CCC

Canadian Commercial Corporation
Corporation Commerciale Canadienne

LEVERAGING CANADA'S STRENGTHS TO ACCESS NEW OPPORTUNITIES

CCC ANNUAL REPORT 2012–2013

Canada

CANADA'S INTERNATIONAL CONTRACTING AND PROCUREMENT AGENCY

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

COLLABORATIVE

A trusted Government of Canada partner in accessing foreign markets.

CREDIBLE

A trusted Government of Canada partner in transparent contracting and corporate social responsibility.

COMPETITIVE

A trusted Government of Canada partner in mitigating risk.

MANDATE

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

CORPORATE SOCIAL RESPONSIBILITY

At CCC, we are committed to operating in an environmentally, socially, and ethically responsible manner, and to respect Canada's international commitments, while upholding the Corporation's public policy mandate and acting within our resources.

> **"Trustworthy, reliable, flexible, savvy, and supportive – a true partner in the best sense of the word."**
>
> – John M. Beck, Chairman and CEO, Aecon Group Inc.

> **"CCC was a vital partner to establish credibility with the Colombian Ministry of National Defence. Since partnering with CCC, we have signed on to deliver a priority acquisition to the Ministry and are working toward a long-term relationship."**
>
> – Danny Deep, Vice-President, General Dynamics Land Systems-Canada

TABLE OF CONTENTS

CCC
Canadian Commercial Corporation
Corporation Commerciale Canadienne

50 O'Connor Street, 11th floor, Ottawa, Ontario K1A 0S6
Tel: 1-613-996-0034 Fax: 1-613-995-2121
Toll free in Canada and the United States: 1-800-748-8191
www.ccc.ca

Print date: June 2013

PERFORMANCE HIGHLIGHTS

It has been over four years since the start of the global economic down-turn and, while some economies are gaining momentum, the overall picture remains uncertain. The main characteristics of this new realityare financial volatility, sub-par economic growth, a two speed world – with emerging markets in the higher gear – and persistent fiscal and financial stress. This new reality has placed significant pressure on international business opportunities and has driven global competition to a new level. In response, CCC has refocused its business strategy and strengthened its performance management framework to ensure it is positioned to leverage these new opportunities on behalf of Canadian exporters.

While many traditional markets such as the United States (U.S.) and Europe have become less viable for Canadian companies other promising markets are emerging. Canadian export companies, supported by CCC, are diversifying their strategies to compete in these new markets.

The results of these efforts are clear:

- CCC sustained 24,860 jobs in Canada, largely in the defence and security sector. More than 20% of the domestic defence and security sector jobs are linked to CCC export sales.[1]
- CCC worked with 210 Canadian companies and was active in over 72 countries with a focus on six key markets.
- CCC's commercial trading and procurement services transactions and fees of $2.27 billion contributed to a surplus of $1.3 million, a significant increase from last year's surplus of $0.2 million.

Success in non-traditional markets is evident in the Corporation's transactions such as in Colombia where CCC facilitated the $65.2 million sale of Light Armoured Vehicles (LAVs) and the $37.5 million sale of Bell helicopters, and in Peru where the Corporation is carrying out three contracts for a total value of approximately $81.2 million for the sale of Viking aircraft to the Peruvian Air Force, and an Integrated Ballistic Information System and Automated Fingerprint Identification System to the Peruvian Ministry of the Interior.

In its business lines, CCC increased access to markets abroad for Canadian exporters by:

- Instituting 38 Memoranda of Understanding (MOUs) with targeted countries and 33 Services Agreements with Canadian exporters to support growth in its Global Defence and Security (GDS) and International Commercial Business (ICB) business lines.

[1] KPMG; "Economic Impact of the Defence and Security Industry in Canada," May 2012. Accessed on May 2013 at: https://www.defenceandsecurity.ca/UserFiles/File/IE/KPMG.html

- Signing $138.4 million in contracts under the Corporation's GDS business line, a significant increase over last year's result of $32.7 million.
- Signing $169.2 million in contracts under the Corporation's ICB business line.
- Completed two large scale infrastructure projects valued at hundreds of millions of dollars in Quito, Ecuador and in Takoradi, Ghana.
- Fully developed and completed, on a fast track basis, a $71.5 million project in Kenya to respond to the government's need to support democratic advancement through better voter registration.

CCC continues to play a strong role in the Government of Canada's commitment to international trade and the growth of Canada's export sector by leveraging the strength of the Canadian Government to mitigate contractual risk and bring prompt resolution to issues that may arise in fulfilling contract requirements. Reducing the risk for Canadian exporters is particularly important when companies migrate to new areas of business.

For foreign government buyers, CCC's robust due diligence process ensures that only financially strong and competent Canadian companies bring forward proposals supported by CCC. For all parties, the Corporation's commitment to ethical business and Corporate Social Responsibility (CSR) remains an advantage. This focus is exemplified by CCC's CSR framework, which promotes ethical business practices, environmental sustainability, healthy and safe operations, and knowledge transfer.

The Corporation continued to manage expenditures in line with the spirit and intent of the cost containment measures outlined in Budgets 2010 to 2013:

- Administrative expenses of $30.5 million were $0.6 million, or 2%, lower than the Corporate Plan budget and, excluding certain one-time costs and investments related to the termination of severance benefits for voluntary departures of $0.7 million and the Corporation's transition investment costs related to the Defence Production Sharing Agreement (DPSA) Business Process Improvement Initiative (BPII) of $1.1 million, 2012–13 net administrative expenses of $28.7 million were on par with 2011–12 net administrative expenses.
- The Corporation did not record any contract remediation expenses, reflecting the strength of its risk management and contract management practices with the annual update of its Enterprise Risk Management (ERM) framework and its continuous review of the CCC Contracting Policy suite.
- A new Collective Agreement which contains provisions for the termination of severance for voluntary departures and economic increases aligned with the Government of Canada.

*Please note:
1. All figures are in Canadian dollars unless otherwise noted.
2. Unless otherwise noted, financial results within the Annual Report are rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand as presented in the Financial Statements and Notes.

AT A GLANCE

Support of the Government of Canada's international aid commitments such as DFAIT's Stabilization and Reconstruction Task Force (START) and Anti-Crime Capacity Building Program

Contracted over $577.4 million in Canadian goods and services through the DPSA

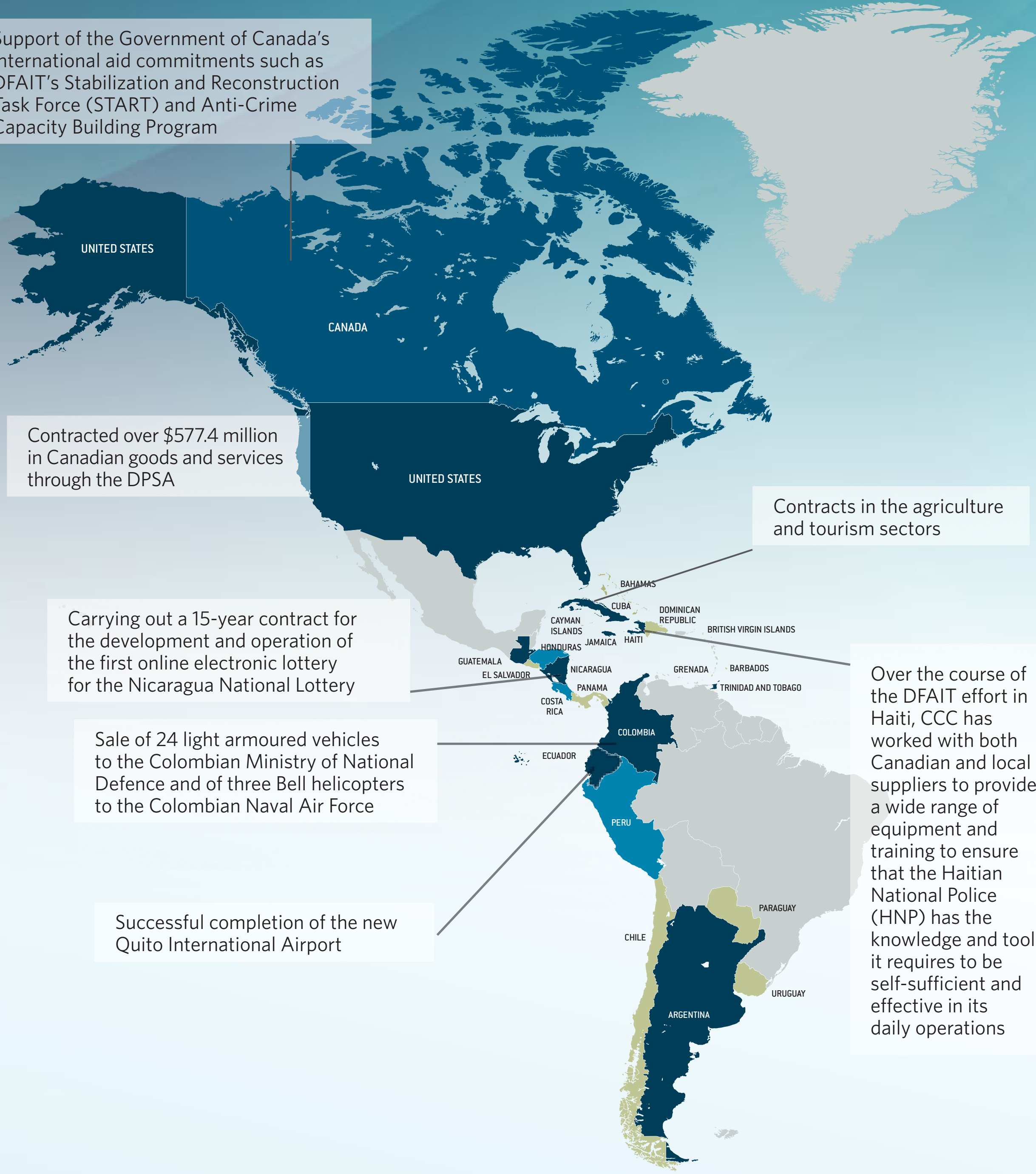
Contracts in the agriculture and tourism sectors

Carrying out a 15-year contract for the development and operation of the first online electronic lottery for the Nicaragua National Lottery

Sale of 24 light armoured vehicles to the Colombian Ministry of National Defence and of three Bell helicopters to the Colombian Naval Air Force

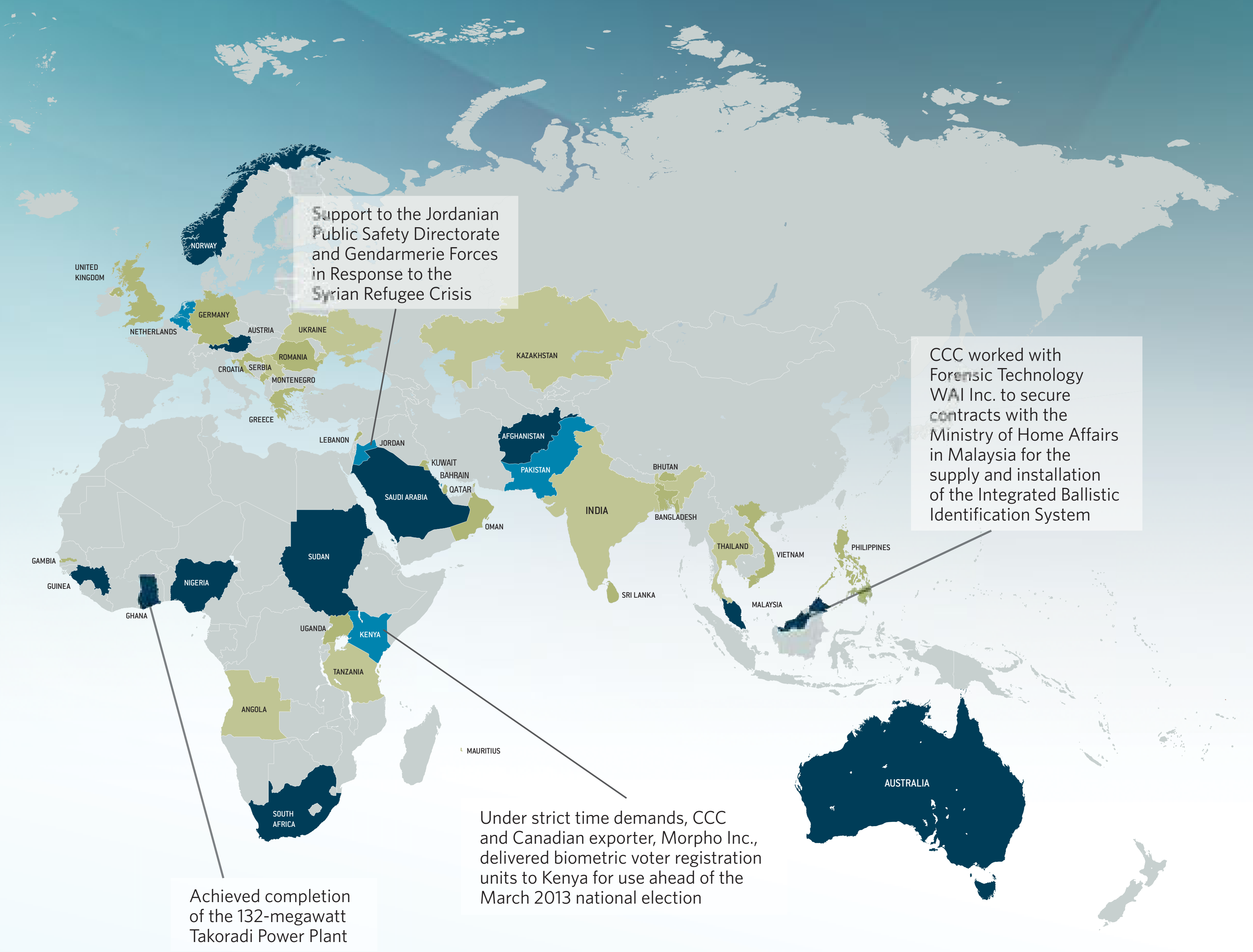
Successful completion of the new Quito International Airport

Over the course of the DFAIT effort in Haiti, CCC has worked with both Canadian and local suppliers to provide a wide range of equipment and training to ensure that the Haitian National Police (HNP) has the knowledge and tools it requires to be self-sufficient and effective in its daily operations



COUNTRIES WITH ACTIVE CONTRACTS VIA CCC IN 2012–2013

COUNTRIES IN WHICH CCC WAS ACTIVELY PURSUING CONTRACTS IN 2012–2013


Support to the Jordanian Public Safety Directorate and Gendarmerie Forces in Response to the Syrian Refugee Crisis
CCC worked with Forensic Technology WAI Inc. to secure contracts with the Ministry of Home Affairs in Malaysia for the supply and installation of the Integrated Ballistic Identification System
Under strict time demands, CCC and Canadian exporter, Morpho Inc., delivered biometric voter registration units to Kenya for use ahead of the March 2013 national election
Achieved completion of the 132-megawatt Takoradi Power Plant
NORWAY
UNITED KINGDOM
NETHERLANDS
GERMANY
AUSTRIA
UKRAINE
ROMANIA
CROATIA
SERBIA
MONTENEGRO
GREECE
KAZAKHSTAN
LEBANON
JORDAN
AFGHANISTAN
PAKISTAN
KUWAIT
BAHRAIN
QATAR
SAUDI ARABIA
OMAN
INDIA
BHUTAN
BANGLADESH
THAILAND
VIETNAM
PHILIPPINES
MALAYSIA
SRI LANKA
GAMBIA
GUINEA
GHANA
NIGERIA
SUDAN
UGANDA
KENYA
TANZANIA
ANGOLA
MAURITIUS
SOUTH AFRICA
AUSTRALIA

SOME CCC CLIENTS ACROSS CANADA

BRITISH COLUMBIA

- Marine Canada Acquisition Inc. DBA SEASTAR SOLUTIONS (formerly known as Teleflex Canada) provided a Modern Burner Unit to the Defense Logistics Agency Troop Support in Philadelphia

ALBERTA

- Canadian Helicopters Limited provides supplemental rotary wing service and rotary wing bulk fuel transfer in support of the North Warning System as part of Canada's North American Aerospace Defense Command (NORAD) agreement with the United States

SASKATCHEWAN

- Delivered on a contract with Azcuba for the supply of 32,800 metric tonnes of potash, supplied by Potash Corp of Saskatchewan from mines in New Brunswick

MANITOBA

- Standard Aero provided engine repair services to the U.S. Naval Inventory Control Point and combustion liners to the U.S. Naval Supply Systems Command

NEWFOUNDLAND AND LABRADOR

- Worked with Bluedrop Performance Learning Inc. to secure a contract with the Australian Department of Defence for the upgrade of the Tactical Airlift Crew Trainer simulator for the C130J aircraft
- Air Labrador provides personnel, services and equipment for the performance of air transportation services in support of the North Warning System as part of Canada's NORAD agreement with the U.S.

NOVA SCOTIA

- Moving Vessel Profiler Base Systems from Rolls-Royce Canada Limited to fulfill requirements of the U.S. Naval Oceanographic Office
- Acoustic fish tags and receivers sold by Vemco to the U.S. Army Corp of Engineers to monitor the aquatic life in areas where the U.S. Government has activity

QUEBEC

- Bell Textron is supplying three Model 412EP 3-axis helicopters to the Colombian Naval Air Force, including a comprehensive training program, tools and spare parts
- Worked with Forensic Technology WAI Inc. to secure a contract with the Ministry of Home Affairs in Malaysia for the delivery and installation of three Integrated Ballistic Identification Systems for the Royal Malaysia Police
- Supplying chemical, biological, radiological, and nuclear footwear by AirBoss-Defense to the Defense Logistics Agency Philadelphia

ONTARIO

- The Canadian Bank Note Company's expert solutions and secure systems for the lottery marketplace has helped the Governments of Honduras and Nicaragua generate funds from the countries' respective national lotteries to fund social programs, including maternal and child health and social care, and educational and social programs for the youth and senior populations
- MX 20 turrets installed on aircraft to collect images by L3-Wescam to the U.S. Army, Navy and Air Force

MESSAGE FROM THE CHAIR

I am pleased to be joining CCC as Chair of the Board of Directors at this point in time when both the value and role of the Corporation in increasing access to international markets for Canadian suppliers is an important element of the Government of Canada's trade agenda. The slow recovery following the 2008 recession has brought profound changes in the global economy and significant shifts in the defence budgets of leading nations. The end result is a dramatically different environment for Canadian exporters. As a strong advocate for Canadian business interests abroad, CCC is ideally positioned to leverage the Government of Canada's international reputation and whole-of-government approach to defence and security exports to increase access for Canadian exporters in competitive markets.

The Corporation's 2012–13 financial results are strong. Beyond the financial picture CCC has successfully established close relations with the governments of many emerging markets including Ghana, Kenya, Cuba, Ecuador, Colombia, Peru, the Middle East and China with 210 exporters. There are a number of ways to measure CCC's contributions to Canada however one of the most important is the role it played in supporting 24, 860 Canadian jobs. In the defence and security sector alone, it is estimated that 20% of all jobs are sustained by contracts entered into through CCC.

While CCC's commercial trading and procurement services transactions and fees of $2.27 billion were exceptional given these difficult market conditions, the Corporation's performance was not immune to the challenging budgetary situation in the U.S. and as such, the value of contracts signed for the DPSA business line decreased. In response to the changing global environment, CCC has established a more focused business development strategy. This strategy has yielded results, and the Corporation now benefits from strengthened relationships with foreign government buyers whose needs match the unique and innovative goods and services produced in Canada.

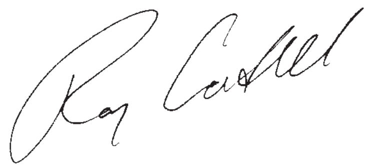
Over the course of the year, CCC benefitted from the results of a review of the Corporation's mandate by the Minister of International Trade, a common occurrence for Crown corporations and a reflection of good governance. With overall positive results, the Minister requested some adjustments to CCC's business lines as part of a broader whole-of-government approach to international trade. For instance, CCC's trade financing activities in Cuba will be transferred to Export Development Canada (EDC), while the Corporation will focus its work on contract management. As well, CCC's DPSA business line will be an area of focus in the Government's on-going negotiations of the Reciprocal Defence Procurement agreement by Foreign Affairs and International Trade Canada (DFAIT) with the U.S. I strongly believe that the combination of the Minister's direction and our internal strategic adjustments have resulted in, and will continue to yield, a stronger CCC position to support Canadian companies in the challenging international economic environment.

The Government's trade agenda has also brought a number of initiatives which will both leverage and rely on the Corporation's contracting strengths in government-to-government markets. In particular, the February 2013 report to the Minister of Public Works and Government Services Canada entitled *"Canada First: Leveraging Defence Procurement Through Key Industrial Capabilities"* highlighted the important role military procurement plays in Canada's economy, a conclusion that aligns well with CCC's mandate. As well, the Minister of International Trade's Global Commerce Strategy, which will be refreshed in the coming months, will also yield opportunities for CCC to focus its approach and integrate the Corporation in a whole-of-government strategy to defence and security export sales. I look forward to CCC contributing to these efforts.

My colleagues and I on the Board of Directors take very seriously our responsibility of oversight and strategic guidance of CCC's business. Our work will focus on ensuring that the Corporation's results meet the Government of Canada's expectations. In that vein it is noteworthy that the Corporation continued to manage its expenditures in line with the spirit and intent of the cost containment measures outlined in Budgets 2010 to 2013. The Board of Directors also contributed to further efficiencies by holding its Committee and Board meetings on consecutive days and by reducing the number of Board Committees, hence reducing Board expenses while maintaining its strong governance.

I want to take this opportunity to thank former Board Chair, Robert C. Kay, and Board members Dan Ross and Peter Wright for their service to the Corporation. We are tremendously grateful for their contribution to the significant growth and development that took place over their tenure. I would also like to welcome our new Board members, Sherry Helwer, Derrick Rowe, Scott Player and Martin Gagné, a remarkable group of Canadians whose professional experience and commitment to public service will greatly benefit the Corporation.

With the renewed strength of the Board of Directors and the support of the Corporation's management, we look forward to working with new exporters in 2013–14 and deepening our relationship with foreign buyers and government stakeholders, leading to greater prosperity for businesses across Canada.



