AFGHANISTAN
ARGENTINA
AUSTRALIA
CANADA
CHILE
CUBA

CCC
Canadian Commercial Corporation
Corporation Commerciale Canadienne

A **VALUED PARTNER** IN **COMPETITIVE** WORLD MARKETS

2011 – 2012 ANNUAL REPORT

DOMINICAN REPUBLIC
ECUADOR
GHANA
GUATEMALA
HAITI
HONDURAS
JAMAICA
KENYA
KYRGYZSTAN
LIBYA
THE NETHER
NEW ZEALA
NICARAGUA
NIGERIA
NORWAY
PAKISTAN
PALESTINE
PERU
SAUDI ARABIA
SOUTH AFRICA
SUDAN
UNITED STATES OF AMERIC

Canada

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JAMAICA
KENYA
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LIBYA
THE NETHERLANDS
NEW ZEALAND
NICARAGUA
NIGERIA
NORWAY
PAKISTAN
PALESTINE
PERU
SAUDI ARABIA
SOUTH AFRICA
SUDAN
UNITED STATES OF AMERICA

CANADA'S INTERNATIONAL CONTRACTING AND PROCUREMENT AGENCY

"When our company decided to explore opportunities in Peru and Malaysia, we sought assistance from CCC. They negotiated government-to-government contracts on our behalf, giving comfort to our new customers that they will get the goods, and providing us the comfort that we will be compensated according to the contract."

– Robert Walsh, President and CEO, Forensic Technology Inc.

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

"We provide customized security solutions for lottery and personal identification, and by partnering with CCC, we have enhanced support from the Government of Canada, setting ourselves apart from our global competitors."

– Ron Arends, CEO, Canadian Bank Note Company

"CCC was the critical link in securing our deals with Australia over the past two years and we are now exploring new opportunities in South America to build on that success."

– Allen Dillon, VP Business Development, Defence and Aerospace Unit, Bluedrop Performance Learning

COLLABORATIVE

A trusted Government of Canada partner in accessing foreign markets.

CREDIBLE

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

COMPETITIVE

A trusted Government of Canada partner in mitigating risk.

MANDATE

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

CORPORATE SOCIAL RESPONSIBILITY

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

CCC
Canadian Commercial Corporation
Corporation Commerciale Canadienne

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PERFORMANCE **HIGHLIGHTS**

A year of sustained growth and accomplishments, 2011-12 has seen the focused efforts of the Canadian Commercial Corporation (CCC) bear significant results for Canadian exporters despite the continued slow recovery from the 2008-09 worldwide economic recession, political turbulence, and increasing international competition in foreign markets. In the face of significant global economic challenges, CCC has aggressively pursued opportunities for Canadian exporters and refocused its strategies to meet the demands of its clients.

Navigating this complex trade environment and strengthened by its increasing investments in business development through its country and exporter strategies, stronger relationships with key stakeholders and international financial institutions, especially the Corporation's International Trade Portfolio partners, the Trade Commissioner Service (TCS) and Export Development Canada (EDC), CCC is working hard to level the playing field for Canadian companies in markets around the world. In the past year the Corporation pursued opportunities in 54 countries and worked with several hundred Canadian companies, achieving $1.8 billion in signed contracts, an increase over the $1.6 billion achieved in 2010-11. Achieving growth during these difficult economic times is indicative that CCC's mandate and long-term strategic direction continues to bring tangible results for Canadian exporters, and supports the creation or maintenance of important, highly-skilled jobs in Canada.

CONTRIBUTING TO CANADIAN ECONOMIC SUCCESS IN 2011-12:

CCC promoted and facilitated international trade by selling Canadian capabilities destined for public sector markets by:

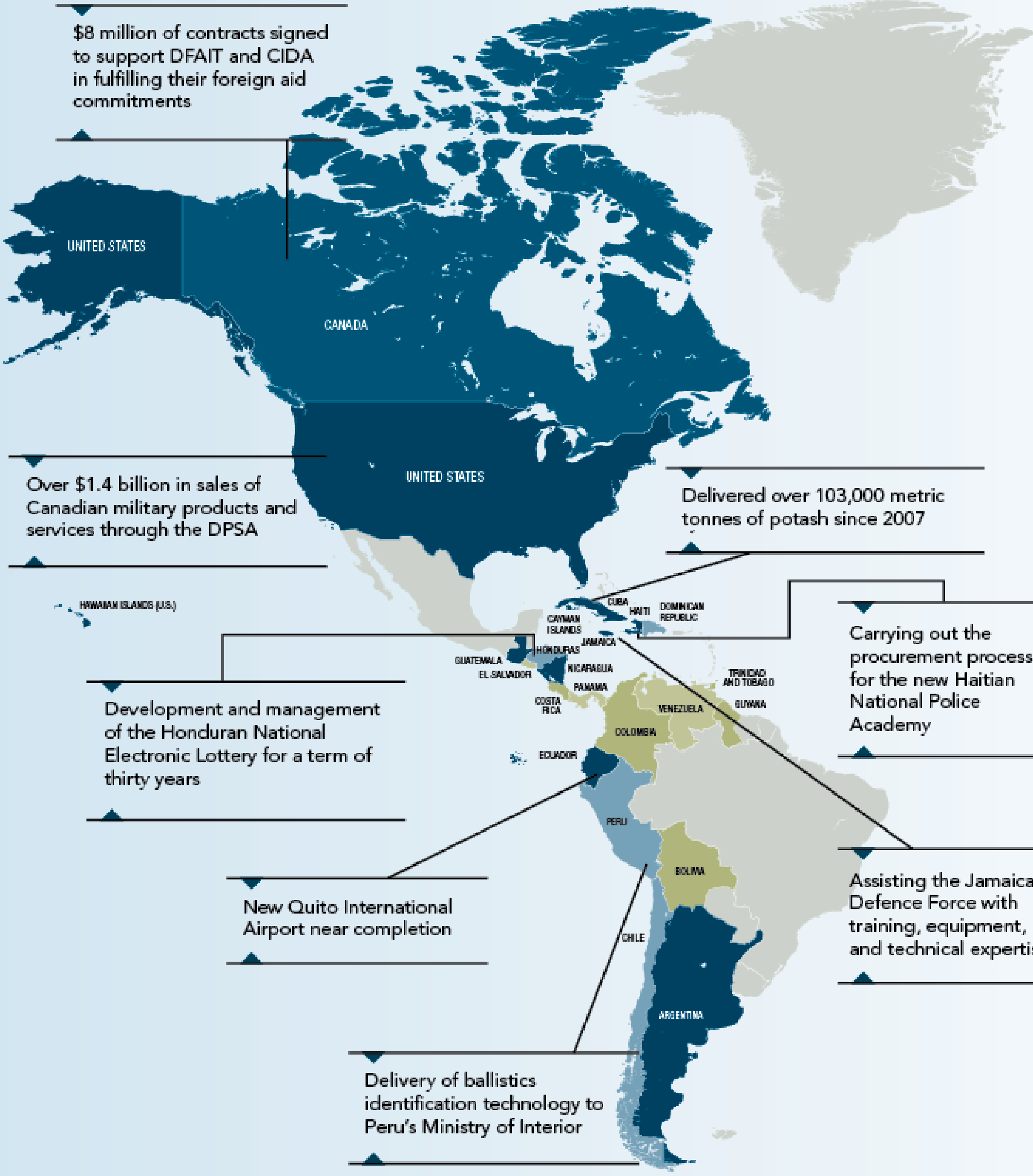
- Working in 54 countries with 218 Canadian companies to manage important and rewarding business contracts, achieving greater access to Latin America, Africa, and the Middle East markets in addition to maintaining superior access to the United States (US) defence and security market through the integrated North American industrial defence base enabled by the Defense Production Sharing Agreement (DPSA);
- Signing $1.76 billion in contracts, an increase of 11% over last year's result of $1.59 billion;
- Achieving Commercial Trading Transactions of $2.47 billion, an increase of 48% over last year's result of $1.67 billion;
- Generating fees for core activities of $10.7 million, an increase of 5% over last year's result of $10.2 million; and
- Creating or sustaining 27,200 jobs in Canada, an increase of almost 50% over the number of jobs created or sustained by CCC's activities in 2010-11.

The Corporation continued to manage expenditures in line with the spirit of the cost containment measures outlined in Budget 2010 and in line with the spirit of the Strategic and Operating Review (SOR) outlined in Budget 2011. Throughout 2011-12, CCC continued to ensure the provision of innovative and effective international contracting and procurement services through excellence in people, policies, processes and systems.

- Managed a 48% increase in throughput over 2010-11 levels while increasing operating expenditures by less than 1%, including investments made to strengthen CCC's service provision under the DPSA.
- Generated $2 million in fees for service from non-core activities, which included continuing to manage a network of six trade offices in China for DFAIT (which resulted in a $500,000 savings to the department over 2010-11), as well as a Shared Services arrangement with Public-Private Partnerships Canada.
- Despite a forecasted deficit of $1 million approved for the investments in the DPSA, achieved an operating surplus of $236,000.

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

AT A **GLANCE**



$8 million of contracts signed to support DFAIT and CIDA in fulfilling their foreign aid commitments

Over $1.4 billion in sales of Canadian military products and services through the DPSA

Delivered over 103,000 metric tonnes of potash since 2007

Carrying out the procurement process for the new Haitian National Police Academy

Development and management of the Honduran National Electronic Lottery for a term of thirty years

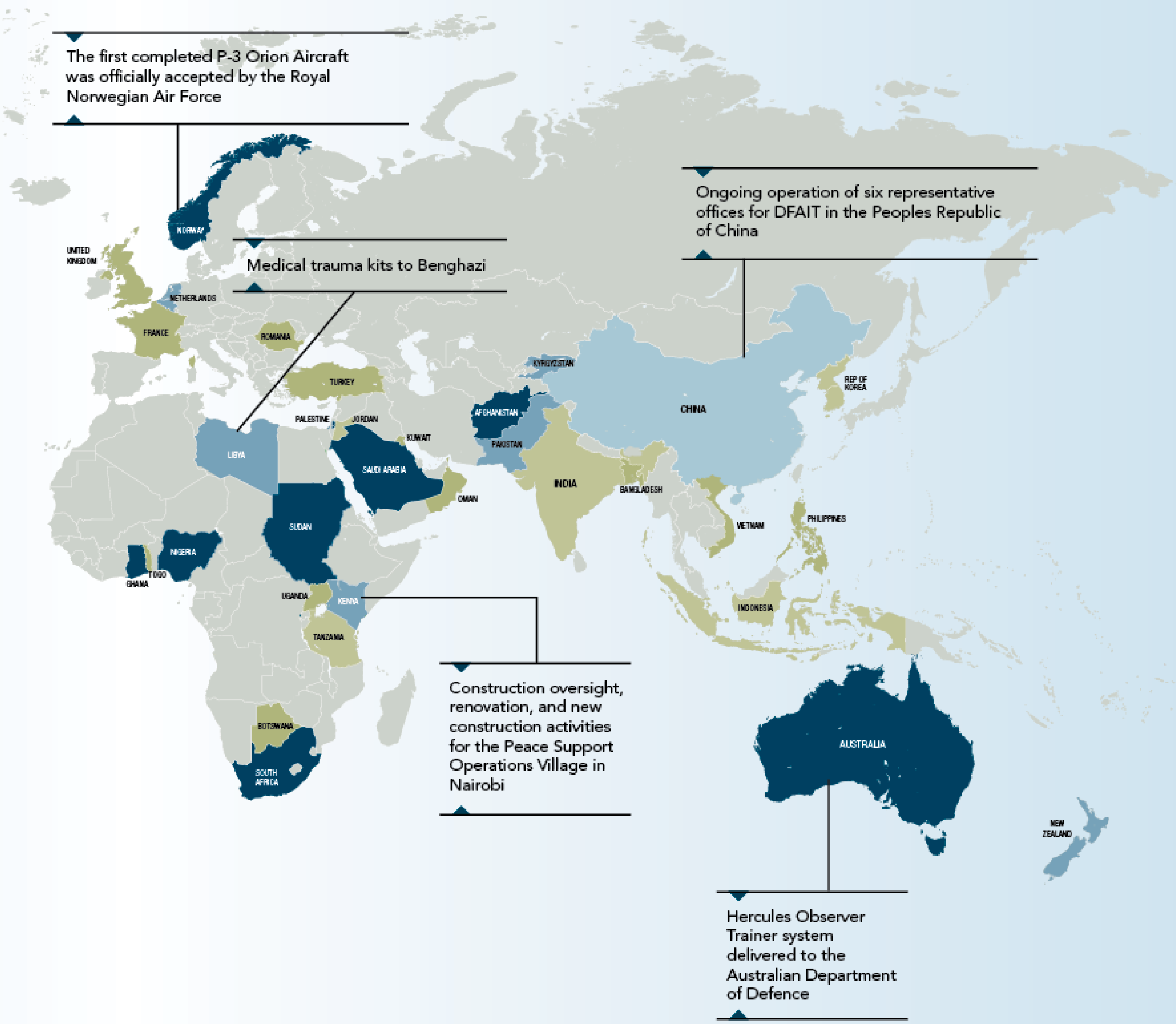
New Quito International Airport near completion

Assisting the Jamaica Defence Force with training, equipment, and technical expertise

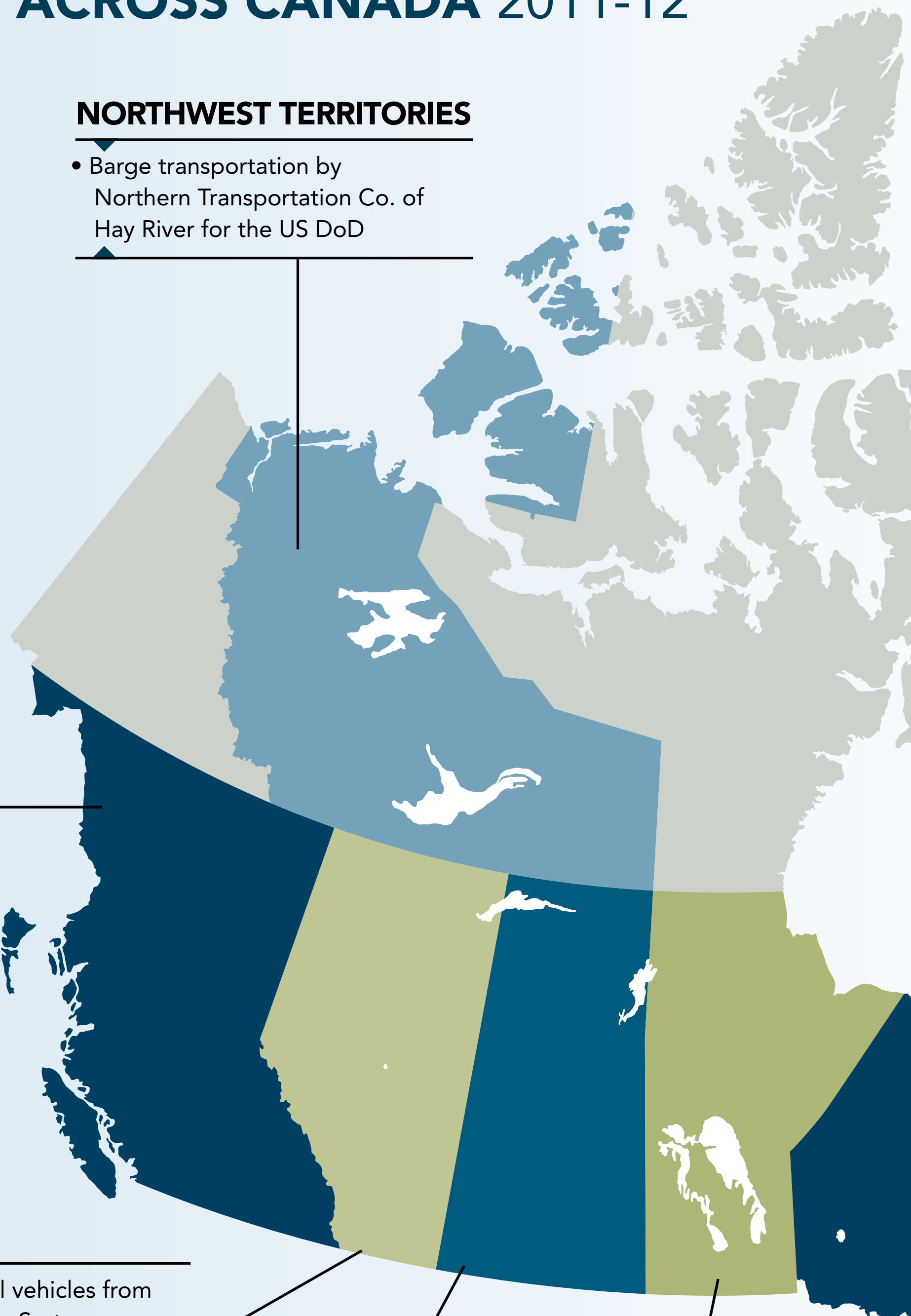
Delivery of ballistics identification technology to Peru's Ministry of Interior

COUNTRIES WITH ACTIVE CONTRACTS VIA CCC IN 2011-2012

COUNTRIES IN WHICH CCC WAS ACTIVELY PURSUING CONTRACTS IN 2011-2012


The first completed P-3 Orion Aircraft was officially accepted by the Royal Norwegian Air Force
Medical trauma kits to Benghazi
Ongoing operation of six representative offices for DFAIT in the Peoples Republic of China
Construction oversight, renovation, and new construction activities for the Peace Support Operations Village in Nairobi
Hercules Observer Trainer system delivered to the Australian Department of Defence
NORWAY
UNITED KINGDOM
NETHERLANDS
FRANCE
ROMANIA
TURKEY
PALESTINE
JORDAN
KUWAIT
LIBYA
SAUDI ARABIA
OMAN
SUDAN
NIGERIA
TOGO
GHANA
UGANDA
KENYA
TANZANIA
BOTSWANA
SOUTH AFRICA
KYRGYZSTAN
AFGHANISTAN
PAKISTAN
INDIA
BANGLADESH
CHINA
REP OF KOREA
VIETNAM
PHILIPPINES
INDONESIA
AUSTRALIA
NEW ZEALAND

SOME CCC **CLIENTS ACROSS CANADA** 2011-12



NORTHWEST TERRITORIES

- Barge transportation by Northern Transportation Co. of Hay River for the US DoD

BRITISH COLUMBIA

- Working with Sidney's Viking Air Limited to deliver 12 Twin Otter Aircraft to Peru

