Canada
International Trade
CCC

CCC

Canadian Commercial Corporation
Corporation Commerciale Canadienne

Annual Report 2002 – 2003

Credibility ~ Confidence ~ Contracts

Canada

Highlights

Number of Exporters Accessing CCC Services

1,971

Percentage of clients who are SMEs

82%

Number of Exporters Contracting through CCC

215

Sales to U.S.

$779.7 million

Value of new export orders signed

$951,684,204

Sales to 30 other countries

$172 million

Gross revenues from commercial trading transactions*

$1.242 billion

*Includes revenue from current and previous years' contracts

Client Value Index

7.9

Parliamentary Appropriation

$16.6 million

Fees for service and related income

$8.03 million

SECTOR BREAKDOWN

Consumer Products and Services	6%
Information and Communications	6%
Defence	18%
Aerospace	43%
Transportation and Automotive	15%
Electrical Power Equipment	5%
Health and Agriculture	4%
Oil and Gas, Environment	3%

Who We Are

AN IMPORTANT LINK BETWEEN CANADIAN EXPORTERS AND BUYERS AROUND THE WORLD

CCC (the Canadian Commercial Corporation) builds international confidence in Canadian exports by endowing them with the credibility of Canada itself.

Its principal business is to act as a prime contractor, signing export contracts with foreign customers for goods and services to be supplied by Canadian companies. CCC's participation in a contract provides buyers with a unique and powerful government-backed assurance of contract performance.

PROFILE

As a Crown corporation wholly owned by the Government of Canada, CCC is mandated to facilitate international trade, in particular in government markets. CCC helps Canadian companies access the US$5.5-trillion government procurement market and meet the requirements of buyers around the world.

Since the Corporation was established in 1946, it has provided assistance to thousands of companies in every region of Canada to generate more than $30 billion in contracts with foreign government and private sector buyers.

By selling through CCC, Canadian companies gain access to U.S. military and aerospace markets under the Canada-U.S. Defense Production Sharing Arrangement (DPSA). CCC also negotiates commercial sales on behalf of Canadian exporters, providing access to a wide range of public procurement opportunities around the world through government-to-government transactions. In this way, CCC helps Canadian firms win export contracts on improved terms. It also helps small- and medium-sized enterprises (SMEs) to obtain project-related working capital from commercial sources through its Progress Payment Program (PPP).

Honourable Pierre Pettigrew, Minister for International Trade and responsible for CCC, and Doug Patriquin, President of CCC.

For buyers from around the world, CCC offers the opportunity to purchase the best that Canada can offer and the knowledge required for complex projects, new technologies and sophisticated management. It provides simplified access to Canadian technologies at a fair and reasonable cost with a unique Government of Canada guarantee of contract performance.

Headquartered in Ottawa, CCC maintains liaison offices in major centres across Canada in cooperation with provincial governments, ensuring regional representation and strengthening vital links with provincial trade authorities.

MANDATE

The *Canadian Commercial Corporation Act* outlines CCC's legislated mandate to assist in the development of trade between Canada and other nations. The Act provides CCC with a broad range of powers including, specifically, "exporting goods and commodities from Canada either as principal or as agent, in such manner and to such extent as it deems advisable."

MISSION

CCC's mission is to serve as an effective Canadian trade instrument, bringing international buyers and Canadian sellers together and closing successful export contracts on the best possible terms and conditions.

SERVICES

CCC offers a wide range of services to facilitate transactions between Canadian exporters and international buyers.

- **For exporters**, CCC offers services ranging from pre-contract advice, contract management and post-contract support to an all-inclusive prime contracting service.
- **Foreign buyers** who acquire Canadian goods and services through CCC receive a contract performance guarantee backed by the Government of Canada and a single, dependable point of contact throughout the procurement process.

INTERNATIONAL PRIME CONTRACTOR SERVICE

CCC's Prime Contractor Service is a specialized service for exporters selling to foreign governments. It provides a government-backed guarantee of contract performance as well as:

- International business development support
- Advice on bid preparation and submission
- Assistance in contract negotiation and structuring
- A sales contract through CCC with a government-backed guarantee for the customer (foreign buyer)
- Receivable discounting and foreign exchange services related to CCC contracts
- Contract monitoring and administration, including receivable collection, mediation, auditing and closeout.

CCC also provides these services "unbundled," or separately, on a fee-for-service basis.

ACCESS TO U.S. DEPARTMENT OF DEFENSE AND NASA

CCC provides privileged access for Canadian exporters to the U.S. public sector aerospace and defence market, under the 1956 DPSA and a related agreement between Canada and the U.S. National Aeronautics and Space Administration (NASA). The acquisition policies of the U.S. Department of Defense (U.S. DoD) specify that all of its defence purchases from Canada above US$100,000 must be transacted through CCC.

SOURCECAN – BRINGING BUYERS AND SELLERS TOGETHER ON THE INTERNET

Through SourceCAN, an electronic marketplace, CCC matches opportunities in the United States and other markets to the capabilities of Canadian exporters and assists them in getting the most out of the opportunities. SourceCAN is a single point of entry to one of the largest, most comprehensive databases of Canadian companies and their capabilities.

PROGRESS PAYMENT PROGRAM

CCC provides Canadian companies, particularly SMEs, with access to working capital from Canadian financial institutions to cover production costs associated with export contracts.

PROCUREMENT AGENT

For foreign buyers, CCC can assume the role of procurement agent, helping them access high-quality Canadian goods and services by coordinating the contracting process and managing the purchasing cycle.

Chairman's Message

Alan R. Curleigh
CHAIRMAN OF THE BOARD

I am proud and deeply honoured to have been appointed the first independent Chairman of the Board of CCC, the Canadian Commercial Corporation. Since my appointment to the newly created position in November 2002, I have been able to ensure Board participation in the overall direction and oversight of the Corporation and have had the opportunity to take on the exciting challenge of helping CCC remain responsive to the evolving needs of Canadian exporters.

CCC is unique among Canadian Crown corporations. It plays a vital role in building the country's exports, particularly in government markets, offering services for both Canadian exporters and foreign buyers and providing a government-backed guarantee of Canadian exports.

International trade is a competitive and complex world in which the stakes and demands are high. As a former member of the Board and past Chair of the Canadian Manufacturers and Exporters, I have had the opportunity to learn first hand the needs of exporters all across Canada, large and small. I have also seen the importance of effective cooperation with Government in opening up foreign markets to them.

As someone who, for more than 20 years, has been closely involved in executing multinational capital projects all over the world, I also understand the vital importance of CCC's prime contracting role and the remarkable job it does in managing the risks inherent in export projects. I have been particularly impressed with the dedication and talent of the CCC team of men and women who ensure the success of the Corporation.

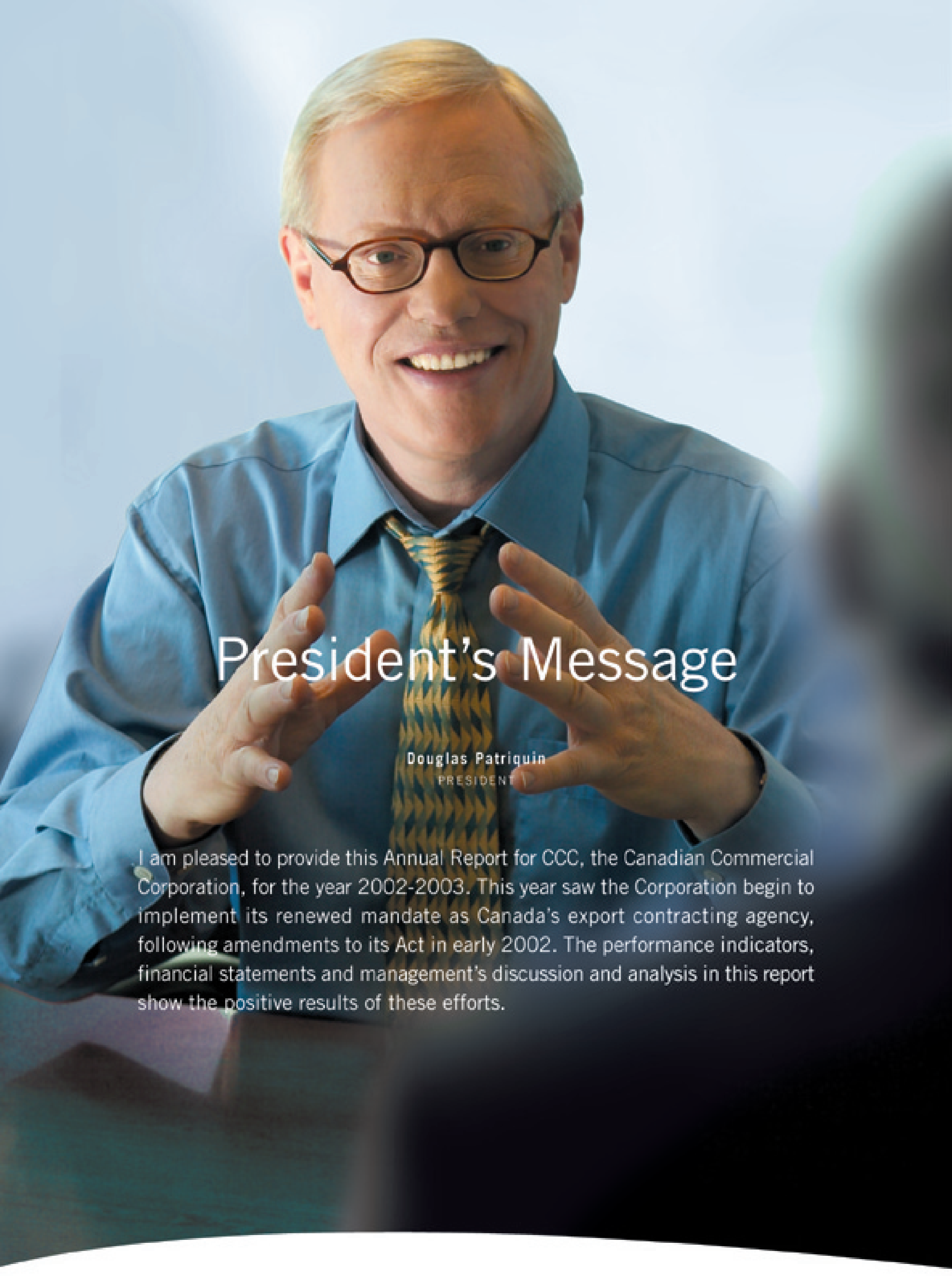
If Canadian businesses are to excel in the world economy, the Board and management of CCC are convinced that exporters must have state-of-the-art resources and support in finding buyers, concluding deals and delivering on their contracts.

