



Canadian Commercial Corporation  
Corporation Commerciale Canadienne



enhanced  
relationships and  
business  
excellence

Annual Report 2007-08



Canada 



# enhanced relationships and business excellence

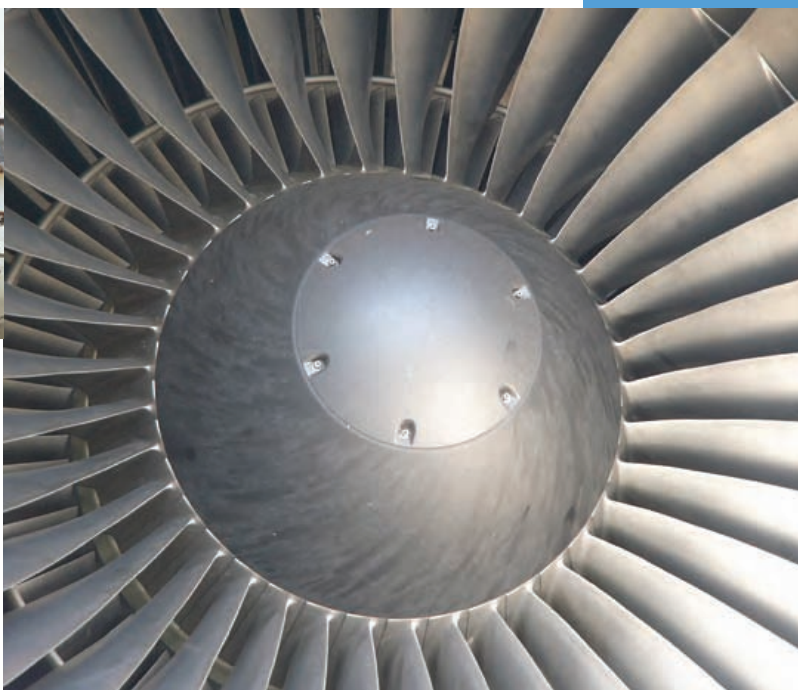
***For Canadian companies to succeed they must remain competitive, while adapting to a shifting global environment, and CCC is in a position to assist companies in this regard.***

## **Canadian Commercial Corporation**

*Headquartered in Ottawa, the Canadian Commercial Corporation (CCC) is a federal Crown corporation mandated to promote and facilitate international trade on behalf of Canadian industry, particularly within government markets. The Corporation's two business lines are structured to support Canadian companies contracting into the defence sector, primarily with the United States, and Canadian exporters contracting into emerging and developing country markets. CCC deals with almost 200 Canadian exporters operating in 33 countries, manages over \$1 billion of export contracts, and is able to offer exporters exceptional access to foreign government procurement opportunities through its government-to-government contract service.*

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## Performance Highlights

*The Corporation continues to focus on enhancing collaboration with its federal government partners by broadening and deepening key relationships.*

### 2007-08

Significant achievements include:

- **Total business volume of \$1.6 billion**
- **Operating surplus of \$2.5 million**
- **Contract billings of \$1.4 billion – the highest level ever achieved**
- **Additional contract and related costs of \$0.4 million – a 10 year low**
- **Active contracts in 33 countries and the pursuit of other opportunities in 17 countries**

Since 1946, the Canadian Commercial Corporation (CCC) has been working to increase demand for Canadian products and services around the world. As a Crown corporation and Canada's international contracting and procurement agency, CCC's prime public policy mandate is to promote and facilitate international trade on behalf of Canadian industry, particularly with foreign governments.

CCC accomplishes its mandate by leveraging the unique relationships it has developed

over its 60 years in operation to the benefit of Canadian exporters, while also focusing its business model in regions and with partners where the Corporation can make a difference. CCC's business is achieved through close collaboration with Canadian exporters, government departments and foreign government buyers. For foreign governments, CCC has the advantage of being a part of the Government of Canada, a trustworthy and reliable partner. Similarly, for the Canadian exporter, CCC is able to utilize the Government of



Canada's relationships with other governments to help these exporters move their projects forward. The Corporation also works within the Government of Canada to provide procurement expertise for other federal government departments and agencies that have an international focus.

CCC offers two principal services, both of which provide a secure and transparent government-to-government contracting platform giving foreign government buyers access to Canadian export capabilities: prime contractor service and procurement service.

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



It is the Corporation's firm commitment to the success of Canadian exporters that ensured 2007-08 was a successful year. Indeed, last year saw the culmination of critical initiatives that have focused the Corporation's strategic and corporate priorities over the past three years. These initiatives were based on the goal of achieving excellence by further investing in the people, structures and systems needed to successfully support Canadian companies and increase export sales in defence, and emerging and developing markets. In addition, CCC's business strategy was focused on developing more sophisticated relationships with its International Trade Portfolio partners – the Department of Foreign Affairs and International Trade (DFAIT) and Export Development Canada (EDC) – and other government departments, including the Department of National Defence (DND), the U.S. Department of Defense (DoD), Public Works and Government Services Canada (PWGSC), and the Canadian International Development Agency (CIDA). The result – the highest level of contract billing ever achieved – is tangible evidence of the success of the new strategy.

Going forward, the Corporation is striving to broaden its partnerships with Canadian exporters. CCC is working with Canadian companies and industry associations, such as the Canadian Manufacturers & Exporters (CME), the Canadian Chamber of Commerce, the Canadian Association of Defence and Security Industries (CADSI), and the Aerospace



*Performance Highlights (continued)*



Industries Association of Canada (AIAC), to define additional export markets and services to enhance Canadian penetration of these markets within the context of existing and evolving global supply chains.

Furthermore, CCC is working to strengthen Canada's competitive position through its support to small and medium-sized enterprises (SMEs), in addition to large firms. By developing new ways to leverage government and industry products and services, the Corporation continues to find ways to support SMEs while working within its identified levels of risk tolerance. The Corporation's services go beyond opportunity identification, as CCC is able to construct projects in such a way that they facilitate numerous smaller sub-contracts that require the unique capabilities of Canadian SMEs. In addition, CCC is increasing its efforts to enhance awareness with regard to its services to support SMEs by participating in the Minister of International Trade's SME Advisory Board and the CME's International Development Days, as well as hosting Corporate events like annual public meetings to promote stakeholder participation and feedback.



The Corporation will also continue to focus on enhancing collaboration with its federal government partners by broadening and deepening key relationships. CCC will continue to invest in its people, structures, and systems, while further refining its business strategies in defence, and emerging and developing markets. This direction will ensure that the Corporation's clients continue to receive excellent assistance from CCC's specialized contracting and procurement services, and thus that the Corporation remains an important vehicle for advancing Canada's strategic commercial interests.

## Message from the Chair

*"...good corporate governance is a critical factor in achieving business success and in fulfilling the Board's responsibilities..."*



Since its inception, CCC has played an important role in solidifying Canadian business on world markets and responding to Canadian exporters' needs. As an exporting nation, Canada relies heavily on international trade for its continued growth and prosperity. However, as the global trade environment continues to change there will be new challenges for Canadian exporters, which may require new strategies in order to ensure Canadian industry remains competitive. As Chair of CCC's Board of Directors I am confident that the right steps are being taken to ensure that the Corporation adapts to this changing environment by offering existing and new services that will continue to serve Canadians effectively.

Managing the Corporation for sustainable, long-term growth is the Board's priority, and I am pleased to say that CCC has in place the people, processes, and systems to support this objective and that our policies and practices align with management objectives and shareholder interests. Our Board of Directors believes that good corporate governance is a critical factor in achieving business success and in fulfilling the Board's responsibilities to our shareholder and stakeholders. We continually strive to improve Board functions as evidenced by Board orientation and learning. The Board is also improving shareholder and stakeholder involvement, for example, by holding the Corporation's first Annual Public Meeting in May 2008. As a Board, we know that these types of governance practices are important to effectively and efficiently achieve our corporate priorities.

The Board is active in shaping and approving CCC's strategic direction and ensuring that it is consistent with the views of its shareholder, as represented by the Minister of International Trade. Looking ahead to 2008-09, the Board has made certain that the Corporation's direction builds on the strong relationships developed over the last few years. As a result, CCC's Corporate Plan sets out a collaborative strategy for CCC's work within the International Trade Portfolio, as well as with other government departments, to work with and assist Canadian exporters by developing deeper and broader partnerships that will result in increased international trade.

I would like to take this opportunity to acknowledge a Director who has left the Board over the past year and whose contribution has been significant to the Corporation's past and future successes: Mr. Dave Stapley, President, DRS Technologies Canada Inc. I would also like to acknowledge CCC's past CEO, John McBride, whose focus and work was invaluable to the development of the Corporation. In addition, the Board welcomes incoming Board members: Mr. Robert Kay, Corporate Director, Dr. Sam Shaw, President & CEO, Northern Alberta Institute of Technology, and Mr. Stephen Sorocky, President & CEO, Virtek Vision International Inc. These appointments will expand the number of Directors to 11, signifying a full Board that will benefit from the depth of knowledge and leadership that these individuals bring.

A handwritten signature in black ink, appearing to read 'A. Curleigh'.

Alan Curleigh  
Chair



## Message from the President

*"It is becoming ever more important for the Corporation to track global changes and partner strategically to advance the interests of Canadian companies."*

As President of CCC, I am very proud of the accomplishments that have been attained in 2007-08; achievements which are all the more exceptional given the implementation of an extensive organizational transformation that began in 2005-06.

Over the past three years, we have worked to realign our business offerings to better match our government mandate, we have optimized service delivery by successfully introducing robust risk practices, we have reengineered contract practices, and we have implemented a new Enterprise Resource Planning system. We have also made substantial progress in building the capacity and skill sets required to effectively deliver the Corporation's services into the future, and we have signed a new four-year collective bargaining agreement with the Professional Institute of the Public Service of Canada.

In addition, 2007-08 saw the continuation of a cultural shift that moved the Corporation from a reactive organization to one that is more proactive and market-driven. CCC is working very closely with partners to identify opportunities for Canadian exporters abroad through targeted trade missions. The success of this strategy is perhaps best illustrated by CCC's participation in a Department of Foreign Affairs and International Trade trade mission to Angola, which aided the Corporation in identifying the region as a viable market for Canadian companies. The Corporation is now working to provide expert technical and managerial advice on infrastructure needs and opportunities in Angola, working with Canadian small and medium-sized enterprises to fulfill those needs.

In 2007-08, we also began to focus on the active role we play in working to strengthen Canada's competitive position through our

support to small and medium-sized enterprises, in addition to large firms. In December 2007, we were given the opportunity to participate in the Minister of International Trade's Small and Medium-Sized Enterprises Advisory Board where we met with Canadian companies who had worked with CCC in the past and who noted the essential role CCC played in helping them to export their products and services. The Corporation has also been working with Canadian industry associations, such as the Canadian Manufacturers & Exporters, the Canadian Chamber of Commerce, the Canadian Association of Defence and Security Industries, and the Aerospace Industries Association of Canada, to define additional export markets and services. This type of dialogue has better positioned the Corporation to understand the evolving nature of global trade, and to be able to respond with services that will continue to be effective for Canadian companies. It is becoming ever more important for the Corporation to track global changes and partner strategically to advance the interests of Canadian companies.

I am extremely proud of our 2007-08 results. For an organization of approximately 120 people, the above noted initiatives were an enormous amount of work. CCC succeeded in achieving almost \$1.6 billion in total business volume, and an operating surplus of \$2.5 million, while also minimizing its additional contract and related costs to a ten year low of \$0.4 million. In addition, CCC was able to build on key partnerships leading to better market access for Canadian exporters and strengthening Canada's place in the world with foreign government buyers. This is particularly evident as CCC had active contracts in 33 countries in defence, and emerging and developing markets.

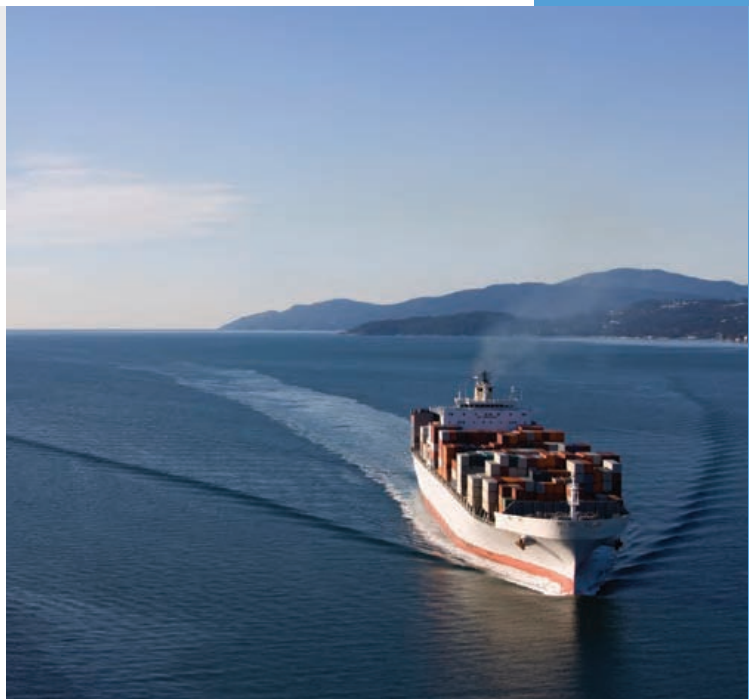


This momentum will carry CCC forward for another exceptional year in 2008-09. Looking ahead, we will refine our business development strategy to ensure sustained growth in the Corporation's two business lines. We will work with Canadian exporters and industry associations to help define CCC's value added possibilities in the evolving global trade environment. Working with federal government partners, such as the Department of Foreign Affairs and International Trade and Export Development Canada, as well as Canadian exporters, will enable us to define new markets that have high growth potential. We will work with international agencies, including the Canadian International Development Agency, civil society agencies, and Canadian industry, to better understand the linkages in specific geographic areas and the potential to leverage the contributions of key players to reduce poverty in developing countries while contributing to international trade. We will work with our military partners to better position the Canadian defence industry in complex military markets, leading to enhanced security and interoperability for Canada and its allies. We will also refine our products and services, thus adding greater value to help Canadian exporters as they navigate complex and ever changing international markets.

