Canadian Commercial Corporation

Quarterly Financial Report
(Unaudited)

For the three-month period ended
June 30, 2014

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 environment of fiscal restraint, 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

For the three-month period ended June 30, 2014, the net results of operations was a surplus of $1.2 million, compared to a deficit of $0.5 million reported for the three-month period ended June 30, 2013. The increase of $1.7 million is due to a significant increase in fees for service earned and recorded during the three-month period.

Historically, large contracts have materially impacted the Corporation's financial statements and can often cause significant variations in certain year-over-year amounts on the Statement of Financial Position and the Statement of Comprehensive Income. In late 2009-10, a $2.2 billion multi-year contract was signed with the US DoD Foreign Military Sales (FMS) organization for the supply of Light Armoured Vehicles (LAVs) manufactured by General Dynamics Land Systems Canada (GDLS). This contract signing was followed by the recent signing of the historic multi-billion dollar Armoured Brigades Program (ABP) contract in the Middle-East for the supply of LAVs and associated equipment, training and support services manufactured and provided by GDLS. This activity will result in accounts receivable, accounts payable, advances and progress payments to Canadian exporters and from foreign customers, commercial trading transactions, cost of commercial trading transactions and fees for service showing significant increases from last year to the current year.

A more detailed discussion of CCC's three-month period ended June 30, 2014 financial highlights follows:

Statement of Comprehensive Income Discussion

Summary results

	FOR THE THREE MONTHS ENDED		
	June 30 2014 ($ Millions)	**June 30 2013 ($ Millions)**	**% Increase (Decrease)**
Revenues:			
Commercial trading transactions - prime contracts	**$ 537.1**	$ 373.7	44%
Cost of commercial trading transactions - prime contracts	**(537.1)**	(373.7)	(44%)
Fees for service	**4.4**	2.6	68%
Other revenues	**0.2**	0.3	(52%)
Total Revenues	**4.6**	2.9	55%
Expenses:			
Administrative expenses	**7.3**	7.3	-
Contract remediation expenses	**-**	-	-
Total Expenses	**7.3**	7.3	-
Sourcing services for support of international assistance programs	**8.4**	10.2	(17%)
Cost of sourcing services for support of international assistance programs	**(8.4)**	(10.2)	17%
Parliamentary appropriations	**3.9**	3.9	-
Net results of operations	**$ 1.2**	$ (0.5)	361%

Revenues: General

Revenues consist of commercial trading transactions on prime contracts, fees for service, other income, net interest income, and gains (losses) on foreign exchange. It is important to note that 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 $4.6 million for the three-month period ended June 30, 2014 compared to $2.9 million for the three-month period ended June 30, 2013, an increase of $1.6 million or 55%.

Revenues: Commercial Trading Transactions

Commercial trading transactions measure the value of delivery of a good or service or progress work once a contract is signed and becomes effective. Commercial trading transactions were $537.1 million for the three-month period ended June 30, 2014, compared to $373.7 million for the three-month period ended June 30, 2013, an increase of $163.4 million or 44%.

DPSA commercial trading transactions of $129.7 million, representing 24% of the Corporation's total commercial trading transactions, is $170.8 million or 57% lower compared to the three-month period ended June 30, 2013. Of the total DPSA commercial trading transactions, $23.5 million were recorded on DPSA LAV related projects compared to $157.6 million recorded on DPSA LAV related projects for the three-month period ended June 30, 2013. DPSA commercial trading transactions are anticipated to trend downward through the remaining delivery period of the $2.2 billion LAV contract signed with the U.S. FMS in 2009. This LAV contract was the largest contract signed by the Corporation prior to 2013-2014 and has contributed to significantly higher levels of commercial trading transactions for the last several years.

GDS commercial trading transactions of $342.9 million, representing 64% of the Corporation's total commercial trading transactions, is $320.6 million or 1,435% higher compared to the three-month period ended June 30, 2013. The Corporation is beginning to benefit from the consistent and increasing number of GDS contracts that have been signed over the last several years that contribute a regular and increasing number of delivery transactions per year. Of significance, $316.3 million or 92% of the total GDS commercial trading transactions were recorded for initial progress work related to the ABP.

ICB commercial trading transactions of $64.4 million, representing 12% of the Corporation's total commercial trading transactions, is $13.6 million or 27% higher compared to the three-month period ended June 30, 2013. ICB commercial trading transactions are higher than the previous year due to increased activity related to projects under the Corporation's lottery program in Central America.

Revenues: Fees for Service

CCC does not charge fees for its DPSA business line transactions as these are fully funded through parliamentary appropriations for the three-month period ended June 30, 2014. For GDS and ICB business lines and services, the Corporation charges fees, generally as a percentage of the contract value and on negotiated rates for services provided. Fees are recognized as revenue when services are rendered. Fees for service were $4.4 million for the three-month period ended June 30, 2014 compared to $2.6 million for the three-month period ended June 30, 2013, an increase of $1.8 million or 68%.