ALBERTA

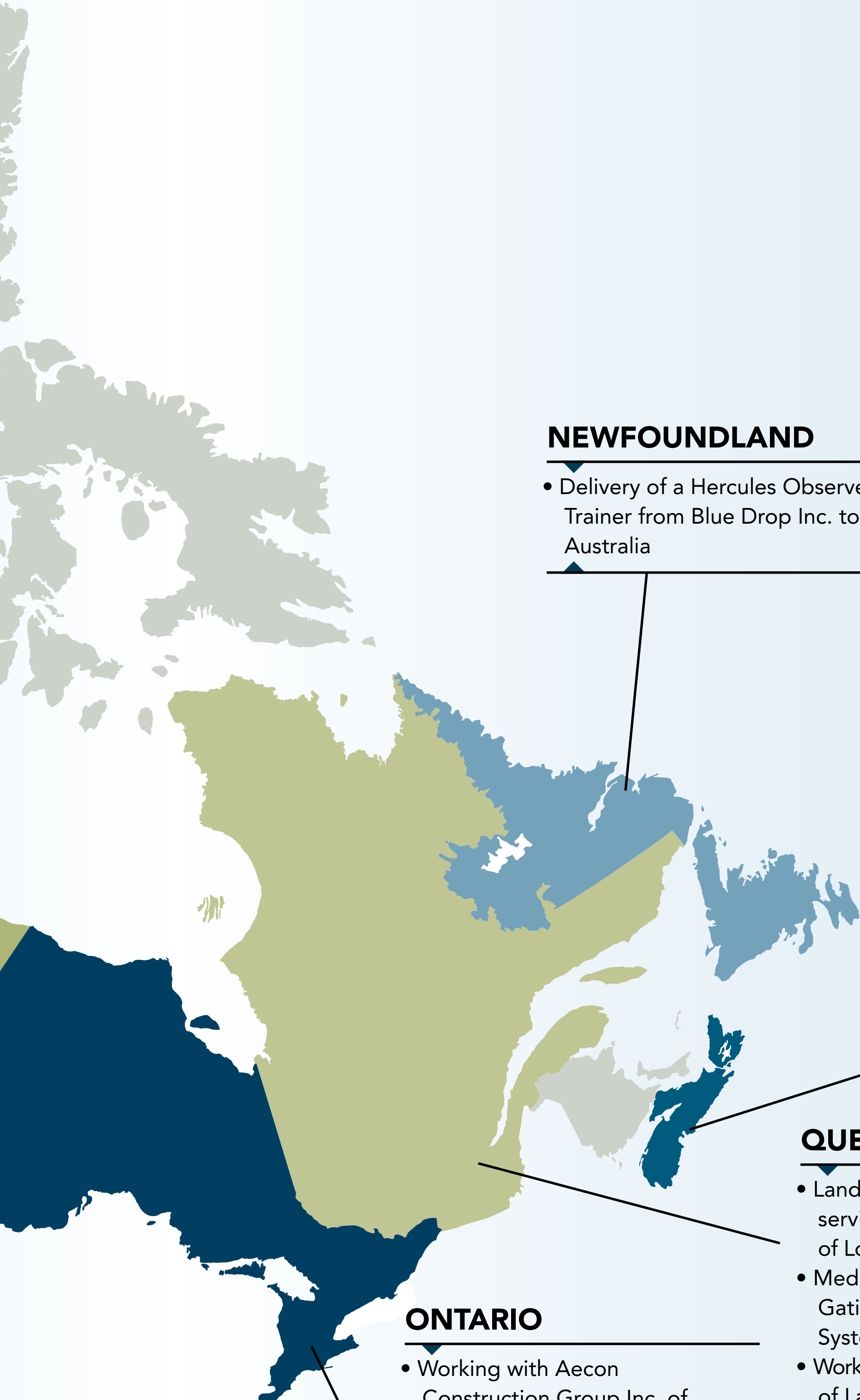
- Unmanned aerial vehicles from Meggitt Defence Systems Canada Inc. of Medicine Hat to the US DoD

MANITOBA

- Rocket assisted take off system for the US Army by Bristol Aerospace of Winnipeg

SASKATCHEWAN

- Delivery of 20,000 tonnes of potash to Cuba by PCS Sales (Canada) Inc. of Saskatoon



NEWFOUNDLAND

- Delivery of a Hercules Observer Trainer from Blue Drop Inc. to Australia

NOVA SCOTIA

- Working with IMP Group Limited of Enfield to replace wing kits for six P-3 Orion aircraft for the Royal Norwegian Air Force

QUEBEC

- Landing gear overhaul repair services by Héroux-Devtek Inc. of Longueuil for the US Air Force
- Medical trauma kits from Gatineau's Relief Chains Systems to Benghazi, Libya
- Working with Gart Construction Inc. of Laval deliver equipment parts and essential goods for the sugar industry in Cuba

ONTARIO

- Working with Aecon Construction Group Inc. of Toronto to build the New Quito International Airport
- Working with Ottawa's Canadian Bank Note Company in Honduras and Nicaragua to develop the national lottery systems
- LAVs by General Dynamics Land Systems-Canada to the US DoD

MESSAGE FROM THE **CHAIRMAN**

It is well known that international trade is a significant driver of the Canadian economy. It is dynamic, complex and constantly evolving. As the risks and complexity of global trade increase, CCC brings value to Canadian companies of all sizes, in numerous sectors to help mitigate these risks. In 2011-12, I am pleased to say that our efforts have led to signed contracts of $1.76 billion. This translates into increased revenues for Canadian exporters, a strengthened Canadian economy, and long-term jobs for Canadians.

CCC reports to Parliament through the Minister of International Trade and has clear objectives to aid Canadian exporters in the international defence and infrastructure sectors utilizing its two main services – Prime Contractor Service and Procurement Agent Service. Again this year CCC has met the government's expectations as outlined in the Minister's annual Statement of Priorities and Accountabilities which recognized the vital role played by CCC. In 2011-12, CCC was active in 54 countries, including the US, the Netherlands, Norway, Saudi Arabia, Ghana, Kenya, Haiti, Cuba, Ecuador, Chile, Peru, Argentina and China.

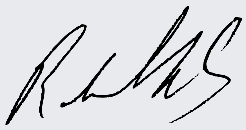
Throughout 2011-12 CCC continued to identify innovative ways to support Canadian business in world markets and to seek opportunities aligned with the capabilities of Canadian exporters while overseeing the management of CCC's affairs and ensuring that the Corporation's core values are reflected in all of CCC's efforts. I can report that CCC's refined business development approach, leveraging focused country and exporter strategies and enhanced outreach and marketing, have yielded substantial results, including penetration of markets in Latin America, Africa and the Middle East.

In May 2011, the Minister of International Trade launched a review of CCC to ensure that the Corporation continues to be an effective policy instrument within global international trade markets for the Government of Canada and to inform future policy decisions. The review was completed in March 2012 and is currently being reviewed by the Government.

As a federal public sector corporation, CCC conducts its business on the principles of integrity and excellence. It is committed to the highest levels of corporate social responsibility (CSR) and ethical business practices, which are a key part of the Canadian competitive advantage. In line with the Government's direction on cost containment, CCC has implemented a Cost Efficiency Plan which ensures services are delivered to Canadians at best value. These principles have guided the manner in which CCC has responded to the challenges of the past year and are the beacon to ongoing efforts to position CCC for future success and growth.

Through the incredible challenges of this past year, accented by continued economic uncertainty, CCC stands out as a successful example of resilience and innovation. On behalf of the Board of Directors, I would like to thank CCC's Senior Management team and all of CCC's employees for their leadership, dedication and relentless efforts in delivering outstanding procurement and contracting services, enabling CCC to enhance its value as a partner to Canadian exporters in competitive world markets.

Finally, I wish to acknowledge and thank my colleagues on CCC's Board of Directors. We have worked very hard together over the past years to make CCC an effective tool for Canadian exporters.



Robert C. Kay, J.D., B.L.
Chairman, Board of Directors
June 2012

MESSAGE FROM THE **PRESIDENT** AND **CEO**

It is a privilege to lead an organization that is a vibrant component of the Canadian economy through its support to Canadian exporters in pursuit of government-to-government opportunities. International trade makes up approximately 45% of the Canada's GDP thus contributing to the long-term success of the Canadian economy and is responsible for one in five Canadian jobs.

In 2011-12, CCC was again a part of this success. The Corporation signed $1.76 billion in contracts, an increase of 11% from the $1.59 billion achieved in 2010-11. As well, CCC delivered on these contracts by recording a record $2.47 billion in Commercial Trading Transactions. These are the results of a more focused and deliberate growth strategy. I am very proud of our results and we will continue to sharpen the execution of this strategy, which has proven its relevance and adequacy in the continuing uncertain global economy where the sluggish conditions between recession and recovery is becoming the new norm.

Despite the volatile and turbulent international marketplace, we have seen, through the development of our pipeline of projects and contracts, that the future offers both short and long-term opportunities for Canadian companies, often in unconventional government-to-government markets for Canada. For example, Africa is proving to be a continent open to Canadian companies and in search of the capabilities and leadership that are the trademark of Canadian industry. In November 2011, I had the honour of meeting with Ghanaian President John Evans Atta Mills to discuss the new Ghana power project as well as infrastructure development in his country. I lauded the government for providing an enabling environment for the flow of investments in power, transportation, housing and environmental projects, and promised continued CCC participation in the Ghanaian economy.

Latin America has been an area of focus in CCC's proactive search for trade opportunities in recent years. In 2011-12, this strategy yielded numerous opportunities, attesting to the strength of these emerging markets with a myriad of projects and contracts in defence and security, aerospace, and infrastructure development. For instance, CCC is in the final stages of managing the construction of the new Quito International Airport in Ecuador, a project a number of years in the making and which involves a regional on-the-ground presence. In Peru, contracts were signed with the Ministry of the Interior and the Ministry of Defence for ballistic system services, identification system services and air transportation, involving growth for Forensic Technology WAI Inc. and Morpho Canada, both of Quebec, and Viking Air Limited of British Columbia. In Argentina, CCC's largest contract of the year was signed with the Ministry of Security for scanning devices by Smiths Detection of Quebec. These, along with the Ghanaian projects, provide a sample of the Corporation's robust expertise in risk mitigation, active project monitoring, quality assurance, and CSR practices, and the value CCC adds in navigating foreign markets and carrying out large-scale projects.

The Corporation supports the development of trade by bolstering the competitiveness of Canadian companies in government-to-government transactions amid highly competitive international trade markets. We provide specialized services that support this objective: Prime Contractor Service and

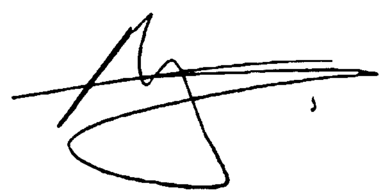
Procurement Agent Service. We are looking forward to the development of a roadmap of improvements with Government of Canada stakeholders from the review launched by the Minister of International Trade in 2011 to examine how CCC delivers on its mandate, to ensure that the Corporation can be of even greater assistance and value to Canadians in future years.

CCC is a trustworthy and stable partner that understands the complexities of the international marketplace. We continue to serve US buyers who require Canadian goods and services through the delivery of contracting services as defined under the DPSA. In, 2011-12 we made substantial investments in the DPSA business line by implementing a strategy to insource many of the services that were previously outsourced to Public Works and Government Services Canada (PWGSC). This investment will allow us to be more responsive to the needs of our clients while generating operating and cost efficiencies within CCC. Our relationship with PWGSC goes back many decades and we will continue to work collaboratively with the department, albeit under a different business model. The goal is to better serve US buyers by increasing transparency, improving efficiencies and optimizing CCC's resources in the delivery of our services.

In pursuing business, CCC and its employees adhere closely to the principles of CSR. We have high standards and I am proud to say that all of our employees sign a Code of Conduct and a Code of Business Ethics each year. We take these Codes seriously and they can be seen in all of the Corporation's transactions.

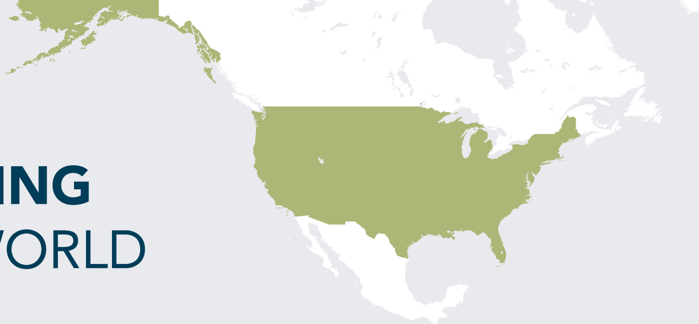
CCC was a model of excellence and innovation in 2011-12, identifying ways to manage internal costs in increasingly efficient and effective ways, in line with the spirit of cost containment outlined in the Government of Canada's Budgets 2010 and 2011. The Corporation's Cost Efficiency Plan, inclusive of the DPSA insourced services, is well aligned with cost containment and CCC will continue to focus on innovative improvements that bring value and increased performance to both our government stakeholders and the Canadian exporters we work with and support.

Over the years, CCC's employees have developed a unique set of trade, procurement and contracting related expertise which is matched only by their exemplary dedication to our stakeholders and clients around the world. I thank them wholeheartedly for their commitment and professionalism in all circumstances. Along with the very able management team that supports me in the leadership of the Corporation, CCC's employees have opened doors to international trade for Canadian companies of a scope and magnitude unforeseen only a few years ago. Looking forward, the Corporation is well positioned to continue as an essential partner for many Canadian exporters competing for government-to-government contracts in this uncertain global environment.



Marc Whittingham
President and CEO
June 2012

DEVELOPING AND **DELIVERING** **SOLUTIONS** AROUND THE WORLD



SALES TO THE US DoD UNDER THE CANADA-US DPSA AND NASA

UNITED STATES

CCC has been successfully facilitating trade between Canada and the US under the Defence Production Sharing Agreement (DPSA) for over 55 years. During these years the US was, and will continue to be, the largest single market for Canadian firms in the defence sector. Canadian companies have prospered from CCC's efforts. In the last three years alone, CCC has worked with over 100 different Canadian companies to sell a wide range of defence and security technologies and services, including telecommunications products, avionics, heavy machinery equipment, landing gear maintenance, and light armoured vehicles (LAVs) to the US military. These sales to the US Department of Defense (US DoD) represent over $6.1 billion.[1] Of these 100-plus Canadian firms, approximately 40 are small and medium-sized enterprises (SMEs), which create and rely upon critical defence and security jobs across Canada. Examples of Canadian SMEs working with CCC in this market include Guildline Instruments of Smiths Falls, Ontario, and G.T. Machining of Napanee, Ontario.

i. Enhanced Container Handling Unit by G.T. Machining for the US Army **ii.** Enhanced Container Handling Units by G.T. Machining for the US Army **iii.** Resistance measurement system by Guildline Instruments

[1] The average includes extraordinary $2.2 billion US DoD FMS contract signed in fiscal 2009-10.

GLOBAL DEFENCE AND SECURITY (GDS) SALES TO ALLIES AND LIKE-MINDED NATIONS

PERU

The Canadian Commercial Corporation has signed three new contracts with the government of Peru within the last two years. The growing relationship with this key regional partner resulted in a Peruvian Ministry of Defence (MOD) decision to engage CCC in late 2010 for the procurement of 12 new Twin Otter aircraft through Viking Air Limited of Sidney, British Columbia. The fact that the Peruvian MOD derived benefits from an expedited procurement, a transparent process, and from our rigorous supplier standards, was noted by other Peruvian government departments. The Peruvian Ministry of the Interior contacted CCC in 2011 to explore the areas in which CCC and innovative Canadian companies could help improve Peru's defence and security infrastructure. CCC has since signed contracts with: Forensic Technology Inc., of Montreal, Quebec, to supply an Integrated Ballistic Identification System; and with Morpho Canada Inc. of Montreal, Quebec, to supply an Automated Fingerprint Identification System to Peru's Ministry of the Interior. CCC is now actively pursuing over a dozen other opportunities in Peru for Canadian suppliers with the Ministry of the Interior and the Ministry of Defence.

i. Delivery of Twin Otter Aircraft by Viking Air Ltd. to the Peruvian Government **ii.** Forensic Technology Inc. to supply an Integrated Ballistics Identification System. **iii.** Morpho Canada Inc. to provide an Automated Fingerprint Identification System

INTERNATIONAL COMMERCIAL BUSINESS (ICB) SALES (MOSTLY IN THE INFRASTRUCTURE SECTOR) TO GOVERNMENT BUYERS IN EMERGING AND DEVELOPING MARKETS, PARTICULARLY IN LATIN AMERICA AND AFRICA

GHANA

CCC began working with Orenda Aerospace Corporation of Mississauga, Ontario, to build a 132-megawatt power generation plant in Ghana. This well-known Canadian company that traditionally operates in both the aerospace and industrial turbine sectors brought an innovative solution to help the Ghanaian Government meet the energy needs of its people. As a result of this first project, the Government of Ghana recently engaged CCC for work with Orenda to construct another 132-megawatt power plant on the same site.

The first project with CCC is now near completion and can boast over two million safe man-hours and 94% local employment.

Building on the success of the initial power project, CCC has been engaged in negotiations with various ministries of the Ghanaian Government to support projects such as the delivery of housing units for health professionals near the Tema Hospital, and near the Korle Bu Hospital.

i. Four gas turbine generators **ii.** Switchyard being erected
iii. Raw water tanks being assembled

PROCUREMENT SERVICES FOR FEDERAL GOVERNMENT DEPARTMENTS TO SUPPORT THEIR INTERNATIONAL AID PROGRAMS

HAITI

CCC continues to deliver extraordinary results for Canada as the Government of Canada's lead organization to provide procurement solutions for critical and complex international projects. As a part of Canada's commitment to assisting the Government of Haiti to strengthen public security and rule of law, CCC has been engaged by Canadian International Development Agency (CIDA) to carry out the procurement process for the new Haitian National Police Academy. CCC will work with Canadian companies and the Government of Haiti in this complex turnkey design and construction project. This initiative is another example of the Corporation's ability to provide world-class, effective solutions to assist with the Government of Canada's international programs.

i. Director General of the Haitian National Police, Mario Andersol, speaks. Photo courtesy of the United Nations Stabilization Mission in Haiti **ii.** Officers of the Haitian National Police **iii.** The Honourable Beverley J. Oda, Minister of International Cooperation, visits Haiti on second anniversary of the earthquake. Photo courtesy of CIDA

CUBA CONTRACTING PROGRAM IN SUPPORT OF CANADIAN SUPPLIERS EXPORTING TO CUBA

CUBA

CCC continues to facilitate market access and manage risks for Canadian exporters selling to the Cuban market. Over the lifespan of this business line, CCC has directly and indirectly supported over 200 companies and created or sustained over 6,600 Canadian jobs. CCC's business in Cuba has generated over $650 million in export contracts over the years and this important CCC program has helped to modernize and sustain two critical revenue generating sectors of the Cuban economy – sugar and tourism. In 2011, PCS Sales (Canada) Inc. of Saskatoon, Saskatchewan, sold over 20,000 metric tonnes of potash to the Cuban Ministry of Agriculture (formerly the Ministry of Sugar) through CCC. The company's increasing exports of this important crop nutrient is essential to support Cuba's growing agricultural industry.

i. Sugar cane harvest in Cuba **ii.** View of the Presidential Palace, now the Museo de la Revolución in Havana, Cuba **iii.** View of the National Capital Building, now the Cuban Academy of Sciences, in Havana, Cuba

OPERATING ENVIRONMENT

PROJECTION

While global gross domestic product (GDP) grew by 5.2% in 2010, up from a 0.5% contraction in 2009, it decreased to 3.7% in 2011 and is projected to decrease further in 2012 and 2013 to 2.9% and 3.3% respectively.[2]

Slower economic growth, growing credit concerns, divergent economic performance between countries and unpredictable political turbulence were all symptoms in 2011-12 of the highly uncertain phase between recession and recovery that marks the global economic environment. The Arab Spring sent oil prices skyward and high energy prices curtailed consumer and business spending for most of the year. Devastating natural disasters, from the flooding in Australia and Thailand to the earthquake and tsunami in Japan, compromised supplies of commodities and weakened global supply chains. Europe continued to steer through downgrades and fiscal austerity measures to address its sovereign debt situation. In the US, after a legislative budgetary impasse, markets oscillated between opportunism and excessive risk-aversion. More recently, US consumer trends are picking up favourable momentum, raising an economic force that although fragile and vulnerable, looks sustainable and may be the first sign of the next world economic growth cycle.

