Canadian Commercial Corporation
Corporation Commerciale Canadienne

ANNUAL REPORT

Confidence and Credibility

08
09

Canada

Canadian Commercial Corporation

Confidence and Credibility

Headquartered in Ottawa, the Canadian Commercial Corporation (CCC) is a federal Crown corporation mandated to assist in the development of trade by helping Canadian exporters access markets abroad and by helping foreign buyers obtain goods from Canada.

The Corporation's two core business lines are structured to support Canadian exporters contracting into the **defence** sector, primarily with the United States, and into **emerging and developing markets**. As a Crown corporation, CCC is able to offer exporters exceptional access to foreign government procurement opportunities through its Prime contractor service and Procurement service:

- Prime contractor service – CCC acts as a prime contractor, signing a contract with a foreign government and, in turn, entering into a domestic contract with a Canadian supplier. As such, CCC undertakes due diligence of supplier capabilities backed by a guarantee that the contract will be performed according to its terms and conditions. CCC also provides contract administration and supplier performance monitoring.
- Procurement service – CCC helps foreign governments identify appropriate Canadian vendors, and structures and awards a contract that will satisfy foreign government requirements. When a foreign government enters into a Procurement Service Agreement (PSA) with CCC, the Corporation acts as a Canadian procurement agent under a government-to-government arrangement. The Corporation's broad, detailed knowledge of Canadian capabilities, pricing and contracting approaches enables it to assist with the entire procurement process, from planning, strategy development, bid solicitation, and supplier sourcing to supplier selection and contract administration.

CCC
Canadian Commercial Corporation
Corporation Commerciale Canadienne

50 O'Connor Street, 11th floor,
Ottawa, Ontario K1A 0S6
Toll free in Canada and United States:
1-800-748-8191

website: www.ccc.ca

Print date: June 2009

Table of Contents

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

Performance Highlights

During fiscal 2008-09 the Canadian Commercial Corporation (CCC) continued to deliver on its mandate to promote and facilitate international trade on behalf of Canadian industry, particularly within government markets. The Corporation succeeded in achieving a 14% increase in business volume of $1.8 billion, with contract billings also reaching an all time high of $1.9 billion. Overall, CCC's efforts in 2008-09 have identified significant opportunities in defence, and emerging and developing markets, and led to the management of an active portfolio in markets around the globe.

The main driver of growth this year was the refinement of the Corporation's business development strategy to ensure sustained growth in its two core business lines – Defence, and Emerging and Developing Markets (EDM). In particular, the Corporation worked with federal government partners, Canadian exporters and industry associations to help further define and leverage CCC's value added to Canadian companies operating in an evolving global trade environment.

The widening impact of the global financial crisis in 2008-09 made the complexity of the markets in which CCC is active more competitive and challenging. Canada, like the rest of the world, now faces a new reality characterized by fluctuating financial and commodity markets, a reduction in the availability of credit, and economic forecasts that continue to harbor pessimistic outlooks. This is impacting Canadian companies and industries CCC strives to support.

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, particularly small and medium-sized enterprises (SMEs), CCC has grown to become an important instrument for Canadian exporters in their work abroad. Indeed, two of CCC's main business areas, defence and infrastructure, are spending areas that governments often turn towards to stimulate the economy. Thus, 2008-09 saw CCC strengthen its role as an essential Government of Canada institution that promotes and facilitates international trade.

Record breaking business volume of
$1.8 billion.

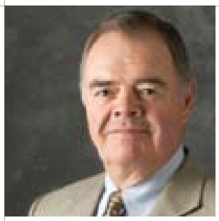
Contract billings reached an all time
high of $1.9 billion.

Supported $25 million
of Canadian Commitment abroad.

Cuba business volume
reached an all time high of
$41 million.

Supported approximately
216, 000 jobs in Canada.

Strengthened governance, risk management and business systems
as noted in the Special Examination by the Office of the Auditor General of Canada.



Message from the Chair

Since 1946, CCC has been assisting Canadian companies exporting into international markets. As a trading nation, improving the flow of exports from Canada is an important component of maintaining a healthy economy. To be successful in this arena, CCC and Canadian exporters must adapt to changing economic conditions and must develop sound strategies to ensure they remain competitive. As Chair of CCC's Board of Directors, I am confident that the current strategies we are pursuing are the right strategies to respond to Canadian exporter needs.

> ***Confidence and credibility:***
> ***through the strength of CCC's relationships, its varied expertise and its transparent practices.***

Having spent the past six years as Chair, and working with various government entities, it has become absolutely clear to me that in order for a Crown corporation to deliver against its public policy purpose, it must have good cooperation and a constructive relationship with its shareholder, the Minister of International Trade, as well as central agencies. We have worked hard at CCC on these relationships and I must thank the Minister and his office, those officials at International Trade as well as the central agencies for reciprocating in this regard.

Given the current global recession and the tightening of credit markets across the globe, the critical role played by CCC as part of the government's international trade portfolio is perhaps more important than at any other time in the Corporation's history. As a result, CCC is focused on growth and sound business development to assist Canadian exporters. In addition, the Corporation is working in a collaborative manner with the Department of Foreign Affairs and International Trade and with Export Development Canada to identify key markets for Canadian exporters in the defence and infrastructure markets. Today, CCC has established itself as a highly effective resource for Canadian businesses overseas, espousing confidence and credibility in its contracting and procurement services through the strength of its people, its sound business processes, and its ethical business practices.

My fellow Directors and I work hard to ensure that the Corporation benefits from our governance, oversight and support in meeting the ever-changing needs and demands of Canadian exporters. The Board is active in shaping and approving CCC's strategic direction and ensuring that it is consistent with the views of its shareholder, as represented by the Minister of International Trade. As such, the Board made certain that the Corporation's direction in 2008-09 was built upon the Minister of International Trade's *Statement of Priorities and Accountabilities*. This direction highlighted CCC's strategic contribution to Government of Canada initiatives, including the Global Commerce Strategy and the Americas Strategy.

Thanks to years of steady leadership, CCC has built a strong foundation for business through strengthened systems, processes and practices. Indeed, the Corporation's progress was most recently supported by the Office of the Auditor General of Canada's 2009 Special Examination of CCC, which found no significant deficiencies. I believe that this foundation has positioned the Corporation to respond effectively to the current financial crisis in support of Canadian exporters. Moreover, CCC's fundamental role to facilitate trade has a heightened relevance in today's economic climate. As Canada's international contracting and procurement agency, CCC is vital to assisting Canadian companies to pursue international opportunities offered by foreign government buyers.

In representing both the Government of Canada and Canadian exporters, the Corporation has carefully considered all the implications of its business activities not only here at home but also abroad. As such, Corporate Social Responsibility has become an important consideration for CCC and the Corporation has worked to thread it throughout its business practices. Most recently, the Corporation adopted a *Code of Conduct* and a *Code of Business Ethics* to guide its operations, illustrating its commitment to professionalism and business excellence.

The Board's top priority is to continue to identify innovative ways to solidify Canadian business on world markets and to respond to the needs of Canadian exporters. In this respect, the year ahead should prove to be an interesting, exciting and important year for the Corporation.

As I wind down my final term as the Chair of CCC, I would like to acknowledge those people with which I have had the pleasure of working. In particular, I would like to thank the two CEO's, Mr. John McBride and Mr. Marc Whittingham, who arrived during my term and who took on and managed the Corporation's restructuring program in a very professional manner and then transferred their energy into managing the execution of the Corporation's growth strategy. Marc is our current CEO and he presides over an excellent Management team, which allows me to have full confidence that the affairs of the Corporation are in good hands. The CCC family, including staff in

Ottawa as well as international representatives, have all contributed to the betterment of the Corporation and have been very kind and helpful to me, which in turn, has made my work as Chair, not just fulfilling but also rewarding.

Finally, I wish to acknowledge and thank my ten colleagues on CCC's Board of Directors. Throughout the past six years, we have worked very hard together to make our Corporation better and the results show. CCC's success is a testament to your contribution.

Alan Curleigh
Chair

Message from the President and CEO

CCC is dedicating this year's Annual Report to a dear friend and colleague who passed away during the year. David Leclair, our Director of Information Technology, was a true leader at CCC. He epitomized the principles of professionalism, dedication and respect. In his honour, the Corporation has established the "David Leclair Award for Outstanding Corporate Achievement". Every year, CCC will recognize an employee whose efforts most closely mirror the professionalism and dedication David displayed throughout his esteemed career. In this way, the positive contribution David made to the Corporation and the lives of its employees will continue to be felt for years to come.

CCC has been a part of the Canadian business landscape since it was established by the Government of Canada in 1946

This year has been another extraordinary year for CCC and, as President and CEO, I am extremely proud of the Corporation's dedicated employees. Their commitment and achievements are a testament to the important role the Corporation plays in promoting and facilitating international trade. In 2008-09, CCC's business volume exceeded $1.8 billion for the first time ever and contract billings were $1.9 billion, an increase of over $400 million from last year.

These results are all the more extraordinary considering the global economic recession. To be sure, there is a lag between an economic downturn and the potential impact on a Crown corporation with a mandate to work with government partners and Canadian industry in international defence and infrastructure markets. While these international markets are becoming more and more competitive, CCC continues to identify and secure new international business opportunities with Canadian exporters.

It is through the partnerships that CCC establishes with Canadian companies that we are able to identify such opportunities in Latin America, Africa and Asia; and it is in working with our Canadian government partners that we are able to mitigate the risks for both Canadian exporters and foreign government buyers. The technical abilities of our people, supported by robust processes and sophisticated systems, ensures that we are able to close deals and manage projects to successful implementation.

It is for this reason that, in recent years, CCC's Corporate Plans have outlined ambitious goals to strengthen risk and contract management, and improve support and control systems. The result: we are now able to ensure that our business practices are effective and well managed to achieve results while mitigating the risks of operating in complex international markets. Investments in these areas have strengthened our internal operations, as noted during our recent Office of the Auditor General of Canada's Special Examination.

To leverage these investments, we developed our 2009-10 to 2013-14 Corporate Plan based on three pillars: Smart Growth in Canadian Exports; Public Policy Contribution; and Innovation and Operational Excellence. The Plan sets ambitious business growth targets reflective of the opportunities that exist for Canadian companies. We will work closely with our partners to ensure Canada can take advantage of the many international opportunities for high-quality Canadian products and services that are innovative, provide knowledge transfer opportunities and are managed with the highest regard for corporate social responsibility.

The United States defence market continues to be important for Canadian companies and the issues surrounding a sustainable North American defence industrial base remain critical to both Canadian and American security. CCC has and will continue to play a key role in ensuring the efficient and effective management of this important component of Canada's bilateral relationship with the United States.

In addition, CCC will continue to help penetrate other important defence markets for Canadian exporters, such as Canada's European allies and other like-minded countries.

International infrastructure projects and related products and services are also an important component of CCC's growth strategy. In the last year, I personally travelled to Angola, Ghana and Cuba to meet with foreign government buyers interested in obtaining Canadian products and services. I witnessed the progress that we are making in the construction of the New Quito International Airport in Ecuador, and discussed new opportunities for Canadian companies. I also discussed with Canadian exporters opportunities in other countries in the region including Columbia, Peru and Bolivia. Recently I travelled to China with the Honourable Stockwell Day, Minister of International Trade, where he announced the opening of six new trade offices to be managed by CCC. In all of these locations foreign government officials described their desire to work with Canada and Canadian companies in order to meet their infrastructure and related needs.

CCC is now positioned with a sound internal foundation for risk management, contract management, and project management as well as a good understanding of Canadian industry capabilities. We will continue to harness this knowledge and expertise to proactively identify opportunities for Canadian companies, large and small, and to assist these companies to secure sound international business deals. Together with our governmental partners, we will target the defence markets of our allies and like-minded nations, as well as emerging and developing countries where our value added as a Government of Canada partner mitigates risk and is critical to project success.

I am extremely proud of our 2008-09 results. They clearly demonstrate that we have achieved "Confidence and Credibility", our theme for 2008-09, in the marketplace and within government. It is remarkable to note that 2009-10, despite the current environment of economic uncertainty, is looking to be equally active as governments around the globe turn to infrastructure spending as a measure to boost their economies.

These are exciting times for CCC, with improved internal strengths supporting our renewed vision and transformation to a proactive, innovative and growth-oriented organization. I look forward to continuing to lead this dynamic organization in achieving results with, and for, Canadian businesses.

Marc Whittingham
President and CEO

In Memoriam

David Leclair

Dedicated to the memory of a true friend and colleague

At a Glance

Our core business areas of Defence and Emerging & Developing Markets have remained the cornerstones of the Corporation

$1.7 Billion in U.S. DoD business, including delivery of a remotely operated vehicle to United States Navy ($95 million).

CCC remains committed to continue helping Canadian exporters foster working relationships in Cuba. Cuba revenues increased in 2008-09 by more than 25% over 2007-08 levels.

Construction of the New Quito International Airport in Ecuador ($440 million USD contract).

Over the last year, CCC has been working closely with its International Trade Portfolio Partners on the Joint Market Selection and Development strategy in three target markets; Peru, Panama and Colombia. This strategy furthers CCC's commitment to working more closely with its key partners to identify and act on global market opportunities.

Confidence and Credibility in the Canadian Defence Sector


provided courtesy of MDA

Fact: CCC's strong linkages with both buyer and supplier ensure effective contract management.

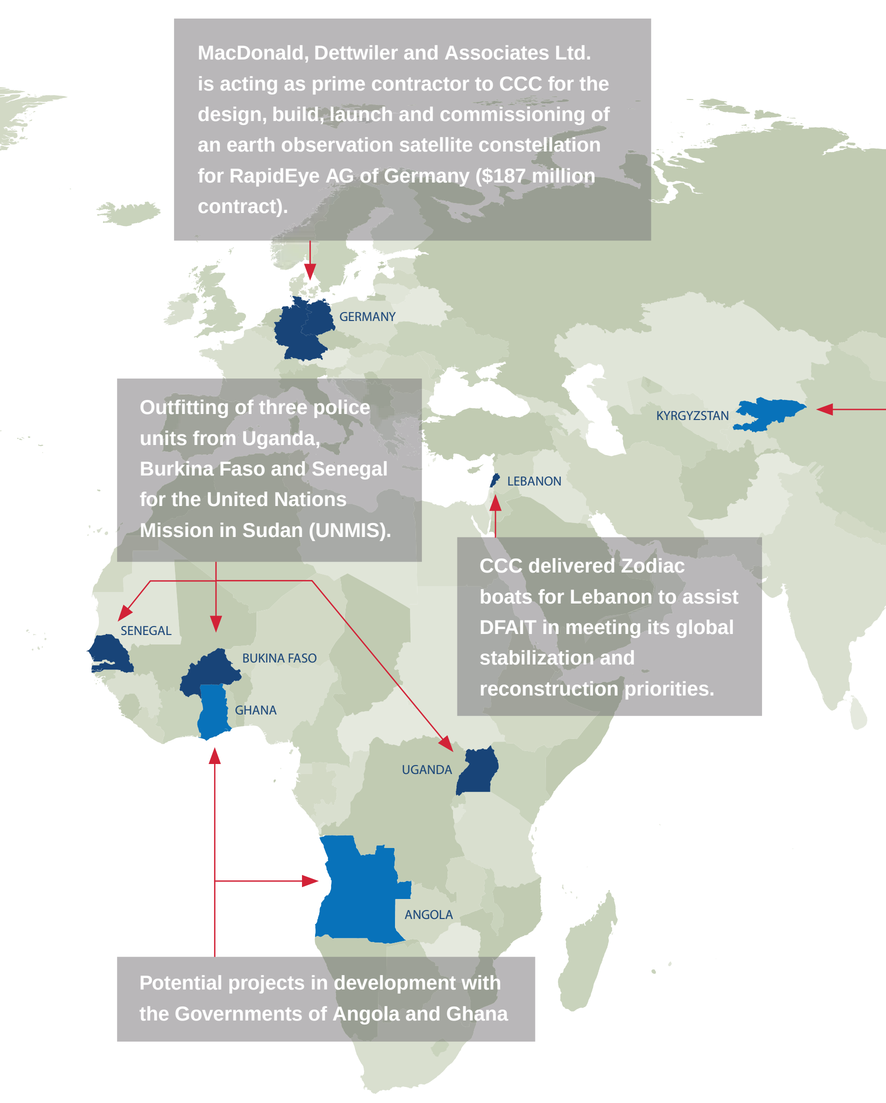
The story: MacDonald, Dettwiler and Associates Ltd. is acting as prime contractor to CCC for the design, build, launch and commissioning of an earth observation satellite constellation for RapidEye AG of Germany. ($187 million contract).

