Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canadian Commercial Corporation

2021-2022 Third Quarter
Financial Report (Unaudited)

For the period ended
December 31, 2021

Canada

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and is not intended to be a full MD&A. It should be read in conjunction with the Corporation's Annual report and audited annual financial statements and accompanying notes for the year ended March 31, 2021. All amounts presented are in Canadian dollars unless otherwise specified.

This document contains projections and other forward-looking statements regarding future events. Such statements require management to make assumptions that are 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 following the financial analysis.

The financial statements have been prepared in accordance with International Financial Reporting standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as reference for Generally Accepted Accounting Principles ("GAAP"). In the following discussion, the Corporation also uses certain non-GAAP financial measures, such as the Value of Contracts Signed ("VCS") and Commercial Trading Transactions ("CTT"), to evaluate its performance. Non-GAAP measures are defined and qualified when presented.

Historically, large contracts have materially affected the Corporation's financial statements, causing significant variations in certain year-over-year amounts on the Statement of Financial Position and the Statement of Comprehensive Income (Loss). The most significant of these contracts is the multi-year, multi-billion-dollar Armoured Brigades Program ("ABP") contract. Due to the magnitude of this contract, the ABP has been presented separately in certain sections of the MD&A.

BUSINESS LINE REPORTING STRUCTURE

CCC has three business lines which engage the exporting capabilities of small, medium, and large Canadian companies from across diverse sectors of the economy. Through these business lines, the Corporation supports the pursuit of business deals in government procurement markets around the world. The Corporation delivers value through government-to-government ("G2G") contracting arrangements, where CCC enters into a prime contract with an international government buyer - guaranteeing delivery of goods and services - and enters into a domestic contract with a Canadian company to supply and fulfill the contractual terms and conditions and covering its risks by a widely constructed and full indemnification clause. The Corporation conducts all performance oversight and financial administration of these arrangements and helps to mitigate the buyers' risk, thereby providing an added incentive to procure from Canada. The

Corporation also assists Government of Canada departments and agencies to fulfill complex purchasing needs related to various international commitments and programs.

International Prime Contracting (IPC)

The Corporation's International Prime Contracting ("IPC") business line is a fee-based for profit service involving the establishment of G2G contracts with foreign government buyers.

The Corporation works with Canadian exporters of all sizes, across a diversified number of Canadian industrial sectors and focuses its efforts in five priority sectors: Aerospace, Clean Technology ("Cleantech"), Construction and Infrastructure, Defence and Information and Communications Technology ("ICT"). These growth sectors reflect priority areas for foreign buyers and align with the Government of Canada's progressive trade and investment agenda. The goal of these business activities is to increase the number of exporters that CCC serves while also supporting a wide range of Government of Canada priorities**.** Canadian exporters are internationally recognized as leaders in Aerospace and have specialized Cleantech expertise in areas of public utilities, transportation, and water management systems. Construction and Infrastructure is focused on international projects in emerging and developing markets and Defence relates to the export of goods and services for global defence and security. ICT includes concessions contracts that include the establishment of lotteries by a Canadian exporter on behalf of foreign governments to generate revenues used to help relieve poverty and support social programs abroad. The business activities from all other industries are classified as Other which includes the export of agricultural products.

Defence Production Sharing Agreement (DPSA)

CCC supports significant Canadian export activity under the Defence Production Sharing Agreement ("DPSA"). The DPSA is CCC's core public policy mandate, which enables Canadian exporters to compete for contracts as part of the U.S. 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 U.S. CCC does not charge fees for services provided under the DPSA.

Sourcing

CCC assists Government of Canada departments and agencies in efficiently fulfilling urgent and complex procurement needs. This involves sourcing goods and services to meet a variety of international commitments or programming needs. CCC charges a fee to cover its costs to manage these programs.

Additionally, on behalf of Global Affairs Canada ("GAC"), CCC manages 10 Canadian Trade Offices in China. These offices, located in China's rapidly developing second-tier cities, provide support to Canadian companies seeking to enter the Chinese market, while also providing a cost-effective trade representation solution for GAC. CCC recovers all of its costs from this program and charges a fee to GAC for its services.

Small and medium sized enterprises (SMEs)

Small-and-medium-enterprises ("SMEs") from across Canadian industrial sectors are an important part of CCC's IPC, DPSA, and Sourcing activities. CCC supports the development of trade between SME exporters and foreign government buyers by forging connections, lowering transactional risks and providing access to new and emerging international markets. Consistent with Global Affairs Canada, CCC defines SMEs as Canadian companies with less than 500 employees. Where appropriate, comparative SME figures have been reclassified to align with this definition.[1]

VALUE OF CONTRACTS SIGNED

VCS is a non-GAAP measure used by the Corporation that represents the value of contracts and amendments signed in a given period. It measures the total value of goods or services to be delivered over the entire duration of a contract and hence, represents the full contract value when the contract is signed.

The tables below present the VCS by business line for the three and nine month periods ended December 31, 2021 and 2020.

	For the three months ended December 31,				For the nine months ended December 31,					
									% of Total	
VCS by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change	**2021**	2020
IPC										
Core IPC	**$ 170,598**	$ 12,177	$ 158,421	>100%	**$ 193,178**	$ 66,302	$ 126,876	>100%	**20%**	7%
Concessions	**37,877**	46,297	(8,420)	(18%)	**150,575**	105,010	45,565	43%	**15%**	12%
DPSA	**213,533**	271,498	(57,965)	(21%)	**629,261**	726,746	(97,485)	(13%)	**65%**	80%
Sourcing	**428**	3,914	(3,486)	(89%)	**721**	12,868	(12,147)	(94%)	**<1%**	1%
Total	**$ 422,436**	$ 333,886	$ 88,550	27%	**$ 973,735**	$ 910,926	$ 62,809	7%	**100%**	100%

The above figures include VCS with SMEs as follows:

	For the three months ended December 31,				For the nine months ended December 31,					
									% of Total	
SME VCS by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change	**2021**	2020
IPC										
Core IPC	**$ 138,819**	$ 8,255	$ 130,564	>100%	**$ 160,207**	$ 71,461	$ 88,746	>100%	**44%**	23%
DPSA	**23,236**	57,732	(34,496)	(60%)	**205,408**	226,991	(21,583)	(10%)	**56%**	73%
Sourcing	**60**	3,908	(3,848)	(98%)	**321**	11,520	(11,199)	(97%)	**<1%**	4%
Total	**$ 162,115**	$ 69,895	$ 92,220	>100%	**$ 365,936**	$ 309,972	$ 55,964	18%	**100%**	100%

Total VCS for the three month period ended December 31, 2021 increased by $88.6 million or 27% compared to the same period in the prior year. This was driven by an increase in VCS of $158.4 million from the Core IPC business line which was offset by a combined decrease of $69.9 million across all other business lines.