As Chairman of CCC, I am convinced that the Corporation's new, more commercial orientation will allow it to play an even more significant role for business. The additional resources provided by the Government last year will allow it to put together more complex transactions calling upon the full range of expertise of Canada's exporters. In addition, the Corporation's new focus on financial self-sufficiency will make it even more responsive to the export community as it grows to new and expanded levels of service.

I believe that our prosperity as a nation and our well-being as individuals are driven by our ability to export the quality goods and services we offer. CCC's success in forging and expanding links between Canadian exporters and buyers is vitally important in helping us to achieve that prosperity.

A Curleigh

Alan R. Curleigh



President's Message

Douglas Patriquin
PRESIDENT

I am pleased to provide this Annual Report for CCC, the Canadian Commercial Corporation, for the year 2002-2003. This year saw the Corporation begin to implement its renewed mandate as Canada's export contracting agency, following amendments to its Act in early 2002. The performance indicators, financial statements and management's discussion and analysis in this report show the positive results of these efforts.

IMPLEMENTING A RENEWED MANDATE

With enhanced financial capacity provided by Parliament, CCC was able to introduce more flexibility in its services and a broader outreach to Canadian exporters and prospective buyers, on a more commercial basis. These activities were supported by significant investment in new technology systems.

As a result, despite economic uncertainty worldwide, the Corporation signed new export contracts and amendments for $951.7 million. It received gross revenues for work performed by Canadian exporters under new and old contracts with CCC of $1.242 billion, the highest recorded by the Corporation.

In addition, CCC generated fees for service and other related income of $8.03 million, more than 37 percent above target. This put the Corporation well on the way to reaching its goal of financial self-sufficiency by 2006-2007 for business outside the Canada-U.S. Defense Production Sharing Arrangement (DPSA), the latter being financed through government appropriations.

We are very proud of both of these accomplishments. They demonstrate the value of the Corporation's services and expertise to over 1,970 Canadian exporters. They also illustrate the useful role CCC plays in government procurement programs in many countries around the world, and in contributing directly to the creation of 10,000 export jobs in Canada, a number that grows substantially when indirect and multiplier effects are considered.

FOR EXPORTERS AND BUYERS — HELPING AT BOTH ENDS

CCC is a unique Canadian institution. It has a proven ability to bring buyers and sellers together and integrate the complex elements of an export project to make successful international trade transactions happen.

Acting as a prime contractor, CCC assures the success of a project from A to Z and is, therefore, highly valued by foreign buyers for its ability to facilitate dependable procurement of critical services and products. Buyers gain confidence from CCC's ability to provide a guarantee from the Government of Canada for the success of the contract.

Exporters, for their part, see the Corporation as facilitating access to sometimes difficult foreign markets, accelerating the decision-making process and adding the credibility of a Government guarantee. This helps them be more competitive internationally.

Credibility, confidence, contracts: that is the magic of CCC. The Corporation offers vital advantages both to Canadian exporters and to foreign purchasers who are looking for the technology and solutions that Canadian companies can supply.

INTERNATIONAL GOVERNMENT PROCUREMENT — DEVELOPING PROMISING EXPORT MARKETS

International government procurement is a huge market, estimated at more than US$5.5 trillion worldwide. We believe that much more can be done to satisfy a wide range of requirements from Canadian sources. The Corporation is increasing its focus on markets where it can help meet these needs. During the year, CCC made particular efforts to build strong relationships with potential customers and to identify opportunities throughout the Americas. This is being done in anticipation of the completion of the Free Trade Area of the Americas (FTAA) process, which is intended to bring together the nations of North, South and Central Americas.

CCC's long-standing access to U.S. aerospace and defence markets through the Defense Production Sharing Arrangement (DPSA) has allowed it to continue to support this essential and mutually beneficial Canada-U.S. relationship. The Corporation is exploring ways to address border control and Homeland Security concerns. CCC also launched its General Services Administration (GSA) Schedules Program to assist Canadian exporters to supply more Canadian technologies to civilian U.S. agencies and to state and local governments.

In addition to supplying high-performance technologies and goods from Canada, CCC is being invited to participate in more and more overseas construction projects. We will continue to manage our contractual obligations prudently, and maintain the enviable level of success in risk management that CCC has achieved in previous years. Last year, nearly 99 percent of contracts were fulfilled with no additional costs or losses.

During the year, CCC was given a mandate to identify and recommend a fund manager for the Government of Canada's Canada Investment Fund for Africa. This initiative is expected to provide $200 million in risk capital for private investments to generate growth and strengthen Canadian commercial ties across the continent.

MORE FLEXIBLE SERVICES FOR EXPORTERS, ESPECIALLY SMEs

Some exporters do not require all the components included in CCC's prime contracting role. Responding to the diverse needs of small- and medium-sized enterprises (SMEs), the Corporation "unbundled" some of the services it offers, such as introducing the exporter to the potential buyer and providing advice on how to negotiate and structure a contract. CCC's services open the door for SMEs to opportunities for which they may not otherwise be in a strong position to compete. Eight out of ten CCC clients are SMEs.

PROVIDING EXPORTERS WITH ELECTRONIC ACCESS TO THE WORLD

In 2002-2003, CCC took a strategic decision to devote important resources to the development of additional electronic commerce or eBusiness services. This involves working collaboratively with partners and in a manner that is consistent with the Government's promise to Canadians to use technology to improve access to client-centred and integrated services.

CCC continues to be a partner with Industry Canada and the private sector in SourceCAN, whereby our opportunities-matching service filters and matches specific U.S. and European electronic opportunities with Canadian exporters who have registered their capabilities with SourceCAN.

An investment in a new Oracle eBusiness suite will improve CCC's Electronic Data Interchange (EDI) protocol for companies doing business with U.S. government agencies. It will also help the Corporation to manage its current business and develop future eBusiness initiatives.

CHALLENGES AHEAD — COMMUNICATIONS, CORPORATE SOCIAL RESPONSIBILITY AND GROWTH

CCC's ability to assist Canadian exporters is directly related to its level of awareness among Canadian exporters and buyers worldwide. Domestically, focus is being put on the estimated 7,000 potential exporters to government markets. The Corporation has developed a communications plan with three objectives: to achieve recognition of CCC among interested exporters and foreign buyers; to develop their understanding of our role and services; and to foster use of CCC as their partner in transactions. Close cooperation with Canada's embassies and trade commissioners and with other export organizations in Team Canada will be key to CCC's efforts in this regard.

Another challenge facing CCC is to promote corporate social responsibility in its global business activities. The Corporation's initial focus will be on developing a regulatory framework under new environmental legislation and on promoting transparency and efficiency in international contracting.

Looking forward, we will pursue CCC's mandate by growing its portfolio of export contracts and making its expertise and services available on a fee basis. We will focus the Corporation's business development efforts in countries and sectors based on relationships with our foreign customers and on our knowledge of Canadian capabilities. We expect to be involved in bringing together more complex projects, and will continue to assist small- and medium-sized exporters in a variety of ways.

ACKNOWLEDGEMENTS

CCC's staff is widely respected for its innovative approaches in putting transactions together, for the quality of its expertise and for its due diligence in the fields of risk management and contracting. I would like to thank employees for the long hours of hard work that have gone into translating CCC's new orientation into reality.

I would like to offer special thanks to Emechete Onuoha, our former Vice-President, Corporate Strategy, who left CCC during the year to take on a new position in government. Mr. Onuoha played a key role in helping to develop the business and financial plan that is the basis for CCC's renewed mandate. I am very grateful to him.