Ray Castelli
Chair, Board of Directors
June 2013

MESSAGE FROM THE PRESIDENT AND CEO

This past year was one of action for CCC. Though 2012–13 was marked again by slow economic recovery, the Corporation kept its focus on Canadian exporters with renewed business development strategies and robust risk management practices. On the whole, Canadian exporters found success but often outside of the traditional markets of the U.S. and Europe. We shifted our strategy to focus on deepening relationships in key markets, leveraging recently signed trade agreements, and reviewing our business development strategy to address shifting economic trends and further mitigate risks. Overall the Corporation demonstrated its flexibility to respond to economic indicators and to remain an asset to both the Government of Canada for executing on its priorities for international trade and to Canadian exporters in need of support to access competitive markets.

Latin America has been a key area of focus for CCC business development for some years, in addition to multi-year contract management work of major infrastructure projects. In 2012–13, in the footsteps of trade agreements signed with Canada, CCC successfully engaged in government-to-government contract negotiations, supporting Canadian exporters in pursuit of a variety of projects in the defence and security, aerospace, and infrastructure sectors. For example, we signed a contract with the Colombian Ministry of National Defence for the sale of 24 LAVs from General Dynamics Land Systems-Canada worth $65.2 million USD, and a contract for the sale of three Bell helicopters worth $37.5 million USD. Moreover in February 2013, the Honorable Diane Ablonczy, Minister of State of Foreign Affairs (Americas and Consular Affairs) was in Ecuador for the inauguration of the New Quito International Airport, a large scale $534.5 million infrastructure project realized by CCC with Aecon Construction Group Inc. that started in 2005.

Over the course of 2012–13, and in line with the whole-of-government approach to trade, CCC worked with government stakeholders and Canadian exporters to develop strategic cooperation agreements with foreign governments to increase access to key markets that Canadian exporters are targeting. CCC now has 38 agreements in place pertaining to the acquisition of defence and security goods and services with governments in: Argentina, Colombia, Germany, the Philippines, Serbia, and the United Kingdom and is negotiating agreements with Chile, Honduras, Kuwait, Peru, Oman, Qatar, Saudi Arabia, and Norway.

Gaining strength from our experience in business development over the past several years, CCC has continued to improve its five-year business development strategy to grow existing markets and develop new markets. To better align with this focus, the Corporation shifted its efforts into three business lines: Services to the U.S. Department of Defense (U.S. DoD) as part of the DPSA, GDS, and ICB. It is the Corporation's goal to develop each business line to a self-sustaining level.

CCC continues to work hand-in-hand with its International Trade Portfolio partners, DFAIT and EDC, and with other key Government of Canada stakeholders to ensure its efforts to assist Canadian suppliers and international buyers are aligned with the priorities of the

Government of Canada. In particular, CCC has been supporting efforts to refresh the Global Commerce Strategy and will focus on GDS and ICB growth to deliver critical support to Canadian exporters in priority sectors where foreign buyers are interested in government-to-government contracting.

Continuing with cost containment efforts as a result of Budgets 2010 to 2013, CCC successfully controlled its expenditures, generating sufficient cost efficiencies and savings to invest in business development and sales activities while absorbing additional costs arising from the new collective agreement provisions for the termination of severance benefits for voluntary departures and economic wage increases, in line with the Government's approach. As part of the Corporation's Cost Efficiency Plan, we continued to work with Public-Private Partnerships (PPP) Canada in 2012–13, under a shared services arrangement, to generate economies of scale in providing a variety of corporate services to both organizations. In addition, CCC in-sourced many of the services previously provided by Public Works and Government Services Canada (PWGSC), avoiding cost increases and improving service delivery to Canadian exporters with a single window approach to contract management for CCC contracts.

I cannot understate the work the Corporation continues to do to ensure state-of-the-art business and management principles are in place. I am proud of the evolution in the Corporation's performance management system, based on the *Balanced Scorecard* methodology, which will further support the Executive Team in decision-making on investments, opportunities and risks. As well, CCC is strengthening its CSR policy to reinforce its due diligence process and integrate new developments in this area. Finally, both management and union representatives came to an agreement on collective bargaining, entrenching in a new Collective Agreement signed on December 17, 2012 innovative measures to better support learning and development, ensuring the maintenance of a skilled workforce for the benefit of Canadian exporters.

Finally, it cannot go without saying that this Annual Report highlights the superb work of CCC's committed employees. Our people play a vital role in the success of our business, and they truly are our most valuable resource. Their training and development and protection of their health, safety and wellbeing have long been, and remain, key priorities. We have continued to make good progress during the year in developing our systems and improving performance in these important areas, and I am very proud of the CCC Pulse Survey results for 2012–13 which clearly demonstrate the high level of engagement of the Corporation's workforce, with 100% of employees indicating they are committed to doing quality work.

In closing, I would like to welcome our new Chair of the Board of Directors, appointed in December 2012, Mr. Ray Castelli. Ray has a compelling vision for CCC that builds on the success that the Corporation has achieved over the course of the past five years. He brings a clear focus on business growth, high performance and good governance, and continues to make important investments to support the Corporation's culture. I would also like to welcome the other new Board members and thank all our Board members for their guidance and support this past year. Strengthened by this robust governance and relying on the continuous improvements to CCC's internal management, I am confident that the Corporation is better equipped to continue to achieve results and execute on its mandate of supporting Canadian exporters to further access international markets in defence and security, and infrastructure in emerging markets.

Marc Whittingham
President and CEO
June 2013

DEVELOPING AND DELIVERING SOLUTIONS AROUND THE WORLD

Photos Courtesy of US Navy

Creating possibilities for key Canadian capabilities

In 2012–13, during a time of reduced defence spending in the U.S., CCC continued to play a leadership role in Canadian defence and security sales to the U.S. DoD. Key Canadian capabilities remained critical for U.S. defence efforts. For example, CCC facilitated the sale of an INMARSAT satellite communication system for aircraft which allows internet-type connections while in flight by EMS Honeywell to support essential naval air activities, and the sale of Recovery Assist, Secure and Traverse systems to support ship borne helicopter operations by Indal Technologies Inc. to the U.S. Navy.

Leading the way in Latin America

In 2012–13, CCC's growing relationships with key regional partners in Latin America created more opportunities for Canadian companies to contribute effective and inventive solutions to the defence and security initiatives of countries such as Peru, Argentina, and Colombia. In Peru, CCC and Montreal-based companies, Forensic Technology Inc. and Morpho Canada delivered ballistics identification technology and automated fingerprint identification technology, respectively, to the Peruvian Ministry of the Interior. CCC also continues to deliver on the contract for 12 Twin Otter aircraft by Viking Air Limited for the Ministry of Defence. In Argentina, CCC signed a contract with Field Aviation Company Inc. to deliver an upgraded second-hand Learjet to the Air Force. In Colombia, CCC signed a contract with General Dynamics Land Systems (GDLS)-Canada to deliver 24 light armoured vehicles to the Colombian Ministry of National Defence and with Bell Textron to supply three helicopters to the Colombian Naval Air Force. These contracts have led the way for more opportunities in the region where there is a need for innovative and reliable Canadian defence and security solutions.

Photo Courtesy of the Department of National Defence

Successful completion of the new Quito International Airport

The year 2012–13 marked a notable achievement for the Corporation and Toronto-based supplier, Aecon Construction Group Inc. CCC and Aecon successfully completed and delivered on a contract for a new international airport in Quito. Construction of the $534.5 million airport project began in 2005 and employed over 2000 local employees. The management of this complex and dynamic capital project required robust risk mitigation and active contract monitoring by CCC as prime contractor to ensure that the project moved forward in a changing political landscape in Ecuador. The successful completion of the New Quito International Airport is viewed by CCC as a best practice in its infrastructure sector efforts worldwide, in large part due to the tremendous commitment of all project stakeholders to international standards of CSR and construction norms.

Photos Courtesy of Corporación Quiport SA

Photos Courtesy of DFAIT-MAECI

Supporting Canada's commitment to fighting international crime

CCC has continued to demonstrate efficiency and effectiveness in the delivery of procurement services in support of important government international programs, such as DFAIT's START program. During the Sixth Summit of the Americas, Prime Minister Stephen Harper emphasized Canada's commitment to fighting crime internationally. In support of this commitment, CCC procured approximately $1.7 million of security products in support of DFAIT's Anti-Crime Capacity Building Program in Costa Rica. As a result, Costa Rica's national Police Academy is now equipped with state-of-the-art handheld radios, global positioning systems, bullet proof clothing, and a fleet of vehicles. In partnership with Canada's mission in Cost Rica, CCC was able to help overcome logistical and political barriers which may arise in international procurement.

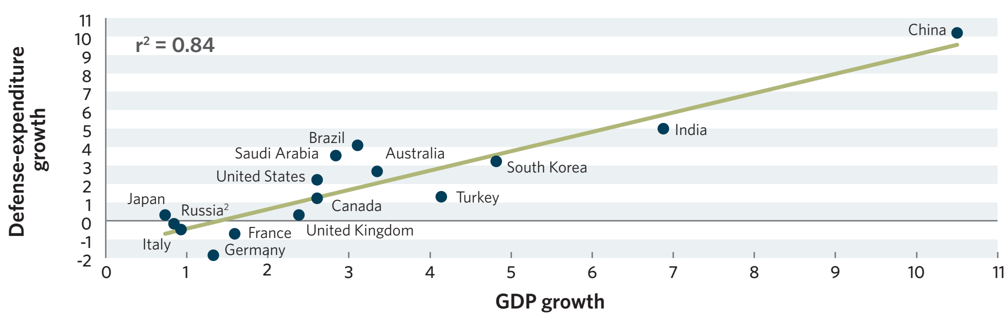
OPERATING ENVIRONMENT

CCC's operating environment in 2012–13 was a challenging one, characterised by continued volatility in the global economy. Sudden changes relating to debt crises, social and political turmoil and natural disasters, disrupted trade and presented challenges for governments around the world. At the same time, opportunities to sell Canadian goods and services overseas continued to exist. This demand was and continues to be driven by the rapid increase in wealth in emerging markets, the signing of new trade agreements by the Government of Canada, and the development of Canada's potential in key industries such as defence, information and communications technology and infrastructure.

At the outset of 2012, two significant risks loomed large in the international economic environment: the crisis in Europe and the challenges of an ongoing slow recovery in the U.S., both of which impacted CCC's operating results in 2012–13. These economic trends have already started to reshape the global landscape of defence spending. To be sure, a nation's assessment of its security threats plays a critical role in shaping its defence spending in the near term. However, a major country's military power is largely affected by its underlying economic strength over the medium to long-term: the faster a country's economy grows, the more likely its defence spending will increase as well, as illustrated below.

GROWTH IN MILITARY SPENDING AND GDP ARE CORRELATED OVER THE LONG-TERM

Major military powers' GDP and military-expenditure real growth rates,[1] 1991–2011 compound annual growth rate, %



[1] Includes tyhe 15 nations with the largest defense budgets in 2011, representing ~83% of global defense spending.
[2] For Russia, 1992 defense spending used in place of 1991 due to data-availability issues.

Source: MocKinsey's Global Growth Model; Stockholm Interantional Peace Research Institute.

Similarly, global defence requirements have undergone a period of rapid transition. The U.S. is recalibrating its needs in the face of shifting defence priorities, impending budgetary reductions and disengagement from major conflict zones. Indeed, reduced U.S. DoD emphasis on expensive platforms is causing companies in the U.S. to focus on specialized capabilities for existing platforms, and to thereby compete more directly with Canadian firms that have existing and potential niche capabilities in the U.S. market. American contractors are responding to anticipated spending reductions by vertically consolidating and horizontally diversifying into related commercial fields, particularly information technology, logistics and maintenance, which are all areas of Canadian expertise.

According to the February 2013 report by Tom Jenkins entitled *"Canada First: Leveraging Defence Procurement Through Key Industrial Capabilities"*, this situation presents both threats and opportunities for Canadian suppliers: "the threat being less potential overall business in the U.S. and other foreign markets, as primes adjust to new business realities; the opportunity being new growth opportunities in the U.S. market in specialized areas complementary to U.S. capabilities. Furthermore, there is potential for business growth in Canada's comparatively healthy defence procurement market, aided by increased government leverage in negotiating with prime contractors seeking to offset declining sales elsewhere."[2]

Over the past number of years, Canadian trade has been diversifying quickly as companies respond to the economic realities of traditional markets, and strong demand in emerging markets where growth in consumer, business and government spending is bringing opportunities in all industries. Innovation will allow the Canadian defence industry to enter a new growth phase while underpinning the development of other sectors such as health sciences, the digital economy and environmental technologies.

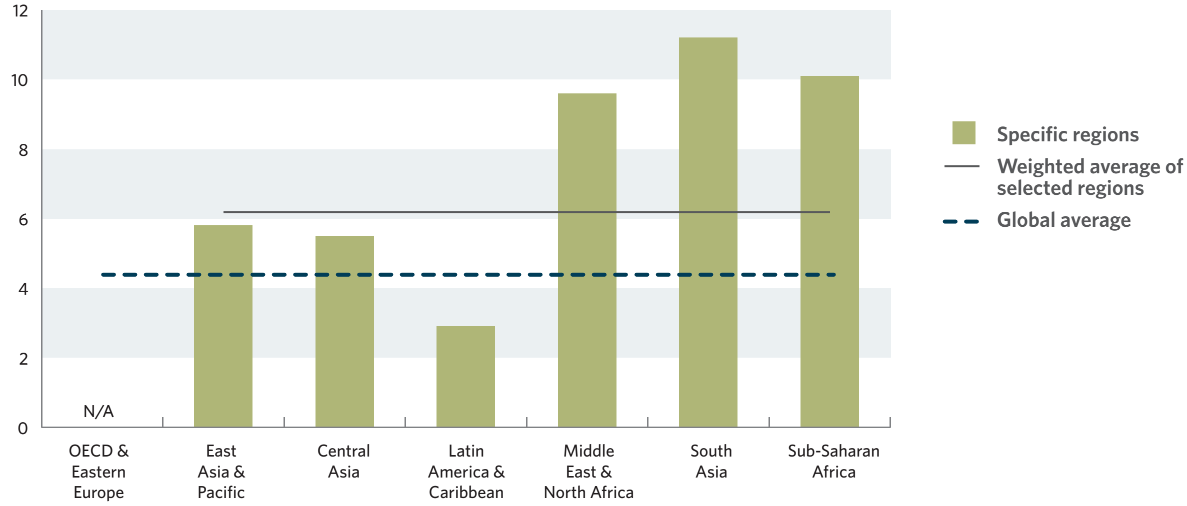
Economic growth in emerging markets is encouraging the development of major infrastructure projects and driving strong demand for natural resources. Infrastructure needs in emerging economies are estimated to be roughly $1.1 trillion USD.[3] The chart below provides estimates of the annual economic infrastructure investment (maintenance and new build) required to remain competitive. This range is from about 3% of gross domestic product (GDP) in developed economies to 9% or more of GDP in emerging economies. In some very low-income countries it can be as much as 15% of GDP a year.[4] Not all countries can afford this expense and the recent global economic volatility has meant that projects have been slower to start.

[2] Jenkins, Tom; "Canada First: Leveraging Defence Procurement Through Key Industrial Capabilities Report," February 12, 2013. Access on May 24, 2013 at: http://news.gc.ca/web/article-eng.do?mthd=tp&crtr.page=1&nid=719959&crtr.tp1D=1

[3] "Supporting Infrastructure Development in Low-Income Countries: Submission to the G20 by the MDB Working Group on Infrastructure." Interim Report. June 2011, p. 2.8

[4] World Economic Forum. "Strategic Infrastructure." September 2012, p.3

ANNUAL INFRASTRUCTURE INVESTMENT AND MAINTENANCE NEEDS (% GDP)



Sources: Global average based on the figure in Appendix 2 and the figures for the specific regions are based on African Developpment Bank, Asian Development Bank, et al. *Supporting Infrastructure Development in Low-Income Countries: Submission to the G20 by the MDB Working Group on Infrastructure. Interim Report.* June 2011, p. 2.8

Opportunities for Canadian companies in many emerging and developing markets, including Africa and Latin America, have continued to require innovative approaches to secure financing, obtain government approvals and align diversified and experienced teams of experts to deliver complex infrastructure projects. A key constraint in increasing private participation in infrastructure in low-income countries lies with the lack of bankable projects. This in turn is due to a combination of weak legal and regulatory frameworks and limited public-private partnership expertise, in addition to the insufficient amount of resources available for project preparation.

Given these market dynamics, CCC has continued to see the critical role that government-to-government transactions can play in specific market conditions. CCC's assistance facilitates expeditious, direct government-to-government contracts; can reduce payment collection risks and business development costs; can aid in gaining more advantageous contract and payment terms for Canada's relatively smaller exporters and supports Canadian firms ethical business practices as they seek international sales. This enables Canadian exporters to compete in a whole new way. However it is dependent on and somewhat constrained by CCC's resources, both human and financial, in order to effectively be present in key markets to build the relationships required for success.

2012–13 STRATEGIC OBJECTIVES AND PERFORMANCE AGAINST OBJECTIVES

The 2012–13 Annual Report highlights the value CCC delivers as the Government of Canada's international contracting and procurement agency. CCC's mandate is to assist Canadian companies to access international markets by promoting and facilitating sales to foreign governments, primarily in the defence, security and infrastructure sectors. Specifically, the Corporation guarantees the performance of a contract for a foreign government, hence, mitigating their risks and providing added incentive to procure from Canada.

CCC's business is typically characterized by large projects which can take as much as three to five years to develop. Given the uncertain global economic and political environment, large defence contracts and infrastructure projects have required even longer timelines to move through approvals and implementation. As the reduction of U.S. DoD spending became a reality, CCC focused its efforts in non-traditional markets, such as Africa, Latin America and the Middle East. Impressively and against the prevailing global economic context, CCC surpassed many of its performance targets. It is important to note that the value of contracts signed under the DPSA business line was directly impacted by the U.S. sequestration issue and reduction of defence related spending. Nevertheless CCC's results in global business are clearly attributable to the renewed strength that the Corporation brought to its business development strategy. This strategy has led to a robust pipeline of projects that now includes a greater number of opportunities in Africa, Latin America, and the Middle East, which will mature and bring further growth in the near-term.

The Corporation's business model is based on a clear mandate to assist Canadian exporters to obtain business through foreign contracting and procurement opportunities. CCC accomplishes this by bolstering the competitive advantage of Canadian exporters, while continually fostering relationships with stakeholders and partners. As a contracting agency of the Government of Canada, CCC strives to ensure that its procurement and contracting policies and procedures are robust and based on internationally accepted standards. As a federal government institution, CCC is also proud that most of its supplier base for projects is comprised of small and medium-sized enterprises (SMEs).

Also notable is that CCC is reporting out on the 2011–12 Corporate Plan as well as subsequent targets that were developed for Fiscal Year 2012–13. Government approval of the 2012–13 Corporate Plan was delayed due to the mandate review initiated in September 2011. CCC is awaiting final direction from the Minister of International Trade which will inform the Corporation's future Corporate Plans.

Both the 2011–12 and 2012–13 Corporate Plans were built on the same foundation: a significant investment in the Corporation's people, processes and systems. The Corporation's strategy sought to integrate global best practices into its governance, risk management and performance management practices, and its strategic objectives were broken down along three pillars of focus to optimize delivery of the Corporation's mandate.

INCREASE ACCESS TO MARKETS ABROAD FOR CANADIAN EXPORTERS	CONTRIBUTE TO ENHANCING CANADA'S INTERNATIONAL COMPETITIVENESS THROUGH PUBLIC POLICY	ACHIEVE INNOVATION AND OPERATIONAL EXCELLENCE
A trusted Government of Canada partner to promote and sell Canadian capabilities, mainly in defence, security and infrastructure goods and services to increase Canadian exports, and to strengthen market access for Canadian exporters in order to create or sustain jobs for Canadians	A contributor to the development and implementation of innovative international trade and defence industrial base federal government policies and programs that support Canadian exporters to compete in the dynamic global marketplace	An international contracting and procurement agency of choice that is collaborative, credible and competitive, and known for innovative, effective and efficient government-to-government contracting solutions that minimize risk through excellence in people, processes and systems

PILLAR 1:

Increase Access to Markets Abroad for Canadian Exporters

CCC has a long history as a stakeholder in the integrated North American defence industrial base through its role as the Canadian government's manager of the Canada-U.S. DPSA for over 50 years. As a result, CCC has grown to become a trusted partner to the U.S. Government and an important instrument of trade for Canadian exporters. Over recent years, CCC has established additional business lines in global defence and security sales and in international commercial business sales, and has continued to support Government of Canada priorities including contracting for government contribution programs, and managing China trade development offices for DFAIT. This strategy is yielding positive results despite the worldwide economic turmoil, and has generated considerable growth in the Corporation's value of contracts signed and fees generated over the last five years.

2012–13 OPERATIONAL OBJECTIVES	CORPORATE PERFORMANCE INDICATORS	2010–11 RESULTS	2011–12 RESULTS	2012–13 TARGETS	2012–13 RESULTS
Increase growth to markets abroad for Canadian exporters by: • As a custodian of the Canada-U.S. DPSA for the Government of Canada, maintaining a collaborative relationship with the U.S. DoD and NASA to sustain Canadian exports; • Increasing Canadian global defence and security sales to governments in allied and like-minded nations; • Increasing Canadian international commercial business sales to governments in emerging and developing markets; • Increasing opportunities for Canadian exporters in delivering Government of Canada international program objectives through efficient and transparent procurement services; and • Continuing to mitigate the risks to Canadian companies exporting to Cuba.	• Value of contracts signed	$1.6B	$1.8B	$1.5B	$1.0B
	DPSA business line	$1.4B	$1.5B	$1.2B	$577.4M
	GDS business line	$70.1M	$32.7M	$102.4M	$138.4M
	ICB business line	$10.0M	$169.3M	$167.6M	$169.2M
	Cuba contracting	$48.3M	$68.4M	$60.0M	$39.0M
	Procurement services	$28.3M	$8.2M	$30.0M	$17.2M
	• Fees for services	$12.9M	$12.7M	$14.3M	$15.2M
	• Number of Canadian exporters with contracts via CCC	195	218	200	210
	• Number of countries with contracts and/or pursuits	68	54	60	72
	• Contract remediation expenses	$(1.0)M	$52K	$100K	nil

At the time of developing its 2011–12 Corporate Plan, CCC anticipated that the global economic crisis would show significant improvement throughout 2011–12 as demonstrated by many economic forecasts at the time. By the time the 2012–13 Corporate Plan was developed, it had become clear that the optimistic growth that was hoped for would not occur and targets were revised to more realistic levels.

