Canadian Commercial Corporation
Corporation Commerciale Canadienne

ANNUAL REPORT
09/10

Leadership and Growth

Canada

MANDATE

To assist in the development of trade by helping Canadian exporters access markets abroad and by helping foreign buyers obtain goods and services from Canada.

MISSION

To provide high-quality procurement and contracting services for the benefit of Canadian exporters, allowing them to access markets where risk, transparency and competitiveness require a government-to-government arrangement.

VISION

To act as an effective instrument in trade promotion, helping Canadian companies achieve export sales on improved terms through CCC's unique ability to mitigate contract risk and its specialized knowledge in international contracting and procurement.

CCC is a trusted partner with a unique set of trade development services

- **Collaborative**
  A government of Canada partner in accessing foreign markets.

- **Credible**
  A government of Canada partner in transparent contracting and corporate social responsibility.

- **Competitive**
  A government of Canada partner in mitigating risk.

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** Please note: All figures are in Canadian dollars unless otherwise noted.*

PERFORMANCE HIGHLIGHTS

Fiscal year 2009–10 was marked by a significant downturn in the global economy. Economic issues, such as reduced capital for businesses and governments, had implications for service providers like the Canadian Commercial Corporation (CCC). International defence and infrastructure markets will undoubtedly continue to evolve and present new opportunities and challenges for Canadian exporters. However, one thing remains clear; accessing international markets is now recognized as essential for the sustained recovery of the Canadian economy. With renewed focus on defence and security, and infrastructure and commercial projects in emerging and developing markets, CCC is well-placed to respond to future trends and support Canadian businesses.

It is within this environment that the Corporation conducted business in 40 countries and succeeded in achieving $3.5 billion in the value of contracts signed, compared to an historical average of $1.2 billion and fees exceeded $9.3 million, an increase of $2 million from last year. Overall, CCC continued to pursue growth and was able to increase business in core markets. The Corporation also undertook a leadership role within the federal government, contributing to policies and programs associated with CCC's clients in target markets.

Through CCC's roots as an effective manager of its relationship with the United States Department of Defense (U.S. DoD) under the Defence Production Sharing Agreement (DPSA) and the Corporation's long-standing relations with Canadian exporters, CCC has grown to become an important instrument for Canadian companies in their work abroad.

- $3.5 billion worth of contracts signed
- Active contracts in 40 countries with 243 Canadian exporters
- Commercial trading transactions of $1.6 billion
- Fees exceeded $9.3 million
- Operating surplus exceeded $1 million

Message from the Chairman

Since my arrival at CCC, first as a Director in 2007 and then my appointment as Chairman in 2009, I have been continually impressed and inspired by the Corporation's commitment to support Canadian exporters. In my time as Chairman, I have regularly reviewed CCC's projects and visited some of CCC's China offices.

It gives me great pleasure to say that CCC has met the government's expectations as outlined in the Minister's Statement of Priorities and Accountabilities and delivered on its mandate. Over the last ten years, the Corporation has secured a value of contracts signed exceeding $13.5 billion, working in more than 75 countries. In 2009–10, CCC was active in 40 countries including the United States, the United Kingdom, Norway, Denmark, Germany, Colombia, Ecuador, Panama, Ghana and Cuba. Contracts secured through CCC have resulted in the creation or maintenance of over 17,000 jobs for Canadians.

CCC has established itself as a highly effective resource for Canadian businesses overseas, demonstrating confidence and credibility in its contracting and procurement services through the strength of its people, sound business processes, ethical business practices, and corporate social responsibility.

The Board of Director's top priority is to continue to identify innovative ways to support Canadian business in world markets and to respond to the needs of Canadian exporters. The Board is active in developing and shaping CCC's strategic direction and ensuring that it is consistent with the views of its shareholder as represented by the Minister of International Trade. In November 2009, the Minister provided me with his annual letter outlining the government's policy direction and expectations for CCC. This statement of accountabilities and priorities recognizes the vital role CCC plays in providing procurement and contracting support to Canadian industry working in international public sector markets.

The Board of Directors is satisfied that CCC has the financial foundation required to fulfil its mandate. However, financial stability alone is not enough. As a federal public sector corporation, CCC has a mandate to promote contractual opportunities for Canadian companies abroad. CCC conducts its business based on principles of excellence and integrity. These principles guided the manner in which CCC has responded to the challenges of the past year as well as our ongoing efforts to position CCC for future success and growth.

In order for a Crown corporation to deliver on its public policy purpose, it must have a cooperative and a constructive relationship with its shareholder, the Government of Canada, through the Minister of International Trade, as well as with central agencies. CCC has made every effort to cultivate these relationships. I must thank the Minister and his office, Foreign Affairs and International Trade Canada, as well as the central agencies for reciprocating in this regard.

I would like to take this opportunity to acknowledge CCC's past Chairman, Mr. Alan Curleigh, whose leadership and dedication was invaluable to the Corporation.

Looking ahead to 2010–11, I am confident with the direction the Corporation is taking in fulfilling its mandate and am satisfied that the current strategy will achieve positive results for Canadian businesses.

Robert C. Kay, J.D., B.L.
Chairman, Board of Directors

Message from the President and CEO

This year has been another extraordinary year for CCC and, as President and CEO, I am extremely proud of the role the Corporation has played in contributing to a strong Canadian economy. In 2009–10, CCC's value of contracts signed was $3.5 billion and total commercial trading transactions were $1.6 billion. These results are all the more impressive considering the global economic downturn of the past year.

While it is true that international markets are becoming more and more competitive, CCC's value to Canadian companies has proven to be even more important than in the past. The turbulent global economic conditions heightened the need for companies to access risk mitigation tools and I am pleased to say that CCC has effectively positioned itself to respond to this need.

The Corporation's objectives for 2009–10 were based on three pillars: Smart Growth in Canadian Exports; Public Policy Contribution; and Innovation and Operational Excellence, and set ambitious business growth targets reflective of the opportunities that exist for Canadian companies. To achieve these objectives, we have realigned our resources toward a strengthened business development approach.

To this end, I was proud to welcome aboard three new Vice-Presidents at the end of 2009 — Mr. Pierre Alarie, Mrs. Mariette Fyfe-Fortin, and Mr. Jacques Greffe — to support us in our growth focus. Already CCC is benefiting from this renewed leadership. All three individuals have brought with them a wealth of knowledge on business development, corporate strategy, and procurement and contracting approaches. I am looking forward to their continued contribution not only in CCC's operations but also to achieving our corporate goals.

As we work to achieve results I am mindful of our government's desire to contain spending and provide services in a cost effective manner. It is with this in mind that CCC has worked with a newly established Crown corporation, Public-Private Partnerships (PPP) Canada, to share corporate services. Both organizations have benefitted significantly from the operating efficiencies gained through this innovative approach.

There are many ways to measure an organization's success. In my view, however, a truly successful organization performs in a manner that is socially responsible in a number of areas including community investment, strong leadership through corporate governance and ethics initiatives, and ensuring a supportive workplace through sustainable business practices and healthy and safe operations. Though our initiatives related to corporate social responsibility are a source of pride, we continue to reach for even higher levels of performance.

In adhering to its corporate objectives and priorities, I am confident that CCC will continue to meet or surpass customer and industry expectations by providing products, services and knowledge that are second to none.

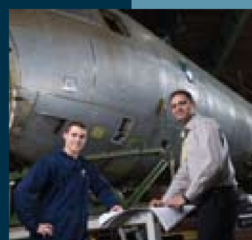
Our 2009–10 results clearly demonstrate that we have achieved "Leadership and Growth", our theme for 2009–10, in the marketplace and within government. It is remarkable to note that 2010–11, despite the current environment of economic uncertainty, is looking to be equally active as governments around the globe turn to defence and infrastructure spending as a measure to boost their economies and meet the demands of growing populations.

These are exciting times for CCC. I look forward to continuing to lead this dynamic organization in achieving results with, and for, Canadian businesses.

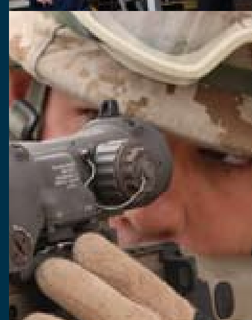
Marc Whittingham
President and CEO

As part of this growth focus, CCC's services have also been enhanced. Most notably, the Corporation's two former business lines of Defence and Emerging and Developing Markets have been restructured into five, leading to an increasingly international operating environment.

CCC's five business lines are as follows:

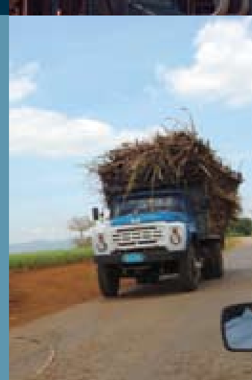


- Defence sales to allies and like-minded nations as Canada's foreign military sales agency



- Defence sales to the U.S. DoD under the DPSA

- Sales (mostly in the infrastructure sector) to government buyers in emerging and developing markets, particularly Latin America and Africa



- Trade financing to Cuban government buyers in the tourism and agricultural sectors in support of Canadian exporters working in Cuba

- Procurement services for federal government departments to support their international programs

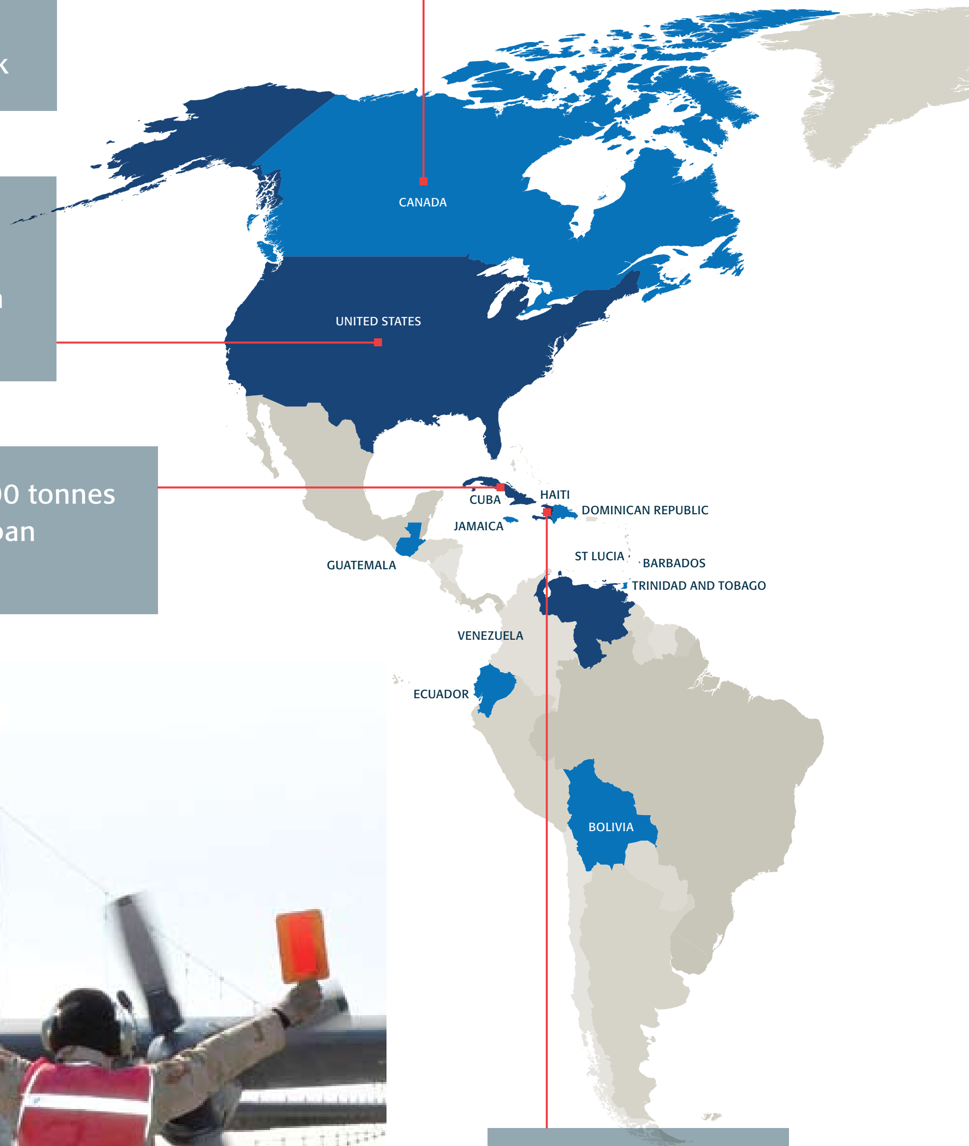
At a Glance

Photo courtesy of SeaArk

Memorandum of Understanding with the Canadian International Development Agency (CIDA) to help prepare and deliver the 2011 Annual General Meeting of the Inter-American Development Bank

$3.2 billion in value of contracts signed for the DPSA, further strengthening the North American defence industrial base

Export of over 30,000 tonnes of potash to the Cuban Ministry for Sugar



Delivery of boats to Haiti toward reconstruction efforts following the January 2010 earthquake under DFAIT's START program

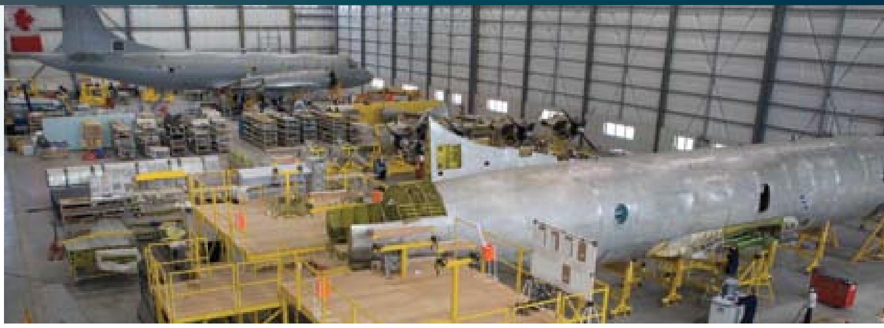
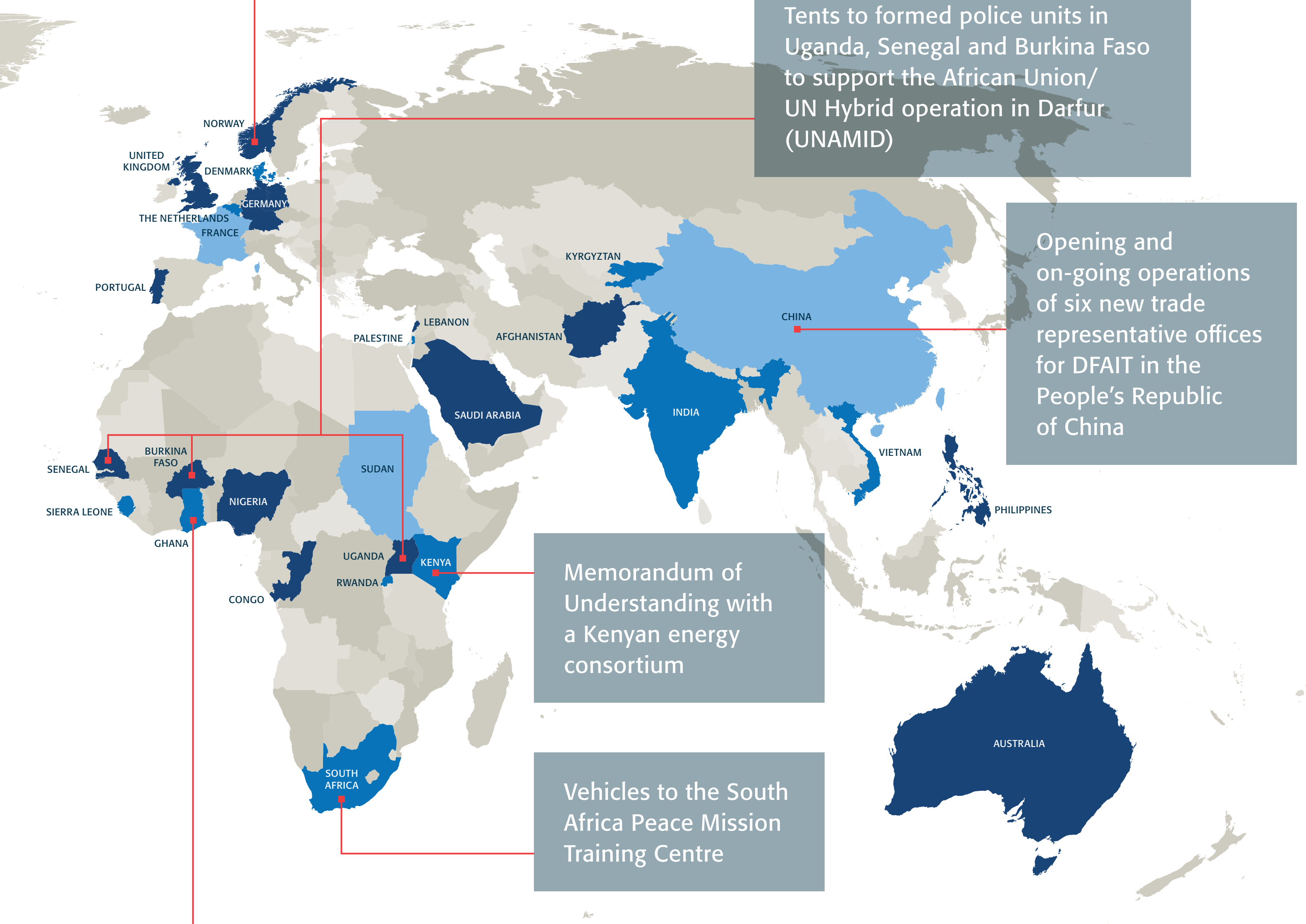