I also want to extend a very warm welcome to our new Chair, Mr. Alan Curleigh, who joined CCC's Board in November 2002. This is the first time in the Corporation's history that it has had an independent Chair. I wish to express my appreciation for the special effort he has made to familiarize himself with CCC's operations and assure him of the continuing cooperation of management and staff. My sincere thanks, as well, to all the members of the Board for their direction and support.

The year 2002-2003 has been a year in which CCC implemented the new legislative authorities it received to fulfil a renewed mandate. We take great pride in helping customers around the world find what they need in Canada and in facilitating projects that work for them and for Canadian exporters. In this way, CCC will continue to play an active and innovative role in developing Canada's international trade.

Douglas Patriquin

Douglas Patriquin

Corporate Performance against Objectives

The performance measures and results are a quantitative assessment of how the Corporation has fulfilled its mandate. CCC establishes targets in its five-year Corporate Plan, approved by Government, to measure both business and financial performance.

PERFORMANCE VS. BUSINESS TARGETS

CCC established targets for five key measures of business performance, as follows:

VALUE OF ORDERS RECEIVED

	2001-2002 **Results**	2002-2003 **Target**	2002-2003 **Results**	2003-2004 **Target**
Total	$1.214 billion	$1.0-$1.2 billion	$951.7 million	$1.056 billion
Excluding LAVs	$895 million	$910 million	$906.6 million	$1.002 billion
LAVs	$319 million	$200 million	$45.1 million	$54 million

The value of orders received by CCC, or its overall business volume, includes CCC's sales as prime contractor to the U.S. and other countries, as well as exports supported by the Progress Payment Program. Sales of Light Armoured Vehicles (LAVs) manufactured by General Dynamic Land Systems (formerly GM Defence of London, Ontario) have been segregated as they are made up of a small number of very large contracts relative to other individual sales. The LAV program has historically had years of significant volume followed by years of proportionally low volumes, spikes and dips that can significantly alter the overall value of orders.

For 2002-2003, expected LAV sales were overtaken by events in the Middle East and, as a result, 2002-2003 ended with $45 million in volume.

For the next fiscal year, CCC will also report on the export impact of its activities when it does not act as a prime contractor, which will be measured as "indirectly facilitated exports."

CANADIAN COMPANIES ACCESSING CCC SERVICES

2001-2002 **Results**	2002-2003 **Target**	2002-2003 **Results**	2003-2004 **Target**
1,954	1,995	1,971	2,000

CCC had set a target of 1,995 for clients accessing CCC services. The final (unduplicated) count of 1,971 includes 1,572 companies receiving international opportunities matched to their capabilities, 170 companies working with CCC at the bid or pre-contract stage, 215 companies contracting with CCC and 14 companies with open contracts from previous years. In future years, as CCC places greater emphasis on unbundling and providing a wider range of services, the total number of companies accessing all of CCC's services will become the principal measure of our contact with clients.

EXPORTERS CONTRACTING THROUGH CCC

2001-2002 **Results**	2002-2003 **Target**	2002-2003 **Results**	2003-2004 **Target**
228	258	215	Included above

In 2002-2003, CCC aimed to increase its base of contracted suppliers to more traditional levels by establishing a target of 258. However, 2002-2003 saw the number of companies contracting through the Corporation fall to 215, below the year's target and the previous year's results.

As buyers continue to integrate or bundle their requirements, consolidation of the procurement process will continue to occur. This will mean more work for fewer suppliers at the prime contractor level. This year's results are also affected by the current cyclical downturn in Aerospace and Defence. In an effort to provide more options for more clients, CCC has increased its opportunity identification and matching activities and partitioned its Prime Contractor Service into smaller, more manageable service segments to meet the varied needs of exporters. Starting in 2003-2004, the number of exporters contracted will be reflected in the total for companies accessing all of CCC services.

CLIENT VALUE INDEX

	2001-2002 **Results**	2002-2003 **Target**	2002-2003 **Results**	2004-2005 **Target**
	7.8	7.4	7.9	To be measured every two years henceforth

The Client Value Index assesses the value of CCC's services to its clients.

Understanding that 2002-2003 would be a year of significant transitional challenges with the introduction of a new business software platform, CCC established a target of 7.4. CCC exceeded its target with an overall score of 7.96. Increased access to resident contracting expertise and CCC's focus on client service were given as reasons for the high level of client satisfaction.

This measure of the value our clients derive from CCC's services provides essential feedback to ensure the Corporation remains aligned with the evolving needs of exporters. The consistently high ratings confirm the appropriateness of CCC's service strategy, which focuses on delivering value for money in affecting the outcome of our clients' international sales efforts.

TIME REQUIRED TO MAKE PAYMENTS TO EXPORTERS

	2001-2002 **Results**	2002-2003 **Target**	2002-2003 **Results**	2003-2004 **Target**
Regular Payments	33 days	30	31	30
Accelerated Payment Program*	17*	15*	18*	15*

*Grandfathered

CCC's service commitment on open account transactions is to pay its suppliers in 30 days. In 2002-2003, the Corporation improved its results compared to the previous year although it fell slightly short of its target. The Corporation will continue to focus on its internal processes next year to achieve the 2003-2004 target.

While the Corporation discontinued its Accelerated Payment Program for qualified SMEs as of January 2001, it continued to measure against its targets in this area, as certain contracts under way were signed before the cut-off date, and the accelerated payment plan remained applicable to them. As these contracts come to a close, CCC will no longer report against this performance target.

FIVE-YEAR HISTORICAL REVIEW for the year ended March 31

BUSINESS PERFORMANCE INDICATORS	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	**Target 2002 2003**
Value of orders received	$0.748B	$1.113B	$1.338B	$1.214B	$0.952B	$1.100B
Canadian companies accessing CCC services	1,886	1,810	1,795	1,954	1,971	1,995
Exporters contracting through CCC	276	280	273	228	215	258
Client Value Index	7.0	7.4	7.4	7.8	7.9	7.4
Time required to make payment to exporters						
Regular payments	31 days	31 days	32 days	33 days	31 days	30 days
Accelerated Payment Program	17 days	16 days	16 days	17 days	18 days	15 days

PERFORMANCE VS. FINANCIAL TARGETS

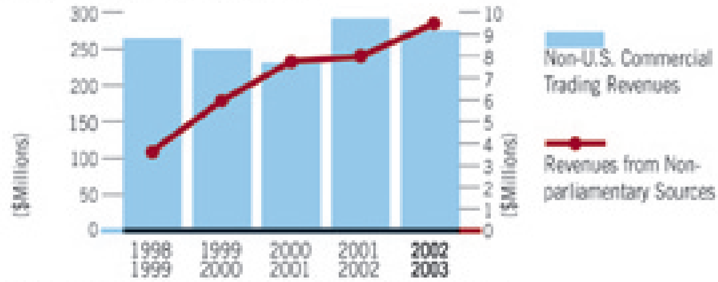
The Corporation measures its financial performance through the Corporate Plan via six targets:

REVENUE FROM NON-PARLIAMENTARY SOURCES

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
	$7.911 million	$6.927 million	$9.458 million	$8.107 million

Revenue from non-parliamentary sources measures the amount of monies generated from fee-for-service, income from discounting receivables, interest income and other sources excluding parliamentary allocations. This new performance metric was developed in last year's Corporate Plan as one means to measure the Corporation's progress towards its goal of financial self-sufficiency of its non-DPSA services by 2006-2007, acknowledging that revenue growth was key to this achievement. The target was exceeded by $2.5 million.

REVENUES FROM NON-PARLIAMENTARY SOURCES COMPARED TO NON-U.S. COMMERCIAL TRADING REVENUES



Based on results for 2002-2003, the Corporation believes it can surpass the 2003-2004 target.

FEES AS A PERCENTAGE OF NON-DPSA DIRECT COST

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
	Not applicable	100%	121%	129%

Fees as a percentage of non-DPSA direct cost is another new performance metric developed in last year's Corporate Plan, which measures more directly the Corporation's progress towards financial self-sufficiency of its non-DPSA services by 2006-2007. The significant increase over budget in terms of fee-for-service revenues in 2002-2003 enabled the Corporation to exceed its break-even target for 2002-2003. The Corporation has established a target of 129 percent for 2003-2004 as it strives to achieve its financial goals.

NET RESULTS OF OPERATIONS VERSUS BUDGET

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
	$2.5 million	$0.4 million	$0.1 million	$0.2 million

CCC established a small operating surplus in 2002-2003. This was based on increased generation of revenues from non-parliamentary sources. In fact, an operating surplus of $0.1 million was achieved, $300 thousand less than planned. Although the Corporation was successful in achieving revenues from non-parliamentary sources that were approximately $2.5 million greater than planned, this was offset by a large unforeseen foreign exchange loss of $2.7 million. This loss was due to the rise in the Canadian dollar versus the U.S. dollar between fiscal year-ends and the resulting translation of U.S. dollar based assets and liabilities into Canadian dollars. For the next fiscal year, the Corporation is budgeting a similar operating surplus with a continued focus on revenue generation, consistent with its intention to become self-sufficient in its non-DPSA services.