For Canadian companies the challenging environment has meant that in 2012 exports grew at a slower pace than anticipated. This reflects what is happening in the global economy and has led to a more competitive marketplace and reduced opportunities for Canadian exporters, particularly small businesses. In this context CCC's results are even more impressive with the Corporation achieving its targets of working with 210 Canadian exporters, of which more than 60% are SMEs, in 72 countries including the U.S., Saudi Arabia, Ghana, Kenya, Ecuador, Colombia, and Peru, building a strong pipeline of projects that will mature over the coming years.

For CCC the domestic fiscal policy issues that constrained growth in the U.S. in 2012 and 2013 led to a decrease in business volume related to CCC's business line with the U.S. DoD under the Canada-U.S. DPSA. With a value of contract signed of $577.4 million, representing half of the budgeted figure for 2012–13, the Corporation executed over 2,000 contracts and amendments in the DPSA business line, supporting over 100 Canadian companies and sustaining over 20,000 jobs in Canada. Over the course of the year CCC played a leadership role in furthering the interests of Canadian exporters operating in the U.S. through intensive liaison and advocacy with the U.S. DoD buying Commands and other government officials. The Corporation continues to manage strong relationships with key U.S. DoD officials and this important work, notwithstanding pressures on the U.S. defence budgets, maintains a privileged access to the U.S. DoD market for Canadian exporters in defence and security, giving strength to the Government of Canada strategy for defence procurement and supporting an integrated North American defence industrial base.

Canadian exporters continued to diversify their offerings and target new markets to leverage new opportunities in emerging markets, which continue to show growth in consumer, business and government spending. Within its GDS and ICB business lines, CCC developed and executed proactive exporter and country strategies and targeted priority markets, such as Colombia, Peru, the Middle East, Ghana, and Kenya, engaging with greater intensity with foreign buyers to develop business and support Canadian exporters in challenging markets where international competition is increasing.

Over the course of the year, investments were made to reinforce the Corporation's business development capacity through internal capability building supported by a strong business development policy suite to guide CCC employee actions. The Corporation also worked to promote a whole-of-government approach, including DFAIT's Trade Commissioner Service (TCS) and EDC, to harmonize market access initiatives. Going forward, this approach will provide more cradle-to-grave solutions inclusive of financing scenarios, contract structuring, contract management, quality assurance and operational knowledge transfer.

Through these activities the Corporation was able to generate positive results. In the GDS business line CCC signed 45 contracts and amendments for a total value of $138.4 million in 2012–13, exceeding the Corporate Plan target by 35%. The Corporation also continued to work in countries such as Colombia where it signed a $65.2 million contract for LAVs produced by GDLS-Canada, opening access for this company to a new market, and a $37.5 million contract for Bell helicopters. In Peru, CCC is carrying out three contracts for a total value of approximately $81.2 million for the sale of Viking aircraft to the Peruvian Air Force, an Integrated Ballistic Information System with Forensic Technology Inc., and an Automated Fingerprint Identification System to the Peruvian Ministry of the Interior with Morpho Canada.

In the ICB business line, CCC signed 94 contracts and amendments for a total value of $208 million. In Ghana, the Corporation completed the Takoradi T3 Thermal Plant with Magellan Aerospace of Mississauga, Ontario. In Ecuador, CCC completed the construction of the new $534.5 million Quito airport with Aecon Construction Ltd of Toronto, Ontario, an important regional development project. The Honorable Diane Ablonczy, Minister of State of Foreign Affairs (Americas and Consular Affairs) marked the opening of this new airport in Ecuador in February 2013. In Kenya, the Corporation developed and completed a project with Morpho Canada for a total value of $71.5 million for the biometric registration of voters in a record time to meet the Kenyan election timeline.

In 2013–14 and beyond, CCC will focus its effort to continue to grow GDS and ICB prospects in targeted countries, to enhance its robust pipeline of projects for, and in collaboration with, Canadian exporters in pursuit of new markets. Building on its focused and sustained engagement strategy, the Corporation has signed 78 strategic partnerships with Canadian exporters and foreign buyers, exceeding the Corporate Plan target by 40%. In many instances, these partnerships build upon international trade agreements recently signed by the Government of Canada, such as in Colombia and Peru, but also attest to the indisputable benefits that Canadian exporters find in CCC's value proposition.

Over the course of the year, CCC developed a strategy with EDC for the transfer of its trade financing activities in Cuba. Once completed, this transfer of responsibility will ensure fuller alignment of activities and bring CCC and EDC closer together to identify new business opportunities in government-to-government contracting with Cuba in the agriculture and tourism sectors. In 2012–13, the Corporation signed 44 contracts and amendments with Cuban buyers and Canadian exporters in these specific sectors for a total value of $39.0 million.

Through the provision of international procurement services to DFAIT, CCC continued facilitating the acquisition and delivery of products and services destined for international end use as part of the Government of Canada's international emergency response and reconstruction initiatives. For example, CCC engaged on an on-going basis with DFAIT's Security and Emergency Preparedness division in order to ensure Canadian companies were able to participate in Canada's international emergency response to natural disasters and reconstruction efforts. The Corporation will continue to support Canada's international trade initiatives by increasing awareness of how CCC's services can support the Government of Canada's international contribution programs. In 2012–13, under its Procurements services, CCC signed 161 contracts and amendments for a total value of $17.2 million.

The Corporation has continued in 2012–13 to support government priorities through its administration of six representative offices in China in support of DFAIT. This arrangement ensures that CCC is able to remain responsive to evolving Government of Canada needs and provides sound and economical management of resources.

In keeping with the cost efficiency measures of Budgets 2010 to 2013, the Corporation has continued with its shared services arrangement with PPP Canada to generate economies of scale in providing a variety of corporate services to both organizations. This arrangement ensures that both organizations benefit from operational efficiencies while acquiring state-of-the-art services primarily in human resources management, information technology management, procurement, legal services, governance and facilities management.

PILLAR 2:

Contribute to Enhancing Canada's International Competitiveness Through Public Policy

As a Crown corporation, CCC is in a unique position to inform public policy. As a result of the Corporation's extensive work with Canadian companies in public sector markets, CCC has developed an intimate knowledge of the opportunities and challenges these companies face and is able to bring this insight to Canadian government policy-makers. Through its developed networks and relationships, CCC remains close to government policy development and is regularly in dialogue with government decision-makers both in Canada and in targeted countries abroad and looks forward to continuing to expand this role.

2012–13 OPERATIONAL OBJECTIVES	CORPORATE PERFORMANCE INDICATORS	2010–11 RESULTS	2011–12 RESULTS	2012–13 TARGETS	2012–13 RESULTS
Contribute to enhancing Canada's international competitiveness through public policy by: • Optimizing CCC's mandate delivery, taking into account the review of CCC as mandated by the Minister of International Trade, to assist in the advancement and alignment of Canada's international trade initiatives; • Increasing awareness and understanding of the value of an integrated North American defence industrial base to entrench the Canada-U.S. DPSA as a key component of North American security; • Playing a key role within the government's trade portfolio to facilitate Canadian exports; • Increasing awareness of how CCC's procurement services can support Government of Canada international contribution programs; and • Continuing to promote CCC as a procurement services provider in Canada's international emergency response and reconstruction initiatives.	• Total value of commercial trading transactions and procurement services*	$1.67B	$2.54B	$2.36B	$2.26B
	• Number of strategic partnerships	22	28	55	78
	• Number of jobs created or maintained via CCC commercial trading transactions and procurement services*	18,370	27,940	25,960	24,860

*Based on an economic analysis, for every $1 billion in new exports generated, approximately 11,000 new jobs are created or maintained.

CCC remained committed in 2012–13 to supporting the priorities of the Government of Canada by fulfilling its mandate of increasing access to foreign government markets for Canadian exporters and creating growth and jobs in Canada. The Corporation made a real contribution to public policy last year by creating or maintaining 24,860 jobs for Canadians, only a slight decrease over last year demonstrating CCC's ability to generate results during difficult economic times. Moreover, in the domestic defence and security sector more than 20% of jobs are linked to CCC export sales.[5]

2012–13 was also a year marked by a number of Government policy initiatives that focus on the importance of Canada's export sector, and prioritize a whole-of-government approach in the defence and security, and aerospace sectors. Notably, CCC made key contributions to the work led by Tom Jenkins, Special Advisor to the Minister of PWGSC who was tasked to develop a new strategy to leverage defence spending. In its February 2013 report entitled *"Canada First: Leveraging Defence Procurement Through Key Industrial Capabilities,"* the important role that military procurement plays in the Canadian economy is highlighted; a conclusion that is well aligned with the Corporation's mandate to increase access to foreign markets for this industry segment. As well, CCC contributed to the November 2012 Aerospace Review undertaken by the Honourable David L. Emerson and submitted to the Minister of Industry, again bringing the unique knowledge gained from years of international trade work with Canadian suppliers to support Government policy development.

Recent business development efforts have positioned CCC to effectively increase awareness of the Corporation's services with both foreign government buyers as well as with Canadian exporters. As a member of the Defence Trade Committee at the Canadian Embassy in Washington, D.C., DFAIT's Aerospace Advisory Board, and as an avid participant within industry associations such as the Canadian Association of Defence and Security Industries (CADSI), the Aerospace Industry Association of Canada (AIAC), and the National Defense Industrial Association (NDIA) in the U.S., the Corporation has made progress in developing knowledge-sharing networks across policy stakeholders and has worked to counteract global protectionist tendencies.

As the Government of Canada's custodian of the Canada-U.S. DPSA, CCC plays a strategic role in increasing awareness of Canada's defence and security capabilities. To this end, CCC promoted the DPSA and the integrated North American defence industrial base in Washington, D.C. to all levels of decision makers. In addition, CCC worked with DFAIT to counter U.S. trade protectionist measures and protect Canadian exporter access to this key procurement market. The Corporation participated in a variety of defence trade related events that promote the North American defence industrial base, such as the Sea, Air and Space Exhibition 2012, the Space Symposium 2012, COMDEF 2012 and the Association of the U.S. Army (AUSA) 2012. In addition, CCC was involved in several Government of Canada, industry and U.S. DoD councils and committees, and worked to coordinate its U.S.-focused defence trade activities with DFAIT's TCS throughout the U.S.

In addition to its business lines, CCC provided services over the course of 2012–13 to assist in the delivery of other Government of Canada priorities. CCC continued to demonstrate its efficiency and effectiveness in supporting important federal government international programs. For instance, CCC continued to support the efforts of DFAIT's START by implementing projects which are part of the necessary reconstruction following the 2010 earthquake in Haiti. Canada provides significant support to Haiti through an on-going whole-of-government approach that has involved the purchase and delivery of a wide range of equipment to the Haitian National Police (HNP) as part of the HNP Early Recovery Equipment project. Throughout the project, CCC has worked closely with DFAIT to resolve the challenges of lengthy delays in importing goods into a region which has not achieved stability.

The Government's robust trade agenda and commitment to seeking free trade agreements (FTAs) around the world was presented in Budget 2012 and built upon the Global Commerce Strategy. CCC acts as a complementary instrument in the execution of these policies as it maintains or creates market access within sectors that are typically

[5] KPMG; "Economic Impact of the Defence and Security Industry in Canada," May 2012. Accessed on May 2013 at: https://www.defenceandsecurity.ca/UserFiles/File/IE/KPMG.html

excluded from trade agreements, such as defence and security, and in markets with which Canada has not yet signed an FTA, as is often the case for infrastructure projects in emerging and developing nations, as well as in markets that benefit from a free trade agreement with Canada. In 2012–13, CCC was particularly active in providing input to the Global Commerce Strategy refresh, highlighting how its activities in increasing access to foreign markets for Canadian exporters directly support the Government's pro-trade agenda.

As in past years, CCC has continued to be an active participant in trade missions led by the Minister of International Trade to Libya, Peru, Russia, Ghana and Nigeria, representing the interest of Canadian exporters and seeking business opportunities in the defence and security, and infrastructure sectors. The Corporation also expanded its relationship with the Department of National Defence (DND) policy advisors in order to leverage the department's network of Defence Attachés across the globe, to build upon Defence Cooperation Agreements and gain a prospective view of potential opportunities in defence and security. These public policy efforts, as well as CCC's contribution to the Government of Canada's refresh of the Global Commerce Strategy, have ensured that Canadian business interests are continually represented within government policy circles.

In early 2011, DFAIT initiated a review of how CCC delivers on its mandate. While led by DFAIT, this review was conducted by an external consultant with the objective of assessing CCC's role in global public sector procurement markets, evaluating how CCC's current business lines are meeting the evolving needs of Canadian exporters and fulfilling Canada's policy objectives. The Corporation has been working to respond to the review by continuing to improve its services and business operations. Over the course of 2012–13, CCC worked to implement the following:

First, CCC is in the process of transferring its Cuba trade financing activities to EDC to better leverage for Canadian exporters the strengths of each institution in financing and insurance products and services from EDC, and in government-to-government contracting from CCC.

Second, CCC has refined its methodology for determining Canadian benefits for each of its business lines. This included a detailed financial analysis of expenditures incurred with respect to the management of Canada-U.S. DPSA contracts to clearly outline the operational cost of managing the existing agreement relative to the appropriation received and benefits to Canadian exporters. As well, CCC has provided extensive advice to DFAIT and Central Agencies on the DPSA agreement and the Corporation's DPSA business line operations, to fully inform its inclusion in the negotiations of a comprehensive Reciprocal Defence Protocol with the U.S.

Third, the Corporation increased the transparency of its Pricing Strategy for the GDS and ICB business lines by making the Pricing Policy available on CCC's website. The Pricing Strategy is risk based and anchored in a robust supplier due diligence process to assess managerial, financial and technical strengths and capacity to deliver international projects.

Fourth, the Corporation made efforts to ensure there is no overlap or duplication within the International Trade Portfolio by starting to develop protocols with DFAIT's TCS and EDC to further define areas of focus and collaboration.

Fifth, CCC worked to improve its detailed expenditure tracking system that captures revenues and expenses by contract, supports financial analysis and forecasting by business lines, and enables the development of cost benchmarks for future projects to better manage the Corporation's resources.

Sixth, CCC worked to develop a tracking system to capture data on exporter client size to improve reporting and to provide better support to SMEs.

PILLAR 3:

Achieve Innovation and Operational Excellence

Innovation and operational excellence at CCC has continued, in 2012–13, to be a major area of focus, driving sustained investments in its people, processes, and systems. In a challenging global environment marked by heightened risk, changing demographics, and continued economic and political uncertainty, such investments have allowed CCC to significantly improve operations, gain efficiencies and increase the potential to access key markets for Canadian exporters. These investments centre upon best practices in risk management, contract management and performance management.

2012–13 OPERATIONAL OBJECTIVES	CORPORATE PERFORMANCE INDICATORS	2010–11 RESULTS	2011–12 RESULTS	2012–13 TARGETS	2012–13 RESULTS
Achieve innovation and operational excellence by: • continuing to develop and implement Strategic and Operating Review efficiencies and on-going cost efficiencies; • evolving CCC's business development and sales strategy, capacity and capability; • investing in DPSA operations to improve client relationships and derive efficiencies; • continuing to implement CCC's renewed HR Strategy with an emphasis on learning and development; and • renewing CCC's information management framework to support the business growth strategy.	**Financial health as measured by:**				
	• Operating results/ surplus (deficit)	$1.7M	$0.2M	$(0.1)M[1]	$1.3M
	• Annual increase in fees for service	27%	(1%)	11%	20%
	• Annual increase in administrative expenses	10%	2%	1%	0%[2]
	• Administrative expenses as a percentage of gross revenues	1.7%	1.15%	1.25%	1.28%[2]
	• Indirect expenses as a percentage of total expenses	38%	37%	32%	37%[2]
	Effective & efficient processes as measured by:				
	• Adherence to commercial contract payment terms	98%	98%	99%	100%
	Effective risk management as measured by:				
	• Contract remediation expenses as a percentage of commercial trading transactions	(0.06)%[3]	0.00%	0.01%	0.00%
	Workplace health as measured by:				
	• Percentage of staff that feel they have tools required for their work	76%	73%	≥77%	83%
	• Percentage of staff that feel supported in their development	52%	60%	≥60%	76%
	• Turnover rate	3.75%	5.56%	≤5%	6.4%[4]

[1] The Board of Directors approved a one-time investment to transition outsourced work from PWGSC to CCC, which resulted in a planned temporary operating deficit in 2011–12 and 2012–13. The investment will provide some $6 million in cost avoidance over the Corporate Plan period and will generate a return on investment of 168%.

[2] Excluding certain one-time costs and investments related to the termination of severance benefits for voluntary departures of $0.7 million in 2012–13 and the Corporation's transition investment costs related to DPSA BPII of $1.1 million in 2012–13, $0.3 million in 2011–12 and nil in 2010–11, respectively.

[3] Amount in parenthesis represents recoveries of contract remediation expenses.

[4] Due to a decline in U.S. military (DPSA) spending in 2012–13, the turnover rate reflects positions which were vacated and not staffed.

As part of its road to operational excellence, CCC continued to prudently manage expenditures and investments in line with revenues and cash flows, and with the spirit and intent of the cost containment measures outlined in Budgets 2010 to 2013. CCC developed and implemented a Cost Efficiency Plan in 2010 which will continue to focus on efficiency improvements that bring value and increased performance to both the Government of Canada and to Canadian exporters. Noteworthy is CCC's adoption of an outsourced payroll solution, which ensures that compensation services are provided in the most economical way possible and generated savings of approximately $450 thousand in 2012–13.

Over the course of 2012–13 CCC made significant progress in implementing a new strategic relationship with PWGSC to optimize the expenditure of the Corporation's financial resources in support of DPSA responsibilities. CCC accelerated the implementation of the BPII, which began on April 1, 2012. A transition investment of $1.1 million was incurred during the current fiscal year to advance the transition required to secure these future savings. The estimated cost avoidance anticipated from this transition investment over the life of the 2012–13 to 2016–17 Corporate Plan is in excess of $6.0 million.

In 2012–13, the Corporation also concluded negotiations with the Professional Institute of the Public Service of Canada (PIPSC) and signed a new collective agreement that will bring added benefits for the Corporation and for its employees. The Agreement is aligned with other Public Service agreements and includes provisions for the elimination of severance for voluntary departures, and for similar economic wage increases. This new agreement also includes enhanced provisions relating to learning and development, which will support the maintenance of a highly skilled workforce at CCC in areas that will benefit services to Canadian exporters. The Corporation recorded a one-time charge of $0.7 million related to the additional severance expense in accordance with the newly signed collective bargaining agreement. However, as a result of the termination of severance accumulation for voluntary departures specified in the newly signed collective bargaining agreement, the Corporation has estimated that it will save approximately $100 thousand annually in related accrued expenses.

CCC made significant investments over the course of 2012–13 to align the Corporation's culture with its mandate. It developed new objectives to implement a high performance culture with a focus on employee engagement and leadership to complement its Human Resource Strategy, which is anchored in a strong Learning and Development Framework and the renewal of human resources management policies. Efforts are on-going in implementing and executing on these new objectives, but already the Corporation has reaped success from its past investment in human resources management and corporate culture. The results of CCC's annual Pulse Survey for 2012–13 indicate that the Corporation has achieved new high marks in all areas, including 83% in the percentage of staff that feel they have the tools required for their work, and 76% in the percentage of staff that feel supported in their development, achieving 9% and 16% increases respectively over the Corporate Plan targets. Moreover, 96% of employees have responded that they understand the role of CCC in assisting in the development of trade for Canada, and 100% are committed to doing quality work.

In that vein, CCC took steps to enhance its client relationship management by implementing a phased approach to instituting a Client Relationship Management (CRM) system that will better support engagement and interactions with Canadian exporters in the development of business pursuits and projects. The Corporation believes that this system will continue to improve its services to clients, along with the completed Business Development policy suite that guides day-to-day actions of CCC employees. As a best practice, CCC performs an annual Client Survey to ensure the Corporation remains responsive to client needs, and provides the best quality of service possible. In 2012–13, the Client Survey results were impressive, with an overall quality rating of 82%, an improvement over its already high achievement of 79% in 2011–12.

Another important investment that was made in 2012–13 was the launch of CCC's modernized corporate website. The objective of this initiative was to open interactive communication channels with Canadian exporters and foreign government buyers in order to more rapidly exchange information. Already CCC is seeing results from this investment with greater interactions with Canadian exporters and increased site visits.

Finally, CCC continued to take steps in 2012–13 to ensure that CSR remains a cornerstone of CCC's values, and that the Corporation's CSR framework provides effective guidance to employees at all stages of pursuits and projects. The CCC *Code of Conduct* was updated to ensure it aligns with the Government of Canada *Values and Ethics Code for the Public Sector*, which took effect April 2, 2012. As well, CCC monitors the evolution of anti-corruption and anti-bribery legislation abroad, integrating best practices in policies, processes and training to safeguard its reputation, credibility and value to Canadian exporters.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

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

BUSINESS LINES

As Canada's international contracting agency, CCC supports Canadian business targeting public sector procurement markets as a prime contractor for government-to-government contracts or as a procurement agent for foreign governments importing Canadian goods and services.

CCC's core business is delivered under the 1956 Canada-U.S. DPSA, which governs procurement of Canadian products and services by the U.S. DoD. CCC administers U.S. defence purchases above $150 thousand USD and has a similar agreement with the U.S. National Aeronautics and Space Administration (NASA). These agreements provide special access for Canadian companies to U.S. aerospace and defence markets. Under the DPSA, Canadian exporters are treated as domestic suppliers by the U.S. DoD including under the Buy America provisions. The Corporation receives $15.5 million in annual appropriations to facilitate sales of goods and services from Canadian exporters to the U.S. DoD in support of the North American defence industrial base.

In addition to sales to the U.S. DoD under the DPSA business line, CCC's contracting activities are focussed on two additional business lines: GDS sales through which CCC assists Canadian exporters in accessing government defence and security markets, specifically those of Canadian allies and like-minded nations; and ICB sales through which CCC assists Canadian companies to access government-to-government markets, primarily via infrastructure projects in emerging and developing countries. CCC charges fees for service for both of these business lines.

