Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canadian Commercial Corporation

2022-2023 First Quarter
Financial Report (Unaudited)

For the period ended
June 30, 2022

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 audited annual financial statements and accompanying notes for the year ended March 31, 2022. 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 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-billion-dollar multi-year 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 main business lines (and several sub-business lines based on specific market, product and financial requirements) which support Canadian companies in variety of industrial sectors in markets around the globe.

Defence Production Sharing Agreement (DPSA)

CCC supports significant Canadian export activity under the Defence Production Sharing Agreement ("DPSA"). The DPSA enables Canadian exporters to compete for contracts as part of the United States Department of Defense ("DoD") domestic supply base. Enabling access in this manner provides Canadian exporters with business opportunities that drive exports and jobs in Canada, while generating economic benefits in both Canada and the United States, CCC does not charge fees for services provided under the DPSA.

The DPSA continues to help underpin the collective security of Canada and the United States by enabling us to leverage one another's industrial and technological strengths in meeting respective defence procurement needs. Cross-border trade linked to the DPSA also offers important opportunities for firms in some of Canada's most innovative sectors and for a variety of small and medium-sized enterprises ("SMEs"). Budget 2021 provides an annual appropriation for CCC to administer the DPSA. A more fulsome description of the appropriation is discussed under the ***Summary of Financial Results*** section below.

International Prime Contracting (IPC)

The Corporation's International Prime Contracting ("IPC") business line is a fee-based 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. 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**.** Every such contract is unique, and CCC's guarantee of contract performance provides added incentive for foreign governments to procure Canadian expertise, and often to address priority strategic projects in various domains (e.g., transportation, infrastructure, national security, and others).

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 its costs from this program and charges a fee to GAC for its services.

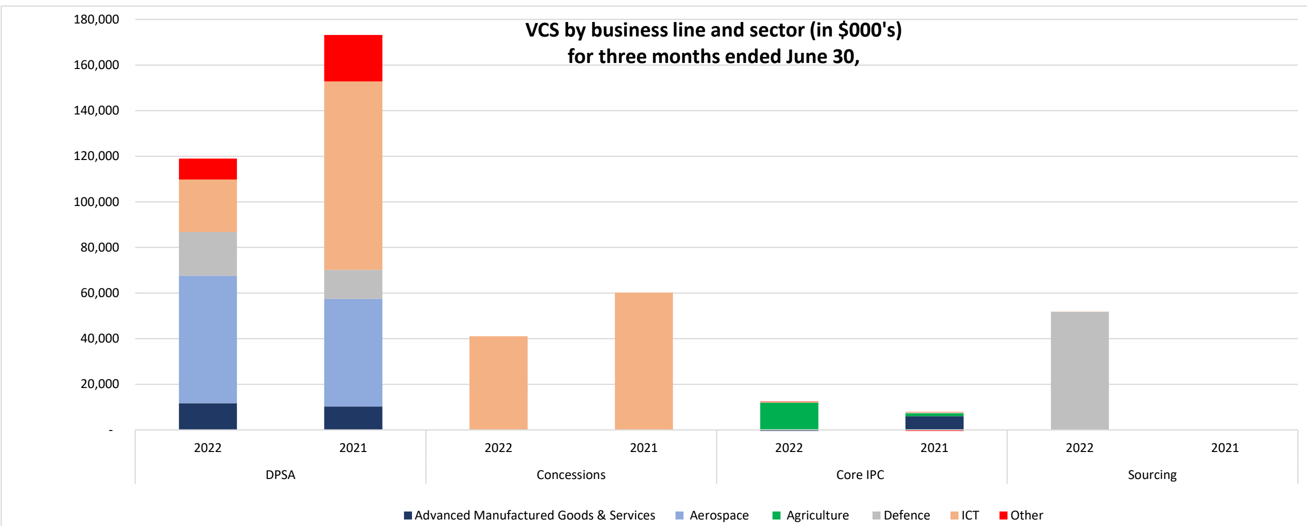
VALUE OF CONTRACTS SIGNED

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 month periods ended June 30, 2022 and 2021.

	For the three months ended June 30,					
					% of Total	
VCS by business line ($000's)	**2022**	2021	$ Change	% Change	**2022**	2021
IPC						
Core IPC	**$ 11,773**	$ 7,263	$ 4,510	62%	**5%**	3%
Concessions	**41,112**	60,231	(19,119)	(32%)	**18%**	25%
DPSA	**119,022**	173,122	(54,100)	(31%)	**53%**	72%
Sourcing	**51,865**	30	51,835	>100%	**23%**	<1%
Total	**$ 223,772**	$ 240,646	$ (16,874)	(7%)	**100%**	100%

and the chart below presents VCS by business line and sector for the same periods:



Total VCS for the three month period ended June 30, 2022 was $16.9 million or 7% lower compared to the same period in the prior year. The decrease was primarily the result of the following:

- Lower DPSA VCS ($54.1 million) which was primarily attributable to a decline in VCS from the information & communications technology (ICT) sector of $59.5 million.
- Lower Concessions VCS ($19.1 million), which is valued based on gross ticket sales of the Lottery Program, as a result of the termination of the Nicaragua lottery contract.
- These decreases were partially offset by an increase in Sourcing VCS ($51.8 million) driven by Canada's response to the war in Ukraine. As part of the Government of Canada commitment, CCC continues to work closely with Global Affairs Canada and the Department of National Defence to rapidly procure and provide aid to Ukraine.