The RapidEye project with MacDonald, Dettwiler and Associates Ltd., of Richmond, British Columbia, is a major contract worth $187 million, with many complex components related to the design, build, launch, and commissioning of a commercial satellite system. The project is now approaching final completion given the recent successful launch and preliminary acceptance/commissioning of the satellite constellation. Due to the specialized technical nature of deliverables, CCC engaged an experienced technical consultant to help evaluate and monitor the Canadian supplier's performance of the contract. The Corporation's positive relationship management structure with both the buyer and supplier is enabling CCC to help ensure that the project continues to move forward through to a successful conclusion – expected later in 2009.

Fact: Canadian exporters of all sizes can count on CCC's support throughout the life of a project.

The story: OceanWorks delivery of a remotely operated vehicle to United States Navy. ($95 million USD contract).

OceanWorks, a medium sized enterprise from Vancouver, British Columbia, delivered the majority of its innovative Pressurized Rescue Module System to the United States Navy in 2008-09. The $95 million USD project was signed in 2000 in order to deliver a remotely operated vehicle to be used in submarine rescue missions around the world. This highly sought-after technology, which is easy to transport and can reach the depths of the ocean floor was developed and manufactured in Canada and was the first of its kind. Through CCC's ongoing liaison with OceanWorks, a positive relationship was developed that ensured the company was able to deliver in advance of a major North Atlantic Treaty Organization-led rescue testing exercise in the Atlantic ocean.



Confidence and Credibility in Emerging and Developing Markets


provided courtesy of Corporación Quiport S.A.

Fact: CCC's relationships and expertise are critical to mitigating project risks in complex political and economic environments.

The story: Construction of the New Quito International Airport in Ecuador. ($440 million USD contract)

CCC signed a $440 million USD contract in 2005 to act as prime contractor for the construction of the New Quito International Airport in Ecuador. As such, the Government of Canada, through CCC, assures that the project is completed on time, within budget and according to the quality standards stated in the contracts between CCC and the local municipal entity, Corporación Aeropuerto y Zona Franca del Distrito Metropolitano de Quito, and CCC and the Canadian construction firm, Aecon.

The Government of Canada's influence, through CCC, has been particularly valuable in mitigating the risks associated with this politically challenged construction project. On-the-ground expertise, together with very close working relationships with project partners and the Canadian Embassy in Quito, has served the project particularly well in the last several months of political and economic instability. The importance of CCC's role was strongly evidenced by a recent meeting of top Canadian investors, including CCC and Export Development Canada, with Ecuadorian President, Rafael Correa. During the meeting, the President highlighted the importance of Ecuador's bilateral relationship with Canada, and acknowledged the significance of the success of the airport project to that relationship. He further acknowledged the legitimacy of the project's concession model and its usefulness as a model for large-scale foreign investment in the region.

The New Quito International Airport is expected to be operational by October 2010 and will act as a centre for regional trade, while further solidifying the Government of Canada's relationship with Ecuador. Indeed, the successful completion of this project is expected to facilitate collaboration on future Canadian investment in the region.

Statement on Corporate Governance

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 three distinct funding sources: appropriations voted by the Parliament of Canada, fees generated by service offerings, and interest income. CCC is governed by a Board of Directors responsible for the affairs of the Corporation.

Board Mandate and Public Policy Role

The Board of Directors exercises its responsibilities in keeping with the provisions of the *Canadian Commercial Corporation Act*. 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 analyzing and setting its long-term strategic direction, thus ensuring its alignment with the Minister of International Trade's annual *Statement of Priorities and Accountabilities* for CCC.

CCC's Board of Directors is composed of a Chairperson, the President and CEO, and nine other Directors all of whom 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 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, and meets quarterly to review the Corporation's operations, receive Committee reports and discuss its performance against objectives. In addition, the Board undertakes regular assessments of its effectiveness and the contributions of each Director by means of a peer-review exercise designed to improve individual and collective performance. In monitoring the financial management, reporting and auditing of the Corporation's performance, CCC's strong governance and accountability structure is reinforced.

Board Committees' Mandate, Activities and Membership

CCC's Board of Directors is led by an independent Chair and conducts its oversight functions in concert with key Board Committees as detailed below. The following charts outline Committee membership and attendance.

- **The Audit Committee** deals primarily with matters related to sound financial and risk management practices, accurate and ethical reporting, and audit functions. With respect to its audit activities, the Committee oversees the annual financial audit, the Office of the Auditor General of Canada (OAG) special examination and the internal audit function. Audit Committee meetings are attended by the internal auditor and representatives from the OAG.

- **The Commercial Initiatives Committee** oversees the Corporation's procurement and international contracting business by reviewing and approving all capital projects, all projects valued in excess of $100 million, and any other projects that are deemed to be at risk or are referred by management to the Committee for consideration. It also reviews ongoing risk analyses of projects and approves proposed new business lines and products, and ensures proper operating processes.

- **The 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 Human Resources Committee** conducts candidate identification and recommendation for the positions of Board Chairperson, Directors and President and CEO. It also reviews, together with the Chairperson, the performance of the President and CEO, and reviews and recommends the appointment of corporate officers. In addition, the Committee examines and makes recommendations on human resource policies and compensation-related issues to ensure the well-being of the Corporation and its employees.

Committee membership:

Board Member	Audit	CIC	Governance	HR
Alan Curleigh (Chair)	*ex officio*	X	*ex officio*	*ex officio*
Andrew Saxton	X		X	
Norman Turnbull	Chair		X	
Peter Wright			Chair	X
Martine Corriveau-Gougeon	X	Chair		
Ken Sunquist		X		X
Dan Ross		X		
Stephen Sorocky	X	X		
Dr. Sam Shaw		X		Chair
Robert Kay			X	X
Marc Whittingham (CEO)		*ex officio*	*ex officio*	*ex officio*

As of March 31, 2009

Board of Directors meeting attendance:

Board Member	March 2008	June 2008	October 2008	December 2008
Alan Curleigh (Chair)		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
Dr. Sam Shaw	X	X	X	X
Robert Kay	X	X	X	X
Marc Whittingham (CEO)	X	X	X	X

As of March 31, 2009

Management Executive Committee mandate, activities and membership

The President is the Chief Executive Officer (CEO) and is accountable for the business of the Corporation. With the approval of the Board of Directors and CEO, the Management Executive Committee sets corporate priorities to achieve the strategic objectives consistent with the 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 Management 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.

Strategic Direction for 2009-10 to 2013-14

The 2009-10 to 2013-14 Corporate Plan responds to the Minister of International Trade's 2008 *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, including SMEs. In addition, the Plan defines a clear role for CCC within the International Trade Portfolio's integrated approach to assisting exporters. The Corporation plans to continue to work closer with other government departments and agencies including the Department of National Defence (DND) and the Canadian International Development Agency (CIDA) to develop more sophisticated partnerships that can better support Canadian exporters and increase Canadian international trade.

The Corporation's forward business strategy is centered upon three pillars: Smart Growth in Canadian Exports, Public Policy Contribution, and Innovation and Operational Excellence.

Pillar 1

Smart Growth in Canadian Exports

An essential Government of Canada institution to promote and facilitate international trade by selling Canadian capabilities to public sector markets

Pillar 2

Public Policy Contribution

A significant contributor within government for developing and implementing innovative international trade and defence industrial base policies and programs that respond to the global marketplace

Pillar 3

Innovation and Operational Excellence

Innovative, effective and risk-based prime contracting and procurement through excellence in people, 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.

In its defence business area, CCC acts as the custodian of the DPSA, reflecting the Corporation's fundamental role in the Canada-U.S. relationship. The Corporation is integral in ensuring continued access to U.S. military procurement opportunities for Canadian exporters. As such, CCC is collaborating with Foreign Affairs and International Trade Canada (DFAIT), DND, Industry Canada, and Public Works and Government Services Canada (PWGSC) to develop strategies to maintain a strong North American defence industrial base with the United States, particularly in light of issues that challenge Canadian exporters in this market. These types of activities enable CCC to make well informed decisions in preserving a preferred status for Canadian companies in fulfilling U.S. DoD contracts.

In CCC's second primary business area, EDM, the Corporation has been an important contributor in Government of Canada efforts to facilitate Canadian exporter access to emerging and developing markets. As such, CCC is working with its International Trade Portfolio partners, DFAIT and EDC, to implement a Joint Market Selection and Development Strategy, wherein the partners will harmonize services in key markets where all partners foresee strong business potential. In addition, CCC continues to work with EDC to maintain vital support for Canadian business activity in Cuba, and with CIDA to improve Canadian private sector access to aid-funded procurement.

To meet these objectives and mitigate risks involved with the Corporate Plan, CCC is continuing to improve internal processes. Building on the efficiencies and effectiveness gained through the implementation of the Enterprise Risk Management (ERM) framework and Enterprise Resource Planning (ERP) system, the Corporation will now focus on three main corporate-wide objectives. First, to improve and articulate CCC's value proposition to a broad spectrum of businesses and stakeholders. Second, to develop more robust performance and quality management frameworks, and third, to enhance its Human Resources strategy to ensure the proper skill sets are maintained to support its business plans. In addition, with respect to risk governance, three areas of risk will continue to be monitored: Strategic Risks, Operational Risks and Transactional Risks.

Corporate Governance Practices

CCC maintains a high 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 Government of Canada best practices by holding annual public meetings to provide an opportunity for the public to learn more about the Corporation. CCC held two public meetings in fiscal 2008-09. The Corporation's first Annual Public Meeting was held in Toronto, Ontario in May 2008 and its second Annual Public Meeting was held in Montreal, Quebec in February 2009.

Representing both the Government of Canada and Canadian exporters means that CCC must carefully consider all the implications of its business activities not only at home but also abroad. As such, CCC is committed to instilling Corporate Social Responsibility (CSR) in all 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 and confidentiality of information, and expectations for ethical conduct on the part of its employees. These Codes will form the basis for future CSR development.

2008-09 Strategic Objectives and Performance against Objectives

The 2008-09 to 2012-13 Corporate Plan built upon the successes of CCC's 2007-08 business strategy, which saw the culmination of an exceptional period, and set the groundwork for the continuation of a cultural shift that moved the Corporation from a reactive organization to one that is more proactive and market driven. As such, last year's Plan set out a strategy for the Corporation to proactively identify opportunities for Canadian exporters through the strategic development of relationships and intelligence in defence, and emerging and developing markets.

Strategic development of relationships and intelligence in defence, and emerging and developing markets.

In Defence, the Corporation achieved this by maintaining and enhancing its relationships with DFAIT, DND, and the U.S. DoD and other foreign buyers to help Canadian exporters navigate the complexities of the defence market. In addition, CCC developed stronger ties with other like-minded governments, particularly North Atlantic Treaty Organization (NATO) allies. CCC also continued to develop Defence business strategies to increase business with non-U.S. government buyers, by focusing on increasing procurement service offerings and joint procurement opportunities via developed links with DND and DFAIT. Finally, the Corporation created additional business via the U.S. DoD Foreign Military Sales (FMS) organization.

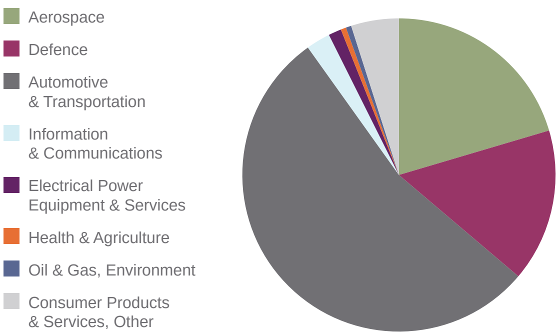
In EDM, CCC worked to further enhance the role of the Corporation in supporting Canadian companies in emerging and developing markets. In so doing, CCC collaborated with its International Trade Portfolio partners, DFAIT and EDC, to create and implement the pilot market phase of a Joint Market Selection and Development strategy for government-to-government infrastructure projects in emerging and developing markets. In addition, CCC continued its work with EDC to implement a longer-term Cuba strategy. By narrowing its focus to a select group of countries in Latin America, the Caribbean, and Sub-Saharan Africa, EDM has been able to target Canadian companies seeking to do business in these regions, while also enhancing its relationships and strengthening its value proposition with the Trade Commissioner Service and with senior managers at DFAIT. These efforts continue to build a solid foundation to support Canadian companies in emerging and developing markets.

The Corporation's success at delivering on its Defence and EDM business strategies was bolstered by the achievement of its corporate priorities. The organizational focus in recent years has been on achieving clarity of mandate and purpose, reorganizing into two distinct business units to support this clearer view of CCC's role, and identifying the people, processes and systems necessary for the Corporation to more effectively support Canadian exporters. A challenge in 2008-09 was the implementation of three significant corporate projects developed in 2007-08 – a new ERP system, a Contract Management Improvement initiative and an embedded ERM framework. In addition, in 2008-09 the Corporation enhanced its performance management system, undertook financial analysis to determine an appropriate level of capitalization, re-examined its Human Resources strategy, and instituted a stronger environmental scanning process. On-going corporate initiatives include CSR, environmental sustainability, and corporate governance.

Defence Business Unit Performance against Objectives

CCC has a long and established history in defence procurement – one that began over 60 years ago to assist the Government of Canada in the reconstruction of Europe after World War II. With the establishment of the Canada-U.S. DPSA in 1956, CCC's role was further solidified as it became Canada's lead government agency for international defence contracting and procurement. Through the Corporation's relationships and expertise in the negotiation and execution of government-to-government contracts, CCC's role has evolved into an effective risk mitigation tool for Canadian exporters seeking contracts in either the U.S. or global defence markets. Today, more than 20

Defence - 2008-09
Business Volume by Sector



allied and like-minded governments around the world take advantage of CCC's expertise in the defence industry.

Last year was a successful year for the Corporation's Defence business line, which signed close to $1.7 billion in contracts in support of Canadian firms. The number of companies with which CCC worked decreased from 155 in 2007-08 to 131 in 2008-09, due to the continuing consolidation of Canadian defence companies. CCC's success was achieved by maintaining and strengthening CCC's core role as manager of the DPSA as well as by broadening and deepening its relationships with other organizations within the U.S. DoD. In addition, the Corporation developed stronger ties with other like-minded governments, particularly NATO allies. In this way, CCC became more proactive in identifying opportunities for Canadian exporters through the strategic development of relationships and intelligence. CCC had four main objectives in 2008-09:

- to maintain the DPSA program enabling Canadian exporters to access the U.S. defence market;
- to refine the Defence business strategy to increase business with non-U.S. government buyers by increasing the number of procurement service transactions and joint procurement opportunities via developed links with DND and DFAIT;
- to create additional business via the U.S. DoD FMS organization; and
- to continue to maintain the capacity to effectively respond to demands for CCC services generated by established suppliers and foreign government buyers.

Fact: CCC's contracting knowledge supports large orders with short timelines.


provided courtesy of U.S. Army

The story: **Sale of light armoured vehicles to the U.S. DoD.**

In 2007, CCC signed a contract with the U.S. DoD for the delivery of RG-31 Mine Route Ambush Protected (MRAP) vehicles through General Dynamics Land Systems - Canada. In July 2008, the Corporation facilitated a delivery order for 773 vehicles for just under $553 million USD. This order was in direct support of the U.S. DoD's planned troop surge into Afghanistan. The vehicles' design is well suited for Afghanistan's rough roads and rugged terrain. Following the production order, the U.S. government put under contract a further $156 million USD worth of engineering improvements, spares, training and technical publications, technical support for field operations and test vehicles. CCC's value added in these transactions was the speed with which it could process the deliveries and its ability to provide the U.S. government with the assurance of a fair and reasonable price.

Continue with a strong DPSA program to support Canadian exporters

The 2008-09 Corporate Plan highlighted CCC's commitment to maintaining the DPSA program, thus continuing to enable Canadian exporters to access the U.S. defence market. Under the DPSA, Canadian companies are treated as important partners in an integrated North American defence industrial base. CCC is a fundamental part of facilitating this critical access as it is the responsible organization for managing the DPSA within the Canadian government. In this capacity, the Corporation acts as prime contractor for contracts over $100,000 USD, and subcontracts the goods and services to Canadian companies.