CCC also offers three services that are aligned with Government of Canada priorities. These are contracting for DFAIT and Canadian International Development Agency (CIDA) contribution programs, managing China Trade Development Offices with DFAIT, and providing shared corporate services to PPP Canada.

OPERATING ENVIRONMENT

Given the continued sluggish, underperforming and uncertain state of the global economy, Canadian companies have been facing a period of dramatic economic shift in certain key industry sectors. For CCC, this shift is manifested in the decreasing volume of DPSA related business with the U.S. DoD. Traditionally, 70–75% of the Corporation's overall annual business volume was attributed to the DPSA business line, which reached a peak of 86% when the U.S. and other international forces were active in the Iraq and Afghanistan theatres of operation over the last decade.

The Corporation also plays an important role in promoting Canadian capabilities and increasing exports beyond the U.S. and DPSA markets. CCC works with its base of exporters in global defence and security markets to leverage Canadian and U.S. military and security related procurements that are export-ready in order to open new markets with allied nations. In emerging and developing markets, CCC supports Canadian exporters in infrastructure and commercial products and services, effectively increasing access to complex and difficult markets by offering a more fulsome solution, inclusive of financing scenarios, contract structuring, contract management, quality assurance and operational knowledge transfer. However, in addition to sales cycles being complex and lengthy, the uncertain nature of the global economic environment has proven to be highly challenging and competitive for Canadian exporters when striving to secure contracts for military procurements, infrastructure projects and commercial products and services. Many nations are utilizing government export sales organizations and positioning their government services to provide competitive advantages to their respective domestic industries in competing for international contracts.

For 2012–13, CCC's decreased volume related to business with the U.S. DoD under the DPSA business line is consistent with the current economic context (including the effects of the U.S Government's continuing resolution, sequestration and budget crises during the last fiscal year) and the outlook for the next several years. Traditionally, sales in support of the U.S. military have been some $700 million annually, while sales to U.S. Foreign Military Sales (FMS) have been some $600 million annually. However, CCC anticipates sales to the U.S. DoD to decrease to some $550 million per year, amounts which are well below traditional levels given the significant decrease in U.S. DoD spending, and sales through U.S. FMS are expected to decrease substantially as the U.S. DoD focuses on supporting American exporters. While the current period value of contracts signed declined to $577.4 million, the Corporation continues to transact at above average levels due to its backlog of undelivered commitments from large contracts carried forward from prior years.

Similarly, global austerity measures continue to prevail resulting in protracted negotiations, and the deferral of non-U.S. military procurement awards and global infrastructure project starts. CCC and Canadian exporters enjoyed measured success in 2012–13, with the value of contracts signed and commercial trading transactions delivered for the combined GDS and ICB business lines performing well relative to budget figures.

The GDS value of contracts signed result of $138.4 million is $36.0 million or 35% higher than budget and $105.7 million or 323%, higher than the GDS value of contracts signed result for the twelve month period ended March 31, 2012. The $138.4 million includes a $37.5 million contract signed with Bell Helicopter Textron Canada Limited and the Colombian Navy for the supply of three Bell Helicopter 412s and a $65.2 million contract signed with GDLS and the Colombia Infantry for the supply of 24 LAV vehicles.

The ICB value of contracts signed result of $169.2 million is $1.6 million or 1% higher than budget and $0.1 million, on par with the ICB value of contracts signed result for the twelve month period ended March 31, 2012. The $169.2 million includes a $71.5 million contract signed with Morpho Canada and Kenya for the supply of Electronic Biometric Systems/Voter Registration System.

Commercial trading transactions reflect the deliveries and work performed by CCC's suppliers, Canadian exporters, across each of CCC's business lines and is the primary driver for the Corporation's earned fees related to the operation of the GDS and ICB business lines, complementing the parliamentary appropriation received for the operation of the DPSA business line.

Factors such as the size and duration of the contract, the number of specific deliverables or milestones, and the time of the year the contract is signed and effective can materially impact the Corporation's financial statements and often cause significant variations in certain year-over-year amounts on the Statement of Financial Position and Statement of Comprehensive Income as well as its retained earnings. Financial highlights on the 2012–13 year follow.

FINANCIAL HIGHLIGHTS

CCC's 2012–13 net results of operations was a surplus of $1.3 million, compared to a surplus of $0.2 million reported for 2011–12. The increase of $1.1 million, or 461%, was the result of revenues increasing by $2.6 million offset by total expenses increasing by $1.5 million. The parliamentary appropriation was the same as compared to last year. The majority of the increase in revenues was a result of fees for service increasing by $2.5 million or 20%.

CCC continued to make important investments to support its growth. Administrative expenses were higher, in part, for 2012–13 as a result of the continuing initiatives to streamline processes in the delivery of the DPSA business line to avoid future increases in outsourced costs of some $2.0 million annually. A transition investment of $1.1 million was incurred during the current fiscal year to advance the transition required to secure these future savings. The estimated cost avoidance anticipated from this transition investment over the life of the 2012–13 to 2016–17 Corporate Plan is in excess of $6.0 million. Additionally, the Corporation recorded a one-time charge of $0.7 million related to the additional severance expense in accordance with the newly signed collective bargaining agreement. However, as a result of the termination of severance accumulation for voluntary departures specified in the newly signed collective bargaining agreement, the Corporation has estimated that it will save approximately $0.1 million annually in related accrued expenses.

Overall, the Corporation successfully controlled its expenditures to effectively generate sufficient cost efficiencies and savings such that the Corporation was able to absorb expanded investments in business development and sales efforts in 2012–13 of $0.8 million while also absorbing the additional costs arising from the new collective bargaining agreement including those associated with the termination of severance benefits for voluntary departures noted above as well as adjustments for economic wage increases. CCC continues to respect the spirit of the Government of Canada's cost containment measures outlined in Budgets 2010 to 2013, maintaining its delivery under the DPSA business line and investing for growth in its GDS and ICB business lines while developing each to a self-sustaining level.

A more detailed discussion of CCC's 2012–13 financial highlights follows:

STATEMENT OF COMPREHENSIVE INCOME DISCUSSION

SUMMARY RESULTS

	2012–13 ($ MILLIONS)	2011–12 ($ MILLIONS)	% INCREASE (DECREASE)
REVENUES			
Commercial trading transactions – prime contracts	$ **2,225.2**	$ 2,496.2	(11%)
Cost of commercial trading transactions – prime contracts	**(2,225.2)**	(2,496.2)	11%
Fees for service	**15.2**	12.7	20%
Other revenues	**1.1**	1.0	11%
Total Revenues	**16.3**	13 .7	19%
EXPENSES			
Administrative expenses:			
Ongoing operations	**28.7**	28.6	0%
One-time investment for DPSA BPII	**1.1**	0.3	266%
One-time investment for severance elimination	**0.7**	0.0	100%
Total administrative expenses	**30.5**	28.9	6%
Contract remediation expenses	**0.0**	0.1	(100%)
Total Expenses	**30.5**	29.0	5%
International procurement services for government clients	**30.2**	47.0	(36%)
Cost of international procurement services for government clients	**(30.2)**	(47.0)	36%
Parliamentary appropriations	**15.5**	15.5	0%
Net results of operations	$ **1.3**	$ 0.2	461%

Revenues

Revenues consist of commercial trading transactions on prime contracts, fees for service, other income, net interest income, and gains (losses) on foreign exchange. It is important to note that revenues from commercial trading transactions on prime contracts are fully offset by the cost of commercial trading transactions on prime contracts. After offsetting the cost of commercial trading transactions, total revenues were $16.3 million for 2012–13 compared to $13.7 million for 2011–12, an increase of $2.6 million or 19%.

Commercial trading transactions were $2,225.2 million for 2012–13, compared to the $2,496.2 million for 2011–12, a decrease of $271.0 million or 11%. Commercial trading transactions are anticipated to trend downward through the remaining delivery period of the $2.08 billion LAV contract signed with the U.S. FMS in 2009. This LAV contract was the largest contract signed by the Corporation in its history and has contributed to significantly higher levels of commercial trading transactions for the last several years.

CCC does not charge fees for its DPSA business line transactions as these are funded through parliamentary appropriations. For 2012–13, commercial trading transactions generated from DPSA activity (including sales of LAVs to the U.S. DoD) represent 83% of the Corporation's total commercial trading transactions compared to 85% for 2011–12.

For its GDS and ICB business lines and its services, the Corporation charges fees, generally as a percentage of the contract value and on negotiated rates for its services. Fees are recognized as revenue when goods and services are delivered. Fees for service were $15.2 million for 2012–13 compared to $12.7 million for 2011–12, an increase of $2.5 million or 20%. Fees for service related to the GDS business line of $2.7 million were higher by $1.0 million or 55% compared to 2011–12 and fees for service related to the ICB business line of $4.4 million were higher by $2.9 million or 192% compared to 2011–12.

Other revenues include: (1) Foreign exchange gains or losses due to the weakening or strengthening of the Canadian dollar compared to its U.S. dollar counterpart on exposed U.S. cash balances; (2) Finance income earned on the Corporation's cash balances; and (3) Other income comprised of fees earned for providing early payment discounts and payment wiring to Canadian exporters, and other miscellaneous amounts. For 2012–13: (1) The foreign exchange gain of $95 thousand, due to the weakening of the Canadian dollar compared to its U.S. dollar counterpart was $18 thousand or 23% higher compared to the foreign exchange gain of $77 thousand for 2011–12; (2) Finance income of $323 thousand was $63 thousand or 24% higher compared to the result of $260 thousand for 2011–12 as cash balances were marginally higher; and (3) Other income of $655 thousand was $22 thousand or 3% higher compared to the result of $633 thousand for 2011–12.

Expenses

For 2012–13, total expenses were $30.5 million, an increase of $1.6 million or 6% higher than 2011–12. For 2012–13, management did not incur or accrue any contract remediation expenses. Administrative expenses are paid primarily in Canadian dollars, are not impacted by foreign exchange fluctuations, and included the following:

- Workforce compensation and related expenses of $18.9 million for 2012–13 were $1.5 million or 8% higher than 2011–12. The increase was due to a combination of staff increases resulting from the transition of work previously subcontracted by PWGSC, an additional business development resource, collective bargaining and annual salary band increment increases. Additionally, the Corporation recorded a one-time charge of $0.7 million related to the additional severance expense in accordance with the newly signed collective bargaining agreement. Workforce compensation and related expenses account for approximately 62% of CCC's administrative expenditures.

All other administrative expenditures net of workforce compensation and related expenses were $11.6 million for 2012–13 compared to $11.5 million for 2011–12. All other administrative expenditures excluding one-time investment transition cost of $1.1 million in 2012–13 and $0.3 million in 2011–12 related to the streamlining of delivery processes under the DPSA are $10.5 million in 2012–13, $0.7 million or 6% less than the $11.2 million for 2011–12.

- PWGSC was paid for core contract management services under the DPSA that will not be transferred to CCC of $3.1 million and an additional $0.6 million for services related to the transitioning of files and work to CCC as part of the initiative to streamline processes in the delivery of the DPSA. Therefore, total PWGSC expenses of $3.7 million for 2012–13 were $0.7 million or 16% lower than 2011–12.
- Rent and related expenses of $2.3 million for 2012–13 were $0.1 million or 6% higher than 2011–12. The increase is due to the leasing of additional floor space to accommodate staff increases related to the transition of work previously subcontracted to PWGSC which commenced October 2011.
- Travel and hospitality expenses of $1.7 million for 2012–13 were $0.3 million or 25% higher than 2011–12. Travel and hospitality expenses were higher in 2012–13 due primarily to increased business development activity in support of Canadian exporters in pursuit of and to secure projects in Colombia, Peru, Ghana, Kenya and the Middle East.
- Consultant expenses of $1.1 million for 2012–13 were $0.4 million or 27% lower than 2011–12. Consultant expenses complement CCC's workforce and perform assignments requiring a specific expertise. In particular, the Corporation was able to negotiate significant savings in fiscal year 2012–13 on in-country consultation services related to the delivery of export promotion undertaken in China.
- The amortization of intangible assets and depreciation of property and equipment and leasehold improvement costs of $0.8 million for 2012–13 were $0.1 million or 15% higher compared to 2011–12. During the end of 2011–12 and into 2012–13, the Corporation capitalized expenditures for leasehold improvements related to the additional floor space acquired to accommodate the increases related to the transition of work previously subcontracted to PWGSC and expenditures related to computer system upgrades. In particular, system upgrades were amortized in full.

- Computer software, hardware and support costs of $0.6 million, over and above the information management personnel included in workforce compensation or consultants, for 2012–13 were $0.1 million or 30% higher compared 2011–12. The increase resulted from a one-time investment that was required to replace or enhance aging computer equipment, furniture and fixtures.
- Other expenses of $1.4 million were $0.5 million or 61% higher for 2012–13 compared to 2011–12. Other expenses include Corporate communication costs (e.g. marketing, advertising, and the design and printing of corporate promotional material), telecommunications, bank charges and other miscellaneous amounts. For 2012–13, several long outstanding system legacy receivable balances amounting to $0.3 million were written off to expenses as they were deemed to be uncollectible. The remaining $0.2 million was the result of expenditures made to modernize, update and make a more accessible website for the Corporation, and enhance marketing and communication efforts as part of an investment towards aiding business development.

For 2012–13, the Corporation did not record any contract remediation. As a result, contract remediation expenses were under budget by $0.1 million. This reflects the Corporation's robust risk management practices, including its updated ERM framework and improved contract management practices.

Parliamentary Appropriations

The Corporation received parliamentary appropriations of $15.5 million in 2012–13, the same amount as in 2011–12. The appropriation is drawn down in equal monthly instalments throughout the year.

STATEMENT OF FINANCIAL POSITION DISCUSSION

SUMMARY OF FINANCIAL POSITION

	2012–13 ($ MILLIONS)	2011–12 ($ MILLIONS)	% INCREASE (DECREASE)
Total assets	**$ 1,172.6**	$ 984.1	19%
Total liabilities	**$ 1,122.2**	$ 934.9	20%
Shareholder's Equity	**$ 50.4**	$ 49.2	2%

CCC's total assets were $1,172.6 million as at March 31, 2013, $188.5 million or 19% higher than at March 31, 2012. The increase is due to an increase in progress payments to Canadian exporters of $348.2 million, representing a 71% increase compared to March 31, 2012, offset by a net decrease of all other asset statement line items of $159.7 million.

CCC's total liabilities were $1,122.2 million as at March 31, 2013, $187.3 million or 20% higher than at March 31, 2012. The increase is due primarily to an increase in the amount of progress payments from foreign customers of $350.6 million, representing an 71% increase compared to March 31, 2012, offset by a net decrease of all other liability statement line items of $163.3 million.

As an international trade intermediary, CCC offsets its trade-related assets with matching liabilities. Therefore, trade receivables from foreign customers and progress payments to Canadian exporters are normally offset by trade payables and accrued liabilities to Canadian exporters, and progress payments from foreign customers, respectively.

Trade receivables of $146.9 million were $204.6 million or 58% lower than the balance at March 31, 2012 and represents 13% of the total assets of $1,172.6 million. Trade payables and accrued liabilities of $121.0 million were $196.5 million or 62% lower than the balance at March 31, 2012 and represent 11% of the total liability of $1,122.2 million.

Progress payments to Canadian exporters of $840.1 million represent 72% of the total assets of $1,172.6 million. Progress payments from foreign customers of $842.8 million represent 75% of the total liabilities of $1,122.2 million. Contractually, progress payments occur predominantly on the DPSA business line and are required to flow through in their entirety to the Canadian exporter. Of the total progress payments to Canadian exporters and from foreign customers, $678.8 million or 81% relate to the significant $2.2 billion LAV contract with the U.S. DoD.

Advances from foreign customers of $154.8 million, increased by $32.8 million or 27% compared to the balance at March 31, 2012. Advances to Canadian exporters of $123.4 million, increased by $43.0 million or 53% compared to the balance at March 31, 2012. Of the $154.8 million in advances from foreign customers, $124.9 million or 80% were related to ten projects for Argentina, Colombia, Peru, Ghana, Middle East and Norway. Of these advances from foreign customers, $122.1 million were passed on to Canadian exporters, accounting for 99% of advances to Canadian exporters. Contractually, advances are not offered on the DPSA business line. For all other business lines, CCC's risk mitigation practices require that for most projects, CCC holds back advances from foreign customers and releases them to Canadian exporters as delivery obligations are fulfilled. This explains the period-over-period variations that occur.

For 2012–13, CCC's equity, fully ascribed to the Government of Canada, was $50.4 million, an increase of $1.2 million from March 31, 2012 as detailed in the Statement of Comprehensive Income Discussion. CCC's equity backstops the commercial risks inherent in its portfolio of undelivered contracts which totalled approximately $2.24 billion at March 31, 2013. The undelivered commitment under the LAV contract with the U.S. DoD as of March 31, 2013 is $1.21 billion which represents 52% of the Corporation's total undelivered commitments of $2.24 billion.

STATEMENT OF CASH FLOWS DISCUSSION

SUMMARY OF CASH FLOWS

	2012–13 ($ MILLIONS)	2011–12 ($ MILLIONS)	% INCREASE (DECREASE)
Operating activities	**$ 2.6**	$ (16.6)	116%
Investing activities	**$ (0.1)**	$ (0.3)	71%
Effect of exchange rate changes on cash and cash equivalents	**$ 0.1**	$ 0.1	0%

Operating activities

Generally, the Corporation pays its Canadian exporters within 30 days of receipt of an invoice and substantiating documentation according to the terms and conditions of the contract under its core DPSA program. Consequently the Corporation may use its own cash to pay Canadian exporters on the 30th day and funds its trade receivables in instances where there are collection delays and payment is not received from the foreign customer until beyond the 30 days. On certain contracts (generally outside of the core DPSA program), the Corporation only pays its Canadian exporters, usually within business five days, after CCC receives payment from the foreign customer. Depending on the timing of receipts compared to payments, the actual execution of these transactions often cross reporting periods and can cause wide variations in cash flows from one period to the next. In this instance, cash is momentarily provided to the operation at the end of one period until the payment is made to the Canadian exporter, as stipulated in the contract, early in the next period.

During 2012–13, CCC provided $2.6 million in cash from its operating activities, as compared to the $16.6 million used during 2011–12, an increase of $19.1 million. Details are as follows:

- Receipts from foreign customers include cash received for deliveries, progress work performed and advances as stipulated under the foreign customer contract. Receipts from foreign customers were $2.84 billion for 2012–13, $129.4 million or 5% higher than the amount reported for 2011–12. The increase is due to payments received from the U.S. Government for progress work performed and deliveries made related to significant LAV contracts with the U.S. DoD signed during the Corporation's fiscal years ended March 31, 2010 and March 31, 2011.

- Payments to Canadian exporters include cash paid for deliveries, progress work performed and advances as stipulated under the domestic contract. Payments to Canadian exporters were $2.84 billion for 2012–13, $111.4 million or 4% higher than the amount reported in 2011–12. The increase is due to payments made to the supplier related to progress work performed and deliveries made under the LAV contract with the U.S. DoD.
- For 2012–13 compared to 2011–12, the increase in receipts from foreign customers was greater than the increase in payments to Canadian suppliers by $18.0 million, therefore providing $18.0 million to cash. In addition to the $18.0 million cash provided by export transactions, another $2.6 million increase in cash provided from finance income, fees for services and other income received. The combined total of $20.6 million provided was offset by an increase of $1.5 million in use of cash for administrative payments.

Investing activities

For 2012–13, the Corporation capitalized $0.1 million related to property, equipment or intangible assets compared to $0.3 million for 2011–12.

Effect of exchange rate changes on cash and cash equivalents

For 2012–13, CCC recorded a foreign exchange translation gain of $0.1 million as a result of the Canadian dollar's weakening compared to its U.S. dollar counterpart, from $1.0025 USD at March 31, 2012 to $0.9843 USD at March 31, 2013. This provided a negligible amount of cash when compared to 2011–12.

COMPARISON OF FINANCIAL RESULTS TO THE BUDGET CONTAINED IN THE 2012–13 TO 2016–17 CORPORATE PLAN

CCC's 2012–13 net results of operations surplus of $1.3 million was $2.1 million or 268% higher than the budgeted deficit of $0.8 million.

For 2012–13, total commercial trading and procurement services transactions combined of $2.26 billion were $111.3 million or 5% lower than budget. The ICB business line contributed a $182.5 million favourable variance, however, this was more than offset by unfavourable variances of a combined $293.8 million across the other business lines. Of the total $292.0 million commercial trading transactions for 2012–13 related to ICB, $71.5 million related to completion of delivery requirements on a contract signed in Kenya and $150.0 million related to transactions generated through lottery system activities via contracts signed in prior years in Honduras and Nicaragua. These transactions were the primary contributors to the favourable variance result related to the ICB business line.

For 2012–13, fees for service of $15.2 million were $0.9 million, or 7%, higher than budget. Fees for service are earned as contract work is delivered or completed. The ICB business line contributed a $1.6 million favourable variance related to completion of delivery requirements on the aforementioned contract signed in Kenya offset partially by an unfavourable variance of $0.8 million generated by the Cuba Contracting Program. All other lines of business contributed a $0.1 million favourable variance.

For 2012–13, the Corporation recorded a foreign exchange translation gain of $0.1 million resulting from movements in the Canadian dollar relative to the U.S. dollar. The Corporation manages exchange gains and losses through monitoring and maintaining unhedged foreign currency balances at negligible levels. The Corporation's unhedged U.S. currency balance of $6.0 million represents 0.6% of its U.S. denominated assets. The Corporation does not budget for gains or losses on foreign exchange.

For 2012–13, the Corporation did not record any contract remediation. As a result, contract remediation expenses were under budget by $0.1 million. This reflects the Corporation's robust risk management practices, including its updated ERM framework and improved contract management practices.

For 2012–13, administrative expenses of $30.5 million were $0.6 million, or 2%, lower than the budget. Administrative expenses in 2012–13 included the continuing initiatives to streamline processes in the delivery of the DPSA to avoid future increases in outsourced costs of some $2.0 million annually. A transition investment of $1.1 million was incurred during the current fiscal year to advance the transition required to secure these future savings. The estimated cost avoidance anticipated from this transition investment over the life of the 2012–13 to 2016–17 Corporate Plan is in excess of $6.0 million.