GDS fees for services of $2.9 million, which account for 66% of the total fees for services, are $2.0 million or 212% higher compared to fees of $0.9 million for the three-month period ended June 30, 2013. The fee increase is commensurate with the increased level of GDS commercial trading transactions discussed previously. Of the $2.9 million total GDS fees, $2.4 million or 84% of the total GDS fees were earned based on the initial progress work related to the ABP.

ICB fees for services of $0.7 million, which account for 16% of the total fees for services, are $0.2 million or 22% lower compared to fees of $0.9 million for the three-month period ended June 30, 2013. The decrease in ICB fees compared to the three-month period ended June 30, 2013 is primarily due to the transfer of financing components of the Cuba Contracting Program to Export Development Canada (EDC).

Fees for service from sourcing and other Government of Canada priorities of $0.8 million accounting for 18% of the total fees for services, is the same compared to the three-month period ended June 30, 2013. Approximately 25% of the service activity provided and, as a result, fees earned on the service activity provided by CCC specifically related to sourcing transactions which occur at the discretion of Department of Foreign Affairs, Trade and Development (DFATD) and the availability of budget funding to satisfy requirements of their programs.

Revenues: Other

Other revenues include: (1) Foreign exchange gains or losses due to the weakening or strengthening of the Canadian dollar compared to the U.S. dollar on exposed U.S. cash balances; (2) Finance income earned on the Corporation's cash balances; and (3) Other income comprised of fees earned for providing early payment discounts and payment wiring to Canadian exporters, and other miscellaneous amounts. For the three-month period ended June 30, 2014: (1) The foreign exchange loss of $27 thousand, due to the strengthening of the Canadian dollar compared to the U.S. dollar was $229 thousand or 113% lower compared to the foreign exchange gain of $202 thousand for the three-month period ended June 30, 2013; (2) Finance income of $50 thousand was $13 thousand or 21% lower compared to the result of $63 thousand for the three-month period ended June 30, 2013; and (3) Other income of $123 thousand was $84 thousand or 215% higher compared to the result of $39 thousand for the three-month period ended June 30, 2013.

Expenses

For the three-month period ended June 30, 2014, administrative expenses of $7.3 million were consistent with expenses for the three-month period ended June 30, 2013. Administrative expenses are paid primarily in Canadian dollars and are not impacted by foreign exchange fluctuations. Administrative expenses include the following:

- Workforce compensation and related expenses of $4.4 million for the three-month period ended June 30, 2014 were $0.2 million or 3% lower than expenses of $4.6 million for the three-month period ended June 30, 2013. The favourable result is due to a slight decrease in staff levels. Workforce compensation and related expenses accounts for approximately 61% of CCC's administrative expenditures.

- Public Works Government and Services Canada (PWGSC) is paid for certain core contract management services under the DPSA. In recent years, as part of an initiative to streamline processes in the delivery of the DPSA, CCC has brought in-house certain contract management services previously performed by PWGSC.

As a result, total PWGSC expenses of $0.9 million for the three-month period ended June 30, 2014 were $0.1 million or 16% lower than expenses of $1.0 million for the three-month period ended June 30, 2013.

- Rent and related expenses of $0.6 million for the three-month period ended June 30, 2014 were consistent with expenses for the three-month period ended June 30, 2013.

- Travel and hospitality expenses of $0.5 million for the three-month period ended June 30, 2014 were $0.2 million or 45% higher than expenses of $0.3 million for the three-month period ended June 30, 2013. The increase is mostly due to a greater level of activity as travel and hospitality expenses are incurred primarily for business development activity in support of Canadian exporters in pursuit of and to secure projects in Latin America, Africa and the Middle East and the management of the projects once they are secured and effective.

- Consultant expenses of $0.3 million for the three-month period ended June 30, 2014 were $0.1 million or 56% higher than expenses of $0.2 million for the three-month period ended June 30, 2013. Consultant expenses complement CCC's workforce and perform assignments requiring a specific expertise. The increase was due to the Corporation requiring particular expertise related to some new initiatives undertaken during the three-month period ended June 30, 2014.

- The amortization of intangible assets and depreciation of property and equipment and leasehold improvement costs of $42 thousand for the three-month period ended June 30, 2014 was consistent with expenses for the three-month period ended June 30, 2013.

- Computer software, hardware and support costs of $0.3 million, over and above the information management personnel included in workforce compensation or consultants, for the three-month period ended June 30, 2014 were consistent with expenses for the three-month period ended June 30, 2013.

- Other expenses of $0.3 million were $0.1 million or 37% higher for the three-month period ended June 30, 2014 compared to expenses of $0.2 million for the three-month period ended June 30, 2013. Other expenses include Corporate communication costs (e.g. marketing, advertising, and the design and printing of corporate promotional material), telecommunications, bank charges and other miscellaneous amounts.

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

Parliamentary Appropriations

The Corporation received parliamentary appropriations of $3.9 million for the three-month period ended June 30, 2014, consistent with the amount received for the three-month period ended June 30, 2013. The appropriation is drawn down in equal monthly instalments.

