. The Corporation communicates regularly with all stakeholders and ensures its activities are aligned with the Government of Canada's international trade policy. With increased global tensions, this risk is heightened.

CCC strives to maintain a strong reputation with its stakeholders, exporters, and foreign buyers. A key driver of reputation risk includes a failure to deliver on CCC's export contracts. This risk is mitigated through strong transactional due diligence that integrates environmental, social and governance (ESG) best practices, including responsible business conduct (RBC). During the year, progress on key export projects that faced certain hurdles helped lower reputational risk with foreign buyers.

Human resources (Corporate)

This risk relates to the possibility of not having a) the right corporate structure or b) the correct number of people and/or the required skill sets to meet client expectations and achieve corporate objectives. The Corporation continues to experience the effects of higher retirement rates and a competitive labour market, leading to a loss of corporate knowledge and experience within CCC's workforce. This trend is expected to continue over the coming years. Staffing shortages can also contribute to execution risk, as related to CCC's priorities. The Corporation has launched a strategic three-year Human Resources plan to ensure appropriate skill sets and staff levels are available to support CCC's operations.

Security (Corporate)

This risk relates to the possibility that CCC's safeguarding of the Corporation's people, valued assets (including information) and continued delivery of essential services fails to adequately protect the Corporation against unforeseen circumstances. CCC's security threat level reflects its role in supporting the Government of Canada's Ukrainian aid program, which could lead to increased cyberattacks/foreign interference. CCC's membership in the Canadian Centre for Cybersecurity Awareness ensures the Corporation is notified of any threats, real or perceived, and amplifies CCC's ongoing evaluation and adaptation of its systems and processes.

In addition, CCC's hybrid workforce continues to create security challenges regarding employees accessing CCC data and information remotely and handling paper documents outside of CCC offices. Ongoing cybersecurity and information management training aims to ensure that employees manage these risks appropriately.

Financial (entity-wide)

This risk relates to the possibility that CCC's financial position may not meet its liquidity requirements or support capital requirements given the risk exposure of the Corporation. An increasing risk profile reflects a potential revenue gap in coming years as a significant fee generating export project winds down. CCC receives an appropriation for its activities in support of the DPSA, however all other business lines must generate sufficient income to be financially sustainable. The revenue gap may develop if new and recurring fee generating business is not secured. While expected forecasts show revenue stability, the timing and certainty of export contract awards can swing significantly due to events outside of CCC's control. A strong emphasis on business development activities focused on key industries and foreign buyers is expected to bridge the potential funding gap.

OTHER RISKS MANAGED BY CCC

In addition to the risks discussed above, the Corporation's ERM program also manages the following risks.

Entity-wide risks

The following enterprise-wide risks are those that may impede the Corporation's ability to meet its overall objectives.

- ***Mandate***

  This risk relates to CCC potentially operating beyond its legislated mandate. Ministerial direction through the annual Statement of Priorities and Accountabilities provides the general framework around which the Corporation's Corporate Plan is developed. The Corporate Plan outlines the business activities and corporate strategies to be undertaken over the course of the five-year planning period. The Senior Management Committee and the Risk and Opportunities Committee provide the internal governance structures that ensure the Corporation remains within these parameters.

- ***Responsible business conduct (RBC)***

  RBC risk relates to the possibility that CCC's activities may lead to a) issues related to bribery or corruption; b) human rights impacts; and/or c) environmental degradation.

  CCC is conscious of the need to ensure that the export projects supported by the Corporation remain free of corruption and do not impinge on human rights. During the year, the Corporation continued to promote its "Code for Exporters", reflecting CCC's commitment to ESG principles and support for the UN Sustainable Development Goals. The Code outlines CCC's expectations with respect to labour and human rights, health and safety, environmental protection, transparent and responsible supply chains, and compliance with laws including those prohibiting bribery and corruption. It applies to all exporters working with CCC, their employees, and subcontractors.