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. For the 2022-2023 fiscal year, the war in Ukraine, the current international geo-political and economic context have destabilized the global economy and have resulted in ongoing work for CCC to support global security and global food security which have started to impact the results of the Corporation as at June 30, 2022 and is expected to continue to have a significant impact throughout the fiscal year.

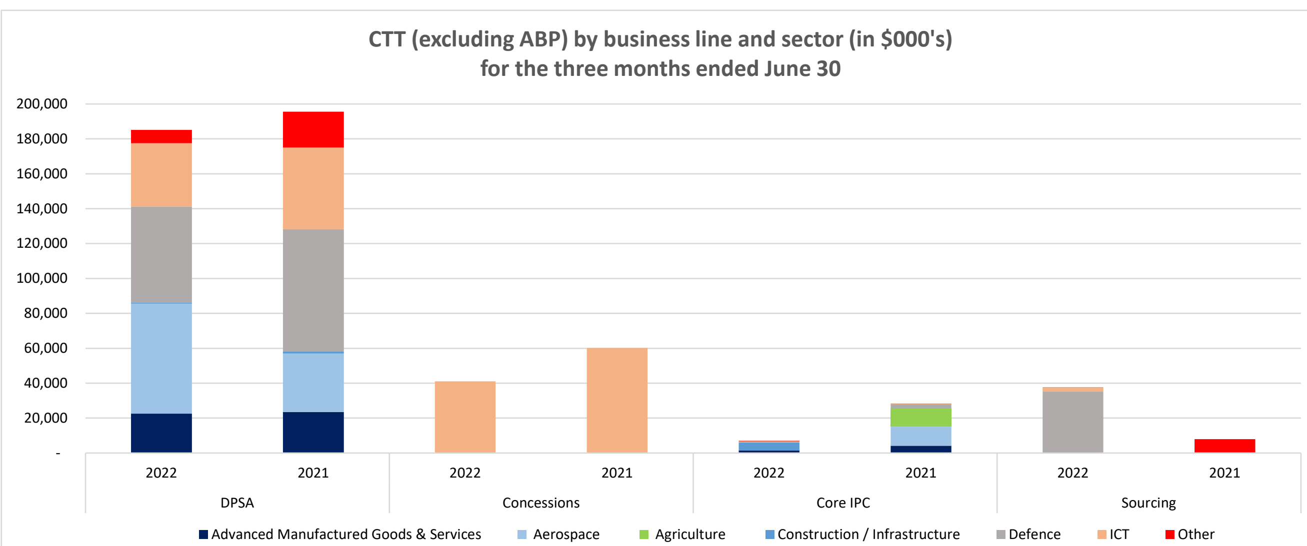
COMMERCIAL TRADING TRANSACTIONS

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 (IFRS), 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 table below presents CTT by business line for the three month periods ended June 30, 2022 and 2021:

	For the three months ended June 30,					
					% of Total	
CTT by business line ($000's)	**2022**	2021	$ Change	% Change	**2022**	2021
IPC						
Core IPC	**$ 6,965**	$ 28,139	$ (21,174)	(75%)	**1%**	10%
Concessions	**41,112**	60,231	(19,119)	(32%)	**7%**	21%
DPSA	**185,182**	195,644	(10,462)	(5%)	**32%**	67%
Sourcing	**37,638**	7,894	29,744	>100%	**7%**	3%
Total excluding ABP	**$ 270,897**	$ 291,908	$ (21,011)	(7%)	**47%**	100%
ABP	**307,954**	-	307,954	0%	**53%**	0%
Total including ABP	**$ 578,851**	$ 291,908	$ 286,943	98%	**100%**	100%

and the chart below presents CTT (excluding ABP) by business line and sector for the same periods:



Total CTT for the three month period ended June 30, 2022 was $286.9 million higher compared to the same period in the prior year. The increase was primarily attributable to the timing of deliveries and billing activities related to the ABP program ($308.0 million) as well as the following:

- Higher Sourcing CTT ($29.7 million) driven by Canada's continued response to the war in Ukraine.

Which were partially offset by:

- A decrease in Core IPC CTT of $21.2 million which included the sale of potash to Bangladesh ($10.4 million) and the sale of aircrafts to Morocco ($10.9 million) during the same period in the prior year.
- And a decrease in Concessions CTT of $19.1 million as a result of the termination of the Nicaragua lottery contract.

Significant variations in CTT are expected when comparing period-over-period results given the timing of specific contract requirements and associated delivery schedules.