Statement of Financial Position Discussion

Summary of financial position

	June 30 2014 ($ Millions)	March 31 2014 ($ Millions)	% Increase (Decrease)
Total assets	**$ 1,644.6**	$ 1,039.9	58%
Total liabilities	**$ 1,630.9**	$ 1,027.4	59%
Shareholder's Equity	**$ 13.7**	$ 12.5	10%

CCC's total assets were $1,644.6 million as at June 30, 2014, $604.7 million, or 58%, higher than at March 31, 2014. The increase from March 31, 2014 is primarily due to an increase in the amount of progress payments to Canadian exporters of $292.3 million or 49% and an increase in the amount of trade receivables of $273.5 million or 90%, both as a result of the initial activity related to the ABP.

CCC's total liabilities were $1,630.9 million as at June 30, 2014, $603.5 million, or 59%, higher than at March 31, 2014. The increase from March 31, 2014 is primarily due to an increase in the amount of progress payments from foreign customers of $292.3 million or 49% and an increase in the amount of trade payables and accrued liabilities of $291.9 million or 89%, both as a result of the initial activity related to the ABP.

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 $576.4 million were $273.5 million or 90% higher than the balance at March 31, 2014 and represents 35% of the total assets of $1,644.6 million. Trade payables and accrued liabilities of $619.3 million were $291.9 million or 89% higher than the balance at March 31, 2014 and represent 38% of the total liability of $1,630.9 million.

Progress payments to Canadian exporters of $884.9 million represent 54% of the total assets of $1,644.6 million. Progress payments from foreign customers of $884.9 million represent 54% of the total liabilities of $1,630.9 million. Contractually, progress payments occur most frequently on the DPSA business line contracts and are required to flow through in their entirety to the Canadian exporter. Of the total progress payments to Canadian exporters and from foreign customers, $265.4 million or 30% relate to the significant $2.3 billion U.S. DoD FMS LAV contract and $479.6 million or 54% relate to the ABP.

Advances from foreign customers of $124.7 million, increased by $19.3 million or 18% compared to the balance at March 31, 2014. Advances to Canadian exporters of $70.7 million, increased by $16.7 million or 31% compared to the balance at March 31, 2014. Of the $70.7 million in advances from foreign customers, $104.3 million or 84% were related to projects in Argentina, Colombia, Ghana, Mexico, Norway, and Peru. Of these advances from foreign customers, $67.0 million were passed on to Canadian exporters, accounting for 95% of advances to Canadian exporters. Contractually, advances are not offered on the DPSA business line. For all other business lines, CCC's risk mitigation practices require that for most projects CCC hold back some advance payments made by foreign customers and release them to Canadian exporters as delivery obligations are fulfilled. This explains the period-over-period variations that occur.

As at June 30, 2014, CCC's equity, fully ascribed to the Government of Canada, was $13.7 million, an increase of $1.2 million from March 31, 2014. A discussion of commercial and operational risks follows in CCC's Commitment to Performance and Risk Management section.

Statement of Cash Flows Discussion

Summary of cash flows

	FOR THE THREE MONTHS ENDED		
	June 30 2014 ($ Millions)	**June 30 2013 ($ Millions)**	**% Increase (Decrease)**
Operating activities	**$ 22.2**	$ 15.7	42%
Investing activities	**-**	-	-
Financing activities	**-**	-	-
Effect of exchange rate changes on cash and cash equivalents	**$ -**	$ 0.2	(113%)

Operating activities

Under the DPSA program, the Corporation generally pays its Canadian exporters within 30 days of receipt of an invoice and substantiating documentation according to the terms and conditions of the contract. Consequently the Corporation may use its own cash to pay Canadian exporters on the 30th day funding its trade receivables in instances where there are collection delays and payment is not received from the DPSA customer until beyond the 30 days. On certain contracts (generally outside of the DPSA program), the

Corporation only pays its Canadian exporters within business 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 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 three-month period ended June 30, 2014, CCC provided $22.2 million in cash from its operating activities, as compared to the $15.7 million provided during the three-month period ended June 30, 2013, an increase of $6.5 million. Details are as follows:

- Receipts from foreign customers include cash received for deliveries, progress payments and advances as stipulated under the foreign customer contract. Receipts from foreign customers were $291.3 million for the three-month period ended June 30, 2014, $115.3 million or 28% lower than the amount reported for the three-month period ended June 30, 2013. The decrease is due to fewer payments received from the U.S. Government for progress work performed and deliveries made related to the large LAV contracts signed with the U.S. DoD and U.S. DoD FMS during the Corporation's fiscal years ended March 31, 2010 and March 31, 2011 which are nearing completion.

- Payments to Canadian exporters include cash paid for deliveries, progress payments and advances as stipulated under the domestic contract. Payments to Canadian exporters were $270.4 million for the three-month period ended June 30, 2014, $118.5 million or 30% lower than the amount reported for the three-month period ended June 30, 2013. The decrease is due to fewer payments made to the supplier related to progress work performed and deliveries made under the large LAV contracts with the U.S. DoD and U.S. DoD FMS.