NET RESULTS OF OPERATIONS* COMPARED TO BUSINESS VOLUME

	2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
Total Business Volume	(1.1%)	(1.4%)	(1.7%)	(1.5%)
Excluding LAVs	(1.5%)	(1.7%)	(1.8%)	(1.6%)

*Before Parliamentary appropriations

Net results of operations before Parliamentary appropriations refers to the total operating expenditures incurred by the Corporation less revenues generated from non-taxpayer sources, or the net cost to the taxpayer of CCC's operations. When this cost is compared to business volume, the resulting performance metric measures the Corporation's productivity in generating exports for Canada. The 2002-2003 target reflected a lower planned business volume target compared to 2001-2002's record business volume achievement.

In 2002-2003, CCC's productivity was negatively impacted by lower business volumes due to a significant reduction in LAV business volume. Excluding this factor, CCC's productivity was marginally lower due to higher additional contract costs. On both counts the Corporation did well, compared to its historical benchmark of two percent.

CCC anticipates a decrease in this figure next year, with rising business volumes.

ADDITIONAL CONTRACT COSTS* AS A PERCENTAGE OF BUSINESS VOLUMES

2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
0.03%	0.11%	0.21%	0.12%

*Before associated legal and other costs

The Corporation's risk standard attempts to keep additional contract costs (excluding associated legal and other costs) at less than 0.2 percent of business volumes. This reflects the Board of Directors' approved risk-tolerance level, excluding a special allocation of $250,000 that enables CCC to take on certain SME projects that would otherwise not fit within its risk parameters.

The 2002-2003 results were higher than target due to a decrease in LAV business volume and a higher level of additional contract costs. This number varies from one year to the next; this year balanced off the excellent results of 2001-2002. Next year's target continues the Corporation's trend of prudent risk management.

PROVISION FOR DOUBTFUL ACCOUNTS WHEN COMPARED TO ACCOUNTS RECEIVABLE FROM FOREIGN COUNTRIES

2001-2002 Results	2002-2003 Target	2002-2003 Results	2003-2004 Target
0.0%	1.0%	0.0%	1.0%

In its sales contracts, the Corporation takes accounts receivable risk when dealing with credit-approved foreign buyers, particularly foreign government agencies. The target of 1.0 percent for 2002-2003 is the Corporation's historic standard. CCC experienced another notable year in the successful collection of accounts receivable. The Corporation continues to review ways to embrace accounts receivable risk in non-traditional markets. It has re-stated last year's target for the 2003-2004 fiscal year.

FIVE-YEAR HISTORICAL REVIEW for the year ended March 31

FINANCIAL PERFORMANCE INDICATORS	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	Target 2002 2003
Revenue from non-parliamentary sources	$3.627M	$5.995M	$7.798M	$7.911M	$9.458M	$6.927M
Fees as a % of non-DPSA direct cost					121%	129%
Net results of operations versus budget	$0.7M $0M	$0.2M $0M	$1.8M $(0.8)M	$2.5M $0M	$0.1M $0.4M	
Net results of operations* compared to business volume	(1.3%)	(1.1%)	(0.9%)	(1.1%)	(1.7%)	(1.5%)
Additional contract costs** as a percentage of business volumes	0.1%	0.3%	0.2%	0.03%	0.21%	0.12%
Provision for doubtful accounts compared to accounts receivable from foreign countries	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%

*Before parliamentary appropriations **Before associated legal and other costs

Management's Discussion and Analysis

OPERATIONS

The following sections provide management's review of CCC's operations for fiscal 2002-2003, including a description of the environment in which it operates, the markets it serves and the sectors in which it is especially active.

Operating Environment

EXTERNAL ENVIRONMENT

The external environment in which CCC operates has a major impact on its ability to sign international trade contracts. In this context, credit conditions and interest rates in the Canadian economy have an important influence on the financial health of Canadian exporters, while the exchange rate may affect their pricing competitiveness. Economic conditions in the U.S. and other regions naturally affect CCC and its exporting clients. In particular, the state of public finances in foreign governments is critical to their procurement activities and thus to CCC's sales.

CANADIAN ECONOMY

Despite pessimistic forecasts of the Canadian economy following the events of September 11, 2001, Canada led the G-7 countries in terms of economic growth and, for the first time in more than 20 years, outperformed the U.S. economy. The increased divergence in interest rates between Canada and the U.S. has resulted in a sharp rise in the value of the Canadian dollar against the U.S. dollar.

For 2003, economists expect domestic and export growth in Canada to continue. However, the increase in the value of the Canadian dollar and continuing international uncertainties could lower current forecasts.

INTERNATIONAL MARKET CONDITIONS

In 2002, the U.S. economy was slowing sharply, particularly in the information and telecommunications sectors, which also led to a sharp decline in many global economies. Latin America saw one of its worst years in recent history, with financial crises in Argentina, Venezuela and Brazil. On the other hand, other countries in the Asia-Pacific region, notably China and India, experienced good growth figures in fiscal 2002-2003.

In Europe, although it can be assumed that European countries will take up the majority of opportunities arising from those Eastern European countries joining the European Union (EU), certain sectors where Canadian expertise is recognized will provide markets for growth.

In Latin America, some countries are now showing signs of increasing financial strength and the outlook appears more positive, with discussions on the FTAA agreement moving toward completion in 2005. Research and analysis of several countries in Latin America revealed the potential for a more robust presence of CCC in this region.

China is expected to lead the Asian economies once again, although SARS-related concerns could alter this result. As the New Economic Plan for African Development (NEPAD) initiative takes shape, more commercial opportunities are expected to develop in that continent. Injections of funds from International Financial Institutions (IFIs) will lead to increased market opportunities in sectors such as health, education and infrastructure.

CONTRACT PERFORMANCE GUARANTEE

Airline passengers in Africa can expect a vast improvement in airport services thanks to Montreal-based Tecnum Group Inc., which will be working with the Agence pour la Sécurité de la Navigation Aérienne (Agency for Safety of Air Navigation or ASECNA) in Africa and Madagascar through CCC's Prime Contractor Service.

Tecnum is a multidisciplinary company that specializes in developing and integrating state-of-the-art airport systems.

"As prime contractor, CCC will bolster Tecnum's credibility by offering ASECNA a government-backed guarantee of contract performance," explains Hugh O'Donnell, Executive Vice-President of CCC. "As well, ASECNA will benefit from the convenience of having a single point of contact for multiple purchases. We may also be called upon to deliver additional services as part of our mandate to guarantee the full and satisfactory completion of the contract."

GLOBAL PROCUREMENT MARKETS

CCC's activity depends greatly on the strength of global public procurement markets, which represent approximately US$5.5 trillion annually, or 19 percent of world gross domestic product (GDP) output.

CCC has identified a number of important sectors in these markets, where it believes Canadian products can supply an increasing share of customers' needs. These include aerospace and defence, security, information and communications technology, as well as transport, energy, water, housing and environmental technologies.

The global aerospace industry went through a difficult period in 2002-2003 and will continue to struggle as the commercial transport sector postpones fleet renewal plans, due to the effects of recession and September 11.

The U.S. departments of Defense and Homeland Security continue to receive budget appropriations at record levels, fueled by the aftermath of the terrorist attacks against the U.S. and the conflict in Iraq.

The Latin American public procurement market was severely affected by economic difficulties in 2002-2003. A number of countries where CCC has been active underwent fiscal challenges and had to postpone strategic investments and international purchases.

The global information and communications technologies sector will continue to generate new opportunities, despite the current cyclical challenges the industry is facing. There will be many interesting investment projects by public utilities and enterprises in other sectors noted above, particularly in developing countries and economies in transition, where the potential long-term demands are enormous. The question of whether adequate financing can be found for these projects will have a significant impact on CCC's activities.

Canadian companies with high-quality products, low costs and solid management expertise, all characteristics common to CCC's clients, stand to benefit significantly from demand in the global public sector market.

CANADA'S TRADE OBJECTIVES

As Canada's export contracting agency, CCC supports Canada's trade objectives by facilitating trade between Canadian exporters, including special programs for small- and medium-sized enterprises (SMEs), and foreign buyers. Regionally, CCC puts special emphasis on maintaining superior relations with the United States and other countries of the proposed Free Trade Area of the Americas (FTAA).

EXPORT ASSISTANCE TO SMES

Providing support to SMEs remains a policy priority for the Government of Canada. The CCC contributes directly to this overall government commitment by providing export-related assistance and advice to SMEs and by facilitating access to commercial sources of pre-shipment financing.

Of the total of 1,971 firms accessing CCC's services in 2002-2003, 82 percent were SMEs. They use all of the Corporation's export contracting services and expertise, which can now be acquired on an "unbundled" fee-for-service basis, to allow clients to choose the services most relevant to their business situation. The Corporation has introduced a SME Risk Fund to support the higher level of performance risk that is often a characteristic of small, less experienced firms. The fund will be expanded in subsequent years.

Through its Progress Payment Program for pre-shipment financing, CCC provided $50.4 million of interim financing in fiscal 2002-2003. Since its creation in 1995, the PPP has facilitated more than $499 million in export sales for Canadian SMEs.