Overall, Canadian exporters fared well in this challenging climate. They leveraged the government's increased focus on international trade agreements, and availed themselves of the support provided by the International Trade Portfolio, which includes Foreign Affairs and International Trade Canada's (DFAIT) TCS, EDC, and CCC, to access new international opportunities, develop a presence in non-traditional markets, and overcome the challenges of foreign competition.

DEFENCE MARKETS

CCC has a long and established history in defence procurement, one that began over 55 years ago when it became the Government of Canada's

FACT

The DPSA fosters approximately $1.4 billion in direct trade flow annually between Canada and the US.

[2] Bank of Canada, "Monetary Policy Report," January 2012. Accessed from http://www.bankofcanada.ca/publications-research/periodicals/mpr/

PROJECTION

Since 2000, the US defence budget has ballooned from $312 billion to $712 billion in 2011, largely due to military operations in Afghanistan and Iraq. The budget is expected to reduce now that these operations are drawing to a close.

custodian of the DPSA and it continues today with more than 20 allied and like-minded nations around the world having taken advantage of CCC's expertise in defence procurement.

UNITED STATES' DEFENCE, SECURITY AND NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) MARKETS

The largest single market for Canadian firms in the defence sector continues to be the US. Though the US defence budget will not grow at the same pace as the last decade, it is expected to remain relatively robust and to strengthen its presence in the Asia-Pacific region.[3]

In 1956, CCC was given responsibility, on behalf of the Government of Canada, for administering the DPSA, an agreement between Canada and the US for defence procurement that enables Canadian companies to compete for contracts on an equal basis with US companies. While the North American Free Trade Agreement (NAFTA) does provide access to US government procurement, most defence procurements are exempt from trade agreements. Thus, the DPSA provides very important access to US defence procurement opportunities. In this role, CCC increases US DoD purchases of Canadian defence goods and services and awareness regarding Canada's capabilities within the integrated North American defence industrial base.

Despite a drop in projected defence spending in 2011-12, the US government continued to invest in its military and provide the training, equipment, and infrastructure needed to maintain military readiness.

The 2012 Budget for the US DoD continues to reflect that commitment, proposing a $553 billion base budget – an increase of $22 billion above the 2010 budget. However, it also includes a series of reforms that will produce a net savings of $78 billion by

SUPPORTING SMALL AND MEDIUM SIZED **ENTERPRISES**

CCC has been working with **Guildline Instruments** of Smiths Falls, Ontario, to provide the US Air Force with upgraded resistance measurement systems. These systems will provide the US Air Force Metrology and Calibration Program with ultra-precise electrical and temperature measurement instruments and standards.

[3]Hinton, Christopher. "US wants leaner military; budget growth to slow," MarketWatch, The Wall Street Journal, January 5, 2012. Accessed from: http://articles.marketwatch.com/2012-01-05/industries/30716600_1_defense-budget-budget-growth-military-priorities

PROMOTING **WORLD-CLASS** PRODUCTS TO THE **US** AND **ABROAD**

Through CCC, **E-Z-EM Canada Inc.** of Anjou, Quebec, provides the US DoD with skin decontamination lotion, used to remove and/or neutralize chemical agents. E-Z-EM's sales continue to grow with the U.S. DoD and have expanded to many other NATO militaries worldwide.

2016. Cost-cutting measures include the consolidation of several Air Force operation centres, reduced Army construction costs, and the Navy's use of multi-year procurement strategies.[4] The US government's priority is to improve the way federal dollars are spent. As such, the government continues to improve defence acquisition policy, reducing its use of high-risk contracts related to time-and-materials and labour-hours.[5]

Against this backdrop, maintaining a healthy defence sector in Canada requires a clear understanding of US defence policy and the US defence market. The 1933 Buy American Act applies to US federal government agency purchases of goods and creates a price preference that favours domestic end products from American firms on US federal government contracts.[6] While defence procurement remains exempt from the provisions, strong efforts are underway by the Canadian government to preserve this status. CCC works with other government partners to counter protectionism. The Corporation's ability to interact with US officials on a continual and consistent basis serves to mitigate some of the risks inherent in the "Buy American" philosophy and supports Canadian firms in winning contracts in the highly competitive US defence market.

GLOBAL DEFENCE AND SECURITY MARKET

Canadian defence and security sales to allies and like-minded nations have been significantly impacted by the budget constraints of foreign governments and a strong Canadian dollar. Austerity and deficit-reduction measures in the wake of the global financial and economic crisis led to reductions in military spending in Europe. Since 2008, two thirds of countries in Europe have cut military spending, although the rates of cuts have varied considerably. Some of the largest cuts have been in Central Europe, where the generally weaker economies have been unable to sustain such large budget deficits. A number of countries, however, have bucked the trend, and have increased military spending since 2008. The biggest three spenders in Western and Central Europe include the United Kingdom, France and Germany, which have so far made only modest cuts in military spending since 2008, by 0.6%, 4% and 1.6% respectively. The United Kingdom and Germany plan further cuts, the United Kingdom by 7.5% in real terms up to 2014-15, and Germany by about 10% to 2015. France, however, plans roughly constant spending up to 2013.[7] Military expenditures in the Middle East also increased, with 4.6% growth in 2011. The region with the largest increase in military spending overall was South America, with a 5.8% increase stemming from investments mainly in internal security.[8]

[4] US Government, "Federal Budget Fiscal 2012." Accessed from: http://www.whitehouse.gov/omb/factsheet_department_defense/

[5] IBID

[6] Government of Canada, "Buy American Act and Buy America Provisions," sell2usgov.ca, Accessed from: http://www.canadainternational.gc.ca/sell2usgov-vendreaugouvusa/procurement-marches/buyamerica.aspx?lang=eng&view=d

[7] SIPRI, "Recent Trends in military expenditure," Accessed from: http://www.sipri.org/research/armaments/milex/resultoutput/trends

[8] SIPRI, "World Military Spending," April 11, 2011. Accessed from: http://www.sipri.org/media/pressreleases/milex

FACT

According to the Stockholm International Peace Research Institute (SIPRI), world military expenditure in 2011 was $1.74 trillion. The small increase of just 0.3% in 2011 marks the end of a run of continuous increases in military spending between 1998 and 2010, including an annual average increase of 4.5% between 2001 and 2009.[9]

CCC's global defence and security sales were significantly impacted by the budget constraints of foreign governments and the lingering effects of the Arab Spring in the Middle East, which have resulted in longer timelines for CCC contracts to materialize in key markets. However in the second part of 2011-12, CCC's investments in business development, marketing and outreach, and participation in ministerial trade visits and missions began to unleash the rich potential of its pipeline of opportunities with the sales of identity services by Morpho Canada of Montreal, Quebec and the sales of security detection services and equipment by Forensic Technology Inc. of Montreal, Quebec to Peru, as well as the signing of a key contract for professional services with an important foreign buyer from the Middle East. CCC will continue its strategy of close engagement with critical buyers and exporters and strategic relationship building with government stakeholders to fully capitalize on opportunities for Canadian exporters.

SALES AND INFRASTRUCTURE IN EMERGING AND DEVELOPING MARKETS

While the US remains Canada's primary export trading partner, Canada's international trade has become more diversified in the past decade, a direction that has been identified by the government of Canada at the core of the country's long term growth and prosperity. Expanded opportunities for Canadian companies in many regions of the world, including Africa and Latin America, requires innovative approaches to secure financial scenarios, obtain government approvals and align diversified and experienced teams of experts to deliver complex infrastructure projects.

New initiatives are more and more focused on attracting private (rather than public) capital for infrastructure development, which has increased the planning period of large-scale infrastructure projects in emerging and developing countries. This has also restricted the types of Canadian companies that can be active in these markets to those that have experience in performing contracts with more complex financial structures. For example, many opportunities involve concession contracts where the company constructing the project is called upon to bring financing and to structure the contract in such a way that will allow the debt to be serviced and the project investment to be recovered through the operation of the asset post-construction.

While emerging and developing markets offer many opportunities for Canadian exporters, they also involve greater risk than developed markets. CCC adds value by filling the needs of foreign governments to establish robust procurement practices, including adequate due diligence to ensure fair, reasonable and ethical contracts in meeting the developmental needs of these countries, thus mitigating some of the associated risks. CCC also assures foreign governments that the contracts will be completed

[9]SIPRI, "World Military Spending," April 17, 2012. Accessed from: http://www.sipri.org/media/pressreleases/17-april-2012-world-military-spending-levels-out-after-13-years-of-increases-says-sipri

CARRYING OUT **LARGE-SCALE INFRASTRUCTURE** PROJECTS

Since 2005, CCC has been working to build a new international airport in Quito, Ecuador, with **Aecon Construction Group Inc.** of Toronto, Ontario. Large-scale infrastructure projects, such as the New Quito International Airport, require robust risk mitigation, active contract monitoring and quality assurance activities. CCC has demonstrated its exceptional skills in all of these areas in managing this complex and dynamic capital project. This airport will become the most modern, state-of-the art airport in Latin America, and it is slated for completion in October 2012.

as per the contract terms and conditions, which further mitigates risks and provides the incentive to procure from Canadian exporters.

CCC has a proven record in assisting Canadian companies and foreign governments to mitigate these risks, as demonstrated by the near completion of a large power plant in Takoradi, Ghana by Orenda Aerospace Corporation, a division of Magellan Aerospace Corporation, from Mississauga, Ontario, and of the new Quito International Airport in Quito, Ecuador, by Aecon Construction Group Inc. of Toronto, Ontario. CCC will continue to deploy innovative solutions, further develop knowledge and relationships, and proactively engage with buyers and exporters to strengthen its performance and deliver value in increasing access to more opportunities in emerging and developing markets.

2011-12 **STRATEGIC OBJECTIVES** AND **PERFORMANCE** AGAINST OBJECTIVES

CCC's business is characterized by large projects which can take as much as three to five years to develop. In this uncertain and turbulent economic and political environment, the time to contract award for large defence contracts or infrastructure projects require even longer timelines to move through approvals and implementation. CCC's results for 2011-12 are reflective of this reality. While the Corporation, overall, surpassed its results from the previous year, it did not achieve all of its targets as a result of decisions by governments to reconsider their needs, refine their requirements and rally broad consensus in the decision-making processes. While this dynamic impacted negatively on CCC's forecast for 2011-12, it brings a renewed strength to execution once deals are signed, and CCC's robust pipeline of projects now includes opportunities in Africa, Latin America, the Middle East, Europe and New Zealand which will mature and bring growth in the near term.

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

The 2011-12 Corporate Plan was built upon the business foundations CCC established following several years of significant investments in its people, processes and systems to integrate global best practices into its governance, risk management and performance management practices. With a renewed capacity and strength, CCC aligned its strategic objectives along three pillars of focus to optimize delivery of the Corporation's mandate.

PROVIDING **UNPARALLELED** RESPONSIVE AND RESPONSIBLE **PROCUREMENT SOLUTIONS**

Following an urgent request made under the START program, CCC worked closely with **Relief Chain Solutions** of Gatineau, Quebec, to supply medical trauma kits to Benghazi, Libya, in June 2011. The Canadian Embassy in Rome and the Italian Customs organization were also key players in the coordination of the international delivery logistics to ensure that the critical supplies arrived promptly.

Increase Growth in Canadian Exports	Contribute to Public Policy	Achieve Innovation & Operational Excellence
A trusted Government of Canada partner to promote and sell Canadian capabilities, mainly in defence, security and infrastructure goods and services to increase Canadian exports	A contributor to the development and implementation of innovative international trade and defence industrial base policies and programs that support Canadian exporters in the evolving global marketplace	An international contracting and procurement agency of choice that is collaborative, credible and competitive, and known for innovative and effective government-to-government contracting solutions

PILLAR 1:
INCREASE GROWTH IN CANADIAN EXPORTS

CCC has a long history as a stakeholder in the integrated North American defence industrial base through its role as the Canadian government's manager of the Canada-US DPSA for over 55 years. As a result, CCC has grown to become a trusted partner to the US Government and an important instrument of trade for Canadian exporters. Over recent years, CCC has established additional business lines in global defence and security sales, in international commercial business sales, in international procurement in support of the Government of Canada's aid programs, and in contracting in Cuba, to better respond to growing needs of Canadian exporters and leverage business opportunities in emerging and developing markets. This strategy is yielding increasing results despite the worldwide economic turmoil, and has generated considerable growth in the Corporation's value of contracts signed and fees generated over the last five years.

2011-12 Operational Objectives	Corporate Performance Indicators	2009-10 Results	2010-11 Results	2011-12 Targets	2011-12 Results
Increase growth in Canadian exports through CCC's five business lines by: • Maintaining a strong DPSA business • Increasing international sales of defence & security goods & services in target markets • Expanding international commercial business in target markets • Increasing procurement services for federal government international programs • Continuing to strengthen and facilitate market access for exporters through the trade financing program in Cuba	• Value of contracts signed	$3.54B*	$1.59B	$2.77B	$1.76B
	• Volume of commercial trading transactions	$1.57B	$1.67B	$2.54B	$2.47B
	• Fees for services	$10.11M	$12.89M	$14.66M	$12.72M
	• Number of Canadian exporters with contracts via CCC	243	195	258	218
	• Number of countries with contracts and/or pursuits	40	68	42	54
	• Contract remediation expenses	$190K	$(1.0)M	$500K	$52K

*Includes a $2 billion contract for LAVs sold through the US Foreign Military Sales (FMS) under the DPSA.

At the time of developing its 2011-12 Corporate Plan, CCC anticipated that the global economic crisis would show significant improvement throughout 2011-12 as demonstrated by many economic forecasts at the time. Unfortunately, this turnaround did not transpire and CCC's results did not benefit from the anticipated economic improvement. In addition, political events, such as those in the Middle East, affected the timing for the implementation of certain projects. CCC's results, however, did surpass the prior year results in all revenue and fee areas, and provide a solid foundation on which the Corporation will continue to operate.

Careful planning was exercised to cope with the new sluggish and unstable recovery of a challenging economy. CCC's focus in 2011-12 included refining its business strategies to expand the number of Canadian exporters with which it works while identifying targeted foreign markets best suited to Canadian company capabilities. The Corporation took a number of actions to achieve this objective.

First, over the course of 2011-12, CCC played a leadership role in furthering the interests of Canadian exporters and international buyers operating in the US through its Sales to the US DoD business line. The Corporation's value of contracts signed in this business line remained strong in 2011-12, reaching $1.5 billion through the execution of nearly 3,000 contracts and amendments. In accordance with the DPSA between Canada and the United States, CCC does not charge fees for this business line and instead receives an appropriation of $15.5 million from the Government of Canada. This revenue allows CCC to support over 90 Canadian companies, nearly half of which are SMEs, with US DoD contracts sustaining over 16,000 jobs in Canada.

In addition, within its Global Defence and Security (GDS) sales and International Commercial Business (ICB) sales business lines, CCC developed and executed proactive exporter and country strategies and targeted priority markets, such as Colombia, Peru, the Middle East and Ghana where it could be most effective in influencing future export sales for Canadian exporters. With renewed efforts in marketing and outreach, the Corporation launched its Partnership Program to increase awareness of CCC in defence, security, and infrastructure exporter communities, leveraging Canadian and international events.

Complementing this targeted business approach; CCC implemented a new Pricing Strategy in 2011 and added to its internal governance a Risk and Opportunities Committee (ROC) to validate opportunities and to assess project risks and pricing prior to final approval. This contributed to more focused business development activities, better management of risk, reduced additional contract costs, the balance of costs with expenditures, and created a stronger business model overall.

Through these activities the Corporation was able to generate positive results. In the GDS sales business line CCC signed 20 contracts and amendments for a total value of $32.7 million in 2011-12, while in the ICB business line CCC signed 32 contracts and amendments for a total value of $169.3 million. The Corporation also continued to work in countries including Colombia and the Kingdom of Saudi Arabia in the GDS sales business line and Ghana in the ICB business line, to identify and facilitate new pursuits. CCC's work in Colombia has led to opportunities in Peru, Argentina, Chile and Brazil for a number of Canadian exporters. Above all else, it is clear that CCC's pipeline of pursuits is robust.

In its Procurement Services business line, CCC continued to build on its highly successful service offering. Through its partnership with DFAIT and CIDA, CCC continued delivering important aspects of Canada's reconstruction aid in the aftermath of the January 2010 earthquake in Haiti where Canada, though CCC, is facilitating the construction of the Haitian National Police Academy. The Corporation aims to build upon the success of projects in this business line by expanding its relationship with other Canadian government departments with international programs. In 2011-12, CCC signed 144 contracts and amendments for a total value of $8.2 million.

Finally, CCC upheld its 20 years support of Canadian companies exporting to Cuba by facilitating Canadian sales of goods, commodities and services primarily to the Cuban tourism and sugar industries. For example, CCC signed a contract in February 2011 with PCS Sales (Canada) Inc. to supply over 35,000 metric tonnes of potash to Cuba to support its agricultural needs. In addition, CCC further developed its risk mitigation strategies through the renewal of key risk sharing agreements with private and public partners, the implementation of an enhanced loan management system, and the implementation of credit enhancements to the existing structure to include the express recognition of debt. The visit in January 2012 of the Minister of State of Foreign Affairs, the Honourable Diane Ablonczy (Americas and Consular Affairs) to Cuba helped to reinforce the business relationship between Canada and Cuba. In 2011-12, the Corporation signed 38 contracts and amendments for a total value of $68.4 million.

PILLAR 2: CONTRIBUTE TO PUBLIC POLICY

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

CCC made a real contribution to public policy in 2011-12 by creating or maintaining 27,200 jobs for Canadians, a significant increase over last year demonstrating CCC's ability to generate results during difficult economic times.

As the Government of Canada's custodian of the Canada-US DPSA, CCC plays a strategic role in increasing awareness of Canada's capabilities. To this end, CCC promoted the DPSA and the integrated North American defence industrial base in Washington, D.C. to all levels of decision makers. In addition, CCC worked with DFAIT to counter trade protectionist measures and protect Canadian exporter access to procurement opportunities. The Corporation participated in a variety of defence trade related events that promote the North American defence industrial base, such as Maintenance, Repair and Overhaul (MRO) 2011, ComDef Washington 2011, the Association of the US Army (AUSA) 2011 Annual Meeting and Exposition, and the Armed Forces Communication and Electronics Association (AFCEA) West 2011. In addition, the Corporation was involved in several

2011-12 Operational Objectives	Corporate Performance Indicators	2009-10 Results	2010-11 Results	2011-12 Targets	2011-12 Results
The Corporation, in collaboration with its International Trade Portfolio partners, will continue to support the development of sound public policy by: • Increasing awareness of Canada's capabilities within the integrated North American defence industrial base • Supporting Canada's international trade initiatives by helping Canadian exporters further penetrate target markets • Continuing to promote CCC as a primary/priority responder in Government of Canada international emergency response and reconstruction initiatives	• Total value of commercial trading transactions	$1.57B	$1.67B	$2.54B	$2.47B
	• Number of strategic partnerships	13	22	15	28
	• Number of jobs created or maintained via CCC commercial trading transactions[10]	17,250	18,300	27,900	27,200

[10]Every $1 billion in exports creates or sustains 11,000 jobs in Canada as per: Orser, Barbara and Christine Carrington. "Small Business Financing Profiles: Exporter SMEs." SME Financing Data Initiative. September 2006. http://www.sme-fdi.gc.ca/eic/site/sme_fdi-prf_pme.nsf/eng/h_02015.html.

industry, Canadian government and US DoD councils and committees, and worked to coordinate its US-focused defence trade activities with DFAIT's TCS throughout the US.