- For the three-month period ended June 30, 2014 compared to the three-month period ended June 30, 2013, the decrease in receipts from foreign customers was less than the decrease in payments to Canadian suppliers by $3.2 million, therefore providing $3.2 million of cash. In addition to the $3.2 million cash provided by export transactions, $1.8 million in cash was provided from finance income, fees for services and other income received, and another $1.5 million in cash was provided as there was a decrease in payments made for administrative expenses during the three-month period ended June 30, 2014 compared to the three-month period ended June 30, 2013.

Investing activities

For the three-month period ended June 30, 2014, the Corporation did not capitalize any amounts related to property, equipment or intangible assets, the same as compared to the three-month period ended June 30, 2013.

Effect of exchange rate changes on cash and cash equivalents

For the three-month period ended June 30, 2014, CCC recorded a foreign exchange translation loss of $27 thousand as a result of the Canadian dollar's strengthening compared to the U.S. dollar, from $0.9046 USD at March 31, 2014 to $0.9372 USD at June 30, 2014. For the three-month period ended June 30, 2013, the Corporation had recorded a foreign exchange translation gain of $202 thousand.

Comparison of Financial Results to the Budget contained in the 2014-2015 to 2018-2019 Corporate Plan

For the three-month period ended June 30, 2014, the net results of operations was a surplus of $1.2 million, $0.8 million or 208% higher than the budgeted surplus of $0.4 million.

For the three-month period ended June 30, 2014, total commercial trading and sourcing services transactions combined of $545.6 million are $60.3 million or 12% higher than budget of $485.2 million. The GDS business line contributed $77.4 million, offset by unfavourable variances of a combined $17.1 million across the other business and service lines.

Fees for service of $4.4 million were $0.1 million or 2% higher than the budget of $4.3 million. Fees for service are earned as contract work is delivered or completed. For the three-month period ended June 30, 2014, fees generated from GDS business line of $2.9 million were $0.1 million or 5% higher than budget of $2.8 million, mainly due to fees earned on the recording of initial progress work related to the ABP. In addition, fees generated from the ICB business line of $0.7 million were $0.2 million or 46% higher than budget of $0.5 million, mainly due to Cuba Contracting Program fees of $0.6 million which are $0.5 million or 433% higher than budget of $0.1 million. Fees earned on sourcing and other services of $0.8 million were $0.3 million or 25% lower than budget of $1.1 million, primarily as expenses and recovery of expenses related to the expansion of the China Offices service program were delayed. CCC also provides sourcing services at the discretion of DFATD and the availability of budget funding to satisfy requirements of their programs. DFATD required fewer services to be provided during the three-month period ended June 30, 2014.

For the three-month period ended June 30, 2014, the Corporation recorded a foreign exchange translation loss of $27 thousand resulting from the strengthening of the Canadian dollar relative to the U.S. dollar. The Corporation manages exchange gains and losses through monitoring and maintaining of its unhedged foreign currency balances. The Corporation's unhedged U.S. currency balance of $0.8 million represents less than 0.15% of its U.S. denominated assets. The Corporation does not budget for gains or losses on foreign exchange.

For the three-month period ended June 30, 2014, the Corporation recorded $11 thousand in contract remediation expenses. As a result, contract remediation expenses contributed a favorable budget variance of $121 thousand.

For the three-month period ended June 30, 2014, administrative expenses of $7.3 million were $0.6 million, or 8%, lower than the budgeted amount of $7.9 million. Direct expenses of $4.7 million were $0.5 million or 10% below budget. Indirect expenses of $2.6 million were $0.1 million or 2% under budget. This result reflects Management's continued prudent control of operating expenditures in response to the cost containment measures of Budget 2010, and updated in the spirit and intent of Budgets 2011 through 2013.

As explained under the Parliamentary Appropriation section of the Statement of Comprehensive Income Discussion, the Corporation received parliamentary appropriations of $3.9 million for the three-month period ended June 30, 2014, consistent with budgeted amounts.

2014-2015 Forecast

The planning objectives and assumptions used to forecast the Operating Budget for 2014-2015 and in subsequent years are detailed and discussed in CCC's Corporate Plan 2014-2015 to 2018-2019.

CCC is forecasting an operating surplus of $7.1 million in 2014-2015 with net revenues of $23.3 million.

In 2014-2015, commercial trading and sourcing transactions are forecasted to increase to $2.4 billion, from $1.7 billion in 2013-2014, an increase of $0.7 billion or 42%. The ABP is expected to contribute $1.3 billion or 53% of the total of $2.4 billion in 2014-2015.

In 2014-2015, net revenues (which exclude the parliamentary appropriation) are forecasted to increase to $23.3 million from $14.7 million in 2013-2014, an increase of $8.6 million or 58%. This increase is largely attributed to fees for service earned and recognized on the commencement of progress work related to the ABP contract which was signed and became effective at the end of fiscal 2013-2014.

The Corporation will use its entire appropriation for 2014-2015 which was approved in the 2014-2015 Main Estimates at $15.7 million.