Overall, the Corporation successfully controlled its expenditures to effectively generate sufficient cost efficiencies and savings such that the Corporation was able to absorb expanded investments in business development and sales efforts in 2012–13 of $0.8 million while also absorbing the additional costs arising from the new collective bargaining agreement including those associated with the termination of severance benefits for voluntary departures of $0.7 million as well as adjustments for economic wage increases. CCC continues to respect the spirit of the Government of Canada's cost containment measures outlined in Budgets 2010 to 2013, maintaining its delivery under the DPSA business line and investing for growth in its GDS and ICB business lines while developing each to a self-sustaining level.

As explained under the *Parliamentary Appropriation* section of the Statement of Operations, Comprehensive Income Discussion, the Corporation received parliamentary appropriations of $15.5 million in fiscal year 2012–13, the same amount as was budgeted.

2013–14 CORPORATE PLAN FORECAST

The planning objectives and assumptions used to forecast the Operating Budget for 2013–14 and in subsequent years are detailed and discussed in CCC's Corporate Plan 2013–14 to 2017–18.

CCC has forecast an operating deficit of $1.4 million for 2013–14 with net revenues of $12.5 million. In subsequent years, CCC will fully manage the forecast decrease of revenues and results will return to an operating surplus position.

As previously discussed, commercial trading transactions are anticipated to trend downward through the remaining delivery period of the $2.08 billion LAV contract signed with the U.S. DoD in 2009. This LAV contract has contributed to significantly higher levels of commercial trading transactions for the last several years. As a result, for 2013–14, commercial trading transactions and procurement services transactions combined will return to more traditional levels and are forecast at $1.59 billion, a decrease of $666.3 million or 30% compared to 2012–13.

For 2013–14, net revenues (which exclude the parliamentary appropriation) are forecast to return to traditional levels of $12.5 million from $16.3 million for 2012–13, a decrease of $3.8 million or 23%. This decrease is largely attributed to the transfer of the trade financing component of the Corporation's Cuba Contracting Program currently carried out by CCC to EDC and a reduction of fees for service related to the ICB business line due to the substantial completion of major infrastructure projects in Ecuador and Ghana and the completion of the significant project signed in 2012–13 in Kenya.

For 2013–14, contract remediation expenses are forecast at $0.1 million consistent with the 2012–13 budget and a significant decrease from the average contract remediation expenses incurred over the past ten years of $2.2 million per year. This low level of budgeted contract remediation expenses results from CCC's robust risk and contract management practices.

For 2013–14, administrative expenses are forecast at $29.3 million, a decrease of $0.7 million or 2% compared to 2012–13. The decrease will result from vacated positions during 2012–13 that will not be staffed in 2013–14 and an improved alignment between CCC's resources and future activities. Should revenues exceed the forecasts in this Plan, CCC will adjust expenditure levels as necessary, ensuring they remain commensurate with resources required to sustain the increased level of business.

CCC'S COMMITMENT TO PERFORMANCE AND RISK MANAGEMENT

PERFORMANCE MANAGEMENT

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

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

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

RISK MANAGEMENT

CCC's ERM framework manages a wide variety of risks and assists the Corporation in fulfilling its mandate to facilitate international trade on behalf of Canadian exporters. The framework segments key risks facing CCC within three risk categories: Strategic, Operational and Transactional. It identifies robust risk management processes which include: risk identification, assessment, response, control, monitoring, reporting and communication/training.

Balancing risk and opportunities is a key feature of the ERM framework. CCC's capital allocation model is combined with strong governance oversight from the Risk and Opportunities Committee to ensure that risk and opportunities are appropriately managed. This helps with the achievement of the Corporation's strategic objectives and long-term financial viability. CCC strives to optimally mitigate the risks related to its strategic, operational and transactional objectives.

Risk Governance

Risk management is a shared process within the Corporation. Ensuring that the Corporation's risk management program is current and effective is a key role of the Board of Directors. The structures, policies and procedures related to risk management are developed by the Senior Management Committee for recommendation to and approval by the President.

This is accomplished through the Risk and Opportunities Committee.

CCC's risk management culture encourages a collaborative effort. Each employee plays an important role in the management of enterprise risks and is part of the extended risk management team.

CATEGORIES OF RISKS:

Strategic Risks

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

MANDATE RISK:

This risk relates to the Corporation operating in activities beyond its mandate or not fulfilling its mandate through the services provided. The Corporate Plan identifies all business lines and activities undertaken by the Corporation in support of its mandate. This plan remains in alignment with shareholder expectations.

ORGANIZATIONAL RISK:

This risk relates to the Corporation not having the proper corporate structure in place to achieve its objectives. During the year, a key operational objective included the successful implementation of significant changes to an outsourcing arrangement with PWGSC. This required significant staffing actions as well as the implementation of a strong project governance structure. At year end, no critical areas of concern remain vis-à-vis the internalization of PWGSC's work.

REPUTATIONAL RISK:

This risk relates to the Corporation's actions or inactions that may result in the tarnishing of its brand image with its shareholder, buyers and/or Canadian exporters. The backbone to the Corporation's risk mitigation approach in this area includes its CSR Framework, Code of Conduct, Code of Business Ethics and strong transactional due diligence. The Corporation provides regular and open communication with all of its stakeholders, which is essential to managing reputational risk.

BUSINESS ENVIRONMENT RISK:

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

Uncertainty in the economic recovery of key trading partners is CCC's main business environment risk. U.S. budgetary pressures and decreased military spending have had a significant impact on the Corporation's value of contracts signed in that market. Similar impacts are faced in other markets. Protectionism is also a concern facing the Corporation. The largest exposure in this regard relates to the changes in purchasing behaviour of the U.S. DoD. CCC mitigates this risk through closely maintaining its U.S. DoD relationships and political ties.

FINANCIAL RISK:

This risk relates to Corporation's financial capacity (as measured through its capital) to undertake its mandate and manage its financial obligations. The Corporation's Capital Allocation Model tracks exposures across Operational, Performance and Credit risks and ensures there is an appropriate level of available capital to backstop risks. Results are reported to the Board of Directors on a quarterly basis. During the year, the level of capitalization adequately backstopped the Corporation's risks.

Operational Risks

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

INFORMATION MANAGEMENT RISK:

This risk encompasses the Corporation's need to acquire timely and appropriate information for the purposes of business decision making. During the year, Management began the implementation of a CRM system and continued improvements in automated reporting within the Corporation's Enterprise Resource Planning (ERP) system.

INFORMATION SYSTEM RISK:

This risk relates to the Corporation's information system being able to generate relevant data in an efficient and effective manner. During the year, the Corporation undertook the foundation work for the implementation of an upgrade to its ERP system which will take place in early 2013–14. This will ensure that the ERP system remains supportable by the software manufacturer.

PEOPLE RISK:

People risk reflects the importance of having sufficient human resources in place to meet both client expectations and achieve overall corporate objectives. Staffing actions in support of repatriating work from PWGSC took place during the year and staffing levels are sufficient to cover the increased workload.

CCC monitors its employee satisfaction level through annual employee surveys. These assist in the development of human resource strategies to ensure employee needs are met and that turnover remains low. Succession plans are in place at the executive level to mitigate any potential impacts when an executive position becomes vacant.

POLICIES AND PROCESSES RISK:

This risk relates to the possibility of financial losses or inefficient use of resources that may develop as a result of not having appropriate policies, systems and processes in place. The Internal Audit function reviews key areas of the Corporation to ensure that controls and practices are being followed as per approved policies and procedures. During the year, the Strategy and Organizational Development team undertook a review of all corporate policies and is working with policy owners to ensure they are maintained and current.

BUSINESS CONTINUITY PLANNING RISK:

This risk relates to the possibility of a negative event that could impact CCC's assets, work environment and staff to the point of interrupting CCC's ability to carry on its business. Examples of situations that may lead to interruptions include CCC's facilities being unavailable for a period of time or a significant portion of CCC's staff being unable to work due to illness.

During the year, the Corporation tested its ability to implement the Business Continuity Plan (BCP). Findings were circulated through the Management team and improvements were executed. Completion is expected during 2013–14. The BCP is comprehensive and includes the identification of alternate sites from which CCC operations could be temporarily based along with plans to address a pandemic event.

Transactional Risks:

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

SUPPLIER PERFORMANCE RISK:

This risk relates to the possibility that a supplier may fail to deliver contracted goods and services. The Corporation's due diligence process reviews the financial, managerial and technical capabilities of the firms that are seeking the Corporation's support. Once under contract, CCC undertakes quarterly supplier reviews to monitor the financial condition of its portfolio of suppliers. The results are communicated to the Board of Directors.

FOREIGN ENVIRONMENT RISK:

This risk relates to the possibility of a foreign buyer defaulting on its contractual obligations with the Corporation and the intricacies of operating in a foreign environment.

The major subset of this risk relates to buyer credit. The Corporation only accepts unsecured credit from AAA rated foreign governments and commercial parties, thereby minimizing buyer credit risk. CCC may accept securities to back up payment obligations of customers where the credit rating is below that of AAA. In all other cases, the Corporation passes the credit risk to the exporter. This is achieved through a back-to-back payment mechanism that only allows the exporter to be paid once CCC has received the relevant payment from the foreign buyer. Often, the exporter will use the receivable insurance services of EDC to mitigate foreign buyer credit risk.

CONTRACT RISK:

This risk relates to the terms and conditions reflected within CCC's foreign and domestic contracts. Each foreign buyer and domestic supplier contract must be carefully negotiated and drafted to establish appropriate terms and conditions to mitigate the Corporation's risk. CCC has an experienced workforce comprised of contract professionals and legal counsellors who adeptly manage contract risks. During the year, no new trends in contracting that might increase CCC's risk were identified.

EXPORT FOREIGN EXCHANGE RISK:

This risk relates to changes in the exchange rate of the Canadian dollar and the potential impacts from an export transaction viewpoint. The prolonged period of high Canadian dollar rates have forced the Corporation's suppliers to become more competitive and to look for foreign investment opportunities to help increase profits.

Similar to foreign buyer credit risk, CCC passes the exchange rate risk through to the exporter. This is accomplished by paying exporters under the domestic contract in the same currency as is received under CCC's foreign contract with the buyer. The Corporation also manages foreign exchange risk related to its internal holdings of foreign currencies. This risk is mainly comprised of the fluctuation in value of the Corporation's U.S. dollar working capital. The Corporation minimizes the balance in its foreign currency account to mitigate foreign exchange risk. To a lesser degree, the value of CCC's fees denominated in foreign currency also represents a foreign exchange risk.

FRAUD RISK:

This risk relates to the possibility that the Corporation is the subject of an internal or external fraud. Policies and procedures have been established along with internal controls to ensure that this risk is minimized. CCC's Internal Audit function reviews these practices and recommends improvements where warranted. During the year, no incidents of fraud were reported.

CORPORATE SOCIAL RESPONSIBILITY RISK:

CSR refers to the way a company balances it's economic, environmental, and social objectives while addressing stakeholder expectations and enhancing shareholder value. To address CSR issues, the Corporation established a sub-group of its Risk and Opportunities Committee to look at bribery and corruption issues related to the exporters wanting to make use of its services.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Commercial Corporation and all information presented in this annual report are the responsibility of management. The financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate. Financial information presented elsewhere in the annual report is consistent with the financial 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 integrity and 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, on recommendation by the Audit Committee, has 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 an opinion on the financial statements.

Marc Whittingham
President and CEO

Anthony Carty, BA, MBA, CPA
Vice-President, Risk and Finance and CFO

Ottawa, Canada
June 25, 2013

Auditor General of Canada
Vérificatrice générale du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of International Trade

Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Commercial Corporation, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Commercial Corporation as at 31 March 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied, after giving retrospective effect to the change in the method of accounting for employee benefits as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canadian Commercial 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 Canadian Commercial Corporation, and the directive issued pursuant to Section 89 of the *Financial Administration Act*.

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

June 25, 2013
Ottawa, Canada

FINANCIAL STATEMENTS AND NOTES

STATEMENT OF FINANCIAL POSITION

As at March 31 (in thousands of Canadian dollars)	2013	2012 Restated (note 3)
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	**$ 61,068**	$ 58,485
Trade receivables (notes 5 and 12)	**146,907**	351,506
Advances to Canadian exporters	**123,436**	80,449
Progress payments to Canadian exporters	**840,148**	491,904
	1,171,559	982,344
Non-current assets		
Property and equipment (note 6)	**1,046**	1,170
Intangible assets (note 7)	**-**	624
	1,046	1,794
	$ 1,172,605	$ 984,138
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities (notes 5 and 12)	**$ 120,961**	$ 317,424
Advances from foreign customers	**154,799**	121,951
Progress payments from foreign customers	**842,769**	492,198
Employee benefits (note 8)	**1,984**	297
	1,120,513	931,870
Non-current liabilities		
Employee benefits (note 8)	**1,428**	2,691
Provision for contract remediation expenses (notes 9 and 10)	**296**	386
	1,724	3,077
	1,122,237	934,947
Shareholder's Equity		
Contributed surplus	**10,000**	10,000
Retained earnings (notes 8 and 10)	**40,368**	39,191
	50,368	49,191
	$ 1,172,605	$ 984,138

Commitments, contingencies and guarantees (notes 17 and 18)

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

Authorized for issue by the Board of Directors on June 25, 2013:

Raymond Renato Castelli
Chair, Board of Directors

Norman A. Turnbull, CPA, CA, ICD.D
Chair, Audit Committee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31 (in thousands of Canadian dollars)	2013	2012 Restated (note 3)
REVENUES		
Commercial trading transactions - prime contracts (note 11)	**$ 2,225,193**	$ 2,496,156
Less: cost of commercial trading transactions - prime contracts	**(2,225,193)**	(2,496,156)
Fees for service (note 11)	**15,254**	12,720
Other income (note 11)	**655**	633
Finance income, net (note 14)	**323**	260
Gain on foreign exchange	**95**	77
	16,327	13,690
EXPENSES		
Administrative expenses (note 13)	**30,484**	28,884
Contract remediation expenses	**-**	52
	30,484	28,936
INTERNATIONAL PROCUREMENT SERVICES FOR GOVERNMENT CLIENTS		
Procurement services transactions (note 11)	**30,170**	46,987
Less: cost of procurement services transactions	**(30,170)**	(46,987)
	-	-
Net results of operations before Parliamentary appropriations	**(14,157)**	(15,246)
Parliamentary appropriations (note 15)	**15,482**	15,482
Net results of operations	**$ 1,325**	$ 236
Other comprehensive loss		
Items that will not be reclassified to net results of operations		
Actuarial loss on employee benefits obligation (note 8)	**(148)**	(254)
Total comprehensive income (loss)	**$1,177**	$(18)

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

STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2013

(in thousands of Canadian dollars)	CONTRIBUTED SURPLUS	RETAINED EARNINGS Restated (note 3)	TOTAL
Balance - March 31, 2012	**$ 10,000**	**$ 39,191**	**$ 49,191**
Net results of operations	**-**	**1,325**	**1,325**
Actuarial loss on employee benefits obligation (note 8)	**-**	**(148)**	**(148)**
Total comprehensive income	**-**	**1,177**	**1,177**
Balance - March 31, 2013	**$ 10,000**	**$ 40,368**	**$ 50,368**

For the year ended March 31, 2012

(in thousands of Canadian dollars)	CONTRIBUTED SURPLUS	RETAINED EARNINGS Restated (note 3)	TOTAL
Balance - March 31, 2011	$ 10,000	$ 39,209	$ 49,209
Net results of operations	–	236	236
Actuarial loss on employee benefits obligation (note 8)	–	(254)	(254)
Total comprehensive loss		(18)	(18)
Balance - March 31, 2012	$ 10,000	$ 39,191	$ 49,191

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

STATEMENT OF CASH FLOWS

For the year ended March 31, 2013

For the year ended March 31 (in thousands of Canadian dollars)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from foreign customers	**$ 2,843,380**	$ 2,714,000
Finance income, net (note 14)	**323**	260
Fees for service and other income received	**15,909**	13,353
Payments to Canadian exporters	**(2,843,147)**	(2,731,753)
Administrative payments	**(29,373)**	(27,893)
Parliamentary appropriations	**15,482**	15,482
Cash provided by (used in) operating activities	**2,574**	(16,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	**(79)**	(210)
Acquisition of intangible assets	**(7)**	(85)
Cash used in investing activities	**(86)**	(295)
Effect of exchange rate changes on cash and cash equivalents	**95**	77
Increase (decrease) in cash and cash equivalents	**2,583**	(16,769)
Cash and cash equivalents at beginning of period	**58,485**	75,254
Cash and cash equivalents at end of period (note 4)	**$ 61,068**	$ 58,485

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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 is a company domiciled in Canada with a head office located at 50 O'Connor Street, Ottawa, Ontario. The Corporation operates primarily in Canada with representative offices in Asia and representation in the Caribbean.

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

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

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

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

2. BASIS OF PREPARATION

Compliance with International Financial Reporting Standards (IFRS)

These financial statements have been prepared in accordance with IFRS accounting policies as at and for the year ended March 31, 2013.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for, as permitted by IFRS and to the extent material, the following items in the Statement of Financial Position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- accrued employee benefit liabilities for post-employment benefit plans are recognized at the present value of the defined benefit obligations
- provision for contract remediation expense measured at the present value of future expected cash flows

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from estimates resulting in significant differences in the related financial statement balances.

Estimates and underlying assumptions are reviewed on an ongoing basis and in detail as at the date of the financial statements. Any changes in estimates are reflected in the financial statements in the period in which they become known and in any future periods affected. Management has used estimates in determining the useful lives of property and equipment, intangible assets, in accounting for the employee benefits liabilities, the provision for contract remediation expenses, lease commitments and contingencies and used judgment in accounting for the provision for contract remediation expenses.

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

Note 6 – property and equipment
Note 7 – intangible assets
Note 8 – pension and employee benefits
Note 9 – provision for contract remediation expenses
Note 17 – commitments
Note 18 – contingencies and guarantees

Functional and presentation currency

The Corporation's functional and presentation currency is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Corporation are summarized below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Changes in accounting policies

IAS 1- Presentation of Financial Statements

The Corporation opted for early adoption of amended *IAS 1 – Presentation of Financial Statements* (IAS 1) related to changes in accounting policy, retrospective restatement or reclassification as revised in May 2012, with a date of initial application of April 1, 2011. Amended IAS 1 states that the Corporation is required to present a third statement of financial position as at the beginning of the preceding period in addition to the comparative financial statements if:

- the Corporation applies an accounting policy retrospectively, makes a retrospective restatement of items in the financial statement; and
- if the retrospective application, retrospective restatement has a material effect on the information in the statement of financial position at the beginning of the preceding period.

The Corporation retrospectively applied a change in accounting policy (note 3a – IAS 19R) and made a retrospective restatement related to the correction of prior period accounting errors (note 3n); however the retrospective application and restatement do not have a material effect on the financial information at the beginning of the preceding period. As a result the Corporation has not presented a third Statement of Financial Position as at April 1, 2011 and only provided restated amounts of the comparative financial statements as at March 31, 2012.

IAS 19R - Employee Benefits

The Corporation opted for early adoption of amended IAS 19R - *Employee Benefits* (IAS 19R) as revised in June 2011, with a date of initial application of April 1, 2011. IAS 19R eliminates the option to defer under the corridor approach actuarial gains and losses and requires their immediate recognition in Other Comprehensive Income (OCI).

For the year ended March 31, 2012, the Corporation applied the initial IAS 19 - *Employee Benefits* (IAS 19) and the corridor method; actuarial losses were deferred as they did not exceed the corridor threshold of 10% of the accrued benefit obligation.

Under IAS 19R, recognition of actuarial gains (losses) in OCI allows the Corporation to present the employee benefits liability in the Statement of Financial Position in a more transparent way than the corridor method by aligning the liability with the underlying actuarial accrued severance benefit obligation. This change in accounting policy was applied retrospectively in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) and amended IAS 1.

The following table summarizes the adjustments made to the Statement of Financial Position, Statement of Comprehensive Income and Statement of Changes in Equity as at March 31, 2012, on application of this revised standard IAS 19R:

(in thousands of Canadian dollars)	MARCH 31, 2012	IMPACT OF IAS 19R	MARCH 31, 2012 Restated
ADJUSTMENTS TO STATEMENT OF FINANCIAL POSITION			
Non-current liabilities			
Employee benefits	$ 2,437	$ 254	$ 2,691
Shareholder's equity			
Retained earnings	$ 39,445	$ (254)	$ 39,191
ADJUSTMENTS TO STATEMENT OF COMPREHENSIVE INCOME			
Net results of operations	$ 236	$ –	$ 236
Other comprehensive loss			
Actuarial loss on employee benefits obligation	$ –	$ (254)	$ (254)
Total comprehensive income (loss)	$ 236	$ (254)	$ (18)
ADJUSTMENTS TO STATEMENT OF CHANGES IN EQUITY			
Net results of operations	$ 236	$ -	$ 236
Actuarial loss on employee benefits obligation	$ –	$ (254)	$ (254)
Total comprehensive income (loss)	$ 236	$ (254)	$ (18)

Furthermore, the Corporation has amended the disclosure related to significant actuarial assumptions considered in the actuarial valuation of accrued employee benefits in accordance with IAS 19R.

(b) Contracts

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

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

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

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

Other income is comprised mostly of income from discounts the Corporation offers, in certain circumstances, related to early payment on amounts owing to Canadian exporters. Discounts are determined by applying a set percentage ranging from 0.03%, for one day of advance payment, to 1.32%, for 40 days of advance payment. Discounting revenues are recognized as other income when the early payment services are provided to the Canadian exporters.

Contract remediation expenses may be incurred for commercial trading transactions related to prime contracts if the Canadian exporter fails to fulfill its domestic contract obligations to the Corporation. 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. Contract remediation expenses 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 reliable estimates. These costs are recorded in the Statement of Comprehensive Income in the period in which the non-performance is identified by the Corporation as probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period-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 in the Statement of Comprehensive Income.

(d) 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.

The Corporation initially recognizes loans and receivables and deposits on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

The Corporation initially recognizes other financial liabilities (including liabilities designated at fair value through profit or loss) initially on the date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position only when the Corporation has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Determination of fair value

All financial instruments are initially included on the Statement of Financial Position and are measured at fair value. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using observable market data based on a three level hierarchy as follows:

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

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

Level 3 – Inputs that are unobservable as a result of little if any market activity. Inputs into the determination of fair value that require significant management judgment or estimation.