In its Procurement Services business line, CCC continued to demonstrate efficiency and effectiveness by supporting important federal government international programs. For instance, CCC continued to support the efforts of CIDA and DFAIT's Stabilization and Reconstruction Task Force (START) by implementing projects which are part of the necessary reconstruction following the 2010 flooding in Pakistan and earthquake in Haiti. Hence a Memorandum of Understanding (MOU) was signed with CIDA on July 15, 2011 for the first phase of a project to build the Haitian National Police Academy. As well, CCC works increasingly more cooperatively with DFAIT, participating in the Capacity Building Programs division Priority Review process and acquiring an early understanding of the requirements to which the Corporation can bring support in the event of international disaster relief and reconstruction. Finally the Corporation continued to manage six trade offices in China.

Ongoing public policy efforts also helped CCC to become more effective for Canadian exporters. These efforts include continued alignment with the International Trade Portfolio, and outreach to key government departments and officials to further encourage dialogue on issues that matter to Canadian exporters. Information garnered over the course of regular business is shared within the International Trade Portfolio in order to better inform public policy decision-makers. More specifically, as a member of the Defence Trade Committee at the Canadian Embassy in Washington, D.C., DFAIT's Aerospace Advisory Board, and as an avid participant within industry associations such as the Canadian Association of Defence and Security Industries (CADSI), the Aerospace Industry Association of Canada (AIAC), and the National Defense Industrial Association (NDIA) in the US, the Corporation has made progress in developing knowledge-sharing networks across policy stakeholders and has worked to counteract global protectionist tendencies.

Equally important has been the increased interaction with the US DoD in order to educate and confirm the benefits of the defence trade program. More recently, CCC and EDC have been engaged in a dialogue aimed at identifying areas where common approaches would bring added value to Canadian exporters. These public policy benefits as well as CCC's contribution to the Government of Canada's updated Global Commerce Strategy, on-going free trade negotiations and strengthened engagement with our largest trading partner, the US, have ensured that Canadian business interests are continually represented within government policy circles.

In early 2011, DFAIT initiated a review of how CCC delivers on its mandate. While led by DFAIT, this review was conducted by an external consultant with the objective of assessing CCC's role in global public sector procurement markets, evaluating how CCC's current business lines are meeting the evolving needs of Canadian exporters and fulfilling Canada's policy objectives. CCC, along with other government stakeholders, will be taking into account the findings from this review to determine how it can continue to optimally delivery on its mandate.

PILLAR 3: ACHIEVE INNOVATION AND OPERATIONAL EXCELLENCE

Innovation and operational excellence in CCC's business has been supported by its strategic investment, over the past six years, in people, processes, and systems. In a challenging global environment marked by heightened risk, changing demographics, and continued economic and political uncertainty, such investments have allowed CCC to significantly improve operations, gain efficiencies and increase the potential to access key markets for Canadian exporters. These investments centre upon best practices in risk management, contract management and performance management.

Through its third pillar of focus, the Corporation ensures that its investments in people, processes, and systems are safeguarded and sustained, and that the Corporation continues to build a strong and effective team of dedicated, hard working procurement specialists with the tools required to achieve excellent results.

As well, CCC continued in 2011-12 to prudently manage expenditures and investments, implementing its Cost Efficiency Plan in line with Budget 2010 and the SOR objectives outlined in

Budget 2011. This Plan ensures that CCC operates in the most effective manner, and searches, on an ongoing basis, for efficiencies in its service delivery to ensure the best value for the government and the Canadian exporters.

CSR remains a hallmark of a successful modern enterprise in both the public and private business sector. As such, CCC continued to take steps in 2011-12 to ensure that CSR remains a cornerstone of CCC's values, and that the Corporation's CSR Framework effectively guides staff. The *CCC Code of Conduct* was updated to ensure it aligns with the new Government of Canada *Values and Ethics Code for the Public Sector,* which took effect April 2, 2012. As well, CCC monitors the evolution of anti-corruption and anti-bribery legislation abroad, integrating best practices in policies, processes and training to safeguard its reputation, credibility and value to Canadian exporters.

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

1) *Corruption of Foreign Public Officials Act*
2) *Policy on Conflict and Post-Employment*
3) *Public Servant Disclosure Protection Act*
4) *Canadian Environmental Assessment Act*

2011-12 Operational Objectives	Corporate Performance Indicators	2009-10 Results	2010-11 Results	2011-12 Targets	2011-12 Results
CCC will continue to demonstrate innovation and integrity consistent with the Government's direction on cost containment by: • Continuing to implement CCC's Cost Efficiency Plan • Continuing to develop CCC's business development and sales capacity and capability • Enhancing client relationship management • Implementing a renewed HR Strategy including a new learning and development framework	**Workplace health as measured by:**				
	• Turnover rate	11.8%	3.75%	≤10%	5.56%
	• Percentage of staff that feel they have tools required for their work	71%	52%	≥78%	73%
	• Percentage of staff that feel supported in their development	53%	76%	≥70%	60%
	Financial health as measured by:				
	• Operating results/ surplus	$1.1M	$1.7M	$(1.0)M**	$236K
	• Administrative expenses as a percentage of gross revenues	1.61%	1.7%	1.16%	1.16%
	• Indirect expenses as a percentage of total expenses	38%	38%	37%	37%
	Effective & efficient processes as measured by:				
	• Adherence to commercial contract payment terms	97%	98%	99%	98%
	Effective risk management as measured by:				
	• Contract remediation expenses as a percentage of commercial trading transactions	0.01%	(0.06)%*	0.02%	0.00%

*Amount in parenthesis represents recoveries of contract remediation expenses.

**In fiscal 2011-12, CCC's Board of Directors approved, and the Minister of International Trade concurred, with a one time investment in the DPSA business line to avoid some $1.7 million annually in increased costs from the outsourcing of related services. The investment was forecasted to create a temporary operating loss of approximately $1 million in 2011-12 which differed from the original forecasted operating surplus of $648 thousand contained in the CCC 2011-12 to 2015-16 Corporate Plan that was approved in February 2011.

Over the course of 2011-12 CCC made significant progress in implementing a new strategic relationship with PWGSC to optimize the expenditure of the Corporation's financial resources in support of DPSA responsibilities. CCC accelerated the development and planning of the Business Process Improvement Initiative to begin implementation on April 1, 2012. The Corporation worked with PWGSC to develop a new MOU to reflect more accurately the services that PWGSC will perform under the DPSA. To date, the Corporation has developed new processes and procedures to support the contract management activities that CCC is taking back from PWGSC and will fully implement the revised business approach in 2012-13, which will better serve Canadian companies and US DoD.

CCC also expanded its shared services arrangement with Public-Private Partnerships (PPP) Canada Inc. to include procurement. This arrangement enables both organizations to generate economies of scale in the provision of a variety of corporate services.

In line with its growth strategy, CCC enhanced its organization to more proactively assist Canadian exporters in generating sales with the creation of the position of Executive Vice-President and Chief Operating Officer (COO). This move will further focus CCC's long-term business strategy, develop the Corporation's marketing capacity, and leverage business intelligence from the core contract management and procurement services.

Central to CCC's success is the renewed Human Resources (HR) Strategy, which was started in 2009-10. In 2011-12, CCC continued to implement the HR Strategy Renewal Roadmap and the implementation of its associated Learning and Development Strategy. These initiatives ensure the Corporation is able, on an ongoing basis, to attract, train and retain skilled knowledge workers. Similarly, the Corporation also took steps to enhance client relationship management (CRM) by developing a phased CRM approach and developing the Business Development and Sales policy suite, reflecting the Corporation's commitment to continue to enhance its business development expertise, capacity and capability. The results from CCC's annual pulse survey of its employees demonstrated the continuing high quality of its people, processes and systems that have been developed to support Canadian exporters.

The Corporation continued to manage expenditures in line with the spirit of the cost containment measures outlined in Budget 2010 and in line with the spirit of the SOR outlined in Budget 2011. Throughout 2011-12, CCC continued to ensure the provision of innovative and effective international contracting and procurement services:

- Managing a 48% increase in throughput over 2010-11 levels while increasing Operating expenditures by less than 1%, including investments made to strengthen CCC's service provision under the DPSA;
- Generating $2 million in fees for service from non-core activities, which included continuing to manage a network of six trade offices in China for DFAIT (which resulted in a $500,000 savings to the department over 2010-11), as well as a Shared Services arrangement with PPP Canada Inc; and
- Despite a forecasted deficit of $1 million approved for the investments in the DPSA, achieving an operating surplus of $236,000.

MANAGEMENT'S **DISCUSSION** AND **ANALYSIS**

NATURE OF BUSINESS AND OPERATING ENVIRONMENT

In this current climate of global economic challenges and increased competition for Canadian exporters, CCC continues to play a leadership role in working as a Government of Canada partner with a broad spectrum of Canadian companies who are looking to access international defence markets, and international infrastructure markets in emerging and developing countries. CCC's five business line strategy has resulted in a growing pipeline of projects aligned with Canadian capabilities, increased sales for Canadian exporters and a greater number of jobs for Canadians. These accomplishments are being achieved while continuing to manage the Corporation in a cost efficient manner.

FINANCIAL HIGHLIGHTS

CCC's net results of operations and comprehensive income for 2011-12 was a surplus of $0.2 million, compared to a surplus of $1.4 million reported in 2010-11. The year-over-year net decrease of $1.2 million, or 86%, is the result of an increase in revenues of $0.5 million, offset by an increase in total expenses of $1.7 million.

The parliamentary appropriation remained the same as compared to last year. The increase in revenues primarily resulted from an increase in discounting and other revenues of $0.5 million. Approximately 60% of the increase of $1.7 million in total expenses relates to a provision reversal that occurred in fiscal year 2010-11 but did not recur in 2011-12. CCC incurred contract remediation expenses of $0.1 million during 2011-12, compared to a recovery of $1.0 million in 2010-11.

Administrative expenses were moderately higher in 2011-12 by $0.6 million compared to 2010-11. Contributing to the $0.6 million increase in administrative expenses was a $0.3 million transition investment in the DPSA business line to streamline its processes and avoid future increases in outsourced costs of some $2 million annually. A further transition investment of $1.4 million will be made in 2012-13 to advance the transition required to secure these future savings. The estimated avoidance or savings of costs anticipated from this transition investment over the life of the 2012-13 to 2016-17 Corporate Plan is in excess of $6.0 million. CCC continues to make prudent investments to support its growth while respecting the spirit of the Government of Canada's cost containment measures set out in Budgets 2010 and 2011.

The nature of CCC's business is that many projects have long lead times before a contract becomes signed and effective. Often this can be attributed to the size and scale of infrastructure projects or defence and security projects which necessitate a high degree of analysis and consideration by purchasing governments before final decisions are taken. Also, these long lead times can relate to the varied approval processes that international governments must follow in order to approve significant procurement contracts. Finally, the scale of some projects necessitates that they be delivered over several years and thus the signing of a singular large contract will impact the financial results for several years as the project is delivered. These long lead times and long delivery schedules, coupled with the fact that some CCC projects are large dollar value projects, can cause significant variations in certain year-over-year amounts on the statement of financial position and statement of operations, comprehensive income and retained earnings.

A good example of the significant contract scenario described above can be seen in the 2011-12 financial statements as, in late 2009-10, a $2.2 billion multi-year contract was signed with the US DoD FMS organization for the supply of LAVs manufactured by General Dynamics Land Systems (GDLS) in London, Ontario. This contract signing was followed by a subsequent LAV signing with various US DoD buying commands in 2010-11 through 2011-12 totalling an additional $1.5 billion. The production of LAVs for the first contract started to accelerate later in fiscal year 2010-11, followed by the start of production of LAVs for the second contract in early fiscal year 2011-12. Deliveries on both contracts were significant through 2011-12 resulting in material increases to CCC's accounts receivable, accounts payable, progress payments to Canadian exporters, progress payments from foreign customers, commercial trading transactions and cost of commercial trading transactions accounts.

A more detailed discussion of CCC's fiscal year 2011-12 financial highlights follows:

STATEMENT OF COMPREHENSIVE INCOME DISCUSSION

SUMMARY RESULTS

REVENUES

Revenues consist of commercial trading transactions on prime contracts, fees for service (generated from core activities related to its five business lines and from services provided for non-core activities), other income, net interest income, and gains (or an offset to revenues if a loss) on foreign exchange. Revenues for commercial trading transactions on prime contracts are fully offset by the cost of commercial trading transactions on prime contracts. After offsetting the cost of commercial trading transactions, total revenues for 2011-12 were $13.7 million compared to $13.2 million reported in 2010-11, an increase of $0.5 million, or approximately 4%.

Commercial trading transactions and Procurement services transactions in 2011-12 were cumulatively $2,472.3 million compared to the $1,666.2 million reported in 2010-11, a $806.1 million or 48% increase. Of the total increase of $806.1 million, $708.7 million, or 88%, resulted from the significant increase in LAV deliveries discussed in the financial highlights.

	2011-12 ($ Millions)	2010-11 ($ Millions)	% Increase (Decrease)
Revenues:			
Commercial trading transactions - prime contracts	$ 2,425.3	$ 1,585.1	53%
Cost of commercial trading transactions - prime contracts	$ (2,425.3)	$ (1,585.1)	53%
Fees for service (Core activities generated from the five business lines)	$ 10.7	$ 10.2	5%
Fees for service (Non-Core activities)	$ 2.0	$ 2.7	(26%)
Other revenues	$ 1.0	$ 0.3	233%
Total Revenues	$ 13.7	$ 13.2	4%
Expenses:			
Administrative expenses	$ 28.9	$ 28.3	2%
Contract remediation expenses	$ 0.1	$ (1.0)	110%
Total Expenses	$ 29.0	$ 27.3	6%
International procurement services for government clients	$ 47.0	$ 81.1	(42%)
Cost of international procurement services for government clients	$ (47.0)	$ (81.1)	(42%)
Parliamentary appropriations	$ 15.5	$ 15.5	0%
Net results of operations and comprehensive income	$ 0.2	$ 1.4	(86%)

CCC does not charge fees for its DPSA business line transactions as these are funded through parliamentary appropriations. For all of its other business lines the Corporation charges fees, generally as a percentage of the contract value. Fees are recognized as revenue generally as goods and services are delivered or work is performed. Fees for service generated from the Corporation's core business line activities in 2011-12 were $10.7 million compared to $10.2 million reported in 2010-11, a 5% increase. Of the total $10.7 million, $5.7 million, or 53%, was generated by CCC's Cuba Contracting Program, an increase of $0.3 million compared to 2010-11. Another $3.3 million, or 31%, was generated from the Corporation's GDS and ICB business lines, a $0.3 million increase compared to 2010-11. The remaining $1.7 million, or 16%, of the total fees for service generated from core activities comes from the Corporation's Procurement business line, a $0.1 million decrease compared to 2010-11.

In addition to the fees for service generated from CCC's core business line activities, the Corporation collects fees for the administration of representative offices in China in collaboration with DFAIT's TCS and shared service arrangement with PPP Canada Inc. These fees totalled $2.0 million, $0.7 million or 26% lower compared to 2010-11.

Other revenue items that contributed to the year-over-year increase in revenues are: (1) $0.2 million increase resulting from a foreign exchange gain due to the weakening of the Canadian dollar during 2011-12 compared to its US dollar counterpart on US cash balances (which are monitored closely and kept at nominal levels); and (2) $0.5 million increase in other income, as a result of fees earned on increased requests for early payment discounts by Canadian exporters related to the DPSA business line and the recovery of a long-outstanding liability. Net finance income of $0.3 million (the same as in 2010-11) is derived from three sources: (1) interest earned on corporate working capital, (2) interest earned on flow through cash balances and (3) late payment interest from the US Government.

EXPENSES

In 2011-12, total expenses were $29.0 million, an increase of $1.7 million, or 6%, compared to the 2010-11 amount. This resulted due to an increase in administrative expenses of $0.6 million and an increase of $1.1 million in contract remediation expenses. As referred to in the Financial Highlights, during the prior fiscal year of 2010-11, the Corporation reversed a $1.0 million provision for contract remediation expenses. A similar reversal did not occur in 2011-12. Rather, the Corporation incurred a modest contract remediation expense of $52.0 thousand in 2011-12. Administrative expenses are comprised of:

- Workforce compensation of $17.4 million which increased by $1.0 million in 2011-12, or 6%, compared to the amount spent in 2010-11. The increase is due primarily to a combination of modest staff increases and annual salary increases. Workforce compensation accounted for 60% of CCC's administrative expenditures.
- PWGSC costs, for core contract management services under the DPSA, of $4.4 million which increased by $0.5 million in 2011-12, or 13%, compared to the amount spent in 2010-11.
- Rent and related expenses of $2.2 million which increased by $0.3 million in 2011-12, or 16%, compared to the amount spent in 2010-11 due to annual rent increases in accordance with the lease agreement and the acquisition of additional floor space for staff increases to accommodate a planned cost saving initiative to in-source some of the work currently subcontracted to PWGSC, as discussed in the Financial Highlights section.
- Travel expenses of $1.4 million in 2011-12, principally for operational requirements to secure and manage CCC's international contracts, which approximates the same amount as in 2010-11.
- Consultant expenses, to complement CCC's workforce and perform assignments requiring a specific expertise, of $1.5 million in 2011-12, which decreased by $0.3 million, or 17%, compared to 2010-11.
- The amortization of property and equipment, intangible assets and leasehold improvement costs of $0.7 million in 2011-12 which approximates the same amount as in 2010-11.
- Computer software, hardware and support costs decreased by $0.6 million in 2011-12, or 55%, compared to 2010-11. The decrease relates to one time investments in computer hardware and software that was required in 2010-11 to replace or enhance aging equipment.

- Other expenses, including corporate communication costs (marketing, advertising, and the design and printing of corporate promotional material) telecommunications and bank charges, of $0.9 million, decreased by $0.2 million, or 18%, as compared to 2010-11.

PARLIAMENTARY APPROPRIATIONS

In 2011-12, the Corporation received parliamentary appropriations of $15.5 million, the same amount as in 2010-11. The appropriation is drawn down in equal monthly instalments throughout the year.

STATEMENT OF FINANCIAL POSITION DISCUSSION

SUMMARY OF FINANCIAL POSITION

	2011-12 ($ Millions)	2010-11 ($ Millions)	% Increase (Decrease)
Total assets	$ 1,043.8	$ 646.8	61%
Total liabilities	$ 994.4	$ 597.6	66%
Shareholder's Equity	$ 49.4	$ 49.2	<1%

CCC's total assets were $1,043.8 million as at March 31, 2012, $397.0 million, or 61%, higher than at March 31, 2011. The increase is due predominantly to an increase in the amount of progress payments to Canadian exporters of $310.2 million, representing a 137% increase compared to March 31, 2011 and accounting for 78% of the $397.0 million overall increase in total assets. All other asset line items cumulatively contributed a net increase of $86.8 million from March 31, 2011.

CCC's total liabilities were $994.4 million as at March 31, 2012, $396.8 million, or 66%, higher than at March 31, 2011. The increase is due primarily to an increase in the amount of progress payments from foreign customers of $307.6 million, representing a 134% increase compared to March 31, 2011 and accounting for 78% of the $396.8 million overall increase in total liabilities. All other liability line items cumulatively reflect a net increase of $89.2 million from March 31, 2011.