The Corporation expects to incur contract remediation expenses at reduced levels and provides for them for budgeting and planning purposes. In 2014-2015, contract remediation expenses are budgeted at $0.5 million, significantly lower than the average contract remediation expenses incurred over the past ten years representing approximately 0.025% of budgeted commercial trading transactions.

Administrative expenses are forecasted to increase to $31.3 million in 2014-2015 from $28.4 million in 2013-2014, an increase of $2.9 million or 10%. The increase is due primarily to the effort required to manage the ABP along with direct expenses related to the start-up and operation of additional representative offices in China.

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 2013-2014 Annual Report and 2014-2015 Corporate Plan Summary.

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

There are no other significant changes, new risks or uncertainties identified during the three-month period ended June 30, 2014 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.

Martin Zablocki
President and CEO

Anthony Carty
Vice-President, Risk and Finance and CFO

Ottawa, Canada
August 7, 2014

Statement of Financial Position (Unaudited)

As at (in thousands of Canadian dollars)	June 30 2014	March 31 2014
Assets		
Current assets		
Cash and cash equivalents (note 4)	$ **111,749**	$ 89,538
Trade receivables (notes 5 and 10)	**576,418**	302,901
Advances to Canadian exporters	**70,692**	53,999
Progress payments to Canadian exporters	**884,898**	592,559
	1,643,757	1,038,997
Non-current assets		
Property and equipment	**835**	877
Intangible assets	**-**	-
	835	877
	$ **1,644,592**	$ 1,039,874
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (notes 5 and 10)	$ **619,286**	$ 327,398
Advances from foreign customers	**124,651**	105,399
Progress payments from foreign customers	**884,898**	592,559
Employee benefits (note 6)	**213**	209
	1,629,048	1,025,565
Non-current liabilities		
Employee benefits (note 6)	**1,846**	1,800
Provision for contract remediation expenses	**-**	-
	1,846	1,800
	1,630,894	1,027,365
Shareholder's Equity		
Contributed surplus	**10,000**	10,000
Retained earnings	**3,698**	2,509
	13,698	12,509
	$ **1,644,592**	$ 1,039,874

Guarantees (note 15)

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

Authorized for issue on August 7, 2014:

Martin Zablocki
President and CEO

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

Statement of Comprehensive Income (Unaudited)

For the three months ended June 30 (in thousands of Canadian dollars)	2014	2013
Revenues		
Commercial trading transactions - prime contracts (note 9)	**$ 537,134**	$ 373,739
Less: cost of commercial trading transactions - prime contracts	**(537,134)**	(373,739)
Fees for service (note 9)	**4,411**	2,632
Other income (note 9)	**123**	39
Finance income, net (note 12)	**50**	63
Gain (loss) on foreign exchange	**(27)**	202
	4,557	2,936
Expenses		
Administrative expenses (note 11)	**7,271**	7,262
Contract remediation expenses	**11**	-
	7,282	7,262
Sourcing services for support of international government assistance programs		
Sourcing services transactions (note 9)	**8,444**	10,197
Less: cost of sourcing services transactions	**(8,444)**	(10,197)
	-	-
Net results of operations before Parliamentary appropriations	**(2,725)**	(4,327)
Parliamentary appropriations (note 13)	**3,914**	3,870
Net results of operations	**$ 1,189**	$ (456)
Other comprehensive loss		
Items that will not be reclassified to net results of operations		
Actuarial loss on employee benefits obligation	**-**	-
Total Comprehensive income (loss)	**$ 1,189**	$ (456)

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

Statement of Changes in Equity (Unaudited)

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

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

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

Statement of Cash Flows (Unaudited)

For the three months ended June 30 (in thousands of Canadian dollars)		**2014**		**2013** Restated (note 3)
Cash flows from operating activities				
Receipts from foreign customers	**$**	**291,313**	$	406,610
Finance income, net		**50**		63
Fees for service and other income received		**4,534**		2,671
Payments to Canadian exporters		**(270,394)**		(388,904)
Administrative payments		**(7,179)**		(8,641)
Parliamentary appropriations		**3,914**		3,870
Cash provided by operating activities		**22,238**		15,669
Effect of exchange rate changes on cash and cash equivalents		**(27)**		202
Increase in cash and cash equivalents		**22,211**		15,871
Cash and cash equivalents at the beginning of period		**89,538**		61,068
Cash and cash equivalents at the end of period	**$**	**111,749**	$	76,939

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

Notes to Financial Statements

June 30, 2014

1. Nature, organization and funding

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* (the "Act"), is wholly owned by the Government of Canada and an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. The Corporation is 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 sourcing services agreements to procure goods and services for international end use on behalf of Canadian and foreign governments.

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

In September 2008, the Corporation, together with a number of other Crown corporations, was issued a directive (P.C. 2008-1598) pursuant to Section 89 of the *Financial Administration Act*, entitled *Order giving a direction to parent Crown corporations involved in commercial lending to give due consideration to the personal integrity of those they lend to or provide benefits to in accordance with Government's policy to improve the accountability and integrity of federal institutions*. The Corporation 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, 2014. 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, 2014.

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 determining whether a provision for contract remediation expenses should be recognized or disclosed.