[1] Prior to fiscal year 2021-2022, SMEs were defined as Canadian companies with <500 employees, <$50 million in revenue, and with a SME parent (if applicable).

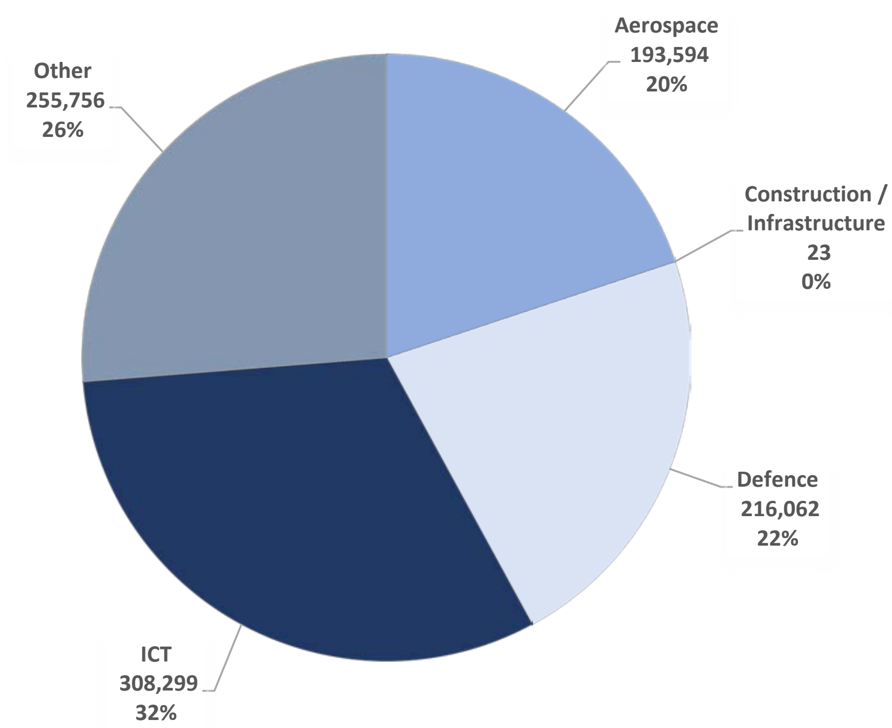
The year-to-date VCS as at December 31, 2021 increased by $62.8 million or 7% compared to prior year which was the net result of a combined increase of $172.4 million from Core IPC and Concessions which was partially offset by a combined VCS decrease of $109.6 million from DPSA and Sourcing.

Total SME VCS increased for both three and nine month periods ended December 31, 2021 compared to prior year. These results were driven by increases in SME VCS from the Core IPC business line which were offset by decreases in SME VCS from DPSA and Sourcing.

The sales cycle for international government contracting is often measured in years, and can be directly impacted by foreign political, economic and geo-political events beyond the control of CCC. This results in a business cycle that is difficult to predict accurately and repeat consistently.

The graph below presents the VCS by sector for the nine months ended December 31, 2021.

VCS BY SECTOR (IN $000'S AND %)



- ICT VCS of $308.3 million were primarily from DPSA ($156.6 million) as well as the Concessions business line ($150.6 million).
- Aerospace VCS of $193.6 million were from DPSA.
- Defence VCS of $216.1 million were primarily from DPSA ($183.6 million) as well as from the Core IPC business line related to procurement and delivery of light armoured vehicles to Chile ($31.4 million).

- VCS of $255.8 million classified within the "Other" category were from DPSA ($95.5 million) as well as from Core IPC ($160.2 million). The Core IPC VCS is related primarily to the sale of potash to Bangladesh ($145.3 million) and business activities in support of the agricultural sector in Cuba ($14.7 million).

COMMERCIAL TRADING TRANSACTIONS

Commercial Trading Transactions ("CTT") is a non-GAAP measure used by the Corporation that represents the value of goods and services delivered under contract during the reporting period (i.e., an economic activity measure). Given the Corporation's status as an agent for reporting under International Financial Reporting Standards, CTT is not recognized as revenue. The Corporation continues to capture CTT data since this is a measure of the Corporation's impact on the Canadian economy.

The tables below reflect CTT by business line for the three and nine month periods ended December 31, 2021 and 2020.

	For the three months ended December 31,				For the nine months ended December 31,					
									% of Total	
CTT by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change	**2021**	2020
IPC										
Core IPC	**$ 81,773**	$ 72,390	$ 9,383	13%	**$ 133,686**	$ 149,131	$ (15,445)	(10%)	**6%**	7%
Concessions	**37,877**	46,297	(8,420)	(18%)	**150,575**	105,010	45,565	43%	**7%**	5%
DPSA	**196,023**	235,283	(39,260)	(17%)	**600,463**	653,599	(53,136)	(8%)	**29%**	31%
Sourcing	**1,700**	7,500	(5,800)	(77%)	**10,461**	16,899	(6,438)	(38%)	**<1%**	<1%
Total excluding ABP	**$ 317,373**	$ 361,470	$ (44,097)	(12%)	**$ 895,185**	$ 924,639	$ (29,454)	(3%)	**43%**	44%
ABP	**1,200,810**	502,437	698,373	>100%	**1,200,810**	1,198,078	2,732	<1%	**57%**	56%
Total including ABP	**$ 1,518,183**	$ 863,907	$ 654,276	76%	**$ 2,095,995**	$ 2,122,717	$ (26,722)	(1%)	**100%**	100%

The above figures include CTT with SMEs as follows:

	For the three months ended December 31,				For the nine months ended December 31,					
									% of Total	
SME CTT by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change	**2021**	2020
IPC										
Core IPC	**$ 81,415**	$ 18,224	$ 63,191	>100%	**$ 127,826**	$ 42,879	$ 84,947	>100%	**40%**	17%
DPSA	**61,185**	62,904	(1,719)	(3%)	**184,068**	202,522	(18,454)	(9%)	**58%**	79%
Sourcing	**370**	4,724	(4,354)	(92%)	**7,635**	11,243	(3,608)	(32%)	**2%**	4%
Total	**$ 142,970**	$ 85,852	$ 57,118	67%	**$ 319,529**	$ 256,644	$ 62,885	25%	**100%**	100%