SUMMARY OF FINANCIAL RESULTS

A discussion of CCC's financial highlights for the three month period ended June 30, 2022, follows.

Statement of Comprehensive Income (loss) discussion

	For the three months ended June 30,			
Net profit (loss) ($000's)	**2022**	2021	$ Change	% Change
Fees for service revenue	**$ 2,883**	$ 1,342	$ 1,541	>100%
Finance and Other income	**282**	98	184	>100%
Government funding	**3,262**	3,003	259	9%
Expenses	**6,229**	6,205	24	<1%
Gain (loss) on foreign exchange	**387**	(217)	604	>100%
Net profit (loss)	**$ 585**	$ (1,979)	$ 2,564	>100%

For the three month period ended June 30, 2022, the Corporation recorded a net profit of $585 thousand, an improvement of $2.6 million compared to the net loss of $2.0 million during the same period in the prior year. The favourable variance was primarily attributable to higher fees for service revenue ($1.5 million) and the favourable effect of foreign exchange ($604 thousand).

Fees for service revenue

Fees for service by business line ($000's)	For the three months ended June 30, 2022	2021	$ Change	% Change	% of Total 2022	% of Total 2021
IPC						
Core IPC	**$ 283**	$ 590	$ (307)	(52%)	**9%**	44%
Concessions	**132**	230	(98)	(43%)	**5%**	17%
Sourcing	**651**	312	339	>100%	**23%**	23%
Canadian Trade Offices	**216**	210	6	3%	**7%**	16%
Total excluding ABP	**$ 1,282**	$ 1,342	$ (60)	(4%)	**44%**	100%
ABP	**1,601**	-	1,601	100%	**56%**	0%
Total including ABP	**$ 2,883**	$ 1,342	$ 1,541	>100%	**100%**	100%

The Corporation charges fees for service on all programs, except for the DPSA. For IPC, fees are generally calculated as a percentage of the contract value whereas for Sourcing, fees are established annually and recognized on a straight line basis. 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 can be recognized as revenue differently depending on the service performance obligation related to the various business lines. However, the large majority are recorded based on promise to perform all activities required for the Canadian exporter to obtain payment under the terms and conditions of the prime contract. This is generally commensurate with CTT.

For the three month period ended June 30, 2022, fees for service revenue of $2.9 million were $1.5 million higher compared to the same period in the prior year. Being generally commensurate with CTT, the variance explanations detailed in the **Commercial Trading Transactions** section apply to the fees variance discussion as well, with the ABP program being the main driver of fee increase for the three month period ended June 30, 2022. As previously explained, significant variations in CTT when comparing period-over-period results also translates into significant variations in fees for service revenue given the timing of specific contract requirements and associated delivery schedules.

Government funding

Budget 2021 recognized the importance of CCC's role in administering the DPSA and proposed restoring an annual parliamentary appropriation of $13.0 million, commencing in fiscal year 2022-23, to exclusively fund the administrative expenses incurred by CCC in administering the DPSA as CCC does not receive fees for service on DPSA contracts. In fiscal year 2021-22, a one-time lump sum transfer from the Government of Canada was received for this purpose. For the three-month periods ended June 30, 2022 and 2021, the Corporation recognized government funding of $3.3 million and $3.0 million as an exact offset to costs incurred for the administration of the DPSA.

Expenses

	For the three months ended June 30					
					% of Total	
Administrative expenses ($000's)	**2022**	2021	$ Change	% Change	**2022**	2021
Workforce compensation and related expenses	**$ 4,281**	$ 4,418	$ (137)	(3%)	**68%**	74%
Contract management services	**650**	650	-	0%	**11%**	11%
Consultants	**348**	378	(30)	(8%)	**6%**	6%
Software, hardware and support	**229**	198	31	16%	**4%**	3%
Rent and related expenses	**186**	258	(72)	(28%)	**3%**	4%
Travel and hospitality	**165**	1	164	>100%	**3%**	<1%
Depreciation	**145**	148	(3)	(2%)	**2%**	2%
Communications	**97**	55	42	76%	**2%**	<1%
Other expenses	**82**	50	32	64%	**1%**	<1%
Total	**$ 6,183**	$ 6,156	$ 27	<1%	**100%**	100%

The Corporation's total administrative expenses of $6.2 million for the three month period ended June 30, 2022 is comparable to prior year levels. While travel expenses have increased ($164 thousand) to support CCC's IPC business line through business development opportunities following the lifting of COVID-related restrictions; workforce compensation and related expenses have decreased due to staff vacancies and management's control of staffing initiatives ($137 thousand).

CCC continuously assesses expenditure levels to achieve cost efficiencies where possible. Budgets and long-term forecasts are set with assumptions regarding capacity required to deliver the Corporation's forecasted business volume. Budgets are managed on a continuous basis from the outset of the year with a view to controlling expenditures relative to revenues earned throughout the year. Additionally, CCC continues to strengthen its culture of innovation and digital transformation investments, 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 ensure completeness of contracts with foreign buyers, ensuring that the terms of the contract are fulfilled regardless of performance by the Canadian exporter.