The past three years were focused on setting the Corporation's foundation. We are now moving forward, and will build on these successes to ensure that we are providing innovative products and services that are world class and help Canadian exporters increase their sales in international government markets.



Marc Whittingham  
**President**



## At a glance

### Contributing to the Success of the Canadian Defence Sector



#### Fact:

By building on long-standing relationships with U.S. DoD buying commands, CCC continues to help Canadian defence suppliers grow their business.

#### The story:

CCC facilitated the delivery of highly specialized Light Armored Vehicles (LAVs) assembled by General Dynamics Land Systems (GDLS) in London, Ontario, to the U.S. DoD under a program that spanned 10 years.

Through its long-standing relationships with the U.S. DoD and GDLS, CCC's Defence business unit laid out a strategy to solidify these relationships. This strategy specifically targeted U.S. buying commands, increasing meetings and linkages between the Corporation and the U.S. DoD decision-makers across all levels of the organizations. Efficiencies were also achieved in CCC's business processes to verify all previous contractual arrangements for the Mine Resistant Ambush Protected (MRAP) armored vehicles project. All of these factors contributed to increased visibility for Canadian-made LAVs, thus resulting in \$500 million signed for future orders that will benefit the Canadian economy through direct hires and sub-contracts to other Canadian firms.

#### Fact:

By linking Canadian technology and defence solutions, CCC continues to reinforce Canada's contribution to the North American defence industrial base and Homeland Security.

#### The story:

CCC provided three Bombardier Dash-8 aircraft outfitted by Field Aviation under the Maritime Patrol Program.

With additional contracts for three Dash-8 aircraft built by Bombardier in Toronto, Ontario and outfitted by Field Aviation in Downsview to provide a total solution to the buyer, CCC continued to build on existing relationships that have already seen the delivery of four aircraft to ATK for delivery to U.S. Customs and Border Patrols. This program represents contracts worth over \$100 million under prime contract agreements between Bombardier, Field Aviation and CCC and ATK in the U.S. The Maritime Patrol Program is an example of CCC's continuing contribution to a strong and integrated North American defence industrial base.

## Contributing to International Development Efforts

### Fact:

By working closely with EDC in emerging and developing markets, CCC strategically positions Canadian companies for key international infrastructure projects.

### The story:

CCC entered into a contract with the Dominican Republic and Dessau to build the Guajimia-Santo Domingo Canal with a total project value of \$110 million.

When the Corporación del Acueducto y Alcantarillado de Santo Domingo (Water and Sanitation Corporation) needed to find a viable solution to problems related to garbage strewn in the open-air canals of the storm and sanitary drainage systems that were causing regular flooding in the west end of Santo Domingo, the capital of the Dominican Republic, it turned to Dessau, a leading Canadian engineering and construction firm. Through a prime contract with CCC, Dessau was able to move ahead with an innovative approach that will completely redevelop the area by replacing the open-air canals with underground storm and sanitary drainage systems, thus ensuring quality sanitation systems for the local population.

### Fact:

By closely monitoring its projects and ensuring continual progress reporting, CCC makes sure that its large-scale Engineering Procurement Construction Management projects (EPCM) respect time and budgetary requirements.

### The story:

CCC continues to monitor the New Quito International Airport's construction and reports positive project advancement, while proactively engaging with local and national stakeholders.



In 2006, CCC signed a \$413 million contract to act as prime contractor for the construction of the New Quito International Airport in Ecuador. CCC's role is to guarantee that the terms of the contract with CORPAQ, the local government entity, are respected by AECON, a Canadian construction firm, and that the project is on schedule. This commitment is accomplished by following a detailed monitoring plan, including an on-site Liaison Officer and regular site visits by CCC Account Executives and senior representatives. To date, the project is progressing according to the construction schedule, with various milestones reported on throughout the course of the project. CCC is proud of its involvement with this project, as the New Quito International Airport is anticipated to act as a hub for regional trade, while also further solidifying the Canadian government's relationship with Ecuador. In addition, the success of this project will facilitate collaboration on future projects in the region.

## Corporate Governance

As a Crown corporation under Schedule III Part I of the *Financial Administration Act* (FAA) and wholly owned by the Government of Canada, CCC reports to Parliament through the Minister of International Trade. CCC is governed by a Board of Directors that is responsible for the affairs of the Corporation. The Board exercises its responsibilities in keeping with the general provisions of Part X of the FAA, as well as the provisions of the *Canadian Commercial Corporation Act*. In monitoring the financial management, reporting and auditing of the Corporation's performance, CCC's strong accountability structure is reinforced.

### Board Mandate and Public Policy Role

CCC's Board of Directors provides leadership and guidance to the Corporation's management team, and sets the Corporation's strategic direction. It is composed of a Chairperson, the President & CEO, and nine Directors appointed by the Minister of International Trade and approved by the Governor in Council. The Board approves the five-year Corporate Plan and the Annual Report, both of which are tabled in Parliament, and meets as required (usually quarterly) to review the Corporation's overall operation, receive committee reports, and discuss CCC's performance against objectives. In addition, the Board undertakes regular assessments of its effectiveness (and the contributions of each Director) by means of a peer-review exercise designed to improve individual and collective performance.

Risk management continues to be a focus of the Board. In carrying out its work, the Corporation manages three distinct categories of risk: strategic, operational and transactional. Although CCC adheres to appropriate guidance in assessing risk, it is committed to strengthening its strategic risk management framework through the implementation of its Enterprise Risk Management (ERM) program, which systematically identifies and prioritizes risks to the Corporation, and allocates resources accordingly.

Phase one of the ERM program, which had significant participation and support from the Board, saw the development of the overall ERM Framework. This resulted in updated risk tolerance and risk appetite statements and also clearly identified the corporate structures in place to manage risk. Phase two required CCC to collect and consolidate risk information from the business units in an effort to better manage risk when developing strategic objectives. CCC is now in the final phase of the implementation of the ERM program, which will ensure that risk tolerance levels are properly maintained and that continuous improvement related to risk management is implemented across the Corporation.

Going forward, ERM will continue to play a fundamental role at CCC, especially in relation to the contract management improvement initiative, which is a key corporate objective for 2008-09. CCC will also work to ensure that a well-managed risk management process is part of the corporate culture.

## Board Committees' Mandate, Activities and Membership

CCC's Board of Directors is led by an independent, non-executive Chair and conducts its oversight functions in concert with key Board committees as detailed below. The following charts outline committee membership and attendance.

### Committee membership:

Board Member	Audit	CIC	Governance	HR	ERP Working Group
Alan Curleigh (Chair)	<i>ex officio</i>	X	<i>ex officio</i>	<i>ex officio</i> (Acting Chair)	<i>ex officio</i>
Andrew Saxton	X		X		X
Norman Turnbull	Chair		X		Chair
Peter Wright			Chair	X	
Martine Corriveau-Gougeon	X	Chair			X
Ken Sunquist		X		X	
Dan Ross		X			X
Stephen Sorocky*					
Sam Shaw*					
Robert Kay*					
Marc Whittingham (CEO)		<i>ex officio</i>	<i>ex officio</i>	<i>ex officio</i>	

\*Mr. Sorocky, Dr. Shaw and Mr. Kay were appointed to the Board of Directors on December 14, 2007, and will be elected to Committees following the June 2008 Board Meeting.

As of March 31, 2008

### Board of Directors meeting attendance:

Board Member	April 2007	June 2007	October 2007	December 2007	March 2008
Alan Curleigh (Chair)	X	X	X	X	
Andrew Saxton	X	X	X	X	X
Norman Turnbull	X	X	X	X	X
Peter Wright	X	X	X	X	X
Martine Corriveau-Gougeon	X	X	X	X	X
Ken Sunquist	X	X	X	X	X
Dan Ross	X	X	X	X	X
David Stapley*	X	X	X		
Stephen Sorocky**					
Sam Shaw**					X
Robert Kay**					X
John McBride (former CEO)***	X	X			
Marc Whittingham (CEO)****			X	X	X

\* Mr. Stapley ceased to be a member of the Board on October 4, 2007.

\*\* Mr. Sorocky, Dr. Shaw and Mr. Kay were appointed to the Board on December 14, 2007.

\*\*\* Mr. McBride resigned as President and CEO as of October 1, 2007.

\*\*\*\* Mr. Whittingham was appointed President and CEO on October 3, 2007.

As of March 31, 2008



*Corporate Governance (continued)*

***“...to increase Canadian exports through international procurement where government intervention is necessary.”***

- **The Audit Committee** deals primarily with matters related to sound financial and risk management practices, accurate and ethical reporting, and audit functions. With respect to its audit activities, the Committee oversees the annual financial audit, the Office of the Auditor General of Canada (OAG) special examination and the internal audit function. Audit Committee meetings are attended by the internal auditor and representatives from the OAG.
- **The Commercial Initiatives Committee (CIC)** oversees the Corporation's procurement and international contracting business by reviewing and approving all capital projects, all projects valued in excess of \$100 million, and any other projects that are deemed to be at risk or are referred by management to the Committee for consideration. It also reviews ongoing risk analyses of projects and approves proposed new business lines and products.
- **The Governance Committee** develops and implements practices and procedures to ensure that the Board of Directors and the Corporation operate effectively and in accordance with a high standard of corporate governance.
- **The Human Resources (HR) Committee** conducts candidate identification and recommendation for the positions of Board Chairperson, Directors and President. It also reviews, together with the Chairperson, the performance of the President, and reviews and recommends the appointment of corporate officers as well as compensation-related issues.
- **The Enterprise Resource Planning (ERP) Working Group** has been overseeing the selection and implementation of the new ERP system. It has assisted Management by providing guidance, particularly with regards to project definition and assessment of the analysis and work that has been performed to date, and makes recommendations to the Board.

**Strategic Direction for 2008-09**

In December 2007, the Board of Directors approved CCC's 2008-09 Corporate Plan, which sets the Corporation's strategic direction, and is consistent with the Minister's 2007 Statement of Priorities and Accountabilities for CCC. The overall policy objective remains "to increase Canadian exports through international procurement where government intervention is necessary." This objective is accomplished through unique relationships and international contracting and procurement expertise. As such, CCC's 2008-09 Corporate Plan sets out a collaborative strategy for CCC's work with DFAIT, EDC, DND and other government departments to assist Canadian exporters in these complex public sector markets by developing deeper and broader partnerships that will result in increased international trade. CCC's 2008-09 Corporate Plan outlines six strategic objectives, which are as follows:



## Defence

- maintaining and expanding the Defence Production Sharing Agreement (DPSA) program, enabling Canadian exporters to access the U.S. defence market;
- refining the defence business strategy to increase business with non-U.S. government buyers by increasing the number of procurement service transactions and joint procurement opportunities via developed links with DND and DFAIT;
- creating additional business via the U.S. DoD, Foreign Military Sales (FMS) organization and maintaining capacity to effectively respond to the demands for our services generated by established suppliers and foreign government buyers;

## Emerging and Developing Markets

- working with DFAIT and EDC to implement a joint market selection and development strategy, while strengthening relationships with EDC in markets it is already pursuing;
- building on the agreement with EDC to implement a longer-term Cuba strategy supporting Canadian exporters in that region; and
- implementing a successful Memorandum of Understanding (MOU) with DFAIT and marketing this model to other government departments.

In addition, CCC has three corporate objectives for 2008-09:

- implementing the new ERP system;
- instituting a contract management improvement initiative; and
- finalizing the ERM program.

## Corporate Governance Practices

CCC maintains a high standard of corporate governance. The Board of Directors has carefully considered the Corporate Governance Guidelines set forth in the *Governance Framework for Canada's Crown Corporations* and now fully complies with all relevant measures applicable to the Corporation. CCC adheres to the *Privacy Act*, the *Access to Information Act*, the *Federal Accountability Act*, and has introduced an internal whistle-blowing process to ensure compliance with the newly implemented *Public Servants Disclosure Protection Act*. CCC is also working towards improving shareholder and stakeholder involvement, including by holding its first Annual Public Meeting in May 2008.

## 2007-08 Strategic Objectives and Performance Against Objectives

The 2007-08 to 2011-12 Corporate Plan set out a process for enhanced relationships and business excellence, and built on the priorities of strategic realignment and organizational transformation outlined in the 2005-06 and 2006-07 Corporate Plans. With the restructuring that began three years ago complete, CCC was able to focus on solidifying its two business lines, Defence and Emerging and Developing Markets (EDM), while also initiating a cultural shift from a practice of being reactive to individual Canadian exporters to now being proactive with potential foreign buyers. As the Corporation's performance indicates, CCC has been working to achieve this with considerable success while also developing strategic partnerships with Canadian government entities and industry associations in support of the community of exporters.

The 2007-08 Corporate Plan outlined strategic objectives for each business unit. A key element of the Plan was working closer with the Corporation's International Trade Portfolio partners, DFAIT and EDC, as well as other government departments and agencies including DND, PWGSC, CIDA, and U.S. DoD to develop more sophisticated partnerships that will better support Canadian exporters and increase Canadian international trade.

The Defence business unit had two main objectives: first, to work with the U.S. DoD to solidify and formalize the relationship with the Defense Security Cooperation Agency (DSCA) to provide Canadian exporters with more opportunities abroad; and second, to work more closely with DND to identify more opportunities for joint procurement projects with allied nations. In addition to these objectives, the Corporation also committed to continuing to reinforce the Canadian contribution to the North American defence industrial base.