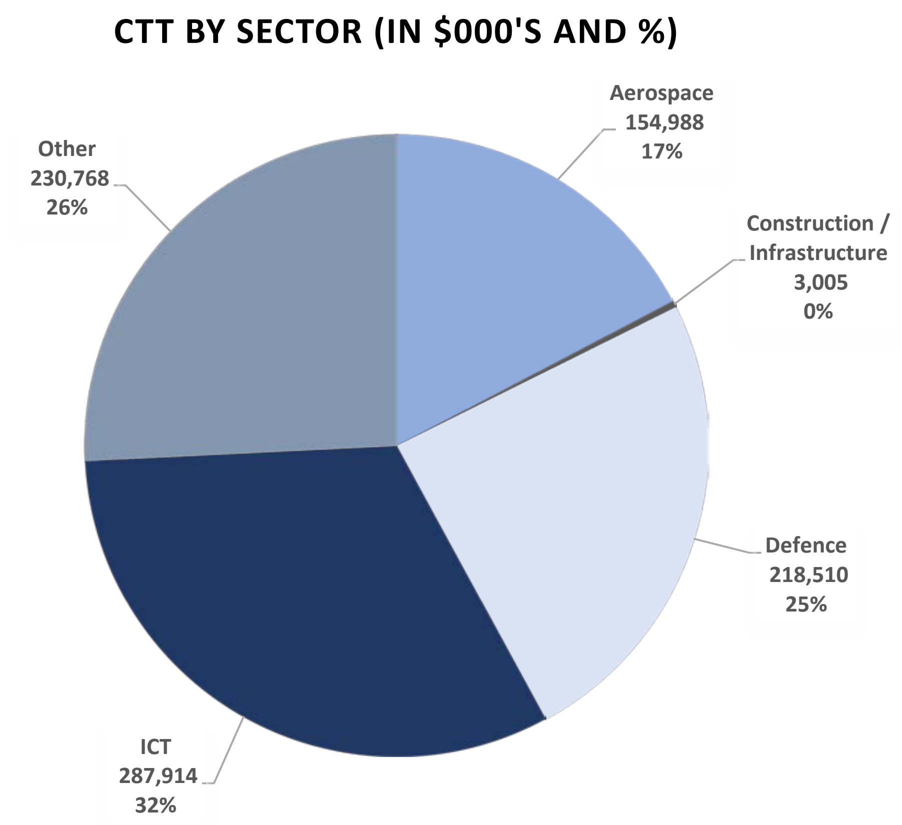
Total CTT for the three month period ended December 31, 2021 increased by $654.3 million or 76% compared to the same period in the prior year. This result was primarily driven by an increase in CTT of $698.4 million from the ABP while all other business lines combined for a net decrease of $44.1 million.

The year-to-date CTT as at December 31, 2021 decreased by $26.7 million or 1% compared to prior year. This was the net result of a combined decrease in CTT of $75.0 million across all business lines except for Concessions and ABP which had increases of $45.6 million and $2.7 million, respectively.

Total CTT with SMEs increased for both three and nine month periods ended December 31, 2021 compared to prior year. These results were driven by increases in SME CTT from the Core IPC business line which were offset by decreases in SME CTT from DPSA and Sourcing.

CTT have variations when comparing year-over-year results, which is reflective of the timing of specific contract requirements and associated delivery schedules. Furthermore, CTT for fiscal 2021-2022 continues to be impacted by the Coronavirus 2019 (COVID-19) pandemic as some activities and deliveries were delayed due to disruptions in the supply chain and foreign buyers focusing on their domestic response to COVID-19. Overall, CTT trends in a similar direction to VCS for contracts related to the DPSA and Concessions. This is due to the more regular and consistent year-over-year VCS results for these contracts. In contrast, given the irregular nature of international contracts, CTT in the Core IPC and Sourcing business lines will often trend in different directions than VCS signed in the same year.

The graph below presents the CTT by sector for the nine months ended December 31, 2021 excluding the ABP.



- ICT CTT of $287.9 million were primarily from the Concessions business line ($150.6 million) as well as from DPSA ($134.6 million).
- Aerospace CTT of $155.0 million were from DPSA ($133.1 million) and from the Core IPC business line related to aircraft sales to Morocco ($21.9 million).

- Defence CTT of $218.5 million were primarily from DPSA ($215.1 million). Additionally, CTT related to the ABP of $1.2 billion are also part of the Defence sector. However, due to its magnitude, it is not presented in the graph above.
- CTT classified within the "Other" sector of $230.8 million were from DPSA ($115.3 million) and the Core IPC business line ($105.6 million). The Core IPC CCT's are related primarily to the sale of potash to Bangladesh ($92.5 million) and business activities in support of the agricultural and tourism sectors in Cuba ($13.0 million). Additionally, the "Other" sector also includes Sourcing CTT of $9.9 million related to the provision of personal protective equipment and mobile diagnostic laboratories in Africa in response to COVID-19.

SUMMARY OF FINANCIAL RESULTS

A discussion of CCC's financial highlights for the three and nine month periods ended December 31, 2021, follows.

The April 2021 budget release from the Government of Canada included annual funding of $13.0 million for CCC to cover the costs of delivering Canada's commitment under the DPSA commencing in fiscal year 2021-2022. The funding will assist CCC to maximize both the number of exporters served and economic value of transactions to Canada related to the DPSA.

Statement of Comprehensive Income discussion

	For the three months ended December 31,				For the nine months ended December 31,			
Net profit (loss) ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020	$ Change	% Change
Fees for service revenue	**$ 9,057**	$ 5,532	$ 3,525	64%	**$ 11,666**	$ 12,885	$ (1,219)	(9%)
Finance and Other income	**104**	104	-	0%	**275**	350	(75)	(21%)
Government funding	**3,566**	4,000	(434)	(11%)	**9,688**	4,000	5,688	>100%
Expenses	**6,245**	5,856	389	7%	**18,522**	17,665	857	5%
Gain (loss) on foreign exchange	**2**	(378)	380	>100%	**7**	(487)	494	>100%
Net profit (loss)	**$ 6,484**	$ 3,402	$ 3,082	91%	**$ 3,114**	$ (917)	$ 4,031	>100%

For the three month period ended December 31, 2021, the Corporation recorded a net profit of $6.5 million, an improvement of $3.1 million compared to the prior year net profit for the same period. The favourable variance was primarily driven by an increase in Fees for service revenue ($3.5 million) and the favourable variance related to foreign exchange ($380 thousand) which were offset by an increase in expenses ($389 thousand) and lower funding recognized from the Government of Canada ($434 thousand).