As at	June 30, 2022	March 31, 2022	$ Change	% Change
Total assets	**$ 93,858**	$ 96,676	$ (2,818)	(3%)
Total liabilities	**69,201**	71,604	(2,403)	(3%)
Total equity	**24,657**	25,072	(415)	(2%)
Total liabilities and equity	**$ 93,858**	$ 96,676	$ (2,818)	(3%)

As at June 30, 2022, total assets of $93.9 million decreased by $2.8 million or 3% from the prior year end. This was primarily driven by a decrease in cash and cash equivalents of $15.0 million which was partially offset by an increase in accounts receivable of $12.3 million.

Total liabilities of $69.2 million decreased by $2.4 million or 3% from the prior year end. This was primarily driven by a decrease in accounts payable and accrued liabilities of $23.5 million which were partially offset by increases in deferred government funding ($9.7 million) and in advances ($10.4 million).

The similar decreases 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.

Dividend issuance

On June 7, 2022, in alignment with its dividend policy, the Corporation's Board of Directors approved the issuance of a dividend of $1.0 million payable to its shareholder explaining the net decrease in equity which was partially offset by the net profit of $585 thousand.

Statement of Cash Flows discussion

Cash and cash equivalents represent a momentary view at a specific point in time. The Corporation's cash balances can fluctuate widely on a daily basis as significant amounts are received from foreign buyers and then paid to Canadian exporters as contractual performance obligations are fulfilled. At times, these amounts could represent tens of millions of dollars that can be received one day and paid out the next day or vice versa.

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 30^{th} 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.

	For the three months ended June 30,	
Cash flows ($000's)	**2022**	2021
Operating activities	**$ (15,893)**	$ (3,505)
Investing activities	**(24)**	-
Financing activities	**(124)**	(104)
Effect of exchange rate changes on cash and cash equivalents	**1,022**	(704)
Changes in cash and cash equivalents	**$ (15,019)**	$ (4,313)

During the three month period ended June 30, 2022, the Corporation's cash and cash equivalents decreased by $15.0 million which was primarily driven by cash outflows from operating activities of $15.9 million and partially offset by the favorable effect of changes in exchange rates of $1.0 million. Cash outflows from operating activities were primarily a result of the unfavorable net change in working capital of $15.6 million.

Comparison of financial results to budget

The financial results for the three month period ended June 30, 2022 are compared to budget as follows:

Net profit (loss) ($000's) for the three months ended June 30, 2022	**Actual**	**Budget**	**$ Variance**	**% Variance**
Revenues				
Fees for service	**$ 2,883**	$ 2,422	$ 461	19%
Finance and other income	**282**	116	166	143%
	3,165	2,538	627	25%
Government funding	**3,262**	3,250	12	<1%
Expenses				
DPSA expenses	**3,262**	3,250	(12)	(0%)
Non-DPSA expenses	**2,967**	3,558	591	17%
	6,229	6,808	579	9%
Gain on foreign exchange	**387**	-	387	0%
Net profit (loss)	**$ 585**	**$ (1,020)**	**$ 1,605**	**157%**

The Corporation recorded a net profit of $585 thousand for the three month period ended June 30, 2022, a favorable variance of $1.6 million compared to the budgeted net loss of $1.0 million. This favorable variance was due to several contributing factors: (1) higher than expected fees for service revenue ($461 thousand); (2) higher than expected finance and other income revenue ($166 thousand); lower than expected expenses ($579 thousand); and (4) a gain on foreign exchange ($387 thousand). Government funding is recorded as an exact offset to costs incurred related to the administration of the DPSA which are included in administrative expenses.

The favourable fees for service variance resulted as there were more fee-generating billing than planned. Fee-generating billing transactions can be unpredictable in many cases, due to unexpected delays to deliveries and/ or contract signings on CCC's large international contracts.

The favorable expense variance of $579 thousand was due to: (1) lower workforce compensation expenses resulting from staff vacancies and management's control of staffing initiatives ($166 thousand); (2) lower than planned level of travel and hospitality due partly to travel limitations related to the COVID-19 pandemic ($232 thousand); (3) lower than planned consulting and communications initiatives ($124 thousand); and (4) several other expenditures being lower than planned ($57 thousand).

2022-23 CORPORATE PLAN OUTLOOK

CCC's 2022-23 to 2026-27 Corporate Plan was approved by the Corporation's Board of Directors and submitted as required to the Minister of International Trade, Export Promotion, Small Business and Economic Development.

For 2022-23, total comprehensive income is forecast to be higher than 2021-22.

For 2022-23, revenues are forecast to be higher than 2021-22. Fee-generating billing transactions are expected to increase as a result of higher values of contract signings in IPC and Sourcing in fiscal year 2021-22 and throughout fiscal year 2022-23 when compared to the values signed in previous years.