Photo courtesy of IMP Aerospace Limited

P3 wing installations for the Royal Norwegian Air Force

Tents to formed police units in Uganda, Senegal and Burkina Faso to support the African Union/ UN Hybrid operation in Darfur (UNAMID)

Opening and on-going operations of six new trade representative offices for DFAIT in the People's Republic of China



Memorandum of Understanding with a Kenyan energy consortium

Vehicles to the South Africa Peace Mission Training Centre

Contract for the provision of a turnkey electric power generation plant for the Ministry of Energy of the Republic of Ghana

Photo courtesy of IVEMA (Gila)

Photo courtesy of Zodiac

LEADERSHIP AND GROWTH IN EXPORT SALES IN THE CANADIAN DEFENCE SECTOR

Leveraging CCC's government-to-government contracting expertise to share Canada's defence capabilities around the world

CCC, as Canada's foreign military sales agency, offers comprehensive aerospace, defence and security solutions to friendly nations and assists Canadian exporters selling to foreign governments through its expert government-to-government contracting. Drawing on decades of contracting experience, CCC continues to demonstrate its strategic role in foreign defence sales. It offers its exporter and foreign government buyer clients a suite of services, including prime contracting, procurement planning and strategy development, solicitation development and bidding, supplier selection, contract negotiations, performance monitoring, right through to project close-out. CCC's relationship with the Royal Norwegian Air Force (RNoAF) began when the RNoAF drew from CCC's suite of services to complete the overhaul of its C130 aircrafts, and the relationship has continued to grow ever since. The RNoAF has recognized the value that CCC brings to its defence procurement and has returned to CCC for the acquisition of six P3 wing kits. Having proven the success of Canadian solutions to the RNoAF, CCC is engaging with other allied countries, such as Denmark, Sweden and the Baltic states, to bring them the best aerospace, defence and security solutions that Canada has to offer.

LEADERSHIP AND GROWTH IN EXPORT SALES IN EMERGING AND DEVELOPING COUNTRIES

Using Canadian Gas Turbine Technology to generate energy in the African market

When Orenda Aerospace Corporation, a division of Magellan Aerospace Corporation, from Mississauga, Ontario, needed a strong partnership to boost their industrial gas turbine business, they turned to CCC. As a leading global supplier of technologically advanced aerospace systems and components, they had the capability to export their knowledge, but sought a solution to gain entry into complex markets. Through CCC, Orenda Aerospace Corporation won a $185 million contract for the provision of a turnkey electric power generation plant for the Ministry of Energy of the Republic of Ghana.

Corporate Governance

The Canadian Commercial Corporation (CCC) is governed by its enacting legislation, the 1946 *Canadian Commercial Corporation Act*. The Act outlines CCC's broad mandate, which is to assist in the development of trade between Canada and other nations by helping Canadian exporters access markets abroad. The legislation also provides CCC with a range of powers, including the ability to export goods from Canada either as principal or as agent in such a manner and to such an extent as it deems appropriate. As a result, CCC negotiates and executes bilateral government-to-government procurement arrangements, facilitating export transactions on behalf of Canadian exporters.

As a parent Crown corporation under Schedule III Part I of the *Financial Administration Act (FAA)*, CCC reports to Parliament through the Minister of International Trade. It has two main funding sources: appropriations voted by the Parliament of Canada and fees generated by service offerings. CCC is governed by a Board of Directors responsible for the affairs of the Corporation.

The Board of Directors exercises its responsibilities in keeping with the general provisions of the *Canadian Commercial Corporation Act* and Part X of the *FAA*. It is accountable for the affairs of the Corporation and ensures the proper delivery of public policy on behalf of the Government of Canada.

Board of Directors Mandate and Public Policy Role

The Board of Directors exercises its responsibilities in keeping with the general provisions of the *Canadian Commercial Corporation Act* and Part X of the *FAA*. It is accountable for the affairs of the Corporation and ensures the proper delivery of public policy on behalf of the government of Canada. This is accomplished through the provision of leadership and guidance to the Corporation's management team, and by setting the Corporation's long-term strategic objectives, thus ensuring its alignment with the Minister of International Trade's direction.

CCC's Board of Directors is composed of a Chairperson, and the President and CEO, both of whom are appointed by the Governor in Council, and nine Directors who are appointed by the Minister of International Trade with approval by the Governor in Council. The Minister of International Trade appoints Board members who represent the Canadian business community and the federal government, striving to balance sector, gender, linguistic and geographical representation. Directors serve terms of up to four years and may be reappointed.

The Board of Directors is responsible for the overall governance of the Corporation. It approves the five-year Corporate Plan and the Annual Report, both of which are tabled in Parliament. The Board of Directors meets quarterly to review the Corporation's overall operations, receive Committee reports, and discuss CCC's performance against objectives. In monitoring the financial management, reporting and auditing of the Corporation's performance, CCC's strong governance and accountability structure is reinforced. In addition, the Board of Directors undertakes regular assessments of its own effectiveness and the contributions of each Director by means of a peer-review exercise designed to improve individual and collective performance.

Committee membership

As of March 31, 2010

Board Member	Audit	Operations	Governance	HR	Policy and Priorities
Robert Kay (Chairperson)	*ex officio*	*ex officio*	*ex officio*	*ex officio*	*ex officio*
Andrew Saxton	X		X		
Norman Turnbull	Chairperson	X			X
Peter Wright			Chairperson	X	X
Martine Corriveau-Gougeon	X	Chairperson			X
Ken Sunquist			X	X	
Dan Ross		X			
Stephen Sorocky	X	X			Chairperson
Sam Shaw			X	Chairperson	X
Marc Whittingham (President and CEO)		*ex officio*	*ex officio*	*ex officio*	*ex officio*

Board of Directors meeting attendance

As of March 31, 2010

Board Member	April 2009	June 2009	October 2009	December 2009
Alan Curleigh (Chairperson*)	X	X	X	
Robert Kay (Chairperson**)	X	X	X	X
Andrew Saxton	X	X	X	X
Norman Turnbull	X	X	X	X
Peter Wright	X	X	X	X
Martine Corriveau-Gougeon	X	X	X	X
Ken Sunquist	X	X	X	X
Dan Ross	X	X	X	X
Stephen Sorocky	X	X	X	X
Sam Shaw	X	X	X	X
Marc Whittingham (President and CEO)	X	X	X	X

* Mr. Curleigh ceased to be Chairperson of the Board on November 19, 2009
** Mr. Kay was appointed Chairperson of the Board on November 20, 2009

Board of Directors Committee Mandates, Activities and Membership

CCC's Board of Directors is led by an independent Chairperson and conducts oversight functions in concert with key Board Committees as detailed below.

- **Audit Committee:** deals primarily with matters related to sound financial and risk management practices, audit functions, accurate reporting, and ethical conduct of the Corporation. With respect to its audit activities, the Committee oversees the annual financial audit, the internal audit function and the requirements of the Office of the Auditor General (OAG). The internal auditor and representatives from the OAG attend all Audit Committee meetings.
- **Commercial Initiatives (Operations) Committee:** oversees the Corporation's procurement and international contracting business. All capital projects, all projects valued in excess of $100 million or significant amendments to such projects and any other projects that are referred by management to the Committee for consideration must be reviewed by the Committee which makes its recommendation to the Board of Directors for approval. It also reviews ongoing risk analyses of projects, approves proposed new business lines and products, and in conjunction with the Audit Committee monitors operating processes.
- **Governance Committee:** develops and implements practices and procedures to ensure that the Board of Directors and the Corporation operate effectively and in accordance with a high standard of corporate governance. The Committee oversees the governance strategy and processes for the development of significant corporate priorities including the communications strategy, CCC's approach to corporate social responsibility and corporate performance management. As well, the Governance Committee conducts an annual Board self-assessment, which helps to strengthen the Board of Director's governance and effectiveness.
- **Human Resources (HR) Committee:** identifies and recommends, as may be requested, profiles and candidates for appointment to the Board of Directors, including Chairperson of the Board and President and CEO, for consideration by the Minister of International Trade. The Committee also reviews and makes recommendations on corporate officer appointments and compensation. The Chairperson, with the support of the Committee, reviews the performance of the President and CEO and makes recommendations to the Minister of International Trade on compensation. In addition, the Committee examines and makes recommendations on human resources policies to ensure the well-being of the Corporation and its employees.
- **Policy and Priorities Committee:** was established as an advisory Committee by the Board of Directors in December 2009, and consists of a Chairperson and the Chairperson of the other four Committees of the Board of Directors as well as the Chairperson of the Board and President and CEO as *ex-officio* members. The primary function of this Committee is to discuss and co-ordinate issues which overlap between the established Committees of the Board of Directors: Audit, Human Resources, Governance, and Operations. The Committee also discusses and co-ordinates those matters which have not been sufficiently defined so as to be clearly within the purview of a Committee, and considers those other matters as may be referred to the Policy and Priorities Committee from time to time by the Chairperson, Board of Directors, and/or Management.

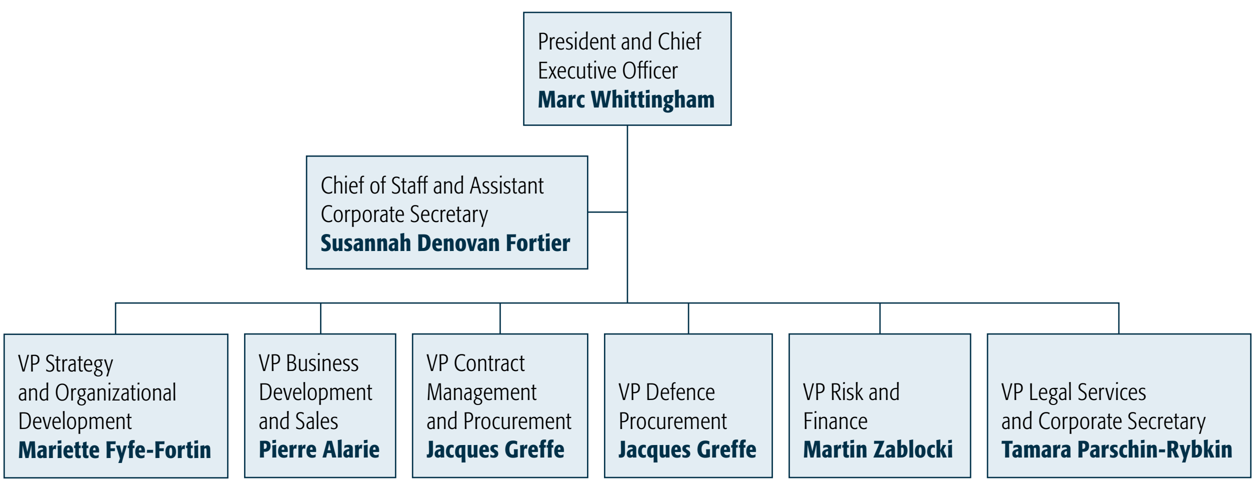
Executive Management Committee Mandate, Activities and Membership

The President is the CEO and, on behalf of the Board of Directors, is accountable for the direction and management of the business of the Corporation. With the approval of the Board of Directors, the Executive Committee comprised of the President, the Vice-Presidents and the Chief of Staff, sets corporate priorities to achieve the strategic objectives consistent with the corporate mandate and approved strategic direction. The *FAA* and *CCC Act* serve to guide decision-making and business activities. Bound by CCC's *Code of Conduct* and *Code of Business Ethics*, the Executive Committee adheres to the highest ethical standards of professional conduct. All executives, with the exception of the CEO, are paid within the salary ranges and compensation policies approved by the Board of Directors. CEO compensation is determined by the Governor in Council.

CCC Executive Management Committee from top left clockwise: Jacques Greffe, Mariette Fyfe-Fortin, Martin Zablocki, Pierre Alarie, Marc Whittingham, and Tamara Parschin-Rybkin.

From an operational perspective, CCC underwent a major refocusing in 2009 in order to strengthen business development and better align resources with the strategic direction. The Corporation now has three operational business units — Business Development and Sales, Contract Management and Procurement, and Defence Procurement. These business units position the Corporation to more proactively assist Canadian exporters in generating sales, and enhance the provision of its core contract management and procurement services. The Corporation also has three corporate business units — Strategy and Organizational Development, Risk and Finance, and Legal Services. Each business unit is led by a Vice-President accountable for corporate performance and results. All business units support CCC's five main business lines:

- Defence sales to the U.S. DoD under the DPSA;
- Defence sales to allies and like-minded nations as Canada's foreign military sales agency;
- Sales (mostly in the infrastructure sector) to government buyers in emerging and developing markets, particularly Latin America and Africa;
- Trade financing to Cuban government buyers in the tourism and agricultural sectors in support of Canadian exporters working in Cuba; and
- Procurement services for federal government departments to support their international programs.



In addition to his position as Vice-President of Contract Management and Procurement, the Board of Directors has appointed Jacques Greffe to the position of Vice-President Defence Procurement for an indefinite period.

Corporate Governance Practices

CCC maintains the highest standard of corporate governance. The Board of Directors has carefully considered the Corporate Governance Guidelines set forth in the *Governance Framework for Canada's Crown Corporations* and fully complies with all relevant measures applicable to the Corporation. CCC adheres to the *Privacy Act*, the *Access to Information Act*, and the *Federal Accountability Act*, and has introduced an internal "whistle-blowing" process to ensure compliance with the *Public Servants Disclosure Protection Act*. In addition, the Corporation strives to continually enhance transparency and improve shareholder and stakeholder involvement. As such, CCC abides by the Government of Canada's best practices by holding annual public meetings to provide an opportunity for the public to learn more about the Corporation.

Representing both the Government of Canada and Canadian exporters means that CCC carefully considers all the implications of its business activities not only at home but also abroad. The Corporation believes that Corporate Social Responsibility (CSR) provides a competitive advantage to Canadian companies. Therefore, CCC is committed to instill CSR into all of its business practices.

CCC's *Code of Conduct* and *Code of Business Ethics* are key elements of the Corporation's commitment to CSR. These Codes govern behaviour internally and externally by outlining CCC's commitments with respect to the environment, bribery, human rights, conflict of interest, confidentiality of information, and expectations for ethical conduct on the part of its employees. These Codes form the basis for future CSR development.

Strategic Direction for 2010–11 to 2014–15

The 2010–11 to 2014–15 Corporate Plan responds to the Minister of International Trade's 2009 *Statement of Priorities and Accountabilities* for CCC and outlines the Corporation's strategies over the next five years for achieving the desired outcomes. Overall, the Plan reflects the Corporation's focus on increasing trade opportunities for a broad spectrum of Canadian exporters. The Plan also defines a clear role for CCC within the International Trade Portfolio's integrated approach for assisting exporters.

The Corporate Plan builds upon the 2009–10 to 2013–14 Plan, which identified three pillars of focus that are aligned with CCC's corporate mandate and which remain relevant in the evolving global marketplace: Ensuring Smart Growth in Canadian Exports; Contributing to Public Policy; and Achieving Innovation and Operational Excellence.