In CCC's second business unit, EDM, the Corporation had three main objectives: first, to work with EDC to identify and pursue opportunities for exporters where EDC is already providing financing to foreign public sector buyers, such as in Asia; second, to collaborate with EDC to develop a new model for additional Canadian business in Cuba; and third, to work with DFAIT, EDC and CIDA to identify and pursue opportunities for Canadian exporters in markets such as Africa and Latin America.

Finally, CCC's 2007-08 Corporate Plan outlined three broad corporate-wide objectives, fundamental to being a well-managed, effective and efficient organization. In its quest for continued improvement, CCC invested in the people, structures, and systems necessary to optimally deliver services in the future. For example, the Corporation improved and entrenched the ERM Framework introduced in 2005-06, through business process improvement and contract management improvement initiatives. In addition, CCC implemented a new ERP system. CCC also focused on developing a renewed corporate human resources strategy to enable the Corporation to continue to foster continuous learning, meaningful engagement and a dynamic work culture.

### Defence Business Unit Performance Against Objectives

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

Last year was another successful year for CCC's Defence business line, which signed

over \$1.5 billion in contracts in support of Canadian firms. This success illustrates the Corporation's commitment to building on its legacy of being a leader in assisting Canadian businesses export aerospace, defence and security products and services worldwide. As in past years, CCC's defence business focused on sales to its long-term client, the U.S. DoD, however, emphasis was also placed on working closer with other key partners to develop more sophisticated relationships globally, and to reinforce the Canadian contribution to the North American defence industrial base by expanding opportunities outside the U.S. DoD market.

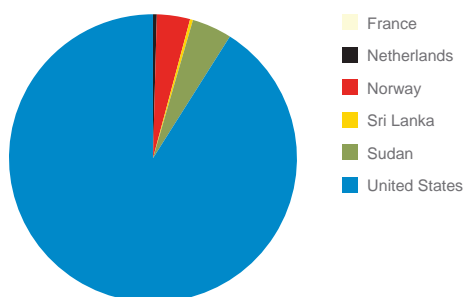
#### **Work with the U.S. DoD to solidify and formalize the relationship with the Defense Security Cooperation Agency**

CCC's 2007-08 Corporate Plan highlighted the Corporation's ongoing commitment to strengthening the relationship with the U.S. government while also examining other ways to work together to achieve a strong North American defence industrial base. As such, the Corporation sought to continue to work closely with the U.S. FMS organization, the DSCA, in order to identify additional opportunities for Canadian exporters.

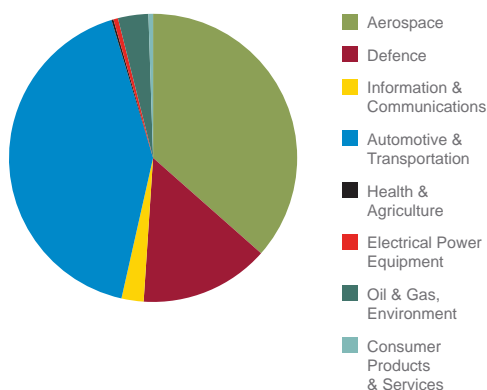
CCC works with foreign buyers, either directly with the U.S. DoD or through the DSCA, which is the American governmental agency that manages the FMS program. With annual sales of approximately \$18 billion USD, the DSCA provides foreign buyers with procurement processes similar to those the U.S. government uses to procure its own materials. CCC is able to work through the DSCA to provide goods and services to the U.S. DoD, which are then offered to other allied militaries.

In order to solidify this relationship, the Corporation strategically engaged senior officials who influence the DSCA FMS programs. This strategy resulted in a better understanding of the DSCA and FMS system, facilitating the identification of opportunities for Canadian suppliers of defence products. It also highlighted the importance of having a thorough understanding of the role of other U.S. government departments and agencies that affect DSCA decision making, such as the Office of the Secretary for Acquisition, Technology and Logistics (ATL). Going forward, the Corporation will continue to create additional business through ever deepening links within the DSCA and other U.S. DoD units that relate to foreign military sales.

**Defence- 2007-08  
Business Volume by Country**



**Defence - 2007-08  
Business Volume by Sector Group**



### *Strategic Objectives (continued)*

#### **Work closely with DND to identify more opportunities for joint procurement projects with other allies**

In 2007-08, the Corporation committed to further cultivating its traditional relationship with DND in order to identify more opportunities for joint procurement, with a goal of increasing Canadian export sales. This priority builds on the previous years' success of increasing the value it provides to DND by developing linkages within the department's international network to gain a greater understanding of the defence equipment requirements of Canadian allies.

Last year, CCC was able to further leverage its relationship with DND by forging even

stronger partnerships at the executive and working levels. This was achieved through greater collaboration with individual units within DND, including Defence Research and Development Canada (DRDC), DND's Director General International and Industry Programs (DGIIP), Director General Political (Asia), and the Offices of Air/Sea/Land Requirements. The success of this objective was aided by the appointment in 2006-07 of DND's Assistant Deputy Minister of Materiel to the Corporation's Board of Directors. These relationships allowed us to validate the direction of our defence line and develop new opportunities for Canadian exporters with allied militaries. In addition, CCC is now better positioned to identify opportunities stemming from DND's international cooperation agreements.

#### **Fact:**

By working with allied militaries and DND, CCC is able to leverage potential joint-procurement opportunities to create additional business for Canadian exporters.

#### **The story:**

CCC completed a C130 overhaul project for the Royal Norwegian Air Force, which resulted in additional opportunities under an umbrella PSA with Norway.

When the Royal Norwegian Air Force needed to find an overhaul solution for their C130 aircraft, they turned to their Canadian counterparts at DND who were facing a similar challenge. Through CCC's network of contacts, and on-going collaboration with DND procurement personnel, the Corporation was able to develop a solid proposal and sell the Canadian solution offered through L3 Communications SPAR Aerospace in Edmonton, Alberta. Once the contract was completed successfully, CCC and the Norwegian Air Force structured an agreement for the purpose of signing additional requirements. The resulting umbrella PSA has led to an acquisition contract for six P3 wing kits, for \$55 million, to be installed by IMP Aerospace Limited in Halifax, Nova Scotia. The work will be conducted over a four-year period beginning in 2009 and is expected to create up to 100 new jobs. Due to the success of this model, CCC is engaging with other allied countries, such as Denmark, Sweden and the Baltic states, to reproduce the PSA formula for their requirements.

CCC's enhanced relationship with DND has resulted in Canadian export sales to the Netherlands and Norway, and has initiated discussions in Denmark, and other Northern European and Baltic states. For instance, by working closely with DND, CCC was able to identify an opportunity with the Royal Norwegian Air Force. This project resulted in multiple contracts with Norway, and the establishment of an MOU between CCC and the Norwegian Air Force for future procurement opportunities.

Going forward, CCC will continue to develop Defence business strategies to increase business with non-U.S. government buyers, by focusing on increasing procurement service offerings and joint procurement opportunities through developed links within DND.

#### **Reinforce the Canadian contribution to the North American defence industrial base**

In 2007-08, CCC committed to continuing efforts to strengthening the North American defence industrial base by encouraging a stronger DPSA program and facilitating additional procurement opportunities for Canadian exporters with the National Aeronautics and Space Administration (NASA).



The success of Canadian exporters in the defence market is contingent on a strong Canada-U.S. relationship. CCC is a fundamental part of this relationship as it is the responsible organization for managing the DPSA within the Canadian government. As part of this relationship, CCC acts as prime contractor for contracts over USD \$100,000, and subcontracts the goods and services to Canadian companies. Under the DPSA, Canadian companies are treated as important partners in an integrated North American defence industrial base and can access procurement opportunities with the U.S. DoD on a more even playing field with their American counterparts.

By building on long-standing relationships with the U.S. DoD buying commands, CCC continued to help Canadian defence suppliers access opportunities. For instance, in 2007-08 CCC facilitated the delivery of highly specialized LAVs that were assembled by GDLS in London, Ontario to the U.S. DoD. This program has spanned 10 years, and has contributed to increased visibility for Canadian-made LAVs, thus resulting in \$500 million of new orders for CCC, which will benefit the Canadian economy through direct hires and sub-contracts with Canadian SMEs, and will contribute to a stronger North American defence industrial base.

In 2007-08, the Corporation also worked to institute a stronger DPSA program by helping to increase understanding of the types of capabilities to be found in Canada, and how they can be accessed. In January 2007, CCC, in close cooperation with the U.S. Defense Acquisition University (DAU), initiated, developed and implemented a *Contracting with Canadian Companies* tutorial. To date over 500 U.S. defence procurement officials and interested parties have taken this course, signalling increased knowledge of Canada's defence industry and CCC's role in linking Canadian capabilities to U.S. DoD needs.

In addition, in an effort to demonstrate the Corporation's commitment to instituting a stronger DPSA program, CCC became a member of an interdepartmental working group, which

## Fact:

By showcasing leading Canadian aerospace technology, CCC contributes to strengthening the Canadian supply base in key value-added sectors.

## The story:

CCC managed the contract for Dextre, a robotic arm designed and built by MacDonald, Dettwiler and Associates Ltd (MDA) for NASA and the International Space Station.

The Corporation's involvement in the Canadian robotic arm project has a long history. Over the past 15 years, CCC arranged contractual agreements totalling over \$539 million for the engineering services and technical components of one of Canada's best-known and innovative contributions to space exploration. CCC has been involved with the development of this technology via a series of follow-on contracts with NASA's Johnson Space Center undertaken initially by SPAR Aerospace and after their acquisition (in late 1999) by MDA. The latest project that has entered the upper stratosphere is for the Shuttle Remote Manipulator System, Inspection Boom Assembly and Robotic Work Station, part of Canada's contribution to the International Space Station, and is composed of Dextre, a sophisticated two-armed robot and Canadarm2, a moveable work platform.

included DND, DFAIT, PWGSC, and Industry Canada. This progress has been in support of initial work that had been spearheaded by DND toward a renewed DPSA, to be called the Canada/U.S. Reciprocal Defence Procurement Agreement. CCC is also now an active participant in the U.S./Canada Armaments Cooperation Committee, chaired by DND's DGIIIP and the U.S. DoD ATL.

Many of CCC's clients are either subsidiaries of U.S. firms or have strong relationships with U.S. firms. There are a myriad of sub-contractors, on both sides of the border, that benefit greatly from these contracts. For instance, Pratt and Whitney Canada is the subsidiary of United Technologies. In 2007-08, CCC contracted over \$20 million of U.S. DoD business for airplane engines made in Canada. CCC has also contracted \$44 million of U.S. DoD business over the year for landing gear made

### **Strategic Objectives (continued)**

in Canada by Goodrich, and Heroux Devtek. GDLS Canada, which designed and builds the Stryker, contracts through CCC directly to the U.S. DoD and to third countries via the U.S. FMS system.

CCC also facilitates procurement for NASA from Canadian sources in an agreement similar to the DPSA. While it remains optional for NASA to work with Canadian exporters through CCC, over 90% of all NASA work from Canadian sources is managed through CCC, demonstrating the Corporation's value to NASA and Canadian exporters.

Going forward, CCC will continue its commitment to strengthening the Canadian contribution to the North American defence industrial base by facilitating procurement opportunities for Canadian exporters through the DPSA and NASA.

### **Develop more sophisticated relationships with key partners**

An overarching goal in 2007-08 was to develop more sophisticated relationships with key partners beyond DND and U.S. DoD. For CCC's defence business, this goal signified enhancing key partnerships within the Canadian government, particularly with DFAIT, to increase awareness of CCC services and help to facilitate future opportunities. The Corporation is in a position to support the Department's mandate through its ability to react quickly to defence needs in priority regions.

For instance, in 2007-08, as part of the Corporation's ongoing external outreach activities, CCC initiated and developed a joint approach to business planning and execution relating to DFAIT's Trade Commissioner Service (TCS), both U.S. and global. CCC briefed outgoing Ambassadors, Senior Trade Commissioners, and Military Attachés to ensure an accurate understanding of CCC's services and messages to buyers. In addition, CCC provided defence specific training to DFAIT's Quebec Regional Trade Office, which has resulted in the increased cooperation, understanding and effectiveness of the TCS when responding to CCC related inquiries.

Overall, relationships with over twenty missions abroad, including the Philippines, Brunei, Denmark and Norway, were positively impacted through this increased dialogue, which resulted in an improved understanding of CCC's services to support Canadian exporters in addition to an increased awareness of Canadian defence technologies and capabilities. For example, Canadian defence capabilities include: specialized optical equipment for the space shuttle launch and dockings, landing gear and jet engines for the airforce, communications equipment and ammunition for soldiers, light armored vehicles for protection and operational requirements in difficult theatres, and radars to assist in efforts to combat terrorism. This strategy resulted in the better filtering of potential projects and the identification of other opportunities for Canadian exporters.

### **Fact:**

By responding quickly and sourcing the right goods and services, CCC is able to fulfill complex and timely supply arrangement services for the Government of Canada.

### **The story:**

**CCC arranged for the supply of rotary and fixed wing air service and support for AMIS in response to a CIDA and DFAIT requirement.**

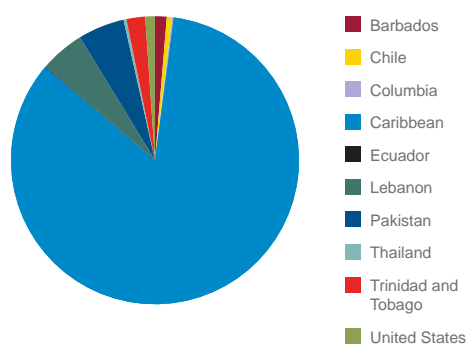
CCC's excellence in contracting and procurement played a vital role in meeting Canada's commitment to promoting peace in the Darfur region of Sudan. Over a two-year period, CCC was able to quickly respond to urgent requirements in an increasingly difficult environment, providing the equipment and on the ground support needed to ensure flight crew safety and on-going fuel supply to support AMIS at several remote posts. These projects represented a total project value of over \$100 million, with CCC responsible for developing a request for proposals, running a competition, evaluating proposals and picking a winner for CIDA and DFAIT and having aircraft in Sudan in a matter of weeks. The quick turnaround and precise knowledge of a complex international supply arrangement was the genesis of the DFAIT MOU that now utilizes CCC's expertise to meet Canada's international policy objectives.