For 2022-23, expenses are forecast to be higher than in 2021-22 as operations return to pre-pandemic levels. Management is continuing to optimize and modernize CCC's operations. Management will proactively monitor and control expenditures relative to forecast revenues as required throughout the year.

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 2021-22 Annual Report. The following provides updates to the risk discussion in the Annual Report and since the last reporting period.

An emerging financial risk to CCC's continued financial sustainability is the risk of not generating new revenue streams. CCC's Business Development team is working to generate the measured growth required to attain the required level of sustainable activity. Cost efficiencies and a focus on pricing are also under consideration.

CCC's reputation with individual foreign buyers is influenced by CCC's performance on export contracts. Managing contracts through performance issues is key to ensuring that CCC's reputation remains strong. While only a few contracts experience performance issues, Management is working proactively with these buyers and exporters to bring these few transactions to a successful conclusion.

Recent wide-spread labour shortages in the marketplace also impacted CCC during the quarter thereby trending human resources risk upwards. Competition for qualified job candidates prolonged staffing actions leaving CCC with reduced human resource capacity. Streamlining of CCC's interview process has been established to ensure successful candidates are not lost to the competition.

Heightened cyber threats related to the war in Ukraine had impacts on CCC's risks related to security, information systems and information management / data governance. In response, Management re-assessed its cyber security framework and noted that risk is mitigated through controls on CCC systems and electronic devices used to store or access CCC data. Cyber security training is also a key part of CCC's approach to cyber security risk management.

The challenging economic situation reflecting a higher interest rate regime and the rising costs of inputs needed to deliver on CCC's export contracts has raised CCC's risk related to exporters performing on their contractual obligations to CCC. Management continues to monitor the financial health of its exporter portfolio. Not only are exporters impacted by the economic situation, many foreign government buyers have had to make adjustments as well. CCC's project pipeline reflects these adjustments.

Management continues to monitor the environment for new and emerging risks.

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

Juliet S. Woodfield, FCPA, FCA
Vice-President of Corporate Services and
Chief Financial Officer

Ottawa, Canada
August 16, 2022

(In thousands of Canadian dollars, unless otherwise indicated)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Statement of Financial Position (Unaudited)

As at	Notes		June 30, 2022		March 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents	4	$	51,795	$	66,814
Accounts receivable	5 , 12		36,538		24,268
Other assets	6		804		752
			89,137		91,834
Non-current assets					
Property and equipment			1,848		1,893
Right-of-use assets			2,873		2,949
			4,721		4,842
Total assets		$	93,858	$	96,676
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	7 , 12	$	15,131	$	38,669
Dividend payable	11		1,000		-
Advances			35,492		25,073
Deferred revenue	8		688		607
Deferred government funding	9		9,738		-
Lease liabilities	10		509		505
Employee benefits			1,153		1,110
			63,711		65,964
Non-current liabilities					
Lease liabilities	10		5,339		5,467
Employee benefits			151		173
			5,490		5,640
Total liabilities			69,201		71,604
EQUITY					
Contributed capital			10,000		10,000
Retained earnings			14,657		15,072
Total equity			24,657		25,072
Total liabilities and equity		$	93,858	$	96,676
Contingencies	17				

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

Authorized for issue on August 16, 2022

Bobby Kwon
President and Chief Executive Officer

Juliet S. Woodfield, FCPA, FCA
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 June 30 2022	2021
REVENUES			
Fees for service	13	**$ 2,883**	$ 1,342
Other income	14	**99**	49
Finance income		**183**	49
		3,165	1,440
GOVERNMENT FUNDING			
Parliamentary appropriation	9	**3,262**	-
Transfers from Government of Canada	9	**-**	3,003
		3,262	3,003
EXPENSES			
Administrative expenses	15	**6,183**	6,156
Finance costs	10	**46**	49
		6,229	6,205
Net income (loss) before gain (loss) on foreign exchange		**198**	(1,762)
Gain (loss) on foreign exchange		**387**	(217)
Net profit (loss)		**$ 585**	$ (1,979)
OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)			
Actuarial gain on employee benefits obligation		**-**	-
Total comprehensive income (loss)		**$ 585**	$ (1,979)

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 months ended June 30, 2022	**Note**	**Contributed Capital**	**Retained Earnings**	**Total**
BALANCE MARCH 31, 2022		**$ 10,000**	**$ 15,072**	**$ 25,072**
Net profit			**585**	**585**
Dividend	11		**(1,000)**	**(1,000)**
BALANCE JUNE 30, 2022		**$ 10,000**	**$ 14,657**	**$ 24,657**

For the three months ended June 30, 2021	**Contributed Capital**	**Retained Earnings**	**Total**
BALANCE MARCH 31, 2021	$ 10,000	$ 12,091	$ 22,091
Net loss		(1,979)	(1,979)
BALANCE JUNE 30, 2021	$ 10,000	$ 10,112	$ 20,112

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

(In thousands of Canadian dollars, unless otherwise indicated)