The year-to-date profit of $3.1 million as at December 31, 2021 represents a favourable variance of $4.0 million compared to the prior year year-to-date net loss of $917 thousand. This was the net result of higher year-to-date funding recognized from the Government of Canada ($5.7 million) and the favourable variance related to foreign exchange ($494 thousand) which were partially offset by lower Fees for service revenue ($1.2 million), lower finance and other income ($75 thousand) and higher year-to-date expenses ($857 thousand) compared to prior year.

Revenues

Fees for service by business line

Fees for service by business line ($000's)	For the three months ended December 31, 2021	2020	$ Change	% Change	For the nine months ended December 31, 2021	2020	$ Change	% Change	% of Total 2021	% of Total 2020
IPC										
Core IPC	**1,540**	1,921	(381)	(20%)	**$ 2,655**	$ 3,927	$ (1,272)	(32%)	**23%**	30%
Concessions	**155**	205	(50)	(24%)	**604**	506	98	19%	**5%**	4%
Sourcing	**522**	544	(22)	(4%)	**1,567**	1,589	(22)	(1%)	**13%**	12%
Total excluding ABP	**$ 2,217**	$ 2,670	$ (453)	(17%)	**$ 4,826**	$ 6,022	$ (1,196)	(20%)	**41%**	47%
ABP	**6,840**	2,862	3,978	>100%	**6,840**	6,863	(23)	(0%)	**59%**	53%
Total including ABP	**$ 9,057**	$ 5,532	$ 3,525	64%	**$ 11,666**	$ 12,885	$ (1,219)	(9%)	**100%**	100%

The Corporation charges Fees for service on all contracts, except the DPSA. Fees are generally calculated as a percentage of the contract value. Fees are negotiated on a contract-by-contract basis, and, within an acceptable range, are generally reflective of a project's risk profile and competitive market conditions. Fees are recognized as revenue when the Corporation has completed its performance obligation pursuant to each contract and are generally commensurate with CTT.

For the three month period ended December 31, 2021, total Fees for service revenue of $9.1 million were $3.5 million higher compared to the same period in the prior year. This was primarily driven by an increase of $4.0 million in Fees for service from the ABP while all other business lines generated lower Fees for service ($453 thousand).

The year-to-date fees for service revenue of $11.7 million as at December 31, 2021 were $1.2 million lower compared to prior year. This was the net result of a combined decrease in Fees for service revenue of $1.3 million across all business lines except for Concessions which had an increase of $98 thousand compared to prior year.

Expenses

Administrative expenses

Administrative expenses ($000's)	For the three months ended December 31 2021	2020	$ Change	% Change	For the nine months ended December 31 2021	2020	$ Change	% Change	% of Total 2021	% of Total 2020
Workforce compensation and related expenses	**$ 4,379**	$ 4,053	$ 326	8%	**$ 13,173**	$ 12,448	$ 725	6%	**74%**	73%
Contract management services	**642**	639	3	<1%	**1,926**	1,918	8	<1%	**10%**	11%
Consultants	**355**	347	8	2%	**1,032**	778	254	33%	**6%**	4%
Rent and related expenses	**232**	241	(9)	(4%)	**682**	784	(102)	(13%)	**4%**	4%
Software, hardware and support	**198**	157	41	26%	**594**	544	50	9%	**3%**	3%
Depreciation	**148**	193	(45)	(23%)	**439**	569	(130)	(23%)	**2%**	3%
Communications	**72**	102	(30)	(29%)	**177**	248	(71)	(29%)	**<1%**	1%
Travel and hospitality	**100**	2	98	>100%	**135**	23	112	>100%	**<1%**	<1%
Other expenses	**71**	71	-	0%	**212**	198	14	7%	**1%**	1%
Total	**$ 6,197**	$ 5,805	$ 392	7%	**$ 18,370**	$ 17,510	$ 860	5%	**100%**	100%

For the three month period ended December 31, 2021, administrative expenses of $6.2 million were $392 thousand, or 7%, higher compared to the same period in the prior year. The variance was primarily driven by an increase in workforce compensation and related expenses ($326 thousand) as vacant key positions from the same period in the prior year were filled.

The year-to-date administrative expenses of $18.4 million as at December 31, 2021 were $860 thousand, or 5%, higher compared to prior year levels. The variance was primarily driven by an increase in workforce compensation and related expenses ($725 thousand) related to filled vacant key positions as previously explained and an increase in consultant expenses ($254 thousand) primarily attributable to fees for professional services incurred in relation to contract management of certain export projects. CCC continuously reviews and improves the alignment between the Corporation's resources and operational activities. Budgets are set with assumptions regarding capacity required to deliver the Corporation's forecasted contract activities and are managed with a view to controlling expenditures relative to revenues earned throughout the year. CCC continues to strengthen its culture of continuous improvement, implementing process changes to improve efficiencies and allow resources to be redistributed, resulting in an increase of overall capacity.

Statement of Financial Position discussion

Assets and liabilities include amounts received from a foreign buyer that have not yet been transferred to the Canadian exporter, or where the Corporation has made payments to Canadian exporters before collecting from foreign buyers.

Statement of Financial Position items such as Cash and cash equivalents, Accounts receivable and Accounts payable and accrued liabilities represent amounts at a specific point in time. These balances can fluctuate widely on a daily basis. Tens of millions of dollars can be received one day and paid the next day or vice versa.

It is notable that although the financial results are presented on an agent basis, CCC remains the primary obligor on its contracts with foreign buyers, and remains liable for contractual performance in accordance with contractual terms. As the prime contractor, the Corporation is contractually obligated to complete contracts with foreign buyers, ensuring that the terms of the contract are fulfilled regardless of performance by the Canadian exporter.

As at	**December 31, 2021**	March 31, 2021	$ Change	% Change
Total assets	**$ 86,397**	$ 79,204	$ 7,193	9%
Total liabilities	**61,192**	57,113	4,079	7%
Total equity	**25,205**	22,091	3,114	14%
Total liabilities and equity	**$ 86,397**	$ 79,204	$ 7,193	9%

As at December 31, 2021, total assets of $86.4 million increased by $7.2 million or 9% from the prior year end. This was primarily driven by increases in accounts receivable of $6.8 million and in cash and cash equivalents of $477 thousand.

Total liabilities of $61.2 million increased by $4.1 million or 7% from the prior year end. This was primarily driven by increases in accounts payable and accrued liabilities of $8.8 million and deferred government funding of $3.3 million, which were partially offset by a decrease in advances of $7.6 million.