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

Accounts receivable of $323.5 million ($235.0 million at March 31, 2011) represent 31% (36% at March 31, 2011) of the total assets of $1,043.8 million ($646.8 million at March 31, 2011). Accounts payable and accrued liabilities of $289.5 million ($223.2 million at March 31, 2011) represent 29% (37% at March 31, 2011) of the total liabilities of $994.4 million ($597.6 million at March 31, 2011). Under its core DPSA program, the Corporation generally pays its Canadian exporters within 30 days of receipt of an invoice and substantiating documentation according to the terms of the contract. For non-core DPSA and non-DPSA projects, the Corporation only pays its Canadian exporters after it receives payment from the foreign customer.

Progress payments to Canadian exporters of $536.7 million ($226.5 million at March 31, 2011) represent 51% (35% at March 31, 2011) of the total assets of $1,043.8 million ($646.8 million at March 31, 2011). Progress payments from foreign customers of $537.0 million ($229.4 million at March 31, 2011) represent 54% (38% at March 31, 2011) of the total liabilities of $994.4 million ($597.6 million at March 31, 2011). Progress payments received from the foreign customer and progress payments made to the Canadian exporter related to the US DoD FMS LAV project, referred to in the Financial Highlights, account for $424.1 million, or 79%, of the total progress payments from foreign customers and of the total progress payments to Canadian exporters.

As at March 31, 2012, advances from foreign customers and advances to Canadian exporters increased, by 17% and 12% respectively, from March 31, 2011. Of the $164.8 million ($142.2 million at March 31, 2011) in advances from foreign customers, $137.3 million ($126.5 million as at March 31, 2011), or 83% (89% as at March 31, 2011), were related to projects in Argentina, Ecuador, Ghana, Norway, the Middle East and Peru. Of these advances from foreign customers, a significant portion, $122.8 million

($103.2 million as at March 31, 2011), was passed on to Canadian exporters, accounting for 99% (96% as at March 31, 2011) of advances to Canadian exporters. Contractually, advances are not offered on the DPSA business line. For all other business lines, CCC's risk mitigation practices require that, for some projects, CCC hold back advance payments made by foreign customers and only release them to Canadian exporters as delivery obligations are fulfilled.

As at March 31, 2012, CCC's equity, fully ascribed to the Government of Canada, was $49.4 million, an increase of $0.2 million from March 31, 2011 as detailed in the Statement of Comprehensive Income Discussion. CCC's equity backstops the commercial risks inherent in its portfolio of undelivered contracts which totalled approximately $3.2 billion at March 31, 2012. In 2009-10, CCC signed a significant contract with the US DoD FMS organization for the delivery of LAVs with a maximum potential value of $2.2 billion of which $455.4 million had been delivered as of March 31, 2012. The undelivered portion of this contract represents 53% of the Corporation's total undelivered commitments.

STATEMENT OF CASH FLOWS DISCUSSION

SUMMARY OF CASH FLOWS

	2011-12 ($ Millions)	2010-11 ($ Millions)	% Increase (Decrease)
Operating activities	$ (16.6)	$ 32.4	(151%)
Investing activities	$ (0.3)	$ 0.0	(100%)
Effect of exchange rate changes on cash and cash equivalents	$ 0.1	$ (0.1)	200%

OPERATING ACTIVITIES

As at March 31, 2012 of fiscal 2011-12, $16.6 million in cash was used in its operating activities, as compared to the $32.4 million provided as at March 31, 2011 of fiscal 2010-11. This change is attributable to several factors as follows:

- As at March 31, 2012, $7.2 million in cash was provided from advance payments that were received from foreign governments and were being held pending achievement of delivery obligations per contract terms and conditions. The amount provided as at March 31, 2011 of fiscal year 2010-11 was $23.7 million. The year-over-year variation occurred primarily due to advances from a foreign customer in excess of $15.0 million which were received during the third quarter of fiscal year 2010-11 but not passed onto the Canadian exporter until deliveries were made in fiscal year 2011-12.
- As at March 31, 2012, $22.2 million in cash was used due to timing differences between the receipt of cash on CCC's accounts receivable and disbursements of cash for its accounts payable. This situation arose primarily due to transactions on core DPSA projects where the Corporation is obliged to pay its Canadian exporters in 30 days from receipt of an invoice and substantiating documentation regardless of when the money is received from the foreign customer. As at March 31, 2011 of fiscal year 2010-11, $3.7 million was provided in this regard.
- As at March 31, 2012, $1.6 million in cash was used by other operating activities compared to $4.9 million provided as at March 31, 2011. Of the $6.5 million year-over-year change, $6.1 million related to timing differences between the receipt of cash regarding progress payments from customers and the payment of cash related to progress payments to Canadian exporters.

INVESTING ACTIVITIES

The Corporation capitalized costs (used in investing activities) of $0.3 million associated with leasehold improvements to additional floor space leased. The additional floor space is related to the increase in employees required to generate future cost savings by in-sourcing some of the work currently subcontracted to PWGSC as discussed in the Financial Highlights section.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

CCC recorded a foreign exchange translation gain of $0.1 million as a result of the Canadian dollar's decline compared to its US dollar counterpart, from $1.0314 USD at March 31, 2011 to $1.0025 USD at March 31, 2012. The Corporation's contracts with foreign buyers are matched to equal and offsetting contracts with Canadian exporters. CCC's contracts require receipts and payments to be made in the same currency. As a result, CCC has a natural hedge against foreign exchange gains or losses that would otherwise impact the net results of operations and comprehensive income. Unhedged foreign exchange balances are monitored and kept at negligible levels. Although currently over eighty-five percent (85%) of the Corporation's $1,043.8 million in total assets, as at March 31, 2012, are processed in US currency, only 0.5% of US balances are exposed to foreign exchange fluctuations.

COMPARISON OF FINANCIAL RESULTS TO THE BUDGET CONTAINED IN THE 2011-12 TO 2015-16 CORPORATE PLAN[11]

As at March 31, 2012, the financial results show an operating surplus of $0.2 million which is $1.2 million, or 133%, higher than the revised budget. Revenues are $0.5 million lower than the revised budget, while expenditures are $1.7 million lower than the revised budget.

In 2011-12, the total of commercial trading transactions on prime contracts and procurement service transactions (which are fully offset by the cost of commercial trading transactions on prime contracts and the cost of procurement service transactions) of $2,472.3 million were $124.8 million, or 5%, higher than the revised budget.

Fees for service for core activities generated from the Corporation's business lines of $10.7 million were higher than the revised budget by $0.1 million, or 1%. Fees for service are earned as contract work is delivered or completed. During fiscal 2011-12, fees for service related to the Cuba Contracting Program business line exceeded the revised budget expectations by $0.3 million, but this was offset by a shortfall in fees for service compared to the revised budget of $0.2 million across the other fee-generating business lines. Fees for service are lower than budget across those business lines as a portion of the budget is based on fees that are generated from the delivery of work related to new business anticipated to be signed during the year which did not occur as indicated above. Fees for service from non-core activities of $2.0 million were $0.4 million or 17% lower than budget.

As noted in the Statement of Cash Flow discussion, CCC recorded a foreign exchange translation gain of $0.1 million as a result of the Canadian dollar's decline compared to its US dollar counterpart, from $1.0314 USD at March 31, 2011 to $1.0025 USD at March 31, 2012. The Corporation controls exchange gains and losses through monitoring and maintaining unhedged foreign currency balances at negligible levels. The Corporation's unhedged US currency balance of $4.1 million represents 0.5% of its total US assets.

Net finance income of $0.3 million is $0.2 million, or 50%, under budget. This was due primarily to lower than forecasted interest yield rates.

The Corporation recorded a negligible amount of $52.0 thousand in contract remediation expenses during fiscal 2011-12. These amounts are recorded only when actual amounts are or can be determined. Given these favourable results, contract remediation expenses were under budget by $0.4 million. This reflects the effectiveness of the Corporation's robust risk management practices, including its ERM framework and contract management practices.

[11] In fiscal 2011-12, CCC's Board of Directors approved, and the Minister of International Trade concurred, with a one time investment in the DPSA business line to avoid some $1.7 million annually in increased costs from the outsourcing of related services. The investment was forecasted to create a temporary operating loss of approximately $1 million in 2011-12 which differed from the original forecasted operating surplus of $648 thousand contained in the CCC 2011-12 to 2015-16 Corporate Plan that was approved in February 2011.

Administrative expenses of $28.9 million (including $0.3 million of transition investment costs required to streamline its processes in the delivery of the DPSA business line discussed in the Financial Highlights) were $1.3 million, or 4%, lower than the revised budgeted amount of $30.2 million. This result reflects Management's continued control of expenditures relative to revenues earned, while also respecting the spirit of the Government of Canada's cost containment measures set out in Budgets 2010 and 2011.

2012-13 CORPORATE PLAN FORECAST

Before considering the effects of CCC's transition expenses related to CCC's future cost savings initiative to in-source some work being conducted by PWGSC for CCC's DPSA business line, CCC activities are anticipated to generate an operating surplus of $0.6 million. After considering the impacts of CCC's $1.4 million transition expenses for the DPSA initiative noted above, CCC is budgeting for an operating deficit of $0.8 million. In 2012-13 net revenues are forecasted to increase by 9% over the prior year, while total expenses are forecasted to increase by 4% as described below.

In 2012-13, the total of commercial trading transactions on prime contracts and procurement service transactions (which are fully offset by the cost of commercial trading transactions on prime contracts and the cost of procurement service transactions) are forecasted at $2,366.7 million, representing a $105.6 million, or 4%, decrease from the 2011-12 result. Commercial trading transactions related to deliveries of goods and services on new projects signed in 2012-13 are expected to be slightly lower as work on certain new contracts is expected to commence later in the year.

In 2012-13, net revenues are forecasted at $14.9 million, representing a $1.2 million, or 9%, increase over the 2011-12 net revenue amount of $13.7 million. Fees for service are forecasted to increase by $1.6 million to $14.3 million from $12.7 million in 2011-12. Total fees for service of $14.3 million generated from both core and non-core activities are expected to reach record highs (based on the anticipated signings of several fee generating GDS and ICB projects) and are expected to increase by $1.2 million and $0.4 million respectively compared to 2011-12. Other income is expected to return to traditional levels of $0.2 million, $0.4 million lower than 2011-12, as 2011-12 was higher due primarily to a one-time reversal of a long-outstanding liability. Net finance income forecasted at $0.4 million is anticipated to be $0.1 million higher than in 2010-11, as interest yield rates are expected to increase.

In 2012-13, contract remediation expenses are forecasted to be only $0.1 million, or approximately at the same level as in 2011-12. This amount is achievable given CCC's robust risk management practices, the current portfolio of low-risk active and potential projects, Management's continued confidence and experience relative to the Corporation's ERM framework, and improved contract management practices.

Total expenses (excluding the $1.4 million transition investment) are forecasted to be $29.7 million in fiscal 2012-13, an increase of $1.1 million, or 4%, compared to the actual total expenses (excluding $0.3 million transition investment) incurred in fiscal 2011-12 of $28.6 million. Expenses will continue to be incurred in a controlled manner, relative to revenues earned and respective of the spirit of the Government of Canada's cost containment measures set out in the Government's Budgets 2010 and 2011. Depreciation and amortization expenses will remain relatively consistent with the fiscal 2010-11 amount of $0.7 million as the Corporation enters its fourth full year of amortizing capitalized costs related to the Enterprise Resource Planning (ERP) system that was implemented in fiscal 2008-09.

The Corporation is to receive parliamentary appropriations of $15.5 million in fiscal year 2012-13, the same amount as in 2011-12.

CONVERGENCE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) announced for fiscal years beginning on or after January 1, 2011, the adoption of IFRS will replace Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises. On

October 28, 2009, the Public Sector Accounting Board (PSAB) approved an amendment to the scope of Public Sector Accounting Standards (PSAS) giving other government organizations the choice to prepare their financial statements in accordance with PSAS or with IFRS based on their assessment of the most appropriate basis of accounting related to their specific circumstances and the needs of users of the Corporation's financial statements. As such, the Corporation determined that IFRS was the most appropriate basis of accounting and commenced reporting under IFRS as of April 1, 2011. These financial statements as of March 31, 2012 are the Corporation's first annual IFRS financial statements and include comparative figures for 2010-11. Although IFRS is principles-based and uses a conceptual framework similar to previous Canadian GAAP, there are some differences between IFRS and Canadian GAAP. These differences include several accounting policy choices and increased disclosure requirements. The details of the financial impact resulting from the transition to IFRS on the Corporation's opening Statement of Financial Position, and for the year ended March 31, 2011 are provided in note 19 to the financial statements.

CCC'S **COMMITMENT** TO **PERFORMANCE** AND **RISK MANAGEMENT**

PERFORMANCE MANAGEMENT

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

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

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

RISK MANAGEMENT

CCC's comprehensive enterprise-wide risk management (ERM) framework helps to manage a wide variety of risks as the Corporation undertakes to fulfil its mandate to promote and facilitate international trade on behalf of Canadian exporters. This framework groups the key risks facing CCC within three risk categories: Strategic, Operational and Transactional. It also ensures that the key steps in a robust risk management process are maintained. These include risk identification, assessment, response, control, monitoring, reporting and communication.

The Corporation recognizes the need to balance risks and opportunities. The mechanism for managing this balance is the Corporation's capital allocation model and the governance oversight provided by CCC's Risk and Opportunities Committee (ROC). Through the monitoring and maintaining of an appropriate level of capitalization, and utilizing robust risk management practices, CCC ensures that its risks are fully covered by its capital base. Effective risk management is critical to the achievement of the strategic objectives and long-term financial viability of CCC. While risk can never be entirely eliminated, CCC strives to optimally mitigate the risks related to its strategic, operational and transactional objectives.

RISK GOVERNANCE

Risk management within the Corporation is a shared process. The Board of Directors ensures that the Corporation's risk management program is current, effective and is reviewed on a regular basis. CCC's Management develops appropriate risk management structures, policies and procedures for recommendation to the President. This is accomplished through the ROC. A key premise of CCC's risk management culture, supported through the ERM framework, is that all employees have an important role to play in managing enterprise risks, and collectively form part of the Corporation's extended risk management team.

CATEGORIES OF RISKS:

STRATEGIC RISKS

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

MANDATE RISK:

This risk relates to the Corporation operating in activities beyond its mandate or not fulfilling its mandate through the services provided. The Corporation's Corporate Plan identifies all business lines and activities undertaken by the Corporation in support of its mandate. This plan remains in alignment with shareholder expectations. Further, the Office of the Auditor General (OAG) audits CCC's compliance with its mandate annually.

An independent review of CCC's mandate is undertaken periodically to ensure that the mandate continues to be effective in serving the needs of Canada and the Government's policy objectives. The most recent review occurred in fiscal 2011-12.

ORGANIZATIONAL RISK:

This risk relates to the Corporation not having the proper corporate structure in place to achieve its objectives. During the year, CCC decided to make significant changes to an outsourcing arrangement with PWGSC. The in-sourcing of the PWGSC work requires effective change management and CCC has a governance structure in place to lead that change process. The office of the Chief Operating Officer was also formalized during the year which has further strengthened the Senior Management Committee.

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. CCC's strong transactional due diligence and its CSR framework, which encompasses a *Code of Conduct* and a *Code of Business Ethics* forms the backbone of the Corporation's risk mitigation approach in this area. The Corporation additionally provides regular and open communication with all of its stakeholders, which is essential to managing reputational risk.

BUSINESS ENVIRONMENT RISK:

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

Key issues related to the Business Environment include:

- The European debt crisis and its potential impact on the global economy has been a key issue throughout the year.
- Unrest in the Middle East has altered the purchasing requirements of some regional governments.
- US Government budget pressures and the possible increase in protectionist policies.

The Corporation keeps current with changing foreign procurement policies to identify instances where protectionist sentiment is increasing to the potential detriment of Canadian exporters. The largest exposure CCC faces in this regard relates to the changes in purchasing behaviour of the US DoD. CCC mitigates this risk through closely maintaining its US DoD relationships and political ties.

FINANCIAL RISK:

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

OPERATIONAL RISKS

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

INFORMATION MANAGEMENT RISK:

This risk encompasses the Corporation's need to acquire timely and appropriate information for the purposes of business decision making. During the year, continued improvements in automated reporting within the Corporation's ERP system took place.

INFORMATION SYSTEM RISK:

This risk relates to the Corporation's information system being able to generate relevant data in an efficient and effective manner. During the year, the Corporation decided to implement an upgrade to its ERP system which will take place in the 2012-13 fiscal year. This will ensure that the ERP system remains world-class and supportable by the software manufacturer.

PEOPLE RISK:

People risk is CCC's most significant operational risk as it reflects the importance to have sufficient human resources in place to meet both client expectations and achieve overall corporate objectives. The changes to in-source work from PWGSC will save considerable costs for CCC in the future but does require increases to staffing levels in key professional areas.

CCC monitors its employee satisfaction level through annual employee surveys. These assist in the development of human resource strategies to ensure employee needs are met and that turnover remains low. Succession plans are in place at the executive level to mitigate any potential impacts when an executive position becomes vacant. During the year, turnover was well below the target of 8%.

POLICIES AND PROCESSES RISK:

This risk relates to the possibility of financial losses or inefficient use of resources that may develop as a result of not having appropriate policies, systems and processes in place. CCC's plans to in-source work from PWGSC required the Corporation to draft new policies and procedures to deal with the new work flow. The Internal Audit function reviews key areas of the Corporation to ensure that controls and practices are being followed as per approved policies and procedures.

BUSINESS CONTINUITY PLANNING RISK:

This risk relates to the possibility of a negative event that could impact against CCC's assets, work environment and staff to the point of interrupting CCC's ability to carry on its business. Examples of situations that may lead to interruptions include CCC's facilities being unavailable for a period of time or a significant portion of CCC's staff being unable to work due to illness. The Corporation's Business Continuity Plan was updated during the year to ensure that it remains current with CCC's corporate structure. The plan is comprehensive and includes the identification of alternate sites from which CCC operations could be temporarily based along with plans to address a pandemic event.

TRANSACTIONAL RISKS

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

SUPPLIER PERFORMANCE RISK:

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

FOREIGN ENVIRONMENT RISK:

This risk relates to the possibility of a foreign buyer defaulting on its contractual obligations with the Corporation and the intricacies of operating in a foreign environment. The major subset of this risk relates to buyer credit. To minimize buyer credit risk, the Corporation only accepts unsecured credit from AAA rated foreign governments and commercial parties. CCC may accept securities to back up payment obligations of customers where the credit rating is below that of AAA. In all other cases, the Corporation passes the credit risk to the exporter through the terms and conditions of its domestic contract with CCC. Often, the exporter will use the financing and insurance services of EDC to mitigate these exposures.

CONTRACT RISK:

This risk relates to the terms and conditions reflected within CCC's foreign and domestic contracts. Each contract must be carefully negotiated and drafted to establish appropriate terms and conditions to mitigate the Corporation's risk. CCC has an experienced workforce comprised of contract professionals and legal counsellors who adeptly manage contract risks. This has significantly reduced the incurrence of contract remediation expenses. During the year, no new contractual risks were identified.