The Corporation's Integrity Compliance and Human Rights Committees continue to mature their processes to mitigate the possibility of negative consequences of entering into tainted export transactions. Lastly, ongoing RBC training for employees ensures that ESG principles remain top of mind while the Corporation looks to undertake new export contracts.

Corporate risks

This refers to risks related to the Corporation's data governance, information systems, people, policies/procedures, and business continuity planning. The following corporate risks are managed at the business and functional unit level and are the responsibility of the vice-presidents.

- ***Data governance***

  This risk relates to the possibility that CCC's data governance fails to properly manage CCC's sensitive information in a manner leading to potential unauthorized access.

  CCC manages sensitive information acquired from exporters and foreign buyers. It also generates its own sensitive information through corporate activities such as those related to human resource management. Governance over this information falls to the cross-functional Information Management/Information Technology (IM/IT) Steering Committee, which meets monthly and is focused on implementing the Corporation's Information Management and Data Governance program, approved in 2023–2024.

- ***Information system resilience***

  This risk relates to the potential unavailability of CCC's critical business information systems interrupting CCC's business operations.

  To address cybersecurity threats, CCC maintains a membership in the Canadian Centre for Cybersecurity and aligns its security posture with the National Institute of Standards and Technology Cyber Security Framework. Further, CCC's awareness-building and cybersecurity training program for employees helps reduce cyber risk. To ensure the Corporation remains future-focused, a three-year Cybersecurity Roadmap was implemented under the guidance of the IM/IT Steering Committee.

- ***Policies processes and contracting***

  This risk relates to the possibility that CCC's policies, processes and system frameworks may negatively impact CCC's contracting approach and/or customer satisfaction.

  Over the last two years, a number of employees have been onboarded or moved to new positions within CCC. This potentially increases risk related to errors in contracting

processes. These errors could lead to issues such as project delays or lower client satisfaction with CCC services.
More significant errors (e.g., failed due diligence processes) could lead to financial losses if CCC's export contracts are affected. As export contracts receive approvals and oversight from various business units, the likelihood of a significant failed process remains low. Management is undertaking a review of CCC's contracting processes to ensure that optimal efficiencies are in place, including technological solutions where possible.

Transactional risk

This category of risk managed by CCC reflects the risks related to export transactions. The Corporation is sensitive to the need to protect its shareholder by effectively and prudently managing these risks. In addition to exporter performance risk discussed above, the following transactional risk is evaluated prior to entering export contracts.

- ***Supplier performance***
  This risk relates to the potential failure to deliver the contracted goods and/or services to CCC as per the terms and conditions of the domestic contract. The financial resilience shown within CCC's exporter portfolio following the pandemic, supply chain issues, and post-pandemic inflation and interest rate hikes provided the basis for Management to lower this risk level from the prior year. Management will continue to monitor exporter performance throughout the coming year.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as Management determines are 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.

Bobby Kwon	**Juliet Woodfield**
President and Chief Executive Officer	Vice-President of Corporate Services and Chief Financial Officer

Ottawa, Canada

November 21, 2024

CONDENSDED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Statement of Financial Position (Unaudited)

As at	Notes	September 30, 2024	March 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents	4	**$ 661,250**	$ 279,922
Accounts receivable	5 , 12	**45,479**	11,586
Other assets	6	**1,075**	901
		707,804	292,409
Non-current assets			
Property and equipment		**7,078**	1,564
Right-of-use assets		**2,442**	4,329
		9,520	5,893
Total assets		**$ 717,324**	$ 298,302
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7 , 12	**$ 22,287**	$ 92,269
Dividend payable	11	**10,000**	-
Holdbacks		**-**	-
Advances		**604,309**	136,005
Deferred revenue	8	**1,986**	2,529
Deferred government funding	9	**4,447**	-
Lease liabilities	10	**288**	171
Employee benefits		**747**	685
		644,064	231,659
Non-current liabilities			
Lease liabilities	10	**4,446**	2,572
Employee benefits		**-**	-
		4,446	2,572
Total liabilities		**648,510**	234,231
EQUITY			
Contributed capital		**10,000**	10,000
Retained earnings		**58,814**	54,071
Total equity		**68,814**	64,071
Total liabilities and equity		**$ 717,324**	$ 298,302
Lease commitments	10		
Contingencies	17		