The carrying amount of trade receivables and trade payables and accrued liabilities, advances and progress payments from foreign customers and to Canadian exporters approximates fair value due to their liquidity and the relatively short-term nature of these financial instruments.

Non-derivative financial instruments

i) 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 finance income in the period in which they arise. The Corporation has designated its cash and cash equivalents as a financial asset at fair value through profit or loss since they are held for trading principally to manage cash flow requirements while maximizing return on investment and can be reliably measured at fair value, based on Level 1 inputs, 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 in the Statement of Comprehensive Income.

ii) Trade receivables, advances and progress payments to Canadian exporters

Trade receivables, and advances and progress payments to Canadian exporters are classified as loans and receivables and are initially recognized at fair value. Subsequent to initial recognition the carrying value of trade receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Corporation does not establish an allowance for doubtful accounts since it has contractual recourse, in all material respects, whereby the Canadian exporter assumes the risk of non-payment from the foreign buyer.

iii) Trade payables and accrued liabilities, advances and progress payments from foreign customers

Trade payables and accrued liabilities, and advances and progress payments from foreign customers are classified as other financial liabilities and are initially recognized at fair value. Subsequent to initial recognition the carrying value of trade payables and accrued liabilities, and advances and progress payments from foreign customers are measured at amortized cost using the effective interest method.

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 financial assets or financial liabilities at fair value through profit or loss, and measured at fair value using quoted forward prices with changes recognized in net results of operations in the period in which they occur as a gain or loss on foreign exchange on the Statement of Comprehensive Income. Derivatives are recognized as either an asset in trade receivables, or as a liability in trade payables and accrued liabilities on the Statement of Financial Position.

The Corporation enters into certain non-financial instrument contracts which contain embedded foreign currency derivatives. An embedded derivative is separated from the host contract and accounted for as a derivative only if (a) the economic characteristics and the risks of the embedded derivative are not closely related to those of the host contract, (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and (c) the hybrid (combined) contract is not measured at fair value with changes in fair value recognized in net results of. Where these contracts are not leveraged, do not contain an option feature, and are denominated in a currency in which any substantial party to that contract measures the items in its financial statements, or in a currency that is commonly used in the economic environment where the transaction takes place, the embedded derivatives are not separated from the host contract.

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

(e) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. When components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Property and equipment includes costs associated with information systems hardware and operating systems, and leasehold improvements. These amounts include any costs directly attributable to bringing the asset to the Corporation and in the condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual amount. Information systems hardware and operating systems are depreciated, once available for use, on a straight-line basis over the estimated useful life of five years. Leasehold improvements are depreciated on a straight-line basis over the lesser of the useful life and the remaining term of the lease agreement.

Gains and losses on the disposal of an item of property and equipment are determined by comparing the proceeds with the carrying amount and are recognized in net results of operations for the period.

The useful life and depreciation method of an asset is reviewed at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

(f) Intangible assets

Intangible assets include costs associated with information systems software and related initial set-up and configuration costs. Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Corporation and the cost of the asset can be measured reliably. These assets have finite useful lives and are amortized, once available for use, on a straight-line basis over an estimated useful life of five years.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses.

The useful life and amortization method of an intangible asset is reviewed at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

(g) Parliamentary appropriations

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

(h) Finance income, net

Finance income is recorded on an accrual basis and represents interest earned on cash balances and investments held throughout the year, and interest charged to customers related to late payments. Finance costs are incurred as a result of payments of the interest earned on cash balances held from customers or suppliers as per the terms and conditions of the underlying contract with the Corporation, interest charges related to the Corporation's revolving credit facility or charged by suppliers for late payments.

(i) Pension and employee benefits

i) Pension benefits

Substantially all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an administrative expense in the Statement of Comprehensive Income in the year when employees have rendered service and represent the total pension obligation of the Corporation.

ii) Employee severance benefits

The Corporation has amended its employee severance benefits eliminating the severance pay upon resignation or retirement by virtue of signing a new Collective Agreement on December 17, 2012. Consequently, as of December 17, 2012, employees no longer accrue severance benefits. The new agreement entitles employees who have less than ten years of continuous service as of December 17, 2012, an immediate lump-sum payment of the accrued severance benefits, and employees who have ten or more years of continuous service, the option of taking a single payment of all or part of the accrued severance benefits, or leaving it to be paid out upon retirement or resignation, in accordance with corporate policy.

Similarly, by virtue of a Board of Directors resolution on January 15, 2013, the Corporation has amended the Executive Employment Agreement eliminating severance pay upon resignation or retirement and consequently, as of January 15, 2013, executives will no longer accrue severance benefits. The new agreement entitles all current executives, the option of taking a single payment of all or part of their accrued severance benefits, or leaving it to be paid out upon retirement or resignation, in accordance with corporate policy.

As a result, the Corporation has increased the current portion of severance benefits liability by $311,000, which represents the accrued severance benefits as of December 17, 2012, for all employees under the new collective agreement who have less than ten years of continuous service, which will be paid out no later than June 30, 2013.

Additionally, the Corporation has increased the non-current portion of accrued severance benefits liability by $361,000, representing management's best estimate of the amount that will not be paid out to employees and executives within one year. This represents the accrued severance benefits liability as of December 17, 2012 for all employees under the new Collective Agreement who have ten years or more of continuous service and as of January 15, 2013 for all executives under the revised Executive Employment Agreement.

IAS 1 – *Presentation of Financial Statements* (IAS 1) as revised in June 2011 requires separate subtotals for OCI items which may be subsequently reclassified to net results of operations and elements that will not. The Corporation's OCI is comprised entirely of actuarial gains (losses) on employee severance benefits that will not be reclassified to net results of operations in the Statement of Comprehensive Income.

The cost of the benefits earned by employees is actuarially determined using the projected unit credit method prorated on services. The valuation of the liability is based on a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Actuarial gains (losses) on employee severance benefits are recognized through OCI (note 8).

The outstanding benefits obligations are actuarially valued annually by performing a full valuation on even years and an update to the valuation on odd years. A full actuarial valuation was completed for March 31, 2013 given the changes to employee severance benefits policy and early adoption of IAS 19R.

iii) Employee sick leave benefits

Employees are entitled to non-vested sick leave benefits, as provided for under labour contracts and conditions of employment. The cost of these other long-term employee benefits is accrued as employees render the services necessary to earn them. The valuation of the liability is based on a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Actuarial gains or losses are considered workforce compensation and related expenses and are recognized as incurred in administrative expenses in the Statement of Comprehensive Income.

The outstanding benefits obligations are actuarially valued annually by performing a full valuation on even years and an update to the valuation on odd years. A full actuarial valuation was completed for March 31, 2013 given the changes to severance policy and early adoption of IAS 19R.

iv) Other employee benefits

The federal government sponsors a variety of other future benefit plans from which employees and former employees may benefit during employment or upon retirement. The Public Service Health Care Plan and the Corporation's Dental Plan are the two principle plans available to employees and retirees of the Corporation. The Corporation's responsibility with regard to these two plans is limited to its contributions, which are considered workforce compensation and related expenses and are recorded as administrative expenses in the Statement of Comprehensive Income.

(j) Provision for contract remediation expense

A provision for contract remediation expenses is analyzed as at the date of the Statement of Financial Position and recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. To the extent material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. If it is determined that an outflow of resources is no longer probable to settle the obligation, then the provision will be reversed.

i) Contract re-procurement

The Corporation may incur contract re-procurement expenses should Canadian exporters fail to fulfill the terms and conditions of their contracts. The provision represents the Corporation's best estimate of the incremental costs to fulfill the outstanding contractual obligations under the contract.

ii) Legal claims and expenses

The Corporation may be subject to legal claims and expenses as a result of lawsuits arising from its contracting activities. The amount recognized in the provision represents the Corporation's best estimate of the expenditure to settle the present obligation. The risks and uncertainties that surround the underlying event are considered in determining the provision.

iii) Onerous contracts

A provision is recognized if the expected economic benefits to be received by the Corporation under a contract are lower than the unavoidable costs of meeting the obligations of the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation will recognize any impairment loss on the assets associated with that contract.

(k) Impairment

i) Impairment of financial assets

For financial assets that are not classified as fair value through profit or loss, the Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy. Once impaired, financial assets not classified as fair value through profit or loss are re-valued and the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate with the amount of the impairment recognized in net results of operations.

ii) Impairment of non-financial assets

Non-financial assets, including property and equipment and intangible assets with finite useful lives are reviewed for impairment at each reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized to the extent the carrying amount of the asset exceeds the estimated recoverable amount. The recoverable amount is calculated as the higher of an asset's fair value less costs to sell and its value in use. Impairment losses recognized in prior periods are assessed at the end of each reporting period to determine if there is any indication that the impairment no longer exists or has decreased. If there is indication that it decreased or is eliminated then the Corporation will estimate the new recoverable amount and an impairment reversal will be recognized. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset(s) in prior years. This reversal amount will be recognized in total comprehensive income immediately.

(l) Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Those leases in which the risks and rewards of ownership are not retained by the lessor are classified as finance leases. The Corporation classifies all of its leases as operating since the risks and rewards incidental to ownership remains with the lessor. The expenses incurred under its operating leases are recognized in net results of operations for the reporting period on a straight line basis over the term of the lease. Lease incentives received would be recognized as an integral part of the lease expense, over the term of the lease.

(m) Future accounting changes

International Financial Reporting Standards

The following new standards and amendments issued by the International Accounting Standards Board (IASB) have been assessed as having a possible effect on the Corporation in the future. The Corporation is currently determining the impact, if any, of these standards and amendments on its financial statements.

In November 2009, the IASB issued *IFRS 9*, introducing new requirements for classifying and measuring financial assets. This was the IASB's first step in its project to replace *IAS 39 – Financial Instruments: Recognition and Measurement* (IAS 39). In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. IFRS 9 must be applied retrospectively for annual periods beginning on or after January 1, 2015, with early adoption permitted.

In May 2011, the IASB issued *IFRS 13 – Fair Value Measurement* (IFRS 13). IFRS 13 defines 'fair value' and sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. The new standard reduces complexity and improves consistency by clarifying the definition of fair value and provides measurement and disclosure requirements for all fair value measurements. The standard was issued with an effective date of January 1, 2013 and prospective application is required.

In December 2011, the IASB issued amendments to *IFRS 7 – Financial Instruments: Disclosures* ("IFRS 7"), which requires disclosures of information to enable users of financial statements to evaluate the effect on an entity's financial position of netting arrangements, including rights of offset. In addition, the IASB has published *Offsetting Financial Assets and Financial Liabilities, Amendments to IAS 32 – Financial Instruments: Presentation* ("IAS 32"), that clarify the offsetting and netting criteria in IAS 32. The amendments to IFRS 7 are to be applied retrospectively for annual periods beginning on or after January 1, 2013, with early adoption permitted. The amendments to IAS 32 are to be applied retrospectively for annual periods beginning on or after January 1, 2014 with earlier adoption permitted.

(n) Correction of prior period accounting errors

i) On March 15, 2012 an Incremental Contract Price (ICP) agreement of $65,000,000 USD was signed to settle a claim as a result of a political event that caused unforeseen delays in a construction contract. The ICP claim was not considered a contract amendment at the time and therefore not fully recorded in the books of the Corporation as of March 31, 2012.

The ICP claim should have been considered a contract amendment and consequently resulted in restatement of the following line items and disclosures for the year ended March 31, 2012:

- Trade receivables and trade payables and accrued liabilities were understated in the Statement of Financial Position and both increased by $21,945,000 (note 5 and 12).
- Advances to Canadian exporters and advances from foreign customers were overstated in the Statement of Financial Position and both decreased by $42,893,000.

- Commercial trading transactions-prime contracts and the cost of commercial trading transactions-prime contracts were understated and both increased by $64,838,000 (note 11).
- Value of contracts signed was understated and increased by $64,838,000 (note 11).

ii) As a result of the review of transactions for cut-off purposes, errors were identified that individually were not material but, in the aggregate, required correction in the Corporation's previously issued financial statements as at March 31, 2012.

These cut-off issues consequently resulted in restatement of the following line items and disclosures for the year ended March 31, 2012:

- Trade receivables and trade payables and accrued liabilities were understated in the Statement of Financial Position and both were increased by $6,018,000.
- Supplier progress payments and Customer progress payments were overstated in the Statement of Financial Position and both were reduced by $44,764,000.
- Commercial trading transactions-prime and the cost of commercial trading transactions-prime contracts were understated in the Statement of Comprehensive Income and both were increased by $6,018,000.
- Value of contractual obligations remaining to be fulfilled was overstated and reduced by $50,782,000 (note 18).

Overall, there is no impact on the previously reported 2011–12 total comprehensive income (previously in prior year: net results of operations and comprehensive income) and retained earnings. The Corporation has decided to retrospectively correct these errors and consequently, the financial statements for the year ended March 31, 2012 have been restated. The Corporation has not presented a third Statement of Financial Position as at April 1, 2011 in accordance with the early adoption of amended IAS 1. These errors have no impact on financial statements as at March 31, 2013.

4. CASH AND CASH EQUIVALENTS

As at March 31 cash and cash equivalents included:

	2013		2012	
(in thousands)	Original Currency	Canadian Dollars	Original Currency	Canadian Dollars
Canadian dollars	**38,975**	**$ 38,975**	19,899	$ 19,899
U.S. dollars	**21,515**	**21,859**	38,139	38,044
Australian dollars	**133**	**141**	133	137
Chinese renminbi	**568**	**93**	870	138
Euros	**-**	**-**	200	267
		$ 61,068		$ 58,485

The Corporation invests in short-term deposits in Canadian banks. At March 31, 2013, the average term to maturity of short-term deposits was five days (2012 - three days) and the portfolio yield to maturity was 0.08% as at March 31, 2013 (2012 - 0.08%).

Of the cash and cash equivalents, $40,745,000 (2012 - $42,731,000) 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.

5. TRADE RECEIVABLES AND TRADE PAYABLES AND ACCRUED LIABILITIES

Trade receivables are based on normal international trade terms and are generally non-interest bearing.

The currency profile of the Corporation's trade receivables as at March 31 was as follows:

	2013		2012 Restated (note 3)	
(in thousands)	Original Currency	Canadian Dollars	Original Currency	Canadian Dollars
U.S. dollars	**100,167**	**$ 101,770**	272,611	$ 271,928
Canadian dollars	**45,127**	**45,127**	79,170	79,170
Australian dollars	**5**	**5**	5	5
Chinese renminbi	**29**	**5**	–	–
Malaysian ringgit	**-**	**-**	1,235	403
		$ 146,907		$ 351,506

Trade payables and accrued liabilities are due on normal trade terms. The currency profile of the Corporation's trade payables and accrued liabilities as at March 31 was as follows:

	2013		2012 Restated (note 3)	
(in thousands)	Original Currency	Canadian Dollars	Original Currency	Canadian Dollars
U.S. dollars	**105,601**	**$ 107,291**	287,669	$ 286,948
Canadian dollars	**13,480**	**13,480**	29,890	29,890
Australian dollars	**138**	**146**	138	143
Chinese renminbi	**208**	**34**	330	52
British pounds	**6**	**10**	–	–
Malaysian ringgit	**-**	**-**	1,198	391
		$ 120,961		$ 317,424

6. PROPERTY AND EQUIPMENT

For the year ended March 31, 2013

(in thousands of Canadian dollars)	LEASEHOLD IMPROVEMENTS	INFORMATION SYSTEMS-HARDWARE	TOTAL
COST			
Balance, March 31, 2012	$ 1,787	$ 180	$ 1,967
Additions	5	74	79
Balance, March 31, 2013	**$ 1,792**	**$ 254**	**$ 2,046**
ACCUMULATED DEPRECIATION			
Balance, March 31, 2012	$ 653	$ 144	$ 797
Depreciation	153	50	203
Balance, March 31, 2013	**$ 806**	**$ 194**	**$ 1,000**
CARRYING AMOUNTS			
As at March 31, 2012	$ 1,134	$ 36	$ 1,170
As at March 31, 2013	**$ 986**	**$ 60**	**$ 1,046**

For the year ended March 31, 2012

(in thousands of Canadian dollars)	LEASEHOLD IMPROVEMENTS	INFORMATION SYSTEMS-HARDWARE	TOTAL
COST			
Balance, March 31, 2011	$ 1,577	$ 180	$ 1,757
Additions	210	-	210
Balance, March 31, 2012	$ 1,787	$ 180	$ 1,967
ACCUMULATED DEPRECIATION			
Balance, March 31, 2011	$ 534	$ 108	$ 642
Depreciation	119	36	155
Balance, March 31, 2012	$ 653	$ 144	$ 797
CARRYING AMOUNTS			
As at March 31, 2011	$ 1,043	$ 72	$ 1,115
As at March 31, 2012	$ 1,134	$ 36	$ 1,170

Included in administrative expenses was $203,000 (2012 - $155,000) of depreciation related to the Corporation's property and equipment.

7. INTANGIBLE ASSETS

For the year ended March 31, 2013

(in thousands of Canadian dollars)		INFORMATION SYSTEMS-SOFTWARE
COST		
Balance, March 31, 2012	$	2,854
Additions		7
Balance, March 31, 2013	**$**	**2,861**
ACCUMULATED AMORTIZATION		
Balance, March 31, 2012	$	2,230
Amortization		631
Balance, March 31, 2013	**$**	**2,861**
CARRYING AMOUNTS		
As at March 31, 2012	$	624
As at March 31, 2013	**$**	**-**

For the year ended March 31, 2012

(in thousands of Canadian dollars)		INFORMATION SYSTEMS-SOFTWARE
COST		
Balance, March 31, 2011	$	2,769
Additions		85
Balance, March 31, 2012	$	2,854
ACCUMULATED AMORTIZATION		
Balance, March 31, 2011	$	1,661
Amortization		569
Balance, March 31, 2012	$	2,230
CARRYING AMOUNTS		
As at March 31, 2011	$	1,108
As at March 31, 2012	$	624

Included in administrative expenses was $631,000 (2012 - $569,000) related to the amortization of intangible assets.

8. PENSION AND EMPLOYEE BENEFITS

(a) Pension benefits

Substantially all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The Corporation's general contribution rate effective at year end was 1.74 times the employees' contribution to the Plan (2012 – 1.74 times). The Corporation's total contributions of $1,921,000 (2012 – $1,762,000) were recognized as workforce compensation and related expenses under administrative expenses in the Statement of Comprehensive Income in the year when employees have rendered service.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

(b) Employee benefits

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

The sick leave and severance employee benefits have a current (payable within 12 months) and non-current portion and are presented on the Statement of Financial Position as follows as at March 31:

	2013			2012		
(in thousands of Canadian dollars)	Sick Leave	Severance	Total Benefits	Sick Leave	Restated (Note 3) Severance	Total Benefits
Total employee benefits	**$ 1,083**	**$ 2,329**	**$ 3,412**	$ 909	$ 2,079	$ 2,988
Less: current portion employee benefits	**(69)**	**(1,915)**	**(1,984)**	(78)	(219)	(297)
Non-current portion employee benefits	**$ 1,014**	**$ 414**	**$ 1,428**	$ 831	$ 1,860	$ 2,691

The Corporation amended its employee severance benefits for all positions eliminating the severance pay upon resignation or retirement and consequently, employees no longer accrue severance benefits. Additionally, the Corporation opted to early adopt the revised standard IAS 19R which eliminates the option to defer actuarial gains (losses) on employee severance benefits under the corridor approach previously used by the Corporation. The details and impact of these changes in accounting policy are described further in note 3.

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

	SICK LEAVE BENEFITS		SEVERANCE BENEFITS	
(in thousands of Canadian dollars)	2013	2012	2013	2012
ACCRUED BENEFIT OBLIGATION				
Balance at beginning of year	**$ 909**	$ 746	**$ 2,079**	$ 1,818
Current service cost	**106**	87	**188**	165
Interest cost	**36**	36	**84**	87
Benefits paid	**(113)**	(42)	**(170)**	(148)
Actuarial loss	**145**	82	**148**	157
Total accrued benefits at end of year	**$ 1,083**	$ 909	**$ 2,329**	$ 2,079
ECONOMIC ASSUMPTIONS				
Accrued benefit obligation as of March 31				
Discount rate	**3.76%**	4.01%	**3.40%**	3.98%
Rate of economic salary increase	**1.50%**	1.50%	**1.50%**	1.50%
Benefit costs for year ended March 31				
Discount rate	**3.76%**	4.01%	**3.40%**	3.98%
Rate of economic salary increase	**1.50%**	1.50%	**1.50%**	1.50%

Demographic assumptions including seniority and promotional salary increases, withdrawal rates, rates of retirement, pensionable disability, mortality and longevity improvement factors, taken from the actuarial report on the pension plan for the Public Service of Canada, are also considered in the actuarial valuation of accrued employee sick leave benefits. The underlying assumptions adopted in measuring the Corporation's sick leave and severance benefits are reviewed annually by management and have been consistently applied. Changes in these assumptions can have a significant impact on the related financial statement balances.

Included in administrative expenses as workforce compensation and related expenses was a charge of $174,000 (2012 – $163,000) for sick leave benefits and of $102,000 (2012 – $104,000) for severance benefits related to the change in liability of these benefits in the reporting period and changes in management estimates.

At March 31, 2013, the cumulative actuarial gain (loss) on employee severance benefits obligation recognized immediately in retained earnings as other comprehensive income was of $148,000 (2012 – $254,000).

9. PROVISION FOR CONTRACT REMEDIATION EXPENSES

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

(in thousands of Canadian dollars)	CONTRACT RE-PROCUREMENT	LEGAL	TOTAL
Balance, March 31, 2012	$ –	$ 386	$ 386
Provision used during the year	–	(90)	(90)
Balance, March 31, 2013	**$ –**	**$ 296**	**$ 296**

Management used judgment in determining whether a provision should be recognized or disclosed considering the probability that a payment will be required to settle the obligation and that a reliable estimate of the amount can be made. Management's estimate of the provision is subject to many uncertainties, including the timing and the actual amount of the payout.

No onerous contracts have been identified as at March 31, 2013 and March 31, 2012.