EXPORT FOREIGN EXCHANGE RISK:

This risk relates to changes in the exchange rate of the Canadian dollar and the potential impacts from an export transaction viewpoint. The prolonged period of high Canadian dollar rates have forced the Corporation's suppliers to become more competitive and to look for foreign investment opportunities to help increase profits. The Corporation passes the exchange rate risk through to the exporter by paying exporters in the same currency as is received under CCC's prime contract with a foreign buyer. The Corporation also manages foreign exchange risk related to its internal holdings of foreign currencies. This risk is mainly comprised of the fluctuation in value of the Corporation's US dollar working capital. The Corporation minimizes the balance in its foreign currency account to mitigate foreign exchange risk. To a lesser degree, the value of CCC's fees denominated in foreign currency also represents a foreign exchange risk.

FRAUD RISK:

This risk relates the possibility that the Corporation is the subject of an internal or external fraud. Policies and procedures have been established along with internal controls to ensure that this risk is minimized. CCC's Internal Audit function reviews these practices and recommends improvements where warranted. Also, the Office of the Auditor General undertakes annual financial audits whereby critical control points are tested. During the year, no incidents of fraud were reported.

CORPORATE SOCIAL RESPONSIBILITY (CSR) RISK:

CSR refers to the way a company balances it's economic, environmental, and social objectives while addressing stakeholder expectations and enhancing shareholder value. Given the markets in which CCC works, the Corporation takes this risk very seriously and has, therefore the following policies in place:

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

MANAGEMENT **RESPONSIBILITY** FOR **FINANCIAL STATEMENTS**

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

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

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

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

Marc Whittingham
President and CEO

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

Ottawa, Canada
May 31, 2012

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of International Trade

Report on the Financial Statements

I have audited the accompanying financial statements of Canadian Commercial Corporation, which comprise the statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Commercial Corporation as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied, after giving retrospective effect to the adoption of the new standards as explained in Note 19 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Canadian Commercial Corporation that have come to my notice during my audits 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 Canadian Commercial Corporation, and the directive issued pursuant to Section 89 of the *Financial Administration Act.*

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

31 May 2012
Ottawa, Canada

FINANCIAL STATEMENTS AND NOTES

STATEMENT OF FINANCIAL POSITION

As at (in thousands of Canadian dollars)	March 31 2012	March 31 2011	April 1 2010
ASSETS			
Current assets			
Cash and cash equivalents (note 4)	$ 58,485	$ 75,254	$ 42,982
Trade receivables (notes 5 and 12)	323,543	235,029	251,889
Advances to Canadian exporters	123,342	107,887	85,944
Progress payments to Canadian exporters	536,667	226,456	92,101
	1,042,037	644,626	472,916
Non-current assets			
Property and equipment (note 6)	1,170	1,115	1,264
Intangible assets (note 7)	624	1,108	1,661
	1,794	2,223	2,925
	$ 1,043,831	$ 646,849	$ 475,841
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities (notes 5 and 12)	$ 289,461	$ 223,187	$ 236,327
Advances from foreign customers	164,844	142,153	96,550
Progress payments from foreign customers	536,961	229,426	91,625
Employee benefits (note 8)	297	312	182
	991,563	595,078	424,684
Non-current liabilities			
Employee benefits (note 8)	2,437	2,155	1,945
Provision for contract remediation expenses (notes 9 and 10)	386	407	1,442
	2,823	2,562	3,387
	994,386	597,640	428,071
SHAREHOLDER'S EQUITY			
Contributed surplus	10,000	10,000	10,000
Retained earnings	39,445	39,209	37,770
	49,445	49,209	47,770
	$ 1,043,831	$ 646,849	$ 475,841

Commitments, contingencies and guarantees (notes 17 and 18)

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

Authorized for issue by the Board of Directors on May 31, 2012

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

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31 (in thousands of Canadian dollars)	2012		2011	
REVENUES				
Commercial trading transactions - prime contracts (note 11)		$ 2,425,300		$ 1,585,074
Less: cost of commercial trading transactions - prime contracts		(2,425,300)		(1,585,074)
Fees for service (note 11)		12,720		12,893
Other income (note 11)		633		145
Finance income, net (note 14)		260		295
Gain (loss) on foreign exchange		77		(130)
		13,690		13,203
EXPENSES				
Administrative expenses (note 13)		28,884		28,236
Contract remediation expenses (recovery)		52		(990)
		28,936		27,246
INTERNATIONAL PROCUREMENT SERVICES FOR GOVERNMENT CLIENTS				
Procurement services transactions (note 11)	$ 46,987		$ 81,115	
Less: cost of procurement services transactions	(46,987)		(81,115)	
		-		-
Net results of operations before Parliamentary appropriations		(15,246)		(14,043)
Parliamentary appropriations (note 15)		15,482		15,482
Net results of operations and comprehensive income		$ 236		$ 1,439

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

STATEMENT OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Contributed Surplus	Retained Earnings	Total
Balance - April 1, 2010	**$ 10,000**	$ 37,770	**$ 47,770**
Net results of operations and comprehensive income		1,439	**1,439**
Balance - March 31, 2011	**$ 10,000**	$ 39,209	**$ 49,209**
Net results of operations and comprehensive income		236	**236**
Balance - March 31, 2012	**$ 10,000**	$ 39,445	**$ 49,445**

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

STATEMENT OF CASH FLOWS

For the year ended March 31 (in thousands of Canadian dollars)	2012	2011
Cash flows from operating activities		
Receipts from foreign customers	$ 2,714,000	$ 1,866,453
Finance income, net (note 14)	260	295
Fees for service and other income received	13,353	13,038
Payments to Canadian exporters	(2,731,753)	(1,835,672)
Administrative payments	(27,893)	(27,194)
Parliamentary appropriations	15,482	15,482
Cash provided by (used in) operating activities	(16,551)	32,402
Cash flows from investing activities		
Acquisition of property and equipment	(210)	-
Acquisition of intangible assets	(85)	-
Cash (used in) investing activities	(295)	-
Effect of exchange rate changes on cash and cash equivalents	77	(130)
Increase (decrease) in cash and cash equivalents	(16,769)	32,272
Cash and cash equivalents at beginning of period	75,254	42,982
Cash and cash equivalents at end of period (note 4)	$ 58,485	$ 75,254

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

NOTES TO **FINANCIAL STATEMENTS**

March 31, 2012

1. NATURE, ORGANIZATION AND FUNDING

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* (the "Act") and is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act.* The Corporation is a company domiciled in Canada with a head office located at 50 O'Connor Street, Ottawa, Ontario. The Corporation operates primarily in Canada with representative offices in Asia and representation in the Caribbean.

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

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

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

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

2. BASIS OF PREPARATION

COMPLIANCE WITH IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting policies as at and for the year ended March 31, 2012.

These are the Corporation's first IFRS annual financial statements. The Corporation has elected April 1, 2010 as the date of transition to IFRS (the ''transition date"). IFRS - *First-time* Adoption of IFRS ("IFRS 1"), has been applied. An explanation of how the transition to IFRS has affected the financial statements is included in note 19.

BASIS OF MEASUREMENT

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

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

USE OF ESTIMATES AND JUDGMENTS

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

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

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

Note 8 – pension and employee benefits
Note 9 – provision for contract remediation expenses
Note 17 – commitments
Note 18 – contingencies and guarantees

FUNCTIONAL AND PRESENTATION CURRENCY

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(A) CONTRACTS

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

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

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

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

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

For commercial trading transactions related to prime contracts, the Corporation is responsible for ensuring that the terms of the contract with the foreign customer are fulfilled regardless of the quality of performance by the Canadian exporter. If the Canadian exporter fails to fulfill its domestic contract obligations to the Corporation, the Corporation may encounter contract remediation expenses. These costs and the associated provision are determined on a contract-by-contract basis, and include completion, re-procurement, associated legal and other costs that are based on quotes or reliable estimates. **Contract remediation expenses** are recorded in the Statement of Comprehensive Income in the period in which the non-performance is identified by the Corporation as probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

(B) FOREIGN CURRENCY TRANSLATION

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

(C) FINANCIAL INSTRUMENTS

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

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

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

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

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

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

DETERMINATION OF FAIR VALUE

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

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

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

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

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

NON-DERIVATIVE FINANCIAL INSTRUMENTS

i) Cash and cash equivalents
Cash and cash equivalents include cash, demand deposits and temporary investments, maturing in less than three months from acquisition date and are recorded at fair value based on the transaction price on the trade date. All interest income, gains and losses are recognized in net finance income in the period in which they arise. The Corporation has designated its cash and cash equivalents as a financial asset at fair value through profit or loss since they are held for trading principally to manage cash flow requirements while maximizing return on investment and can be reliably measured at fair value, based on Level 1 inputs, due to their short term to maturity. The changes in fair value of cash and cash equivalents are recognized in the period incurred as a gain or loss on foreign exchange in the Statement of Comprehensive Income.

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation may enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The Corporation does not use derivative financial instruments for speculative purposes. As the Corporation does not account for these forward contracts using hedge accounting, these instruments are classified as financial assets or financial liabilities at fair value through profit or loss, and measured at fair value using quoted forward prices with changes recognized in net results of operations and comprehensive income in the period in which they occur as a gain or loss on foreign exchange on the Statement of Comprehensive Income. Derivatives are recognized as either an asset in trade receivables, or as a liability in trade payables and accrued liabilities on the Statement of Financial Position.

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

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

(D) PROPERTY AND EQUIPMENT

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

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

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

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

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

(E) INTANGIBLE ASSETS

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

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

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

(F) PARLIAMENTARY APPROPRIATIONS

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

(G) FINANCE INCOME, NET

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

(H) PENSION AND EMPLOYEE BENEFITS

i) Pension benefits

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

ii) Employee severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these post-employment 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 unit credit method prorated on services. The valuation of the liability is based on a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized using the corridor method over the average remaining service period of active employees. Actuarial gains or losses are considered workforce compensation and related expenses and are recognized in administrative expenses in the Statement of Comprehensive Income. The average remaining service period of active employees covered by this plan as at March 31, 2012 was 13 years (March 31, 2011 – 14 years).

The outstanding benefits obligations are actuarially valued annually by performing a full valuation on even years and an update to the valuation on odd years. As a result of the transition to IFRS a full actuarial valuation was performed as at April 1, 2010, March 31, 2011 and March 31, 2012. An update of the full valuation as at March 31, 2012 is scheduled for March 31, 2013 with the next full valuation scheduled for March 31, 2014.

iii) Employee sick leave benefits

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

The outstanding benefits obligations are actuarially valued annually by performing a full valuation on even years and an update to the valuation on odd years. As a result of the transition to IFRS a full actuarial valuation was performed as at April 1, 2010, March 31, 2011 and March 31, 2012. An update of the full valuation as at March 31, 2012 is scheduled for March 31, 2013 with the next full valuation scheduled for March 31, 2014.

iv) Other employee benefits

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

(I) PROVISION FOR CONTRACT REMEDIATION EXPENSE

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

i) Contract re-procurement

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

ii) Legal claims and expenses

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

iii) Onerous contracts

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

(J) IMPAIRMENT

i) Impairment of financial assets

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

ii) Impairment of non-financial assets

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

(K) LEASES

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

(L) FUTURE ACCOUNTING CHANGES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

In June 2011, the IASB amended *IAS 19 – Employee Benefits* ("IAS 19") to eliminate the option to defer the recognition of gains and losses, known as the "corridor method" and require that remeasurements be presented in other comprehensive income. The amendments also require enhanced disclosure requirements surrounding defined benefit plans and related risks. The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013 with early adoption permitted.

In June 2011, the IASB amended *IAS 1 – Presentation of Financial Statements* ("IAS 1"), which requires the grouping of items in other comprehensive income based on whether they are potentially reclassifiable to net results of operations and comprehensive income subsequently and disclosure of tax related to each of the two groups of other comprehensive income items (reclassifying and non-reclassifying) if items are shown before related tax effects. These amendments are to be applied retrospectively for annual periods beginning on or after July 1, 2012, with early adoption permitted.

In December 2011, the IASB issued amendments to *IFRS 7 – Financial Instruments: disclosures* ("IFRS 7"), which require disclosures of information to enable users of financial statements to evaluate the effect on an entity's financial position of netting arrangements, including rights of offset. These amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2013, with early adoption permitted.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included:

(in thousands)	March 31, 2012 Original currency	March 31, 2012 Canadian dollars	March 31, 2011 Original currency	March 31, 2011 Canadian dollars	April 1, 2010 Original currency	April 1, 2010 Canadian dollars
U.S. dollars	38,139	$ 38,044	35,729	$ 34,643	19,256	$ 19,561
Canadian dollars	19,899	19,899	39,808	39,808	22,132	22,132
Euros	200	267	424	584	847	1,163
Chinese renminbi	870	138	575	85	61	2
Australian dollars	133	137	133	134	133	124
		$ 58,485		$ 75,254		$ 42,982

The Corporation invests in short-term deposits in Canadian banks. The average term to maturity of short-term deposits was 3 days as at March 31, 2012 (March 31, 2011 – 1 day, April 1, 2010 – 1 day) and the portfolio yield to maturity was 0.08% as at March 31, 2012 (March 31, 2011 – 0.08%, April 1, 2010 – 0.04%).

Of the cash and cash equivalents, $42,731,000 as at March 31, 2012 (March 31, 2011 – $35,463,000, April 1, 2010 – $11,497,000) represents advances and holdbacks received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

5. TRADE RECEIVABLES AND TRADE PAYABLES AND ACCRUED LIABILITIES

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

(in thousands)	March 31, 2012 Original currency	March 31, 2012 Canadian dollars	March 31, 2011 Original currency	March 31, 2011 Canadian dollars	April 1, 2010 Original currency	April 1, 2010 Canadian dollars
U.S. dollars	244,578	$ 243,965	163,665	$ 158,689	151,068	$ 153,455
Canadian dollars	79,170	79,170	75,441	75,441	85,783	85,783
Malaysian ringgit	1,235	403	2,735	878	-	-
Australian dollars	5	5	5	5	5	5
Chinese renminbi	-	-	113	16	47	7
Euros	-	-	-	-	9,201	12,639
		$ 323,543		$ 235,029		$ 251,889

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

	March 31, 2012		March 31, 2011		April 1, 2010	
(in thousands)	Original currency	Canadian dollars	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	259,636	$ 258,985	179,880	$ 174,411	166,416	$ 169,045
Canadian dollars	29,890	29,890	47,148	47,148	53,500	53,500
Malaysian ringgit	1,198	391	2,653	852	-	-
Australian dollars	138	143	138	139	173	161
Chinese renminbi	330	52	433	65	-	-
Euros	-	-	415	572	9,915	13,620
Indian rupee	-	-	-	-	53	1
		$ 289,461		$ 223,187		$ 236,327

6. PROPERTY AND EQUIPMENT

(in thousands of Canadian dollars)	Leasehold improvements	Information systems-Hardware	Total
Cost			
Balance, April 1, 2010	$ 1,577	$ 180	$ 1,757
Additions	-	-	-
Disposals	-	-	-
Balance, March 31, 2011	$ 1,577	$ 180	$ 1,757
Balance, April 1, 2011	$ 1,577	$ 180	$ 1,757
Additions	210	-	210
Disposals	-	-	-
Balance, March 31, 2012	$ 1,787	$ 180	$ 1,967
Accumulated depreciation			
Balance, April 1, 2010	$ 421	$ 72	$ 493
Depreciation	113	36	149
Balance, March 31, 2011	$ 534	$ 108	$ 642
Balance, April 1, 2011	$ 534	$ 108	$ 642
Depreciation	119	36	155
Balance, March 31, 2012	$ 653	$ 144	$ 797
Carrying amounts			
As at April 1, 2010	$ 1,156	$ 108	$ 1,264
As at March 31, 2011	$ 1,043	$ 72	$ 1,115
As at March 31, 2012	$ 1,134	$ 36	$ 1,170

Included in administrative expenses was $155,000 (2011 – $149,000) of depreciation related to the Corporation's property and equipment.

7. INTANGIBLE ASSETS

(in thousands of Canadian dollars)	Information systems-Software	
Cost		
Balance, April 1, 2010	$	2,769
Additions		-
Disposals		-
Balance, March 31, 2011	$	2,769
Balance, April 1, 2011	$	2,769
Additions		85
Disposals		-
Balance, March 31, 2012	$	2,854
Accumulated amortization		
Balance, April 1, 2010	$	1,108
Amortization		553
Balance, March 31, 2011	$	1,661
Balance, April 1, 2011	$	1,661
Amortization		569
Balance, March 31, 2012	$	2,230
Carrying amounts		
As at April 1, 2010	$	1,661
As at March 31, 2011	$	1,108
As at March 31, 2012	$	624

Included in administrative expenses was $569,000 (2011 – $553,000) related to the amortization of intangible assets.

8. PENSION AND EMPLOYEE BENEFITS

(A) PENSION BENEFITS

Substantially all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The Corporation's general contribution rate effective at year end was 1.74 times the employees' contribution to the Plan (2011 – 1.86 times). The Corporation's total contributions of $1,762,000 (2011 – $1,348,000) were recognized as workforce compensation and related expenses under administrative expenses in the Statement of Comprehensive Income in the year when employees have rendered service.

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

(B) EMPLOYEE BENEFITS

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

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

	Sick Leave Benefits		Severance Benefits	
(in thousands of Canadian dollars)	**2012**	**2011**	**2012**	**2011**
Accrued benefit obligation				
Balance at beginning of year	$ 746	$ 643	$ 1,818	$ 1,484
Current service cost	87	271	165	159
Interest cost	36	34	87	80
Benefits paid	(42)	(241)	(148)	(1)
Actuarial loss	82	39	157	96
Accrued benefit obligation at end of the year	$ 909	$ 746	$ 2,079	$ 1,818
Unamortized net actuarial losses				
Experience losses	n/a	n/a	$ (123)	$ (103)
Changes in assumptions	n/a	n/a	(131)	6
Total unamortized net actuarial losses	n/a	n/a	$ (254)	$ (97)
Total accrued employee benefits at end of year	$ 909	$ 746	$ 1,825	$ 1,721
Assumptions				
Accrued benefit obligation as of March 31				
Discount rate	4.01%	4.78%	3.98%	4.75%
Rate of economic salary increase				
Management	1.50%	1.50%	1.50%	1.50%
Non management	1.50%	1.50%	1.50%	1.50%
Benefit costs for year ended March 31				
Discount rate	4.01%	4.78%	3.98%	4.75%
Rate of economic salary increase				
Management	1.50%	1.50%	1.50%	1.50%
Non management	1.50%	1.50%	1.50%	1.50%

Seniority and promotional salary increase assumptions are also considered in the actuarial valuation of accrued employee benefits.

Included in administrative expenses as workforce compensation and related expenses was a charge of $163,000 (2011 – $104,000) for sick leave benefits and of $104,000 (2011 – $237,000) for severance benefits related to the change in liability of these benefits in the reporting period and changes in management estimates.

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

	March 31, 2012			March 31, 2011			April 1, 2010		
(in thousands of Canadian dollars)	Sick Leave	Severance	Total Benefits	Sick Leave	Severance	Total Benefits	Sick Leave	Severance	Total Benefits
Total employee benefits	$ 909	$ 1,825	$ 2,734	$ 746	$ 1,721	$ 2,467	$ 643	$ 1,484	$ 2,127
Less: current portion employee benefits	(78)	(219)	(297)	(79)	(233)	(312)	(62)	(120)	(182)
Non-current portion employee benefits	$ 831	$ 1,606	$ 2,437	$ 667	$ 1,488	$ 2,155	$ 581	$ 1,364	$ 1,945

9. PROVISION FOR CONTRACT REMEDIATION EXPENSES

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

(in thousands of Canadian dollars)	Contract re-procurement	Legal	Total
Balance, April 1, 2010	$ -	$ 1,422	$ 1,442
Provision made during the year	10	-	10
Provision used during the year	-	(45)	(45)
Provision reversed during the year	-	(1,000)	(1,000)
Balance, March 31, 2011	$ 10	$ 397	$ 407
Balance, April 1, 2011	$ 10	$ 397	$ 407
Provision made during the year	-	-	-
Provision used during the year	(10)	(11)	(21)
Provision reversed during the year	-	-	-
Balance, March 31, 2012	$ -	$ 386	$ 386

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

No onerous contracts have been identified as at April 1, 2010, March 31, 2011 and March 31, 2012.