U.S.-CANADA RELATIONS

Canada's trading relationship with the U.S. remains of paramount importance, and securing and improving access to this immense market is Canada's number-one trade policy priority.

CCC's sales to the United States amounted to $779.7 million in 2002-2003, representing 80 percent of its total business volume.

In the post-September 11 environment, CCC contributes significantly to the Government of Canada's priority of working with the U.S. to address the security needs of both countries. CCC plays a central operational role under the 1956 DPSA between Canada and the United States, which was established to ensure the most effective utilization of U.S. and Canadian defence industrial capabilities, and the safety and well-being of their citizens.

Through its GSA Schedules Program, CCC also provides support to Canadian firms wanting to access the central procurement arm of the U.S. federal government.

FREE TRADE AREA OF THE AMERICAS

The proposed FTAA would encompass the 800 million people of the Americas, who make up almost one sixth of the world's population. The region's combined GDP of approximately $17 trillion represents more than one third of the world's economic activity. The FTAA will build on Canada's free trade ties with the U.S., Mexico, Chile and Costa Rica.

CCC's Market Opportunities Development (MOD) group carried out proactive business development activities in many countries in Latin America during the fiscal year to develop customer relationships and identify opportunities that will be developed over the coming months. CCC's understanding of foreign government procurement procedures and its ability to enter into government-to-government arrangements can often simplify and accelerate the process of supplying customers' needs with Canadian products.

NEW LEGISLATION FOR CCC

In early 2002, the Parliament of Canada passed amendments to the *Canadian Commercial Corporation Act*. It was the first time CCC's Act has had significant amendments since the creation of the Corporation in 1946. Three amendments were brought forward to help CCC become more commercially oriented and better equipped to respond to the needs of exporters and the changing competitive realities of international markets.

The three changes included: permitting the Corporation to charge commercial fees for its services; expanding the Corporation's borrowing authority to include commercial markets; and separating the positions of Chair of the Board of Directors and President.

FEES FOR SERVICE

In its five-year Corporate Plan for the years 2002-2003 through 2006-2007, CCC made a commitment to achieve financial self-sufficiency in its business outside the Canada-U.S. DPSA, while making access to its services more flexible for exporters.

CCC has implemented a value-based pricing strategy and "unbundled" its traditional Prime Contractor Service. This approach allows clients to choose from a more flexible menu of services and to pay for the services they use on the basis of the value they represent rather than strictly on cost. Contracting services offered under the DPSA with the U.S. will continue to be funded by government appropriations.

BORROWING AUTHORITY

The Corporation has been given the statutory power to borrow commercially up to $90 million. Currently, under Minister of Finance authority, CCC is limited to borrowing up to $40 million.

Traditionally, CCC's borrowing authority has been used for working capital requirements related to CCC's DPSA program.

Susannah Denovan Fortier
Marketing Advisor

Sophie Couture
Project Manager

Rick Kealey
Project Manager

However, the Corporation is now seeing an increasing project pipeline composed of major capital projects. Consequently, the Corporation requires more flexibility in accessing borrowing lines.

In general, the new borrowing authority will enable CCC to maintain timely payment standards and increase its capacity for commercial risk to the advantage of SMEs.

IMPROVED CORPORATE GOVERNANCE

The positions of President and Chair of the Board were separated to modernize and strengthen the Corporation's governance structure, providing a greater degree of Board independence and oversight. In November 2002, Mr. Alan R. Curleigh was appointed Chair.

BUSINESS ACTIVITIES

For many years, CCC has worked in a wide variety of countries and industrial sectors, responding to buyers' enquiries and suppliers' requests for assistance. During the past two years, the Corporation has taken a more proactive approach to business development, by developing relationships and identifying opportunities in several countries' markets and targeted sectors.

Markets

UNITED STATES

In 2002-2003, CCC signed sales contracts worth $642.7 million with agencies of the U.S. Department of Defense (U.S. DoD).

Procurement practices of the U.S. DoD have shifted significantly in ways that are changing this market for its suppliers. Build/own/operate arrangements are becoming more common, as U.S. DoD specifies outcome rather than activity. The use of private firms as prime contractor or integrator is increasing. Leasing has become more prevalent, from tanker aircraft to on-site simulators. These factors require new industrial relationships with U.S. prime contractors and may limit the ability of smaller firms to bid directly into major programs. CCC successfully provided a contractual link in a number of such transactions in 2002-2003. On a non-contractual basis, CCC conducts assist audits, last year performing more than 65 audits valued at over US$220 million.

At the same time, budget structures are changing. The new Department of Homeland Security will, over time, subsume some of the funds typically allotted to other departments. The rules under which the new department will procure are being developed, and CCC is working to position itself as a conduit for Canadian companies by offering to provide DPSA-like services to those organizations unfamiliar with the Canadian supplier base.

While these changes pose challenges to CCC and its suppliers, they also bring opportunities. To ensure that CCC is fully aware of the impact of these changes, it continues to participate in forums where procurement and procurement reform are discussed. CCC was invited to join the Strategic Supplier Alliance, established by the Defense Supply Center Richmond. The Alliance involves 14 of the major U.S. suppliers to DoD, and meets to discuss performance measurements that DoD will use, as well as upcoming changes to procurement methodology and how it might impact suppliers.

ACCESS TO U.S. GOVERNMENT MARKETS

AirBoss of America Corp., headquartered in Newmarket, Ontario, is working through CCC under the Defense Production Sharing Arrangement (DPSA) to supply Nuclear Biological Chemical ("NBC") protective footwear to the U.S. military. The contract is valued at US$12.7 million and production is scheduled to commence by the end of 2003.

"AirBoss values the government-backed performance guarantee of CCC, the simplified U.S. government procurement rules they allow for, and the fact that they will monitor all of our contract obligations for us," said Cindy Carrier, Military Contract Manager at AirBoss. "We have worked with CCC for years and our partnership has continued to produce high-quality products, that meet the U.S. military's stringent quality requirements."

AirBoss-Defense is a world leader in the design and supply of NBC protective wear. AirBoss-Defense's "Ultimate Protection Mission" includes production and sale of chemical warfare agent protective footwear, gloves and gas masks, and the distribution of protective personnel clothing to both the defense and first response sectors.

CCC is also a member of the Canadian Joint Defence Procurement Council, co-sponsored by Canadian Defence Industries Canada and Aerospace Industries Association of Canada, where among other issues, the impacts on Canadian industry of changes in U.S. procurement strategy are discussed.

CCC has strengthened its ongoing relationship with the U.S. Defense Contract Management Agency (DCMA) both in Ottawa and Washington. Through a co-sponsored Global Management Council, issues of mutual concern are discussed and metrics established to improve overall organizational performance.

An agreement between NASA and CCC was signed in the early 1960s, based on the DPSA model. This agreement was renewed in 2002-2003 providing for discretionary use of CCC as a prime contractor to NASA. Due to this relationship, CCC has been included in over 90 percent of NASA's commercial transactions with Canadian companies.

The U.S. Coast Guard (USCG) has awarded the prime contractor role in its US$17-billion program known as Deepwater, to the Integrated Coast Guard Systems (ICGS) team of Lockheed Martin/Northrop Grumman. This acquisition aims to upgrade the USCG's assets, which will enhance its offshore surveillance capacity and contribute to increased U.S. security. CCC has become the Canadian point of contact for opportunities on Deepwater. Through the CCC Web site, suppliers can register with the program as sub-contractors and receive updates as to program requirements and progress.

U.S. GENERAL SERVICES ADMINISTRATION (GSA) SCHEDULES PROGRAM

The U.S. General Services Administration (GSA) is the central procurement arm of the U.S. federal government, responsible for facilitating billions of dollars in purchases every year on behalf of U.S. government departments and agencies. Canadian companies can access this US$25-billion market by becoming a qualified supplier through the GSA Schedules Program.

CCC has developed a two-phased program to allow firms to access this market. The first phase is intended to support Canadian exporters applying for a GSA Schedule award. The service includes submission advice and assistance, peer review of submission by our Washington-based consultants and advice related to GSA discussions and pricing negotiations. Successful completion of Phase I will automatically enrol a company in Phase II.

The second phase is set up to help Canadian exporters to maximize selling opportunities once they have been accepted into the GSA Schedules Program by providing business intelligence and marketing vehicles (trade shows, promotional material and activities, etc.). CCC entered into partnership with the Canadian Manufacturers and Exporters to educate Canadian exporters about the GSA program.

CCC has set an objective of helping 25 small Canadian exporters to conclude agreements through the GSA Schedules Program in 2003-2004.

LATIN AMERICA

In its Corporate Plan, CCC selected Ecuador for the development of an "in-country" program, based on its involvement in a new Quito airport and local interest in how CCC can bring efficiency and transparency to international procurement. Focused business development efforts have established relationships with federal, state and city governments within that country. Strategic alliances were signed with the cities of Quito, Cuenca and Manta, solidifying these relationships and providing direct access to public procurement opportunities. Specific projects that have been identified from a number of visits during the year form the basis for this "in-country" program. Additional resources have been assigned to move projects forward and to seek out other needs, matching them with qualified Canadian suppliers.