10. CAPITAL MANAGEMENT

The Corporation's objective with respect to capital is to preserve and strengthen its capital base through prudent risk management. This, coupled with the implementation of strategies to optimize operating surpluses ensures that capital is available to facilitate investments and to mitigate any potential losses related to operational, supplier performance and credit risk.

Key strategies used by the Corporation to manage its capital base include: controlling contract remediation expenses; balancing smart growth with operating expenses; minimizing foreign exchange exposure; optimizing interest income; and ensuring that appropriation funding is sufficient to cover Defence Production Sharing Agreement activities and service offerings related to public policy.

The Corporation defines capital as its contributed surplus, provisions for contract remediation expenses and retained earnings, and utilizes a capital allocation model to manage its capital. The capital allocation model takes a conservative approach and does not recognize provisions for contract remediation expenses as available capital for risk management purposes.

The capital allocation model determines the capital required by the Corporation across three risk areas: operational risk; performance risk; and credit risk. The model is consistent with that of the prior fiscal year and operates as follows:

Operational risk:

- 15% of average revenues for the past three years

Performance risk:

- Contract liability times the ten-year average contract remediation expense ratio

Credit risk:

- Residual credit risk which is calculated using total credit risk net of insurance, holdbacks and other acceptable securities

The Corporation is not subject to externally imposed capital requirements.

The Corporation's breakdown of supply of capital as at March 31 is as follows:

(in thousands of Canadian dollars)	2013		2012 Restated (note 3)	
Contributed surplus	**$**	**10,000**	$	10,000
Retained earnings		**40,368**		39,191
Provision for contract remediation expenses		**296**		386
	$	**50,664**	$	49,577

11. COMMERCIAL TRADING TRANSACTIONS, FEES FOR SERVICE, OTHER INCOME AND PROCUREMENT SERVICES TRANSACTIONS

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

For the year ended March 31, the profile by geographic region is as follows:

(in thousands of Canadian dollars)	2013 Revenues*	2013 International procurement services	2013 Total	2012 Restated (note 3) Revenues*	2012 Restated (note 3) International procurement services	2012 Restated (note 3) Total
United States	**$ 1,841,992**	**$ 2**	**$ 1,841,994**	$ 2,131,376	$ 2,598	$ 2,133,974
Central America & Caribbean	**189,908**	**6,214**	**196,122**	114,726	2,186	116,912
Africa	**98,898**	**554**	**99,452**	48,892	502	49,394
South America	**87,148**	**30**	**87,178**	188,552	60	188,612
Asia	**19,946**	**1,129**	**21,075**	21,823	2,580	24,403
Europe	**387**	**19,074**	**19,461**	523	26,096	26,619
Canada	**1,882**	**3,167**	**5,049**	2,302	12,965	15,267
Other	**941**	**-**	**941**	1,315	-	1,315
	$ 2,241,102	**$ 30,170**	**$ 2,271,272**	$ 2,509,509	$ 46,987	$ 2,556,496

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

Value of contracts signed is distinct from revenues. Value of contracts signed describes the value of contracts and amendments signed and effective which amounted to $1.0 billion during the year ended March 31, 2013 (2012 restated - $1.8 billion).

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

The Audit Committee of the Corporation provides oversight of management's compliance with the Corporation's risk management policies and procedures, and periodically reviews the adequacy of the risk management framework in relation to the risk exposure of the Corporation. The Audit Committee is assisted in its oversight role by the Internal Audit function of the Corporation. Internal audits of the Corporation are performed as both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

(a) Credit risk

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

Cash and cash equivalents

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

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

Trade receivables

The Corporation's exposure to credit risk associated with trade receivables are influenced mainly by the demographics of the Corporation's customer base. The Corporation generally manages foreign customer credit risk by extending open account terms to parties with a Moody's credit rating of at least AAA, and seeks security where the rating falls below this threshold. During the year ended March 31, 2013, 82.22% (2012 - 87.90%) of the Corporation's revenues were from AAA customers.

As at March 31, 2013, the maximum exposure to credit risk for trade receivables by geographic region was as follows:

(in thousands of Canadian dollars)	2013	2012 Restated (note 3)
United States	**$ 96,867**	$ 229,223
Central America and Caribbean	**37,746**	65,127
South America	**4,436**	36,541
Canada	**2,813**	11,025
Asia	**3,136**	2,067
Europe	**1,769**	599
Africa	**132**	6,912
Other	**8**	12
	$ 146,907	$ 351,506

Trade receivables are based on normal international trade terms and are generally non-interest bearing. The maturity profile of the Corporation's trade receivables as at March 31 was as follows:

(in thousands of Canadian dollars)	2013	2012 Restated (note 3)
< 1 year	**$ 146,019**	$ 347,490
> 1 and < 3 years	**888**	4,016
	$ 146,907	$ 351,506

Trade receivables are considered past due when the payor has failed to make the payment by the contractual due date. The aging profile of the Corporation's past due trade receivables as at March 31 was as follows:

(in thousands of Canadian dollars)	2013	2012
< 30 days	**$ 19,146**	$ 7,814
> 30 days and < 180 days	**15,273**	3,121
> 180 days	**4,496**	1,216
	$ 38,915	$ 12,151

Advances and progress payments to Canadian exporters

Credit risk exposure related to advances and progress payments to Canadian exporters is mitigated by the back to back nature of the Corporation's contractual obligations and supplemented by collateral held.

Collateral

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

The profile of the Corporation's total collateral held with respect to its contractual obligations in the unlikely event of contractual non-performance by Canadian companies, as at March 31 was as follows:

(in thousands of Canadian dollars)	2013	2012
Holdbacks	**$ 9,381**	$ 1,230
Bank guarantees	**$ 39,146**	$ 47,091
Surety bonds	**$ 84,064**	$ 88,750
Parent guarantees	**$ 346,125**	$ 457,933
Other	**$ 12,897**	$ 10,640

The above amounts approximate the fair values of collateral held.

(b) Market risk

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

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To address foreign exchange risks, contracts with foreign customers and corresponding contracts with Canadian exporters are generally transacted in the same currency. In some cases where payment between parties is made in a different currency the Corporation may enter into forward contracts. The Corporation uses these strategies to effectively transfer the currency risk to the Canadian exporter resulting in minimal net exposure.

ii) Interest rate risk

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

Under a specific series of financing contracts, included in trade payables and accrued liabilities the Corporation owed nil as at March 31, 2013 (2012 - $21,249,000) of which nil as at March 31, 2013 (2012 - $21,081,000) bears interest at the cost of funds plus 0.20%.

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

	2013				2012			
	+25bps		-25bps		+25bps		-25bps	
(in thousands of Canadian dollars)	Income	Equity	Income	Equity	Income	Equity	Income	Equity
Financial assets								
Cash and cash equivalents	**$ 152**	**$ 152**	**$ (152)**	**$ (152)**	$ 145	$ 145	$ (145)	$ (145)
Financial liabilities								
Payables and other liabilities	**$ -**	**$ -**	**$ -**	**$ -**	$ (53)	$ (53)	$ 53	$ 53

(c) Liquidity risk

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

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

With respect to outstanding contractual obligations, the Corporation has contractual recourse that consists of, in all material respects, back to back contractual obligations against Canadian exporters in the same amount. In addition, in order to further mitigate its overall liquidity risk exposure, depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens 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 has a revolving credit facility providing access to funds in the amount of $40 million 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, 2013, there were no draws on this line of credit (2012 – nil).
- **ii)** The Corporation enters into discounting arrangements with recourse with a financial institution, up to a maximum of $15 million (2012 - $15 million) to support its trade financing program.

In addition, the Corporation enters into further credit arrangements up to a maximum of $25 million (2012 - $25 million) where transactions are fully insured by a related Crown corporation with a Moody's credit rating of AAA, thereby mitigating all liquidity risk related to its trade financing program. The Corporation incurred an expense recovery of $16,000 (2012 – expense of $814,000) related to this trade financing program.

Trade payables and accrued liabilities

Trade payables are due on normal trade terms. The maturity profile of the Corporation's trade payables as at March 31 was as follows:

(in thousands of Canadian dollars)	2013	2012 Restated (note 3)
< 1 year	**$ 120,961**	$ 317,424
	$ 120,961	$ 317,424

Under a specific series of financing contracts related to the Corporation's trade financing program, included in trade payables and accrued liabilities, the Corporation owed nil as at March 31, 2013 (2012 - $21,249,000) of which nil as at March 31, 2013 (2012 - $21,081,000) bears interest at the cost of funds plus 0.20% and the Corporation has offered as security certain foreign trade receivables under certain conditions. The Corporation, however, also has access to a number of commercial securities should the foreign party fail to repay these trade receivables. The amount of outstanding trade receivables pledged as securities under these arrangements was $36,706,000 as at March 31, 2013 (2012 - $62,552,000) and was profiled as follows:

(in thousands of Canadian dollars)	2013	2012
< 1 year	**$ 35,818**	$ 58,536
> 1 and < 3 years	**888**	4,016
	$ 36,706	$ 62,552

13. ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended March 31 included the following:

(in thousands of Canadian dollars)	2013	2012
Workforce compensation and related expenses	**$ 18,871**	$ 17,416
Contract management services	**3,668**	4,350
Rent and related expenses	**2,301**	2,168
Travel and hospitality	**1,711**	1,373
Consultants	**1,127**	1,540
Amortization and depreciation	**836**	724
Software, hardware and support	**596**	460
Corporate communications	**286**	161
Other expenses	**1,088**	692
	$ 30,484	$ 28,884

14. FINANCE INCOME, NET

For the year ended March 31, the Corporation has recorded finance income and cost in relation to the following financial instruments:

(in thousands of Canadian dollars)	2013	2012
Financial assets		
- Finance income earned on cash and cash equivalents	**$ 511**	$ 776
Financial liabilities		
- Finance cost on payables and other liabilities	**(188)**	(516)
	$ 323	$ 260

15. PARLIAMENTARY APPROPRIATIONS

Appropriations authorized by the Parliament of Canada are included in the net results of operations for the year in the amount of $15,482,000 as of March 31, 2013 (2012 - $15,482,000).

16. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties, and as such the transactions approximate fair value. Individually significant transactions and transactions that are collectively significant are listed below.

As a result of all related party transactions, the amounts due from and to these parties included in trade receivables and trade payables respectively as at March 31 were as follows:

(in thousands of Canadian dollars)	2013	2012
Trade receivables	**$ 891**	$ 10,498
Trade payables	**$ 477**	$ 425

(a) Public Works and Government Services Canada

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

For the year ended March 31, 2013, the cost of these services amounted to $3,732,802 (2012 - $4,468,000) and is included in administrative expenses.

(b) PPP Canada Inc.

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

For the year ended March 31, 2013, revenues related to the provision of these services amounted to $750,000 (2012 - $750,000) and are included in fees for service.

(c) Other

Commercial trading transactions, fees for service, and procurement services transactions, arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, and other international activities include the following transactions with related government entities for the year ended March 31:

(in thousands of Canadian dollars)	2013		2012	
Foreign Affairs and International Trade Canada	**$**	**13,612**	$	5,684
Department of National Defence	**$**	**500**	$	10,751
Canadian International Development Agency	**$**	**131**	$	3,559
Environment Canada	**$**	**8**	$	–

The Corporation also participates in employee interchange programs with the following departments or agencies: Foreign Affairs and International Trade Canada and Public Works and Government Services Canada.

(d) Key management personnel

IFRS requires disclosure of key management personnel compensation in total and by component. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The key management personnel of the Corporation are the Board of Directors and the Corporate Officers (President and Vice-Presidents).

Components of compensation are defined as short-term benefits, post-employment benefits, other long-term benefits and termination benefits. Short-term benefits include retainers, per diems, salaries, social security contributions, paid annual leave, paid sick leave and bonuses (if payable within twelve months of the end of the reporting period). Post-employment benefits include employer contributions relating to pensions, and premiums paid for post-employment life insurance and medical care. Other long-term benefits include long-service leave or sabbatical leave, long-term disability benefits and any bonuses or deferred compensation that are not payable within twelve months after the end of the reporting period. No termination benefits were incurred for key management personnel.

Key management personnel remuneration for the year ended March 31 was as follows:

(in thousands of Canadian dollars)	2013	2012
BOARD OF DIRECTORS		
Short-term benefits	**$ 169**	$ 198
	$ 169	$ 198
CORPORATE OFFICERS		
Short-term benefits	**$ 1,664**	$ 1,379
Post-employment benefits	**415**	355
Other long-term benefits	**43**	41
	$ 2,122	$ 1,775
	$ 2,291	$ 1,973

17. 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. In October 2011, the Corporation entered into a four-year renewable lease agreement for additional office space scheduled to expire at the end of September 2015.

Management has applied their best estimates in accounting for future lease commitments subject to inflation per the lease agreement. Management uses the Consumer Pricing Index (CPI) as an estimation of the inflationary rate.

As at March 31 future minimum payments by fiscal year on the operating leases for premises are as follows:

(in thousands of Canadian dollars)	2013	2012
< 1 year	**$ 1,933**	$ 1,932
> 1 and < 5 years	**$ 7,659**	$ 7,808
> 5 years	**$ 4,799**	$ 6,921

18. CONTINGENCIES AND GUARANTEES

(a) Contingencies

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

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

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

(b) Guarantees

As prime contractor, the Corporation is contractually obligated to complete numerous contracts with foreign customers ensuring that the terms of the contract are fulfilled regardless of the quality of performance by the

Canadian exporter. The Corporation also engages in the fulfilment of contractual obligations related to international procurement services for government clients.

The total prime and procurement services contract portfolio value remaining to be fulfilled as at March 31 was as follows:

(in thousands of Canadian dollars)	2013	2012 Restated (note 3)
< 1 year	**$ 1,980,641**	$ 1,927,495
> 1 and < 3 years	**250,933**	1,179,831
> 3 and < 5 years	**7,265**	9,227
Total contract portfolio	**$ 2,238,839**	**$ 3,116,553**

ANNEX A – CORPORATE PROFILE

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

CCC is headquartered in Ottawa, Ontario, and employs approximately 140 people. The Corporation strengthens Canada's international trade results by pursuing real business transactions with foreign governments and Canadian exporters to generate economic activity and jobs in Canada. The Corporation does this through its prime contracting service wherein CCC enters into a contract with a foreign government for the purchase of products and services from Canada and, in turn, enters into a contract with a Canadian supplier to fulfil the obligations of the foreign government contract. CCC also offers a procurement service to foreign governments to acquire products and services from Canada.

CCC is governed by its enacting legislation, the *Canadian Commercial Corporation Act*. The legislation also provides CCC with a range of powers, including the ability to export goods from Canada either as principal or as agent. As a result, CCC negotiates and executes bilateral government-to-government contracting arrangements, facilitating export transactions for Canadian exporters.

BENEFITS FOR CANADIANS

The Corporation is committed to increasing access to foreign government markets for Canadian exporters, supporting job creation and long-term economic wealth in Canada. CCC services help ensure that the Canadian defence and security industry remains an important contributor to the maintenance of a strong, integrated North American Defence Industrial Base. These industries contribute towards national security, provide benefits to Canada's military capabilities, bolster industrial growth, stimulate domestic research, development and innovation, and create and sustain knowledge-based jobs in Canada. According to CADSI, Canada's defence and security sector employed 109,000 Canadians and generated over $12.6 billion to the Canadian economy in 2011, slightly more than half of which came from international markets.

With its GDS and ICB business lines, CCC is uniquely positioned to support Canadian exporters and to increase Canada's trade footprint in new and emerging markets. CCC's presence in foreign countries leads to better awareness, understanding, and perception regarding the credibility and capabilities of Canadian exporters. Moreover, CCC's assistance facilitates expeditious, direct government-to-government contracts; reduces collection risks; saves costs; aids in gaining more advantageous contract and payment terms; and assists in the navigation of foreign laws and risks. This is particularly important due to the increased risks found in many of the markets in which Canadian exporters are now operating, and due to the complexities associated with defence products and infrastructure projects in fields such as telecommunications, energy, water treatment, airports, and security. CCC contract officers are able to offer procurement and contracting expertise, while also providing complementary services to and leveraging DFAIT's TCS and EDC's services, thereby expanding Canada's commercial success in key markets.

CCC's services also support the Government of Canada's priorities in contributions to international reconstruction and global security efforts. Notably, CCC assists in the delivery activities of DFAIT's Global Partnership Program, Anti-Crime Capacity Building Program, START and Counter-Terrorism Capacity Building Program.

CCC's services support a diverse supplier base that includes both SMEs and larger companies. In working with larger companies, there is often a subsequent benefit for SMEs as sub-contractors to CCC's larger clients. With respect to SMEs, CCC has assumed a broad definition, but one which is consistent with both government and academic definitions. CCC identifies SMEs as having up to 500 employees and annual sales of less than $25 million. In line with this definition, in recent years approximately 70% of the companies CCC worked with were SMEs.

CCC's support is beneficial for businesses in all parts of Canada. Defence and security exporters working with CCC are located in all regions of the country and in both large and small centres. Infrastructure companies involved in projects abroad tend to be located in larger Canadian cities including Montreal, Toronto and Vancouver.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS MANDATE AND PUBLIC POLICY ROLE

CCC is governed by a Board of Directors that exercises its responsibilities in keeping with the general provisions of the CCC Act and Part X of the FAA. It is accountable for the affairs of the Corporation and ensures the proper delivery of public policy on behalf of the Government of Canada, thus ensuring CCC's actions are aligned with the Minister of International Trade's direction expressed in the form of the Minister of International Trade's annual *Statement of Priorities and Accountabilities* for the Corporation.

The Board reviews the five-year Corporate Plan and the Annual Report, both of which are approved by the Minister of International Trade and tabled in Parliament. The Board also meets quarterly to review the Corporation's overall operations, receive Committee reports and discuss CCC's performance against objectives.

CCC's Board of Directors is composed of a Chairperson and the President and Chief Executive Officer (CEO), who are appointed by the Governor in Council to hold office for such term as the Governor in Council deems appropriate and nine Directors who are appointed by the Minister of International Trade with the approval of the Governor in Council. Directors hold office at the pleasure of the Governor in Council, typically for terms not exceeding three years. 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.

MANDATE, ACTIVITIES AND MEMBERSHIP OF BOARD COMMITTEES

CCC's Board of Directors conducts its oversight functions through the following Board Committees:

Governance and Human Resources Committee: develops and implements practices and procedures to ensure that the Board of Directors and the Corporation operate effectively and in accordance with a high standard of corporate governance. The Committee oversees the governance strategy and processes for the development of significant corporate priorities including the communications strategy, CCC's approach to corporate social responsibility and corporate performance management. As well, the Committee conducts an annual Board self-assessment, which helps to strengthen the Board of Director's governance and effectiveness. The Committee also identifies and recommends, as may be requested, profiles and candidates for appointment to the Board of Directors, including Chairperson of the Board and President and CEO, for consideration by the Minister of International Trade. The Committee reviews and makes recommendations on corporate officer appointments and compensation. The Chairperson, with the support of the Committee, reviews the performance of the President and CEO and makes recommendations to the Minister of International Trade on compensation. Finally, the Committee examines and makes recommendations on human resources policies to ensure the well-being of the Corporation and its employees.

Operations Committee: oversees the Corporation's procurement and international contracting business. All capital projects, all projects valued in excess of $100 million or significant amendments to such projects and any other projects that are referred by Management to the Committee for consideration must be reviewed by the Committee which makes its recommendation to the Board of Directors for approval. It also reviews on-going risk analyses of projects, approves proposed new business lines and products and, in conjunction with the Audit Committee, monitors operating processes.

Audit Committee: deals primarily with matters related to sound financial and risk management practices, audit functions, accurate reporting, and ethical conduct of the Corporation. With respect to its audit activities, the Committee oversees the annual financial audit, the internal audit function and the requirements of the Office of the Auditor General (OAG). The Director of Internal Audit and representatives from the OAG attend all Audit Committee meetings.

The Board undertakes regular assessments of its own effectiveness and the contributions of each Director by means of an annual peer-review exercise designed to improve individual and collective performance. In addition, CCC's Internal Audit group reports to the Audit Committee of the Board of Directors. In monitoring and auditing the financial management, reporting and operation of the Corporation, CCC's performance, governance and accountability structures are reinforced.

In addition to the governance practices above, CCC also establishes policies and processes to guide the work of its employees and to aid in achieving continued high-grade performance. As such, CCC abides by the Government of Canada's best practices by holding annual public meetings to provide another avenue for the public to learn more about, and interact with, the Corporation.

BOARD OF DIRECTORS MEETING ATTENDANCE:

As of March 31, 2013

BOARD MEMBER	APRIL 2012	JUNE 2012	OCTOBER 2012	JANUARY 2013
Robert C. Kay (Chair)[1]	X	X	X	N/A
Ray Castelli (Chair)[2]	N/A	N/A	N/A	X
Martine Corriveau-Gougeon	X	X	X	X
Martin Gagné[3]	N/A	N/A	N/A	N/A
Sherry Helwer[5]	N/A	N/A	N/A	X
Scott Player[3]	N/A	N/A	N/A	N/A
Dan Ross[4]	X	X	X	N/A
Derrick Rowe[5]	N/A	N/A	N/A	X
Andrew Saxton	X	X	X	X
Stephen Sorocky	X	X	X	X
Ken Sunquist	X	X	X	X
Norman Turnbull	X	X	X	X
Peter Wright[4]	X	X	X	N/A
Marc Whittingham (President and CEO)	X	X	X	X

[1] Mr. Kay ceased being Chair of the Board on November 19, 2012.
[2] Mr. Castelli was appointed Chair of the Board on December 14, 2012.
[3] Mr. Gagné and Mr. Player were appointed to the Board on February 7, 2013.
[4] Mr. Ross and Mr. Wright ceased being members of the Board on December 6, 2012.
[5] Ms. Helwer and Mr. Rowe were appointed to the Board on December 7, 2012.