Pillar 1	Pillar 2	Pillar 3
Smart Growth in Canadian Exports	**Public Policy Contribution**	**Innovation and Operational Excellence**
Essential Government of Canada institution to promote and facilitate international trade by selling Canadian capabilities destined for public sector markets	A significant contributor to the development and implementation of innovative international trade and defence industrial base policies and programs that support Canadian exporters in the evolving global marketplace	A Crown corporation known for innovative and effective international contracting and procurement services through excellence in people, policies, processes and systems

The Plan articulates CCC's strategies for achieving these goals and for continuing to provide innovative and effective contracting and procurement services to support the unique needs of Canadian exporters working in defence, and emerging and developing markets. CCC's strategic goals for 2010–11 to 2014–15 are as follows:

Pillar 1: *Ensuring Smart Growth in Canadian Exports*

Through successfully assisting Canadian exporters to obtain business with foreign governments, CCC has grown to become an important instrument for Canadian exporters. The Corporation plans to strengthen its position as an essential Government of Canada institution to promote and facilitate international trade.

Pillar 2: *Contributing to Public Policy*

As a result of the Corporation's extensive work with Canadian companies in public sector markets, CCC has developed an intimate knowledge of their challenges and is able to bring this insight to the Canadian government. For 2010–11 to 2014–15, CCC will continue to be a significant contributor to the development and implementation of innovative international trade and defence industrial base policies and programs that support Canadian exporters in the evolving global marketplace.

Pillar 3: *Achieving Innovation and Operational Excellence*

Through its strategic investment in people, processes and systems over the past five years, CCC has established a solid foundation to support growth in business operations. These investments have modernized the Corporation's approach to business, and include global best practices in Enterprise Risk Management (ERM), and Enterprise Resource Planning (ERP). Looking forward, CCC's Plan provides continued innovative and effective international contracting and procurement services through excellence in people, processes and systems.

Overall, the Plan reflects the Corporation's focus on increasing trade opportunities for a broad spectrum of Canadian exporters. The Plan also defines a clear role for CCC within the International Trade Portfolio's integrated approach for assisting exporters.

2009–10 Strategic Objectives and Performance against Objectives

The economic uncertainties of 2009–10 had a real impact on Canadian businesses. While CCC's commitment to Canadian exporters remained unwavering, and the Corporation's value of contracts signed ($3.5 billion) and fees for service ($9.4 million) were the highest ever recorded, there is no doubt the Corporation was impacted by the global economic recession and the related tightening of credit. To combat the recession, governments in many regions of the globe announced unprecedented government stimulus spending and CCC worked strategically and diligently with Canadian exporters to capitalize on these stimulus spending opportunities.

In the past five years, CCC has made significant investments in people, processes and systems to integrate global best practices within its governance, risk management, and performance management practices.

- In 2005–06, CCC underwent a strategic realignment that culminated in the creation of two distinct business lines: Defence, and Emerging and Developing Markets. With this restructuring completed, the Corporation was able to focus resources within each area to more effectively develop expertise with respect to Canadian capabilities and foreign markets.
- In 2006–07, CCC updated its service offerings to more optimally support its mandate and developed a robust ERM system to appropriately control risks across all aspects of its business.
- In 2007–08, CCC developed a state-of-the-art ERP system designed to meet CCC's current and future needs. In addition, the Corporation implemented new contracting policies and procedures, which meet or exceed standards required by government and industry.
- In 2008–09, the Corporation focused on confidence and credibility to find and develop opportunities with foreign government buyers. Focused on client relationships and proactive business development to sell Canadian products to foreign markets, CCC achieved its highest value of contracts signed to date, surpassing $1.8 billion. The Corporation also advanced its Performance Management framework to guide corporate decision-making.

Results of the 2009 Special Examination by the OAG confirmed CCC's systems and practices were safeguarded and controlled, its resources were managed economically and efficiently and its operations were carried out effectively. The Board of Directors and Management believe CCC is well-positioned to continue growing business in key markets where Canadian capabilities can satisfy foreign government requirements.

The 2009–10 strategy expanded on CCC's established three pillar approach: Ensuring smart growth in Canadian exports; Contributing to public policy; and Achieving innovation and operational excellence. This strategy ensures that the Corporation's business lines are working together in a similar direction and are well-supported by CCC's people, processes and systems. And, while the Corporation's projects can vary, the goals remain the same: supporting Canadian exporters in complex public sector markets abroad.

In developing its Corporate Plan, CCC established very ambitious targets at a time when the severity of the economic downturn was not foreseen. In fact, when the Corporation's targets were established, economists were still forecasting significant GDP growth in several of CCC's key markets (5.9% growth in Africa; 4.9% growth in Latin America; and 1.5% growth in Europe). The actual GDP growth or reduction in these regions was 2.1%, −1.9%, and −4.2%, respectively. The results achieved by CCC are even more impressive in this context.

In the past five years, CCC has made significant investments in people, processes and systems to integrate global best practices within its governance, risk management, and performance management practices.

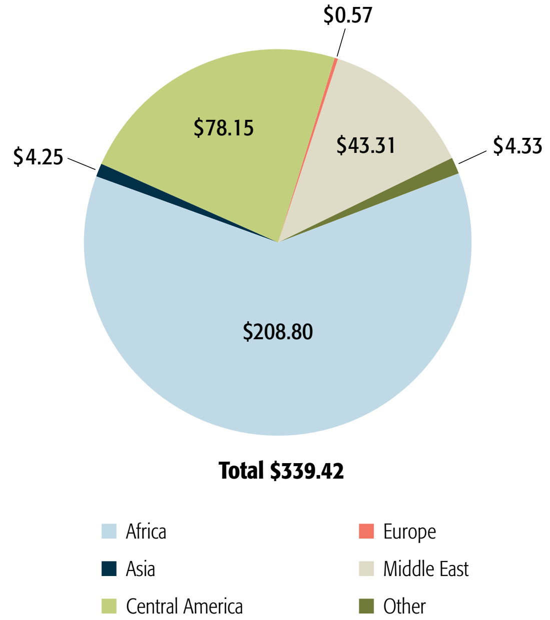
Pillar 1: *Smart Growth in Canadian Exports*

As a five-year goal, the Corporation committed to strengthening its position as an essential Government of Canada institution to promote and facilitate international trade. In working toward this objective, CCC identified four one-year goals:

- To leverage relationships and networks formed in recent years to proactively identify additional business in established markets;
- To strengthen CCC's ability to identify and act on new global market opportunities;
- To explore alternatives to similar services offered by other international bodies; and
- To assist Canadian Small and Medium-sized Enterprises (SMEs) identify and act on global opportunities.

In addition, CCC identified a number of performance metrics to indicate the relative success or challenge for the Corporation in achieving its five-year objective.

Total Value of Contracts Signed (excluding U.S. DPSA) by Region — 2009–10 ($ Millions)



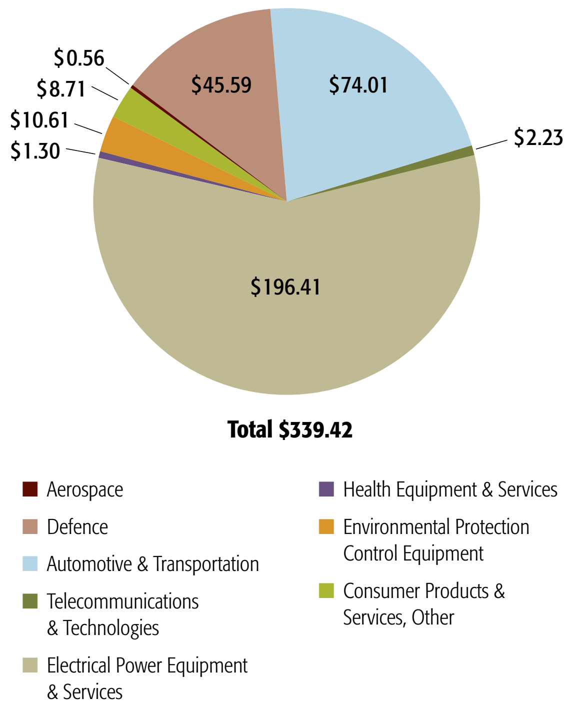
Strategic Outcomes	Performance Indicator/ Commitment	Trends			
Pillar 1: Essential Government of Canada institution to promote and facilitate international trade by selling Canadian capabilities to public sector markets	*CCC assistance to Canadian exporters as measured by:*	2007–08 Results	2008-09 Results	2009–10 Target	2009–10 Results
	Total value of contracts signed	**$1.58B**	**$1.81B**	**$1.79B**	**$3.5B**
	▪ value of fee-based contracts signed	$0.26B	$0.13B	$0.59B	$0.34B
	▪ value of non-fee-based contracts signed*	$1.32B	$1.68B	$1.20B	$3.2B
	Fees for service generated	$7.52M	$7.56M	$8.43M	$9.36M
	Number of Canadian exporters working with CCC	195	197	200	243
	▪ Defence	155	92	160	131
	▪ Emerging and developing markets	40	106	40	112
	Number of countries with active contracts *via* CCC	33	33	35	40

* CCC receives parliamentary appropriations to support its DPSA and public policy contribution efforts

Results for 2009–10 in Pillar One paint an impressive picture of the Corporation. They clearly reflect growth in Canadian exports, a pursuit at the core of the Corporation's mandate, but within a worldwide economic downturn that impacted many Canadian exporters and foreign country expansion projects. The total value of contracts signed has risen significantly from $1.8 billion to $3.5 billion. The value of fee-based contracts signed exceeded the previous two years, but due to the economic downturn fell short of the ambitious target of $540 million. The fees for services generated were the highest ever recorded. Further analysis on CCC's financial information can be found in the management discussion and analysis section.

CCC exceeded its target for working with 200 Canadian exporters. The Corporation positioned itself to expand this number further in the years ahead by increasing its number of partners at home and abroad. There are already early signs of continued success as CCC signed a contract for a new project in Saudi Arabia, a Memorandum of Understanding (MOU) with Argentina for defence procurement, and an MOU with the Canadian International Development Agency (CIDA) to help prepare and deliver the 2011 Annual General Meeting of the Inter-American Development Bank. With this solid foundation in place, CCC knows that it can further enhance its support to Canadian exporters in 2010–11.

Value of Fee-based Contracts Signed by Sector — 2009–10 ($ Millions)



Delivery of vehicles to the South Africa Peace Mission Training Centre

Pillar 2: *Contributing to Public Policy*

As a result of the Corporation's extensive work in public sector markets, CCC has developed an intimate knowledge of the challenges facing Canadian companies and is able to bring this insight to the Canadian government. CCC committed to strategically utilizing the intelligence garnered through its wealth of business activity to become a significant contributor within government towards developing and implementing innovative international trade and defence industrial base policies and programs that respond to the global marketplace. As a Corporation, CCC supported this in 2009–10 through the following strategic objectives:

- Promoting a better understanding of Canadian exporter needs in the evolving international trade environment;
- Promoting a better alignment of public policy and programs within the international trade portfolio;
- Acting as an integrator between key stakeholders on relevant and shared policy issues; and
- Serving as a foreign delivery instrument for the Government of Canada.

As well, CCC identified performance metrics to indicate the relative success or challenge for the Corporation in achieving its five-year objective.

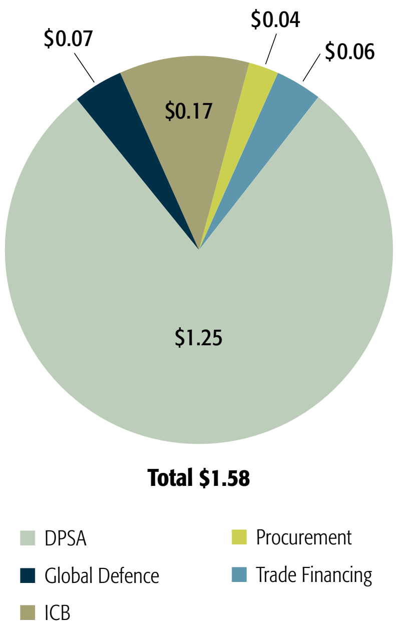
Vehicles delivered for the Formed Police Units (FPUs) of Senegal, Burkina Faso, and Uganda on behalf of DFAIT.

CCC measures its Pillar Two results based on hard financial data — the total value of commercial trading transactions. This measure reflects delivery or progress of work on a signed contract therefore strengthening the economy and jobs in Canada. Commercial Trading Transaction results were significant in 2009–10, but lower than in 2008–09, a year in which deliveries reflected a significant spike which came as a result of one contract. It is estimated that for 2009–10 CCC supported 17,000 jobs for Canadians.

CCC also stepped up its contribution to public policy more broadly through support to DFAIT and CIDA. For example, CCC was instrumental in the opening and on-going operations of six new trade representative offices in the

Strategic Outcome	Performance Indicator/ Commitment	Trends			
Pillar 2: A significant contributor to the development and implementation of innovative international trade and defence industrial base policies and programs that support Canadian exporters in the evolving global marketplace	*Impact on achievement of trade policy and program objectives as measured by:*	2007–08 Results	2008–09 Results	2009–10 Target	2009–10 Results
	Total value of commercial trading transactions	$1.43B	$1.87B	$1.64B	$1.57B
	▪ for prime contract services	$1.34B	$1.80B	$1.62B	$1.49B
	▪ for procurement services	$0.09B	$0.07B	$0.02B	$0.08B

Commercial Trading Transactions by Business Line — 2009–10 ($ Billions)



People's Republic of China, which will promote a better understanding of Canadian exporter needs in this growing marketplace. As well, CCC participated in reconstruction efforts related to the 2008 hurricane season in Cuba and the January 2010 earthquake in Haiti. On-going public policy efforts also helped CCC to become more effective for exporters. These efforts include continued alignment within the International Trade Portfolio both from a policy and a business perspective and outreach to key government departments and officials to further encourage dialogue on important files such as Buy America, International Traffic in Arms Regulations (ITARs) and Canada's Industrial Regional Benefits (IRB) policy.

CCC believes that it can further enhance its public policy contribution in 2010–11. Specifically, the Corporation will continue to develop knowledge-sharing networks across policy stakeholders, work with foreign government officials to counteract global protectionist tendencies, and use CCC operations to support broader public policy and international programs.

Delivery of boats to the Haitian Coast Guard

Pillar 3: *Nurturing Innovation and Operational Excellence*

Through its strategic investments in people, processes and systems in the past five years CCC has established a solid foundation to support growth in its business operations. Those investments culminated with the implementation in 2008–09 of a new ERM framework and a new ERP system, important first steps towards achieving operational excellence. CCC aims to continually advance its provision of innovative, effective and risk-based prime contracting and procurement services through continued strategic investment in its people, processes and systems. As a Corporation, CCC supported this pillar in 2009–10 through the following strategic objectives:

CCC continues to take tremendous strides investing in people, processes and systems.

- Fostering an environment of human resources excellence;
- Optimizing critical tools and frameworks for excellent risk and contract management;
- Strengthening CCC's outreach and equipping the Corporation to be more client-focused; and
- Establishing innovative high-performance and robust quality management systems.

CCC continues to take tremendous strides investing in people, processes and systems. The Corporation set very ambitious targets in this Pillar for 2009–10.

Strategic Outcomes	Performance Indicator/ Commitment	Trends			
Pillar 3: A Crown corporation known for innovative and effective international contracting and procurement services through excellence in people, policies, processes and systems	*Workplace health, financial health, effective and efficient processes and effective risk management as measured by:*	2007–08 Results	2008–09 Results	2009–10 Target	2009–10 Results
	Turnover rate	9.1%	8.1%	≤ 5%	11.8%
	Percentage of staff that feel they have tools required for their work	77%	69%	≥ 80%	71%
	Percentage of staff that feel supported in their development	61%	53%	≥ 75%	53%
	Operating results/surplus	$2.52M	$0.98M	$0.73M	$1.10M
	Administrative costs as a percentage of total commercial trading transactions	1.55%	1.27%	1.46%	1.60%
	Indirect expenses as a percentage of total expenses	38%	42%	33%	40%
	Adherence to commercial contract payment terms	80%	98%	90%	97%
	Contract remediation expenses as a percentage of commercial trading transactions	0.03%	[0.04%]	0.03%	0.01%
	Percentage of ERM framework requirements met	83%	100%	100%	100%
	Refine ERM framework	▪ Confirmed alignment of risk tolerance and appetite with corporate growth agenda ▪ A renewed capitalization approach			

From a human resources and organizational perspective CCC made prudent changes to optimally realign its efforts to achieve corporate results and to obtain specialized skill sets in key areas of the organization. The Corporation established for the first time ever a Vice-President-led business development and sales unit. CCC also realigned its DPSA, contract management and procurement functions.

These strategic changes resulted in a greater staff turnover than originally anticipated. The Corporation is also developing a new human resources strategy including a learning and development framework. Despite these changes, CCC's staff survey results reflected an improvement in the percentage of staff that feel they have tools required for their work, and maintained the same result with respect to staff that feel supported in their development, as compared to 2008–09 results.