The similar 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.

The increase in total equity was driven by the net profit of $3.1 million.

Statement of Cash Flows discussion

	For the nine months ended December 31,	
Cash flows ($000's)	**2021**	2020
Operating activities	**$ 1,259**	$ (27,794)
Investing activities	**(72)**	(111)
Financing activities	**(322)**	(312)
Effect of exchange rate changes on cash and cash equivalents	**(388)**	(2,571)
Changes in cash and cash equivalents	**$ 477**	$ (30,788)

During the nine months ended December 31, 2021, the Corporation's cash and cash equivalents increased by $477 thousand which was primarily driven by cash inflows from operating activities of $1.3 million and partially offset by cash outflows totaling $782 thousand from investing and financing activities as well as the unfavorable effect of changes in exchange rates. Cash inflows from operating activities were primarily a result of the net profit of $3.1 million adjusted for the impact of non-cash items ($966 thousand) which were partially offset by the unfavorable net change in working capital of $2.8 million.

Cash and cash equivalents represent a momentary view at a specific point in time. The Corporation's cash balances fluctuate widely on a daily basis because, at times, tens of millions of dollars can be received one day and paid out the next day or vice versa. It is notable that although cash flows reported reflect reporting as an agent, CCC also receives significant amounts from foreign buyers for payment to Canadian exporters as contractual performance obligations are fulfilled.

On contracts outside of the DPSA, the Corporation generally pays its Canadian exporters within five business days after CCC receives payment from the foreign buyer (i.e. pay when paid). Under the DPSA, the Corporation generally pays its Canadian exporters within thirty days of receipt of an invoice. The Corporation may use its own funds to pay Canadian exporters on or before the 30th day in instances where payment has not yet been received from the DPSA buyer. Depending on the timing differences between receipt and payment, these transactions can span across reporting periods and can cause variations in cash flows from one period to the next, with receivables being paid to the Corporation at the end of one period and payments being made to the Canadian exporter early in the next.

Comparison of financial results to budget

The financial results for the nine months ended December 31, 2021 are compared to budget as follows:

Net profit ($000's) **For the nine months ended December 31, 2021**	Actual	Budget	$ Change	% Change
Revenues				
Fees for service	**$ 11,666**	$ 9,231	$ 2,435	26%
Other income	**138**	137	1	<1%
Finance income	**137**	109	28	26%
	11,941	9,477	2,464	26%
Government funding	**9,688**	9,750	(62)	(1%)
Expenses				
Administrative expenses	**18,370**	19,966	(1,596)	(8%)
Finance costs	**152**	-	152	100%
Expenses	**18,522**	19,966	(1,444)	(7%)
Gain on foreign exchange	**7**	-	7	100%
Net profit	**$ 3,114**	$ (739)	$ 3,853	>100%

The Corporation's net profit of $3.1 million for the nine month period ended December 31, 2021 represents a favorable variance of $3.9 million compared to budget. This favorable variance was due primarily to fees for service from accelerated deliveries on a significant project being earned ahead of plan ($2.4 million) and to lower than expected expenses ($1.4 million).

The favorable expense variance of $1.4 million is due to: (1) lower workforce compensation expenses resulting from staff vacancies ($528 thousand); (2) cost management and containment in consulting and communications initiatives ($434 thousand); (3) lower than planned level of travel and hospitality as travel limitations related to the COVID-19 pandemic continue to impact the Corporation ($234 thousand) and (4) several other expenditures being lower than planned ($250 thousand). Expense budgets are set based on capacity requirement assumptions related to the Corporation's forecasted contract activity. Expenditures are managed in a prudent manner and are controlled to the extent possible relative to revenues earned throughout the year.

2021-22 CORPORATE PLAN OUTLOOK

CCC's 2021-22 to 2025-26 Corporate Plan was amended based on direction included in the July 2021 Statement of Priorities and Accountabilities (SPA) provided by the Minister of International Trade, Export Promotion, Small Business and Economic Development of Canada. The amended Corporate Plan was approved by the Corporation's Board of Directors in December 2021 and approved by the Government of Canada in January 2022.

For 2021-22, net profit is forecast to be $4.0 million higher than the prior year and $0.1 million higher than the budget detailed in the approved amended 2021-22 to 2025-26 Corporate Plan.

For 2021-22, revenues are forecast to be lower than prior year and slightly lower than budget. Lower revenues are forecast due to less fee generating contracts signed in 2020-21 combined with lower fees for service earned on active contracts that have extended delivery obligations to future years or are winding down to completion.

To offset the anticipated revenue shortfalls, Management proactively monitors and controls expenditures relative to forecast revenues as required. Expenditures will be actively managed and continually evaluated to the end of 2021-22.

CCC'S COMMITMENT TO RISK MANAGEMENT

CCC's Enterprise Risk Management ("ERM") Framework sets out an approach to manage a wide variety of risks while assisting the Corporation in fulfilling its mandate to facilitate international trade on behalf of Canadian exporters. The strategy for managing these risks is discussed in detail in the Corporation's 2020-21 Annual Report.

The impact of COVID-19 and the recent Omicron variant on CCC's business during the reporting period continues to be significant. Employees continue to work from home with secured connectivity and controls regarding CCC's information systems. The continuing COVID-19 pandemic has increased business environment risk as foreign buyers recalibrate their procurement needs. Furthermore, CCC's suppliers have also been impacted economically by COVID-19, thereby increasing CCC's supplier risk.

An additional risk that CCC monitors closely is reputational risk. Performance issues with certain export projects may have an impact on CCC's reputation with foreign buyers. Management is working closely with the affected Canadian suppliers and foreign buyers to resolve issues as they arise.

Management continues to align its environmental, social and governance (ESG) framework with that of the Government of Canada. As a part of CCC's commitment to responsible business conduct, collaboration with other Government stakeholders ensures that a robust, consistent approach and decision-making process is in place when determining the risk in its transactions on issues related to bribery and corruption as well as assessing the risk of adverse human rights impacts in reference to the export of goods and services.

Except for the changes mentioned above, there is no other significant change, new risk or uncertainty identified during the period ended December 31, 2021, as compared to those previously reported or discussed.

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 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.