10. CAPITAL MANAGEMENT

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

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

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

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

Operational risk:

- 15% of average revenues for the past three years

Performance risk:

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

Credit risk:

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

The Corporation is not subject to externally imposed capital requirements.

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

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011	April 1, 2010
Contributed surplus	$ 10,000	$ 10,000	$ 10,000
Retained earnings	39,445	39,209	37,770
Provision for contract remediation expenses	386	407	1,442
	$ 49,831	$ 49,616	$ 49,212

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

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

	2012			2011		
(in thousands of Canadian dollars)	Revenues*	International procurement services	Total	Revenues*	International procurement services	Total
United States	$ 2,125,358	$ 2,598	$ 2,127,956	$ 1,407,193	$ 8,066	$ 1,415,259
South America	123,714	60	123,774	9,100	-	9,100
Central America & Caribbean	114,726	2,186	116,912	61,797	4,658	66,455
Africa	48,892	502	49,394	102,539	4,773	107,312
Europe	523	26,096	26,619	843	45,020	45,863
Asia	21,823	2,580	24,403	14,646	10,854	25,500
Canada	2,302	12,965	15,267	2,386	7,734	10,120
Other	1,315	-	1,315	(392)	10	(382)
	$ 2,438,653	$ 46,987	$ 2,485,640	$ 1,598,112	$ 81,115	$ 1,679,227

*Revenue includes revenues related to Commercial Trading Transactions, Fees for Service and Other Income.

Value of contracts signed is distinct from revenues. Value of contracts signed describes the value of contracts and amendments signed and effective which amounted to $1.7 billion as at March 31, 2012 (March 31, 2011 – $2.6 billion).

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

(A) CREDIT RISK

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

CASH AND CASH EQUIVALENTS

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

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

TRADE RECEIVABLES

The Corporation's exposure to credit risk associated with trade receivables are influenced mainly by the demographics of the Corporation's customer base. The Corporation generally manages foreign customer credit risk by extending open account terms to parties with a Moody's credit rating of at least AAA, and seeks security where the rating falls below this threshold. During the year ended March 31, 2012, 87.90% (March 31, 2011 – 89.25%) of the Corporation's revenues were from AAA customers.

The maximum exposure to credit risk for trade receivables by geographic region was as follows:

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011	April 1, 2010
United States	$ 223,205	$ 150,386	$ 111,104
Central America and Caribbean	65,127	67,299	73,814
South America	14,596	6,083	31,666
Canada	11,025	7,824	4,308
Africa	6,912	131	15,361
Asia	2,067	2,395	1,567
Europe	599	899	13,603
Other	12	12	466
	$ 323,543	$ 235,029	$ 251,889

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

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011	April 1, 2010
< 1 year	$ 319,527	$ 228,739	$ 244,824
> 1 and < 3 years	4,016	6,290	7,065
	$ 323,543	$ 235,029	$ 251,889

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

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011	April 1, 2010
< 30 days	$ 7,814	$ 23,693	$ 16,543
> 30 days and < 180 days	3,121	3,757	24,897
> 180 days	1,216	3,445	10,594
	$ 12,151	$ 30,895	$ 52,034

ADVANCES AND PROGRESS PAYMENTS TO CANADIAN EXPORTERS

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

COLLATERAL

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

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

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011	April 1, 2010
Holdbacks	$ 1,230	$ 1,197	$ 891
Bank guarantees	$ 47,091	$ 52,766	$ 62,802
Surety bonds	$ 88,750	$ 109,030	$ 114,986
Parent guarantees	$ 457,933	$ 542,904	$ 479,941
Other	$ 10,640	$ 10,201	$ 281

The above amounts approximate the fair values of collateral held.

(B) MARKET RISK

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

i) Currency risk

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

ii) Interest rate risk

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

Under a specific series of financing contracts, included in trade payables and accrued liabilities the Corporation owed $21,249,000 as at March 31, 2012 (March 31, 2011 – $27,619,000, April 1, 2010 – $42,868,000) of which $21,081,000 as at March 31, 2012 (March 31, 2011 – $22,415,000, April 1, 2010 – $32,405,000) bears interest at the cost of funds plus 0.20%.

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

(in thousands of Canadian dollars)	2012				2011			
	+25bps		-25bps		+25bps		-25bps	
	Income	Equity	Income	Equity	Income	Equity	Income	Equity
Financial assets								
Cash and cash equivalents	$ 145	$ 145	$ (145)	$ (145)	$ 186	$ 186	$ (186)	$ (186)
Financial liabilities								
Payables and other liabilities	$ (53)	$ (53)	$ 53	$ 53	$ (56)	$ (56)	$ 56	$ 56

(C) LIQUIDITY RISK

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

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

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

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

i) The Corporation has a revolving credit facility providing access to funds in the amount of $40 million Canadian or its US dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at March 31, 2012, there were no draws on this line of credit (March 31, 2011– nil, April 1, 2010 – nil).

ii) The Corporation enters into discounting arrangements with recourse with a financial institution, up to a maximum of $15 million as at March 31, 2012 (March 31, 2011 – $15 million, April 1, 2010 – $15 million) to support its trade financing program.

In addition, the Corporation enters into further credit arrangements up to a maximum of $25 million as at March 31, 2012 (March 31, 2011 – $25 million, April 1, 2010 – $25 million) where transactions are fully insured by a related Crown corporation with a Moody's credit rating of AAA, thereby mitigating all liquidity risk related to its trade financing program. The Corporation incurred expenses of $814,000 (2011 – $429,000) related to this trade financing program.

TRADE PAYABLES AND ACCRUED LIABILITIES

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

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011	April 1, 2010
< 1 year	$ 289,461	$ 222,732	$ 235,670
> 1 and < 3 years	-	455	657
	$ 289,461	$ 223,187	$ 236,327

Under a specific series of financing contracts related to the Corporation's trade financing program, included in trade payables and accrued liabilities, the Corporation owed $21,249,000 as at March 31, 2012 (March 31, 2011 – $27,619,000, April 1, 2010 – $42,868,000) of which $21,081,000 as at March 31, 2012 (March 31, 2011 – $22,415,000, April 1, 2010 – $32,405,000) bears interest at the cost of funds plus 0.20% and the Corporation has offered as security certain foreign trade receivables under certain conditions. The Corporation, however, also has access to a number of commercial securities should the foreign party fail to repay these trade receivables. The amount of outstanding trade receivables pledged as securities under these arrangements was $62,552,000 as at March 31, 2012 (March 31, 2011 – $67,378,000, April 1, 2010 – $74,879,000) and was profiled as follows:

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011	April 1, 2010
< 1 year	$ 58,536	$ 61,484	$ 67,814
> 1 and < 3 years	4,016	5,894	7,065
	$ 62,552	$ 67,378	$ 74,879

13. ADMINISTRATIVE EXPENSES

Administrative expenses included the following:

(in thousands of Canadian dollars)	2012	2011
Workforce compensation and related expenses	$ 17,416	$ 16,451
Contract management services	4,350	3,912
Rent and related expenses	2,168	1,944
Consultants	1,540	1,751
Travel and hospitality	1,373	1,354
Amortization and depreciation	724	702
Software, hardware and support	460	1,073
Corporate communications	161	144
Other expenses	692	905
	$ 28, 884	$ 28,236

14. FINANCE INCOME, NET

The Corporation has recorded finance income and cost in relation to the following financial instruments:

(in thousands of Canadian dollars)	2012	2011
Financial assets		
- Finance income earned on cash and cash equivalents	$ 766	$ 704
Financial liabilities		
- Finance cost on payables and other liabilities	$ (516)	$ (409)
	$ 260	$ 295

15. PARLIAMENTARY APPROPRIATIONS

Appropriations authorized by the Parliament of Canada are included in comprehensive income for the year in the amount of $15,482,000 as of March 31, 2012 (March 31, 2011 – $15,482,000).

16. RELATED PARTY TRANSACTIONS

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

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

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011	April 1, 2010
Trade recievables	$ 10,498	$ 6,135	$ 3,585
Trade payables	$ 425	$ 2,739	$ 930

(A) PUBLIC WORKS AND GOVERNMENT SERVICES CANADA

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

For the year ended March 31, 2012, the cost of these services amounted to $4,468,000 (2011 – $4,038,000) and is included in administrative expenses.

(B) PPP CANADA INC.

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

For the year ended March 31, 2012, revenues related to the provision of these services amounted to $750,000 (2011 – $1,000,000) and are included in fees for service.

(C) OTHER

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

(in thousands of Canadian dollars)	2012	2011
Department of National Defence	$ 10,751	$ 8,734
Foreign Affairs and International Trade Canada	$ 5,684	$ 23,213
Canadian International Development Agency	$ 3,559	$ 8,549
Environment Canada	$ -	$ 1

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

(D) KEY MANAGEMENT PERSONNEL

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

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

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

(in thousands of Canadian dollars)	2012	2011
Board of Directors		
Short-term benefits	$ 198	$ 225
	$ 198	$ 225
Corporate Officers		
Short-term benefits	$ 1,379	$ 1,332
Post-employment benefits	355	332
Other long-term benefits	41	39
	$ 1,775	$ 1,703
	$ 1,973	$ 1,928

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. During the current fiscal year, the Corporation entered into a four-year renewable lease agreement for additional office space scheduled to expire at the end of September 2015.

Management judgment was used to determine the appropriate accounting classification for the new lease as an operating lease rather than a finance lease. The new lease was deemed an operating lease since the risks and rewards incidental to ownership remain with the lessor, there is no option to purchase the asset, the lease term is for a definite period and is not a major part of the economic life of the building, the building space is valued at a higher value than the leased amount, and finally the leased space is not of a specialized nature and therefore any company could occupy the space with little or no modifications.

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

Future minimum payments by fiscal year on the operating leases for premises are as follows:

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011
< 1 year	$ 1,932	$ 1,752
> 1 year < 5 years	$ 7,808	$ 7,354
> 5 years	$ 6,921	$ 9,296

18. CONTINGENCIES AND GUARANTEES

(A) CONTINGENCIES

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

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

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

(B) GUARANTEES

As prime contractor, the Corporation is contractually obligated to complete numerous contracts with foreign customers ensuring that the terms of the contract are fulfilled regardless of the quality of performance by the Canadian exporter. The Corporation also engages in the fulfilment of contractual obligations related to international procurement services for government clients. The total prime and procurement services contract portfolio value remaining to be fulfilled was as follows:

(in thousands of Canadian dollars)	March 31, 2012	March 31, 2011	April 1, 2010
< 1 year	$ 1,984,373	$ 1,602,730	$ 1,361,783
> 1 and < 3 years	1,179,831	1,895,621	1,030,167
> 3 and < 5 years	9,227	60,544	323,811
> 5 years	-	3,787	2,470
Total contract porfolio	$ 3,173,431	$ 3,562,682	$ 2,718,231

The total contract portfolio remaining to be fulfilled, in addition to the provision for contract remediation expenses provided for in the Statement of Financial Position, represents the Corporation's maximum contractual obligations and is estimated to be $3,173,817,000 as at March 31, 2012 (March 31, 2011 – $3,563,089,000 April 1, 2010 – $2,719,673,000).

The Corporation is the applicant in nil (2011 – one) irrevocable letters of credit. Letters of credit provide a secured payment mechanism to the supplier as consideration for the goods and services that the Corporation is contractually obligated to deliver. During the year, $470,000 (2011 – $804,000) has been drawn from the letters of credit by their respective beneficiaries, resulting in nil (2011 – $470,000) of outstanding credit that may be drawn. The letters of credit are fully secured by cash advances or matching bank guarantees from the related customers where the Corporation is the beneficiary.

19. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Corporation adopted IFRS on April 1, 2011 with a date of transition effective April 1, 2010. Prior to the adoption of IFRS the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These annual financial statements as at March 31, 2012 are the first issued by the Corporation that will comply with IFRS. The Corporation has prepared its opening IFRS Statement of Financial Position as at the transition date of April 1, 2010.

These financial statements, the comparative information presented in these financial statements for the year ended March 31, 2011 and the opening IFRS Statement of Financial Position at April 1, 2010 have been prepared in accordance with the accounting polices described in Note 3 and in accordance with the requirements of *IFRS 1 – First-Time Adoption of International Financial Reporting Standards* ("IFRS 1"), which is applicable upon first-time adoption of IFRS. IFRS 1 requires that the same policies are applied for all periods presented and that those policies are based on IFRS effective at the end of the first IFRS year-end, or March 31, 2012 for the Corporation.

In preparing its opening IFRS Statement of Financial Position, the Corporation has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Corporation's financial position and net results of operation and comprehensive income is explained in the following tables and the notes accompanying the tables.

IFRS 1 - FIRST-TIME ADOPTION OF IFRS

IFRS 1 – First-time Adoption of International Financial Reporting Standards ("IFRS 1"), requires that entities retrospectively apply, with certain mandatory exceptions and optional exemptions, all IFRS standards as of the date of transition, which for the Corporation is April 1, 2010 (the starting date of the earliest period of comparison). When a standard is applied retrospectively, the opening Statement of Financial Position will be presented as though IFRS had always been applied, and the differences between Canadian GAAP and IFRS will be reflected in the IFRS opening retained earnings. However, IFRS 1 provides mandatory exceptions and optional exemptions to the retrospective application of certain standards. The Corporation has applied the applicable mandatory exception and certain optional exemptions available under IFRS 1:

(i) Mandatory exception to retrospective application

ESTIMATES

The Corporation's estimates in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with previous Canadian GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. The Corporation has not used hindsight to create or revise estimates unless there is objective evidence that those estimates were made in error and accordingly, the estimates previously made under Canadian GAAP are consistent under IFRS application.

(ii) Optional exemptions to retrospective application

EMPLOYEE BENEFIT CUMULATIVE ACTUARIAL GAINS AND LOSSES

Upon adoption of IFRS, the Corporation may elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRS. The Corporation has recognized, in the IFRS opening retained earnings, all cumulative actuarial gains and losses related to employee benefits at the date of transition to IFRS. Additional details regarding the adjustments made to employee benefits are shown in note 19(a).

DEFINED BENEFIT PLAN DISCLOSURE

The Corporation has elected to apply the optional exemption which allows disclosure of defined benefit obligations and experience adjustments as the amounts are determined for each accounting period prospectively from the date of transition.

LEASES

The Corporation has elected to apply the optional exemption in relation to assessing whether arrangements contain a lease under *IFRIC 4 – Determining whether an Arrangement Contains a Lease* ("IFRIC 4"). Accordingly, management has not re-assessed whether existing arrangements entered into subsequent to the effective date of *EIC 150 – Determining whether an Arrangement Contains a Lease*, contained a lease. For those arrangements entered into prior to the effective date of EIC 150, management has re-assessed whether those arrangements contain a lease in accordance with the guidance provided within IFRIC 4.

No additional lease arrangements were identified based on the re-assessment performed.

RECONCILIATION OF EQUITY AS AT APRIL 1, 2010

(in thousands of Canadian dollars)	Note	Canadian GAAP	Effect of tansition to IFRS	Opening IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 42,982	$ -	$ 42,982
Trade receivables		251,889	-	251,889
Advances to Canadian exporters		85,944	-	85,944
Progress payments to Canadian exporters		92,101	-	92,101
		472,916	-	472,916
Non-current assets				
Property and equipment		1,264	-	1,264
Intangible assets		1,661	-	1,661
		2,925	-	2,925
		$ 475,841	$ -	$ 475,841
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		$ 236,327	$ -	$ 236,327
Advances from foreign customers		96,550	-	96,550
Progress payments from foreign customers		91,625	-	91,625
Employee benefits	(a)	-	182	182
		424,502	182	424,684
Non-current liabilities				
Employee benefits	(a)	1,308	637	1,945
Provision for contract remediation expenses		1,442	-	1,442
		2,750	637	3,387
		427,252	819	428,071
SHAREHOLDER'S EQUITY				
Contributed surplus		10,000	-	10,000
Retained earnings	(a)	38,589	(819)	37,770
		48,589	(819)	47,770
		$ 475,841	$ -	$ 475,841

RECONCILIATION OF EQUITY AS AT MARCH 31, 2011

(in thousands of Canadian dollars)	Note	Canadian GAAP	Effect of tansition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 75,254	$ -	$ 75,254
Trade receivables		235,029	-	235,029
Advances to Canadian exporters		107,887	-	107,887
Progress payments to Canadian exporters		226,456	-	226,456
		644,626	-	644,626
Non-current assets				
Property and equipment		1,115	-	1,115
Intangible assets		1,108	-	1,108
		2,223	-	2,223
		$ 646,849	$ -	$ 646,849
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		$ 223,187	$ -	$ 223,187
Advances from foreign customers		142,153	-	142,153
Progress payments from foreign customers		229,426	-	229,426
Employee benefits	(a)	-	312	312
		594,766	312	595,078
Non-current liabilities				
Employee benefits	(a)	1,569	586	2,155
Provision for contract remediation expenses		407	-	407
		1,976	586	2,562
		596,742	898	597,640
SHAREHOLDER'S EQUITY				
Contributed surplus		10,000	-	10,000
Retained earnings	(a)	40,107	(898)	39,209
		50,107	(898)	49,209
		$ 646,849	$ -	$ 646,849

RECONCILIATION OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2011

(in thousands of Canadian dollars)	Note	GAAP	Effect of tansition to IFRS	IFRS
REVENUES				
Commercial trading transactions - prime contracts		$ 1,585,074	$ -	$ 1,585,074
Less: cost of commercial trading transactions - prime contracts		(1,585,074)	-	(1,585,074)
Fees for service		12,893	-	12,893
Other income		145	-	145
Net finance income		295	-	295
Loss on foreign exchange		(130)	-	(130)
		13,203	-	13,203
EXPENSES				
Administrative expenses	(a)	28,157	79	28,236
Contract remediation expenses (recovery)		(990)	-	(990)
		27,167		27,246
INTERNATIONAL PROCUREMENT SERVICES FOR GOVERNMENT CLIENTS				
Procurement services transactions		$ 81,115	$ -	$ 81,115
Less: cost of procurement services transactions		(81,115)	-	(81,115)
		-		-
Net results of operations before Parliamentary appropriations	(a)	(13,964)	(79)	(14,043)
Parliamentary appropriations		15,482	-	15,482
Net results of operations and comprehensive income	(a)	$ 1,518	$ (79)	$ 1,439

NOTES TO THE RECONCILIATIONS OF EQUITY AND COMPREHENSIVE INCOME

(A) EMPLOYEE BENEFITS

The transition to IFRS has resulted in the Corporation adjusting the balances previously reported under Canadian GAAP as at April 1, 2010 and March 31, 2011. The impact of these adjustments on retained earnings is summarized in the following table:

(in thousands of Canadian dollars)	Notes	April 1, 2010	March 31, 2011
STATEMENT OF COMPREHENSIVE INCOME			
Administrative expenses:			
-Workforce compensation and related expenses	i, ii	n/a	$ (79)
Adjustment to net results of operations and comprehensive income		n/a	$ (79)
STATEMENT OF FINANCIAL POSITION			
Employee benefits			
-Sick leave benefits	i	$ (643)	$ (746)
-Severance benefits	ii	(176)	(152)
Adjustment to retained earnings		$ (819)	$ (898)

i. Employee sick leave benefits

Under Canadian GAAP, the Corporation was not required to accrue an obligation related to unvested employee sick leave benefits. Under IFRS, the Corporation has recognized the obligation related to these benefits using the recognition and measurement requirements under *IAS 19 – Employee Benefits* ("IAS 19").

ii. Employee severance benefits

Under Canadian GAAP, the Corporation recognized the obligation relating to employee severance benefits. The obligation was actuarially determined and the excess of any net actuarial gain (loss) over 10% of the benefit obligation was amortized over the average remaining service period of active employees ("the corridor approach").