Fact: CCC helps bring innovative products and services to the international marketplace and strengthens Canada's relationship with the United States.

provided courtesy of Meggitt Training Systems Canada

The story: CCC facilitated the sale of unmanned aviation vehicles manufactured by Meggitt Training Systems Canada to the United States Navy under the DPSA.

Meggitt, a SME with 40-plus employees, produces innovative cost-effective unmanned aviation vehicles that are used by military organizations. Through its longstanding relationship with the U.S. DoD, CCC was able to match the requirements of the United States Navy with this unique Canadian product and in 2007 Meggitt was awarded a $4.5 million USD contract with U.S. DoD, which was carried out in 2008.

CCC added value to this process by helping Meggitt navigate the complex procurement requirements and regulations of the U.S. DoD. The Corporation was also involved in regular site visits, which ensured that CCC was able to coordinate the expectations of both supplier and buyer.

CCC's objectives in 2008-09 with respect to the DPSA program were two-fold: to undertake approximately $700 million worth of contracts in the DPSA business line, and to continue discussions with PWGSC to review the appropriate levels of expertise and resources needed to support these contracts. The Corporation's success at achieving these goals is clear. For instance, CCC achieved close to $1.7 billion in business volume of DPSA contracts signed – a 100% increase from the traditional annual average. In addition, CCC was able to negotiate a reasonable fee to be paid to PWGSC for DPSA-related work performed on behalf of the Corporation, and has proposed improvements to the current process.

Also in 2008-09, the Corporation facilitated access to DPSA opportunities for Canadian SMEs and helped to bring unique products and services to the international marketplace. For instance, CCC worked with OceanWorks, a SME from Vancouver, British Columbia, for the past nine years on a $95 million USD project with the U.S. Navy. Through CCC's ongoing liaison throughout the life of the project, a positive relationship was developed that ensured OceanWorks was able to deliver its innovative Pressurized Rescue Module System to the U.S. Navy in 2008-09. In addition, under the DPSA, CCC facilitated the sale of unmanned aviation vehicles manufactured by Meggitt Training Systems Canada, at their Medicine Hat, Alberta facility, to the U.S. Navy. The Corporation added value to this $4.5 million USD contract by helping Meggitt navigate the complex procurement requirements and regulations of the U.S. DoD.

Going forward, the Corporation will continue to ensure that it is an effective steward of the DPSA program, and will work closely with government partners to strengthen CCC's role as an essential Government of Canada institution. In particular, the Corporation will continue to strengthen its relationship with both the U.S. DoD and DND to sell increased industrial capacity under the DPSA in the U.S. and globally. In addition, CCC will actively pursue the role of integrator within the Canadian government to foster a renewed approach to the North American defence industrial base. As such, the Corporation is working with other government partners and the U.S. DoD to develop a Reciprocal Defence Procurement Agreement Memorandum of Understanding (MOU), which will bring together all the defence MOUs and agreements Canada has with the United States, thereby refreshing the existing relationship in one document in order to provide an up-to-date reflection of the Canada-U.S. relationship in terms of defence procurement.

Pursue non-U.S. government buyers

The 2008-09 Corporate Plan committed the Corporation to pursuing opportunities with non-U.S. government buyers. When CCC acts as a foreign buyer's agent in Canada, or provides its contractor services, the Corporation assists in developing opportunities for joint procurement between DND and allied militaries. This strategy increases Canadian export sales, supports the rapid acquisition of innovative Canadian capabilities by foreign governments, and enhances interoperability with allied military forces. In addition, CCC's services provide foreign government buyers with the assurance of transparency at every phase of the procurement process.

CCC's objective in 2008-09 was to undertake business volume in excess of $200 million with foreign buyers outside of the U.S. DoD via CCC's established and growing links with DND, DFAIT and Canadian exporters. CCC also sought to increase the number of countries engaging the Corporation for its procurement services from one to three by working with DND to identify further opportunities where this strategy could be effectively pursued.

Progress in 2008-09 was built upon work accomplished in 2007-08, whereby the Corporation worked together with Canadian suppliers, relevant Canadian government departments, and allied governments to achieve economies of scale and increase export sales for Canadian defence firms. While revenue-generating projects did not materialize as projected in 2008 due to the global economic situation, three countries in Europe and the Americas did engage CCC's procurement services. For instance, the Corporation signed a contract with a Canadian firm based in Richmond, British Columbia, MacDonald, Dettwiler and Associates Ltd. (MDA), for a project in South America. This contract, worth approximately $12 million USD, was based on an MOU signed between CCC and the host country in 2007. This MOU has since led to the pursuit of similar MOUs with Argentina and Peru to expand the Corporation's portfolio in South America. In addition, two large value procurement contracts in Europe were signed for the procurement and installation of P3 Wings. The installation of these wings will be executed by IMP Aerospace in Halifax, Nova Scotia. Also in 2008-09, CCC effectively managed a $187 million contract involving MDA and RapidEye AG of Germany.

It is believed that opportunities beyond these still exist and that the relationships and planning undertaken in 2008-09 will provide for continued and new strategies to double revenues and volumes in this business line over the next five years, as set out in the 2009-10 to 2013-14 Corporate Plan. Going forward, CCC will strengthen activities to identify and act on new global market opportunities. The Corporation will extend outreach to the Americas and South-east Asia where opportunities for non-U.S. government buyers exist, while also exploring involvement in stabilization efforts in Afghanistan and increasing Canada's interface with NATO and other allies in Europe. In this manner, CCC will continue to work with DFAIT's Trade Commissioner Service, DND's military attachés and EDC offices to advance the many existing project opportunities developed in 2008-09. Through this coordinated and proactive approach CCC will continue to be an efficient and effective instrument in identifying and assisting Canadian companies to secure international business.

Create additional business via U.S. DoD FMS organization

The 2008-09 Corporate Plan committed the Corporation to continuing to create additional business through ever deepening links within the U.S. DoD's Defense Security Cooperation Agency (DSCA) and other U.S. DoD offices that relate to American foreign military sales. At a value of $18 billion USD in contracts annually, the DSCA provides foreign buyers with financing options and procurement processes similar to those the U.S. government uses to procure its own material. Through the DSCA, CCC is able to provide Canadian goods and services to the U.S. DoD, which are then offered to allied militaries.

CCC's objective in 2008-09 was to complete one large value transaction through U.S. FMS in addition to maintaining the past levels of business in other transactions. The Corporation launched this strategy in 2007-08; however, during the course of the year it became apparent that a much broader outreach strategy would be needed in 2008-09, particularly in light of the transition to the new U.S. administration. As such, CCC worked diligently and cooperatively with the U.S. DoD over the past year and is now in the final phase of contract negotiation for a large value FMS transaction with anticipated signing in the first quarter of 2009-10.

Going forward, the Corporation will create additional business via U.S. FMS and will execute plans to provide allied and like-minded nations an alternative to this system. As such, CCC will begin to better promote the Corporation as Canada's Foreign Military Agency by articulating Canada's defence equipment capabilities to buyers. This strategy will allow the Corporation to better showcase Canadian capabilities to allied and like-minded nations using the same equipment. Based on a number of factors, including the ongoing instability in countries like Iraq and Afghanistan as well as a continued desire by NATO and other allied countries to be interoperable with the United States, this strategy will continue to bring new buyers to the Corporation.

Continue to support CCC clients

The 2008-09 Corporate Plan committed the Corporation to build upon the success of enhanced relationships with its International Trade Portfolio partners and other key government departments by maintaining the capability to respond effectively to opportunities brought forward by its partners and established suppliers.

To achieve this objective, CCC worked to coordinate outreach with federal government departments and its client base. For instance, through its in-depth knowledge of complex contracting issues CCC was able to help multiple suppliers meet the needs of a complex U.S. DoD requirement. In 2008, CCC worked with an American prime contractor to supply the U.S. Air Force with seven Maritime Patrol Dash 8 planes from Canadian sources. These planes were manufactured by Bombardier, with Field Aviation fitting the planes with avionics upgrades in Mississauga, Ontario. In addition, CCC now collaborates with DND at strategic international defence industry events to promote potential joint procurement opportunities. As part of

Fact: Through its in-depth knowledge of complex contracting issues, CCC can help multiple suppliers to meet the requirements of a specific project.

provided courtesy of U.S. Air Force

The story: **Maritime Patrol Dash 8 planes manufactured by Bombardier and modified by Field Aviation.**

Canadian avionics company, Field Aviation, was pursuing a Maritime Patrol requirement with Customs and Border Protection in the United States. When questions on pricing, contract structure, and the Federal Acquisition Regulations surfaced, Field Aviation knew exactly where to turn in the Canadian government for a solution.

CCC worked with Field Aviation, Bombardier Special Missions, and an American prime contractor to structure a contract that was satisfactory to all parties for the supply of seven Maritime Patrol Dash 8 planes. The green planes were manufactured by Bombardier, with Field Aviation fitting the planes with avionics upgrades in Mississauga, Ontario. These fee-based contracts totalled $94 million USD for Bombardier and $25 million USD for Field Aviation. This particular contract benefited from CCC's expertise because the Corporation was able to help two Canadian suppliers meet a complex U.S. DoD requirement. Through its specialised knowledge and contract management resources, CCC was also able to certify that the cost to the U.S. government was fair and reasonable. CCC's involvement kept all parties in agreement throughout contract negotiations, and ensured that a tight and interdependent schedule was funded and achieved.

this collaboration, in 2008 the Corporation worked with DND Flight Training staff to identify and develop specific training opportunities for foreign militaries.

In line with this commitment, CCC, in collaboration with other government departments, has taken steps to meet with Industrial and Regional Benefits (IRB) officials in charge of this policy to identify and improve linkages with global supply chains. The IRB policy provides the framework for using federal procurement as a lever to promote the industrial and regional development objectives of the federal government. This ongoing initiative has led to the identification and articulation of the challenges Canadian companies face in accessing global supply chains, and is complemented by DFAIT's Global Commerce Strategy and EDC's extensive research and service offerings. CCC also conducted several successful Webinars with the Canadian Association of Defence and Security Industries (CADSI) in 2008 to reach Canadian SMEs and other defence suppliers to increase awareness of CCC service offerings.

Similarly, in 2008 CCC began to actively pursue the role of integrator within the Canadian government by bringing together key individuals across various government departments with a responsibility for procurement to foster a renewed approach to the North American defence industrial base. To date, the Corporation has hosted senior level meetings with DFAIT, PWGSC, Industry Canada, and DND, yielding the beginnings of a coordinated approach toward engaging the U.S. on trade in defence materials, including ensuring common messaging.

Looking ahead to 2009-10, CCC will continue to promote itself as an essential government of Canada institution through a coordinated approach with its International Trade Portfolio partners and other government departments. In this way, the Corporation will be able to identify and effectively evaluate more prospects in global defence markets to provide support to Canadian firms. The Corporation will also continue to leverage its close relationship with DND to sell Canada's industrial capacity abroad to countries that have clear equipment needs, limited procurement capacity and could benefit from accessing Canadian defence procurements via CCC.

Emerging and Developing Markets Business Unit Performance against Objectives

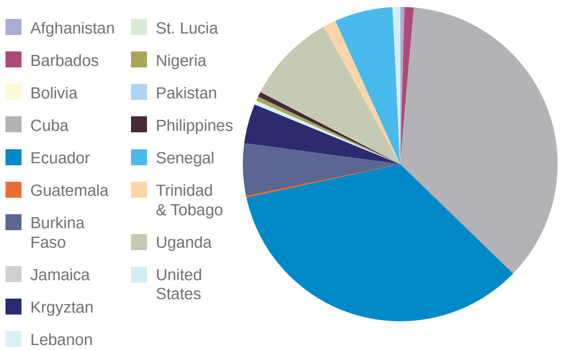
Although very different from the Corporation's work in Defence markets, CCC follows a similar model in emerging and developing markets by leveraging its diverse relationships and expertise in contracting and procurement for the benefit of Canadian exporters. The Corporation works to add value to projects in emerging and developing markets by establishing robust procurement practices, which include comprehensive due diligence processes to ensure fair, reasonable and transparent contracts that meet the developmental needs of these countries. In addition, working with CCC mitigates the risk that Canadian exporters may face when working in regions and countries that are viewed as having slightly higher risk profiles. In this way, CCC's strategy in emerging and developing markets continues to play an important role in international development efforts.

Last year was a successful year for the EDM business line, which achieved total business volume of $114 million. The Corporation worked with 66 Canadian exporters on projects world-wide. In addition, CCC worked with DFAIT and EDC, its International Trade Portfolio partners, to develop a Joint Market Selection and Development strategy for government-to-government infrastructure projects in emerging and developing markets. As well, CCC continued its work with EDC to implement a longer-term Cuba strategy to support Canadian exporters in that region.

CCC had four main objectives in emerging and developing markets:

- to work with DFAIT and EDC to implement a Joint Market Selection and Development strategy;
- to continue its work with EDC in markets it is already pursuing;
- to build on the agreement with EDC to implement a longer-term Cuba strategy supporting Canadian exporters in that region; and
- to work closer with federal government departments to deliver programs to foreign governments.

EDM - 2008-09
Business Volume by Country



Develop a Joint Market Selection and Development Strategy

Building on the 2006-07 and 2007-08 Corporate Plans, the 2008-09 Plan committed the Corporation to continuing to develop the Joint Market Selection and Development strategy for government-to-government infrastructure markets in collaboration with its International Trade Portfolio partners, DFAIT and EDC. Following the development of a framework and strategic plan, the partners agreed to select and develop at least two pilot markets where the partners' respective service offerings and areas of expertise could be jointly leveraged to offer a comprehensive package to foreign buyers interested in acquiring and financing Canadian products and services.

Over the last year the Portfolio partners identified three markets for piloting the Joint Market Selection and Development strategy approach – Peru, Panama and Colombia. With the identification of the markets, the implementation of the pilot strategy began and in February 2009, CCC, EDC and DFAIT conducted in-market visits to meet with government officials in the three countries to further identify viable sectors and projects for joint participation. While the launch of the pilot strategies will take place in 2009-10, the markets will continue to be monitored systematically so that changing conditions can be addressed appropriately.

Looking ahead, the Corporation recognizes that this approach has set the foundation as a new model for developing Canadian business in targeted markets for government-to-government infrastructure projects between CCC, DFAIT and EDC. CCC will continue to work with its International Trade Portfolio partners to identify and act on global market opportunities. In addition to this type of collaboration, the Corporation will engage with DFAIT more deeply to identify new business opportunities as CCC further implements the Americas Strategy.

Strengthen relationships with EDC in markets it is already pursuing

The 2008-09 Corporate Plan committed CCC to continue working with EDC to identify markets in which EDC is already active with the aim of sharing information and broadening the assistance to Canadian companies already active in those markets.

CCC's work in 2008-09 built on efforts that began in 2007-08, which led to joint business development work in Pakistan, India, Peru, Senegal, Angola and Ghana. CCC's President and CEO visited Angola and Ghana in December 2008 to promote CCC services and advance government-to-government negotiations on possible future infrastructure opportunities. These projects may be facilitated by EDC financing. Due to their growing relationship with CCC, the Governments of Angola and Ghana now have added confidence in working with

Canadian suppliers. This work was complemented by progress made on the Joint Market Selection and Development strategy in 2008-09, whereby joint business development strategies were created for government-to-government infrastructure projects in markets where CCC is already working with EDC and/or EDC has an active presence.

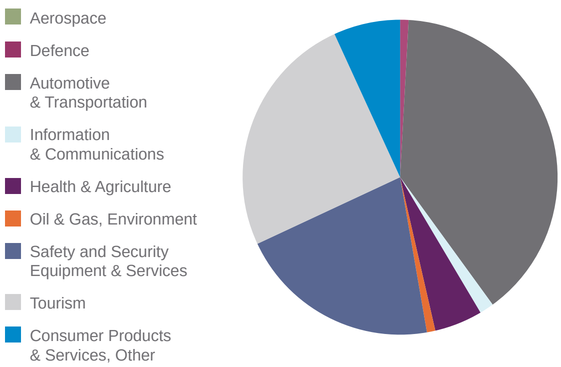
In addition, over the course of 2008-09, CCC cooperated with EDC to develop joint training sessions for DFAIT's Trade Commissioner Service. The objective of these annual training sessions is to increase awareness about the organizations and how they complement each other with respect to their service offerings, thus promoting a full Canadian trade package to foreign governments and identifying more targeted opportunities for CCC and EDC to work together. The Corporation also worked with EDC in 2008-09 to further align their respective risk management strategies in an effort to strengthen potential business opportunities and maximize benefits to Canadian suppliers.