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

Authorized for issue on November 21, 2024

Bobby Kwon
President and Chief Executive Officer

Juliet S. Woodfield, FCPA, FCA
Vice-President of Corporate Services

Statement of Comprehensive Income (Unaudited)

		For the three months ended September 30		For the six months ended September 30	
	Notes	**2024**	2023	**2024**	2023
REVENUES					
Fees for service	13	**$ 8,468**	$ 6,408	**$ 12,499**	$ 15,648
Finance income		**5,982**	2,285	**13,320**	5,490
Other income	14	**37**	39	**79**	62
		14,487	8,732	**25,898**	21,200
GOVERNMENT FUNDING					
Parliamentary appropriation	9	**4,157**	3,280	**9,345**	7,014
		4,157	3,280	**9,345**	7,014
EXPENSES					
Operating and administrative expenses	15	**9,137**	7,183	**20,223**	14,494
Finance costs	10	**54**	41	**84**	83
		9,191	7,224	**20,307**	14,577
Net profit before gain (loss) on foreign exchange		**9,453**	4,788	**14,936**	13,637
Gain (loss) on foreign exchange		**(245)**	520	**(193)**	143
Net profit		**$ 9,208**	$ 5,308	**$ 14,743**	$ 13,780
OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT					
Total comprehensive income		**$ 9,208**	$ 5,308	**$ 14,743**	$ 13,780

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

Statement of Changes in Equity (Unaudited)

For the three and six months ended September 30, 2024	Note	Contributed Capital	Retained Earnings	Total
BALANCE MARCH 31, 2024		**$ 10,000**	**$ 54,071**	**$ 64,071**
Net profit			**14,743**	**14,743**
			-	**-**
Total comprehensive income			**14,743**	**14,743**
Dividend	11		**(10,000)**	**(10,000)**
BALANCE SEPTEMBER 30, 2024		**$ 10,000**	**$ 58,814**	**$ 68,814**

For the three and six months ended September 30, 2023	Note	Contributed Capital	Retained Earnings	Total
BALANCE MARCH 31, 2023		$ 10,000	$ 34,611	$ 44,611
Net profit			13,780	13,780
			-	-
Total comprehensive income			13,780	13,780
			-	-
BALANCE SEPTEMBER 30, 2023		$ 10,000	$ 48,391	$ 58,391

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

Statement of Cash Flows (Unaudited)

	Notes	For the three months ended September 30		For the six months ended September 30	
		2024	2023	**2024**	2023
OPERATING ACTIVITIES					
Net profit		**$ 9,208**	$ 5,308	**$ 14,743**	$ 13,780
Adjustments to determine net cash from (used in) operating activities:					
Depreciation property and equipment		**75**	78	**929**	153
Depreciation right-of-use assets		**52**	76	**1,887**	152
Employee benefit expense		**31**	46	**62**	93
Employee benefit payments		**-**	(71)	**-**	(71)
Foreign exchange (gain) loss on cash and cash equivalents		**3,530**	(1,025)	**3,103**	(386)
Change in working capital from:					
Accounts receivable	5 , 12	**(13,573)**	1,255	**(33,893)**	(7,799)
Other assets	6	**111**	9	**(174)**	(30)
Accounts payable and accrued liabilities	7 , 12	**(8,292)**	9,153	**(70,656)**	1,776
Advances		**200,803**	(10,447)	**468,304**	(98,971)
Deferred revenue	8	**(178)**	(515)	**(543)**	(914)
Deferred government funding	9	**(4,158)**	(3,280)	**4,447**	5,986
Cash provided (used in) by operating activities before interest		**187,609**	587	**388,209**	(86,231)
Interest received					
Interest paid	10				
Cash provided (used in) by operating activities		**187,609**	587	**388,209**	(86,231)
INVESTING ACTIVITIES					
Additions to property and equipment		**(5,757)**	(4)	**(5,768)**	(26)
Cash used in investing activities		**(5,757)**	(4)	**(5,768)**	(26)
FINANCING ACTIVITIES					
Principal repayment of lease liabilities	10	**(69)**	(130)	**(210)**	(258)
Lease incentive	10	**2,200**	-	**2,200**	-
Cash provided (used in) by financing activities		**2,131**	(130)	**1,990**	(258)
Effect of exchange rate changes on cash and cash equivalents		**(3,530)**	1,025	**(3,103)**	386
Net increase (decrease) in cash and cash equivalents		**180,453**	1,478	**381,328**	(86,129)
Cash at the beginning of the period		**480,797**	162,430	**279,922**	250,037
Cash and cash equivalents at the end of the period		**$ 661,250**	$ 163,908	**$ 661,250**	$ 163,908
Supplementary disclosure of cash flows from operating activities					
Amount of interest received		**$ 6,376**	$ 2,265	**$ 11,997**	$ 5,211
Amount of interest paid		**$ 64**	$ 41	**$ 84**	$ 83