Other countries in the region are being evaluated to determine an appropriate level of proactivity. CCC looks at various criteria including political and economic security, procurement planning and processes, specific sector interests and methods of payment. This is supported by input and expertise from the Trade Commissioner Service and Export Development Canada (EDC).

In the Dominican Republic, for example, CCC's value to the foreign buyer was evident when the Corporation was asked to assist the Water Authority of the capital city to source suppliers for a major project. A Memorandum of Understanding was signed with the customer in the fall and already this effort has led to other projects being identified, sourced and subjected to a feasibility study.

CCC is working on strategic programs in other countries that have the potential to lead to "in-country" programs and, through a more robust presence in the country, open doors to new opportunities for Canadian companies.

Ricardo Chincoli
Project Manager

Don Olsen
Senior Project Manager

OTHER REGIONS

In other regions of the world, CCC responds to needs identified by buyers and sellers who believe that CCC's presence will lend confidence and credibility to an international transaction. During 2002-2003, CCC was successful in signing contracts or contract amendments in seven African countries, including Angola and the Republic of South Africa. Contract value was approximately $34 million. Similarly, CCC's marketing efforts contributed to contracts from 10 European countries in 2002-2003 with a value of over $62 million, and contracts in Asia of over $2 million.

eBUSINESS

Electronic commerce or eBusiness is an integral part of CCC's strategy to better serve its clients and grow its business. The Corporation has embarked on initiatives in three areas.

eBUSINESS LINKAGES

CCC is a founding partner of SourceCAN, Canada's e-Marketplace. Companies registered with SourceCAN accounted for 99% of CCC's total U.S. Government business volume in 2002-2003. There is clearly a strong and positive association of SourceCAN with the volume and size of contracts won by Canadian companies doing eBusiness with the U.S. Government through CCC. – *Hugh O'Donnell, Executive Vice-President, Business Development and Operations, CCC.*

The U.S. government is continuing its movement toward electronically based procurement. For a number of years, CCC has provided a gateway to this market through its Electronic Data Interchange (EDI) capability. In the near term, this service will expand from contract award and notification to include invoicing and payments from a larger number of suppliers, using CCC's new computer platform. This service is expected to speed up the payment process resulting in cost savings and cash flow improvements. CCC will continue to offer capabilities to small suppliers unable to invest in their own stand-alone systems.

In 2001, CCC partnered with Industry Canada and HyperNet, a private company, to establish SourceCAN, an e-marketplace that matches Canadian products and services with business opportunities posted by domestic and foreign corporations and governments. CCC organizes U.S. and European information feeds and provides advice and assistance to companies that wish to bid on these opportunities.

Canadian companies were awarded more than 300 contracts from opportunities posted on SourceCAN in calendar year 2002, and of that number 209 contracts worth US$388 million went through CCC. Some 1,572 exporters used CCC's opportunity matching services in 2002-2003.

CCC is working with other export agencies such as EDC, the Business Development Bank of Canada (BDC) and the Department of Foreign Affairs and International Trade (DFAIT), to develop an integrated international electronic commerce platform. This platform would simplify clients' access to a wide range of services from departments and agencies, consistent with the Government of Canada's Government On-Line (GOL) initiative.

INTERNATIONAL PROCUREMENT SERVICES

At the request of the Canadian International Development Agency (CIDA), CCC is providing the Ministry of Health, Republic of Zambia, with an all-inclusive procurement service for a four-year period. The project, which is also funded by CIDA, provides Zambia with Canadian-supplied pharmaceuticals that meet Canada's high-quality standards.

CCC carries out diligent day-to-day contract management to ensure this complex multi-item project succeeds at the various stages of delivery, storage, shipment and payment.

CANADA INVESTMENT FUND FOR AFRICA

The Canada Investment Fund for Africa is a key part of Canada's commitment to greater socio-economic development in Africa and Canada's response to a consensus among international organizations about the important role private sector funds can play to help developing countries participate in the global economy.

The Canadian Government announced its intention of sponsoring a public-private Canada Investment Fund for Africa to provide risk capital for private investments in Africa that generate growth. The Fund will have a minimum targeted aggregate capital of $200 million, of which $100 million would be contributed by the Government and the balance by private sector investors.

The Department of Foreign Affairs and International Trade appointed CCC to select a qualified fund manager, who will be responsible for directing the Fund's activities.

The Fund will generate significant direct and indirect benefits for Africa and Canada through new market opportunities for Canadian firms and investors, and enhanced strategic linkages between Canadian and African organizations.

CCC will leverage the contacts and knowledge gained through this process to better assist Canadian companies in Africa.

Sectors

AEROSPACE AND DEFENCE

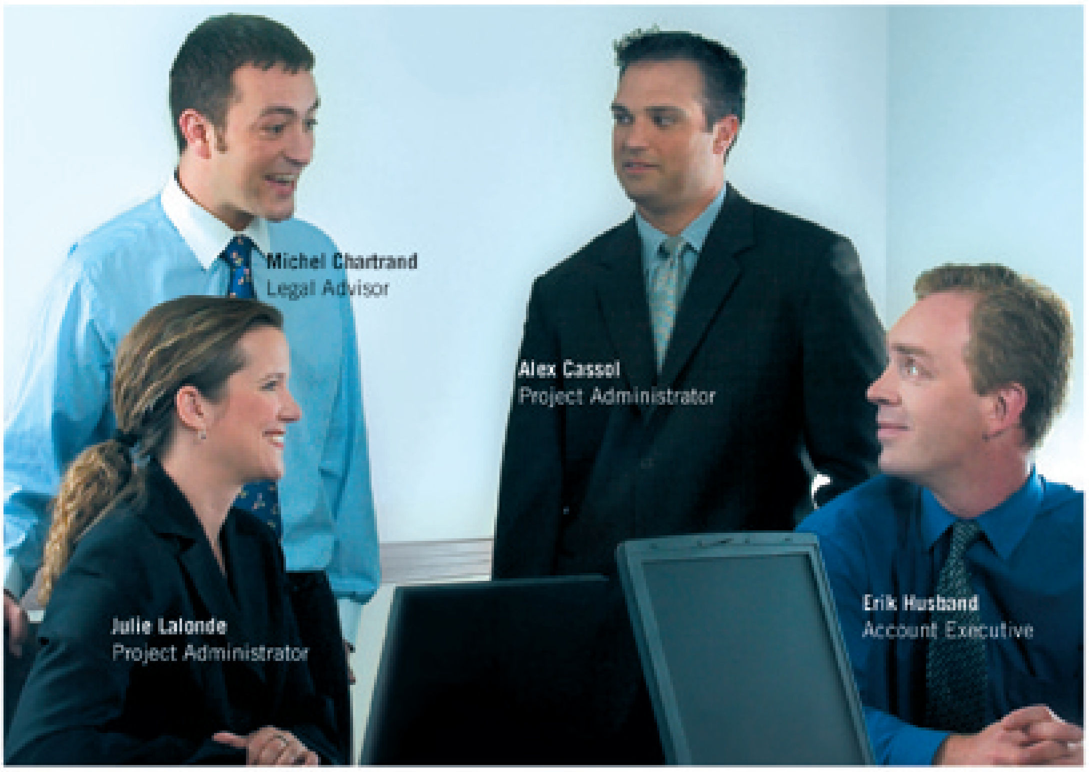
Global sales by CCC in the Aerospace and Defence group amounted to $119 million in 2002-2003. Principally with the U.S. DoD, CCC is under contract with the dominant players in Canada's aerospace sector. While commercial aviation was hard hit following September 11, spending on military aviation assets has remained relatively constant. In fact, there were slight increases in readiness spending prior to Operation Iraqi Freedom. Cross-border efficiency concerns also contributed to CCC's aerospace sales in 2002-2003, as a CCC-brokered transaction resulted in an order from U.S. Customs.

CCC anticipates security issues such as border control, surveillance and interdiction will increase the demand for goods and services more typically found in the military domain. Defence products are now being procured and used by a wider range of government buyers than previously. For example, federal, state and municipal first responders have all procured equipment designed to detect and protect from chemical and biological fallout.

CCC's Aerospace and Defence group has developed a number of international projects outside the U.S., through focused cross-marketing and business development efforts. Products include aircraft engine test cells for Germany, underwater salvage rescue vehicles for Italy, bomb disposal suits for Germany, airport equipment for the Congo and others.

In late 2002-2003 General Motors Canada sold its Light Armored Vehicles (LAVs) production facility in London, Ontario to General Dynamics Land Systems (GDLS) of the U.S. For almost two decades, CCC has participated in the evolution of the LAV into the world's premier peacekeeping vehicle and in its contribution to a revolution in military mobility, as wheeled vehicles challenged tracked vehicles across a range of uses. General Motors Canada received an Export Award in 2002 in recognition of this long-term product development program.

In sales terms, the LAV business is typically made up of a small number of very large contracts. In 2002-2003, CCC achieved LAV sales of $45 million compared to a target business volume of $200 million, caused by procurement delays triggered by events in the Middle East. In conjunction with GDLS, CCC is currently involved in the pursuit of other sales, including a potential expansion of the ongoing Australian program.