Going forward, CCC will continue to target markets for which EDC has a financing appetite and where the foreign government buyer is seeking a more robust contracting and procurement capacity. As such, both corporations will be able to better identify opportunities where service offerings and areas of expertise can be jointly leveraged, thus increasing the support provided to Canadian firms, large and small.

Formalize and implement a new Cuba strategy with EDC

Over the past 17 years CCC has established strong working relationships in Cuba and the Corporation's fees resulting from work in the Cuban market have been an important source of revenue. The 2008-09 Corporate Plan committed CCC to continue to assist Canadian exporters in the Cuban market by working with EDC to formalize and implement a new Cuba strategy that will help to manage the Corporation's risk exposure.

EDM - 2008-09
Business Volume by Sector



In order to meet this objective, CCC signed an MOU with EDC in January 2008 to enhance the joint working relationship within the Cuban market. As part of this MOU, EDC committed to supporting CCC in 2008-09 by extending credit terms for up to $25 million under CCC's existing business model. This approach was developed jointly by CCC and EDC and tested successfully in several transactions in 2006 and 2007. Furthermore, both parties also agreed to extend additional CCC business in Cuba in accordance with the EDC business model.

The Corporation remains committed to continue helping Canadian exporters foster working relationships in the Cuban market. Cuba revenues increased in 2008-09 by more than 25% over 2007-08 levels, and this element of CCC's business continues to figure prominently in its growth agenda through 2013-14.

Going forward, CCC will continue to work with EDC to implement a longer-term Cuba strategy, while also continuing to work with EDC in other markets it is already pursuing. To augment existing financing services, including those from EDC, CCC plans to help create an Investment Fund for Cuba in partnership with established public and private sector financial partners. The Fund will focus on investments in the agriculture, tourism, infrastructure, power and transportation sectors. The Corporation's role will be to provide contracting expertise which will help to mitigate risks for all partners to the Fund.

Fact: CCC promotes the Canadian competitive advantage by bringing Canada's highly innovative design expertise to markets around the globe

The story: **Design of a Bio-containment laboratory in the Kyrgyz Republic by Smith Carter Architects of Winnipeg, Manitoba**

Under Foreign Affairs and International Trade Canada's Global Partnerships Program, CCC sought a company to provide design services for a bio-containment laboratory to be built in the Kyrgyz Republic. Smith Carter Architects' strong capability in designing these highly specialised structures enabled them to bid on and win the contract.

Work closer with other federal government departments

The 2008-09 Corporate Plan committed CCC to refining and building relationships with other government departments whose mandates involve working with foreign governments to achieve Government of Canada international objectives. Helping to fulfill Canada's international policy objectives, CCC acts as an efficient and effective international procurement arm on behalf of other departments and agencies of the Government of Canada, including DFAIT and CIDA, to procure goods and services for international end-use.

CCC was successful in achieving this objective in 2008-09 by helping Canadian companies, particularly SMEs, access opportunities in difficult markets while also supporting Canadian Government objectives. For instance, through a MOU signed in 2007 with DFAIT to support the Global Peace and Security Fund, which includes the Stabilization and Reconstruction Task Force (START), as well as the Counter-Terrorism Capacity Building Program, and the Global Partnership Program (GPP), the Corporation has become the procurement agent of choice for the Department, facilitating the delivery of goods and services for international end-use and assisting DFAIT in meeting its global stabilization and reconstruction priorities. For the second year now, CCC completed procurements for projects totalling more than $35 million, including Zodiac boats for Lebanon, police equipment for Afghanistan, and the outfitting of three police units from Uganda, Burkina Faso, and Senegal, for the United Nations Mission in Sudan (UNMIS) to provide aid in Darfur. The Corporation's expertise in these supply-arrangement services enables it to undertake and complete these procurements within very short timeframes. In 2008-09, CCC and DFAIT continued to build on the success of this partnership by amending the MOU to include the Department's GPP. Through the knowledge gained in providing services under the START MOU, CCC is better able to identify and respond to the procurement needs of other government departments.

The 2008-09 Corporate Plan indicated that the Corporation would develop its relationship with CIDA since the Agency works in many countries where there is a need for sound contracting expertise. To this end, CCC has begun to work with CIDA at a very broad level and hopes to leverage the successes of the DFAIT MOU into stronger procurement relationships with the Agency, to build upon the initial success of this relationship in 2008-09.

CIDA engaged CCC to act as the principal project manager for the Caribbean Development Bank's (CDB) 38th Annual Meeting of the Board of Governors in Halifax, Nova Scotia in May 2008. Conference participants included over 350 Governors of the CDB, delegates, bank officers, and national and international observers. Also in attendance were prominent business representatives from the Caribbean and business leaders from Atlantic Canada. Through its involvement in this major international event, CCC demonstrated its commitment to increasing Canadian international trade in the Caribbean alongside CIDA.

In addition, CCC's collaboration with its International Trade Portfolio partners in 2008-09 on such initiatives as the new Quito International Airport project, the Joint Market Selection and Development strategy and the renewed Cuba strategy furthers this commitment to working more closely with CCC's key partners and other federal government departments. Indeed, in 2007, DFAIT signed an MOU with EDC and CCC to leverage synergies between the three organizations. The MOU focused on increasing the level of cooperation with regard to the exchange of intelligence and the development of new business opportunities for Canadian exporters and investors. In support of the MOU, a Cooperation Action Plan was developed to carry out specific collaborative initiatives, including the Joint Market Selection and Development strategy.

Going forward, CCC will continue to enhance its collaboration with DFAIT, EDC and CIDA, while also focusing on identifying other government departments and agencies that could use the Corporation's services to more effectively deliver on their overseas programs. For instance, CCC will leverage its relationship with DFAIT as the Department begins to build its new International Emergency Management Organization, which will be the Government of Canada's body for responding to international emergency situations. The Corporation will also continue to bring together federal government departments, civil society and the private sector in emerging and developing markets. As such, CCC will bring together key partners in specific markets to better understand and evolve Canadian public policy and programs for the interest of Canadian exporters and, in turn, the Canadian economy.

Strategic and Corporate Performance against Objectives

CCC's success at delivering on its business strategies in 2008-09 was directly related to the Corporation's implementation of its corporate priorities. In particular, CCC's investment in corporate infrastructure, particularly its ERM framework and ERP system, have strengthened the Corporation's capacity to deliver effective and risk-based services.

Last year, CCC focused on three main corporate objectives:

- to successfully launch the new ERP system;
- to institute the contract management improvement initiative, and;
- to finish implementing the ERM program.

In addition, the Corporation continued to refine its system of performance management, and began work on determining and achieving an appropriate level of capital adequacy, as well as the renewal of the Corporation's Human Resources strategy and instituted a stronger environmental scanning process.

Successful launch of ERP system

The 2008-09 Corporate Plan committed CCC to implementing a new ERP system to provide the tools needed to manage and control the Corporation's business. This new system went live on April 1, 2008, on schedule, within budget, and with planned functionality. This project successfully met its three original rationale objectives of improved financial controls, enhanced operational efficiency and an in-house supportable platform. In addition, CCC managed a successful follow-up assessment of the system to improve system functionality.

Going forward, CCC will optimize its ERP system to achieve improved project facilitation and financial management. In addition, the Corporation will continue to build the internal capacity to support the new system and will look to augment the system functionality by adding a human resources module and a Customer Relationship Management (CRM) module.

Implement contract management improvement

The 2008-09 Corporate Plan committed CCC to instituting more rigorous contracting policies in order to enhance services to its clients. The Corporation's goal was to continue developing robust contract management practices that are high quality, well-documented, and properly risk managed. In addition, CCC committed to undertake an analysis of Business Process Improvement (BPI) and quality management initiatives, to identify ways to continuously improve corporate performance.

In line with this commitment, the Corporation produced and implemented a Contracting Policy Suite in 2008-09. The objective of this policy suite is to ensure that contracting policy direction was clearly expressed and supportive of the continued achievement of excellence in the Corporation's contracting practices. The policy suite reflects CCC's standardized policy architecture and is comprised of a series of policies, instructions and unit specific procedures that are intended to provide clear direction for employees when delivering the Corporation's services. Implementation of the policy suite has improved CCC's contracting practices as identified during the OAG's 2009 Special Examination.

Going forward, a Contract Structuring and Management Table has been developed to provide continuity as the policy suite transitions from implementation to maintenance, and to continuous improvement. In addition, to further enhance internal controls with respect to contracting practices, the Corporation instituted a policy on the disclosure of fraud as well as a *Code of Conduct* and *Code of Business Ethics.*

As a result of these initiatives, CCC has been able to effectively mitigate its risks as evidenced by the reduction in additional contract costs in 2008-09, a clear validation of the improvements made in contract management policies and practices. Looking ahead, the Corporation will continue to optimize critical tools and frameworks to continue to provide superior contract management.

Finalize the implementation of CCC's risk management improvement initiative

The 2008-09 Corporate Plan committed CCC to fully implementing the Corporation's Risk Management Improvement Initiative to ensure that its business activities are within acceptable risk tolerance levels in its three identified categories of risk: strategic, operational and transactional. Specifically, CCC's objective in 2008-09 was to complete the final phase of the implementation of the ERM program to ensure that risk tolerance levels are properly maintained and that continuous improvement related to risk management is implemented across the Corporation.

CCC successfully finalized the implementation of its risk management improvement initiative and moved into the maintenance phase with risk being further integrated into the corporate planning cycle. The output of the Corporation's 2008-09 Business Plans included a risk assessment, which was then used in developing the current Corporate Risk Profile. To validate the process, CCC hired a third party to review its ERM implementation. This review concluded that the Corporation's stated objectives were successfully met in initiating the ERM program. The Corporation will continue to leverage its Risk Table as a forum for discussing key issues and strategies related to CCC's risk management approaches and capabilities.

Internal controls were also strengthened following the update and implementation of a Delegation of Financial Authorities policy. This policy will ensure adequate financial and management controls are in place for the proper authorization of all expenditures, and to safeguard the assets of the Corporation and produce reliable financial records for internal use and external reporting.

Long-term considerations:

Performance management system

The 2008-09 Corporate Plan committed CCC to the long-term objective of improving performance management practices internally in order to better demonstrate the Corporation's progress in achieving its priorities.

While CCC continually engages in performance management practices, 2008-09 efforts led to a well-established foundation for a more formal performance management framework. This included a solid governance structure and a three-pronged strategic planning approach that emphasizes short and medium-term views, integrates performance and risk, and cascades into three-year rolling business plans. The Corporation also positioned itself to better monitor and manage its performance in 2009-10, through the realignment of existing measures and a clearer distinction between indicators and targeted results.

Going forward, CCC will review its current performance indicators and will explore others that could best demonstrate the Corporation's contribution to the overall achievement of Canadian public policy and program objectives. CCC will also focus on designing a high-performance management framework to enable the Corporation to derive even greater value from core management processes and practices already in place. This will reinforce CCC's ability to sustain long-term performance excellence and, in turn, enhance shareholder and client value.

Long-term financial management strategy

The 2008-09 Corporate Plan committed CCC to consider what an appropriate level of capitalization for CCC should be in order to achieve the Corporation's mandate. The strength of CCC and its ability to assist Canadian exporters in complex markets must involve a full understanding of its risk appetite and appropriate profitability level.

Key financial efforts in 2008-09 were based on the financial management improvement plan that was initiated in 2006-07. Having laid this ground-work, the Corporation worked to determine an appropriate level of capital to support the planned outlook for CCC. The Corporation engaged external experts to provide a review of practices used in the financial industry to measure financial risk and relate that risk to required capital levels. The Corporation is now in the process of synthesizing the report and developing appropriate risk measurement and capital strategies. The Corporation has also begun to focus on more diversification in its portfolio of transactions to mitigate financial risk.

Going forward, the Corporation will continue to develop its long-term financial management strategy, based on its assessment of its capital structure and reasonable profitability levels. In addition, CCC will ensure that its efforts in this area continue to align with its ERM framework.

Renewed human resources strategy

The 2008-09 Corporate Plan identified two main objectives in its human resources area: to re-examine its Human Resources strategy, and to strengthen its Labour Relations strategy.

In line with these objectives, in 2008-09 the Corporation continued to enhance its human resources practices by establishing a formal Human Resources Table comprised of senior managers. The purpose of this Table is to enhance the strategic oversight applied to CCC's human resources practices, by ensuring that they effectively position the Corporation in important areas such as learning and development, diversity, and innovation. To date, the Table has established a Learning Policy renewal paper, an important element of CCC's Human Resources strategy, which will be considered in consultation with the Professional Institute of the Public Service of Canada (PIPSC). In addition, the Corporation successfully staffed key vacancies, retained a full compliment of resources, and reintroduced a formal rewards and recognition ceremony for employees.

With respect to the Corporation's Labour Relations strategy, CCC further strengthened its relationship with PIPSC in 2008-09 by continuing to work through the Labour-Management Consultation Committee (LMCC). The LMCC was established in the recent collective bargaining agreement to ensure that the Corporation benefits from the collective input of PIPSC and Management.

Going forward, CCC's most important resource will continue to be its people and their knowledge. Thus the Corporation will place a high priority on the ongoing recruitment, retention, and development of motivated and skilled employees. An internal culture of continuous learning and meaningful engagement, as well as a dynamic work environment, remain important objectives. As part of the continued re-examination of CCC's Human Resources strategy, the Corporation will consider key human resource elements that need to be refreshed to ensure that the existing strategy remains relevant in both the short and long term. In addition, in order to foster a culture of innovation, the Corporation will update its rewards systems for employees to ensure innovation and excellence are appropriately incented. By rewarding employees in this way, the Corporation will ensure its service offerings remain effective and relevant in today's marketplace.

Stronger environmental scanning process

The 2008-09 Corporate Plan committed CCC to working to better understand the environment in which the Corporation and its clients operate by developing a model on integrative trade in cooperation with its International Trade Portfolio partners, DFAIT and EDC. Within CCC, analysis was conducted to identify how this phenomenon applies to the Corporation and its clients. CCC also committed to pursuing stronger linkages with other government departments, including CIDA and Industry Canada, to determine the Corporation's role in the evolving international trade environment.

In order to meet this commitment in 2008-09, CCC worked to promote a better understanding of Canadian exporter challenges and needs in the evolving international marketplace, and built upon this by making efforts to promote effective service offerings and better alignment of public policy and programs. Building on this momentum, the Corporation worked to better define its value proposition in order to effectively market itself and its service offerings as a valuable risk mitigation tool for Canadian exporters conducting international business. As such, the Corporation was able to define its specialized role as integrator between both government and private sector circles.

CCC took steps in 2008-09 to leverage its unique experiences in export trade to engage in and share policy-relevant analysis of evolving issues and trends with its government partners and Canadian exporters. For instance, CCC teamed up with the Canadian Manufacturers and Exporters (CME) in 2008 to gather and share information on exporter needs. This relationship is being further strengthened as the Corporation works with the CME on various initiatives, such as the May 2009 Global Business 20/20 summit, which brings exporters together to better understand their challenges and opportunities, identify potential gaps in government policy, and explore possible solutions. The Corporation also worked with other institutions, particularly the Public Policy Forum (PPF), to be at the forefront of public policy discussions on the future of global trade, and thus better align Government of Canada policies with the needs of exporters.

An approach was also developed to link business intelligence gathering and environmental scanning in order to support the Corporation's overall growth strategy. For instance, CCC's business units now undertake an environmental scan as part of their business planning. Business opportunities and challenges are then analyzed, taking into account CCC's mandate and risk appetite, with a view to developing a sound five-year corporate strategy. In addition, a Business Development Table was established to strengthen outreach and equip the Corporation to be more client-focused. The Group assists the Corporation in identifying business opportunities of strategic interest that in turn enable CCC to meet its mandated objectives. CCC representatives attend special events researched and recommended by the Group. These events are of strategic value and give the Corporation the ability to increase awareness, leverage opportunities, and build and maintain important relationships. Such efforts have not only enhanced alignment and increased support to business and operational units but have also strengthened CCC's overall environmental scanning process.