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE, ORGANIZATION AND FUNDING

The Canadian Commercial Corporation (the Corporation) was established in 1946 by the *Canadian Commercial Corporation Act* (CCC Act). The Corporation is wholly owned by the Government of Canada and is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act* (FAA). The Corporation is accountable for its affairs to Parliament through the Minister of Export Promotion, International Trade and Economic Development (the Minister). The Corporation is domiciled and operates in Canada with a head office located at 350 Albert Street, Ottawa, Ontario.

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

The Corporation's operations are funded by Fees for service, supplemented by parliamentary appropriation from the Government of Canada.

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 FAA, entitled *Order giving a direction to parent Crown corporations involved in commercial lending to give due consideration to the personal integrity of those they lend to or provide benefits to in accordance with Government's policy to improve the accountability and integrity of federal institutions*. The Corporation implemented the directive effective January 1, 2010, and has remained compliant with the directive since then.

In July 2015, the Corporation was issued a directive (P.C. 2015-1110) pursuant to section 89 of the FAA to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation implemented the directive in August 2016 and has remained compliant with the directive since then.

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

2. BASIS OF PREPARATION

(a) Compliance with IFRS Accounting Standards

These condensed interim financial statements have been prepared in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, using IFRS Accounting Standards as issued by the International Accounting Standards Board –and adopted in the Corporation's audited annual financial statements as at, and for the year ended March 31, 2024. 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, 2024.

(b) 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:

- Accrued employee benefit liabilities for post-employment and other long-term employee benefit plans are recognized at the present value of the defined benefit obligations.

(c) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results may 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.

The Corporation's key sources of estimation uncertainty during the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are related to the measurement of expected credit losses for accounts receivable and unbilled revenue, the determination of the useful lives of property and equipment, the determination of employee benefit obligations, the determination of unsatisfied (or partially unsatisfied) performance obligations, the determination of whether a contingent liability needs to be disclosed or a provision for contract remediation expenses or other contract related liabilities need to be recognized, and the allocation of expenses to administer the DPSA.

The critical judgements made by management in applying the Corporation's accounting policies that have the most significant effect on the amounts recognized in the financial statements are related to the determination of the amount and timing of revenue recognition and related expenses, the accounting for cost recovery transactions, the allocation of indirect expenses related to administration of DPSA, the assessment of whether there have been significant changes in credit risks impacting the expected credit losses for accounts receivable and unbilled revenue, the determination of right-of-use assets and lease liabilities, and the determination of whether an item is recognized in the financial statements as a contingent liability.

(d) Functional and presentation currency

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

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, 2024.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents balances include advances received from foreign buyers and others not yet paid to Canadian exporters and, when applicable, amounts held back from Canadian exporters to be remitted at later dates in accordance with the terms and conditions of contracts. Also, see note 12 for a description of the Corporation's revolving line of credit that is included in the balance of Cash.