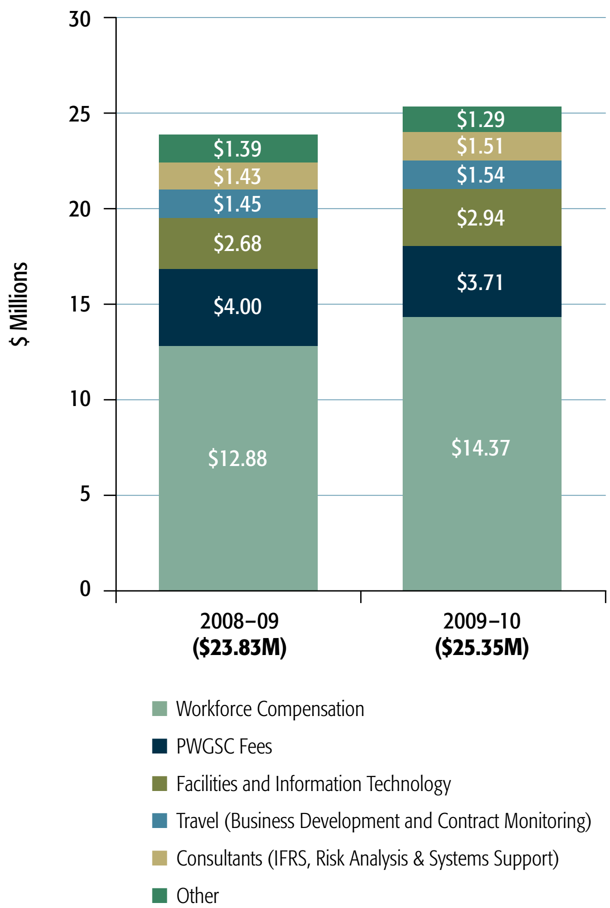
During the year CCC continued to make important investments in people, processes, and systems to support its growing business demands. These investments led to increased administrative costs, which will be offset by increased revenues in the future. In addition, the administrative costs for 2009–10 include the establishment of approximately $1 million in recoverable costs for six trade offices that were opened in China.

As a result of prudent management strategies and cost containment, the Corporation's bottom line, its operating surplus, exceeded expectations. CCC's contract remediation expenses were well below target while adherence to commercial contract payment terms increased, reflecting a strong risk management system and improved business processes.

Investment in CCC's workforce to support business development efforts impacted indirect expenses as a percentage of total expenses, as well as overall administrative costs. Within the Government of Canada's approach to cost containment as noted in the 2010 Budget, CCC will continue to increase the efficiency of its operating expenses for 2010–11 and beyond. To this end, in 2009–10, CCC worked with a newly established Crown corporation, Public-Private Partnerships (PPP) Canada, to share corporate services. Both organizations have benefitted significantly from the operating efficiencies gained through this innovative approach.

CCC continues to further refine its approach to people, processes and systems. Going forward, the Corporation will continue to build on the frameworks established in 2009–10 by implementing robust performance management and quality management systems, developing and implementing a renewed HR strategy, and strengthening business and market intelligence and analysis. CCC is committed to instil CSR in all its business practices and, as such, the Corporation finalized a CSR Framework to guide its activities.

Administrative Expenditures Breakdown — Year-over-Year Comparative



LEADERSHIP AND GROWTH IN EXPORT SALES IN THE CANADIAN DEFENCE SECTOR

Managing the DPSA with the United States

With a Canadian legacy spanning nearly 60 years in the design and fabrication of high precision optics, Raytheon ELCAN Optical Technologies has grown into one of the world's leading developers and manufacturers of man-portable sighting systems and custom optoelectronic products. With its commitment to ongoing product development and customer-focused excellence, the United States Army and Navy set its sights on ELCAN's battle-tested products. Through its judicious review of this supplier and contract award process, CCC was able to meet the buyer's tight deadline, and Raytheon ELCAN was awarded a 5-year contract to fit the United States Army and Navy's rifles with new optically superior combat sights.

LEADERSHIP AND GROWTH IN EXPORT SALES IN EMERGING AND DEVELOPING COUNTRIES

Increasing export sales to the Cuban Ministry of Sugar

The Potash Corporation of Saskatchewan Inc. (PotashCorp) together with its direct and indirect subsidiaries has a global reach that makes it a major player in the agricultural sector worldwide. PotashCorp is the world's largest fertilizer company by capacity, producing the three primary crop nutrients—potash, phosphate, and nitrogen. As the world's leading potash producer, they are responsible for about 20% of global capacity. With potash in such high demand, the Cuban government turned to CCC because of their long-standing relationship to source the raw materials Cuba needs to support its agricultural industry. Through CCC's structured trade finance program, Cuba purchased over 30,000 tonnes of potash last year alone, sourced from PotashCorp's New Brunswick mine.

LEADERSHIP AND GROWTH IN EXPORT SALES IN EMERGING AND DEVELOPING COUNTRIES

Delivering procurement and contracting services for international programs

Canada is often the first to respond when other countries are in need of assistance. When the Government of Canada requires equipment and services quickly for international commitments, it turns to CCC as a preferred partner. By ensuring value for money and delivering to remote or challenging locations, CCC assists government departments in their international efforts. With over $33 million in contracts signed for the African Union/UN Hybrid operation in Darfur (UNAMID) under Foreign Affairs and International Trade Canada's (DFAIT) Stabilization and Reconstruction Task Force (START) program, CCC played a key role in facilitating international procurement of materiel and services such as medical equipment, vehicles, water storage. A requirement for tents was tendered through a competitive process and awarded to Weatherhaven, a Canadian company based in Burnaby, B.C. The tents were then shipped to police units in Uganda, Senegal and Burkina Faso for UNAMID support.

Management's Discussion and Analysis

Context

CCC's contribution to the Canadian economy is reflected not only in its financial results, but also in its public policy contribution. CCC works very closely with a broad spectrum of Canadian businesses and foreign governments in order to facilitate trade for Canadian exporters. This characteristic of the organization's work uniquely places CCC in a position to assess and communicate the many challenges and opportunities facing these businesses and governments. In collaboration with DFAIT, EDC and other governmental organizations, CCC uses the knowledge obtained through its work to lead and inform policy discussions and decisions aimed at improving the Canadian economy. The defence and infrastructure markets are a particular focus for CCC in its policy objectives.

Financial Highlights

CCC's net results of operations and comprehensive income for 2009–10 was $1.1 million, compared to the $1.0 million reported in 2008–09. The year-over-year increase of $0.1 million, or approximately 10%, is the result of revenues increasing by $2 million combined with a one-time increase in parliamentary appropriation of $0.5 million offset by an increase in total expenses of $2.4 million. The increase in revenues resulted from increases in fees for service of $1.8 million, other income of $0.8 million and foreign exchange of $0.1 million offset by a decrease in interest income of $0.7 million. The decrease in interest income was caused by the significant reduction in interest rates over the course of the year, which reduced yields on CCC's investments. With regard to total expenses, CCC made several investments to support its growth. These investments are reflected in an increase in administrative expenses of $1.5 million primarily to increase staff in key areas. In addition, contract remediation expenses increased to $0.2 million.

Historically, several large contracts have materially impacted the Corporation's financial statements. In 2008–09, a decision by the U.S. government to alter its strategic direction in Afghanistan resulted in the ramping up of production lines at General Dynamics Land Systems (GDLS) to rapidly produce and deliver 773 additional RG-31 Mine Resistant Ambush Protected (MRAP) vehicles valued at a total of $745.5 million. This, along with other Light Armoured Vehicle (LAV) contracts, contributed to significantly increasing results reflected in the Corporation's financial statements in 2008–09. As activities on this series of contracts came to a conclusion in 2009–10, accounts receivable, accounts payable and commercial trading transactions were generally lower than the previous year.

The Corporation's contracts with foreign buyers are matched to equal and offsetting contracts with Canadian exporters. As a result, CCC has a natural hedge against foreign exchange gains or losses that would otherwise impact the net results of operations and comprehensive income. However, as a result of the Canadian dollar's rise compared to its U.S. dollar counterpart, from $0.7928 USD ($1.2613 CAD) at March 31, 2009 to $0.9844 USD ($1.0158 CAD) at March 31, 2010, certain financial statement amounts have decreased year-over-year.

A more detailed discussion of CCC's 2009–10 financial highlights follows.

Statement of Operations, Comprehensive Income and Retained Earnings Discussion

Summary results

	2009–10 ($ M)	2008–09 ($ M)
Commercial trading transactions — prime contracts	$ 1,492.0	$ 1,806.9
Revenues	$ 10.9	$ 8.9
Fees for service	$ 9.4	$ 7.6
Expenses	$ 25.5	$ 23.1
Parliamentary appropriations	$ 15.7	$ 15.2
Net results of operations and comprehensive income	$ 1.1	$ 1.0

Revenues

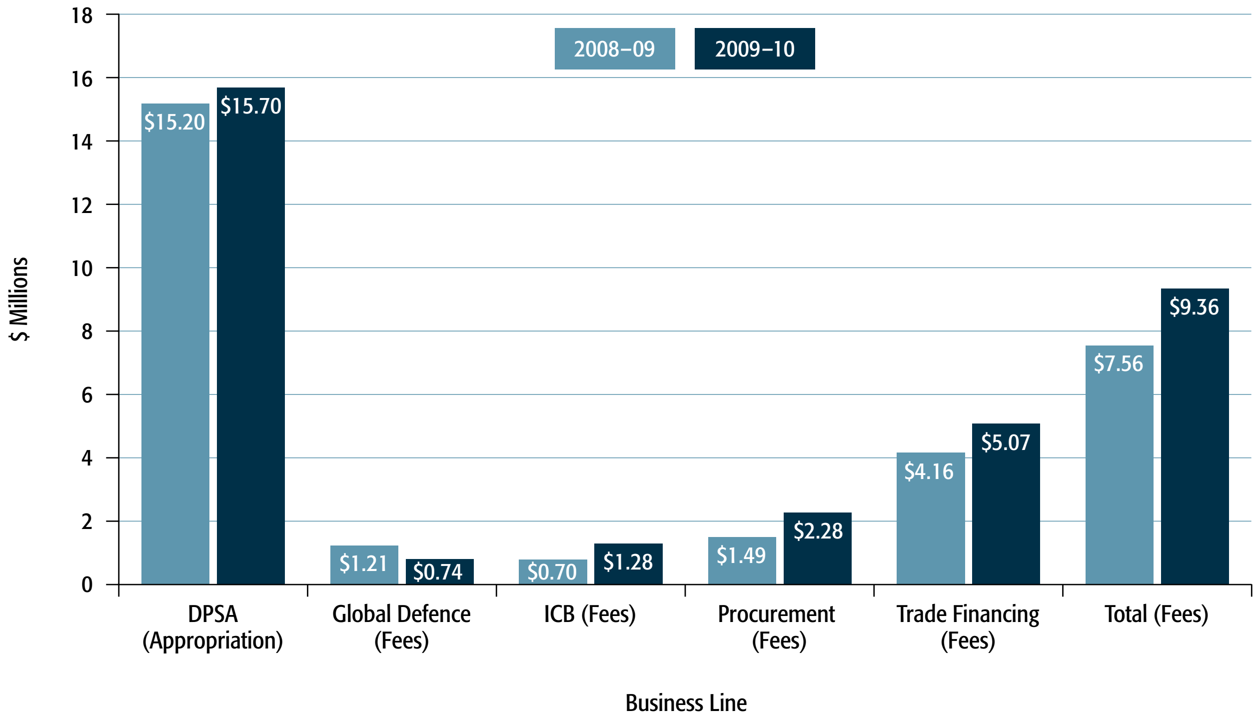
Revenues consist of commercial trading transactions on prime contracts, fees for service, other income, net interest income, and gain on foreign exchange. It is important to note that revenues for commercial trading transactions on prime contracts are fully offset by the cost of commercial trading transactions on prime contracts. Revenues were $10.9 million in 2009–10 compared to the $8.9 million reported in 2008–09, an increase of $2.0 million, or approximately 22%. Revenues are impacted negligibly by exchange rate fluctuations as commercial trading transactions are offset by an equal amount in the cost of commercial trading transactions and CCC's contracts require receipts and payments to be made in the same currency.

Commercial trading transactions on prime contracts were $1,492 million in 2009–10 compared to the $1,806.9 million reported in 2008–09, a 17% decrease. Commercial trading transactions on prime contracts related to older contracts signed with the U.S. DoD for LAVs were $316.9 million, or 41%, lower than the amount recorded in 2008–09. A significant LAV order was signed during 2009–10. Deliveries related to this new order commenced late in 2009–10 and the majority will occur over the next several years. This resulted in a significant reduction in commercial trading transactions on prime contracts from 2008–09. The rise of the Canadian dollar compared to the U.S. dollar resulted in total commercial trading transactions being lower by $30.6 million, or 2%, based on a year-over-year comparison using weighted average exchange rates to convert revenues and expenses.

Fees for service are predominantly earned as a percentage of commercial trading transactions. CCC charges fees for service only on its non-DPSA transactions, as its DPSA transactions are funded through parliamentary appropriations. In 2009–10, 21% of the Corporation's commercial trading transactions generated fees for service compared to 19% in 2008–09. Fees for service were $9.4 million in 2009–10 compared to $7.6 million in 2008–09, a 24% increase. Of the total $9.4 million, $5.1 million, or 54%, was generated by CCC's trade financing program, an increase of $0.9 million compared to 2008–09. Another $2.4 million, or approximately 26%, was generated through its procurement services program, an increase of $0.8 million compared to 2008–09. Exchange rate fluctuations have a negligible impact on fees for service as fees are largely derived from Canadian dollar transactions.

Other revenue that contributed to the overall year-over-year increase in revenues is as follows: (1) Other income increased from $0.3 million in 2008–09 to $1.1 million in 2009–10, due primarily to the collection of fees from another Crown corporation in relation to a shared services arrangement; (2) The gain on foreign exchange of $0.2 million in 2009–10 increased slightly from the 2008–09 level of $0.1 million, as unhedged foreign exchange balances were monitored closely and kept at negligible levels despite fluctuations in the Canadian dollar compared to its U.S. dollar counterpart; and (3) Net interest income declined from $1.0 million in 2008–09 to $0.3 million in 2009–10, as interest rates remained consistently low over the course of the entire year.

Appropriation and Fees for Service — Year-over-Year Comparative



Note: CCC does not charge fees for service on its DPSA transactions, as the DPSA is paid for through an appropriation from the Government of Canada.

Expenses

In 2009–10, total expenses were $25.5 million, an increase of $2.4 million or approximately 10% compared to the 2008–09 amount. An increase in administrative expenses of $1.5 million combined with a $0.9 million shift in contract remediation expenses, from a $0.7 million recovery in 2008–09 to a $0.2 million expense in 2009–10, accounts for this increase. Expenses are paid primarily in Canadian dollars and are not impacted by exchange fluctuations. Major administrative expenses were:

- Workforce compensation of $14.4 million increased by $1.5 million, or 12%, compared to the amount spent in 2008–09. CCC made strategic investments to build the capacity and skill sets required to effectively deliver the Corporation's services. As such, staff increased from an average of 114 in 2008–09 to an average of 125 in 2009–10.
- Public Works and Government Services Canada (PWGSC) fees for core contract management services under the DPSA were $3.7 million in 2009–10, a $0.3 million, or 7%, decrease compared to the fee amount in 2008–09.
- Rent and related expenses totalled $1.6 million, a $0.1 million, or approximately 7%, increase compared to the amount spent in 2008–09.
- Travel, principally for operational requirements to secure or manage CCC's international contracts, totalled $1.5 million, a $0.1 million, or approximately 7%, increase compared to the amount spent in 2008–09.
- Consultants that complement CCC's workforce and perform assignments requiring a specific expertise cost $1.5 million, representing a $0.1 million, or approximately 7%, increase compared to the amount spent in 2008–09.
- The amortization of property and equipment, and intangible assets associated with CCC's ERP system and leasehold improvements totalled $0.7 million, the same amount as in 2008–09.

- Computer software, hardware and support costs, over and above the information management personnel included in workforce compensation or consultants were $0.6 million, a $0.1 million, or 20%, increase compared to the amount spent in 2008–09.
- Corporate communication costs, which include marketing, advertising, and design and printing of corporate promotional material, were $0.2 million, a $0.2 million, or approximately 50%, decrease compared to the amount spent in 2008–09.
- Other expenses, including telecommunications and bank charges, totalled $1 million, a $0.1 million, or 11%, increase compared to the amount spent in 2008–09.