Evidence of CCC's success at deepening its relationships with DFAIT for the benefit of Canadian exporters includes critical projects with the African Union Mission in Sudan (AMIS) for the supply of rotary and fixed wing air service in response to a CIDA and DFAIT requirement. These projects represent approximately \$100 million over the past two years, and demonstrate CCC's ability to react quickly to meet Canadian government objectives.

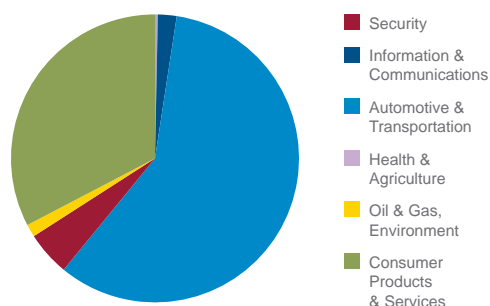
### Emerging and Developing Markets Business Unit Performance Against Objectives

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

**EDM- 2007-08  
Business Volume by Country**



**EDM- 2007-08  
Business Volume by Sector Group**



### Fact:

By strengthening the security of Ecuadorian passports and promoting the renewed documents through the IOM, CCC is able to contribute to increased security in the Americas and to promote leading Canadian security technology.

### The story:

CCC lent its support to a joint IOM/Ministry of Foreign Affairs of the Republic of Ecuador promotional campaign for Ecuadorian passports – that were renewed through a CCC project with Canadian Bank Note (CBN), a world-leader in secure passport solutions.

Through a prime contract between CCC and IOM, following a request by the Ministry of Foreign Affairs of the Republic of Ecuador, CBN installed a machine readable passport issuing system and related consular issuing systems, and border control sites in Ecuador and abroad. With a total project value of \$6.5 million, the first phase of three completed phases of the project was initiated in October 2002. As part of Phase IV of the CBN project in Ecuador for the addition of 119 data capture sites internationally, IOM and the Ministry of Foreign Affairs undertook a successful promotional campaign to promote the new passport service points to Ecuadorians living abroad.

CCC's strategy in emerging and developing markets has played an important role in international development efforts. For instance, by strengthening the security of Ecuadorian passports and promoting these renewed documents through the International Organization for Migration (IOM), CCC was able to contribute to increased security in the Americas, while also promoting leading Canadian security technology.

Last year was a substantive year for the EDM business unit, as it involved the adoption of a new approach to supporting Canadian exporters based on enhanced relationships with key federal government partners, namely DFAIT, EDC, and CIDA. By leveraging these enhanced relationships, CCC helped Canadian exporters access over \$80.5 million of business in emerging and developing markets.

### ***Strategic Objectives (continued)***

#### **Work with EDC to identify and pursue opportunities for exporters**

The 2007-08 Corporate Plan committed CCC to working closer with EDC to identify opportunities where their respective service offerings and areas of expertise can be jointly leveraged to offer a comprehensive package to foreign buyers interested in acquiring and financing Canadian products and services.

Over the past two years, the Corporation has successfully aligned its market development efforts with EDC's business model. The focus has been on connecting CCC's government-to-government contracting and procurement services with EDC's finance and insurance offerings for the benefit of Canadian exporters.

This strategy has contributed to the identification of further opportunities for Canadian exporters, particularly in priority sectors related to water, energy and transportation in countries like Angola, Panama, India and the Dominican Republic. For instance, CCC entered into a contract with the Dominican Republic and Dessau to build the Guajimia-Santo Domingo Canal. This project will ensure quality sanitation systems for the local population.

This strategy has set the foundation for developing a new model for Canadian business in the Caribbean. CCC's success is evidenced by the progress that has been made on the Joint Market Selection and Development Strategy between CCC, DFAIT, and EDC, which will be ready for piloting in 2008-09. Through this collaboration, CCC has been able to actively target viable markets, thus identifying future opportunities for Canadian exporters.

#### **Collaborate with EDC to develop a new model for Canadian business in Cuba**

Over the past 16 years, CCC has established strong working relationships in Cuba for the delivery of equipment, goods and services from Canadian companies mainly for the sugar and tourism industries. CCC's work in the Cuban market has been significant, generating

business volume in the range of \$40 million to \$70 million per year over the past six years.

For 2007-08, CCC committed to developing a new model for Canadian business in Cuba. While this model is still under development, the Corporation was successful in signing an MOU with EDC in January 2008, which will enable CCC and EDC to work together in the Cuban market in order to continue assisting Canadian exporters while managing CCC's risk exposure.

In addition, the formalization of CCC's relationship with EDC assisted in setting the stage for Cuba's commitment to pay down its arrears on the Canada Account by mid 2009-10. This commitment, in turn, has led to strengthened engagement by the Department of Finance in discussions related to a future strategy for sustaining CCC's business activities in the region.

This collaborative effort furthers the commitment the Corporation made to work more closely with its International Trade Portfolio partners for the benefit of Canadian exporters. Going forward, CCC will continue to work with EDC to implement a longer-term Cuba strategy, while also continuing to work with EDC in areas it is already pursuing.

#### **Work with DFAIT and CIDA to identify and pursue opportunities**

CCC is committed to developing more sophisticated partnerships that can better support Canadian exporters and increase Canadian international trade. In 2007-08, CCC planned to develop stronger institutional relationships with DFAIT and CIDA to enable the Corporation to assist these departments to deliver the procurement, contracting and supply arrangement components of their development and assistance programs for the benefit of Canadian exporters.

The 2007-08 Corporate Plan saw the Corporation undertake a detailed analysis of its work in emerging and developing markets, and evaluated possible success strategies for working in

this area. From this analysis, it became evident that a tri-partite approach with CCC's portfolio partners, DFAIT and EDC, was likely to yield the strongest results for Canadian exporters. As such, the Corporation worked with these partners to develop a strategy for working together in emerging and developing markets. The result has been a Joint Market Selection and Development Strategy for government-to-government infrastructure projects.

In addition, as part of the Joint Market Selection and Development Strategy, the Corporation has initiated engagement of Canada's business sector in forward planning efforts. For instance, a planning and consultation meeting was held in January 2008 with members of key Canadian Engineering Procurement Construction/Construction Management (EPC/CM) players. Their continued engagement represents a key component of the Corporation's EPC/CM outreach strategy.

In addition, CCC is helping DFAIT to achieve its mandate abroad by developing a procurement service offering for DFAIT's Global Peace and Security Fund and Counter-Terrorism Capacity Building Program (CTCBP), which can be used as a model for partnerships with other government departments. Moreover, in 2007 CCC signed an MOU with DFAIT, which enables the Corporation to work with the Stabilization and Reconstruction Task Force (START) managed by the Department. This MOU helps DFAIT to deliver goods and services for international end-use and assists the Department in meeting its global stabilization and reconstruction priorities. DFAIT has been very pleased with the strength of the relationship and the quality of services CCC provided for the START program through 2007-08. As such, in 2007-08, the Corporation continued to align its procurement strategies more closely with DFAIT and was successful in amending this MOU to include the Global Partnerships Program. Efforts in 2008-09 will focus on formalizing the relationship's governance mechanisms and attaining heightened results for the initiative.

## Fact:

By putting in place an explicit framework to respond to requirements for DFAIT, CCC is able to identify and pursue additional opportunities for Canadian exporters.

## The story:

CCC signed an MOU with DFAIT that calls for the Corporation to respond to sourcing requirements for START by locating and delivering Canadian goods and services for the Department's missions and programs abroad.

In 2007, CCC signed an MOU with DFAIT that enables the Corporation to work with START, managed by the Department. This MOU helps DFAIT deliver the goods and services it needs for international end-use and assists the Department in meeting its global stabilization and reconstruction priorities. DFAIT has been very pleased with the strength of the relationship and the quality of services CCC provided for the START program through 2007-08. For example, CCC researched price and availability from potential Canadian suppliers for nine sourcing requirements for the Department. The Corporation also worked on projects to provide border security equipment for Pakistan and coastal patrol boats to Lebanon. DFAIT and CCC have continued to build on the success of this partnership and have amended the MOU to include the Global Partnerships Program.

With regard to CIDA, CCC was engaged by the Agency in a procurement project to provide the logistical support for the 38th Annual Meeting of the Caribbean Development Bank (CDB) which Canada hosted in Halifax, Nova Scotia in May 2008. This initiative will position CCC to respond to the Minister of International Cooperation's 2008-09 priorities related to development efforts in South America, the Middle East and the Gaza Strip. In addition, late in 2007-08, the Corporation was approached by CIDA to assist with a procurement initiative in the Middle East. These efforts should form the basis for a stronger cooperative relationship in 2008-09 and future years.



## Strategic Objectives (continued)

### Fact:

By responding quickly to urgent requirements for CIDA, CCC is able to meet a variety of supply arrangement needs.

### The story:

CCC was engaged by CIDA to organize all logistical activities for the CDB Annual Meeting of the Board of Governors.

Building on its experience with the Jeux de la Francophonie and the Sommets de la Francophonie, CCC was engaged by CIDA to arrange all logistical and communication requirements for the CDB Annual Meeting of the Board of Governors, which was held in May 2008 in Halifax, Nova Scotia. In order to provide the level of support needed to ensure a seamless event, CCC set up a Host Country Secretariat to centralize all of the event management requirements. This project will position CCC to better respond to the Minister of International Cooperation's 2008-09 priorities related to development efforts in many regions across the globe. These efforts should form the basis for a stronger cooperative relationship between CIDA and CCC for 2008-09 and future years.

### Build on the ERM Framework through the implementation of an ERP system

In 2007-08, the Corporation focused on completing the implementation of the ERM program that was introduced in 2005-06. Initiatives related to business process improvement and the implementation of a new ERP system support this high-level view of risk management. Following the OAG's recommendations in 2004-05, CCC engaged in an assessment of how its strategic, operational and transactional risks impacted the Corporation's ability to meet its corporate objectives. The results were used to develop a corporate risk profile, and now form part of the new risk management practices within CCC.

Last year, CCC developed and introduced new risk management processes based on the ERM Framework that was approved by the Board of Directors in June 2006. As a result, CCC developed and introduced improved financial management practices to ensure sound internal controls and an optimum treasury function. The Corporation has now successfully completed the implementation of the ERM Framework and is focusing on ensuring that it is properly maintained and that continuous improvement related to risk management is implemented across the Corporation.

### Strategic and Corporate Performance Against Objectives

CCC's success at delivering on its business strategies was directly related to the Corporation's implementation of its corporate priorities. The organizational focus for CCC over the last three years has been on achieving clarity of mandate and purpose, and determining the people, processes and systems necessary to support the achievement of the Corporation's objectives. Last year, the Corporation introduced the ERP system, improved its ERM efforts and introduced contract management improvement initiatives. The result has been a clearer understanding of CCC's core business – connecting Canadian exporters to foreign government buyers – supported by strengthened support through practices related to people, processes and systems. CCC has instituted measures to ensure that the Corporation is able to serve the Government of Canada effectively and accountably.

Also in 2007-08, CCC initiated a contract management improvement process, which is considered to be the first initiative in a continuous business improvement mindset. In order to enhance services to CCC's clients, the Corporation has undergone a thorough analysis of its contracting and business processes. The Corporation has created a contract management improvement team, which has developed and received approval on a proposed architecture for the CCC Contracting Policy Suite, as well as on standardized policy and instruction formats. As a result, CCC has been working towards robust contract management practices that are high in quality, well documented, and effectively risk managed. In addition, CCC began reengineering contract due diligence and contract management processes to ensure policies, procedures, and

instructions are current and well understood by all staff. Work is expected to be substantially complete by July 2008.

Consistent with CCC's 2007-08 Corporate Plan, the Corporation worked towards the implementation of a new ERP system. To date, CCC has contracted and is now implementing this new ERP system to provide the tools needed to manage and control the Corporation's business, including the development of a more sophisticated performance management approach for a total cost of \$3.5 million, of which \$2.7 million has been capitalized.

The Corporation's success at meeting this goal cannot be overstated. In a six-month period, CCC went from defining system requirements, to product selection, and finally development and implementation. Moreover, the new ERP system was delivered on time, within budget, and to the required specifications.

#### **Continue to deliver strong financial results and will undertake a financial management improvement plan**

Last year, CCC committed to implementing a financial management improvement plan that has three main elements: 1) To improve key financial reporting processes and internal controls; 2) To review and improve financial systems; and 3) To clarify accountabilities and organization surrounding the management of financial information. CCC has achieved this objective with success.

With regard to improving key financial reporting processes and internal controls, the Corporation hired an Internal Auditor and has begun developing a corporate finance policy suite that includes a Delegation of Financial Authorities Policy and a Contracting Authority Instruction. In addition, CCC is currently developing an International Financial Reporting Standards (IFRS) conversion plan.

The second element of the plan involved renewing our Financial Systems, which was implemented by the end of 2007-08.

In response to the third and final element of the plan, the Corporation has increased the capacity of the team by creating two new positions and restructuring the cash management function with the objective of improving both effectiveness and efficiency.

#### **Develop a renewed corporate human resources strategy**

CCC understands that in order to achieve excellence, the Corporation will have to ensure the ongoing recruitment, retention, and development of motivated and skilled employees. In 2007-08, CCC committed to developing a framework for a corporate human resources strategy to guide succession planning, knowledge management, strategic competencies and capabilities, and align human resource policies and procedures for the future. The successful negotiation with PIPSC of a new four-year collective agreement (June 2007 to June 2011) set the stage for the cooperative development of a renewed human resources strategy.