As at September 30, 2024, in connection with an agreement with a foreign buyer, CCC holds cash of $60.3 million (March 31, 2024 - $58.6 million) in a separate bank account for the benefit of that foreign buyer. The Corporation has judged that although it has certain contractual responsibilities regarding the administration of this bank account, it does not have control of the future economic benefits relating to this cash. As such, the Corporation has not recognized this cash as an asset of the Corporation and also has not recognized any corresponding advance amount within liabilities.

Cash and cash equivalents had the following balances by currency as at :

	September 30, 2024		March 31, 2024	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
Canadian dollars	**351,558**	**$ 351,558**	140,188	$ 140,188
U.S. dollars	**227,972**	**307,739**	101,282	137,217
Euros	**1,171**	**1,766**	931	1,360
Chinese renminbi	**969**	**187**	6,178	1,157
		$ 661,250		$ 279,922

5. ACCOUNTS RECEIVABLE

Accounts receivable include amounts that are due to the Corporation for Fees for service invoiced and yet to be collected, amounts due from foreign buyers related to amounts already paid to Canadian exporters and other amounts primarily from Canadian government organizations. These amounts are based on normal international trade terms and are generally non-interest bearing.

The Corporation's accounts receivable consisted of the following as at:

	September 30, 2024	March 31, 2024
Accounts receivable	**$ 30,348**	$ 10,314
Accrued receivables	**15,229**	1,272
Allowance for expected credit loss	**(98)**	-
	$ 45,479	$ 11,586

The accrued receivables include $13.8 million (March 31, 2024 – $962) of parliamentary appropriation which has not been received.

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

	September 30, 2024		March 31, 2024	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
U.S. dollars	**19,388**	**$ 26,172**	4,631	$ 6,274
Canadian dollars	**19,307**	**19,307**	5,312	5,312
		$ 45,479		$ 11,586

Credit and market risks related to accounts receivable are disclosed in note 12.

6. OTHER ASSETS

The Corporation's other assets included the following as at :

	September 30 2024	March 31, 2024
Prepaid expenses	**$ 867**	$ 760
Unbilled revenues	**208**	141
	$ 1,075	$ 901

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due related to the Corporation's operating and administrative expenses, amounts due to Canadian exporters from amounts received from foreign buyers and other miscellaneous amounts due. These amounts are due on normal trade terms.

The Corporation's accounts payable and accrued liabilities consisted of the following as at:

	September 30, 2024	March 31, 2024
Accounts payable	$ 17,838	$ 88,138
Accrued liabilities	4,449	4,131
	$ 22,287	$ 92,269

The currency profile of the Corporation's accounts payable and accrued liabilities was as follows as at:

	September 30, 2024		March 31, 2024	
	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	12,158	$ 16,411	62,970	$ 85,311
Canadian dollars	5,875	5,875	6,903	6,903
Chinese renminbi	8	1	30	6
Euros	-	-	33	49
		$ 22,287		$ 92,269

Market and liquidity risks related to accounts payable and accrued liabilities are disclosed in note 12.

8. DEFERRED REVENUE

A reconciliation of the Corporation's deferred revenue is as follows:

	September 30, 2024	March 31, 2024
Balance at the beginning of the year	$ 2,529	$ 1,360
Plus: additional deferred revenue	1,383	3,403
Less: amounts recognized as Fees for service	(1,513)	(2,230)
Impact of netting unbilled and deferred revenue from same contract	(413)	(4)
Balance at the end of the period	$ 1,986	$ 2,529

9. DEFERRED GOVERNMENT FUNDING

The Federal Budget 2021 restored an annual parliamentary appropriation commencing in fiscal year 2022-23. This appropriation was increased to $13.8 million from 2023-24 onwards. This funding is to be used exclusively for the costs to administer the DPSA.