CCC reported contract remediation expenses of $0.2 million, compared to a recovery of $0.7 million in 2008–09. In 2008–09, the Corporation recorded expenses of $0.5 million, however, this amount was more than offset by reversals of provisions totalling $1.2 million from prior years that in the end were not required to be paid out as settlements as certain problem contracts were resolved.

CCC closely monitors its administrative expenses and uses the ratio of administrative expenses to commercial trading transactions to measure its administrative expenditure efficiency, with an objective not to exceed 2%. This objective was achieved in 2009–10 as it was in 2008–09.

Parliamentary Appropriations

In 2009–10, the Corporation received parliamentary appropriations of $15.7 million. This amount is comprised of CCC's Treasury Board approved 2009–10 annual baseline appropriation of $15.2 million, the same amount as in 2008–09 and supplementary funding of $0.5 million for collective bargaining owed for 2009–10 and owed retro-actively for 2007–08 and 2008–09.

Balance Sheet Discussion

Summary financial position

	2009–10 ($ M)	2008–09 ($ M)
Total assets	$ 475.8	$ 861.9
Total liabilities	$ 427.2	$ 814.4
Shareholder's Equity	$ 48.6	$ 47.5

CCC's total assets were $475.8 million as at March 31, 2010, $386.1 million, or 45%, lower than at March 31, 2009. Of the $475.8 million total assets, $251.9 ($543.3 million in 2008–09) relates to accounts receivable of which $26.8 million ($291.2 million in 2008–09), or 11% (54% in 2008–09), relates to the high priority order signed in 2008–09 for the delivery of the RG-31 MRAP vehicles. The year-over-year decrease in accounts receivable of $291.4 million, accounts for 76% of the change in total assets. The rising Canadian dollar resulted in total assets being lower by approximately $76.2 million based on a year-over-year comparison of March year end exchange rates used to convert assets.

CCC's total liabilities were $427.2 million as at March 31, 2010, $387.2 million, or 48%, lower than at March 31, 2009. Of the $427.2 million total liabilities, $236.3 million ($535.5 million in 2008-09) relates to accounts payable and accrued liabilities of which $26.7 million ($291.6 million in 2008–09), or 11% (54% in 2008–09), relates to the high priority order signed in 2008–09 for the delivery of the RG-31 MRAP vehicles. The year-over-year decrease in accounts payable and accrued liabilities of $299.2 million, accounts for 78% of the change in total liabilities. The rising Canadian dollar resulted in total liabilities being lower by $70.9 million based on a year-over-year comparison of year-end exchange rates used to convert liabilities.

As an international trade intermediary, CCC offsets its trade-related assets with matching liabilities. Therefore, accounts receivable from foreign customers and progress payments to Canadian exporters are normally offset by accounts payable and accrued liabilities to Canadian exporters, as well as by progress payments from foreign customers.

Of the $96.6 million in advances from customers, $85.0 million, or 88% (89% in 2008–09), were related to five projects for the Dominican Republic, Ecuador, Ghana, Norway and Saudi Arabia, and several procurement services projects for DFAIT. Of these advances from customers, a significant portion, $83.9 million, was passed on to suppliers, accounting for 98% (97% in 2008–09) of advances to suppliers.

At times, CCC has a need for other sources of working capital to bridge timing differences between its payables and receivables on its core DPSA program. CCC was authorized by the Minister of Finance to borrow commercially up to $40 million for 2009–10 in order to manage such variations.

CCC's property and equipment, and intangible assets decreased by $0.4 million in 2009–10. During the year, the Corporation capitalized costs of $0.2 million associated with leasehold improvements. Amortization of $0.6 million related to the ERP system and a further $0.1 million related to leasehold improvements was recorded in 2009–10.

CCC's provision for contract remediation expenses decreased by $0.4 million in 2009–10. The decrease in the provision is primarily attributed to a receivable of $0.3 million that was determined to be uncollectible.

In 2009–10, CCC's equity, fully ascribed to the Government of Canada, was $48.6 million, an increase of $1.1 million from 2008–09, as detailed in the Statement of Operations, Comprehensive Income and Retained Earnings Discussion. CCC's equity backstops the commercial risks inherent in its portfolio of undelivered contracts which totalled approximately $2.7 billion at year-end. It is worth noting that in 2009–10 CCC signed a significant contract with the U.S. DoD for the delivery of LAVs. The maximum potential value of this contract is $2.2 billion, and the U.S. DoD has already ordered $1.1 billion worth of LAVs against this delivery order. The $2.7 billion in undelivered contracts noted above only reflects the signed and effective portion of this significant contract.

Statement of Cash Flows Discussion

Summary of cash flows

		2009–10 ($ M)		2008–09 ($ M)
Operating activities	$	(45.5)	$	3.7
Investing activities	$	(0.2)	$	(0.3)
Effect of exchange rate changes on cash and cash equivalents	$	0.1	$	0.1

Cash and short-term deposits at March 31, 2010 decreased by $45.6 million compared to the previous year.

Operating activities

In 2009–10, CCC used $45.5 million in cash from its operating activities, as compared to the $3.7 million provided in 2008–09. This decrease is attributable to several factors as follows:

- $41.2 million was used for advance payments that were received from foreign governments in 2008–09 and passed on to Canadian exporters in 2009–10. For risk mitigation purposes, on certain projects CCC holds back advance payments made by the foreign customer and releases them to the Canadian exporter as delivery obligations are fulfilled.
- $7.6 million was used for timing differences between the receipt of cash on CCC's accounts receivable and disbursements of cash for its accounts payable. This situation arises primarily on DPSA transactions and certain procurement services agreements where the Corporation is contractually obliged to pay its exporters within 30 days of receipt of a supplier invoice regardless of when the money is received from the foreign customer.
- $2.2 million was provided due to timing differences between the receipt of cash on the Corporation's progress payments from foreign customers and progress payments made to Canadian exporters.
- $1.1 million was provided due to an increase in retained earnings as described in the Statement of Operations, Comprehensive Income and Retained Earnings Discussion.

Investing activities

As described in the Balance Sheet Discussion, the Corporation capitalized costs of $0.2 million associated with leasehold improvements during 2009–10.

Comparison with the 2009–10 to 2013–14 Corporate Plan Budget

Total commercial trading transactions of $1,568.4 million were $69.3 million, or 4%, lower than budgeted as business related to global defence materialized slower than anticipated. Fees for service of $9.4 million were greater than budgeted by $1.0 million, or 11%, due largely to superior results in the Corporation's trade financing and procurement services programs. Interest income of $0.3 million was $0.9 million under budget due to the considerably lower than anticipated interest yields on CCC's investments. The lower than budgeted rates accounted for the total shortfall in interest income as average cash balances slightly exceeded budgeted levels.

CCC recorded a foreign exchange translation gain of $0.2 million. The Corporation controls exchange gains and losses through monitoring and maintaining unhedged foreign currency balances at negligible levels.

Contract remediation expenses were below budgeted levels by $0.3 million. This is reflective of the Corporation's continued improvements to policies, processes and systems, particularly the implementation of the Corporation's ERM framework, over the last several years.

Administrative expenses of $25.4 million were $1.5 million, or 6%, greater than the budgeted amount of $23.9 million. This was predominantly related to expenses for the administration of the Corporation's new China offices (that are fully cost recovered and included in the Corporation's fees for service revenues). These China expenses, combined with unplanned increases made to general liabilities for employee future benefits and unused leave balances, account for $1.2 million of the $1.5 million unfavourable variance. The ratio of administrative expenses to total commercial trading transactions for 2009–10 was 1.6%, slightly higher than the 1.5% budgeted.

2010–11 Corporate Plan Forecast

As a Crown corporation reliant upon fee revenues to support operations, CCC always aims to generate a modest operating surplus. In 2010–11, CCC is planning for net results of operations and comprehensive income of $0.5 million. This is $0.6 million lower than the 2009–10 actual. These results are consistent with historic operating surplus amounts for the Corporation.

In 2010–11, revenues are expected to be $16 million, $5.1 million greater than the results achieved in 2009–10, due primarily to an expected increase in total fees for service. With the anticipated signing of a significant fee-generating defence contract in 2010–11 and several other contracts in emerging and developing markets, the Corporation is expecting to increase fees for service to record levels. Interest income of $0.2 million is anticipated to be slightly lower than in 2009–10 although this could improve should interest rates increase sooner than anticipated.

With respect to CCC's expenses, contract remediation expenses are forecast to be only $0.5 million, reflecting the high degree of risk management that is applied to all of CCC's business. This amount is achievable given CCC's current portfolio of active and potential projects and the robust nature of its ERM framework, as well as the Corporation's continued investments to improve contract due diligence and management practices.

Administrative expenses are forecast to be $31.0 million, representing a 22% increase compared to the 2009–10 actuals of $25.5 million. The Corporation, in keeping with its growth through innovation strategy, is planning to make strategic investments to acquire capacity and skill sets required to achieve its business targets. Amortization expenses will be the same as the 2009–10 level of $0.7 million as the Corporation enters its third full year of amortizing capitalized costs related to the ERP system that was implemented in 2007–08.

CCC will receive parliamentary appropriations of $15.6 million in 2010–11, slightly lower than the 2009–10 amount that included supplemental funding for retroactive collective bargaining increases.

Convergence with International Financial Reporting Standards

The Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants has adopted a strategy to converge Canadian Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). Effectively, IFRS will become GAAP. Publicly accountable enterprises including many federal and territorial Crown corporations will be required to adopt IFRS for reporting financial periods beginning on or after January 1, 2011 and will need to prepare at least one year of comparable financial results under the same basis of accounting.

On July 3, 2009, the Public Sector Accounting Board (PSAB) issued an Exposure Draft titled "Financial Reporting by Certain Government Organizations (Amendment to Introduction)", which indicated that CCC would have the ability to elect to adopt IFRS provided it meets factors related to "user needs" and "comparability", as set out in the Exposure Draft. CCC meets those factors and plans to proceed with the adoption of IFRS. In September 2009, PSAB approved the Exposure Draft, with the actual text of the revised standard issued in December 2009.

CCC's project to prepare for the transition to IFRS is well advanced and on track. The Corporation continues to evaluate the impact of these new standards on the recognition, measurement, presentation, and disclosure of financial statement items. Due to anticipated changes in IFRS, some of which could result in revised standards being issued prior to April 1, 2011, management may need to reassess the transitional impacts of some standards, and is not in a position at this time to determine the full impact of adopting IFRS on the Corporation's future financial results.

CCC's Commitment to Performance and Risk Management

Performance Management

As a Crown corporation CCC contributes to the Government of Canada's overarching goals, while maintaining financial health and limiting risk exposure. To this end, the Corporation is committed to sound performance and risk management practices across all areas of operation. CCC manages performance by setting targets and monitoring key performance and risk indicators for the Corporation's strategic outcomes and objectives.

As a knowledge-based organization, CCC values organizational learning, both in the areas of performance and risk. This learning actively and continuously shapes critical decision-making and strategic direction. The Corporation will continue to make significant strides in the area of performance management.

In 2010–11, CCC will adopt the *Balanced Scorecard* as its performance management system in support of its objective to reinforce long-term performance excellence with a healthy workforce. With the *Balanced Scorecard*, CCC will be better equipped to provide value-added services to Canadian exporters in an environment where an accelerated pace of change and complexity has become the norm. Greater effectiveness and efficiency in translating vision and strategy into action, with clear performance indicators and measures, will lead to greater clarity of results and stakeholder confidence.

Risk Management

Overview

CCC is exposed to a broad range of risks by fulfilling its mandate of promoting and facilitating international trade on behalf of Canadian exporters. The effective management of these risks is fundamental to the achievement of its objectives. CCC has established a comprehensive ERM framework for the management of risks. This framework identifies three categories of risk facing CCC (Strategic, Operational and Transactional). It also sets out processes for their management in the areas of risk identification, assessment, response, control, monitoring, reporting and communication.

The ERM framework recognizes the important role that risk culture plays in the effective management of enterprise risk. The Corporation's risk culture is supported by a strong "tone from the top", which emanates from the Board of Directors and is reinforced as it cascades through the executive team, the Risk Management Committee, management and staff. A key premise of CCC's risk management culture, supported through the ERM framework, is that all employees have an important role to play in managing enterprise risks, and collectively form part of the Corporation's extended risk management team. Effective risk management is critical to the achievement of the strategic objectives and long-term financial viability of CCC. This presents both challenges and opportunities and the need to successfully navigate between these complementary risk dimensions is embedded into the corporate and business plan processes. While risk can never be entirely eliminated, CCC mitigates the risks related to its contracts and strategic objectives.

Risk Governance

Risk management within the Corporation is a shared process. The Board of Directors ensures that the Corporation's risk management program is current, effective and is reviewed on a regular basis. CCC's Management develops appropriate risk management structures, policies and procedures for recommendation to the President. This is accomplished through the Risk Management Committee.

Categories of Risks

Strategic Risks

This is one of the three risk categories managed by CCC. Strategic risks are those that may interfere with the Corporation's ability to meet its overall objectives. These include:

Mandate Risk

This risk relates to the Corporation operating in activities beyond its mandate or not fulfilling its mandate through the services provided. The Corporation's focus continues to be largely on defence and government procurement in emerging and developing markets. This is in alignment with shareholder expectations. To ensure continued alignment, all new services are to be reviewed by the Board of Director's Commercial Initiatives (Operations) Committee.

Organizational Risk

This risk relates to the Corporation not having the proper structure and capital in place to achieve its objectives. The Corporation implemented a new Corporate Governance structure and made strategic investments to acquire important skill sets to provide the necessary oversight and support to CCC's processes and growth initiatives while continuing to focus on contract management and business process improvements.

Reputational Risk

This risk relates to the Corporation's actions or inactions that may result in the tarnishing of its brand image with its shareholder, buyers and/or Canadian exporters. In addition to robust transactional due diligence, CCC introduced a new CSR framework which encompasses formal "Code of Conduct" and "Code of Business Ethics" policies. New requirements to review the personal integrity of the corporate directors of the suppliers making use of the CCC services were also instituted. The Corporation additionally provides regular and open communication with all of its stakeholders, which is essential to managing reputational risk.

Business Environment Risk

This risk relates to changing economic, social, legal or environmental conditions that could result in decreased usage of CCC's services. The Corporation monitors environmental changes to manage this risk and adapts process changes as necessary.

Overall economic conditions in Canada and many of CCC's export markets remain uncertain. Short-term risks have been reduced as the instability in credit and financial markets has largely abated and begun to improve, although not to the same pre-recession levels of economic growth. Despite improving conditions, the long-term risk outlook remains elevated. In light of these economic conditions, CCC continues to focus on an action plan for ensuring sound risk management practices for both contract structuring and contract management activities.

Operational Risks

This is the second major risk category managed by CCC. It refers to those risks directly related to the Corporation's people, information systems and business processes. Operational risks are managed at the business and functional unit level and are the responsibility of the Vice-Presidents. These include:

People Risk

People risk is CCC's most significant operational risk as it relates to not having the adequate human resources in place to meet both client expectations and overall corporate objectives. While CCC has professional and knowledgeable staff in place to effectively manage the organization, there is a risk of turnover in core positions that require specialized knowledge. CCC is managing this risk by closely monitoring its employee opinion survey and developing a comprehensive Human Resources Strategy. During the past year, the Corporation added key staff to important executive, management and operational positions. These increases have augmented the Corporation's ability to focus on future growth strategies and business process improvements.

Information Risk

This risk relates to the Corporation's information system being able to generate relevant data in an efficient and effective manner. CCC has made several enhancements to the ERP system, improving internal controls, and the reporting of financial and transactional data.

Process Risk

This risk relates to the processes in place to provide guidance to staff, control financial transactions and to efficiently and effectively manage contracts. During the past year, the Corporation launched policies related to CSR and Fraud, and provided comprehensive training to staff regarding these policies. The internal audit function continues to review key areas of the Corporation to ensure that controls and practices are being followed as per approved policies and procedures.

Transactional Risks

This is the third major category of risk managed by CCC. These risks deal with export transactions and the Corporation is sensitive of the need to protect the shareholder by effectively and prudently managing these risks. Prior to entering into export contracts, the following transactional risks are evaluated:

Contract Risk

This risk relates to the terms and conditions held within CCC's foreign and domestic contracts. Projects may require tailored terms and conditions to reflect each project's specific risks. CCC has an experienced workforce comprised of experienced contract professionals and legal counsellors to effectively manage contract risks, and maintain low levels of contract remediation expenses. Existing practices to manage contract risk were maintained during the year. No new contractual risks were identified.