Bobby Kwon
President and Chief Executive Officer

Ernie Briard
Vice-President of Corporate Services and
Chief Financial Officer

Ottawa, Canada
February 17, 2022

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

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Statement of Financial Position (Unaudited)

As at	Notes	December 31, 2021	March 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 49,925	$ 49,448
Accounts receivable	5 , 12	30,578	22,699
Other assets	6	898	567
		81,401	72,714
Non-current assets			
Accounts receivable	5 , 12	8	1,135
Property and equipment		1,962	2,098
Right-of-use assets		3,026	3,257
		4,996	6,490
Total assets		$ 86,397	$ 79,204
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7 , 12	$ 35,679	$ 26,847
Advances		14,538	22,140
Deferred revenue	8	125	405
Deferred government funding	9	3,312	-
Lease liabilities	10	501	446
Employee benefits		1,236	1,111
		55,391	50,949
Non-current liabilities			
Lease liabilities	10	5,595	5,972
Employee benefits		206	192
		5,801	6,164
Total liabilities		61,192	57,113
EQUITY			
Contributed capital		10,000	10,000
Retained earnings		15,205	12,091
Total equity		25,205	22,091
Total liabilities and equity		$ 86,397	$ 79,204
Contingencies	17		

The accompanying notes are an integral part of the financial statements.
Authorized for issue on February 17, 2022

Bobby Kwon
President and Chief Executive Officer

Ernie Briard
Vice-President of Corporate Services and Chief Financial Officer

(In thousands of Canadian dollars, unless otherwise indicated)

Statement of Comprehensive Income (Loss)(Unaudited)

	Notes	For the three months ended December 31 **2021**	2020	For the nine months ended December 31 **2021**	2020
REVENUES					
Fees for service	13	**$ 9,057**	$ 5,532	**$ 11,666**	$ 12,885
Other income	14	**61**	71	**138**	242
Finance income		**43**	33	**137**	108
		9,161	5,636	**11,941**	13,235
GOVERNMENT FUNDING					
Transfers from Government of Canada	9	**3,566**	4,000	**9,688**	4,000
		3,566	4,000	**9,688**	4,000
EXPENSES					
Administrative expenses	15	**6,197**	5,805	**18,370**	17,510
Finance costs	10	**48**	51	**152**	155
		6,245	5,856	**18,522**	17,665
Net income (loss) before gain (loss) on foreign exchange		**6,482**	3,780	**3,107**	(430)
Gain (loss) on foreign exchange		**2**	(378)	**7**	(487)
Net profit (loss)		**$ 6,484**	$ 3,402	**$ 3,114**	$ (917)
OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)					
Actuarial gain (loss) on employee benefits obligation		**-**	-	**-**	-
Total comprehensive income (loss)		**$ 6,484**	$ 3,402	**$ 3,114**	$ (917)

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

(In thousands of Canadian dollars, unless otherwise indicated)

Statement of Changes in Equity (Unaudited)

For the three and nine months ended December 31, 2021		**Contributed Capital**		**Retained Earnings**		**Total**
BALANCE SEPTEMBER 30, 2021	**$**	**10,000**	**$**	**8,721**	**$**	**18,721**
Net profit				**6,484**		**6,484**
BALANCE DECEMBER 31, 2021	**$**	**10,000**	**$**	**15,205**	**$**	**25,205**
BALANCE MARCH 31, 2021	**$**	**10,000**	**$**	**12,091**	**$**	**22,091**
Net profit				**3,114**		**3,114**
BALANCE DECEMBER 31, 2021	**$**	**10,000**	**$**	**15,205**	**$**	**25,205**

For the three and nine months ended December 31, 2020		**Contributed Capital**		**Retained Earnings**		**Total**
BALANCE SEPTEMBER 30, 2020	$	10,000	$	9,595	$	19,595
Net profit				3,402		3,402
BALANCE DECEMBER 31, 2020	$	10,000	$	12,997	$	22,997
BALANCE MARCH 31, 2020	$	10,000	$	13,914	$	23,914
Net loss				(917)		(917)
BALANCE DECEMBER 31, 2020	$	10,000	$	12,997	$	22,997

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

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

Statement of Cash Flows (Unaudited)

	Notes	For the three months ended December 31 **2021**	2020	For the nine months ended December 31 **2021**	2020
OPERATING ACTIVITIES					
Net profit (loss)		**$ 6,484**	$ 3,402	**$ 3,114**	$ (917)
Adjustments to determine net cash from (used in) operating activities:					
Depreciation property and equipment		**72**	115	**208**	334
Depreciation right-of-use assets		**76**	78	**231**	235
Employee benefit expense		**46**	46	**139**	138
Loss on foreign exchange		**232**	735	**388**	2,571
Change in working capital from:					
Accounts receivable	5 , 12	**(13,846)**	(6,550)	**(6,752)**	(1,503)
Other assets	6	**162**	17	**(331)**	(338)
Accounts payable and accrued liabilities	7 , 12	**(2,035)**	1,840	**8,832**	(17,151)
Holdbacks	17	**-**	-	**-**	(5,003)
Advances		**497**	(2,219)	**(7,602)**	(5,882)
Deferred revenue	8	**(1)**	(48)	**(280)**	(278)
Deferred government funding	9	**(3,566)**	-	**3,312**	-
Cash provided (used in) by operating activities		**(11,879)**	(2,584)	**1,259**	(27,794)
INVESTING ACTIVITIES					
Acquisitions of property and equipment		**(19)**	-	**(72)**	(111)
Cash used in investing activities		**(19)**	-	**(72)**	(111)
FINANCING ACTIVITIES					
Principal repayment of lease liabilities	10	**(111)**	(105)	**(322)**	(312)
Cash used in financing activities		**(111)**	(105)	**(322)**	(312)
Effect of exchange rate changes on cash and cash equivalents		**(232)**	(735)	**(388)**	(2,571)
Net increase (decrease) in cash and cash equivalents		**(12,241)**	(3,424)	**477**	(30,788)
Cash and cash equivalents at the beginning of the period		**62,166**	38,454	**49,448**	65,818
Cash and cash equivalents at the end of the period		**$ 49,925**	$ 35,030	**$ 49,925**	$ 35,030
Supplementary disclosure of cash flows from operating activities					
Amount of interest received		**$ 43**	$ 33	**$ 137**	$ 108
Amount of interest paid	10	**$ 48**	$ 51	**$ 152**	$ 155

The accompanying notes are an integral part of the 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, is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act* ("FAA") and is accountable for its affairs to Parliament through the Minister of Small Business, Export Promotion and International Trade (The "Minister"). The Corporation is domiciled in Canada with a head office located at 350 Albert Street, Ottawa, Ontario. The Corporation operates in Canada.

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 transfers from the Government of Canada which, for current fiscal year, are to be used exclusively for the administration of the DPSA. The transfer from the Government of Canada received last fiscal year was for operational expenditures and was unrestricted and not repayable.