Going forward, CCC will forge ahead with a renewed business development focus and will further enhance its environmental scanning and analysis. The Corporation will work to increase dialogue with key players in both government and private sector and will explore other possibilities to develop strategies for commercialization and technology transfer to better understand and support exporter needs. CCC will also work to establish regional, sectoral, and country specific business strategies that will be inclusive of government, industry and trade associations.

CCC's on-going initiatives:

Corporate social responsibility

The 2008-09 Corporate Plan committed CCC to implementing the second phase of its CSR strategy by refining its CSR practices and considering new initiatives to strengthen the Corporation. In 2003, the Board of Directors indicated that the Corporation should implement Phase One of a two-phased CSR strategy, which allowed CCC to address both ethical and environmental issues. This focus established the Corporation's CSR priority areas and led to the development and implementation of an internal bribery and corruption clause in all of CCC's contracts, a corporate vision of CSR, a set of core values, a suite of human resource management policies, and measures to improve corporate governance.

In order to refine CCC's CSR practices in 2008-09, the Corporation developed and instituted a *Code of Conduct* and a *Code of Business Ethics* to further institutionalize CCC's CSR principles and to assist employees and representatives in making ethical decisions. These Codes govern behaviour internally and externally by outlining CCC's commitments with respect to the environment, bribery, human rights,


provided courtesy of U.S. Air Force

conflict of interest and confidentiality of information, and expectations for ethical conduct on the part of its employees. In addition, CCC made annual sign-off of these Codes mandatory in order to ensure awareness.

Going forward, CCC will continue to examine and improve its CSR practices including the development of a CSR framework.

Environmental sustainability

The 2008-09 Corporate Plan committed the Corporation to communicate CCC's Environmental Review Framework internally as part of its contract management improvement initiative.

As part of CCC's CSR strategy and roll-out in 2008-09, an updated Environmental Review Framework was communicated to employees. This Framework was developed in 2008-09 and will be rolled-out in early 2009.

Going forward, the Corporation will look to continually align with the Government of Canada's environmental direction as it evolves.

Corporate governance

The 2008-09 Corporate Plan committed the Corporation to continue to maintain a high standard of corporate governance. CCC is accountable to numerous stakeholders and thus must conduct its business in an accountable and transparent manner.

In order to meet this commitment, CCC reviewed and refreshed the Corporation's governance structure in 2008-09 to ensure it is aligned with and can fully support the strategic direction of the Corporation's business and its continued desire to improve quality.

In addition, as part of the Corporation's CSR initiatives, CCC continued to maintain a high standard of corporate governance in 2008-09 by ensuring:

- board independence;
- board assessment;
- regularly held Board meetings;
- public disclosure of Corporate expenses;
- financial accountability;
- positive Board and Management relations;
- stakeholder engagement;
- rigorous planning and reporting practices; and
- professional development.

The Board of Directors has carefully considered the Corporate Governance Guidelines set forth in the *Governance Framework for Canada's Crown Corporations* and is fully compliant with all 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 policy to ensure compliance with the newly implemented *Public Servants Disclosure Protection Act* while also strengthening shareholder and stakeholder involvement by holding its first Annual Public Meeting in May 2008 and its second Annual Public Meeting in February 2009. These events were well attended and included representatives from key government departments, embassies, including Defence Attachés, and major suppliers, as well as the general public.

Going forward, CCC will continue to maintain a high standard of corporate governance by regularly reviewing its governance framework to ensure its various components meet CCC's ongoing business needs from a governance perspective while also being consistent with the government's guiding principles on Crown agency corporate governance.

2008-09 Performance Indicators

As a Crown corporation, CCC contributes to overall Government of Canada goals and maintains sound financial health. Thus, the Corporation has developed a set of performance indicators across four key areas: those measuring CCC's contribution to public policy; those measuring CCC's financial health; those measuring CCC's progress in achieving its business strategy; and those measuring CCC's progress in achieving its organizational strategy. Measurement is based upon CCC's obligation to the Government of Canada as indicated in the Corporation's Treasury Board commitments.

Public policy measures

Immediate outcomes or outputs	Rationale	Performance indicators	2006-07 Results	2007-08 Results	2008-09 Targets	2008-09 Results
Enabling exports for Canadian companies that result in increased economic activity and jobs in Canada.	Indicators capture CCC's assistance to Canadian exporters, the heart of the Corporation's mandate.	Business volume (Total)	$1.2B	$1.5B	$1.3B	$1.8B
		Defence	$1.1B	$1.4B	$1.2B	$1.7B
		Emerging and Developing Markets	$52M	$94M	$71M	$114M
		Number of Canadian exporters contracting with CCC (Total)	197	195	195	197
		Defence	158	155	155	131*
		Emerging and Developing Markets	39	40	40	66**
Build stronger international and interdepartmental relationships.	Indicators capture CCC's contribution in building closer relationships with government partners.	Billings for Defence prime contracts	$863M	$1,214M	$878M	$1,577M
		Billings for Defence procurement services	$127M	$80M	$187M	$56M
		Billings for EDM prime contracts	$132M	$123M	$271M	$232M
		Billings for EDM procurement services	$6M	$8M	$15M	$9M

* Reduction is due to consolidation within the defence industry.

** Increase is due to CCC's procurement work with other government departments.

Financial measures

Immediate outcomes or outputs	Rationale	Performance indicators	2006-07 Results	2007-08 Results	2008-09 Targets	2008-09 Results
Managing risk and cost on behalf of the Government of Canada.	Indicators capture CCC's overall financial health.	Operating surplus	$3.5M	$2.5M	$0.5M	$1.0M
		Retained earnings*	$34M	$36.5M	$38.3M	$37.5M
		Indirect expenses as a percentage of total expenses.	34%	38%	37%	42%
		Additional contract costs as a percentage of billings.	0.4%	0.03%	0.04%	(0.04)%
		Net revenues as a percentage of operating costs.	45.8%	43.8%	38.5%	38.5%
More quality contracts with foreign buyers.	Indicators capture efficiency of internal processes in order to deliver high quality contracting services to exporters.	Average number of days to make payments after acceptance by U.S. DoD.	31	30	30	31
		Percentage of suppliers paid when due on non-DPSA contracts.	95%	96%	97%	97%

* Restated to reflect a change in accounting policy.

Business strategy

Immediate outcomes or outputs	Rationale	Business strategy goals for 2008-09	Performance against objectives
A Defence unit business strategy that positions CCC for success.	Indicators capture CCC's progress in achieving its Defence unit business strategy objectives.	$700 million in the DPSA business line in 2008-09.	Achieved close to $1.7 billion in the DPSA business line in 2008-09.
		$200 million with foreign buyers outside of the U.S. DoD.	Achieved approximately $28 million with foreign buyers outside of the U.S. DoD. Decisions on a further $172 million have been deferred to 2009-10.
		Increase the number of countries engaging the Corporation for its procurement services from one to three.	At least three countries engaged CCC's procurement services in 2008-09.
		Complete one large value transaction through U.S. FMS, while maintaining the same level of business in other transactions.	In the final phase of contract negotiation for one large value FMS transaction, while maintaining the same level of business in other transactions.
An EDM unit business strategy that positions CCC for success.	Indicators capture CCC's progress in achieving its EDM unit business strategy objectives.	To select and develop at least two pilot markets at the end of the first year of implementation of the Joint Market Selection and Development strategy.	Selected three pilot markets for further development – Panama, Peru and Colombia.
		Reduction of Caribbean Commodity Trade Transaction Program (CCTTP) borrowing authority to $20 million.	Succeeded in reducing the CCTTP borrowing authority to $20 million as of April 1st, 2008.
		Maintain Cuba business revenue at $1.3 million.	CCC achieved 25% higher Cuba revenues in 2008-09.
		Successful DFAIT MOU generating revenue of $700,000.	The DFAIT MOU generated over $1 million.

Organizational strategy

Immediate outcomes or outputs	Rationale	Organizational strategy goals for 2008-09	Performance against objectives
An organizational strategy that enables CCC to successfully deliver on its business strategy.	Indicators capture CCC's progress in achieving its organizational strategy objectives.	A successful implementation of ERP, contract management improvement, and risk management improvement.	CCC successfully implemented its three key corporate initiatives.
		Positive relationship with PIPSC, which will be demonstrated by a low number of grievances and regular scheduled meetings with the LMCC.	The LMCC established mutually agreed upon Terms of Reference. The Committee has successfully established a framework and process for future meetings in order to hold discussions around issues of mutual concern. Outside of these formal meetings, PIPSC and CCC have met, as necessary, to discuss Labour Relations issues and specific employee concerns, which allowed for a high degree of informal resolution of potential issues.
		Full compliance with Treasury Board's Corporate Governance Guidelines.	CCC held two annual public meetings in 2008-09, and is now fully compliant with the Treasury Board's Corporate Governance Guidelines.

Management's Discussion and Analysis

Financial Highlights

CCC's net results of operations and comprehensive income for 2008-09 was $1 million, compared to the $2.5 million reported in 2007-08. The year-over-year decrease of $1.5 million, or 60%, is the result of net revenues declining by $1 million combined with total expenses increasing by $0.5 million. The decline in net revenues resulted from interest income decreasing by $1.6 million, which was caused by reduced yields on CCC's investments as yields were affected by the significant reduction in interest rates over the course of the year. This was partially offset by an increase in foreign exchange gain of $0.6 million. With respect to total expenses, an increase in administrative expenses of $1.7 million which resulted primarily from an increase in workforce compensation as the Corporation continued to staff up to full capacity was partially offset by a decrease in its additional contract and related costs of $1.2 million. A recovery of additional contract and related costs of $0.7 million was recorded in 2008-09 due to the resolution of certain problem contracts. The recovery reflects the Corporation's continuous efforts in improving risk management.

Historically, several large contracts accounted for a significant portion of certain items on the Corporation's financial statements. Last year was no different due to a decision by the U.S. government in July 2008 to alter its strategic direction in Afghanistan. The U.S. DoD determined that the RG-31 MRAP vehicle, assembled by General Dynamics Land Systems (GDLS), was the vehicle of choice in Afghanistan. As a result, production lines were ramped up at GDLS during 2008-09 to rapidly produce and deliver 773 additional vehicles valued at $745.5 million. This contributed to significantly increasing amounts on the Corporation's financial statements, as $488.2 million worth of MRAP vehicles were delivered and billed over the last four months of the year.

The Corporation's contracts with foreign buyers are matched to equal and offset 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 depreciating compared to its U.S. dollar counterpart from 0.9742 USD (1.0265 CAD) at March 31, 2008, to 0.7928 USD (1.2613 CAD) at March 31, 2009, certain financial statement amounts have increased year-over-year.

A more detailed discussion of CCC's 2008-09 financial highlights follows.

Statement of Operations, Comprehensive Income and Retained Earnings Discussion

Summary results

		2008-09 ($M)		2007-08 ($M)
Commercial trading transactions	$	1,881.8	$	1,432.7
Gross margin	$	7.8	$	7.9
Net revenues	$	8.9	$	9.9
Total expenses	$	23.1	$	22.5
Parliamentary appropriations	$	15.2	$	15.2
Net results of operations and comprehensive income	$	1.0	$	2.5

Revenues

Commercial trading transactions were $1,881.8 million in 2008-09 compared to the $1,432.7, million reported in 2007-08, a 31% increase. These transactions include CCC's billings for work performed on outstanding signed contracts, fees for service and discounting exporters' receivables. The value of these transactions increased by $449.1 million, or 32%, over last year. Billings related to the requirement with the U.S. DoD for RG-31 MRAP vehicles and other transactions under the DPSA program were $244.3 million, or 47%, and $169.2 million, or 29%, higher respectively than the amount billed in 2007-08, which explains the overall increase. The deprecation of the Canadian dollar compared to the U.S. dollar resulted in billings being higher by $163.0 million, or 10%, based on a year-over-year comparison of weighted average exchange rates used to convert revenues and expenses. Exchange rate fluctuations have a negligible impact on fees for service given that they are largely comprised of Canadian dollar transactions.

Gross margin, primarily comprised of fees for service, were $7.8 million, a 1% decrease compared to last year. CCC charges fees for service only on its non-DPSA business, as its DPSA business is funded through parliamentary appropriations. In 2008-09, 19% of the Corporation's billings generated fees for service compared to 23% in 2007-08. Of the total fees for service of $7.6 million, $4.2 million, or 55%, were generated by CCC's structured financing transactions, while $2.2 million, or 29%, were generated by its procurement service transactions. The gross margin is not impacted by exchange rate fluctuations as billings are offset by an equal amount in the cost of commercial trading transactions.

Net revenues, comprised of total gross margin, net interest income, and loss on foreign exchange, were $8.9 million in 2008-09 compared to the $9.9 million reported in 2007-08, a decrease of $1.0 million, or 10%. In addition to the slight decrease in gross margin, the decrease in net revenues mainly relates to lower interest income earned that declined by $1.6 million, from $2.6 million in 2007-08 to $1.0 million in 2008-09. This was due to lower investment yields caused by a significant reduction in interest rates over the course of the year. This was partially offset by a year-over-year increase on foreign exchange of $0.6 million, from a loss of $0.5 million in 2007-08 to a gain of $0.1 million in 2008-09 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.

Expenses

In 2008-09, total expenses were $23.1 million, an increase of $0.5 million or 2% from the amount in 2007-08. The increase in administrative expenses of $1.7 million was partially offset by a decrease in additional contract and related costs of $1.2 million. Expenses are paid primarily in Canadian dollars and are not impacted by exchange fluctuations. Major items comprising the administrative expenses were:

- Workforce compensation of $12.3 million increased by $1.2 million, or 11%, compared to the amount spent in 2007-08. CCC, in keeping with its two-year plan to build the capacity and skill sets required to effectively deliver the Corporation's services, increased its staff from an average of 109 in 2007-08 to an average of 114 in 2008-09. The increase also includes the impact of implementing the provisions of a new collective bargaining agreement with CCC's unionized employees.

- PWGSC fees were negotiated at $4 million for the core contract management services under the DPSA in 2008-09, the same amount as in 2007-08.

- Rent and related expenses totalled $1.5 million, the same amount as in 2007-08.

- Travel, principally for operational requirements to secure or manage CCC's international contracts, totalled $1.4 million, a $0.2 million, or 14%, increase compared to the amount spent in 2007-08.

- Consultants that complement CCC's workforce and perform assignments requiring a specific expertise cost $1.4 million, representing a decrease of $0.1 million, or 8%, compared to the amount spent in 2007-08.

- The amortization of capitalized assets associated with CCC's financial and contract management system and leasehold improvements totalled $0.7 million, an increase of $0.4 million, or 154%, from the amount amortized in 2007-08. This is a result of the new ERP system that was launched on April 1, 2008, which started to be amortized in 2008-09.

- Other workforce related expenses that include training and temporary staff requirement costs were $0.6 million, the same amount as in 2007-08.
- Computer software, hardware and support costs, over and above the information management personnel included in workforce or consultants were $0.5 million, a $0.1 million, or 10%, decrease compared to the amount spent in 2007-08.
- Corporate communication costs, which include marketing, advertising, and design and printing of corporate promotional material, were $0.4 million, the same amount as in 2007-08.
- Other expenses, including telecommunications and bank charges, totalled $1 million, a $0.1 million, or 17%, increase compared to the amount spent in 2007-08.

CCC reported a recovery of additional contract and related costs of $0.7 million. Although the Corporation did record expenses of $0.5 million, representing a best estimate of the additional costs that will likely be incurred to meet its contractual obligations, this amount was more than offset by reversals of provisions totalling $1.2 million that were recorded during the year. The reversals were made possible due to the resolution of certain problem contracts whereby settlement payments were made to Canadian suppliers.

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%, a figure that was achieved this year as it was in 2007-08.

Parliamentary Appropriations

CCC receives an annual baseline parliamentary appropriation (this excludes any one-time supplemental appropriation the Corporation may receive for collective bargaining settlements). In 2008-09, CCC's annual baseline appropriation was $15.2 million, the same amount as in 2007-08.