Performance Risk

This risk relates to the possibility that a supplier may fail to deliver the contracted goods and services to CCC. In evaluating the performance risk of suppliers, CCC's due diligence places an emphasis on the financial, managerial and technical capability of the firms that are seeking the Corporation's support. CCC undertook quarterly supplier reviews to evaluate the financial condition of its portfolio of suppliers. The reviews helped to gauge the impact of the global recession on suppliers' financial conditions and provided CCC with a stronger baseline for more regular reviews.

Foreign Credit Risk

This risk relates to the possibility of payment defaults from a foreign buyer under CCC contracts. To minimize this risks, the Corporation normally requires AAA rated (as per *Moody's*) credit risk of foreign governments and commercial parties. CCC may also accept securities to back up payment obligations of customers where the credit rating is below that of AAA. In all other cases, the Corporation passes the credit risk to the exporter. Often the exporter will use the financing and insurance services of Export Development Canada (EDC) to mitigate these credit exposures.

Export Contract Foreign Exchange Risk

This risk relates to changes in the exchange rate of the Canadian dollar and the potential impacts from an export transaction viewpoint. The past two years have been uncharacteristically volatile in the foreign exchange market. A prolonged period of high CAD rates could weaken the financial position of exporters using the Corporation's prime contractor services. This could potentially lead to higher levels of contract remediation expenses in the future. The Corporation passes the exchange rate risk on to the exporter by paying exporters in the same currency as is received in the underlying export transaction. The Corporation is also subject to foreign exchange risk related to its unhedged foreign currency exposure. This risk is principally comprised of the fluctuation in value of the Corporation's U.S. dollar working capital. The Corporation's practice of maintaining low foreign currency account balances helps to mitigate foreign exchange risk. To a lesser degree, the value of CCC's fees denominated in foreign currency also represents a foreign exchange risk.

Management Responsibility for Financial Statements

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management. The statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In support of its responsibility, management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions of the Corporation are in accordance with the *Financial Administration Act (FAA)* and regulations and, as appropriate, the *Canadian Commercial Corporation Act*, the by-laws of the Corporation, and the directive issued pursuant to Section 89 of the *FAA*.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Audit Committee meets with management and the internal and external auditors to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the financial statements in accordance with Canadian generally accepted auditing standards, and expresses her opinion on the financial statements.

Marc Whittingham
President and CEO

Martin Zablocki, B.Com, MBA, CBV, CMA
Vice-President, Risk and Finance, and CFO

Ottawa, Canada
May 21, 2010

Auditor's Report

Auditor General of Canada
Vérificatrice générale du Canada

To the Minister of International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 2010 and the statements of operations, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and the by-laws of the Corporation, and the directive issued pursuant to Section 89 of the *Financial Administration Act*.

Nancy Y. Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 21, 2010

Financial Statements and Notes

Balance Sheet

As at March 31 (in thousands of dollars)	2010	2009
Assets		
Cash and cash equivalents (Note 3)	$ 42,982	$ 88,542
Accounts receivable (Notes 4 and 11)	251,889	543,305
Advances to Canadian exporters	85,944	114,660
Progress payments to Canadian exporters	92,101	111,990
	472,916	858,497
Property and equipment (Note 5)	1,264	1,182
Intangible assets (Note 6)	1,661	2,215
	$ 475,841	$ 861,894
Liabilities		
Accounts payable and accrued liabilities (Notes 4 and 11)	$ 236,327	$ 535,510
Advances from foreign customers	96,550	166,540
Progress payments from foreign customers	91,625	109,313
Provision for contract remediation expenses (Notes 8 and 17)	1,442	1,810
	425,944	813,173
Employee future benefits (Note 7)	1,308	1,232
	427,252	814,405
Shareholder's Equity		
Contributed surplus	10,000	10,000
Retained earnings	38,589	37,489
	48,589	47,489
	$ 475,841	$ 861,894

Commitments, contingencies and guarantees (Notes 16 and 17)

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

Approved:

Robert C. Kay, J.D., B.L.
Chair, Board of Directors

Norman A. Turnbull, CA, IAS.A – ICD.D
Chair, Audit Committee

Statement of Operations, Comprehensive Income and Retained Earnings

For the year ended March 31 (in thousands of dollars)		2010		2009
Revenues				
Commercial trading transactions — prime contracts (Note 9)		$ 1,491,965		$ 1,806,851
Less: cost of commercial trading transactions — prime contracts		(1,491,965)		(1,806,851)
Fees for service (Note 9)		9,363		7,559
Other income (Note 9)		1,096		275
Net interest income (Note 13)		281		979
Gain on foreign exchange		156		80
		10,896		8,893
Expenses				
Administrative expenses (Note 12)		25,350		23,831
Contract remediation expenses (Note 17)		191		(728)
		25,541		23,103
International procurement services for government clients				
Procurement services transactions (Note 9)	$ 76,435		$ 67,086	
Less: cost of procurement services transactions	(76,435)		(67,086)	
		–		–
Net results of operations before Parliamentary appropriations		(14,645)		(14,210)
Parliamentary appropriations (Note 14)		15,745		15,192
Net results of operations and comprehensive income		1,100		982
Retained earnings at beginning of year		37,489		36,507
Retained earnings at end of year		$ 38,589		$ 37,489

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

Statement of Cash Flows

For the year ended March 31 (in thousands of dollars)	2010	2009
Cash flows from operating activities		
Receipts from foreign customers	$ 1,772,138	$ 1,640,267
Interest received	281	979
Fees for service and other income received	10,459	7,834
Payments to Canadian exporters	(1,819,538)	(1,637,562)
Administrative payments	(24,578)	(23,011)
Parliamentary appropriations	15,745	15,192
Cash (used in) provided by operating activities	(45,493)	3,699
Cash flows from investing activities		
Purchase of property and equipment, and intangible assets	(223)	(242)
Cash (used in) investing activities	(223)	(242)
Effect of exchange rate changes on cash and cash equivalents	156	80
(Decrease) increase in cash and cash equivalents	(45,560)	3,537
Cash and cash equivalents at beginning of year	88,542	85,005
Cash and cash equivalents at end of year (Note 3)	$ 42,982	$ 88,542

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

Notes to Financial Statements

March 31, 2010

1. Nature, organization and funding

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* (the "Act") and is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when foreign governments, international organizations, or foreign private sector buyers wish to purchase products and services from Canada through the Canadian Government. The Corporation enters into contracts with these foreign customers and into corresponding supply contracts with Canadian exporters. Additionally, the Corporation enters into procurement services agreements to procure goods and services for international end use on behalf of Canadian and foreign governments. The Corporation operates primarily in Canada with additional offices in Asia and representation in South America.

The Corporation's operations are funded primarily by parliamentary appropriation. This is supplemented by a combination of fees for service, interest income and discounting revenues.

In September 2008, the Corporation, together with a number of other commercial Crown corporations, was issued a directive (P.C. 2008-1598) pursuant to Section 89 of the *Financial Administration Act*, entitled *Order giving a direction to parent Crown corporations involved in commercial lending to give due consideration to the personal integrity of those they lend to or provide benefits to in accordance with Government's policy to improve the accountability and integrity of federal institutions*. The Corporation has reviewed and updated its policies and programs and, as per the requirements of section 89(6) of the *Financial Administration Act*, has notified the Minister of International Trade that the directive has been implemented. The new personal integrity policy was approved and became effective on January 1, 2010, and will be applied prospectively.

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

2. Significant accounting policies

Basis of presentation

These financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP). A summary of significant policies follows:

a) Change in accounting policies

On April 1, 2009, the Corporation adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, *Goodwill and Intangible Assets*. Additionally, amendments to Section 3862, *Financial Instruments—Disclosures,* Section 3855, *Financial Instruments—Recognition and Measurement* and Section 1000*, Financial Statement Concepts* were adopted.

Goodwill and Intangible Assets

In February 2008, the CICA issued new accounting standard Handbook Section 3064, *Goodwill and Intangible Assets*, applicable for fiscal years beginning on or after October 1, 2008, which the Corporation adopted retrospectively, effective April 1, 2009. New Section 3064 which replaces CICA Handbook Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*, provides guidance for the identification, recognition, and measurement of externally acquired or internally developed intangible assets and requires separate asset disclosure.

As a result of adopting the new standard, certain information systems software costs previously recorded as Property and Equipment have been reclassified as Intangible Assets in the Balance Sheet. The impact of this change on current and prior period figures is shown in note 5 and note 6.

Financial instruments — disclosures

Effective April 1, 2009, the Corporation adopted the recent amendments to Section 3862, *Financial Instruments — Disclosures*. The amendments enhance required disclosures related to fair value measurements, including the relative reliability of the inputs used in those measurements and establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair values based on level 1 inputs due to the relatively short-term nature of these financial instruments.

Additionally, the requirement for liquidity risk disclosure was enhanced with the inclusion of a maturity risk analysis for derivative and non-derivative financial instruments.

Financial instruments — recognition and measurement

In June 2009, the CICA clarified Section 3855 with respect to the effective interest method which is used for calculating the amortized cost of financial assets and financial liabilities and of allocating the interest income or interest expense over the relevant period. This clarification had no material impact on the Corporation's financial position or results from operations.

Financial Statement Concepts

In February 2008, the CICA issued amendments to Section 1000, *Financial Statement Concepts* to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Effective April 1, 2009, the Corporation adopted the amendments to Section 1000 which did not have any impact on the Corporation's financial statements or results from operations.

b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The most significant management estimates are the provision for contract remediation expenses and the liability for employee future benefits. Actual results could differ significantly from those estimates as factors impacting the ability of Canadian exporters to fulfill their contracts change or there are changes in the Corporation's discount rate and rate of compensation increases. Any changes in estimates are reflected in the financial statements in the period in which they become known.

c) Contracts

The Corporation records its **commercial trading transactions** and **procurement services transactions**, and their offsetting costs, when a delivery has taken place thus passing title of the purchased goods to the foreign customer. However, in the case where the contract provides for progress payments, commercial trading transactions and procurement services transactions are recorded upon acceptance by the Corporation of the work performed. Commercial trading transactions related to prime contracts are included in **revenues**, and procurement services transactions, whereby the Corporation acts as an agent for another government or government department, are shown on a net basis under **international procurement services for government clients**.

Fees for service from commercial trading transactions related to prime contracts and international procurement services agreements, and other international activities are recognized in revenues when services are rendered.

Progress payments from foreign customers and **progress payments to Canadian exporters**, when required, represent payments on a percentage-of-completion basis associated with the work performed on a contract leading up to delivery. Usually these payments are restricted to 75 percent of costs incurred. Since title has not yet passed to foreign customers, the Corporation recognizes the progress payments made to Canadian exporters as an asset and the progress payments received from foreign customers as a liability. Progress payment assets and liabilities are reduced upon completion of delivery and acceptance by the foreign customer.

Advances from foreign customers and **advances to Canadian exporters** represent a down payment made at the outset of the contract before any work has been performed. The Corporation recognizes the advances made to Canadian exporters as an asset and the advances received from foreign customers as a liability. Advances made and received are reduced upon completion of delivery and acceptance by the foreign customer.

Other income is comprised mostly of income from a shared services arrangement with a related party and discounting revenues related to advance payments. Revenues from the shared services arrangement are recorded as other income when the services are provided. The Corporation offers, in certain circumstances, early payment on amounts owing to Canadian exporters in exchange for a fee. This discounting revenue is determined by applying a set percentage ranging from 0.03%, for one day of advance payment, to 1.32%, for forty days of advance payment. Discounting revenues are recognized as other income when the services are provided to the Canadian exporters.

Finally, for commercial trading transactions related to prime contracts, the Corporation is responsible for ensuring that the terms of the contract with the foreign customer are fulfilled regardless of the quality of performance by the Canadian exporter. If the Canadian exporter fails to fulfill its domestic contract obligations to the Corporation, the Corporation may encounter contract remediation expenses. These costs and the associated provision are determined on a contract-by-contract basis, and include completion, re-procurement, associated legal and other costs that are based on quotes or estimates. **Contract remediation expenses** are recorded in the Statement of Operations, Comprehensive Income and Retained Earnings in the year in which the non-performance is identified by the Corporation is likely and the amounts are reasonably determinable.

d) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average monthly exchange rate. Any gains or losses on foreign currencies are recorded as a gain or loss on foreign exchange on the Statement of Operations, Comprehensive Income and Retained Earnings.

e) Financial instruments

The term "financial instrument" is defined as any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

i) Derivative financial instruments

The Corporation may enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The Corporation does not use derivative financial instruments for speculative purposes. As the Corporation does not account for these forward contracts using hedge accounting, these instruments are classified as held-for-trading, and measured at fair value using quoted forward prices with changes recognized in net income in the period in which they occur as a gain or loss on foreign exchange on the Statement of Operations, Comprehensive Income and Retained Earnings. Derivatives are recognized as either an asset in accounts receivable, or as a liability in accounts payable and accrued liabilities on the balance sheet.

The Corporation enters into certain non-financial instrument contracts which contain embedded foreign currency derivatives. Where these contracts are not leveraged, do not contain an option feature, and are denominated in a currency in which any substantial party to that contract measures the items in its financial statements, or in a currency that is commonly used in the economic environment where the transaction takes place, the embedded derivatives are not separated from the host contract.

The Corporation has no significant derivatives or embedded derivatives that require recognition as an asset or liability on the balance sheet.

ii) Determination of fair value

All financial instruments are initially included on the balance sheet and are measured at fair value. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using observable market data.

f) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and temporary investments, maturing in less than three months from acquisition date and are recorded at fair value based on the transaction price on the trade date. All interest income, gains and losses are recognized in net interest income in the period in which they arise. The Corporation has designated its cash and cash equivalents as held-for-trading since they can be reliably measured at fair value due to their short term to maturity. The changes in fair value of cash and cash equivalents are recognized in the period incurred as a gain or loss on foreign exchange on the Statement of Operations, Comprehensive Income and Retained Earnings.

g) Accounts receivable

Accounts receivable are classified as loans and receivables and measured at amortized cost using the effective interest rate method. The Corporation does not establish an allowance for doubtful accounts since it has contractual recourse, in all material respects, whereby the Canadian exporter assumes the risk of non-payment from the foreign buyer.

h) Accounts payable and accrued liabilities, and provision for contract remediation expenses

Accounts payable and accrued liabilities, and the provision for contract remediation expenses are classified as other financial liabilities and carried at amortized cost using the effective interest rate method.

i) Property and equipment and intangible assets

Property and equipment includes costs associated with information systems hardware and operating systems, and leasehold improvements. Information systems hardware and operating systems are amortized, after technological feasibility is established, on a straight-line basis over the estimated useful life of five years. Leasehold improvements are amortized on a straight-line basis over the lesser of the useful life and the remaining term of the lease agreement.

Intangible assets include costs associated with information systems software and related initial set-up and configuration costs. These costs are amortized, after technological feasibility is established, on a straight-line basis over the estimated useful life of five years.

The Corporation assesses on an annual basis whether there is impairment in value, and if it is determined that impairment exists, the asset is written down to the best estimate of fair value.

j) Parliamentary appropriations

Parliamentary appropriations that are not in the nature of contributed surplus are recorded as funding in the year for which they are appropriated, except for appropriations restricted by legislation and related to expenses of future periods which are deferred and recognized as funding in the period in which the related expenses are incurred. Appropriations used for the purchase of Property and equipment are deferred and amortized into income on the same basis as the related asset.

k) Interest income

Interest income is recorded on an accrual basis and represents interest earned on cash balances and investments held throughout the year, and interest charged to customers related to late payments.

l) Employee future benefits

i) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

ii) Employee severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on services. The valuation of the liability is based upon a current market-related discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by this plan is 14 years (2009 – 13 years). These benefits represent the only obligation of the Corporation that entails settlement by future payment.

A full actuarial evaluation was performed at March 31, 2010 and the next one is scheduled for March 31, 2012.

m) Future accounting changes

International Financial Reporting Standards

The Accounting Standards Board of the CICA has announced for fiscal years beginning on or after January 1, 2011, the adoption of International Financial Reporting Standards (IFRS) to replace existing Canadian GAAP for publicly accountable enterprises. On October 28, 2009, the Public Sector Accounting Board (PSAB) approved an amendment to the scope of Public Sector Accounting Standards (PSAS) giving other government organizations the choice to prepare their financial statements in accordance with PSAS or with IFRS based on their assessment of the most appropriate basis of accounting related to their specific circumstances and the needs of users of the Corporation's financial statements. As an "other government organization", the Corporation has determined that IFRS is the most appropriate basis of accounting and will be reporting under IFRS beginning with the year ended March 31, 2012, and presenting its fiscal 2011 comparative figures in compliance with IFRS which will be reconciled to Canadian GAAP figures previously reported. Although IFRS is principles based and uses a conceptual framework similar to Canadian GAAP, there are some significant differences between IFRS and Canadian GAAP including accounting policy choices available and increased disclosure requirements.