INTERNATIONAL COMMERCIAL BUSINESS

CCC's International Commercial Business (ICB) portfolio consists of modest-sized supply and construction projects in a variety of other sectors. These contracts involved products and services used in public sector investments, including telecommunications, environmental and waste management, engineering, building supplies, transportation, tourism, education, passports and food products. In spite of slow worldwide economic conditions, 31 countries bought through CCC, bringing total new ICB orders to $94.4 million in 2002-2003. The Corporation and its suppliers have a substantial pipeline of projects to be brought to contract in 2003-2004.

ENGINEERING, PROCUREMENT AND CONSTRUCTION

Engineering, Procurement and Construction (EPC) projects are integrated, complex, and typically multi-million dollar projects that may be of strategic importance to the host country. They are found in a variety of sectors such as energy, transportation, telecommunications, housing and infrastructure.

Canadian exporters are particularly strong on the service side of the industry, especially in engineering consulting, architecture and project management. CCC is being asked to participate in more EPC projects because of the value it brings, particularly in terms of its ability to simplify and expedite decision-making processes. It has the capacity to structure sole source arrangements and form the broadly based consortia that are often required to undertake these projects and to assist in putting together the required financing.

In 2002, CCC was awarded a $600-million contract to build an airport in Quito, Ecuador, subject to financing and other governmental approvals. The project would be undertaken by a leading Canadian airport development firm together with other Canadian and international companies.

The Corporation operates under special guidelines that apply to overseas construction or "capital" projects. CCC is confident in its ability to effectively mitigate and manage the risks associated with such projects, based on past performance and the policy framework it has in place.

INTERNAL RESOURCES

CCC understands that an organization's ability to respond to its clients' needs depends largely on the skills and knowledge of its employees. The Corporation has achieved its successes because of its people, who are innovative and determined to find solutions that lead to export contracts.

CCC is committed to creating an environment where continuous learning is encouraged. The growing demand for sophisticated risk management skills and the need to take advantage of new technologies are factors that have made learning and development a corporate priority. The Corporation's approach to learning includes the sharing of best practices among staff, inter-departmental assignments and specialized training.

CCC introduced the concept of learning plans as a pilot project. Learning plans will identify learning activities to be pursued by individuals in support of their learning and career development. Preliminary work was undertaken on the concept of a career map that will identify the skills and competencies of the different jobs within the Corporation. The strength of management's commitment to provide employees with the opportunity to learn is shown in the number of training days. On average, each employee had almost 11 days of training, compared to the corporate objective of 7 days.

Assisted by its new Spectrum computer platform, CCC will be introducing improved performance measurement tools that will further contribute to the learning culture within the Corporation.

SPECTRUM

In 2002, the CCC embarked upon a major modification of its existing business processes to adapt to its new enterprise-wide, Web-enabled, Oracle-based computer platform known as Spectrum. While its introduction posed a significant set of challenges, the system is now functioning as well as or better than the legacy system it replaced. Success in this undertaking was the direct result of an enormous amount of attention and effort on behalf of all of CCC's staff members.

Spectrum impacts on almost all business processes at the CCC and houses a vast database of information that will be used to manage all phases of the business. This infrastructure will also facilitate the CCC's transition towards offering more services electronically, in the spirit of the Government On-Line (GOL) initiative.

The system is now handling the operations of the Corporation and producing reporting and tracking tools for the CCC's extensive portfolio of business opportunities. Full gains will be realized over the long term, as the system is fine-tuned and as business processes are modified to take advantage of the new capabilities it offers.

CORPORATE SOCIAL RESPONSIBILITY

The Department of Foreign Affairs and International Trade (DFAIT) defines Corporate Social Responsibility (CSR) as "the way a company balances its economic, environmental and social objectives while at the same time addressing stakeholder expectations and enhancing shareholder value."

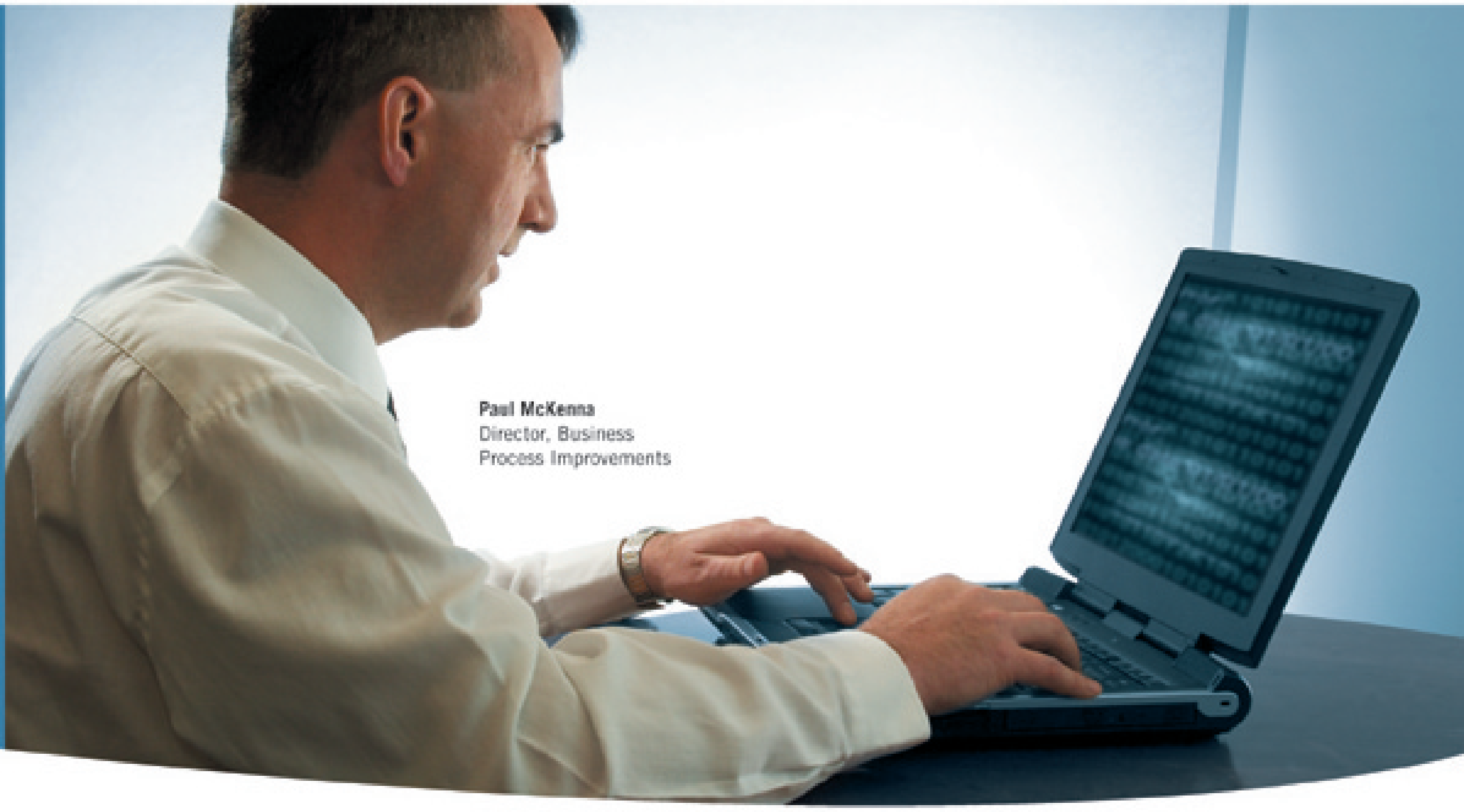
CCC has developed a CSR plan and is working closely with government officials to ensure that its CSR initiatives address the Government of Canada's values and commitments, consistent with the Corporation's mandate.

In the initial phase, CCC will concentrate on elaborating its environmental review framework and its role in addressing international bribery and corruption issues.

ENVIRONMENT

CCC's Board of Directors has adopted an interim environmental review framework, covering the Corporation's involvement in overseas construction projects. At present, these activities are not regulated under the *Canadian Environmental Assessment Act*. Nevertheless, CCC has voluntarily sought the advice of the Canadian Environmental Assessment Agency in conducting its environmental assessment process.

Following amendments to the *Canadian Environmental Assessment Act*, CCC will be working with the Canadian Environmental Assessment Agency and other governmental organizations to develop a satisfactory regulatory framework to fulfil its environmental responsibilities while continuing to serve the Canadian exporting community.



Paul McKenna
Director, Business
Process Improvements

ETHICS

The increasing globalization of business activities has brought bribery and corruption to the forefront of CSR issues.

CCC has complied with Canada's *Corruption of Foreign Public Officials Act* by inserting a clause in all its contracts with Canadian suppliers prohibiting the bribery and corruption of public officials in Canada and abroad. The Corporation's goal is to provide benefits to both buyers and sellers and ultimately to improve the international trade environment.