A reconciliation of the Corporation's deferred government funding is as follows:

	September 30, 2024	March 31, 2024
Balance at the beginning of the year	**$ -**	$ -
Plus: funding from the Government of Canada	**13,792**	13,615
Less: government funding revenue recognized	**(9,345)**	(13,615)
Balance at the end of the period	**$ 4,447**	$ -

10. LEASE LIABILITIES

The Corporation's leasing activities relate to office space.

In November 2014, the Corporation entered into a fifteen-year lease agreement for office space at the Corporation's current location. The lease payments commenced on December 1, 2016, and the lease was set to expire at the end of November 2031 with options to either terminate earlier or extend the term of the lease. These options were not included in the initial measurement of the right-of-use asset and lease liability, since at contract inception, CCC was not reasonably certain to exercise either option.

On February 2, 2024, the Corporation executed a termination lease agreement for its existing office space concurrently entering into a twelve-year lease agreement for new office premises. The new office space was made available for use in March 2024, and the lease expires on June 30, 2036.

As at September 30, 2024, the Corporation has vacated its previous office space, and all associated leasehold improvements and the right-of-use asset have been fully depreciated, and the lease liability has been entirely settled. The new lease has been appropriately reflected in the current lease liability balance.

A reconciliation of the Corporation's lease liabilities is as follows:

	September 30, 2024	March 31, 2024
Balance at the beginning of the year	**$ 2,743**	$ 5,467
Additions	**-**	2,546
Remeasurement	**-**	(1,889)
Lease termination fee payment	**-**	(2,846)
Leasehold improvement allowance reimbursement	**2,201**	-
Interest expense	**84**	147
Lease payments	**(294)**	(682)
Balance at the end of the period	**$ 4,734**	$ 2,743

Interest expense related to lease liabilities are included in finance cost. The Corporation's operating and administrative expenses include $443 (2023 — $397) related to variable lease payments not included in the measurement of lease liabilities. For the six-month period ended September 30, 2024, and September 30, 2023, there were no significant expenses related to leases of low-value assets and short-term leases for which the recognition exemption has been applied.

11. CAPITAL MANAGEMENT

The Corporation's objective, definition, and key strategies with respect to its capital are consistent with those disclosed in the Corporation's audited financial statements for the year ended March 31, 2024.

The Corporation is not subject to externally imposed capital requirements.

On June 5, 2024, the Corporation's Board of Directors approved the issuance of a dividend of $10.0 million (2023 - $4.0 million) payable to its shareholder.

The Corporation's breakdown of the equity was as follows as at:

	September 30, 2024	March 31, 2024
Contributed capital	**$ 10,000**	$ 10,000
Retained earnings	**58,814**	54,071
	$ 68,814	$ 64,071

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As described in the Corporation's Annual Report and audited financial statements for the year ended March 31, 2024, the Corporation is exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments.

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

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk arises principally from the Corporation's cash and cash equivalents, accounts receivable and unbilled revenue which includes Fees for service due to the Corporation. 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. During the year, the Corporation's exposure to credit risk from investing cash and cash equivalents is minimized through compliance with the Corporation's Board of Directors approved investment policy, which specifies approved investment instruments and portfolio limits. Per the investment policy, the Corporation is permitted to invest cash and cash equivalents in highly liquid demand deposits and temporary investments with a Canadian chartered bank. Investments must maintain credit ratings at, or above, thresholds identified from at least two of the agencies listed below:

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

Accounts receivable

The Corporation has credit risk related to accounts receivable which includes Fees for service revenue and other amounts owed to the Corporation. Other amounts include situations where the Corporation may agree to pay DPSA and non-DPSA invoices at the request of Canadian exporters prior to receiving funds from the U.S. Department of Defence or other foreign buyers.

Since the DPSA foreign buyer is rated AAA by recognized rating agencies, the credit exposure is minimized to acceptable levels. For non-DPSA foreign buyers, the Corporation assesses the credit risk to ensure it is also within acceptable levels.

As at September 30, 2024, 81% (March 31, 2024 — 89%) of the Corporation's accounts receivable were from AAA credit rated counterparties.