COMMITTEE MEMBERSHIP:

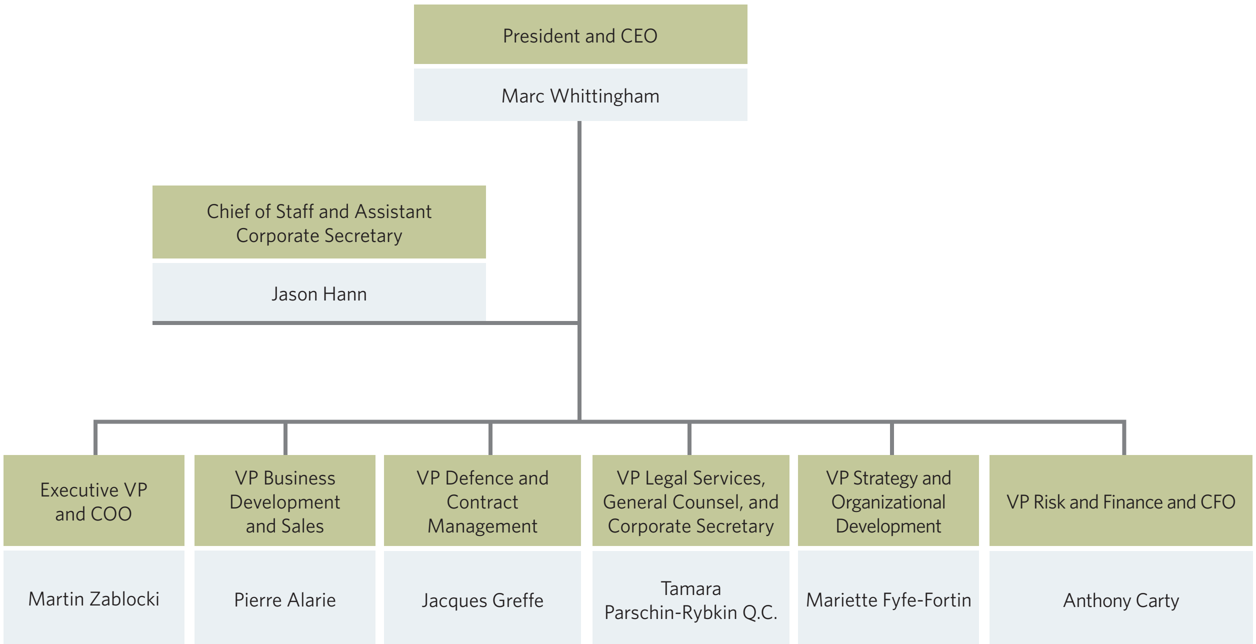
As of March 31, 2013

BOARD MEMBER	AUDIT	OPERATIONS	GOVERNANCE AND HUMAN RESOURCES
Ray Castelli (Chair)	*ex officio*	*ex officio*	*ex officio*
Martine Corriveau-Gougeon	X	Chair	
Martin Gagné		X	
Sherry Helwer	X		
Scott Player	X		
Derrick Rowe		X	
Andrew Saxton	X		X
Stephen Sorocky			X
Ken Sunquist		X	Chair
Norman Turnbull	Chair	X	
Marc Whittingham (President and CEO)		*ex officio*	*ex officio*

MANDATE, ACTIVITIES AND MEMBERSHIP OF THE SENIOR MANAGEMENT COMMITTEE

The President is the CEO and, on behalf of the Board of Directors, is accountable for the direction and management of the business of the Corporation. With the approval of the Board of Directors, the Senior Management Committee comprised of the President, the Vice-Presidents and the Chief of Staff, sets corporate priorities to achieve strategic objectives consistent with the corporate mandate. The CCC Act and FAA serve to guide decision-making and business activities. Bound by CCC's Code of Conduct and Code of Business Ethics, the Senior Management Committee adheres to the highest ethical standards of professional conduct. All Senior Management, 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.

The Corporation has four operational business units: the office of the Chief Operating Officer (COO), Business Development and Sales, Defence and Contract Management and Legal Services. These business units position the Corporation to more proactively assist Canadian exporters in generating sales, and enhance the provision of its core contract management and procurement services. The Corporation also has two corporate business units: Strategy and Organizational Development and Risk and Finance. Each business unit is led by a Vice-President accountable for corporate performance and results.



CORPORATE GOVERNANCE PRACTICES

CCC maintains a high standard of corporate governance. As a Crown corporation, CCC is wholly owned by the Government of Canada and is governed by an independent Board of Directors. In addition, the Corporation strives to continually enhance transparency and improve shareholder and stakeholder involvement. As such, CCC abides by the Government of Canada's best practices by holding annual public meetings to provide an opportunity for the public to learn more about the Corporation. On December 18, 2012, CCC held its fifth annual public meeting in Ottawa, Ontario.

CSR and good corporate citizenship are important to CCC. 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. CCC is committed to instilling CSR in all of its business practices, and is proud of the CSR policies and practices that have been implemented to date. This focus is exemplified by CCC's sustainable business practices, its commitment to environmental sustainability, healthy and safe operations, and through exceptional participation in the Government of Canada's Workplace Charitable Campaign.

CCC's CSR framework guides staff in all of the Corporation's work and business practices. In fact, the tenets of CSR are embedded within all of CCC's business practices and serve as an element of the Corporation's value proposition to foreign governments interested in ensuring they are working with an organization that will give proper regard to the environment and to ethical business practices.

The Corporation has the following policies in place:

1) Code of Conduct
2) Code of Business Ethics
3) Greening CCC Operations Policy
4) Internal Disclosure of Wrongdoing in the Workplace Policy
5) Occupational Safety and Health Policy
6) Policy for a Harassment-Free Workplace
7) Environmental Assessment Policy

The Corporation also complies with all obligations that arise under the following laws and regulations:

1) *Federal Accountability Act*
2) *Values and Ethics Code for the Public Sector*
3) *Corruption of Foreign Public Officials Act*
4) *Policy on Conflict and Post-Employment*
5) *Public Servant Disclosure Protection Act*
6) *Canadian Environmental Assessment Act*
7) *Privacy Act*
8) *Access to Information Act*
9) *Official Languages Act*

CSR is inherent in CCC's work, as the Corporation helps to promote transparency in business practices in the countries with which it works. In order to increase trade, CCC works in areas where there is a clear role for government. By responding to the need for additional contracting capacity in defence and emerging and developing markets, and by helping foreign governments benefit from Canadian export capabilities through the negotiation and execution of government-to-government contracts, CCC ensures transparency in its international contracting and procurement. For instance, when CCC signs a contract with a foreign government buyer and a contract with a Canadian exporter, the result is a secure and ethically sound government-to-government contract on the best possible terms and conditions for all parties concerned. In this way, CCC helps to promote ethically responsible business practices in the countries in which it operates.

ANNEX B – CCC'S BOARD OF DIRECTORS

(AS OF MARCH 31, 2013)

Ray Castelli

CHIEF EXECUTIVE OFFICER

Weatherhaven
Burnaby, British Columbia

Mr. Ray Castelli is Chief Executive Officer of Weatherhaven, a leading provider of redeployable shelter systems. Prior to joining Weatherhaven, Mr. Castelli was President and CEO of Naikun Wind Development Inc., a Vancouver-based wind energy company. He spent 12 years in the international business development area focused on the natural resource industry. During that time, he was co-founder and Senior VP of Quadrem, a procurement services company formed by 19 of the world's largest mining and metals companies, as well as Director of Corporate Development for Alcan Aluminum Ltd. Mr. Castelli's diverse business experience has led him to serve as key advisor to the British Columbia Business Council, the Canadian Association of Defence and Security Industries (CADSI), and on ministerial taskforces at the federal level, including the Minister of Trade Advisory Committee and the Minister of public Works and Governments Services Panel on Military Procurement Reform. Mr. Castelli was appointed to CCC's Board of Directors on December 14, 2012.

Martine Corriveau-Gougeon

P.Eng, ASC

PRESIDENT

Gestion Corriveau-Gougeon Inc.
Saint-Bruno, Quebec

Ms. Martine Corriveau-Gougeon is President of Gestion Corriveau-Gougeon Inc., a company she founded in 2004. Since 1995, she has been successively President of Télébec, Senior Vice-President Operations of Bell Canada and President and Chief Executive Officer of Silonex, a manufacturer of opto-electronic sensors. Ms. Corriveau-Gougeon holds an engineering degree from McGill University and is a graduate of the Collège des administrateurs de sociétés, Université Laval. Her diversified experience allows her to perform both in start-up environments and in more mature organizations. Ms. Corriveau-Gougeon is also a member of the Board of Directors of l'Agence métropolitaine de transport where she serves as Chair of the Audit Committee. She was Chair of the Board of l'École de technologie supérieure (2003–2004), a member of the Premier of Quebec's Advisory board on deregulation (1998–2000) and a member of the Executive committee of the Quebec Provincial Chamber of Commerce (1996–2000). Ms. Corriveau-Gougeon was appointed to CCC's Board of Directors on May 5, 2005 and re-appointed on September 9, 2009.

Martin Gagné

SENIOR CONSULTANT FOR STRATEGY AND BUSINESS DEVELOPMENT

CAE
Blainville, Quebec

Mr. Martin Gagné is a senior consultant for Strategy and Business Development at CAE, a global leader in modelling, simulation and training for civil aviation and defence. Mr. Gagné spent 16 years at CAE in various roles such as: Vice-President of Visual Systems, where he led the development of a new visual system based on Commercial "Off the Shelf" technology; Vice-President of Military Marketing and Sales, where he led a comprehensive strategic plan for growth which included a new business pursuit model; and Executive Vice-President of Civil Simulation and Training, where he was responsible for the business development, strategic planning, sales and marketing functions for the civil business segment of CAE. In 2009, Mr. Gagné was promoted to Group President for Military Simulation and Training, with full responsibility for profit and loss of CAE's worldwide military division, retiring from that role in 2012. Prior to joining CAE, he was a Major in the Canadian Armed Forces, serving as a senior aerospace engineering officer and in the CF-18 weapon software engineering unit. Mr. Gagné serves on the Board of Directors for the Canadian Association of Defence and Security Industries (CADSI) and is a member of the Advisory Panel to the Assistant Deputy Minister, Materiel, of the Department of National Defence. Mr. Gagné was appointed to CCC's Board of Directors on February 7, 2013.

Sherry Helwer

VICE-PRESIDENT

Shur-Gro & Munro Farm Services Ltd.
Brandon, Manitoba

Ms. Sherry Helwer is Vice-President of Shur-Gro & Munro Farm Services Ltd., where she is responsible for finances, including cash flow, credit, capital projects funding, and financial statements of the company. Previously, she worked as a consultant for Vision Research, working on projects in the Bay area of California, and as a consultant for Angus Reid Group, where she completed market research studies for a wide range of financial institutions, utilities, newspapers, and agricultural clients. Ms. Helwer has worked as a Eurodollar and futures trader for the Bank of Montreal, where she was also a product development manager to develop the credit/debit card for commercial markets. Ms. Helwer has served as Vice-Chair of the Board of Governors of Brandon University. In the academic community, she has also been an instructor for the Marketing Department of Brandon University, and has written and published several academic articles. Ms. Helwer was appointed to CCC's Board of Directors on December 7, 2012.

Scott Player

London, Ontario

Mr. Scott Player, now retired, is a former financial executive with Chief Financial Officer experience from 1997–2006, prior to which he acted in an international capacity as a European based Managing Director within the Molson Group. His corporate career spanned over 30 years with major international organizations, including Enbridge from 1999 to 2007, and previously with Unilever in the United States, The Molson Companies Limited, the Canadian arm of British based Rio Tinto Zinc, and the Bank of Montreal. He is a Certified Director (McMaster), with diverse Board experience of over 20 years, including both profit and not-for-profit organizations, representing multiple industries, as well as domestic and international geographies. Mr. Player was appointed to CCC's Board of Directors on February 7, 2013.

Derrick Rowe

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Name 3 Capital Inc.
St. John's, Newfoundland

Mr. Derrick Rowe is Chairman and CEO of Name 3 Capital Inc., a private investment firm he owns. He also serves as a Director of Marport Deep Sea Technologies Inc., Canada's largest sonar company with operations in five countries, and as Chairman of the Board of Bluedrop Performance Learning Inc., an award-winning e-learning company and one of Canada's top 50 defence companies. Mr. Rowe was named Chairman of FPI Limited in 2001 and served as CEO from 2002–2005. He served as Chairman and CEO of Stratos Global Corporation until 1999, building the company from its startup to a successful public corporation. Mr. Rowe has also served on a number of economic and social organizations, including the Northwest Atlantic Fisheries Organization (NAFO), the Premier's Advisory Council on the Economy and Technology at a provincial level, and various International Trade Advisory Committees for the Government of Canada. He was also a founding member of the Board of Directors for Canada's Communication Research Centre. In the business community, Mr. Rowe has been honoured with significant recognition for his leadership, including Canada's original "Top 40 Under 40" by the Globe and Mail's Report of Business Magazine, "Entrepreneur of the Year" by Ernst & Young, and a Newfoundland and Labrador Export Award. Mr. Rowe was appointed to CCC's Board of Directors on December 7, 2012.

Andrew Saxton

CHAIRMAN

King George Financial Corporation
Vancouver, British Columbia

Mr. Andrew Saxton has served as Executive Vice-President and Director of Laurentide Financial Corporation Ltd., President of Elite Insurance Company, Chairman of Grouse Mountain Resorts Ltd., Director of BC Television Broadcasting System Ltd., President of the Granville Island Hotel and Marina Ltd. and Chairman of King George Development Corporation. It is notable that he was a founding member of all these companies. His extensive private sector experience and business accomplishments have led to several appointments to the boards of federal and provincial Crown corporations and agencies including the Canadian Forces Liaison Council and the Insurance Corporation of BC, where he was a Director and Chairman of the Investment Committee. His current corporate appointments include chairmanship of King George Financial Corporation and membership of the Canadian Advisory Board Impark. Mr. Saxton was most recently appointed to CCC's Board of Directors on December 14, 2007 and re-appointed December 14, 2010.

Norman A. Turnbull

CPA, CA, ICD.D

BUSINESS ADVISOR AND CORPORATE DIRECTOR

Montréal, Quebec

Mr. Norman Turnbull is a Chartered Professional Accountant. He is a corporate director and business advisor to several large organizations. Until 2009 he was Partner and CFO of MinQuest Capital Inc., an international mining sector investment fund. Prior to that, he was the President of NAT Expertise/Conseil. Throughout his extensive career in the private sector, Mr. Turnbull has served as CFO of Quebec-based large corporations such as Gaz Métropolitain Inc., Rolland Inc., Boreal Insurance Inc., Mazarin Mining Corporation and Desjardins Financial Corporation. As a result, Mr. Turnbull has acquired expertise in finance and control; strategic planning; business and corporate development; mergers and acquisitions; and governance. He is a graduate from the Institute of Corporate Directors, and acts as special advisor to the audit committee of l'Agence métropolitaine de transport. He is currently a member of the Board of Directors and the audit committee of SSQ Société d'assurance-vie Inc. where he also chairs the investment committee. In addition, he chairs the audit committee and the Independent Review Committee of Fonds d'investissement RÉA II Fiera Capital Inc. and chairs the Independent Review Committee of Les Fonds Privés TBN. He was appointed to the Board of Directors of CCC on May 5, 2005 and re-appointed on September 9, 2009.

Stephen J. Sorocky

B.A.Sc., MBA, P.Eng, C.Dir.

PRESIDENT

Exigent Innovations Inc.
Toronto, Ontario

Mr. Stephen Sorocky is the President and Founder of Exigent Innovations Inc., a technology company development consultancy serving venture capital and private equity clients. He served previously as President & CEO of LxData Inc., President & CEO of Virtek Vision International Inc., CEO and Director of Dynacon Inc., Vice-President and General Manager, Space Robotics Division, Spar Aerospace Ltd., and Vice-President, Manufacturing Industry Division of Electronic Data Systems of Canada. Mr. Sorocky is an accomplished senior technology executive with broad experience in venture-capital backed and public company environments. He also serves on the Board of the Ontario Telemedicine Network and has served on various public and private Boards in the past. He has extensive senior management and business development experience in the technology and aerospace industry. Mr. Sorocky was appointed to the Board of Directors of CCC on December 14, 2007 and reappointed December 14, 2010.

Ken Sunquist

B.Admin, MPA

BUSINESS ADVISOR AND CORPORATE DIRECTOR

Gloucester, Ontario

Mr. Ken Sunquist is an international business advisor and corporate director. In 2010, Mr. Sunquist retired from the public service as Assistant Deputy Minister, Asia and Africa, and Chief Trade Commissioner. He served in a number of foreign posts after joining the Trade Commissioner Service in 1973. His assignments abroad have included Kingston, Jamaica; Belgrade, Yugoslavia; San Francisco, U.S.; Seoul, Korea; Beijing, China; and Ambassador to Indonesia. His assignments at Headquarters included Director, Export Information Division; 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. He is a member of the Board of Directors of CARE Canada, the Estey Centre for Law and Economics in International Trade, the Trade Facilitation Office Canada, and the Advisory Board of the Northern Alberta Institute of Technology. Mr. Sunquist was appointed to the Board of Directors of CCC on May 13, 2004 as a public servant and reappointed on August 6, 2010 as a private sector member.

ANNEX C – CCC'S SENIOR MANAGEMENT COMMITTEE

Marc Whittingham B.Admin, MA

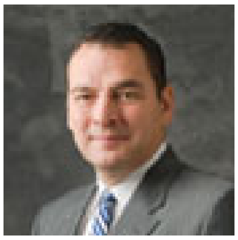
PRESIDENT AND CEO

Mr. Marc Whittingham joined CCC in October 2006 as Vice-President, Strategy and Organizational Development and was appointed as President of CCC in October 2008. 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 B.Comm, MBA, CBV, CMA

EXECUTIVE VICE-PRESIDENT AND COO

Mr. Martin Zablocki joined CCC in November 2007 as Vice-President, Strategy and Organizational Development, was appointed CFO and Vice-President, Risk and Finance in January 2010, and Executive Vice-President and COO in April 2012. Prior to joining CCC, he was the Director General, Sector Strategies and Infrastructure Programs Branch at Industry Canada. Mr. Zablocki has over 20 years of experience within a variety of federal organizations including the Canada Revenue Agency and Fisheries and Oceans Canada, and has led programs and 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.



Pierre Alarie BA, MPA, C.Dir

VICE-PRESIDENT, BUSINESS DEVELOPMENT AND SALES

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

Anthony Carty BA, MBA, CPA

VICE-PRESIDENT, RISK AND FINANCE AND CFO

Mr. Anthony Carty joined CCC in April 2012 as Vice-President of Risk and Finance and CFO. Mr. Carty was previously Senior Vice-President and CFO for i2 Holdings, an IBM Company, where he led a team focused on financial and operational roles, including finance and accounting, information technology and business system functions. i2 Holdings was acquired in 2011 by IBM from Silver Lake Sumeru, a leading private equity investor in technology and related growth industries. Mr. Carty has over 18 years of experience in finance and accounting roles in public accounting, operating, and private equity environments with a focus on software and high technology manufacturing companies. Mr. Carty was an Audit Manager with PricewaterhouseCoopers' High Technology Practice in Boston, Massachusetts, where he became a Certified Public Accountant.

Mariette Fyfe-Fortin B.L.A.

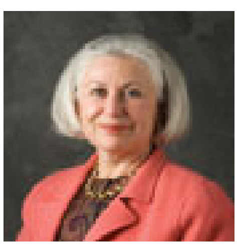
VICE-PRESIDENT, STRATEGY AND ORGANIZATIONAL DEVELOPMENT

Mrs. Mariette Fyfe-Fortin joined CCC in November 2009 as Vice-President, Strategy and Organizational Development. Prior to joining CCC, she was Director General Procurement Services, Materiel Group at DND. Mrs. Fyfe-Fortin has 20 years of executive experience in procurement and acquisitions, policy and strategic planning, real property management, corporate services, and project management in the federal government. She has successfully led a number of complex and significant transformation and change management initiatives both at DND and PWGSC. She has been the PWGSC Departmental Representative leading all departmental activities for a number of international events from APEC 1997 to the Kananaskis G8 of 2002. She has advised cabinet ministers and senior civil servants on critical inter-departmental and governmental issues. Mrs. Fyfe-Fortin is also a Professional Landscape Architect, member of the Québec Association of Landscape Architects and of the Canadian Society of Landscape Architects.

Jacques Greffe BSoc Sc (Pol)

VICE-PRESIDENT, DEFENCE PROCUREMENT AND CONTRACT MANAGEMENT

Mr. Jacques Greffe joined CCC in November 2009 as Vice-President, Defence Contract Management and Procurement. Prior to his appointment at CCC, he was the Director General, Commercial Acquisitions and Supply Management Sector at PWGSC. Mr. Greffe has over 27 years procurement and contracting experience with the Canadian federal government, largely with DND and PWGSC, and has been a special advisor on a number of departmental and inter-departmental procurement initiatives due to his extensive experience in procurement.



Tamara Parschin-Rybkin B.Sc, LLB, QC

VICE-PRESIDENT, LEGAL SERVICES, GENERAL COUNSEL AND CORPORATE SECRETARY

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

GLOSSARY

AIAC	Aerospace Industries Association of Canada
AUSA	Association of the U.S. Army
BCP	Business Continuity Plan
BPII	Business Process Improvement Initiative
CCC	Canadian Commercial Corporation
CADSI	Canadian Association of Defence and Security Industries
CEO	Chief Executive Officer
COO	Chief Operating Officer
CIDA	Canadian International Development Agency
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
DBRS	Dominion Bond Rating Service
DFAIT	Foreign Affairs and International Trade Canada
DND	Department of National Defence
DPSA	Defence Production Sharing Agreement
EDC	Export Development Canada
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FAA	Financial Administration Act
FMS	Foreign Military Sales
FTAs	Free trade agreements
GDP	Gross domestic product
GDS	Global Defence and Security
GDLS	General Dynamics Land Systems
HNP	Haitian National Police
IDB	Inter-American Development Bank
ICB	International Commercial Business
ICP	Incremental Contract Price
IFRS	International Financial Reporting Standards
IAS	International Accounting Standard
IASB	International Accounting Standards Board
LAV	Light Armored Vehicle
MOU	Memorandum of Understanding
NASA	National Aeronautics and Space Administration
NDIA	National Defense Industrial Association
NORAD	North American Aerospace Defense Command
OAG	Office of the Auditor General of Canada
OCI	Other Comprehensive Income
PIPSC	Professional Institute of the Public Service of Canada
PPP	Public-Private Partnerships
PWGSC	Public Works and Government Services Canada
S&P	Standard and Poor's
SME	Small and Medium-sized Enterprises
START	Stabilization and Reconstruction Task Force
TCS	Trade Commissioner Service
USD	United States' dollars
U.S. DoD	United States Department of Defense