The project to prepare for the transition to IFRS, is well advanced and on track. The Corporation continues to evaluate the impact of these new standards on the recognition, measurement, presentation, and disclosure of financial statement items. Due to anticipated changes in IFRS, some of which could result in revised standards being issued prior to April 1, 2011, management may need to reassess the transitional impacts of some standards, and is not in a position at this time to determine the full impact of adopting IFRS on the Corporation's future financial results.

3. Cash and cash equivalents

As at March 31, 2010, cash and cash equivalents included:

	2010		2009	
(in thousands)	Original currency	Canadian dollars	Original currency	Canadian dollars
Canadian dollars	22,132	$ 22,132	26,552	$ 26,552
U.S. dollars	19,256	19,561	46,414	58,543
Euros	847	1,163	1,921	3,210
Australian dollars	133	124	272	237
Other	61	2		–
		$ 42,982		$ 88,542

During 2009–10, the Corporation obtained Minister of Finance approval to open bank accounts with the Bank of China, in Chinese renminbi and Canadian dollars, required for the establishment and operation of six new corporate representative offices in the following cities in the People's Republic of China: Chengdu, Nanjing , Qingdao, Shenyang, Shenzhen and Wuhan.

The Corporation invests in short-term deposits in Canadian banks. At March 31, 2010, the average term to maturity of short-term deposits was 1 day (2009 – 1 day) and the portfolio yield to maturity at March 31, 2010, was 0.04% (2009 – 0.12%).

Of the cash and cash equivalents, $11,497,000 (2009 – $52,356,000) represents advances and holdbacks received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

4. Accounts receivable and accounts payable and accrued liabilities

Accounts receivable are based on normal international trade terms and are generally non-interest bearing. The currency profile of the Corporation's accounts receivable was as follows:

	2010		2009	
(in thousands)	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	136,903	$ 139,066	365,765	$ 461,341
Canadian dollars	103,065	103,065	70,952	70,952
Euros	7,095	9,746	5,084	8,495
Chinese renminbi	47	7	–	–
Australian dollars	5	5	2,603	2,272
British pounds	–	–	136	245
		$ 251,889		$ 543,305

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

	2010		2009	
(in thousands)	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	148,632	$ 150,979	393,573	$ 496,414
Canadian dollars	74,465	74,465	27,089	27,089
Euros	7,828	10,753	5,548	9,271
Australian dollars	138	129	2,876	2,509
British pounds	–	–	126	227
Indian rupee	53	1	–	–
		$ 236,327		$ 535,510

5. Property and equipment

(in thousands)	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Leasehold improvements	$ 1,577	$ 421	$ 1,156	$ 1,038
Information systems — Hardware	180	72	108	144
	$ 1,757	$ 493	$ 1,264	$ 1,182

Included in administrative expenses was $141,000 (2009 – $126,000) of amortization related to the Corporation's property and equipment.

6. Intangible assets

(in thousands)	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Information systems — Software	$ 2,769	$ 1,108	$ 1,661	$ 2,215

Information systems software was reclassified from Property and Equipment to Intangible Assets as of April 1, 2009 in the amount of $2,769,000. Included in administrative expenses was $554,000 (2009 – $554,000) related to the amortization of intangible assets.

7. Employee future benefits

a) Pension benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Public Service Pension Plan required the Corporation to contribute an average rate of 1.92 times the employee's contribution to the Plan (2009 – 1.99 times). The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands)	2010	2009
Corporation's contributions	$ 1,147	$ 1,098
Employees' contributions	$ 604	$ 565

b) Employee severance benefits

The Corporation provides severance benefits to its employees based on years of service and final salary. This benefit plan is unfunded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations. Information about the plan, measured as at the balance sheet date, is as follows:

(in thousands)	2010	2009
Accrued benefit obligation		
Balance at beginning of year	$ 1,445	$ 1,262
Current service cost	161	144
Interest cost	58	55
Benefits paid	(148)	(63)
Actuarial loss	103	47
Balance at end of year	$ 1,619	$ 1,445
Accrued benefit obligation at end of the year	$ 1,619	$ 1,445
Unamortized net actuarial losses	(311)	(213)
Accrued employee future benefits at end of year	$ 1,308	$ 1,232
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	4.00%	4.00%
Rate of economic salary increase		
Management	1.50%	2.15%
Non management	1.50%	2.90%
Benefit costs for year ended March 31		
Discount rate	4.00%	4.25%
Rate of economic salary increase		
Management	1.50%	2.15%
Non management	1.50%	2.90%

Included in administrative expenses was a charge of $76,000 (2009 – $140,000) related to the costs of these benefits in the period and changes in management estimates.

8. Capital management

The Corporation has a capital management process in place to ensure capital adequacy and that its capital position is identified, measured, managed and reported to the Board of Directors on a quarterly basis.

The Corporation defines capital as contributed surplus, retained earnings and the provision for contract remediation expenses. The objective of the Corporation is to preserve and strengthen its capital base by introducing strategies that can generate operating surpluses to maintain the supply of capital required to meet the value of potential losses, including both expected and unexpected losses related to its total contract portfolio remaining to be fulfilled. Capital management strategies, consistent with prior year, include keeping contract remediation expenses at a minimum;

ensuring that growth in operating expenses is commensurate with growth in revenues; minimizing foreign exchange exposure; establishing a systematic mechanism to secure appropriation funding for collective bargaining salary increases, increases in Defence Production Sharing Agreement (DPSA) activity and service offerings related to public policy; and maximizing interest income. The Corporation is not subject to externally imposed capital requirements. The Corporation's breakdown of supply of capital is as follows:

(in thousands)	2010	2009
Contributed surplus	$ 10,000	$ 10,000
Retained earnings	38,589	37,489
Provision for contract remediation expenses	1,442	1,810
	$ 50,031	$ 49,299

During 2009–10 the Corporation developed a new capital management policy which will improve the management of its capital. This new policy will be effective in 2010–11.

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

The Corporation facilitates sales of Canadian goods to foreign customers including governments, international agencies and other buyers and receives revenues from commercial trading transactions related to prime contracts, fees for service and other income. The Corporation also engages in procurement services transactions related to international procurement services for government clients. The profile by geographic region is as follows:

		2010			2009	
(in thousands)	Revenues	International Procurement Services	Total	Revenues	International Procurement Services	Total
United States	$ 1,243,679	$ 368	$ 1,244,047	$ 1,542,082	$ –	$ 1,542,082
South America	112,296	–	112,296	142,014	254	142,268
Central America and Caribbean	80,608	1,353	81,961	92,197	1,322	93,519
Africa	51,065	28,570	79,635	3,287	2,129	5,416
Europe	7,562	24,308	31,870	27,452	24,709	52,161
Canada	2,357	17,257	19,614	1,750	32,730	34,480
Asia	3,992	4,579	8,571	5,219	5,942	11,161
Other	865	–	865	684	–	684
	$ 1,502,424	$ 76,435	$ 1,578,859	$ 1,814,685	$ 67,086	$ 1,881,771

Value of contracts signed is distinct from revenues. Value of contracts signed describes the value of contracts and amendments signed and effective during the year which amounted to $2.4 billion for the year ended March 31, 2010 (2009 – $1.8 billion).

10. Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair values as a result of the relatively short-term nature of these financial instruments.

11. Risk management and financial instruments

The Corporation is exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments. The Board of Directors has responsibility for the oversight of the Corporation's risk management framework and the review, approval and monitoring the Corporation's risk management policies including the development of an Enterprise Risk Management program which involves establishing corporate risk tolerance, identifying and measuring the impact of various risks and developing risk management action plans to mitigate risks that exceed corporate risk tolerance.

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

a) Credit risk

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

Cash and cash equivalents

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

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

Accounts Receivable

The Corporation's exposure to credit risk associated with accounts receivable is influenced mainly by the demographics of the Corporation's customer base. The Corporation generally manages foreign customer credit risk by extending open account terms to parties with a Moody's credit rating of at least AAA, and seeks security where the rating falls below this threshold. During the year, 84.68% (2009 – 89.39%) of the Corporation's revenues were from AAA customers.

As at March 31, the maximum exposure to credit risk for accounts receivable by geographic region was as follows:

(in thousands)	2010	2009
United States	$ 111,104	$ 416,665
Central America and Caribbean	73,814	74,230
South America	31,666	30,027
Africa	15,361	834
Europe	13,603	8,856
Canada	4,308	10,758
Asia	1,567	1,606
Other	466	329
	$ 251,889	$ 543,305

Accounts receivable are based on normal international trade terms and are generally non-interest bearing.

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

(in thousands)	2010	2009
< 1 year	$ 244,824	$ 530,668
> 1 and < 3 years	7,065	12,637
	$ 251,889	$ 543,305

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

(in thousands)	2010	2009
< 30 days	$ 16,543	$ 165,874
> 30 days and < 180 days	24,897	23,086
> 180 days	10,594	12,325
	$ 52,034	$ 201,285

Collateral

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

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

(in thousands)	2010	2009
Holdbacks	$ 891	$ 475
Bank guarantees	$ 62,802	$ 103,298
Surety bonds	$ 114,986	$ 142,775
Parent guarantees	$ 479,941	$ 782,403
Other	$ 281	$ –

The above amounts approximate the fair values of collateral held.

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation is not exposed to significant other price risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To address foreign exchange risks, contracts with foreign customers and corresponding contracts with Canadian exporters are generally transacted in the same currency. The Corporation uses this strategy to effectively transfer the currency risk to the Canadian exporter resulting in minimal net exposure.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's exposure to fair-value interest rate risk arises from investing cash and cash equivalents. The risks associated with fluctuations in interest rates are minimized by investing in highly liquid temporary deposits with a Canadian chartered bank.

Under a specific series of financing contracts, included in accounts payable and accrued liabilities, the Corporation owed $42,868,000 as of March 31, 2010 (2009 – $38,690,000). These contracts bear interest at the cost of funds plus 0.20%.

The figures below illustrate the effect at March 31, 2010 of an increase/decrease of 25 basis points in interest rates:

	+25bps		−25bps	
(in thousands)	**Income**	**Equity**	**Income**	**Equity**
Financial assets				
Cash and cash equivalents	$ 104	$ 104	$ (104)	$ (104)
Financial liabilities				
Payables and other liabilities	$ 107	$ 107	$ (107)	$ (107)

c) Liquidity risk

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

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

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

The *Canadian Commercial Corporation Act* permits the Corporation to borrow from the Consolidated Revenue Fund or enter into other credit arrangements or indemnities from other sources for an amount not to exceed $90 million:

i) The Corporation opened a revolving credit facility providing access to funds in the amount of $40,000,000 Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at March 31, 2010, there were no draws on this line of credit (2009 – nil).

ii) The Corporation enters into discounting arrangements with recourse with a financial institution, up to a maximum of $15,000,000 (2009 – $20,000,000) to support its trade financing program.

In addition, the Corporation enters into further credit arrangements up to a maximum of $25,000,000 (2009 – $25,000,000) where transactions are fully insured by a related Crown corporation with a Moody's credit rating of AAA, thereby mitigating all liquidity risk related to its trade financing program. The Corporation incurred expenses of $638,000 (2009 – $523,000) related to this trade financing program.

Accounts Payable and accrued liability

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

(in thousands)	2010	2009
< 1 year	$ 235,670	$ 534,001
> 1 and < 3 years	657	1,509
	$ 236,327	$ 535,510

Under a specific series of financing contracts related to the Corporation's trade financing program, included in accounts payable and accrued liabilities, the Corporation owed $42,868,000 as of March 31, 2010 (2009 – $38,690,000). These contracts bear interest at the cost of funds plus 0.20% and the Corporation has offered as security certain foreign accounts receivable under certain conditions. The Corporation, however, also has access to a number of commercial securities should the foreign party fail to repay these receivables. The amount of outstanding accounts receivable pledged as securities under these arrangements as of March 31, 2010 was $74,879,000 (2009 – $71,791,000) and was profiled as follows:

(in thousands)	2010	2009
< 1 year	$ 67,814	$ 59,154
> 1 and < 3 years	$ 7,065	$ 12,637

12. Administrative expenses

Administrative expenses included the following:

(in thousands)	2010	2009
Workforce compensation and related expenses	$ 14,366	$ 12,879
Contract management services	3,707	4,000
Rent and related expenses	1,594	1,458
Consultants	1,537	1,449
Travel and hospitality	1,511	1,434
Amortization	695	680
Software, hardware and support	648	541
Corporate communications	229	434
Other expenses	1,063	956
	$ 25,350	$ 23,831

13. Net interest income

Interest income is recorded on an accrual basis and represents interest earned on cash balances and investments held throughout the year, and interest charged to customers related to late payments. The Corporation has recorded interest income and expense in relation to the following financial instruments:

(in thousands)	2010	2009
Financial assets held-for-trading		
– Interest income earned on cash and cash equivalents	$ 619	$ 980
Financial liabilities		
– Interest expense on payables and other liabilities	$ (338)	$ (1)
	$ 281	$ 979

14. Parliamentary appropriations

During the year, the Parliament of Canada authorized appropriations for the Corporation in the amount of $15,745,000 (2009 – $15,192,000).

15. 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 are measured at the exchange amount.

a) Public Works and Government Services Canada

Public Works and Government Services Canada provides contract management and other administrative services to the Corporation at negotiated rates, based in part on the amount of contracts procured, and provides certain functions at cost.

For the year ended March 31, 2010, the cost of these services amounted to $3,828,000 (2009 – $4,115,000) and is included in administrative expenses.

Public Works and Government Services Canada has provided the Corporation with some contract management services at no additional cost. It was not practicable to determine the cost of these services. Accordingly, the value of these services was not recorded in the Corporation's accounts.

b) PPP Canada Inc.

During this fiscal year, the Corporation entered into a Memorandum of Understanding with PPP Canada Inc. for the provision of shared services primarily in the areas of information technology, human resource management, finance and procurement, legal services, research and communications, governance and facilities management. This arrangement will generate savings through economies of scale for both organizations.

For the year ended March 31, 2010, revenues related to the provision of these services amounted to $750,000 (2009 – nil) and are included in other income.

c) Other

Commercial trading transactions, fees for service, and procurement services transactions, arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, and other international activities includes the following transactions with related government entities.

Year ended March 31 (in thousands)	2010	2009
Department of Foreign Affairs and International Trade	$ 35,449	$ 16,327
Department of National Defence	$ 17,329	$ 32,962
Canadian International Development Agency	$ 466	$ 1,656
Environment Canada	$ 49	$ 425

The Corporation also participates in employee interchange programs with the following other departments or agencies: Bank of Canada, Canada Public Service Agency, Canadian Nuclear Safety Commission, Department of Foreign Affairs and International Trade, Department of National Defence, Export Development Canada, and Public Works and Government Services Canada.

As a result of all related party transactions, the amounts due from and to these parties were $3,585,000 (2009 – $4,842,000) and $930,000 (2009 – $657,000) and were included in accounts receivable and accounts payable respectively.

16. Commitments

In October 2005, the Corporation entered into a fifteen-year lease agreement for office space scheduled to expire at the end of September 2020. Future minimum payments by fiscal year on the operating lease for premises over the next five years are as follows:

(in thousands)	
2010 – 11	$ 1,468
2011 – 12	1,732
2012 – 13	1,744
2013 – 14	1,756
2014 – 15	1,768
2015 and after	11,371

17. Contingencies and Guarantees

The Corporation may incur contract remediation expenses should Canadian exporters fail to fulfill the terms of their contracts. The Corporation is the claimant or defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs are significant, management has, based on advice from legal counsel, recorded in the year a liability when damages are considered likely and the associated costs can be reasonably estimated. The Corporation has recorded a net expense of $191,000 (2009 – $728,000 recovery) related to contract remediation expenses, leaving a balance of $1,442,000 as of March 31, 2010 (2009 – $1,810,000), representing management's best estimate of the additional costs which will likely be incurred by the Corporation to meet its contractual obligations.