The Corporation recognized a loss allowance for expected credit loss of $98 (March 31, 2024 — nil) related to accounts receivable from foreign buyers and other entities arising from contracts with customers. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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

	September 30, 2024	March 31, 2024
Canada	$ 20,870	$ 6,655
United States	15,831	3,683
Europe	6,711	-
Central America and Caribbean	1,256	135
Asia *	806	484
Africa	4	104
South America	1	525
	$ 45,479	$ 11,586

Accounts receivable are considered past due when the payer has failed to make the payment by the contractual due date. The ageing profile of the Corporation's past due accounts receivable was as follows as at:

	September 30, 2024	March 31, 2024
< 30 days	$ 2,024	$ 1,381
> 30 days and < 180 days	14,839	1,555
> 180 days	978	281
	$ 17,841	$ 3,217

All overdue accounts receivable are considered fully collectable as at September 30, 2024, as it is normal for the Corporation to encounter delays in collecting certain accounts receivable as a result of the foreign environment in which it operates.

(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 interest rate risk or other price risk, however, as noted below, does have currency risk exposure.

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. The Corporation is exposed to foreign currency risk on its accounts receivable and accounts payable denominated in foreign currencies due to timing differences between their initial recognition and the actual receipt or payment of cash. To address foreign exchange risks, contracts with foreign buyers 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. Generally, the Corporation uses these strategies to effectively transfer the currency risk to the Canadian exporter.

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 in cash and cash equivalents. The risks associated with fluctuations in interest rates are minimized by investing in highly liquid demand deposits and temporary investments with a reputable chartered bank. The Corporation is not exposed to any significant interest rate risk.

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

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

A potential claim for damages for non-performance of outstanding contracts could create liquidity risk for the Corporation. To mitigate this risk, the Corporation has contractual recourse that consists of, in all material respects, back-to-back contractual obligations from Canadian exporters in an amount equal to the value of the contract. In addition, the Corporation receives an indemnity from the exporter against any additional costs incurred by entering into the back-to-back contractual relationship. In order to further mitigate its overall liquidity risk exposure from non-performance on contracts, the Corporation may supplement this recourse by requiring the Canadian exporter to provide commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash to be held in trust with the Corporation.

As part of the normal course of business, management assesses the likelihood of any contingent liabilities. Contingent liabilities with respect to certain unresolved contract issues are disclosed in note 17(b).

Under contract terms, other than DPSA related contracts, payments to Canadian exporters are usually not made in advance of receipt of payment from foreign buyers, and therefore do not expose the Corporation to liquidity risk.

The *CCC Act* permits the Corporation to borrow from the Consolidated Revenue Fund or enter into other credit arrangements or indemnities from other sources for an amount not to exceed $90.0 million.

The Corporation has a revolving credit facility providing access to funds in the amount of $40.0 million (March 31, 2024 — $40.0 million) Canadian or its U.S. dollar equivalent. The credit facility is used exclusively for the Corporation's working capital requirements to facilitate payments to Canadian exporters under the DPSA business line.

As per contractual terms in the DPSA business line, the Corporation commits to payments to Canadian exporters within thirty days on most contracts. For the International contracts, the Corporation commits to payments within two to five business days from receipt of payments from the foreign buyer. At times, collection of amounts from the foreign buyer on DPSA contracts can take more than thirty days. This can occasionally result in the Corporation using the credit facility in the normal course of operations. Indebtedness under this agreement is unsecured and this credit facility has an expiry date of December 31, 2024, subject to extension by the Minister of Finance or the approval of a corporate plan. As at September 30, 2024, the draw on this line of credit was nil (March 31, 2024 — nil).