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

Note 6 – 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, 2014.

Changes in accounting policies - *Restatement*

As of the year-ended march 31, 2014, the Corporation changed its accounting policy with respect to the presentation of progress payments in the Statement of Financial Position and Statement of Cash Flows and reclassified certain comparative figures to conform to the current presentation which provides more relevant information about the Corporation's cash flows.

The difference between progress payments from foreign customers and progress payments to Canadian exporters is the result of overpayments from foreign customers due to temporary timing differences in their liquidation methods and accounting for work performed. The Corporation has reclassified these overpayments from progress payments from foreign customers to advances from foreign customers.

The cash flow effect of progress payments which is derived solely from overpayments are now reflected in advances from foreign customers and included in receipts from foreign customers on the Statement of Cash Flows. As a result, the Corporation modified the presentation of operating activities with respect to receipts from foreign customers and payments to Canadian exporters in the Statement of Cash flows to exclude progress payments from foreign customers and progress payments to Canadian exporters.

The Corporation decided to retrospectively apply the change in accounting policy and the resulting change has no impact on the Statement of Comprehensive Income, the Statement of Changes in Equity and the cash provided by (used in) operating, investing or financing activities in the Statement of Cash Flows, or a material effect on the Statement of Financial Position at the beginning of the preceding period. As a result the Corporation has not presented a third Statement of Financial Position as at April 1, 2013 and only provided reclassified amounts of the comparative financial statements as at June 30, 2013.

QUARTERLY FINANCIAL REPORT (in thousands of Canadian dollars, unless otherwise indicated)

The following table summarizes the impact of the retrospective application of this change in accounting policy on the Statement of Financial Position and the Statement of Cash Flows for the three months ended June 30, 2013:

	June 30, 2013	Impact of change	Adjusted June 30, 2013
Reclassification in Statement of Financial Position			
Current liabilities			
Advances from foreign customers	$ 149,580	$ 2,774	$ 152,354
Progress payments from foreign customers	$ 889,686	$ (2,774)	$ 886,912
Restatement of Statement of Cash Flows			
Cash flows from operating activities			
Receipts from foreign customers	$ 453,374	$ (46,764)	$ 406,610
Payments to Canadian exporters	$ (435,668)	$ 46,764	$ (388,904)

4. Cash and cash equivalents

Cash and cash equivalents included:

	June 30, 2014		March 31, 2014	
	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	**84,831**	**$ 90,515**	63,231	$ 69,901
Canadian dollars	**20,680**	**20,680**	19,094	19,094
Chinese renminbi	**3,220**	**554**	2,290	407
Australian dollars	**-**	**-**	133	136
		$ 111,749		$ 89,538

The Corporation invests in short-term deposits in Canadian banks. At June 30, 2014, the average term to maturity of short-term deposits was two days (March 31, 2014 - one day) and the portfolio yield to maturity was 0.05% as at June 30, 2014 (March 31, 2014 - 0.03%).

Of the cash and cash equivalents, $60,463 (March 31, 2014 - $58,275) 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.

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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:

	June 30, 2014		March 31, 2014	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
U.S. dollars	**491,715**	**$ 524,659**	235,780	$ 260,655
Canadian dollars	**51,642**	**51,642**	42,243	42,243
Chinese renminbi	**684**	**117**	18	3
		$ 576,418		$ 302,901

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

	June 30, 2014		March 31, 2014	
	Original currency	**Canadian dollars**	**Original currency**	**Canadian dollars**
U.S. dollars	**531,438**	**$ 567,047**	261,277	$ 288,845
Canadian dollars	**52,232**	**52,232**	38,411	38,411
Chinese renminbi	**42**	**7**	31	5
Australian dollars	**-**	**-**	133	137
		$ 619,286		$ 327,398

6. Employee benefits

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

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

	June 30, 2014			**March 31, 2014**		
	Sick Leave	**Severance**	**Total Benefits**	**Sick Leave**	**Severance**	**Total Benefits**
Total employee benefits	**$ 1,400**	**$ 659**	**$ 2,059**	$ 1,350	$ 659	$ 2,009
Less: current portion	**(109)**	**(104)**	**(213)**	(105)	(104)	(209)
Non-current portion	**$ 1,291**	**$ 555**	**$ 1,846**	$ 1,245	$ 555	$ 1,800

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

	Sick leave benefits		**Severance benefits**	
	2014	**2013**	**2014**	**2013**
Accrued benefit obligation				
Balance at beginning of year	**$ 1,083**	$ 909	**$ 2,329**	$ 2,079
Current service cost	**119**	106	**11**	188
Interest cost	**40**	36	**48**	84
Benefits paid	**(179)**	(113)	**(1,821)**	(170)
Actuarial loss	**288**	145	**92**	148
Total accrued benefits at end of year	**$ 1,350**	$ 1,083	**$ 659**	$ 2,329
Economic assumptions				
Accrued benefit obligation as of March 31				
Discount rate	**4.34%**	3.76%	**3.76%**	3.40%
Rate of economic salary increase	**2.00%**	2.00%	**2.00%**	2.00%
Benefit costs for year ended March 31				
Discount rate	**3.76%**	4.01%	**3.40%**	3.98%
Rate of economic salary increase	**2.00%**	1.50%	**2.00%**	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 of the pension plan for the Public Service of Canada, are also considered in the actuarial valuation of accrued employee sick leave benefits. The underlying assumptions adopted in measuring the Corporation's sick leave and severance benefits are reviewed annually by management and have been consistently applied. Changes in these assumptions can have a significant impact on the related financial statement balances.