As prime contractor, the Corporation is contractually obligated to complete numerous contracts with foreign customers ensuring that the terms of the contract are fulfilled regardless of the quality of performance by the Canadian exporter. The Corporation also engages in the fulfilment of contractual obligations related to international procurement services for government clients. As of March 31, 2010 the total prime and procurement services contract portfolio value remaining to be fulfilled approximates $2.7 billion (2009 – $2.2 billion). The profile of the Corporation's total contract portfolio was as follows:

(in thousands)	2010	2009
< 1 year	$ 1,361,783	$ 1,681,883
> 1 and < 3 years	$ 1,030,167	$ 495,699
> 3 and < 5 years	$ 323,811	$ 46,406
> 5 years	$ 2,470	$ 241

The total contract portfolio remaining to be fulfilled, in addition to the provision for contract remediation expenses provided for in the balance sheet, represents the Corporation's maximum contractual obligations and is estimated to be $2,719,673,000 at March 31, 2010 (2009 – $2,226,039,000).

The Corporation is the applicant in two irrevocable letters of credit totalling $2,049,000 that remain effective and for which the latest expiry date is April 30, 2011. These letters of credit provide a secured payment mechanism to suppliers as consideration for the goods and services that the Corporation is contractually obligated to deliver. During the year, $715,000 has been drawn from the letters of credit by their respective beneficiaries, resulting in $1,334,000 of outstanding credits that may be drawn. The letters of credit are fully secured by cash advances or matching bank guarantees from the related customers where the Corporation is the beneficiary.

In the normal course of business, the Corporation has entered into indemnity agreements with each of its directors and officers to indemnify them, subject to the terms and conditions of these agreements, against claims and expenses incurred by them as a result of serving as a director or officer of the Corporation.

The nature of the indemnification prevents the Corporation from making a reasonable estimate of the maximum amount that it could be required to pay to counterparties. To offset any potential future payments, the Corporation has purchased director's and officer's liability insurance.

No amount has been accrued in the accompanying financial statements with respect to the contingent aspect of this indemnity.

18. Comparative figures

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

Annex A – CCC's Board of Directors

Robert C. Kay, J.D., B.L.
Chairman, CCC Board of Directors
Toronto, Ontario

Mr. Robert C. Kay was appointed to the Board of Directors of the Canadian Commercial Corporation in 2007 and was appointed Chairman of the Board in November, 2009. He currently serves as a Corporate Director in several other companies, both privately held and publicly listed. Previous notable governance roles include Board Member of the American Chamber of Commerce (Ontario Council) and Chairman of the Swiss Canadian Chamber of Commerce. Mr. Kay was also a Board Member in the Integrative Thinking Practicum in the MBA degree program at the University of Toronto and has served as a Member and Adjudicator on the Ontario Municipal Board, a quasi-judicial body. Mr. Kay has spent many years working at the executive level providing advice and counsel to both corporations and governments, domestic and foreign, on international strategic commercial development. He is a member of the Royal Canadian Military Institute, the National Association of Administrative Law Judges, and the Law Society of Upper Canada. Mr. Kay maintains his professional status as a member in good standing of the Bar of Ontario.

Martine Corriveau-Gougeon, P.Eng, ASC
President, Gestion Corriveau-Gougeon Inc.
Saint-Bruno, Quebec

Ms. Martine Corriveau-Gougeon is President of Gestion Corriveau-Gougeon Inc., a company she founded in 2004. Since 1995, she has been successively President of Télébec, Senior Vice-President Operations of Bell Canada and President and Chief Executive Officer of Silonex, a manufacturer of opto-electronic sensors. Ms. Corriveau-Gougeon holds an engineering degree from McGill University and is a graduate of the Collège des administrateurs de sociétés, Université Laval. Her diversified experience allows her to perform both in start-up environments and in more mature organizations. Ms. Corriveau-Gougeon is also a member of the Board of Directors of l'Agence métropolitaine de transport where she serves as Chair of the Audit Committee. She was Chair of the Board of l'École de technologie supérieure (2003–2004), a member of the Premier of Quebec's Advisory board on deregulation (1998–2000) and a member of the Executive committee of the Quebec Provincial Chamber of Commerce (1996–2000). Ms. Corriveau-Gougeon was appointed to CCC's Board of Directors on May 5, 2005.

Dan Ross, B.Sc, CD
Assistant Deputy Minister Materiel, DND
Ottawa, Ontario

Mr. Dan Ross is Assistant Deputy Minister of Materiel in the Department of National Defence. He has extensive senior executive experience in the public sector including terms as Assistant Deputy Minister Information Management at DND, Associate Assistant Deputy Minister of the Operations Branch of PWGSC, Deputy to the Foreign Policy Advisor to the Prime Minister, and Director of Operations for the Foreign and Defence Policy Secretariat at the Privy Council Office. In addition, Mr. Ross served in the Canadian Forces for 30 years, retiring as a Brigadier-General. He was appointed to the Board of Directors of CCC on October 30, 2006.

Andrew Saxton

Chairman, King George Financial Corporation
Vancouver, British Columbia

Mr. Andrew Saxton has served as Executive Vice-President and Director of Laurentide Financial Corporation Ltd., President of Elite Insurance Company, Chairman of Grouse Mountain Resorts Ltd., Director of BC Television Broadcasting System Ltd., President of the Granville Island Hotel and Marina Ltd. and Chairman of King George Development Corporation. It is notable that he was a founding member of all these companies. His extensive private sector experience and business accomplishments have led to several appointments to the boards of federal and provincial Crown corporations and agencies including the Canadian Forces Liaison Council and the Insurance Corporation of BC, where he was a Director and Chairman of the Investment Committee. His current corporate appointments include chairmanship of King George Financial Corporation and membership of the Canadian Advisory Board Impark. Mr. Saxton was most recently appointed to CCC's Board of Directors on December 14, 2007.

Dr. Sam Shaw, B.A., M.Sc, M.Ed, Ph.D, C.Dir.

President and CEO, Northern Alberta Institute of Technology
Edmonton, Alberta

Dr. Sam Shaw has been President & CEO of the Edmonton-based Northern Alberta Institute of Technology (NAIT) since 1997. Prior to his appointment as President, Dr. Shaw held various senior positions such as President, Director and Vice-President, Academic. He has also been an instructor at a number of prestigious colleges and universities in Canada. He is currently an instructor for Organizational Behaviour and Corporate Governance at NAIT. Dr. Shaw is a Board member of 10 Most Admired Corporate Cultures and the Canadian Bureau of International Education, as well as a member of the Premier's Alberta Economic Development Authority, a member of the Science, Technology and Innovation Council, and the National Research Council's Industrial Research Assistance Program Advisory Board. He is the Chair of Alberta Career Education Network and Canadian Advisory Committees for International Organization for Standardization TC232 Learning Services for non-formal education and training. Dr. Shaw is also the Honourary Colonel for 408 Tactical Helicopter Squadron based in Edmonton, Alberta. He also has over 15 years extensive experience in the International arena, promoting training programs, international cooperation and delivering training in Asia, South America, Cuba, Middle East, Africa and Australia. Dr. Shaw was appointed to the Board of Directors of CCC on December 14, 2007.

Annex A – CCC's Board of Directors *(continued)*

Stephen J. Sorocky, B.A.Sc, MBA, P.Eng, C.Dir.

President and CEO, LxData Inc.
Toronto, Ontario

Mr. Stephen Sorocky is President & CEO of LxData Inc. He served previously as President & CEO of Virtek Vision International Inc., CEO and Director of Dynacon Inc., Vice-President and General Manager, Space Robotics Division, Spar Aerospace Ltd., and Vice-President, Manufacturing Industry Division of Electronic Data Systems of Canada, and founded Exigent Innovations Inc., a technology company development consultancy. Mr. Sorocky is an accomplished senior technology executive with broad experience in venture-capital backed and public company environments. He has extensive senior management and business development experience in the technology and aerospace industry. Mr. Sorocky was appointed to the Board of Directors of CCC on December 14, 2007.

Ken Sunquist

Assistant Deputy Minister (Asia & Africa) and Chief Trade Commissioner, DFAIT
Ottawa, Ontario

Mr. Ken Sunquist joined the Trade Commissioner Service in 1973. His assignments abroad have included Kingston, Jamaica; Belgrade, Yugoslavia; San Francisco; Seoul, Korea; Beijing, China; and Ambassador to Indonesia. His assignments at Headquarters have included Director, Export Information Division; Acting Director General, Trade Communications Bureau; Director, Trade Development Liaison and Special Projects Division; Co-ordinator, Trade Development Policy Secretariat; and Director General, Trade Commissioner Service Operations and Services. In the Department of International Trade he was Assistant Deputy Minister, International Business and Chief Trade Commissioner. Subsequently, in DFAIT, he was appointed Assistant Deputy Minister, World Markets Branch, and then Assistant Deputy Minister, Global Operations. Effective September 1, 2008, he was appointed Assistant Deputy Minister, Asia and Africa, and Chief Trade Commissioner. He is a member of the Board of Directors of the National Quality Institute, the Estey Centre for Law and Economics in International Trade, the Trade Facilitation Office Canada, as well as the Asia Pacific Foundation of Canada. Mr. Sunquist was appointed to the Board of Directors of CCC on May 13, 2004.

Norman A. Turnbull, CA, IAS.A – ICD.D

Business Advisor and Corporate Director
Montréal, Quebec

Mr. Norman Turnbull is a Chartered Accountant. He is a corporate director and business advisor to several large organizations. Until 2009 he was Partner and CFO of MinQuest Capital Inc., an international mining sector investment fund. Prior to that, he was the President of NAT Expertise/Conseil. Throughout his extensive career in the private sector, Mr. Turnbull has served as CFO of Quebec-based large corporations such as Gaz Métropolitain Inc., Rolland Inc., Boreal Insurance Inc., Mazarin Mining Corporation and Desjardins Financial Corporation. As a result, Mr. Turnbull has acquired expertise in finance and control; strategic planning; business and corporate development; mergers and acquisitions; and governance. He is a graduate from the Institute of Corporate Directors, and acts as special advisor to the audit committee of l'Agence métropolitaine de transport. He is currently a member of the Board of Directors, the investment committee and the audit committee of SSQ Société d'assurance-vie Inc. In addition, he chairs the audit committee and the independent review committee of Fonds Réa II Natcan Inc. He was appointed to the Board of Directors of CCC on May 5, 2005.

Peter M. Wright, QC

Chairman, Cox and Palmer Atlantic Canada Lawyers
Moncton, New Brunswick

Mr. Peter Wright is a Partner at Cox and Palmer, and has been lead Counsel to many New Brunswick corporations and institutions and regional counsel for various Canadian corporations dealing with mergers and acquisitions, regulatory matters, financings, joint ventures and all other aspects of corporate/commercial law. His current corporate appointments include Director of Southeastern Mutual Insurance Company, and the United General Insurance Corporation. Mr. Wright received the Queen's Counsel Designation in 2008. He was appointed to the Board of Directors of CCC on September 5, 2002.

Annex B – CCC's Executive Management Committee

CCC's Executive Management Committee from top left clockwise: Jacques Greffe, Mariette Fyfe-Fortin, Martin Zablocki, Pierre Alarie, Marc Whittingham, and Tamara Parschin-Rybkin.

Marc Whittingham, B.Admin, M.A.

President and CEO

Mr. Marc Whittingham joined CCC in October 2006 as Vice-President, Strategy and Organizational Development and was appointed as President of CCC in October 2007. Prior to joining CCC, he was Assistant Deputy Minister, Portfolio Relations and Public Affairs at Public Safety Canada. Mr. Whittingham has extensive experience in policy, strategic planning, financial management and procurement in the federal government. He started his public service career as a Procurement Officer with the Department of National Defence and later as a Finance Officer with Industry Canada. He has also served in the Canadian Forces including as Ship's Supply Officer in Her Majesty's Canadian Ships NIPIGON and IROQUOIS.

Mariette Fyfe-Fortin, B.L.A.

Vice-President, Strategy and Organizational Development

Mrs. Mariette Fyfe-Fortin joined CCC in November 2009 as Vice-President, Strategy and Organizational Development. Prior to joining CCC, she was Director General Procurement Services, Materiel Group at DND. Mrs. Fyfe-Fortin has 17 years of executive experience in procurement and acquisitions, policy and strategic planning, real property management, corporate services, and project management in the federal government. She has successfully led a number of complex and significant transformation and change management initiatives both at DND and PWGSC. She has been the PWGSC Departmental Representative leading all departmental activities for a number of international events from APEC 1997 to the Kananaskis G8 of 2002. She has advised cabinet ministers and senior civil servants on critical inter-departmental and governmental issues. Mrs. Fyfe-Fortin is also a Professional Landscape Architect, member of the Québec Association of Landscape Architects and of the Canadian Society of Landscape Architects.

Jacques Greffe, BSSc

Vice-President, Contract Management and Procurement and Vice-President, Defence Procurement

Mr. Jacques Greffe joined CCC in November 2009 as Vice-President, Contract Management and Procurement. He also assumed, on an interim basis, the duties of the Vice-President, Defence. Prior to his appointment at CCC, he was the Director General, Commercial Acquisitions and Supply Management Sector at PWGSC. Mr. Greffe has over 24 years procurement and contracting experience with the Canadian federal government, largely with DND and PWGSC, and has been a special advisor on a number of departmental and inter-departmental procurement initiatives due to his extensive experience in procurement.

Pierre Alarie, B.A., MPA, C.Dir.

Vice-President, Business Development and Sales

Mr. Pierre Alarie joined CCC in November 2009 as Vice-President, Business Development and Sales. With almost 30 years of international business development experience, Pierre spent 17 years as an expatriate promoting and supporting Canadian exporters abroad. As a Trade Commissioner, he was posted in Lagos, Nigeria and Santiago, Chile. His 20 years in the private sector were spent mostly overseas contributing to the international successes of several Canadian companies such as Bombardier, SNC LAVALIN and Scotiabank. Pierre is fully trilingual in French, English and Spanish.

Martin Zablocki, B.Com, MBA, CBV, CMA

Vice-President, Risk and Finance, and CFO

Mr. Martin Zablocki joined CCC in November 2007 as Vice-President, Strategy and Organizational Development and was appointed CFO and Vice-President, Risk and Finance in January 2010. Prior to joining CCC, he was the Director General, Sector Strategies and Infrastructure Programs Branch at Industry Canada. Mr. Zablocki has over 20 years of experience within a variety of federal organizations including the Canada Revenue Agency and Fisheries and Oceans Canada, and has led corporate management regimes at the local, regional and national levels. In addition, as a Chartered Business Valuator, he has many years of experience working in the valuation field, wherein he gained exposure to a broad spectrum of domestic and international businesses.

Tamara Parschin-Rybkin, B.Sc, LLB, QC

Vice-President, Legal Services, General Counsel and Corporate Secretary

Ms. Tamara Parschin-Rybkin was appointed Vice-President, Legal Services, General Counsel and Corporate Secretary in September 2006. Prior to this appointment, Ms. Parschin-Rybkin was a Senior Counsel with the Department of Justice, where her numerous responsibilities included being lead counsel for CCC for the last 10 years and prior to that for the Department of Transport during the commercialization of the Canadian civil air navigation system to Nav Canada, General Counsel to the Internal Trade Negotiating Team at Industry Canada and at Natural Resources Canada, lead counsel on the Hibernia Development Project and on the negotiations of the Newfoundland and Nova Scotia Offshore Petroleum Accords.

GLOSSARY

AcSB	Accounting Standards Board
CAD	Canadian Dollar
CCC	Canadian Commercial Corporation
CEO	Chief Executive Officer
CICA	Canadian Institute of Chartered Accountants
CIDA	Canadian International Development Agency
CSR	Corporate Social Responsibility
DFAIT	Foreign Affairs and International Trade Canada
DND	Department of National Defence
DPSA	Defence Production Sharing Agreement
EDC	Export Development Canada
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FAA	Financial Administration Act
FMS	Foreign Military Sales
GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standards
IRB	Industrial Regional Benefits
ITARs	International Traffic in Arms Regulations
LAV	Light Armored Vehicle
MOU	Memorandum of Understanding
MRAP	Mine Resistant Ambush Protected
OAG	Office of the Auditor General of Canada
PSA	Procurement Services Agreement
PSAB	Public Sector Accounting Board
PPP Canada	Public-Private Partnerships Canada
PWGSC	Public Works and Government Services Canada
SME	Small and Medium-sized Enterprises
START	Stabilization and Reconstruction Task Force
UNAMID	African Union/UN Hybrid operation in Darfur
USD	United States Dollar
U.S. DoD	United States Department of Defense