A modernized compensation policy and renewed Labour Relations Strategy is reflected in this new collective agreement, which will ensure a positive work environment. In addition, CCC introduced a Labour Management Consultation Committee in late 2007 to ensure management and the Union have a better understanding of each other's concerns and can build increased trust.

Going forward, the Corporation will continue to foster an internal environment of continuous learning, meaningful engagement and a dynamic work culture. Final planning and implementation of a broader human resources strategy will occur in 2008-09.

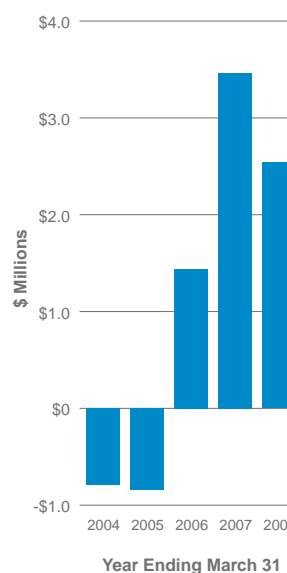
## Management's Discussion and Analysis

### Financial Highlights

CCC's net results of operations and comprehensive income for 2007-08 was \$2.5 million, compared to the \$3.5 million reported in 2006-07. This decrease is primarily the result of CCC's parliamentary appropriations being reduced by \$1.7 million, or 10%. The net results of operations before parliamentary appropriations for 2007-08 increased by \$0.8 million. A decline in net revenues of \$1.5 million was more than offset by the decline in total expenses of \$2.3 million. Total expenses were significantly lower as a result of a substantial decline in the level of additional contract and related costs. This reflects the Corporation's efforts in the area of risk management, whereby a more robust ERM Framework has been implemented and management of complex contracts has been improved. Services were also more closely aligned with the Corporation's mandate. All of these have led to a considerable reduction in additional contract and related costs.

A more detailed discussion of CCC's 2007-08 financial highlights follows.

### Operating Results



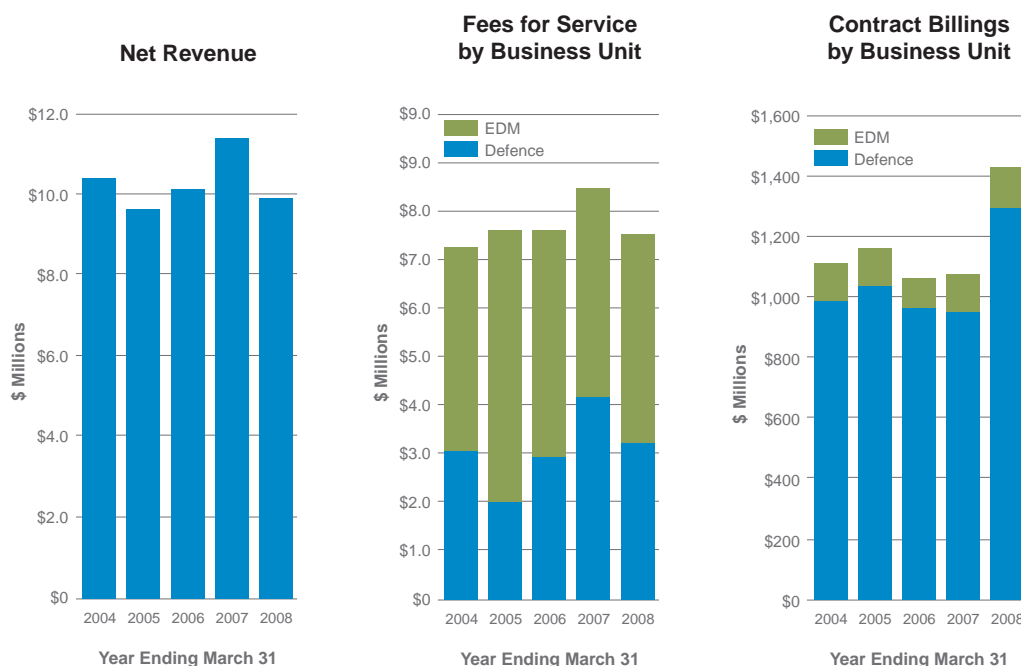
### Statement of Operations, Comprehensive Income and Retained Earnings Discussion

#### Summary results

(in millions of dollars)	2007-08	2006-07
Commercial trading transactions	\$ 1,432.7	\$ 1,085.1
Gross margin	\$ 7.9	\$ 9.1
Net revenues	\$ 9.9	\$ 11.4
Total expenses	\$ 22.5	\$ 24.9
Parliamentary appropriations	\$ 15.2	\$ 16.9
Net results of operations and comprehensive income	\$ 2.5	\$ 3.5

#### Revenues

Commercial trading transactions were \$1,432.7 million in 2007-08 compared to \$1,085.1 million reported in 2006-07. These transactions include CCC's billings for work performed on outstanding signed contracts, fees for service and discounting exporters' receivables. The value of these transactions increased by \$347.6 million, or 32%, over last year, despite the effects of a stronger Canadian dollar that discounted values and returns generated on projects that had been contracted in U.S. dollars. Billings related to a number of contracts with the U.S. DoD for LAVs assembled by GDLS were \$228.1 million higher than the amount billed in 2006-07 and explains the overall increase.



As part of a contract reconciliation exercise conducted in 2008, CCC discovered a clerical error in the transactions recorded for a specific contract in 2007, specifically progress payments and recovery of progress payment transactions were not properly recorded. This had the effect of overstating both commercial trading transactions and the cost of commercial trading transactions by \$51.5 million. These offsetting errors had no impact on the Corporation's 2007 reported net results and retained earnings. Nevertheless, in accordance with Canadian generally accepted accounting principles (GAAP) the financial statements for the year ended March 31, 2007 were restated. This prior-year restatement has no impact on the 2008 financial statements.

Gross margin, primarily comprised of fees for service, were \$7.9 million, a 13% decrease compared to last year. A few fee-generating projects were delayed but are expected to be signed in the near future. CCC charges fees for service only on its non-DPSA business, as its DPSA business is funded through parliamentary appropriations. In 2007-08, only 24% of CCC's billings generated fees for service compared to 44% in 2006-07. Of the total fees for service of \$7.5 million, \$3.3 million, or 44%, were generated by CCC's procurement service transactions, while \$2.9 million, or 38%, were generated by CCC's structured financing transactions.

Net revenues, comprised of total gross margin, net interest income, and loss on foreign exchange, declined by \$1.5 million compared to last year, representing a year-over-year decrease of 13%. In addition to the decline in gross margin, the remaining decrease in net revenues relates to lower interest income earned due to lower cash balances and an increase in the loss on foreign exchange of \$0.2 million as the Canadian dollar strengthened against its U.S counterpart, from 0.8661 USD (1.1546 CAD) at March 31, 2007 to 0.9742 USD (1.0265 CAD) at March 31, 2008.

## *Management's Discussion and Analysis (continued)*

### **Expenses**

In 2007-08, total expenses were \$22.5 million, a reduction of 9% from the amount in 2006-07. Although administrative expenses increased by \$2.1 million, this was more than offset by a decrease to additional contract and related costs of \$4.5 million. Major items comprising the administrative expenses were:

- CCC, in keeping with its two-year plan to build capacity and skill sets required to effectively deliver the Corporation's services, increased its human resources from an average in 2006-07 of 92 to an average of 109 in 2007-08. The total represents an increase of \$2.1 million, or 23%, compared to the amount spent in 2006-07. The increase also includes the impact of implementing the provisions of a new collective bargaining agreement with its unionized employees.
- PWGSC fees were negotiated at \$4 million for the core services under the DPSA for 2007-08, the same as in 2006-07. However, PWGSC was paid an additional \$0.3 million for its involvement on special projects in 2006-07, which did not occur in 2007-08.
- Consultants that complement CCC's workforce and perform assignments requiring a specific expertise cost \$1.5 million, representing an increase of \$0.4 million, or 36%, compared to the amount spent in 2006-07. This increase is primarily attributable to the expenses related to change management and business improvement initiatives.
- Rent for the premises totalled \$1.3 million, the same amount as in 2006-07.
- Travel, principally for operational requirements to secure or manage CCC's international contracts, totalled \$1.2 million, a \$0.1 million, or 10%, increase over the amount spent in 2006-07. This increase was due to contract management related travel requirements on a few large contracts and business development activities.
- Computer software, hardware and support costs, over and above the information management personnel included in workforce or consultants were \$0.6 million, a \$0.1 million, or 16%, decrease in comparison with the amount spent in 2006-07.
- Human resources initiatives and training costs were \$0.4 million, the same amount as in 2006-07.
- Telecommunications, courier and translation costs were \$0.3 million, the same amount as in 2006-07.
- The amortization of capitalized assets associated with CCC's financial and contract management system and leasehold improvements totalled \$0.3 million, a decrease of \$0.5 million, or 68%, from the amount spent in 2006-07 as the financial and contract management system became fully amortized in 2007-08.
- Other expenses, including communications and publication, and insurance totalled \$1 million, a \$0.3 million increase from the amount spent in 2006-07.

Additional contract and related costs were \$0.4 million, a decrease of \$4.5 million from 2006-07 as a result of improvements to processes introduced by the implementation of the Corporation's ERM Framework over the last couple of years.

CCC closely monitors its administrative expenses and uses the ratio of administrative expenses to commercial trading transactions to measure its administrative expenditure efficiency, with an objective not to exceed 2%, a figure that was achieved this year as it was in 2006-07.



## Parliamentary Appropriations

CCC receives an annual baseline parliamentary appropriation (this excludes any one-time supplemental appropriation we may receive for collective bargaining settlements). In 2007-08, CCC's annual baseline appropriation was \$16.2 million. However, during the year, CCC's appropriation baseline was permanently reduced to \$15.2 million as the Corporation contributed to DFAIT's major review of Departmental spending by decreasing its annual appropriation by \$1 million for 2007-08 and beyond. This decrease is strictly related to expenditure reduction and has no relationship to the Department's view of the Corporation's mandate or performance. The Department values CCC's role in delivering services to Canadian exporters pursuing international opportunities. In addition, supplemental appropriations were also reduced by \$700,000. Therefore, the year-over-year reduction to CCC's total appropriations was \$1.7 million.

## Balance Sheet Discussion

### Summary financial position

(in millions of dollars)	2007-08	2006-07
Total assets	\$ 550.1	\$ 560.4
Total liabilities	\$ 503.6	\$ 516.4
Shareholder's Equity	\$ 46.5	\$ 44.0

CCC's total assets were \$550.1 million as at March 31, 2008, 2% lower than at March 31, 2007.

Historically, a few large contracts account for a significant portion of the balance sheet items. This was the case in 2007-08, where of the \$156.7 million advances from customers, \$145.4 million, or 93% were related to six contracts on sales to Norway, the Netherlands, Dominican Republic and Ecuador, the latter related to the construction of the New Quito International Airport. Of these advances from customers, a significant portion, \$127.1 million, has been passed on to the Canadian exporters, accounting for 98% of advances to suppliers.

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

At times, CCC has a need for other sources of working capital to bridge timing differences between its payables and receivables. CCC's statutory power to borrow commercially up to \$90 million provides it with useful flexibility to manage such variations.

CCC's capital assets increased by \$2.4 million in 2007-08. During the year, the Corporation capitalized costs associated with the development of its new ERP system, which will be amortized over a 5-year period beginning in 2008-09.

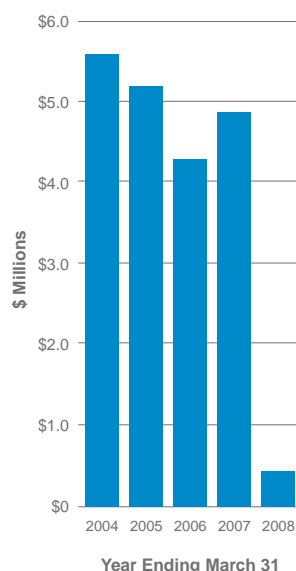
CCC's provision for additional contract and related costs decreased by \$3.3 million in 2007-08. The decrease to the provision resulted from \$3.3 million in cash disbursements related to settlements of contracts not fulfilled by Canadian exporters.

In 2007-08, the value of the equity investment of the Government of Canada in CCC was \$46.5 million, an increase of \$2.5 million, as detailed in the Statement of Operations, Comprehensive Income and Retained Earnings discussion. CCC's equity backstops the commercial risks inherent in its portfolio of undelivered contracts totalling approximately \$1.6 billion at year-end.

## Management's Discussion and Analysis (continued)

### Statement of Cash Flows Discussion

**Additional Contract and Related Costs**



#### Summary of cash flows

(in millions of dollars)	2007-08	2006-07
Operating activities	(\$21.7)	\$ 47.7
Investing activities	(\$2.7)	-
Effect of exchange rate changes on cash and cash equivalents	(\$0.6)	(\$0.4)

Cash and short-term deposits at March 31, 2008, decreased by \$25 million compared to the previous year.

#### Operating activities

In 2007-08, CCC used \$21.7 million in cash from its operating activities, as compared to the \$47.7 million provided in 2006-07. This decrease is derived from two main sources:

- \$13.6 million, or 55%, represents advance payments that were received from foreign governments in 2006-07 and passed on to the Canadian exporters in 2007-08 as delivery obligations were fulfilled. On certain projects, CCC holds back advance payments made by the foreign customer from the Canadian exporter for risk mitigation purposes and releases them as delivery obligations are fulfilled. In some of these cases interest earned on cash withheld is accrued and paid to the Canadian exporter.
- Another \$8.9 million, or 36%, resulted from timing differences between the receipt of cash on CCC's accounts receivable and disbursements of its accounts payable. This situation arises primarily on DPSA transactions and certain procurement service agreements where the Corporation is contractually obliged to pay its exporters in 30 days from receipt of a supplier invoice regardless of when the money is received from the foreign customer.

#### Investing activities

As described in the Balance Sheet discussion, the Corporation purchased capital assets of \$2.7 million during 2007-08.