Balance Sheet Discussion

Summary financial position

	2008-09 ($M)	2007-08 ($M)
Total assets	$ 861.9	$ 550.1
Total liabilities	$ 814.4	$ 503.6
Shareholder's Equity	$ 47.5	$ 46.5

CCC's total assets were $861.9 million as at March 31, 2009, 57% higher than at March 31, 2008. The year-over-year change in accounts receivable of $282.8 million, accounts for 91% of the change in total assets. Of the $543.3 million in accounts receivable, $291.2 million, or 54%, relate to the delivery of the RG-31 MRAP vehicles. The depreciated Canadian dollar resulted in total assets being higher by $138.2 million, or 16%, based on a year-over-year comparison of March end exchange rates used to convert assets.

CCC's total liabilities were $814.4 million as at March 31, 2009, 62% higher than at March 31, 2008. The year-over-year change in accounts payable and accrued liabilities of $265.1 million, accounts for 85% of the change in total liabilities. Of the $535.5 million in accounts payable and accrued liabilities, $291.6 million, or 54%, relate to the delivery of the RG-31 MRAP vehicles. The depreciated Canadian dollar resulted in total liabilities being higher by $135.3 million, or 16%, based on a year-over-year comparison of year-end exchange rates used to convert liabilities.

As an international trade intermediary, CCC offsets its trading-related assets with matching liabilities. 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 $166.5 million in advances from customers, $148.6 million, or 89% (93% in 2007-08), were related to six projects with sales to Norway, Colombia, Dominican Republic, Ecuador and DFAIT, the latter related to a number of PSAs. Of these advances from customers, a significant portion, $114.7 million, has been passed on to suppliers, accounting for 69% (98% in 2007-08) 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 2008-09 in order to manage such variations.

CCC's capital assets decreased by $0.4 million in 2008-09. During the year, the Corporation capitalized costs of $0.3 million associated with the further development of its new ERP system. Amortization of $0.6 million related to the new system and $0.1 related to leasehold improvements was recorded in 2008-09.

CCC's provision for additional contract and related costs decreased by $3.6 million in 2008-09. The decrease to the provision resulted from $3.5 million disbursements related to settlements of contracts not fulfilled by Canadian exporters. The remaining amount of $0.1 million represents the net decrease of adjustments that were discussed in the Statement of Operations, Comprehensive Income and Retained Earnings Discussion.

In 2008-09, the value of the equity investment of the Government of Canada in CCC was $47.5 million, an increase of $1 million, 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 totalling approximately $2.2 billion at year-end.

Statement of Cash Flows Discussion

Summary of cash flows

		2008-09 ($M)		2007-08 ($M)
Operating activities	$	3.7	$	(21.7)
Investing activities	$	(0.3)	$	(2.7)
Effect of exchange rate changes on cash and cash equivalents	$	0.1	$	(0.6)

Cash and short-term deposits at March 31, 2008 increased by $3.5 million compared to the previous year.

Operating activities

In 2008-09, CCC provided $3.7 million in cash from its operating activities, as compared to the $21.7 million used in 2007-08. This increase was derived from several sources as follows:

- $25.4 million provided due to advance payments that were received from foreign governments and not passed on to Canadian exporters in 2008-09. For risk mitigation purposes, on certain projects CCC holds back from the Canadian exporter advance payments made by the foreign customer and releases them as delivery obligations are fulfilled. In some of these cases interest earned on cash withheld is accrued and paid to the Canadian exporter.

- $17.8 million used due to timing differences between the receipt of cash on CCC's accounts receivable and disbursements of its accounts payable. This situation arises primarily on DPSA transactions and certain procurement service agreements where the Corporation is contractually obliged to pay its exporters in 30 days from receipt of a supplier invoice regardless of when the money is received from the foreign customer.
- $3.6 million used in the provision of additional and related costs due primarily to cash disbursements made for the settlement of contracts not fulfilled by Canadian exporters.
- $2 million used due to timing differences between the receipt of cash on the Corporation's progress payments from foreign customers and progress payments to Canadian exporters. This situation arises primarily on DPSA transactions whereby the U.S. Government will at times recover progress payments upon completion and acceptance of deliveries in different amounts than CCC recovers its progress payments on disbursements made to Canadian exporters when deliveries are made.
- $0.9 million provided due to an increase in retained earnings as described in Statement of Operations, Comprehensive Income and Retained Earnings Discussion.
- $0.8 million provided by changes to non-current assets and liabilities.

Investing activities

As described in the Balance Sheet Discussion, the Corporation capitalized costs of $0.3 million associated with the further development of its new system during 2007-08.

Comparison with the 2008-09 to 2012-13 Corporate Plan

Billings of $1,873.9 million were $522.4 million, or 39%, greater than budgeted as a result of billings of $767.3 million related to a number of LAV contracts, which include the RG-31 MRAP vehicles, that were $637.4 million, or 491%, above budget. This was partially offset by below budget results of $115 million across other lines of business. At the time the 2008-09 to 2012-13 Corporate Plan was developed, there was a definite direction from the U.S. DoD that there was no further requirement for the production of RG-31 MRAP vehicles; however, as detailed in the Financial Highlights, in July 2008 the U.S. DoD altered its strategy related to its direction in Afghanistan. As a result of this urgent requirement production lines were ramped up during 2008-09 to rapidly produce and deliver an unexpected 773 additional vehicles.

Fees for service of $7.6 million were greater than budgeted by $1.3 million, or 20%, due largely to activity related to the Corporation's structured financing program. Interest income earned of $1 million was $1.5 million under budget due to the considerably lower interest yields on CCC's investments. The rate variance accounted for 91% of the total shortfall in interest income.

CCC recorded a foreign exchange translation gain of $0.1 million. The Corporation did not budget an amount for this item as it planned to monitor and keep unhedged foreign currency balances at negligible levels in order to minimize the impact of foreign currency fluctuations. The Canadian dollar weakened as compared to its U.S. dollar counterpart from 0.9742 USD (1.0265 CAD) at March 31, 2008, to 0.7928 USD (1.2613 CAD) at March 31, 2009.

Additional contract and related costs were below budgeted levels by $1.2 million. This is reflective of the improvements to processes, particularly the implementation of the Corporation's ERM framework, over the last several years.

Administrative expenses of $23.8 million were $0.4 million, or 2%, over the budgeted amount of $23.4 million. Unplanned increases made to general liabilities for employee future benefits and unused leave balances, amounting to over $0.3 million, contributed to the unfavourable variance. Although actual administrative expenses slightly exceeded the budget, the actual ratio of administrative expenses to commercial trading transactions for 2008-09 of 1.3% was lower than the 1.7% budgeted.

2009-10 Corporate Plan Outlook

CCC is planning for net results of operations and comprehensive income of $0.7 million in 2009-10. This is $0.3 million lower than the 2008-09 actual. These results are consistent with the historical operating surplus amounts for the Corporation.

In 2009-10, net revenues are expected to be $9.9 million, $1 million greater than the results achieved in 2008-09, due primarily to an expected increase in total fees for service. The Corporation's procurement service and structured financing programs are expected to consistently generate fee revenue at levels similar to 2008-09 or better. In addition, the anticipated signing of several contracts in the Emerging and Developing Markets business line, and the introduction of the prime contracting role in Caribbean markets are expected to increase fees to near record levels. Net interest income of $1.2 million is expected to be slightly higher than in 2008-09 as interest rates are expected to increase slightly as the economy recovers in the latter part of 2009-10. The impact of foreign exchange fluctuations is not expected to be great as the Canadian dollar stabilizes against the U.S. dollar. In addition, any unhedged foreign exchange balances will be monitored and kept at negligible levels.

With respect to CCC's expenses, additional contract and related costs are planned to be $0.5 million, representing a best estimate of the additional costs that will likely be incurred to meet the Corporation's contractual obligation. This amount is based on CCC's current portfolio of low-risk active and potential projects, and confidence in its ERM framework and the implementation of initiatives to improve contract due diligence and management practices. PWGSC fees are expected to be the same as in 2008-09 actual at $4 million. Operating expenses are forecasted slightly higher at $19.9 million, representing a 1% increase, compared to the 2008-09 actual of $19.8 million. The Corporation will reprioritize its operating expenditure budget to limit any overall increase and cover increases to workforce compensation as the Corporation continues to acquire the capacity and skill sets required to achieve its business targets. The amortization expense will be the same as the 2008-09 actual level of $0.7 million as the Corporation enters its second full year of amortizing capitalized costs related to the new ERP system that was implemented in 2007-08.

CCC will receive parliamentary appropriations of $15.2 million in 2009-10, the same as the 2008-09 actual.

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 Canadian GAAP. Publicly accountable enterprises including federal and territorial Crown corporations will be required to adopt IFRS for reporting financial periods beginning on or after January 1, 2011 including the presentation of the opening balance sheet at April 1, 2010, and at least one year of comparable financial results under the same basis of accounting.

To date, CCC has conducted an IFRS diagnostic in order to assess at a high-level the main differences between the Corporation's accounting policies and IFRS. Each of the IFRS standards was given a ranking based on its potential impact on the Corporation's financial results, and anticipated level of complexity in implementation. The Corporation does not expect the required accounting policy changes to have a significant impact on its financial results; however, additional disclosures will be required in the notes to financial statements. CCC has also completed a detailed transition plan to IFRS that was reviewed by the Audit Committee of the

Board of Directors. This plan covers the scope, objectives, challenges, project governance, resources and timelines required for the analysis of each IFRS standard to ensure a successful transition to IFRS. CCC is currently in the early stages of the solution development and implementation phases assessing the impact of these accounting changes and new disclosures on its internal systems, processes and procedures to identify potential required modifications. The Corporation is committed to completing the transition within the timeline established by the AcSB and will disclose further details regarding its IFRS implementation plan in its 2009-10 Annual Report, and an IFRS Quantitative Impact Analysis in its 2010-11 Annual Report

Risk Management

Overview

CCC is exposed to a broad range of risks in fulfilling its mandate to promote and facilitate 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 framework for the management of enterprise risk. This framework identifies three categories of risks facing the Corporation and sets out processes for their management in the areas of risk identification, assessment, response, control, monitoring, reporting and communication.

The ERM framework is CCC's guiding policy on risk and it is founded upon three risk categories: Strategic, Operational, and Transactional.

The framework recognizes the important role that risk culture plays in the effective management of enterprise risk. CCC's risk culture emanates from the Board of Directors and is reinforced as it cascades through the executive team, the Risk Management Table, management and staff. A key premise of its enterprise risk management culture 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 strategically mitigates the risks related to its contracts and strategic objectives.

Risk Governance

Risk management within the Corporation is a shared process. The Board 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 and CEO. This is accomplished through the Risk Management Table. Staff play a key role in implementing the ERM framework and embedding the right risk approaches in their contract and procurement services.

Categories of Risks

Strategic Risks:

Strategic Risk is one of the three risk categories at CCC. Strategic risks are those that need to be managed in order for the Corporation to meet its overall objectives. These include:

Mandate Risk:

Mandate Risk relates to ensuring the Corporation is operating in activities within its mandate or fulfilling its mandate through the services it provides. The Corporation's focus is on defence and government procurement in emerging and developing markets. This focus is in alignment with shareholder expectations. To ensure continued alignment, all new services are reviewed by the Board's Commercial Initiatives Committee.

Organizational Risk:

Organizational Risk relates to ensuring the Corporation has the proper structure and capital in place to achieve its objectives. CCC has enhanced its internal capacity to grow its business opportunities while simultaneously focusing on internal business process improvements through the development of key functional units for performance management, quality management and business process improvement.

Reputational Risk:

Reputational Risk relates to ensuring the Corporation's actions or inactions do not result in the tarnishing of its brand image with its shareholder, buyers and/or Canadian exporters. In addition to its robust transactional due diligence, CCC also provides regular and open communication with all of its stakeholders, which is key to managing this risk. CCC has a communications strategy in place that ensures the appropriate information is communicated.

Business Environment Risk:

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

Overall economic conditions in Canada and many of CCC's export markets began to deteriorate at the end of last year with a marked acceleration to the decline occurring in October and November cumulating in an intense and synchronized global recession. In light of this global economic recession, CCC developed an action plan to proactively focus on its risk management practices for both contract structuring and contract management.

The credit markets, by most measures, have become increasingly difficult for both Canadian exporters and foreign buyers in the past year. This has been particularly acute for companies trying to access capital from traditional private sector institutions for projects in emerging and developing markets. The Corporation's action plan is focused on helping to bridge this gap by adopting more innovative approaches to its procurement and contracting processes while ensuring an appropriate balance where CCC does not take any undue risks.

In addition, CCC has instituted a comprehensive assessment of its contracts under management to assess the level of impact that the economic conditions have had on CCC's portfolio. The assessment provides an early identification of any changes to its risk profile that could result in additional contract and related costs that would ultimately put the Corporation at risk of financial loss. On a quarterly basis, Management provides a report to the Board of Directors on this issue.

Operational Risks:

Operational Risk is the second major risk category at CCC. It refers to 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 ensuring that the Corporation has the adequate human resources in place to meet client expectations and overall corporate objectives. While CCC has very qualified and knowledgeable staff in place to effectively run the organization, it is exposed to the 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 Resource Strategy. In the interim, the Corporation added staff to key vacant positions in Legal Services, Business Development and Performance Management. These staffing increases have augmented the Corporation's ability to focus on future growth strategies and business process improvements.

Information Risk:

Information Risk relates to ensuring the Corporation's information system is able to generate relevant data in an efficient and effective manner. CCC configured and implemented its new information management system, which was successfully launched on April 1, 2008. The release of this new system has increased efficiency and effectiveness in the management of the Corporation's export contracts.

Process Risk:

Process Risk relates to the processes in place to provide guidance to staff, control financial transactions and to efficiently and effectively manage contracts. If these fail, CCC could realize financial losses or inefficient use of its resources. During the year, two key corporate initiatives were successfully completed, with the approval and implementation of the contract structuring and contract management policies. These policies will help increase the consistency and quality of CCC's contracting practices.

Transactional Risks:

Transactional Risk is the third major category of risk at CCC. These risks deal with export transactions and the Corporation is sensitive to the need of protecting the shareholder by effectively managing these risks. Prior to entering into export contracts, the following Transactional Risks are evaluated:

Contract Risk:

Contract 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. During the year, the capacity of the Corporation's Legal Services team was augmented, which will improve the existing quality of the contractual review process.

Performance Risk:

Performance 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, the Corporation's due diligence focuses on the financial, managerial and technical capability of the firms that are reviewed. CCC has recently undertaken a supplier review to evaluate the financial condition of its portfolio of suppliers to gauge the impact of the global recession on their financial condition and provide a stronger baseline for more regular reviews.

Foreign Credit Risk:

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

Export Contract Foreign Exchange Risk:

Export Contract Foreign Exchange Risk relates to changes in the exchange rate of the Canadian dollar from the perspective of an export transaction. The past two years have been uncharacteristically volatile in the foreign exchange market. A prolonged period of high Canadian dollar rates could weaken the financial position of exporters using the Corporation's prime contractor service in an already difficult market. This could potentially lead to higher levels of additional contract costs in the future. The Corporation passes the exchange rate risk through to the exporter by paying exporters in the same currency as the underlying export transaction. The Corporation is also subject to foreign exchange risk related to its unhedged foreign currency exposure. This risk, however, is mitigated by CCC's practice of maintaining low foreign currency account balances.

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

Michel Houle, CMA
Vice-President, Risk and
Finance, and CFO

Ottawa, Canada
May 29, 2009

Auditors' 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 31 March 2009 and the statement 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 31 March 2009 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, except for transfers totaling $44,000 related to another government organization's contribution agreement, which are not allowed under the *Canadian Commercial Corporation Act*, 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* described in Note 1 to the financial statements.