Statement of Cash Flows (Unaudited)

	Notes	For the three months ended June 30 **2022**	2021
OPERATING ACTIVITIES			
Net profit (loss)		**$ 585**	$ (1,979)
Adjustments to determine net cash from (used in) operating activities:			
Depreciation property and equipment		**69**	69
Depreciation right-of-use assets		**76**	79
Employee benefit expense		**48**	47
Employee benefit payments		**(27)**	-
(Gain) loss on foreign exchange		**(1,022)**	704
Change in working capital from:			
Accounts receivable	5 , 12	**(12,270)**	3,379
Other assets	6	**(52)**	(436)
Accounts payable and accrued liabilities	7 , 12	**(23,538)**	(12,495)
Advances		**10,419**	(2,730)
Deferred revenue	8	**81**	(140)
Deferred government funding	9	**9,738**	9,997
Cash used in operating activities		**(15,893)**	(3,505)
INVESTING ACTIVITIES			
Acquisitions of property and equipment		**(24)**	-
Cash used in investing activities		**(24)**	-
FINANCING ACTIVITIES			
Principal repayment of lease liabilities	10	**(124)**	(104)
Cash used in financing activities		**(124)**	(104)
Effect of exchange rate changes on cash and cash equivalents		**1,022**	(704)
Net decrease in cash and cash equivalents		**(15,019)**	(4,313)
Cash and cash equivalents at the beginning of the year		**66,814**	49,448
Cash and cash equivalents at the end of the period		**$ 51,795**	$ 45,135
Supplementary disclosure of cash flows from operating activities			
Amount of interest received		**$ 164**	$ 49
Amount of interest paid		**$ 46**	$ 49

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 International Trade, Export Promotion, Small Business and Economic Development (The "Minister"). The Corporation is domiciled and operates in Canada with a head office located at 350 Albert Street, Ottawa, Ontario.

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

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

In September 2008, the Corporation, together with a number of other Crown corporations, was issued a directive (P.C. 2008-1598) pursuant to Section 89 of the FAA, entitled *Order giving a direction to parent Crown corporations involved in commercial lending to give due consideration to the personal integrity of those they lend to or provide benefits to in accordance with Government's policy to improve the accountability and integrity of federal institutions*. The Corporation implemented the directive effective January 1, 2010 and has remained compliant with the directive since then.

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

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

2. BASIS OF PREPARATION

(a) Compliance with 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, 2022. 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, 2022.

(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, 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 and allocation of expenses to administer the DPSA.

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 allocation of indirect expenses related to administration of DPSA, 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 June 30, 2022. However, the evolution of 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, 2022. In addition to the accounting policies disclosed previously, the Corporation applies the following accounting policy related to Parliamentary appropriations provided by the Government of Canada.

Parliamentary appropriation

A parliamentary appropriation that is not in the nature of contributed capital is recognized as funding in the year for which it is appropriated once authorized by the Parliament of Canada. An appropriation that is restricted by legislation and related to expenses of future periods is deferred and recognized as revenue in the period when the related expenses are incurred.

An authorized parliamentary appropriation used for the purchase of property and equipment is deferred and amortized on the same basis as the related asset.

The parliamentary appropriation for this fiscal year is to be used exclusively for the administration of the DPSA.

(In thousands of Canadian dollars, unless otherwise indicated)

4. CASH AND CASH EQUIVALENTS

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

The component of cash and cash equivalents is as follows as at:

	June 30, 2022	March 31, 2022
Cash	**$ 51,795**	$ 66,814
Cash and cash equivalents	**$ 51,795**	$ 66,814

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

	June 30, 2022		March 31, 2022	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
U.S. dollars	**21,409**	**$ 27,558**	26,793	$ 33,478
Canadian dollars	**23,650**	**23,650**	32,827	32,827
Chinese renminbi	**3,054**	**587**	2,587	509
		$ 51,795		$ 66,814

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:

	June 30, 2022	March 31, 2022
Accounts receivable	**$ 23,579**	$ 24,329
Accrued receivables	**13,031**	11
Allowance for expected credit loss	**(72)**	(72)
	$ 36,538	$ 24,268

(In thousands of Canadian dollars, unless otherwise indicated)

The accrued receivables include the parliamentary appropriation of $13.0 million authorized for this fiscal year which has not been received.

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

	June 30, 2022			March 31, 2022		
	Original currency		**Canadian dollars**	Original currency		Canadian dollars
U.S. dollars	**16,224**	**$**	**20,883**	18,231	$	22,779
Canadian dollars	**15,655**		**15,655**	1,489		1,489
		$	**36,538**		$	24,268

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:

		June 30, 2022		March 31, 2022
Prepaid expenses	**$**	**684**	$	657
Unbilled revenues		**120**		95
	$	**804**	$	752

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.