### Comparison with the 2007-08 to 2011-12 Corporate Plan

Billings of \$1,424.8 million were \$160.3 million, or 13%, greater than budget, despite the effect of a stronger Canadian dollar that discounted values and returns generated on projects that had been contracted in U.S. dollars. Billings of \$420.9 million related to a number of LAV contracts were \$259.9 million, or 161%, above budget. This was partially offset by below budget results across other lines of business. Fees for service were lower than budget by \$0.6 million as a few projects that would have generated fees did not materialize as originally planned. Interest income earned of \$2.5 million was \$0.1 million under budget due to lower cash balances.

CCC recorded a foreign exchange translation loss of \$0.6 million, \$0.5 million greater than budget. The Canadian dollar strengthened as compared to its U.S. dollar counterpart from 0.8661 USD (1.1546 CAD) at March 31, 2007, to 0.9742 USD (1.0265 CAD) at March 31, 2008. The impact is the result of currency fluctuations on unhedged foreign currency exposure.

Additional contract and related costs were below budgeted levels by \$2.1 million. This is reflective of the improvements to processes, particularly the implementation of the Corporation's ERM Framework, over the last couple of years.

Administrative expenses of \$22.1 million were \$0.2 million, or 1%, over the budget of \$21.9 million. Unplanned increases made to general liabilities for employee future benefits and unused leave balances, amounting to over \$0.2 million, contributed to the unfavourable variance. Although actual administrative expenses slightly exceeded the budget, the actual ratio of administrative expenses to commercial trading transactions for 2007-08 of 1.6% was lower than the 1.7% budget.

## 2008-09 Corporate Plan Outlook

CCC is planning for an operating surplus of \$0.5 million in 2008-09. This is \$2 million lower than the 2007-08 actual, and more aligned with the historical operating surplus amounts for the Corporation.

In 2008-09, net revenues are expected to be \$9.2 million, \$0.7 million below the results achieved in 2007-08, due to an expected decrease in total fees for service. Fees generated by CCC's procurement services related to a requirement for helicopter services by the African Union in Sudan will end with the transfer of the peacekeeping responsibility to the United Nations. This will negatively impact net revenue in 2007-08. However, impact due to foreign exchange fluctuations are not expected as the Canadian dollar stabilizes against the U.S. dollar and any unhedged foreign exchange balances will be monitored and kept at negligible levels. Net interest income is expected to be at the same level as the 2007-08 actual at \$2.5 million.

With respect to CCC's expenses, additional contract and related costs are planned to be \$0.5 million, the same as the 2007-08 actual, based on the Corporation's current portfolio of low-risk active and potential projects, and management's confidence in the Corporation's ERM Framework and implementation of initiatives to improve contract due diligence and management practices. PWGSC fees are expected to be higher than the 2007-08 actual at \$4.5 million. Administrative expenses are forecasted higher at \$18 million, representing a 1% increase, compared to the 2007-08 actual of \$17.8 million. The amortization expense will increase from the 2007-08 actual level of \$0.3 million to \$0.8 million as the Corporation begins to amortize its capitalized costs related to its new ERP system.

CCC will receive parliamentary appropriations of \$15.2 million in 2008-09, the same as the 2007-08 actual. As discussed in the Statement of Operations, Comprehensive Income and Retained Earnings, the amount reflects the decrease to its annual appropriation by \$1 million for 2007-08, representing the Corporation's contribution to DFAIT's major review of Departmental spending.

## Risk Management

### Overview

ERM consists of dealing with risk across all areas of the Corporation. CCC implemented its ERM program two years ago and has built a strong foundation in the management of three broad risk categories: Strategic, Operational and Transactional. Further subsets of risk fall under these categories to ensure that all risks are regularly monitored.

Risk management practices have also been embedded into the corporate and business plan processes. While risk can never be entirely eliminated, CCC mitigates the risks related to its contracts and strategic objectives.

### ***Management's Discussion and Analysis (continued)***

CCC's ERM Framework describes the manner in which its risk appetite and tolerance is established and controlled. It also identifies the core principles, responsibilities and processes it has adopted to manage risk. The Framework underlines CCC's commitment to continuously improve its risk management practices.

### **Risk Governance**

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

### **Categories of Risks:**

#### **Strategic Risks**

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

##### *Mandate Risk:*

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

##### *Organizational Risk:*

This risk relates to the Corporation not having the proper structure and capital in place to achieve its objectives. The main theme related to organizational risk revolves around the challenge of growing CCC's business opportunities while simultaneously focusing on internal business process improvements.

##### *Reputational Risk:*

This risk relates to the Corporation's actions or inactions that may result in the tarnishing of its brand image with its shareholder, buyers and/or Canadian exporters. Regular and open communication with these stakeholders is the key to managing this risk. CCC has a communications strategy in place that ensures the appropriate information is communicated.

##### *Business Environment Risk:*

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

#### **Operational Risks**

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

##### *People Risk:*

This risk relates to not having the adequate human resources in place to meet client expectations and overall corporate objectives. By year-end, the Corporation increased its overall staffing

level by 16% compared to the previous year-end. These staffing increases have augmented the Corporation's ability to focus on future growth strategies and business process improvements.

*Information Risk:*

This risk relates to the Corporation's information system being unable to generate relevant data in an efficient and effective manner. CCC configured and implemented its new information management system, which was successfully launched on April 1, 2008. Increased efficiency and effectiveness in managing the Corporation's export contracts is one of the primary objectives of the system.

*Process Risk:*

This risk relates to the processes in place to provide guidance to staff, control financial transactions and to efficiently and efficiently manage contracts. If these fail, CCC could realize financial losses or inefficient use of its resources. During the year, two key corporate initiatives were significantly advanced as both the Corporation's contract structuring and contract management policies were reviewed. This resulted in proposals for new policies, which are expected to be implemented early next year. These improvements will help increase the consistency and quality of CCC's contracting practices.

**Transactional Risks**

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

*Contract Risk:*

This risk relates to the terms and conditions held within CCC's foreign and domestic contracts. Projects may require tailored terms and conditions to reflect each project's specific risks. During the year, the capacity of the Corporation's Legal Services team was augmented and should add to the existing quality of the contractual review process.

*Performance risk:*

This risk relates to the possibility that a supplier may fail to deliver the contracted goods and services to CCC. A recent consolidation of CCC's programs and a restatement of its risk tolerance policy have led to a stronger exporter risk portfolio.

*Foreign credit risk:*

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

*Export contract foreign exchange risk:*

This risk relates to changes in the exchange rate of the Canadian dollar as felt from an export transaction viewpoint. The recent increase in the value of the Canadian dollar has lowered profit margins on USD denominated export transactions. A prolonged period of high CAD rates could weaken the financial position of exporters using the Corporation's prime contractor service. This could potentially lead to higher levels of future additional contract costs. The Corporation passes the exchange rate risk through to the exporter by paying exporters in the same currency as the underlying export transaction. The Corporation is also subject to foreign exchange risk related to its unhedged foreign currency exposure.

## Management's Responsibility for Financial Statements

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

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

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

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



Marc Whittingham  
President and CEO



Michel Houle, CMA  
Vice-President, Risk and  
Financial Services and CFO

Ottawa, Canada  
May 23, 2008



## Auditor's Report



To the Minister of International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 2008 and the statements of operations, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Douglas G. Timmins, CA

Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
May 23, 2008

## Financial Statements and Notes

### Balance Sheet


As at March 31 (in thousands of dollars)	2008	2007
<b>Assets</b>		
Cash and cash equivalents (Note 6)	\$ 85,005	\$ 109,961
Accounts receivable (Note 7)	260,467	257,086
Advances to Canadian exporters	130,256	140,458
Progress payments to Canadian exporters	70,585	51,457
	546,313	558,962
Capital assets (Note 8)	3,835	1,396
	\$ 550,148	\$ 560,358
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 270,455	\$ 276,017
Advances from foreign customers	156,735	180,575
Progress payments from foreign customers	69,950	50,091
Provision for additional contract and related costs (Note 11)	5,409	8,697
	502,549	515,380
Employee future benefits (Note 9)	1,092	991
	503,641	516,371
Contractual obligations, contingencies and commitments (Notes 10, 12 and 17)		
<b>Shareholders' Equity</b>		
Contributed surplus (Note 1)	28,000	28,000
Retained earnings	18,507	15,987
	46,507	43,987
	\$ 550,148	\$ 560,358

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

Approved:



Alan R. Curleigh  
Chair, Board of Directors



Norman A. Turnbull, CA  
Chair, Audit Committee

## Statement of Operations, Comprehensive Income and Retained Earnings

For the year ended March 31 (in thousands of dollars)

	2008	2007 Restated (Note 4)
<b>Revenues</b>		
Commercial trading transactions (Note 13)	\$ 1,432,718	\$ 1,085,072
Less: cost of commercial trading transactions	1,424,814	1,075,939
Gross margin	7,904	9,133
Net interest income	2,542	2,633
Loss on foreign exchange	(570)	(385)
Net revenues	9,876	11,381
<b>Expenses</b>		
Additional contract and related costs (Note 11)	417	4,872
Administrative expenses (Note 14)	22,124	19,980
Total expenses	22,541	24,852
Net results of operations before Parliamentary appropriations	(12,665)	(13,471)
Parliamentary appropriations (Note 16)	15,185	16,923
Net results of operations and comprehensive income	2,520	3,452
Retained earnings at beginning of year	15,987	12,535
Retained earnings at end of year	\$ 18,507	\$ 15,987

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

## Statement of Cash Flows

For the year ended March 31 (in thousand of dollars)	2008	2007 Restated (Note 4)
<b>Cash flows from operating activities</b>		
Receipts from foreign customers	\$ 1,417,451	\$ 1,127,556
Interest received	2,542	2,633
Fees for service and other income received	7,904	9,133
Payments to Canadian exporters	(1,443,005)	(1,090,569)
Administrative payments	(21,756)	(19,144)
Parliamentary appropriations	15,185	18,072
Cash (used in) provided by operating activities	(21,679)	47,681
<b>Cash flows from investing activities</b>		
Disposal (purchase) of capital assets	(2,707)	15
Cash (used in) provided by investing activities	(2,707)	15
Effect of exchange rate changes on cash and cash equivalents	(570)	(385)
(Decrease) Increase in cash and cash equivalents	(24,956)	47,311
Cash and cash equivalents at beginning of year	109,961	62,650
Cash and cash equivalents at end of year (Note 6)	\$ 85,005	\$ 109,961

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

## Notes to Financial Statements

March 31, 2008

### 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 1 of Schedule III of the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when foreign governments, international organizations, or foreign private sector buyers wish to purchase products and services from Canada through the Canadian Government. The Corporation enters into contracts with these foreign customers and into corresponding supply contracts with Canadian exporters.

Parliament has provided the Corporation with \$28 million as contributed surplus. Annually, the Corporation's operations are funded primarily through a combination of parliamentary appropriations, interest income, fees for service and discounting revenues.

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

### 2. Change in accounting policies

On April 1, 2007, the Corporation adopted the following new Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530, *Comprehensive Income*; 3251, *Equity*; 3855, *Financial Instruments – Recognition and Measurement*; and 3861, *Financial Instruments – Disclosure and Presentation*. These sections provide standards for recognition, measurement, disclosure and presentation of other comprehensive income, equity, financial assets, financial liabilities and non-financial derivatives. Each of these standards requires retrospective application without prior period restatement with any adjustments being recorded in opening retained earnings, and as a result comparative financial statements have not been restated. As at April 1, 2007, no transitional adjustments had been made to the opening balance of the Corporation's retained earnings arising from the adoption of these new sections. The principal changes in the accounting resulting from the adoption of these new standards are described below.

#### *Financial instruments*

Section 3855 – *Financial Instruments – Recognition and Measurement*, establishes the criteria for recognition, derecognition, measurement, and classification of financial instruments. Under the new standards, all financial instruments are classified into one of the following categories: financial assets as held for trading, held-to-maturity, available-for-sale, or as loans and receivables, and financial liabilities as held for trading, or as other financial liabilities. In accordance with the transitional provisions, upon initial recognition, financial assets and financial liabilities are required to be measured at their fair value. Subsequent measurement and changes in fair value will depend on their initial classification or designation which depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Held for trading financial instruments are subsequently measured at fair value and all gains and losses are recognized in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired at which time the amounts would be recognized in net income. Financial assets held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost.

As a result of the adoption of these standards, the Corporation has designated its cash and cash equivalents as held-for-trading since they can be reliably measured at fair value due to their short-term to maturity. Accounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities, and the provision for additional contract and related costs are classified as other financial liabilities, which did not result in any transitional adjustments under Section 3855.

#### (a) Embedded derivatives

Derivatives may be embedded in other financial and non-financial instruments (the "host instrument"). Prior to the adoption of the new standards, embedded derivatives were not accounted for separately from the host instrument

## Notes to Financial Statements (continued)

except in certain circumstances which were not applicable to the Corporation. Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the contract is not already measured at fair value with changes in fair value recognized in net income. These embedded derivatives, or the combined contract in the case where the fair value of the embedded derivatives is not readily measurable, are initially measured at fair value with subsequent changes in fair value recognized in net income.

For certain non-financial instrument contracts which contain embedded derivatives but the contract is not leveraged, does not contain an option feature, and is 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 Corporation may choose, as a matter of accounting policy, to not separate the embedded derivative from the host contract.

Upon adoption of section 3855, the Corporation reviewed all outstanding and issued contracts and began recognizing embedded derivatives requiring separation from host contracts. There were no significant derivatives that required recognition as an asset or liability on the balance sheet.

### (b) Determination of fair value

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using valuation techniques which refer to observable market data.

### *Comprehensive income*

Section 1530, *Comprehensive Income*, describes reporting and disclosure requirements with respect to comprehensive income and its components. Comprehensive income is composed of the Corporation's net income and other comprehensive income, and requires certain unrealized gains and losses resulting from changes in fair value of certain financial instruments, that would otherwise be recorded as part of net income, to be presented in other comprehensive income until such a time as it is considered appropriate for them to be recognized in net income.