Douglas Timmins

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 29, 2009

Financial Statements and Notes

Balance Sheet

As at March 31 (in thousands of dollars)	2009	2008 Restated (Note 2)
Assets		
Cash and cash equivalents (Note 3)	$ 88,542	$ 85,005
Accounts receivable (Notes 4 and 10)	543,305	260,467
Advances to Canadian exporters	114,660	130,256
Progress payments to Canadian exporters	111,990	70,585
	858,497	546,313
Capital assets (Note 5)	3,397	3,835
	$ 861,894	$ 550,148
Liabilities		
Accounts payable and accrued liabilities (Note 4 and 10)	$ 535,510	$ 270,455
Advances from foreign customers	166,540	156,735
Progress payments from foreign customers	109,313	69,950
Provision for additional contract and related costs (Notes 7 and 16)	1,810	5,409
	813,173	502,549
Employee future benefits (Note 6)	1,232	1,092
	814,405	503,641
Shareholder’s Equity		
Contributed surplus (Notes 2 and 7)	10,000	10,000
Retained earnings (Notes 2 and 7)	37,489	36,507
	47,489	46,507
	$ 861,894	$ 550,148

Commitments, contingencies and guarantees (Notes 15 and 16)

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

Approved:

Alan R. Curleigh
Chair, Board of Directors

Norman A. Turnbull, CA
Chair, Audit Committee

Statement of Operations, Comprehensive Income and Retained Earnings

For the year ended March 31 (in thousands of dollars)	2009	2008 Restated (Note 2)
Revenues		
Commercial trading transactions (Note 8)	$ 1,881,771	$ 1,432,718
Less: cost of commercial trading transactions	1,873,937	1,424,814
Gross margin	7,834	7,904
Net interest income	979	2,542
Gain (loss) on foreign exchange	80	(570)
Net revenues	8,893	9,876
Expenses		
Administrative expenses (Note 11)	23,831	22,124
Additional contract and related costs (Note 16)	(728)	417
Total expenses	23,103	22,541
Net results of operations before Parliamentary appropriations	(14,210)	(12,665)
Parliamentary appropriations (Note 13)	15,192	15,185
Net results of operations and comprehensive income	982	2,520
Retained earnings at beginning of year	36,507	33,987
Retained earnings at end of year	$ 37,489	$ 36,507

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)	2009	2008
Cash flows from operating activities		
Receipts from foreign customers	$ 1,640,267	$1,417,451
Interest received	979	2,542
Fees for service and other income received	7,834	7,904
Payments to Canadian exporters	(1,637,562)	(1,443,005)
Administrative payments	(23,011)	(21,756)
Parliamentary appropriations	15,192	15,185
Cash provided by (used in) operating activities	3,699	(21,679)
Cash flows from investing activities		
Purchase of capital assets	(242)	(2,707)
Cash used in investing activities	(242)	(2,707)
Effect of exchange rate changes on cash and cash equivalents	80	(570)
Increase (decrease) in cash and cash equivalents	3,537	(24,956)
Cash and cash equivalents at beginning of year	85,005	109,961
Cash and cash equivalents at end of year (Note 3)	$ 88,542	$85,005

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

Notes to Financial Statements

March 31, 2009

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.

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 is finalizing its review of its policies and programs and, as per the requirements of section 89(6) of the *Financial Administration Act*, will be notifying the Minister of International Trade once the directive has been implemented.

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 and restatement

On April 1, 2008, the Corporation adopted the following new Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1535, *Capital Disclosures*, 3862, *Financial Instruments – Disclosures* and 3863, *Financial Instruments – Presentation*. In addition, Section 3855, *Financial Instruments – Recognition and Measurement* was amended.

Financial instruments – disclosure and presentation

Sections 3862 and 3863 replace Section 3861, *Financial Instruments – Disclosure and Presentation*. The adoption of Section 3862 resulted in enhanced disclosure with respect to risk management policies as well as the nature and extent of risks arising from financial instruments. The presentation requirements prescribed by Section 3863 are consistent with those of Section 3861.

In October 2008 the CICA issued amendments to Section 3855, *Financial Instruments – Recognition and Measurement*, and Section 3862, *Financial Instruments – Disclosures*. These amendments permit reclassification of non-derivative financial assets out of held-for-trading and available-for-sale categories under specified circumstances. Financial assets that have been classified as held-for-trading using the fair value option cannot be reclassified. Additional disclosures are required if any assets have been reclassified. The Corporation has not made any such reclassifications and therefore there is no impact on the Financial Statements from these amendments.

Capital disclosures

Section 1535 requires disclosure of qualitative information regarding the Corporation's objectives, policies and processes for managing capital including disclosures of any internal or external capital requirements and consequences of non-compliance. Additional disclosures include summary quantitative data regarding the capital managed by the Corporation.

Parliamentary appropriation for working capital

During 2008-2009, following a new interpretation of CICA Section PS 3800.04, the Corporation changed its accounting policy for the treatment of its working capital injections received in 1999 and subsequent years, and previously recorded as contributed surplus. As a result of the new interpretation, $18,000,000 of working capital injections from previous years is now included in retained earnings rather than contributed surplus. This adjustment resulted in no net impact on shareholder's equity.

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 additional contract and related costs 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 revenues, and related costs, defined as a back to back transaction, when a delivery has taken place thus passing title of the purchased goods to the foreign customer, or, in the case where the contract provides for progress payments, upon acceptance by the Corporation of the work performed.

Progress payments, when required, represent payments from foreign customers and payments to Canadian exporters on contracts associated with the work performed on a contract leading up to delivery. Usually these payments represent up 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.

Fees for service generated on international contracts are recognized in **commercial trading transactions** when services are rendered.

The Corporation also 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 in commercial trading revenue when the services are provided to the Canadian exporters.

Finally, 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 additional contract and related costs. 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. These costs are recorded in the Statement of Operations, Comprehensive Income and Retained Earnings in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation 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 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 valuation techniques which refer to 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.

h) Accounts Payable and accrued liabilities, and provision for additional contract costs

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

i) Capital assets

Capital assets include costs associated with the design and development of information systems and leasehold improvements. Information 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.

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 capital assets 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 investments held throughout the year.

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 13 years (2008 – 14 years). These benefits represent the only obligation of the Corporation that entails settlement by future payment.

An update of the actuarial evaluation was performed at March 31, 2009. The last full actuarial evaluation was done March 31, 2008 and the next one is scheduled for March 31, 2010.

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. As a publicly accountable enterprise, the Corporation will be required to report under IFRS commencing with the year ended March 31, 2012 and will be required to restate its 2011 comparative figures for compliance with IFRS. Although IFRS is principals 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. As part of the transition process the Corporation is presently assessing the potential financial statement impact of adopting IFRS.

3. Cash and cash equivalents

As at March 31, 2009, cash and cash equivalents included:

	2009		2008	
(in thousands of dollars)	**Original Currency**	**Canadian Dollars**	**Original Currency**	**Canadian Dollars**
Canadian dollars	26,552	$ 26,552	53,174	$ 53,174
U.S. dollars	46,414	58,543	23,650	24,277
Euros	1,921	3,210	4,473	7,265
Australian dollars	272	237	307	289
		$ 88,542		$ 85,005

The Corporation invests in short-term deposits in Canadian banks. At March 31, 2009, the average term to maturity of short-term deposits was 1 day (2008 – nil days) and the portfolio yield to maturity at March 31, 2009, was 0.12% (2008 – nil).

Of the cash and cash equivalents, $52,356,000 (2008 – $26,886,000) 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:

	2009		2008	
(in thousands of dollars)	Original Currency	Canadian Dollars	Original Currency	Canadian Dollars
U.S. dollars	365,765	$ 461,341	104,691	$ 107,465
Canadian dollars	70,952	70,952	142,878	142,877
Euros	5,084	8,495	5,085	8,260
Australian Dollars	2,603	2,272	2,741	2,573
British Pounds	136	245	136	278
East Caribbean Dollars	-	-	(2,541)	(986)
		$ 543,305		$ 260,467

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:

	2009		2008	
(in thousands of dollars)	Original Currency	Canadian Dollars	Original Currency	Canadian Dollars
U.S. dollars	393,573	$ 496,414	119,952	$ 123,131
Canadian dollars	27,089	27,089	135,575	135,575
Euros	5,548	9,271	5,291	8,595
Australian Dollars	2,876	2,509	3,049	2,862
British Pounds	126	227	126	256
East Caribbean Dollars	-	-	94	36
		$ 535,510		$ 270,455

5. Capital assets

(in thousands of dollars)	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Information systems	$ 2,949	$ 590	$ 2,359	$ -
Information systems under development	-	-	-	2,707
Leasehold improvements	1,354	316	1,038	1,128
	$ 4,303	$ 906	$ 3,397	$ 3,835

The information systems under development were put into operations on April 1, 2008. Included in administrative expenses was $680,000 (2008 – $268,000) of amortization related to the Corporation's capital assets.

6. 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 1.97 times the employee's contribution to the Plan (2008 – 2.08 times). The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands of dollars)		2009		2008
Corporation's contributions	$	1,098	$	970
Employees' contributions	$	565	$	470

b) 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 of dollars)		2009		2008
Accrued benefit obligation				
Balance at beginning of year	$	1,262	$	1,236
Current service cost		144		122
Interest cost		55		53
Benefits paid		(63)		(82)
Actuarial loss (gain)		47		(67)
Balance at end of year	$	1,445	$	1,262
Accrued benefit obligation at end of the year	$	1,445	$	1,262
Unamortized net actuarial losses		(213)		(170)
Employee future benefits at end of year	$	1,232	$	1,092

	2009	2008
Assumptions		
Accrued benefit obligation as of March 31		
Discount rate	4.00%	4.25%
Rate of compensation increase		
Management	2.15%	2.50%
Non management	2.75%	2.50%
Benefit costs for year ended March 31		
Discount rate	4.25%	4.25%
Rate of compensation increase		
Management	2.15%	2.50%
Non management	2.75%	2.50%

Included in administrative expenses was a charge of $140,000 (2008 – $101,000) related to the costs of these benefits in the period and changes in management estimates.

7. 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 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. Strategies include keeping additional contract and related costs 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 Defense 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 of dollars)	2009	2008
Contributed surplus	$ 10,000	$ 10,000
Retained earnings	37,489	36,507
Provision for additional contract and related costs	1,810	5,409
	$ 49,299	$ 51,916

8. Commercial trading transactions

Commercial trading transactions arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, which includes governments, international agencies and other buyers throughout the world, were as follows:

(in thousands of dollars)	2009	2008
U.S. government and other buyers	$ 1,542,136	$ 1,029,530
Other foreign governments and buyers	339,635	403,188
	$ 1,881,771	$ 1,432,718

Commercial trading transactions were comprised of contract billings of $1.9 billion (2008 – $1.4 billion) and fees for services and other income of $7,834,000 for the year ended March 31, 2009 (2008 – $7,904,000).

Orders received are distinct from commercial trading transactions. Orders received describe the value of contracts and amendments signed during the year which amounted to $1.8 billion for the year ended March 31, 2009 (2008 – $1.6 billion).

9. 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.

10. Risk management and financial instruments

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

The 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, 89.39% (2008 – 91.15%) of the Corporation's commercial trading transactions were with AAA customers.

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

(in thousands of dollars)	2009	2008
United States	$ 416,665	$ 165,696
Central America and Caribbean	74,230	52,500
South America	30,027	12,307
Canada	10,758	15,832
Europe	8,856	9,467
Asia	1,606	2,466
Africa	834	1,843
Other	329	356
	$ 543,305	$ 260,467

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

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 accounts receivable was as follows:

(in thousands of dollars)		2009		2008
< 30 days	$	165,874	$	12,456
> 30 days and < 180 days		23,086		11,717
> 180 days		12,325		12,455
	$	201,285	$	36,628

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

(in thousands of dollars)		2009		2008
< 1 year	$	530,668	$	253,227
> 1 and < 3 years		12,637		7,240
	$	543,305	$	260,467

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 of dollars)		2009		2008
Holdbacks	$	475	$	408
Bank guarantees	$	103,298	$	72,725
Surety bonds	$	142,775	$	142,869
Parent guarantees	$	782,403	$	858,455
Other	$	-	$	9,470

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 $38,690,000 as of March 31, 2009 (2008 – $29,031,000). These contracts bear interest at the cost of funds plus 0.25%

The figures below illustrate the effect at March 31, 2009 of an increase/decrease of 25 basis points in interest rates:

	+25bps Net				-25bps Net			
(in thousands of dollars)		Income		Equity		Income		Equity
Financial assets								
Cash and cash equivalents	$	213	$	213	$	(213)	$	(213)
Financial liabilities								
Payables and other liabilities	$	97	$	97	$	(97)	$	(97)

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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, 2009, there were no draws on this line of credit (2008 – nil).

ii) The Corporation enters into credit arrangements with a financial institution, up to a maximum of $20,000,000 (2008 – $30,000,000) to support its structured financing program.

In addition, the Corporation enters into further credit arrangements up to a maximum of $25,000,000 (2008 – $25,000,000) where transactions are fully insured by Export Development Canada, thereby mitigating all liquidity risk related to its structured 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 of dollars)	2009	2008
< 1 year	$ 534,001	$ 267,463
> 1 and < 3 years	1,509	2,992
	$ 535,510	$ 270,455

Under a specific series of financing contracts related to the Corporation's structured financing program, included in accounts payable and accrued liabilities, the Corporation owed $38,690,000 as of March 31, 2009 (2008 – $29,031,000). These contracts bear interest at the cost of funds plus 0.25% 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, 2009 was $71,791,000 (2008 – $46,368,000) and was profiled as follows:

(in thousands of dollars)	2009	2008
< 1 year	$ 59,154	$ 39,321
> 1 and < 3 years	$ 12,637	$ 7,047

11. Administrative expenses

Administrative expenses included the following:

(in thousands of dollars)	2009	2008
Workforce compensation and related expenses	$ 12,879	$ 11,701
Contract management services	4,000	4,000
Rent and related expenses	1,458	1,499
Consultants	1,449	1,578
Travel and hospitality	1,434	1,263
Amortization	680	268
Software, hardware and support	541	604
Corporate communications	434	394
Other expenses	956	817
	$ 23,831	$ 22,124

12. Interest income and expense

Interest income is recorded on an accrual basis and represents interest earned on investments held throughout the year. The Corporation has recorded interest income and expense in relation to the following financial instruments:

(in thousands of dollars)	2009	2008
Financial assets held-for-trading		
- Interest income earned on cash and cash equivalents	$ 980	$ 2,562
Financial liabilities		
- Interest expense on payables and other liabilities	$ 1	$ 20

13. Parliamentary appropriations

During the year, the Parliament of Canada authorized appropriations for the Corporation in the amount of $15,192,000 (2008 – $15,185,000).

14. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties, and 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, 2009, the cost of these services amounted to $4,115,000 (2008 – $4,109,000) 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) Other

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

Year ended March 31 (in thousands of dollars)		2009		2008
Department of National Defence	$	32,962	$	41,285
Department of Foreign Affairs and International Trade	$	16,327	$	49,953
Canadian International Development Agency	$	1,656	$	31,037
Environment Canada	$	425	$	541

As a result of all related party transactions, the amounts due from and to these parties were $4,842,000 (2008 – $12,651,000) and $657,000 (2008 – $419,000) and were included in accounts receivable and accounts payable respectively.

The Corporation also participates in employee interchange programs with the following other departments or agencies: Canadian Nuclear Safety Commission, Canadian International Development Agency, Public Safety & Emergency Preparedness Canada, Export Development Canada, Bank of Canada, Canada Public Service Agency, and Public Works and Government Services Canada.

15. 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 of dollars)	
2009-10	$ 1,399
2010-11	1,408
2011-12	1,669
2012-13	1,679
2013-14	1,688
2014 and after	12,591

16. Contingencies and Guarantees

The Corporation may incur additional contract and related costs 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 revenue of $728,000 (2008 – expense of $417,000) primarily due to a settlement for which the additional contract and related costs provision was over accrued, leaving a balance of $1,810,000 as of March 31, 2009 (2008 – $5,409,000), 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. As of March 31, 2009 the total contract portfolio value remaining to be fulfilled approximates $2.2 billion (2008 – $1.6 billion). The profile of the Corporation's total contract portfolio was as follows:

(in thousands of dollars)	2009	2008
< 1 year	$ 1,681,883	$ 924,317
> 1 and < 3 years	$ 495,699	$ 544,428
> 3 and < 5 years	$ 46,406	$ 104,521
> 5 years	$ 241	$ 20,633

The total contract portfolio remaining to be fulfilled, in addition to the provision for additional contract and related costs provided for in the balance sheet, represents the Corporation's maximum contractual obligations and is estimated to be $2,226,039,000 at March 31, 2009 (2008 - $1,599,308,000).