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

		June 30, 2022		March 31, 2022
Accounts payable	**$**	**12,645**	$	35,994
Accrued liabilities		**2,486**		2,675
	$	**15,131**	$	38,669

(In thousands of Canadian dollars, unless otherwise indicated)

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

	June 30, 2022			March 31, 2022		
	Original currency		**Canadian dollars**	Original currency		Canadian dollars
U.S. dollars	**9,396**	**$**	**12,093**	27,050	$	33,799
Canadian dollars	**3,031**		**3,031**	4,831		4,831
Chinese renminbi	**36**		**7**	199		39
		$	**15,131**		$	38,669

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

8. DEFERRED REVENUE

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

		June 30, 2022		March 31, 2022
Balance at the beginning of the year	**$**	**607**	$	405
Plus: additional deferred revenue, net of refunds		**715**		141
Plus: additional deferred revenue from cumulative catch-up adjustment		**-**		169
Less: amounts recognized as Fees for service or cost recovery		**(378)**		(209)
Impact of netting unbilled and deferred revenue from same contract		**(256)**		101
Balance at the end of the period	**$**	**688**	$	607

9. DEFERRED GOVERNMENT FUNDING

A parliamentary appropriation of $13.0 million was authorized for the 2022-23 fiscal year. This funding is to be used exclusively for the costs of administration of the DPSA.

In May 2021, the Corporation received a transfer from the Government of Canada of $13.0 million from the Department of Finance Canada for the 2021-22 fiscal year. This funding was recognized as revenue during the 2021-22 fiscal year and used exclusively to fund the DPSA administration costs. Those costs amounted to $13.1 million for the 2021-22 fiscal year.

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

		June 30, 2022		March 31, 2022
Balance at the beginning of the year	**$**	**-**	$	-
Plus: funding from the Governement of Canada		**13,000**		13,000
Less: government funding revenue recognized		**(3,262)**		(13,000)
Balance at the end of the period	**$**	**9,738**	$	-

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

During the three-month period ended June 30, 2022, the Corporation recognized a revenue from government funding of $3.3 million (for the three-month period ended June 30, 2021 — $3.0 million) which amounted to the DPSA administration costs.

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:

		June 30, 2022		March 31, 2022
Balance at the beginning of the year	**$**	**5,972**	$	6,418
Interest expense		**46**		192
Lease payments		**(170)**		(638)
Balance at the end of the period	**$**	**5,848**	$	5,972

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

		June 30, 2022		March 31, 2022
Current	**$**	**509**	$	505
Non-current		**5,339**		5,467
	$	**5,848**	$	5,972

Interest expense related to lease liabilities are included in finance cost. For the three-month period ended June 30, 2022, the Corporation's administrative expenses include $159 ($206 for the three-month period ended June 30, 2021) related to variable lease payments not included in the measurement of lease liabilities. For the three-month periods ended June 30, 2022 and June 30, 2021, there were no significant expenses related to leases of low-value assets and short-term leases for which the recognition exemption has been applied.

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

11. CAPITAL MANAGEMENT

For the preparation of these condensed interim financial statements, the Corporation's objective, definition and key strategies with respect to its capital are consistent with those disclosed in the Corporation's audited annual financial statements for the year ended March 31, 2022.

During the previous year, the Corporation developed a dividend policy to govern the issuance of dividends to its shareholder. The Corporation had not paid nor declared a dividend as at March 31, 2022. On June 7, 2022, in alignment with the dividend policy, the Corporation's Board of Directors approved the issuance of a dividend of $1.0 million payable to its shareholder.

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

	June 30, 2022	March 31, 2022
Contributed capital	**$ 10,000**	$ 10,000
Retained earnings	**14,657**	15,072
	$ 24,657	$ 25,072

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As described in the Corporation's Annual Report and audited financial statements for the year ended March 31, 2022,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 June 30, 2022, 98% (March 31, 2022 — 63%) of the Corporation's accounts receivable were from AAA credit rated counterparties.

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, an assessment of both the current and forecasted direction of conditions at the reporting date as well as the impact of any unresolved contract issues on the collectability of accounts receivable. The allowance for expected credit loss is related to credit risks identified that are associated to individual accounts receivable balances.

(In thousands of Canadian dollars, unless otherwise indicated)

The following table shows the movement in lifetime expected credit loss that has been recognized for accounts receivable in accordance with the simplified approach set out in *IFRS 9*:

	June 30, 2022	March 31, 2022
Balance at the beginning of the year	**$ 72**	$ 146
Net remeasurement of loss allowance	**-**	(32)
Amounts written off	**-**	(42)
Balance at the end of the period	**$ 72**	$ 72

When applicable, changes in allowance for expected credit loss are included in the Other expenses component of Administrative expenses.