The adoption of this Section had no impact on the Corporation, as there have been no transactions resulting in other comprehensive income.

### *Equity*

Section 3251, *Equity*, establishes standards for the presentation of equity and changes in equity for a reporting period as a result of the application of Section 1530, *Comprehensive Income*.

The adoption of this section had no impact on the Corporation's equity presentation since there have been no transactions resulting in other comprehensive income or changes in equity.

## 3. Significant accounting policies

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

### (a) Use of estimates

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

### (b) Contracts

The Corporation records its commercial trading revenues, and related costs, when a delivery has taken place thus passing title of the purchased goods to the foreign customer, or, in the case where the contract provided for progress payments, upon acceptance by the Corporation for work performed.



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

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

Upon the coming into force of the amendment to the *Canadian Commercial Corporation Act* on April 19, 2002, the Corporation was permitted to charge commercial fees for services. Commercial fees generated on international contracts signed on or subsequent to April 19, 2002 are recognized in commercial trading revenues when services are rendered.

The Corporation also offers, in certain circumstances, early payment on amounts owing to Canadian exporters in exchange for a fee. This discounting revenue is determined by applying a set percentage ranging from 0.03%, for one day of advance payment, to 1.32%, for forty days of advance payment. Discounting revenues are recognized in commercial trading revenue when the services are provided to the Canadian exporters.

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

### **(c) Foreign currency translation**

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

Working capital is maintained in currencies other than Canadian dollars to facilitate cash flows between foreign customers and Canadian exporters.

### **(d) 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.

### **(e) 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 any derivative financial instrument for speculative purposes. As the Corporation does not account for these forward contracts using hedge accounting, these instruments are classified as held for trading, and measured at fair value using quoted forward prices with significant changes recognized in net income in the period in which they occur. Derivatives are recognized as either an asset in accounts receivable, or as a liability in accounts payable and accrued liabilities on the balance sheet, with all significant changes in fair value recognized in income in the period incurred, as a gain or loss on foreign exchange on the Statement of Operations, Comprehensive Income and Retained Earnings.

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

## Notes to Financial Statements (continued)

### (f) Capital assets

Capital assets include costs associated with the design and development of information systems and leasehold improvements that are recorded when significant. Information systems are amortized after technological feasibility is established on a straight-line basis over the estimated useful life of five years. Leasehold improvements are amortized on a straight-line basis over the remaining life of the lease agreement.

### (g) Valuation and recognition of assets and liabilities

The Corporation's classification, designation and measurement of financial instruments, excluding any derivatives financial instruments, is as follows:

Asset/Liability	Classification/ Designation	Measurement
Cash and cash equivalents	Designated as held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Provision for additional contract and related costs	Other liabilities	Amortized cost

The Corporation designated its cash and cash equivalents as held for trading since they could be reliably measured at fair value.

All financial instruments are initially included on the balance sheet and are measured at fair value, including derivatives, which are recognized in accounts receivable or accounts payable and accrued liabilities. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using valuation techniques which refer to observable market data. The changes in fair value of cash and cash equivalents are recognized in the period incurred as a gain or loss on foreign exchange on the Statement of Operations, Comprehensive Income and Retained Earnings.

### (h) Parliamentary appropriations

Parliamentary appropriations that are not in the nature of contributed surplus are recorded as funding in the year for which they are appropriated, except for appropriations restricted by legislation and related to expenses of future

periods which are deferred and recognized as funding in the period in which the related expenses are incurred. Appropriations used for the purchase of capital assets are deferred and amortized into income on the same basis as the related asset.

### (i) Interest income

Interest income is recorded on an accrual basis and represents interest earned on investments held throughout the year.

### (j) Employee future benefits

#### i) Pension benefits

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

#### ii) Employee severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on services. The valuation of the liability is based upon a current market-related discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by this plan is 14 years (2007 – 12 years). These benefits represent the only obligation of the Corporation that entails settlement by future payment.

A full actuarial evaluation was performed at March 31, 2008 and the next one is scheduled for March 31, 2010.

#### (k) Future accounting changes

In December 2006 the Canadian Institute of Chartered Accountants (CICA) issued the following three accounting standards that are effective for the Corporation's reporting period commencing April 1, 2008:

Section 1535, *Capital Disclosures* — This Section establishes standards for disclosing information about the Corporation's capital and how it is managed. The Corporation will be required to disclose:

- i) qualitative information about its objectives, policies and processes for managing capital;
- ii) summary quantitative data about what it manages as capital;
- iii) whether the Corporation has complied with any capital requirements; and
- iv) if it has not complied, the consequences of such non-compliance.

Sections 3862, *Financial Instruments – Disclosures*, and 3863, *Financial Instruments – Presentation* — These Sections replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. The Corporation will be required to provide disclosures in its financial statements that enable users to evaluate:

- i) the significance of financial instruments for the Corporation's financial position, performance and cash flows; and
- ii) the nature and extent of risks arising from financial instruments to which the Corporation is exposed during the period and at the balance sheet date, and how the Corporation manages those risks.

The Corporation is in the process of determining the impact that these new accounting standards will have on its financial reporting.

#### 4. Correction of error

In 2007, there was a clerical error in the transactions recorded for a specific contract. As a result, commercial trading transactions and the cost of commercial trading transactions were each overstated by \$51,542,000. Overall, there is no impact on the previously reported 2007 net results of operations and retained earnings. The Corporation has decided to retroactively correct this error and consequently, the financial statements for the year ended March 31, 2007 have been restated. This error has no impact on the 2008 financial statements.

#### 5. Fair value of financial instruments

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their respective carrying amounts and amortized cost.

#### 6. Cash and cash equivalents

As at March 31, 2008, cash and cash equivalents included:

(in thousands of dollars)	2008		2007	
	Original currency	Canadian dollars	Original currency	Canadian dollars
Canadian dollars	53,174	\$ 53,174	58,621	\$ 58,621
U.S. dollars	23,650	24,277	34,716	40,084
Australian dollars	307	289	154	143
Euros	4,473	7,265	7,086	10,926
Eastern Caribbean dollars	-	-	434	187
		\$ 85,005		\$ 109,961

## Notes to Financial Statements (continued)

The Corporation invests in short-term deposits in Canadian banks. At March 31, 2008, the Corporation did not have any short-term deposits. The average term to maturity of short-term deposits was nil days (2007 - 3 days) and the portfolio yield to maturity at March 31, 2008, was nil (2007 - 4.50%).

Of the cash and cash equivalents, \$26,886,000 (2007 - \$42,090,000) 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.

### 7. Accounts receivable and accounts payable and accrued liabilities

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

(in thousands of dollars)	2008	2007
< 1 year	\$ 253,227	\$ 250,134
> 1 and < 3 years	7,240	6,850
> 3 and < 5 years	-	102
	<u>\$ 260,467</u>	<u>\$ 257,086</u>

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

(in thousands of dollars)	2008	2007
< 1 year	\$ 267,463	\$ 270,398
> 1 and < 3 years	2,992	5,619
	<u>\$ 270,455</u>	<u>\$ 276,017</u>

### 8. Capital assets

Year ended March 31 (in thousands of dollars)	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Information systems	\$ 3,683	\$ 3,683	\$ -	\$ 177
Information systems under development	2,707	-	2,707	-
Leasehold improvements	1,354	226	1,128	1,219
	<u>\$ 7,744</u>	<u>\$ 3,909</u>	<u>\$ 3,835</u>	<u>\$ 1,396</u>

Included in administrative expenses was \$268,000 (2007 - \$827,000) of amortization.

### 9. Employee future benefits

#### (a) Pension benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands of dollars)	2008	2007
Corporation's contributions	\$ 970	\$ 761
Employees' contributions	\$ 470	\$ 357

#### (b) Severance benefits

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

(in thousands of dollars)	2008	2007
<b>Accrued benefit obligation</b>		
Balance at beginning of year	\$ 1,236	\$ 1,161
Current service cost	122	103
Interest cost	53	48
Benefits paid	(82)	(143)
Actuarial (gain) losses	(67)	67
Balance at end of year	<u>\$ 1,262</u>	<u>\$ 1,236</u>
Accrued benefit obligation at end of the year	\$ 1,262	\$ 1,236
<b>Unamortized net actuarial losses</b>	<u>(170)</u>	<u>(245)</u>
Employee future benefits at end of year	<u>\$ 1,092</u>	<u>\$ 991</u>

Accrued benefit obligation as of March 31		
Discount rate	4.25%	4.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for year ended March 31		
Discount rate	4.25%	4.25%
Rate of compensation increase	2.50%	2.50%

(in thousands of dollars)	2008	2007
Holdbacks	\$ 408	\$ 1,973
Bank guarantees	\$ 72,725	\$ 63,271
Surety bonds	\$ 142,869	\$ 159,493
Parent guarantees	\$ 858,455	\$ 770,131
Other	\$ 9,470	\$ 8

## 10. Contractual obligations, borrowings and risk management

### (a) Contractual obligations

As prime contractor, the Corporation is contractually obligated to complete numerous contracts with foreign customers. As of March 31, 2008 the total contract portfolio value remaining to be fulfilled approximates \$1.6 billion (2007 - \$1.9 billion). The profile of the Corporation's total contract portfolio was as follows:

(in thousands of dollars)	2008	2007
< 1 year	\$ 924,317	\$ 1,125,385
> 1 and < 3 years	\$ 544,428	\$ 549,202
> 3 and < 5 years	\$ 104,521	\$ 134,208
> 5 years	\$ 20,633	\$ 47,817

The total contract portfolio remaining to be fulfilled, in addition to the provision for potential additional contract cost provided for in the balance sheet (note 11), represents the Corporation's maximum contractual obligations and is estimated to be \$1,599,308,000 at March 31, 2008 (2007 - \$1,865,309,000).

In respect of its outstanding contractual obligations, the Corporation has contractual recourse that consists, in all material respects, of back to back contractual obligations against Canadian exporters in the same amount. In addition, in order to further mitigate its overall exposure, depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash held in trust with the Corporation. The profile of the Corporation's total collateral held with respect to its contractual obligations in the unlikely event of contractual non-performance by Canadian companies, was as follows:

### (b) Borrowings and other credit arrangements

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.

The Corporation opened 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, 2008, there were no draws on this line of credit (2007 - nil).

Under a specific series of financing contracts, included in accounts payable and accrued liabilities, the Corporation owed \$29,031,000 as of March 31, 2008 (2007 - \$30,627,000). These contracts bear interest at the cost of funds plus 0.25% and the Corporation has offered as security certain foreign accounts receivable under certain conditions. The Corporation, however, also has access to a number of commercial securities should the foreign party fail to repay these receivables. The amount of outstanding accounts receivable offered as securities under these arrangements as of March 31, 2008 was \$46,368,000 (2007 - \$43,017,000) and was profiled as follows:

(in thousands of dollars)	2008	2007
< 1 year	\$ 39,321	\$ 36,342
> 1 and < 3 years	\$ 7,047	\$ 6,675

### (c) Risk management

In addition to the risk management practices related to the Corporation's contractual obligations, 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, 91.15% (2007 - 89.30%) of the Corporation's commercial trading transactions were with AAA customers.

## Notes to Financial Statements (continued)

To address foreign exchange risks, contracts with foreign customers and corresponding contracts with Canadian exporters are generally transacted in the same currency. The Corporation uses this strategy to effectively transfer the currency risk to the Canadian exporter.

### 11. Provision for additional contract and related costs

The Corporation may incur additional contract and related costs should Canadian exporters fail to fulfill the terms of their contracts. The Corporation has recorded an expense of \$417,000 (2007 - \$4,872,000) related to the additional contract and related costs, leaving a balance of \$5,409,000 as of March 31, 2008 (2007 - \$8,697,000), representing management's best estimate of the additional costs which will likely be incurred by the Corporation to meet its contractual obligations.

### 12. Contingencies

The Corporation is the claimant or defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs are significant, management has, based on advice from legal counsel, recorded in the year a liability when damages are considered likely and the associated costs can be reasonably estimated.

### 13. Commercial trading transactions

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

Year ended March 31 (in thousands of dollars)	2008	2007 Restated (Note 4)
U.S. government and other buyers	\$ 1,029,530	\$ 790,156
Other foreign governments and buyers	403,188	294,916
	\$ 1,432,718	\$ 1,085,072

Commercial trading transactions were comprised of contract billings of \$1.4 billion (2007 - \$1.1 billion) and fees for services and other income of \$7,904,000 for the year ended March 31, 2008 (2007 - \$9,133,000).

Orders received are distinct from commercial trading transactions. Orders received describe the value of contracts and amendments signed during the year which amounted to \$1.6 billion for the year ended March 31, 2008 (2007 - \$1.2 billion).

### 14. Administrative expenses

Administrative expenses included the following:

Year ended March 31 (in thousands of dollars)	2008	2007
Workforce compensation	\$ 11,534	\$ 9,397
Contract management services	4,000	4,254
Consultants	1,502	1,106
Rent	1,325	1,276
Travel and hospitality	1,213	1,098
Software, hardware and support	621	735
Human resource initiatives and training	364	367
Telecommunication, courier and translation	282	246
Amortization	268	827
Other expenses	1,015	674
	\$ 22,124	\$ 19,980

### 15. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties.

#### (a) Public Works and Government Services Canada

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

For the year ended March 31, 2008, the cost of these services amounted to \$4,109,000 (2007 - \$4,355,000) and is included in administrative expenses.

Public Works and Government Services Canada has provided the Corporation with some contract management services at no additional cost. It was not practicable to



determine the cost of these services. Accordingly, the value of these services was not recorded in the Corporation's accounts.