The Corporation is the applicant in five irrevocable letters of credit totaling $19,052,000, 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, $1,359,000 has been drawn from the letters of credit by their respective beneficiaries, resulting in $17,693,000 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.

17. Comparative figures

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

Annex A: Corporate Overview

Public policy purpose and mandate

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 by helping Canadian exporters access markets abroad and by helping foreign buyers obtain goods from Canada. 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.

The Corporation's mandate, and the annual direction CCC receives from the Minister of International Trade's *Statement of Priorities and Accountabilities*, enables CCC to play an integral role in helping the Government of Canada achieve its overall goals of building a strong and mutually beneficial North American partnership and a prosperous Canada through global commerce. For more than 50 years, CCC has been responsible for helping Canada meet its commitments under the DPSA, which was established to foster a strong North American defence industrial base. The services offered under the DPSA remain the largest single business line for the Corporation – historically between $650 million and $750 million of business with the U.S. DoD annually and more recently between $1 billion and $1.2 billion annually – illustrating the role played by CCC in fostering an effective relationship with the United States, Canada's most important ally and trading partner. In addition, by providing a number of specialized procurement services for transactions involving public sector markets abroad, CCC has played, and will continue to play, a significant role in the success of Canada's exporters, especially in defence, and emerging and developing markets.

Overview of economic/policy sectors in which the Corporation operates

The Corporation and its clients operate in an evolving global marketplace in complex international public sector markets, and consequently are influenced by a diverse set of environmental factors including the importance of global supply chains, the rise of emerging markets, and increasingly intense export competition – factors that have been heightened by the economic events which began in mid-2007.

According to *Canada's Economic Action Plan – Budget 2009*, "the global economy is in the most synchronized recession in the post-war period and the ongoing financial crisis is the worst since the 1930s." Indeed, there is now a broad consensus that the Canadian economy entered a recession in late 2008 – a downturn which is expected to stretch into 2010. While the economic slowdown is particularly evident in the U.S., it is also becoming an acute problem for developing nations who are finding their access to credit significantly diminished. In this environment of economic uncertainty, CCC can play a pivotal role in supporting Canadian exporters as an instrument of the Government of Canada. Through the Corporation's relationships and expertise in the negotiation and execution of government-to-government contracts in defence and infrastructure markets, CCC has become an effective risk mitigation tool for Canadian exporters.

Global and U.S. defence markets

CCC has a long and established history in defence procurement – one that began over 60 years ago to assist the Government of Canada in the reconstruction of Europe after World War II, and continues today with more than 20 allied and like-minded governments around the world taking advantage of CCC's expertise in defence procurement.

The success of the Canadian exporter in the defence market is largely contingent on a strong Canada-U.S. relationship, as evidenced by the fact that the U.S. continues to be Canada's most important ally and trade partner. The U.S. DoD and the DSCA, for instance, are responsible for approximately 80% of Canadian defence exports. Moreover, the DPSA and programs related to the development of the North American defence industrial base foster approximately $1.2 billion in direct trade flow annually. Maintaining a healthy defence sector requires that Canadian companies have a clear understanding of U.S. defence policy and the U.S. defence market so that they can access opportunities. In addition, other allied militaries are increasingly turning to international joint procurement opportunities as a means to obtaining equipment more efficiently and cost effectively. This illustrates new potential prospects for Canadian companies.

Emerging and developing markets

CCC works to add value to projects in emerging and developing markets by filling the needs of their governments to establish robust procurement practices, including adequate due diligence to ensure fair, reasonable and transparent contracts in meeting the developmental needs of their countries.

While the U.S. will remain Canada's primary export market, it is expected that Canadian businesses will increasingly focus on emerging and developing markets. The emergence of global value chains has resulted in firms locating operations anywhere in the world to achieve efficiency, move production capacity, and drive growth. In addition, in many of these regions, the rise of trade and economic cooperation agreements, and infrastructure projects are expanding opportunities for Canadian companies as an increasing share of local government resources are being spent on economic growth and development.

However, infrastructure projects, no matter where they occur, come with their own set of risks. Projects involve huge up-front costs, typically take longer to complete and are reliant on future cash flows to meet financial obligations and provide reasonable returns. The risks inherent in an infrastructure project are even greater when one considers the uncertainties associated with investing in developing countries. For Canadian companies to succeed in these complex markets, they need to be positioned to successfully compete through the support of transparent contracting and procurement practices and the identification of opportunities.

Unique relationships and expertise in contracting and procurement

As the government of Canada's international procurement and contracting agency, CCC's role is to provide services to support Canadian exporters through its unique relationships and expertise in contracting and procurement which position Canadian companies, both small and large, to successfully compete in complex defence, and emerging and developing markets. Indeed, CCC is working to strengthen Canada's competitive position through its support to small and medium-sized enterprises, in addition to large firms, by developing new ways to leverage government and industry products and services.

As an instrument of public policy, CCC's activities will also continue to play a critical role in advancing broad Government of Canada goals. For instance, CCC is working to further align itself with Government of Canada initiatives that continue to reflect today's competitive and shifting global environment, including the Global Commerce Strategy and the Americas Strategy, by pursuing stronger links with key partners. Moreover, CCC is working closely with its International Trade Portfolio partners, DFAIT and EDC, to develop a Joint Market Selection and Development strategy for government-to-government infrastructure projects in emerging and developing markets. Finally, CCC continues to contribute to wider Government of Canada goals through its involvement in stabilization and reconstruction efforts in Afghanistan and other regions of the world. By continuing to pursue stronger links with key partners the Corporation is better positioned to continue assisting Canadian exporters in an ever-changing global environment.

Mission, vision and value proposition

International public sector contracts contribute to Canada's economic prosperity and commitments to development, defence, diplomacy, and commerce. In addition, government-to-government contracting provides the credibility, transparency, and quality assurances buyers expect and exporters require to succeed. For over 60 years, CCC has been a recognized and trusted centre of expertise for complex government-to-government contracting and procurement, particularly in defence, and emerging and developing markets.

Through skilled and motivated employees, effective partnerships, good governance and sound business practices, CCC will continue to fulfill its mission, vision and value proposition in order to effectively support Canadian companies operating in public sector markets.

Mission

To provide procurement and contracting services to Canadian exporters selling into government markets where issues of access and transparent practices often impede competitiveness and where government-to-government arrangements continue to be in demand.

Vision

To fulfil the Corporation's mandate to assist in the development of trade and to be recognized as an effective instrument in trade promotion, which significantly increases the ability of Canadian companies to achieve export sales on improved terms. CCC will advance its position as a government agency skilled in facilitating export sales to foreign governments, by employing its unique powers to mitigate contract risk and by offering related services to produce successful contracts.

Value Proposition

CCC's government-to-government contracting and procurement services provide exporters with improved access to government markets worldwide. The Corporation's participation in an export transaction raises the credibility of Canadian companies, particularly small and medium sized firms, and increases their ability to win export contracts on the best possible terms and conditions and to obtain working capital from commercial sources. CCC employs experienced contracting and procurement specialists to advise Canadian exporters and foreign government buyers alike, on strategies to strengthen their position to obtain international business while also minimizing risk.

Corporate profile

CCC is a parent Crown Corporation under Schedule III Part I of the *FAA*, and reports to Parliament through the Minister of International Trade. It has three distinct funding sources: appropriations voted by the Parliament of Canada, fees generated by service offerings, and interest income. The Corporation is headquartered in Ottawa and employs approximately 120 people.

In carrying out its business, CCC works closely with DFAIT, which provides critical international and domestic front-line client and market intelligence services in addition to its overall responsibility for trade policy, and multilateral and bilateral trade agreements. Similarly, EDC's trade finance and insurance services are an important complement to CCC's contracting and procurement services. Other important relationships within the Government of Canada are with DND, PWGSC and CIDA, while within the U.S. Government the U.S. DoD remains the Corporation's focus.

Principal service offerings

As Canada's international contracting agency, CCC offers two principal services: prime contractor service, and procurement service.

- **Prime contractor service** – CCC acts as a prime contractor, signing a contract with a foreign government and, in turn, entering into a domestic contract with a Canadian supplier. As such, CCC undertakes due diligence of supplier capabilities backed by a guarantee that the contract will be performed according to its terms and conditions. CCC also provides contract administration and supplier performance monitoring.

- **Procurement service** – CCC helps foreign governments identify appropriate Canadian vendors, and structures and awards a contract that will satisfy foreign government requirements. When a foreign government enters into a PSA with CCC, the Corporation will act as a Canadian procurement agent under a government-to-government arrangement. The Corporation's broad, detailed knowledge of Canadian capabilities, pricing and contracting approaches enables it to assist with the entire procurement process, from planning, strategy development, bid solicitation, and supplier sourcing to supplier selection and contract administration.

Organizational structure

CCC is governed by a Board of Directors, which is responsible for the affairs of the Corporation and ensures the proper delivery of public policy on behalf of the Government of Canada. The Board provides leadership and guidance to the Corporation's management team, and analyzes and sets the Corporation's strategic direction. It is composed of a Chairperson, the President and CEO, and nine Directors appointed by the Minister of International Trade and approved by the Governor in Council.

The Corporation is structured to address its objective of connecting Canadian exporters with defence, and emerging and developing market opportunities, through two operational business units: Defence, and EDM.

Annex B: CCC Board of Directors

Alan Curleigh
Chair
CCC Board of Directors
Montréal, Quebec

Mr. Alan R. Curleigh is the Chair of the Board of the Canadian Commercial Corporation and he, together with his ten Board colleagues, oversees the affairs of the Corporation. Besides his Crown corporation work, Mr. Curleigh has recently been appointed to the Chair's position of the Audit Committee for the Department of Veterans Affairs Canada. This newly created independent Committee works closely with and provides advice and counsel to the Deputy Minister. Mr. Curleigh also sits on the Board of a Canadian financial institution engaged in the financing of Canadian export transactions. Mr. Curleigh has spent many years as a senior executive and Board member of a major Canadian engineering contracting firm and besides managing the inter-corporate relationship between his company and the European conglomerate shareholder, he participated in representing Canadian exporter interests in Canada's evolving international trade agenda, which led to his engagement as a Board member and then Chair of one of Canada's leading international trade advocacy groups. Mr. Curleigh is also active in promoting corporate governance in Canada as well as giving back to the University community. He is a member of the Advisory Board of the Business Faculty of the University of New Brunswick, his alma mater, and is a visiting faculty member at the Directors College, a corporate governance institution established through the collaboration of the Conference Board of Canada and McMaster University. Mr. Curleigh was appointed to CCC's Board of Directors on November 5, 2002.

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 startup 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.

Robert C. Kay, J.D.
Corporate Director
Toronto, Ontario

Mr. Robert C. Kay currently serves as a Corporate Director on the Boards of several corporations, both privately held and publicly listed on the Toronto Stock Exchange. His service as a Corporate Director also encompasses not-for-profit Boards, and he is a Board Member in the Integrative Thinking Practicum course of the MBA degree program at the University of Toronto. Mr. Kay has spent many years working at the executive level in providing advice and counsel to both corporations and governments, domestic and foreign, on international strategic commercial development. He also served as a Member and Adjudicator on the Ontario Municipal Board, a quasi-judicial body. Mr. Kay is a member of the Royal Canadian Military Institute, the National Association of Administrative Law Judges, and the Law Society of Upper Canada. He maintains his professional status as a member in good standing of the Bar of Ontario. Mr. Kay was appointed to the Board of Directors of CCC on December 14, 2007.

Dan Ross, B.Sc., CD
Assistant Deputy Minister
Materiel
Department of National Defence
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 the Department of National Defence, Associate Assistant Deputy Minister of the Operations Branch of Public Works and Government Services Canada, 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 board membership of the Canadian Advisory Board Impark and the University of British Columbia Investment Management Trust. Mr. Saxton was most recently appointed to CCC's Board of Directors on December 14, 2007.

Sam Shaw, B.A., M.Sc., M.Ed., Ph.D., C.Dir.
President & 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 Behavior and Corporate Governance at NAIT. Dr. Shaw is a Board member on STARS, 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 Industry 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. 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.

Stephen J. Sorocky, MBA, P.Eng, C.Dir.
President & CEO
Virtek Vision International Inc.

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

Ken Sunquist
Assistant Deputy Minister (Asia & Africa) & Chief Trade Commissioner
Foreign Affairs & International Trade Canada
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, ICD.D
Partner and CFO
MinQuest Capital Inc.
Montréal, Quebec

Mr. Norman A.Turnbull is a Chartered Accountant and is 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 in addition to acting as special advisor to the audit committee of l'Agence Métropolitaine de Transport. He is currently a member of the Board of Directors and investment committee of SSQ Société d'assurance-vie Inc. and Fonds Réa II Natcan Inc., where he chairs the audit committee and the surveillance committee. 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 M. 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 C – The Executive Management Team

Marc Whittingham
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.

Martin Zablocki
Vice-President
Strategy and Organizational Development

Mr. Martin Zablocki was appointed Vice-President, Strategy and Organizational Development in November 2007. Prior to this appointment, he was the Director General, Sector Strategies and Infrastructure Programs Branch at Industry Canada. Mr. Zablocki has over 18 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.

Robert Ryan
Vice-President
Defence

As Vice-President of Defence, Mr. Robert Ryan is responsible for the management of aerospace and defence sales in the United States and other countries. Prior to his appointment as Vice-President in 2004, Mr. Ryan held various positions within CCC including Director, Aerospace and Defence, and Director, United States Business. He also served for 21 years with the Canadian Forces.

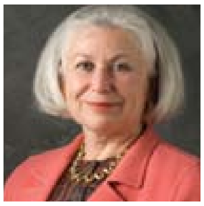
Annex C – Executive Management Team – continued

Pierre Lemay
Vice-President
Emerging and
Developing Markets

Mr. Pierre Lemay was appointed Vice-President, Emerging and Developing Markets in 2005. Prior to this appointment, he was Executive Director for the Quebec Region at Industry Canada. His long career in the Public Service has provided him with the opportunity to explore many sectors of economic activity both domestically and internationally, as well as substantive experience in programs and services within both the industry and the international trade portfolios of the federal government.

Michel Houle
Vice-President, Risk and
Finance, and CFO

Mr. Michel Houle, a Certified Management Accountant, was appointed Vice-President, Risk and Finance at CCC in August 2004. Prior to his appointment, Mr. Houle was Vice-President, Finance and Administration and Chief Financial Officer of Senstar-Stellar Corporation from 1997 to 2004. From 1991 to 1997 Mr. Houle was employed by PPG Canada Inc., where he held various financial positions including the senior financial management role at an automotive glass manufacturing facility.



Tamara Parschin-Rybkin
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
BPI	Business Process Improvement
CADSI	Canadian Association of Defence and Security Industries
CCC	Canadian Commercial Corporation
CCTTP	Caribbean Commodity Trade Transaction Program
CDB	Caribbean Development Bank
CEO	Chief Executive Officer
CICA	Canadian Institute of Chartered Accountants
CIDA	Canadian International Development Agency
CME	Canadian Manufacturers & Exporters
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
DFAIT	Foreign Affairs and International Trade Canada
DND	Department of National Defence
DPSA	Defence Production Sharing Agreement
DSCA	Defense Security Cooperation Agency
EDC	Export Development Canada
EDM	Emerging and Developing Markets business unit
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FAA	Financial Administration Act
FMS	Foreign Military Sales
GDLS	General Dynamics Land Systems
GAAP	Generally Accepted Accounting Principles
GPP	Global Partnerships Program
IFRS	International Financial Reporting Standards
IRB	Industrial Regional Benefits
LAV	Light Armored Vehicle
LMCC	Labour Management Consultation Committee
MDA	MacDonald Dettwiler and Associates
MOU	Memorandum of Understanding
MRAP	Mine Resistant Ambush Protected
NAIT	Northern Alberta Institute of Technology
NATO	North Atlantic Treaty Organization
OAG	Office of the Auditor General of Canada
PIPSC	Professional Institute of the Public Service of Canada
PSA	Procurement Service Agreement
PPF	Public Policy Forum
PWGSC	Public Works and Government Services Canada
SME	Small and Medium-sized Enterprises
START	Stabilization and Reconstruction Task Force
UNMIS	United Nations Mission in Sudan
U.S. DoD	United States Department of Defense