Included in administrative expenses as workforce compensation and related expenses for the three months ended June 30, 2014 was a charge of $50 (June 30, 2013 – $25) for sick leave benefits.

7. Provision for contract remediation expenses

The Corporation may incur contract re-procurement expenses should Canadian exporters fail to fulfill the terms and conditions of their contracts. The Corporation is the defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs can be significant, management, based on advice from legal counsel, records in the period a liability when damages are considered more likely than not and the associated costs can be reliably estimated.

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 provision for contract remediation expenses has been identified as required for the three months ended June 30, 2014 and March 31, 2014.

No onerous contracts have been identified as at June 30, 2014 and March 31, 2014.

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 strategies to optimize operating surpluses ensures that capital is available to facilitate investments in people and processes and to mitigate any potential losses related to operational, performance and credit risk.

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

The Minister of International Trade directed the Corporation to pay to the Receiver General the amount of $40.0 million by March 31, 2014, an amount considered to be in excess of the amount required by the Corporation for the purposes of the *Canadian Commercial Corporation Act.*

QUARTERLY FINANCIAL REPORT (in thousands of Canadian dollars, unless otherwise indicated)

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

	June 30, 2014	March 31, 2014
Contributed surplus	**$ 10,000**	$ 10,000
Retained earnings	**3,698**	2,509
	$ 13,698	$ 12,509

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

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

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

	2014			**2013**		
	Revenues*	**Sourcing services transactions**	**Total**	**Revenues***	**Sourcing services transactions**	**Total**
Asia	**$ 319,154**	**$ 1,231**	**$ 320,385**	$ 5,440	$ 817	$ 6,257
United States	**130,480**	**-**	**130,480**	300,562	-	300,562
Central America & Caribbean	**66,999**	**1,214**	**68,213**	48,338	2,692	51,030
South America	**24,591**	**-**	**24,591**	19,384	254	19,638
Europe	**64**	**3,210**	**3,274**	512	4,292	4,804
Africa	**16**	**1,976**	**1,992**	1,488	235	1,723
Canada	**339**	**813**	**1,152**	386	1,907	2,293
Other	**25**	**-**	**25**	300	-	300
	$ 541,668	**$ 8,444**	**$ 550,112**	$ 376,410	$ 10,197	$ 386,607

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

Revenues for the three months ended June 30, 2014 include $318,730 (June 30, 2013 - nil) of unbilled revenues. Value of contracts signed is distinct from revenues. During the three months ended June 30, 2014, the value of contracts and amendments which were signed and became effective amounted to $353.5 million (June 30, 2013 - $217.1 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 Board of Directors provides oversight of management's compliance with the Corporation's risk management policies and procedures, and periodically reviews the adequacy of the risk management framework in relation to the risk exposure of the Corporation. The Audit Committee is assisted in its oversight role by the Internal Audit function of the Corporation. Internal audits of the Corporation are performed as both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

(a) Credit risk

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

Cash and cash equivalents

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

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

Trade receivables

The Corporation's exposure to credit risk associated with trade receivables are influenced mainly by the demographics of the Corporation's customer base. The Corporation generally manages foreign customer credit risk by extending open account terms to parties with a Moody's credit rating of at least AAA, and seeks security where the rating falls below this threshold. During the three months ended June 30, 2014, 25% (March 31, 2014 - 82%) of the Corporation's revenues were from AAA customers.

QUARTERLY FINANCIAL REPORT (in thousands of Canadian dollars, unless otherwise indicated)

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

	June 30, 2014	March 31, 2014
Asia	**$ 481,047**	$ 164,750
United States	**49,706**	86,424
Central America and Caribbean	**38,867**	29,855
South America	**2,929**	12,381
Canada	**2,716**	2,861
Europe	**1,150**	6,630
Africa	**3**	-
	$ 576,418	$ 302,901

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

	June 30, 2014	March 31, 2014
< 1 year	**$ 576,318**	$ 302,390
> 1 and < 3 years	**100**	511
	$ 576,418	$ 302,901

Trade receivables are considered past due when the payor has failed to make the payment by the contractual due date. The aging profile of the Corporation's past due trade receivables was as follows:

	June 30, 2014	March 31, 2014
< 30 days	**$ 1,480**	$ 2,402
> 30 days and < 180 days	**145**	5,384
> 180 days	**2,608**	3,329
	$ 4,233	$ 11,115

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.