#### (b) Department of Justice

The Department of Justice provides litigation services to the Corporation and previously represented it in certain matters. The Corporation paid for these legal services and expenses incurred in connection with specific actions. As of September 1, 2006, legal counsel previously employed by the Department of Justice became employees of the Corporation. As a result, for the year ended March 31, 2008, there were no costs of related party transactions included in administrative expenses (2007 - \$172,000).

#### (c) Other

The Corporation has also entered into commercial trading transactions with the following related government entities:

Year ended March 31 (in thousands of dollars)	2008	2007
Department of Foreign Affairs and International Trade	\$ 49,953	\$ 781
Department of National Defence	\$ 41,285	\$ 35,734
Canadian International Development Agency	\$ 31,037	\$ 61,764
Environment Canada	\$ 541	\$ 327
National Research Council Canada	\$ -	\$ 10

As a result of all related party transactions, the amounts due from and to these parties were \$12,651,000 (2007 - \$12,805,000) and \$419,000 (2007 - \$2,563,000) and were included in accounts receivable and accounts payable respectively.

The Corporation also participates in employee interchange programs with the following other departments or agencies: Treasury Board of Canada Secretariat, Public Safety Canada, Public Works and Government Services Canada.

## 16. Parliamentary appropriations

During the year, the Parliament of Canada authorized appropriations for the Corporation in the amount of \$15,185,000 (2007 - \$16,923,000). This amount includes a \$1 million decrease representing the Corporation's portion of the reduction directed by the Minister of International Trade, and supplementary funding of \$3,000 for collective bargaining settlements relating to fiscal year 2007-08.

## 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. Future minimum payments by fiscal year on the operating lease for premises over the next five years are as follows:

(in thousands of dollars)		
2008-09	\$	1,300
2009-10		1,310
2010-11		1,319
2011-12		1,581
2012-13		1,591
2013 and after		13,590

## Annex A: Corporate Overview

### Public policy purpose and mandate

The Corporation was established over 60 years ago to support the development of trade between Canada and other countries and, while its context continues to change, its fundamental public policy objective remains relevant – to connect Canadian exporters with defence, and emerging and developing market opportunities. For 50 years, CCC has been responsible for helping Canada meet its commitments under the DPSA, which was put in place to foster a North American Defence industrial base. The services offered under the DPSA remain the largest single business line for the Corporation (between \$650 million and \$750 million of business with the U.S. DoD annually), illustrating the role played by CCC in fostering an effective relationship with the United States, Canada's most important ally and trading partner. In addition, by providing a number of specialized procurement services for transactions involving public sector markets abroad, CCC has played, and will continue to play, a significant role in the success of Canada's exporters, especially in emerging and developing markets. These activities and outputs clearly demonstrate the importance of CCC in helping the Government of Canada achieve its overall goals of building a strong and mutually beneficial North American partnership and a prosperous Canada through global commerce.

The Corporation is governed by its enacting legislation, the 1946 *Canadian Commercial Corporation Act*. The Act outlines CCC's broad mandate, which is to assist in the development of trade by helping Canadian

exporters access markets abroad and by helping foreign buyers obtain goods from Canada. The legislation also provides CCC with a range of powers, including the ability to export goods and commodities from Canada either as principal or as agent in such a manner and to such extent as it deems advisable. In this way, CCC negotiates and executes bilateral government-to-government procurement arrangements, facilitating transactions on behalf of Canadian exporters.

### Overview of economic/policy sectors in which the Corporation operates

CCC's clients operate in complex international public sector markets in an evolving global marketplace, and consequently, are influenced by a diverse set of environmental factors. Due to advances in technology and increasingly open and integrated markets, the nature of international trade, and thus the global marketplace, has undergone a dramatic shift. The global environment is becoming increasingly competitive and complex, requiring companies to continually alter the way in which they do business. For Canadian companies to succeed they must remain competitive, while adapting to this shifting global environment, and CCC is in a position to assist companies in this regard.

The success of the Canadian exporter in the defence market is contingent on a strong Canada-U.S. relationship, as evidenced by the fact that the U.S. continues to be Canada's most important ally and trade partner. The U.S. DoD and the DSCA, for instance, are responsible for approximately 80% of Canadian defence exports. Moreover, the DPSA and programs related to

the development of the North American defence industrial base foster approximately \$1.2 billion in trade flow annually. Maintaining a healthy defence sector requires that Canadian companies have a clear understanding of U.S. defence policy and the U.S. defence market so that they can access opportunities. In addition, other allied militaries are increasingly turning to international joint procurement opportunities as a means to obtaining equipment more efficiently and cost effectively. This illustrates new potential prospects for Canadian companies.

With regard to emerging and developing country markets, these economies are growing, and are becoming more attractive to Canadian exporters. In addition, rising demand for infrastructure projects in these regions has increased opportunities for Canadian firms operating in this field. Doing business in these markets, however, means that risks need to be adequately mitigated. Even in regions that are becoming more stable, Canadian companies may face poor institutional protection, high political risk, and complex regulatory regimes. For Canadian companies to succeed in these complex markets, they need to be positioned to successfully compete through the support of transparent contracting and procurement practices and the identification of opportunities.

CCC's role is to provide services to support Canadian exporters through unique relationships and expertise in contracting and procurement. One of the most important relationships the Corporation has is with its International Trade Portfolio partners. CCC works closely with DFAIT, which

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

Moreover, as an instrument of public policy, CCC's activities will also continue to play a critical role in advancing broad Government of Canada goals. For instance, CCC is working to further align itself with Government of Canada initiatives that reflect today's competitive and shifting global environment, including the Global Commerce Strategy and the Americas Strategy. By pursuing stronger links with key partners and positioning the Corporation to continue assisting Canadian exporters in an ever-changing global environment.

### Business model

CCC's business model is focused on bringing together foreign government buyers and Canadian exporters. The Corporation accomplishes this by continually building unique relationships, and maintaining international contracting and procurement expertise to help Canadian businesses export their products and services in areas where there is a need for federal government involvement, namely in defence, and emerging and developing markets.

In order to understand CCC's business activities and services in the context of performance and financial results, it is important to also understand the unique nature of CCC's business. For instance, both the Defence and EDM business lines can be affected by significant, non-recurring contracts. This characteristic is reflected in the Corporation's business volume from year-to-year; a factor that should be understood when results are compared. These results are also impacted by the fact that the completion of contracts in both business lines can take several years, as there can be a significant lag-time between the signing of a contract and the actual issuance of billings against that contract. This is particularly true in EDM, in which contracts are predominantly infrastructure projects.

In addition, business results are often influenced by foreign exchange fluctuations. In the Defence business line, for instance, results are primarily contracted in U.S. dollars, but are reported in Canadian dollars. As such, fluctuations in foreign exchange must be considered in order to appropriately interpret the Corporation's business and volume trends.

### Corporate profile

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

### Organizational structure

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

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

## Annex B – Profiles of the Members of the Board of Directors



**Alan Curleigh**

*Chair, CCC Board of Directors  
Montréal, Quebec*

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



**Martine Corriveau-Gougeon**

*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 College of Company Directors, Université Laval. Her diversified experience allows her to perform both in startup environments and in more mature organizations. Ms. Corriveau-Gougeon is also a member of the Board of Directors of l'Agence Métropolitaine de Transport. She was Chair of the Board of l'École de Technologie Supérieure (2003–2004), a member of the Premier of Quebec's Advisory board on deregulation (1998–2000) and a member of the Executive committee of the Quebec Provincial Chamber of Commerce (1996–2000). Ms. Corriveau-Gougeon was appointed to CCC's Board of Directors on May 5, 2005.



**Robert C. Kay**

*Corporate Director*

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



### **Dan Ross**

*Assistant Deputy Minister, Materiel  
Department of National Defence  
Ottawa, Ontario*

Mr. Dan Ross is Assistant Deputy Minister of Materiel in the Department of National Defence. He has senior executive experience in the public sector including terms as Associate Assistant Deputy Minister of the Operations Branch of Public Works and Government Services Canada, Deputy to the Foreign Policy Advisor to the Prime Minister, and Director of Operations for the Foreign and Defence Policy Secretariat at the Privy Council Office. He was appointed to the Board of Directors of CCC on October 30, 2006.



### **Andrew Saxton**

*Chairman, King George Financial Corporation  
Vancouver, British Columbia*

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



### **Dr. Sam Shaw**

*President & CEO  
Northern Alberta Institute of Technology  
Edmonton, Alberta*

Dr. Sam Shaw has been President & CEO of the Edmonton-based Northern Alberta Institute of Technology since 1997. Prior to his appointment as President, Dr. Shaw held various senior positions such as President, Director and Vice-President, Academic. He has also been an instructor at a number of prestigious colleges and universities in Canada, as well as extensive university experience. Dr. Shaw is a Board member on STARS, the Kids with Cancer Society and the Canadian Bureau of International Education, as well as a member of the Premier's Alberta Economic Development Authority (AEDA), a member of the Industry Science, Technology and Innovation Council (STIC), and on the National Research Council's (NRC) Industrial Research Assistance Program (IRAP) Advisory Board. Dr. Shaw was appointed to the Board of Directors of CCC on December 14, 2007.

## Board of Directors (continued)



**Stephen J. Sorocky, MBA, P.ENG**

*President & CEO  
Virtek Vision International Inc.  
Waterloo, Ontario*

Mr. Steven J. Sorocky is President & CEO of Virtek Vision International Inc. He served previously as CEO and Director of Dynacon Inc. and as Vice President, Manufacturing and Industry Division of Electronic Data Systems Systems of Canada (EDS). Mr. Sorocky is an accomplished senior technology executive with broad experience in entrepreneurial and large company environments. His extensive senior management and business development experience in the space industry has provided him with a thorough understanding of the domestic and international dimensions of the Canadian Space Program and sound knowledge of the structures and functions of government decision-making and of Canada's science and technology infrastructure. Mr. Sorocky was appointed to the Board of Directors of CCC on December 14, 2007.



**Ken Sunquist**

*Assistant Deputy Minister  
Global Operations and Chief Trade Commissioner  
Foreign Affairs and International Trade Canada  
Ottawa, Ontario*

Mr. Ken Sunquist joined the Trade Commissioner Service in 1973. His assignments at DFAIT have included Director of the Export Information Division, Acting Director General of the Trade Communications Bureau, and Director of the Trade Development Liaison and Special Projects Division. From 2001 to 2003, he was Director General, Trade Commissioner Service Operations and Services, from December 2003 to February 2005, he was Assistant Deputy Minister, International Business and Chief Trade Commissioner, and from February 2005 to June 2006, he was Assistant Deputy Minister, World Markets Branch. He is a member of the Board of Governors of the National Quality Institute and a member of the Board of Directors of the Canada-China Business Council, the Estey Centre for Law and Economics in International Trade, the Board of the Trade Facilitation Office Canada, and the Board of Emerging Dynamic Global Economies (EDGE) Network. Mr. Sunquist was appointed to the Board of Directors of CCC on May 13, 2004.



**Norman A. Turnbull, CA**

*Partner and CFO  
MinQuest Capital Inc.  
Montréal, Quebec*

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





**Peter M. Wright**

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

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

## Annex C – Profiles of the Executive Management Team



**Marc Whittingham**

*President*

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



**Martin Zablocki**

*Vice-President,  
Strategy and Organizational Development*

Mr. Martin Zablocki was appointed Vice-President, Strategy and Organizational Development in November 2007. Prior to this appointment, he was the Director General, Sector Strategies and Infrastructure Programs Branch at Industry Canada. Mr. Zablocki has over 17 years of experience within a variety of federal organizations including the Canada Revenue Agency and Fisheries and Oceans Canada, and has led corporate management regimes at the local, regional and national levels. In addition, as a Chartered Business Valuator, he has many years of experience working in the valuation field, wherein he gained exposure to a broad spectrum of domestic and international businesses.



**Robert Ryan**

*Vice-President, Defence*

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



**Pierre Lemay**

*Vice-President,  
Emerging and Developing Markets*

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



**Michel Houle**

*Vice-President, Risk and Finance*

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



**Tamara Parschin-Rybkin**

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

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

## Glossary

AIAC	Aerospace Industries Association of Canada
AMIS	African Union Mission in Sudan
ATL	Acquisition, Technology and Logistics
BPI	Business Process Improvement
CADSI	Canadian Association of Defence and Security Industries
CBN	Canadian Bank Note
CCC	Canadian Commercial Corporation
CCTTP	Caribbean Commodity Trade Transaction Program
CDB	Caribbean Development Bank
CIC	Commercial Initiatives Committee
CICA	Canadian Institute of Chartered Accountants
CIDA	Canadian International Development Agency
CME	Canadian Manufacturers & Exporters
CTCBP	Counter Terrorism and Capacity Building Program
DAU	U.S. Defense Acquisition University
DCMA	Defense Contract Management Agency
DFAIT	Department of Foreign Affairs and International Trade
DGIIP	Director General International and Industry Programs
DND	Department of National Defence
DPSA	Defence Production Sharing Agreement
DRDC	Defence Research and Development Canada
DSCA	Defense Security Cooperation Agency
EDC	Export Development Canada
EDM	Emerging and Developing Markets business unit
EPC/CM	Engineering Procurement Construction/Construction Management
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FAA	Financial Administration Act
FMS	Foreign Military Sales
GAAP	Generally Accepted Accounting Principles
GDLS	General Dynamics Land Systems
IFRS	International Financial Reporting Standards
IOM	International Organization for Migration
LAV	Light Armored Vehicle
MDA	MacDonald Dettwiler and Associates
MOU	Memorandum of Understanding
MRAP	Mine Resistant Ambush Protected
NASA	National Aeronautics and Space Administration
NRC	National Research Council
OAG	Office of the Auditor General of Canada
PIPSC	Professional Institute of the Public Service of Canada
PSA	Procurement Service Agreement
PWGSC	Public Works and Government Services Canada
SME	Small and Medium-sized Enterprises
START	Stabilization and Reconstruction Task Force
TCS	Trade Commissioner Service
U.S. DoD	United States Department of Defense