Accounts payable and accrued liabilities

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

	September 30, 2024	March 31, 2024
< 1 year	**$ 21,768**	$ 92,269
> 3 and < 5 years	**519**	-
	$ 22,287	$ 92,269

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of Fees for service revenue

The sources of the Corporation's Fees for service revenue were as follows:

	For the three months ended September 30		For the six months ended September 30	
	2024	2023	**2024**	2023
International business	**$ 7,325**	$ 5,467	**$ 10,329**	$ 13,431
Lottery programs	**195**	164	**396**	317
	$ 7,520	$ 5,631	**$ 10,725**	$ 13,748
Government of Canada initiatives	**948**	777	**1,774**	1,900
	$ 8,468	$ 6,408	**$ 12,499**	$ 15,648

(b) Unsatisfied (or partially unsatisfied) performance obligations

Unsatisfied, or partially unsatisfied, contractual performance obligations are mostly due to services which are yet to be provided by the Corporation over the remaining duration of the contract. The following table sets out the estimated transaction prices allocated to unsatisfied, or partially unsatisfied contracted performance obligations of the Corporation to be met in the future and the estimated timing of revenue recognition as at September 30, 2024. Actual amounts may differ from these estimates due to a variety of factors, including the unpredictable nature of customer behaviour, industry regulation and the economic and political environments in which the Corporation operates.

	September 30, 2024
< 1 year	**$ 9,869**
> 1 year	**44,576**
	$ 54,445

The above amounts do not include the variable consideration portions that cannot be reliably estimated.

14. OTHER INCOME

The Corporation earns other income from various sources which are typically not from international business activities. The table below illustrates the sources of other income:

	For the three months ended September 30		For the six months ended September 30	
	2024	2023	**2024**	2023
Discounting income	**$ 25**	$ 24	**$ 47**	$ 33
Miscellaneous income	**12**	15	**32**	29
	$ 37	$ 39	**$ 79**	$ 62

15. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses are as follows:

	For the three months ended September 30		For the six months ended September 30	
	2024	2023	**2024**	2023
Workforce compensation and related expenses	**$ 6,121**	$ 4,977	**$ 11,440**	$ 9,753
Depreciation*	**127**	154	**2,816**	305
Consultants	**1,205**	304	**2,018**	842
Contract management services	**750**	650	**1,500**	1,300
Travel and hospitality	**489**	425	**989**	784
Software, hardware and support	**315**	185	**566**	374
Rent and related expenses	**148**	214	**427**	466
Communications	**(89)**	(3)	**221**	316
Other expenses	**71**	277	**246**	354
Total Operating and administrative expenses	**9,137**	$ 7,183	**$ 20,223**	$ 14,494

*Included in depreciation is accelerated depreciation on right-of-use assets and leasehold improvements resulting from the termination of the lease of $1,707 (2023 - nil) and $777 (2023 - nil), respectively, $2.5 million in total.

16. 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.

17. CONTINGENCIES

(a) Collateral

The value of outstanding deliverables to be performed by Canadian exporters for which the Corporation, on behalf of the Government of Canada, has guaranteed performance to foreign government buyers as at September 30, 2024, was $8.6 billion (March 31, 2024 — $6.9 billion).

To manage performance risk of outstanding deliverables, the Corporation has contractual recourse that consists, in all material respects, of corresponding deliverables from Canadian exporters in the same amount. The collateral pledged by Canadian exporters is to mitigate counterparty risk to the deliverables guaranteed by the Corporation in the event of non-performance claims against the Corporation for reasons related to the Canadian exporter failing to perform per the terms and conditions of contracts. The types of collateral the Corporation may require the Canadian exporter to provide are various 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.

As at September 30, 2024, commercial securities that have been pledged to the Corporation as collateral by Canadian exporters in the unlikely event of their contractual non-performance are in the form of parent guarantees totalling $5.3 billion (March 31, 2024 — $5.9 billion in the form of parent guarantees) which approximate their fair value.

(b) Other contingent liabilities

As part of the normal course of business, management assesses the likelihood of any contingent liabilities. As of September 30, 2024, the Corporation has certain unresolved contract issues that are being actively managed towards resolution. Any financial impact on the Corporation, including the potential for future contract remediation expenses, cannot be reasonably estimated at this time.