Upon transition to IFRS, the Corporation has elected to apply the optional exemption from full retrospective application available under IFRS 1. As a result, all cumulative actuarial gains (losses) relating to the accrued severance obligation as at the transition date were recognized in opening retained earnings as at April 1, 2010.

Subsequent to the transition date, the Corporation will continue to apply the corridor approach as permitted under IAS 19. However, the application of the IFRS 1 exemption has resulted in the unamortized actuarial gains (losses) balance being different than the balance determined under Canadian GAAP. Accordingly, the employee severance benefit expense is different as a result of the difference in the amortization expense associated with the actuarial gains (losses).

(B) CASH FLOW STATEMENT

There were no changes to the cash flow statement as a result of the conversion to IFRS.

20. COMPARATIVE FIGURES

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

ANNEX A
CORPORATE GOVERNANCE

As a parent Crown corporation under Schedule III Part I of the *Financial Administration Act* (FAA), CCC reports to Parliament through the Minister of International Trade. It has two main funding sources: appropriations voted by the Parliament of Canada and fees generated by service offerings. The Corporation is headquartered in Ottawa, Ontario, and employs approximately 135 people.

CCC was established in 1946 to support reconstruction efforts undertaken following the Second World War to help the Government of Canada channel aid to European countries and facilitate access to products and services from Canada. It is governed by its enacting legislation, the *Canadian Commercial Corporation Act* (CCC Act), which mandates the Corporation to: "assist in the development of trade between Canada and other nations; to assist persons in Canada to obtain goods or commodities from outside Canada; and to dispose of goods and commodities that are available for export from Canada." The terms "goods or commodities", in practice, also encompass services. The Act further stipulates that the Corporation shall comply with any general or special direction given by the Minister with reference to carrying out its purpose. As a result, CCC negotiates and executes bilateral government-to-government procurement arrangements, facilitating export transactions on behalf of Canadian exporters.

CCC's broad mandate led to the Corporation being designated as the Government of Canada's custodian of the Canada-US DPSA. In 1956, CCC was given responsibility, on behalf of the Government of Canada, for administering the DPSA, which requires that defence exports from Canada to the US DoD be contracted through CCC when their value exceeds US$150,000. A similar agreement has been in place for the supply of goods and services to NASA since 1960. Export sales through these agreements continue to represent the largest portion of CCC's business. In 2010-11, this business line facilitated $1.4 billion in exports to the US DoD, while creating or sustaining approximately 15,400 jobs for Canadians. In addition, by providing a number of specialized contracting and 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 working in these markets.

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

BOARD OF DIRECTORS MANDATE AND PUBLIC POLICY ROLE

The Board of Directors exercises its responsibilities through the provision of leadership and guidance to the Corporation's Management team, and by analyzing and setting the Corporation's long-term strategic direction thus ensuring its alignment with the Minister of International Trade's direction.

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

CCC's Board of Directors is composed of a Chairperson, the President and CEO, and nine Directors who are appointed by the Minister of International Trade with the approval of the Governor in Council. The Minister of International Trade appoints Board members who represent the Canadian business community and the federal government, striving to balance sector, gender, linguistic and geographical representation. Directors hold office for a term not exceeding four years. The Chairperson and President and CEO are appointed by the Governor in Council to hold office for such terms as the Governor in Council deems appropriate.

MANDATE, ACTIVITIES AND MEMBERSHIP OF BOARD COMMITTEES

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

Governance Committee: develops and implements practices and procedures to ensure that the Board of Directors and the Corporation operate effectively and in accordance with a high standard of corporate governance. The Committee oversees the governance strategy and processes for the development of significant corporate priorities including the communications strategy, CCC's approach to corporate social responsibility and corporate performance management. As well, the Governance Committee conducts an annual Board self-assessment, which helps to strengthen the Board of Director's governance and effectiveness.

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

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

Human Resources Committee: identifies and recommends, as may be requested, profiles and candidates for appointment to the Board of Directors, including Chairperson of the Board and President and CEO, for consideration by the Minister of International Trade. The Committee also reviews and makes recommendations on corporate officer appointments and compensation. The Chairperson, with the support of the Committee, reviews the performance of the President and CEO and makes recommendations to the Minister of International Trade on compensation. In addition, the Committee examines and makes recommendations on human resources policies to ensure the well-being of the Corporation and its employees.

Policy and Priorities Committee (Ad Hoc): was established as an advisory Committee by the Board of Directors in December 2009, and consists of a Chairperson and the Chairpersons of the other four Committees of the Board of Directors as well as the Chairperson of the Board of Directors and President and CEO as ex-officio members. The primary function of this Committee is to discuss and co-ordinate issues which overlap between the established Committees of the Board of Directors: Governance, Operations, Audit, and Human Resources. The Committee also discusses and co-ordinates those matters which have not been sufficiently defined so as to be clearly within the purview of any other Committee, and considers those other matters as may be referred to the Policy and Priorities Committee from time to time by the Chairperson, Board of Directors, and/or Management.

The Board undertakes regular assessments of its own effectiveness and the contributions of each Director by means of an annual peer-review exercise designed to improve individual and collective performance. In addition, CCC's Internal Audit Group reports to the Audit Committee of the Board of Directors.

In monitoring and auditing the financial management, reporting and operation of the Corporation, CCC's performance, governance and accountability structures are reinforced. A testament to CCC's investment in governance and policies can be found in the OAG's 2009 comprehensive Special Examination of the Corporation, wherein CCC's processes and systems were recognized by the OAG as being designed and operated in a way that provides efficient and effective services for Canadian exporters.

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

COMMITTEE MEMBERSHIP:

As of March 31, 2012

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

BOARD OF DIRECTORS MEETING ATTENDANCE:

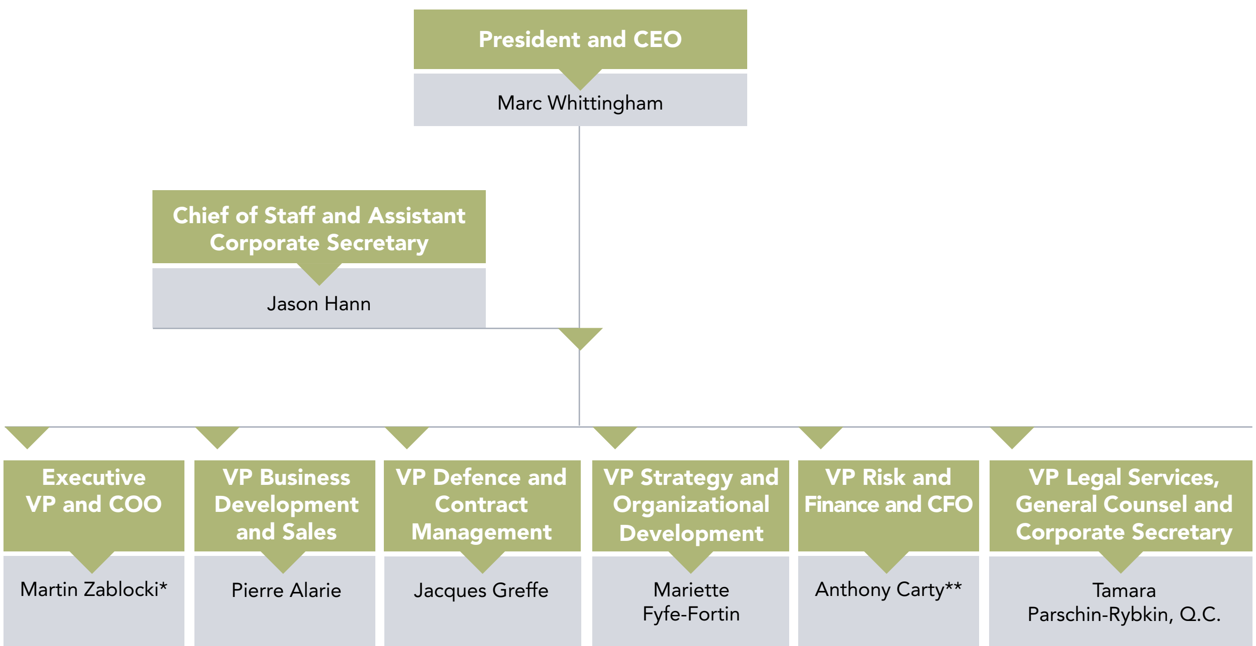
As of March 31, 2012

Board Member	June 2011	October 2011	December 2011	March 2012
Robert Kay (Chairman)	x	x	x	x
Andrew Saxton	x	x	x	x
Norman Turnbull	x	x	x	x
Peter Wright	x	x	x	x
Martine Corriveau-Gougeon	x	x	x	x
Ken Sunquist	x	x	x	x
Dan Ross	x	x	x	x
Stephen Sorocky	x	x	x	x
Marc Whittingham (President and CEO)	x	x	x	x

MANDATE, ACTIVITIES AND MEMBERSHIP OF THE SENIOR MANAGEMENT COMMITTEE

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

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



*Mr. Martin Zablocki was Vice-President, Risk and Finance and CFO from January 1, 2010 until April 3, 2012 and assumed the position of Executive Vice-President and COO on April 2, 2012.

**Mr. Anthony Carty assumed the position of Vice-President Risk and Finance and CFO on April 3, 2012.

CORPORATE GOVERNANCE PRACTICES

CCC maintains a high standard of corporate governance. As a Crown corporation, CCC is wholly owned by the Government of Canada and is governed by an independent Board of Directors. In addition, CCC adheres to the *Privacy Act*, the *Access to Information Act*, the *Federal Accountability Act*, the *Public Servants Disclosure Protection Act*, and the *Official Languages Act*. In addition, the Corporation strives to continually enhance transparency and improve shareholder and stakeholder involvement. As such, CCC abides by the Government of Canada's best practices by holding annual public meetings to provide an opportunity for the public to learn more about the Corporation. On September 7, 2011, CCC held its fourth annual public meeting in Halifax, Nova Scotia in conjunction with DEFSEC Atlantic 2011.

CSR and good corporate citizenship are important to CCC. Representing both the Government of Canada and Canadian exporters means that CCC must carefully consider all the implications of its business activities not only at home but also abroad. CCC is committed to instilling CSR in all of its business practices, and is proud of the CSR policies and practices that have been implemented to date. This focus is exemplified by CCC's sustainable business practices, its commitment to environmental sustainability, healthy and safe operations, and through exceptional participation in the Government of Canada's Workplace Charitable Campaign.

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

- Code of Conduct Policy;
- Code of Business Ethics Policy;
- Greening CCC Operations Policy;
- Internal Disclosure of Wrongdoing in the Workplace Policy;
- Occupational Safety and Health Policy; and
- Policy for a Harassment-Free Workplace.

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

ANNEX B
CCC'S BOARD OF DIRECTORS

Chairman, CCC Board of Directors
Toronto, Ontario

ROBERT C. KAY, J.D., B.L.

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

President, Gestion
Corriveau-Gougeon Inc.
Saint-Bruno, Quebec

MARTINE CORRIVEAU-GOUGEON, P.ENG, ASC

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

Assistant Deputy Minister, Materiel, DND, Ottawa, Ontario

DAN ROSS, B.SC, CD

Mr. Dan Ross is Assistant Deputy Minister of Materiel in the Department of National Defence (DND). He has extensive senior executive experience in the public sector including terms as Assistant Deputy Minister Information Management at DND, Associate Assistant Deputy Minister of the Operations Branch of PWGSC, Deputy to the Foreign Policy Advisor to the Prime Minister, and Director of Operations for the Foreign and Defence Policy Secretariat at the Privy Council Office. In addition, Mr. Ross served in the Canadian Forces for 30 years, retiring as a Brigadier-General. He was appointed to the Board of Directors of CCC on October 30, 2006 and re-appointed on October 30, 2009.

Chairman, King George Financial Corporation Vancouver, British Columbia

ANDREW SAXTON

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

President, Exigent Innovations Inc., Toronto, Ontario

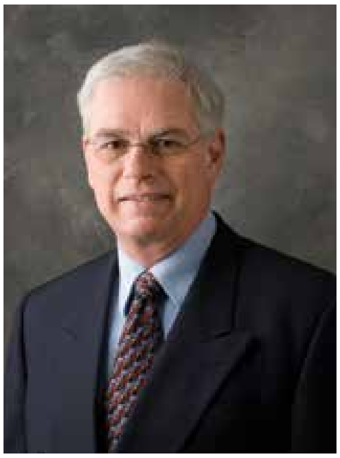
STEPHEN J. SOROCKY, B.A.SC., MBA, P.ENG, C.DIR.

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

Business Advisor and Corporate Director, Gloucester, Ontario

KEN SUNQUIST, B.ADMIN, MPA

Mr. Ken Sunquist is an international business advisor and corporate director. In 2010, Mr. Sunquist retired from the public service as Assistant Deputy Minister, Asia and Africa, and Chief Trade Commissioner. He served in a number of foreign posts after joining the Trade Commissioner Service in 1973. His assignments abroad have included Kingston, Jamaica; Belgrade, Yugoslavia; San Francisco, USA; Seoul, Korea; Beijing, China; and Ambassador to Indonesia. His assignments at Headquarters included Director, Export Information Division; Director General, Trade Communications Bureau; Director, Trade Development Liaison and Special Projects Division; Co-ordinator, Trade Development Policy Secretariat; and Director General, Trade Commissioner Service Operations and Services. In the Department of International Trade he was Assistant Deputy Minister, International Business and Chief Trade Commissioner. Subsequently, in DFAIT, he was appointed Assistant Deputy Minister, World Markets Branch, and then Assistant Deputy Minister, Global Operations. He is a member of the Board of Directors of CARE Canada, the Estey Centre for Law and Economics in International Trade, the Trade Facilitation Office Canada, and the Advisory Board of the Northern Alberta Institute of Technology. Mr. Sunquist was appointed to the Board of Directors of CCC on May 13, 2004 as a public servant and reappointed on August 6, 2010 as a private sector member.



Business Advisor and Corporate Director, Montréal, Quebec

NORMAN A. TURNBULL, CPA, CA, ICD.D

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

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

PETER M. WRIGHT, QC

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

ANNEX C
CCC'S SENIOR MANAGEMENT COMMITTEE

President and CEO

MARC WHITTINGHAM, B.ADMIN, MA

Mr. Marc Whittingham joined CCC in October 2006 as Vice-President, Strategy and Organizational Development and was appointed as President of CCC in October 2008. Prior to joining CCC, he was Assistant Deputy Minister, Portfolio Relations and Public Affairs at Public Safety Canada. Mr. Whittingham has extensive experience in policy, strategic planning, financial management and procurement in the federal government. He started his public service career as a Procurement Officer with the Department of National Defence and later as a Finance Officer with Industry Canada. He has also served in the Canadian Forces including as Ship's Supply Officer in Her Majesty's Canadian Ships NIPIGON and IROQUOIS.

Executive Vice-President and COO

MARTIN ZABLOCKI, B.COMM, MBA, CBV, CMA

Mr. Martin Zablocki joined CCC in November 2007 as Vice-President, Strategy and Organizational Development, was appointed CFO and Vice-President, Risk and Finance in January 2010, and Executive Vice-President and COO in April 2012. Prior to joining CCC, he was the Director General, Sector Strategies and Infrastructure Programs Branch at Industry Canada. Mr. Zablocki has over 20 years of experience within a variety of federal organizations including the Canada Revenue Agency and Fisheries and Oceans Canada, and has led programs and corporate management regimes at the local, regional and national levels. In addition, as a Chartered Business Valuator, he has many years of experience working in the valuation field, wherein he gained exposure to a broad spectrum of domestic and international businesses.

Vice-President, Business Development and Sales

PIERRE ALARIE, BA, MPA, C.DIR

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

Vice-President, Risk and Finance and CFO

ANTHONY CARTY, BA, MBA, CPA

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

Vice-President, Strategy and Organizational Development

MARIETTE FYFE-FORTIN, B.L.A.

Mrs. Mariette Fyfe-Fortin joined CCC in November 2009 as Vice-President, Strategy and Organizational Development. Prior to joining CCC, she was Director General Procurement Services, Materiel Group at DND.
Mrs. Fyfe-Fortin has 18 years of executive experience in procurement and acquisitions, policy and strategic planning, real property management, corporate services, and project management in the federal government. She has successfully led a number of complex and significant transformation and change management initiatives both at DND and PWGSC. She has been the PWGSC Departmental Representative leading all departmental activities for a number of international events from APEC 1997 to the Kananaskis G8 of 2002. She has advised cabinet ministers and senior civil servants on critical inter-departmental and governmental issues. Mrs. Fyfe-Fortin is also a Professional Landscape Architect, member of the Québec Association of Landscape Architects and of the Canadian Society of Landscape Architects.

Vice-President, Procurement and Contract Management

JACQUES GREFFE, BSOC SC (POL)

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

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

TAMARA PARSCHIN-RYBKIN, B.SC, LLB, QC

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

AFCEA	Armed Forces Communication and Electronics Association
AIAC	Aerospace Industries Association of Canada
AUSA	Association of the US Army
CAD	Canadian Dollar
CCC	Canadian Commercial Corporation
CADSI	Canadian Association of Defence and Security Industries
CEO	Chief Executive Officer
COO	Chief Operating Officer
CICA	Canadian Institute of Chartered Accountants
CIDA	Canadian International Development Agency
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
DFAIT	Foreign Affairs and International Trade Canada
DND	Department of National Defence
DPSA	Defence Production Sharing Agreement
EDC	Export Development Canada
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FAA	*Financial Administration Act*
FMS	Foreign Military Sales
GAAP	Generally Accepted Accounting Principles
GDS	Global Defence and Security
GDLS	General Dynamics Land Systems
IDB	Inter-American Development Bank
ICB	International Commercial Business
IFRS	International Financial Reporting Standards
IAS	International Accounting Standard
IASB	International Accounting Standards Board

ITARs	International Traffic in Arms Regulations
LAV	Light Armored Vehicle
MOU	Memorandum of Understanding
MRO	Maintenance, Repair and Overhaul
NAFTA	North American Free Trade Agreement
NASA	National Aeronautics and Space Administration
NDIA	National Defense Industrial Association
OAG	Office of the Auditor General of Canada
PSAB	Public Sector Accounting Board
PSAS	Public Sector Accounting Standards
PPP	Public-Private Partnerships Canada
PWGSC	Public Works and Government Services Canada
ROC	Risk and Opportunities Committee
SIPRI	Stockholm International Peace Research Institute
SME	Small and Medium-sized Enterprises
SOR	Strategic and Operating Review
START	Stabilization and Reconstruction Task Force
TCS	Trade Commissioner Service
USD	United States' dollars
US DoD	United States Department of Defense