As at June 30, 2022, the Corporation recognized a loss allowance for expected credit loss of $15 (March 31, 2022 — $15) 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:

	June 30, 2022	March 31, 2022
United States	**$ 19,431**	$ 14,032
Canada	**16,277**	1,329
Central America and Caribbean	**440**	484
Africa	**198**	192
Asia *	**186**	8,231
South America	**6**	-
	$ 36,538	$ 24,268

* 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:

	June 30, 2022	March 31, 2022
< 30 days	**$ 1,737**	$ 1,277
> 30 days and < 180 days	**7,513**	1,344
> 180 days	**3,366**	2,941
	$ 12,616	$ 5,562

Except for the amounts included in allowance for expected credit loss, all overdue accounts receivable are considered fully collectable as at June 30, 2022 as it is normal for the Corporation to encounter delays in collecting certain accounts receivable as a result of the foreign environment in which it operates.

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 June 30, 2022 and March 31, 2022, there were no long-term receivables related to the ABP contract. When applicable, these receivables are categorized as level 2 in the fair value hierarchy and the Corporation assesses if their fair value approximates 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 on its accounts receivable and accounts payable denominated in foreign currencies due to timing differences between their initial recognition and the actual receipt or payment of cash. As at June 30, 2022, 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.

(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, 2022 — $40.0 million) Canadian or its U.S. dollar equivalent. The credit facility is used exclusively for the Corporation's working capital requirements to facilitate payments to Canadian exporters under the DPSA business line.

As per contractual terms in the DPSA business line, the Corporation commits to payments to Canadian exporters within thirty days on most contracts. For the International contracts, the Corporation commits to payments within two to five business days from receipt of payments from the foreign buyer. At times, collection of amounts from the foreign buyer on DPSA contracts can take more than thirty days. This can occasionally result in the Corporation using the credit facility in the normal course of operations. Indebtedness under this agreement is unsecured and this credit facility has an expiry date of December 31, 2022 subject to extension by the Minister of Finance or the approval of a corporate plan. As at June 30, 2022, the draw on this line of credit was nil (March 31, 2022 — 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:

	June 30, 2022	March 31, 2022
< 1 year	**$ 15,131**	$ 38,669
	$ 15,131	$ 38,669

(In thousands of Canadian dollars, unless otherwise indicated)

(d) Risk associated to COVID-19

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

Business environment risk

COVID-19 may impact the Corporation’s foreign buyer procurement requirements 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 June 30, 2022 and March 31, 2022, the Corporation’s allowance for expected credit loss are not related to the COVID-19 pandemic.

Supplier performance risk

Supplier performance risk remains elevated reflecting the impact of COVID-19 on the Corporation’s exporters. Not only are exporters directly affected, but the pandemic’s impact on supply chains has presented challenges to exporters while delivering their products and services as per contractual obligations. To manage this risk, the Corporation monitors the financial, managerial, and technical capabilities of its exporter portfolio and assesses whether any provision for contract remediation should be recognized or a contingent liability disclosed. As at June 30, 2022 and March 31, 2022, the Corporation has not recognized any provisions nor identified any contingent liabilities to disclose as a result of the COVID-19 pandemic’s impact in supplier performance.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of Fees for service revenue

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

	For the three months ended June 30	
	2022	2021
International business	**$ 1,884**	$ 590
Lottery programs	**132**	230
	$ 2,016	$ 820
Government of Canada initiatives	**867**	522
	$ 2,883	$ 1,342

(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 June 30, 2022. 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.

	June 30, 2022
< 1 year	**$ 16,116**
> 1 year	**16,306**
	$ 32,422

The above amounts do not include the variable consideration portions 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 months ended June 30	
	2022	2021
Miscellaneous income	**$ 52**	$ 16
Discounting income	**47**	33
	$ 99	$ 49

(In thousands of Canadian dollars, unless otherwise indicated)

15. ADMINISTRATIVE EXPENSES

Administrative expenses are as follows:

	For the three months ended June 30	
	2022	2021
Workforce compensation and related expenses	**$ 4,281**	$ 4,418
Contract management services	**650**	650
Consultants	**348**	378
Software, hardware and support	**229**	198
Rent and related expenses	**186**	258
Travel and hospitality	**165**	1
Depreciation	**145**	148
Communications	**97**	55
Other expenses	**82**	50
	$ 6,183	$ 6,156

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 was $7.6 billion as at June 30, 2022 (March 31, 2022 — $7.8 billion).

To manage performance risk of outstanding deliverables, the Corporation has contractual recourse that consists, in all material respects, of corresponding deliverables from Canadian exporters in the same amount. The collateral pledged by Canadian exporters is to mitigate counterparty risk to the deliverables guaranteed by the Corporation in the event of non-performance claims against the Corporation for reasons related to the Canadian exporter failing to perform per the terms and conditions of contracts. The types of collateral the Corporation may require the Canadian exporter to provide are various commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash held in trust with the Corporation.

As at June 30, 2022, commercial securities that have been pledged to the Corporation as collateral by Canadian exporters in the unlikely event of their contractual non-performance are in the form of surety bonds and parent guarantees totalling $7.0 billion (March 31, 2022 — $7.2 billion) which approximate their fair value.

(b) Other contingent liabilities

As part of the normal course of business, management assesses the likelihood of any contingent liabilities. As of June 30, 2022, 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.