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Collateral

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

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

	June 30, 2014	**March 31, 2014**
Holdbacks	**$ 6,504**	$ 6,875
Bank guarantees	**$ 45,809**	$ 47,149
Surety bonds	**$ 88,337**	$ 91,524
Parent guarantees	**$ 14,545,159**	$ 15,077,368
Other	**$ 3,461**	$ 11,156

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.

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

Under a specific series of financing contracts, included in trade payables and accrued liabilities, the Corporation owed $36,582 as at June 30, 2014 (March 31, 2014 – $24,275) which bears interest at the cost of funds plus 0.25% (March 31, 2014 – 0.25%).

(c) Liquidity risk

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

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

With respect to outstanding contractual obligations to foreign customers, the Corporation has contractual recourse that consists of, in all material respects, back to back contractual obligations against Canadian exporters in the same amount. 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 $90.0 million.

The Corporation has a revolving credit facility providing access to funds in the amount of $40.0 million Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at June 30, 2014, there were no draws on this line of credit (March 31, 2014 – nil).

In addition, the Corporation enters into credit arrangements up to a maximum of $70.0 million (March 31, 2014 – $35.0 million) whereby transactions are fully insured by a related Crown Corporation with a Moody's credit rating of AAA, thereby mitigating all liquidity risk related to the Cuba contracting program. The Corporation incurred an expense of $682 (June 30, 2013 – nil) related to the Cuba contracting program.

QUARTERLY FINANCIAL REPORT (in thousands of Canadian dollars, unless otherwise indicated)

Trade payables and accrued liabilities

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

	June 30, 2014	March 31, 2014
< 1 year	**$ 619,286**	$ 327,398
	$ 619,286	$ 327,398

Under a specific series of financing contracts, related to the Cuba contracting program included in trade payables and accrued liabilities the Corporation owed $36,582 as at June 30, 2014 (March 31, 2014 – $24,275) which bears interest at the cost of funds plus 0.25% (March 31, 2014 - 0.25%) and the Corporation has offered as security certain foreign trade receivables under certain conditions. The amount of outstanding trade receivables fully insured by a related Crown corporation under these arrangements was $38,054 as at June 30, 2014 (March 31, 2014 – $29,043) and was profiled as follows:

	June 30, 2014	March 31, 2014
< 1 year	**$ 37,954**	$ 28,532
> 1 and < 3 years	**100**	511
	$ 38,054	$ 29,043

11. Administrative expenses

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

	2014	2013
Workforce compensation and related expenses	**$ 4,449**	$ 4,598
Contract management services	**868**	1,038
Rent and related expenses	**576**	559
Travel and hospitality	**477**	330
Software, hardware and support	**320**	325
Consultants	**261**	167
Corporate communications	**131**	39
Amortization and depreciation	**42**	42
Other expenses	**147**	164
	$ 7,271	$ 7,262

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12. Finance income, net

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

	2014	2013
Financial assets		
- Finance income earned on cash and cash equivalents	**$ 74**	$ 63
Financial liabilities		
- Finance cost on payables and other liabilities	**(24)**	-
	$ 50	$ 63

13. Parliamentary appropriations

Appropriations authorized by the Parliament of Canada are included in the net results of operations for the three months ended June 30, 2014 in the amount of $3,914 (June 30, 2013 - $3,870).

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.

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

	June 30, 2014	March 31, 2014
Trade receivables	**$ 563**	$ 831
Trade payables	**$ 129**	$ 144

Transactions that are individually or collectively significant are listed below.

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

For the three months ended June 30, 2014, the cost of these services amounted to $868 (June 30, 2013 - $1,046) and is included in administrative expenses.

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(b) PPP Canada Inc.

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

For the three months ended June 30, 2014, revenues related to the provision of these services amounted to $188 (June 30, 2013 - $188) and are included in fees for service.

(c) Other Government of Canada departments, agencies and Crown corporations

Commercial trading transactions, fees for service, and sourcing services transactions, arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, and other international activities include the following transactions with related party entities for the three months ended June 30:

	2014	**2013**
Department of Foreign Affairs, Trade and Development	**$ 5,828**	$ 7,556
Department of National Defence	**$ -**	$ 6

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.

(d) Transactions with Canadian exporters solely or jointly governed by key management personnel

The Corporation may enter into supply contracts with Canadian exporters whose financial and operating policies are solely or jointly governed by key management personnel of the Corporation. The Corporation enters into transactions with these Canadian exporters in the normal course of business, under the same terms and conditions that apply to unrelated parties, and as such the transactions approximate fair value. The supply contract transactions with related Canadian exporters for the three months ended June 30 were as follows:

	2014	**2013**
Cascade Aerospace Inc.	**$ 2,903**	$ -

No amounts were due from and to these related Canadian exporters as at June 30, 2014 (June 30, 2013 – nil).

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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 sourcing services for support of international assistance programs.

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

	June 30, 2014	**March 31, 2014**
< 1 year	**$ 1,079,047**	$ 999,286
> 1 and < 3 years	**523,398**	453,860
> 3 and < 5 years	**6,976,969**	5,275,989
> 5 years	**7,105,135**	9,400,925
Total contract portfolio	**$ 15,684,549**	$16,130,060