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 International Financial Reporting Standards (IFRS)

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 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, 2021. 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, 2021.

(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:

- Derivative financial instruments are measured at fair value through profit or loss.
- 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 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.

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 loss 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 and the determination whether a contingent liability needs to be disclosed or a provision for contract remediation expenses or other contract related liabilities needs to be recognized.

The critical judgements that management has made in applying the Corporation's accounting policies and 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 assessment whether there have been significant changes in credit risks impacting the expected credit loss 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 provision or disclosed as a contingent liability.

Impact of COVID-19

In addition to the significant estimates and the critical judgements mentioned previously, management has assessed the impact of the COVID-19 pandemic on the Corporation in the preparation of the financial statements based on available information without undue cost or effort and has not recognized any allowance for expected credit loss or provisions nor identified any contingent liabilities to disclose as a result of COVID-19 as at December 31, 2021. However, the increase in both the magnitude and duration of the pandemic may result in future changes in estimates that may affect the timing of future revenue recognition, the accounting and disclosure for provisions, contingent liabilities and allowance for expected credit losses. Further information on the impact of COVID-19 on the Corporation is disclosed in note 12(d).

(d) 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, 2021.

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 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.

(In thousands of Canadian dollars, unless otherwise indicated)

The components of cash and cash equivalents were as follows as at:

	December 31, 2021	March 31, 2021
Cash	**$ 39,344**	$ 30,297
Notice deposits	**10,581**	5,538
Short term investments	**-**	13,613
Cash and cash equivalents	**$ 49,925**	$ 49,448

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

	December 31, 2021		March 31, 2021	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
Canadian dollars	**27,092**	**$ 27,092**	19,599	$ 19,599
U.S. dollars	**17,634**	**22,279**	23,380	29,381
Chinese renminbi	**2,782**	**554**	2,440	468
		$ 49,925		$ 49,448

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:

	December 31, 2021	March 31, 2021
Accounts receivable	**$ 30,443**	$ 23,884
Accrued receivables	**289**	96
Allowance for expected credit loss	**(146)**	(146)
	$ 30,586	$ 23,834

(In thousands of Canadian dollars, unless otherwise indicated)

The accounts receivable are presented on the Statement of Financial Position as follows as at:

	December 31, 2021	March 31, 2021
Current	**$ 30,578**	$ 22,699
Non-current	**8**	1,135
	$ 30,586	$ 23,834

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

	December 31, 2021		March 31, 2021	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
U.S. dollars	**23,478**	**$ 29,661**	18,343	$ 23,051
Canadian dollars	**925**	**925**	783	783
		$ 30,586		$ 23,834

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:

	December 31, 2021	March 31, 2021
Prepaid expenses	**$ 463**	$ 456
Unbilled revenues	**435**	111
	$ 898	$ 567

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due related to the Corporation's administrative and operating 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.

(In thousands of Canadian dollars, unless otherwise indicated)

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

	December 31, 2021	March 31, 2021
Accounts payable	**$ 32,485**	$ 24,216
Accrued liabilities	**3,194**	2,631
	$ 35,679	$ 26,847

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

	December 31, 2021		March 31, 2021	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
U.S. dollars	**25,271**	**$ 31,928**	18,534	$ 23,293
Canadian dollars	**3,740**	**3,740**	3,486	3,486
Chinese renminbi	**56**	**11**	354	68
		$ 35,679		$ 26,847

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

8. DEFERRED REVENUE

The change in the Corporation's deferred revenue was as follows:

	December 31, 2021	March 31, 2021
Balance at the beginning of the year	**$ 405**	$ 547
Plus: additional deferred revenue, net of refunds	**100**	107
Less: amounts recognized as Fees for service or cost recovery	**(177)**	(285)
Impact of netting unbilled and deferred revenue from same contract	**(203)**	36
Balance at the end of the period	**$ 125**	$ 405

(In thousands of Canadian dollars, unless otherwise indicated)

9. DEFERRED GOVERNMENT FUNDING

In May 2021, the Corporation received $13.0 million from the Department of Finance Canada for the 2021-22 fiscal year. This funding is to be used exclusively for the costs of administration of the DPSA.

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

		December 31, 2021
Balance at the beginning of the year	$	-
Plus: funding received from the Governement of Canada		13,000
Less: government funding revenue recognized		(9,688)
Balance at the end of the period	$	3,312

During the three and nine month periods ended December 31, 2021, the Corporation recognized revenue of $3,566 and $9,688 respectively, received from the Government of Canada for the costs to administer the DPSA.

During the three and nine month periods ended December 31, 2020, the Corporation recognized revenue of $4.0 million received from the Government of Canada for operational expenditures. The amount received was unrestricted and was not repayable.

10. LEASE LIABILITIES

The Corporation's leasing activities relate to office space and office equipment.

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 expires at the end of November 2031 with an option to extend the term of the lease for an additional five years.

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

		December 31, 2021		March 31, 2021
Balance at the beginning of the year	$	6,418	$	6,836
Interest expense		146		205
Lease payments		(468)		(623)
Balance at the end of the period	$	6,096	$	6,418

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

The lease liabilities are presented on the Statement of Financial Position as follows as at:

	December 31, 2021	March 31, 2021
Current	$ 501	$ 446
Non-current	5,595	5,972
	$ 6,096	$ 6,418

Interest expense related to lease liabilities are included in finance cost. For the three and nine month periods ended December 31, 2021, the Corporation's administrative expenses include $206 and $560 respectively ($188 and $604 for the three and nine month periods ended December 31, 2020) of variable lease payments not included in the measurement of lease liabilities. For the three and nine month periods ended December 31, 2021 and December 31, 2020, 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 with respect to capital is to preserve and strengthen its capital base through prudent risk management. This objective and the implementation of 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.

The Corporation defines capital as its contributed capital and retained earnings. The Corporation's contributed capital consists of the capital contributed by the Government of Canada. The capital allocation model used by the Corporation determines the capital required across three risk areas: operational risk, performance risk, and credit risk.

The Corporation is not subject to externally imposed capital requirements.

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. 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 Corporation's breakdown of supply of capital was as follows as at:

	December 31, 2021	March 31, 2021
Contributed capital	$ 10,000	$ 10,000
Retained earnings	15,205	12,091
	$ 25,205	$ 22,091

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As described in the Corporation's Annual Report and audited financial statements for the year ended March 31, 2021, 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. 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. The Corporation invests 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 US 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 December 31, 2021, 49% (March 31, 2021 — 26%) of the Corporation's accounts receivable were from AAA credit rated counterparties.

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

The Corporation measures a loss allowance on accounts receivable equal to the lifetime expected credit loss. The lifetime expected credit loss is estimated based on the Corporation's historical credit loss experience adjusted for factors specific to foreign buyers or other entities including credit risk rating, general economic conditions and an assessment of both the current and forecasted direction of conditions at the reporting date.

Since March 31, 2021, there has been no movement in lifetime expected credit loss recognized for accounts receivable in accordance with the simplified approach set out in *IFRS 9.* When applicable, changes in allowance for expected credit loss are included in the Other expenses' component of Administrative expenses.

As at December 31, 2021, the Corporation recognized a loss allowance for expected credit loss of $89 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:

	December 31, 2021	March 31, 2021
Asia *	**$ 14,969**	$ 17,019
United States	**14,189**	5,445
Canada	**865**	772
Central America and Caribbean	**357**	554
Africa	**194**	-
South America	**12**	44
	$ 30,586	$ 23,834

* Includes Middle East

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:

	December 31, 2021	March 31, 2021
< 30 days	**$ 2,408**	$ 390
> 30 days and < 180 days	**6,856**	4,495
> 180 days	**4,929**	1,115
	$ 14,193	$ 6,000

Except for the amounts included in allowance for expected credit loss, all overdue accounts receivable are considered fully collectable as at December 31, 2021.

When applicable, accounts receivable from the ABP contract covered by payments expected to be received beyond 12 months after the reporting period are presented as long term. As at December 31, 2021, there were no long-term receivable related to the ABP contract. As at March 31, 2021, these receivables were categorized as level 2 in the fair value hierarchy and the Corporation had determined that their fair value approximated their carrying value using the income approach.

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

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 due to timing differences between the recognition of Fees for service revenue and actual cash receipt for certain contracts. As at December 31, 2021, the Corporation’s currency risk exposure is minimal.

(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.

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

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, 2021 — $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 June 30, 2022 subject to extension by the Minister of Finance or the approval of a corporate plan. As at December 31, 2021, the draw on this line of credit was nil (March 31, 2021 — 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:

	December 31, 2021	March 31, 2021
< 1 year	**$ 35,679**	$ 26,847
	$ 35,679	$ 26,847

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

(d) Risk associated to COVID-19

COVID-19 has impacted the following risks for the Corporation:

Business environment risk

Potential foreign buyers may adjust their procurement plans to focus on their domestic response to COVID-19 which could result in decreased demand for the Corporation's services and therefore, impacting its revenue generating potential. The Corporation monitors environmental changes resulting from COVID-19 to manage this risk and adapts processes as necessary. Additionally, the magnitude of the adverse economic impact of COVID-19 may differ from one country to another which may impact the credit risk associated to the Corporation's accounts receivable and unbilled revenue from its foreign buyers. To manage this risk, the Corporation closely monitors the aging of its accounts receivable and unbilled revenue and monitors the general economic conditions of its foreign buyers to determine whether there has been an increase in credit risk and whether any allowance for expected credit loss should be recognized. As at December 31, 2021, the Corporation's allowance for expected credit loss are not related to COVID-19.

Supplier performance risk

COVID-19 may impact exporters' capacity to meet their contractual obligations either through possible reduced sales volumes or impacted supply chains. Ultimately, some companies may fail during the pandemic. To manage this risk, the Corporation monitors the financial condition of its exporter portfolio and assesses whether any provision for contract remediation should be recognized or a contingent liability disclosed. As at December 31, 2021, the Corporation has not recognized any provisions nor identified any contingent liabilities to disclose as a result of COVID-19.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of Fees for service revenue

For the three and nine month periods ended December 31, the sources of the Corporation's Fees for service revenue were as follows:

	For the three months ended December 31		For the nine months ended December 31	
	2021	**2020**	**2021**	2020
International business	**$ 8,380**	$ 4,784	**$ 9,495**	$ 10,790
Lottery programs	**155**	204	**604**	506
	$ 8,535	$ 4,988	**$ 10,099**	$ 11,296
Government of Canada initiatives	**522**	544	**1,567**	1,589
	$ 9,057	$ 5,532	**$ 11,666**	$ 12,885

(In thousands of Canadian dollars, unless otherwise indicated)

(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 December 31, 2021. 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.

		December 31, 2021
< 1 year	**$**	**11,914**
> 1 year		**19,678**
	$	**31,592**

The above amounts do not include the variable consideration portions of the lottery programs as they 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 and nine month periods ended December 31:

	For the three months ended December 31				For the nine months ended December 31			
		2021		**2020**		**2021**		2020
Discounting income	**$**	**45**	$	54	**$**	**91**	$	191
Miscellaneous income		**16**		17		**47**		51
	$	**61**	$	71	**$**	**138**	$	242

(In thousands of Canadian dollars, unless otherwise indicated)

15. ADMINISTRATIVE EXPENSES

Administrative expenses for the three and nine month periods ended December 31 are as follows:

	For the three months ended December 31		For the nine months ended December 31	
	2021	2020	**2021**	2020
Workforce compensation and related expenses	**$ 4,379**	$ 4,053	**$ 13,173**	$ 12,448
Contract management services	**642**	639	**1,926**	1,918
Consultants	**355**	347	**1,032**	778
Rent and related expenses	**232**	241	**682**	784
Software, hardware and support	**198**	157	**594**	544
Depreciation	**148**	193	**439**	569
Communications	**72**	102	**177**	248
Travel and hospitality	**100**	2	**135**	23
Other expenses	**71**	71	**212**	198
	$ 6,197	$ 5,805	**$ 18,370**	$ 17,510

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 December 31, 2021 was $7.8 billion (March 31, 2021 — $9.4 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. In addition, to further mitigate the overall exposure to potential damage claims for non-performance, and depending upon the results of its due diligence, 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 held in trust with the Corporation.

Commercial securities that have been pledged to the Corporation as collateral by Canadian exporters in the unlikely event of their contractual non-performance were as follows as at:

	December 31, 2021	March 31, 2021
Parent guarantees	**$ 7,246,473**	$ 8,852,878

The above amounts approximate the fair values of collateral held.

(b) Other contingent liabilities

As part of the normal course of business, management assesses the likelihood of any contingent liabilities. As of December 31, 2021, the Corporation has certain unresolved contract issues that are being actively managed towards resolution. Except for the amounts included in allowance for expected credit loss (note 12(a)), any financial impact on the Corporation, including the potential for future contract remediation expenses, cannot be reasonably estimated at this time.