CCC was approached last year by Transparency International Canada to play an active role in raising the awareness of the Act among its clients and the Canadian exporter community in general. CCC's management is currently examining the role the Corporation could play in advancing the issue of transparency in international public procurement.

SOCIAL INVOLVEMENT

CCC is actively involved in a number of community initiatives including the United Way Campaign, the Ontario Heart and Stroke Foundation's Big Bike for Stroke, Computers for Schools, the Association Internationale des Etudiants en Sciences Economiques et Comerciales (AIESEC) and Christmas donations to families in need, as well as internships and student hiring.

WORKING CAPITAL FOR EXPORT PROJECTS

Successful exporting does not follow a simple formula where seller plus buyer equals sale. Rather, exporting is more like algebra where variables come into play and affect the outcome. Financing is an example of one of these variables.

If an exporter does not have sufficient funds to meet cash shortfalls or does not have an arranged payment schedule that provides enough funds to meet cash requirements at each stage of production, a sale cannot be completed.

Dieco Technologies Limited is just one of many successful exporters that crunch their numbers and then turn to a valuable resource like CCC's Progress Payment Program (PPP). Since Dieco began working with CCC in 1999, the company has been able to access more than US$4 million in pre-shipment financing in order to secure contracts with major companies in the U.S. automotive industry.

"Dieco has a strong export focus, and a key component in maintaining our competitive position is the ability to access innovative financing solutions," said Bob Donally, Dieco's President. "The CCC's PPP has allowed us to successfully pursue projects that may not have been possible otherwise. We consider the PPP to be a strong resource in our continuing growth."

CORPORATE GOVERNANCE

"In serving the public interest, Crown corporations have greater managerial autonomy than the rest of government in order that they may operate in a commercial manner."

> Government of Canada, *Corporate Governance in Crown Corporations and Other Public Enterprises: Guidelines*

Governance in Crown corporations must take into account the fact that these institutions have a dual purpose of delivering important public programs and managing them within a commercial context. CCC operates under the *Canadian Commercial Corporation Act* (the CCC Act) and under Part X of the *Financial Administration Act* (FAA), which outlines the control and accountability framework for federal Crown corporations. Fundamental to this framework is the annual development and approval by the Government of a five-year Corporate Plan and related borrowing and operational plans.

The Government has established guidelines in its publication entitled *Corporate Governance in Crown Corporations and Other Public Enterprises*, which emphasize the Board of Directors' responsibilities in the areas of stewardship, working with management and effective board functioning. It recommends that each Crown corporation report on its corporate governance practices in its annual report.

BOARD MEMBERSHIP

During 2002, CCC's Board was expanded from eight to ten members by the addition of the Corporation's first independent Chair and one additional member. Names and affiliations of the Directors are found on page 48.

In early 2002, Parliament passed an amendment to the CCC Act to separate the functions of President and Board Chair to strengthen the Corporation's governance; previously, the President carried out both functions. On November 12, 2002, the Minister responsible for CCC, the Honourable Pierre Pettigrew, Minister for International Trade, announced the appointment of Alan R. Curleigh as Chair of the Board, for a three-year term.

The appointment was made after identifying a position profile and consultation with Board members, stakeholders and other third party references. Prior to his appointment, Mr. Curleigh served as Executive Vice-President, Corporate Secretary and member of the board of TESSAG KSH Ltd., a capital projects engineering contracting firm based in Montreal. He has been a member of the Board of Directors of the Canadian Manufacturers and Exporters since 1996, acting as its Chair from 1999 to 2001, and so brings extensive experience of exporting issues and knowledge of the community to his role at CCC.

In addition, Mr. Peter M. Wright was appointed to the Board of Directors for a three-year term. Mr. Wright is Chairman of the law firm Patterson Palmer. His appointment provides the Corporation with Board representation from the Atlantic provinces and, like Mr. Curleigh's appointment, followed completion of a position profile and consultation with the Corporation regarding particular skills that would be useful at this stage of its evolution.

All new members of the Board are provided with conflict of interest guidelines by the Privy Council Office as well as orientation material and briefings. Three Board members attended training seminars for public sector directors during the year.

MEETINGS AND EXPENSES

The Board met three times in person and five times by conference call to carry out its responsibilities. To assist it, the Board used three standing committees:

- an Audit Committee, consisting of three external directors. The committee met twice in person and once by conference call during the year to review the plans for the external audit and a multi-year internal audit plan, and to review and approve the Corporation's financial statements and presentation of data in its annual report. Mr. Louis-Marie Beaulieu assumed the Chair of the Audit Committee in October 2002;

- a Compensation Committee consisting of two external directors. The committee met twice during the fiscal year to set the President's objectives, evaluate his performance and recommend compensation adjustments under guidelines established by the Privy Council Office; and

- a Committee of the Whole, which met each time the Board was convened. This committee, chaired by an external director, helped provide effective separation of the functions of President and Board Chair, by considering all substantive matters on the Board's agenda. Its decisions were ratified by the Board under the President's chairmanship without further debate. With the appointment of a new Chair, this committee will no longer be required.

The Board's expenses in 2002-2003, including annual retainers and honoraria at rates approved by the government, as well as travel and meeting costs, totalled $93,000. The expenses increased by $39,000 over 2001-2002 due to a number of factors: the addition of a part-time Chair and one Board member; holding one Board meeting in Vancouver; and training costs for three directors.

CORPORATE GOVERNANCE GUIDELINES

Following the appointment of an independent Chair, the Board began a review of the Corporation's by-laws and Board practices against the government's corporate governance guidelines and other current authorities. While this review will be completed only in 2003-2004, the Board believes it has fulfilled its key responsibilities as outlined in the government's corporate governance guidelines, including the following:

- Stewardship of the Corporation's responsibilities, including establishing the Corporation's strategic direction through a five-year Corporate Plan (to implement the renewed public policy mandate given by the Parliament of Canada to the Corporation in early 2002); quarterly review of the Corporation's business risks and financial position; a comprehensive program of external and internal audits; and reporting to the Minister and Parliament on the Corporation's performance through the annual report.

- The Corporate Plan 2002-2007, submitted for government approval in February 2002, covered the Corporation's objectives, strategies, service standards and communication plans, as well as budgets and a borrowing plan for the coming year. A Summary of the approved plan was forwarded for tabling by the Minister, as required under the FAA.

- Working with management, while maintaining an independent perspective. Separation of the positions of President and Board Chair has considerably strengthened the board's independence. CCC's Board and management have established an effective working relationship in which the Board provides advice, approves strategic projects and issues, and monitors and evaluates performance and policies.

- Functioning of the Board, including participating in Board renewal, orientation, education and review of its governance processes, as noted above.

Finances

1. FINANCIAL HIGHLIGHTS

The 2002-2003 fiscal year was marked by a number of positive financial highlights. The Corporation had record-level gross revenues of $1.2 billion, exceeded its target for fee-for-service revenues in the first year of implementation, and produced a small surplus. Given these results, the Corporation enters the 2003-2004 fiscal year confident in its ability to achieve its Corporate Plan goal of financial self-sufficiency in its non-DPSA programs by 2006-2007. Below is a more detailed discussion of the Corporation's 2002-2003 operating highlights.

Income Statement Discussion

SUMMARY RESULTS OF OPERATIONS

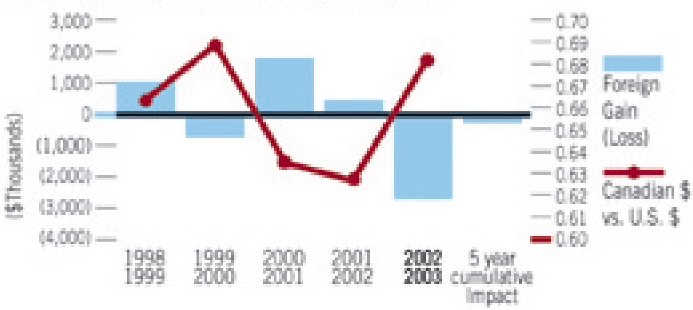
($ millions)	2002-2003	2001-2002
Commercial trading transactions	$1,242.1	$1,209.5
Gross margin	8.0	5.3
Net revenues	6.6	8.2
Total expenses	23.2	21.5
Parliamentary appropriations	16.6	15.8

Commercial trading transactions is the aggregate of the Corporation's billings from outstanding signed contracts, fees-for-service and income generated from the discounting of exporters' receivables. The Corporate Plan projects that commercial trading transactions will decrease to approximately $1.05 billion in 2003-2004, reflecting lower sales orders signed in 2002-2003. However, they are projected to rise again to $1.2 billion and beyond, post 2004-2005.

The Corporation has seen generally positive response to its implementation of a fee-for-service policy. The year-over-year increase in fees of $2.422 million or 52 percent was generated primarily from a number of large exporting projects at the pre-contract stage, reflecting the value placed by exporters on CCC's services and expertise in developing successful projects. The increased use of CCC's receivable discounting service by exporters resulted in a year-over-year increase in other income of $208,000 or 41 percent. The gross margin is expected to continue growing as the fee-for-service regime is applied to more of the Corporation's export transactions.

Net revenue (the total of gross margin, net interest income, and gain (loss) on foreign exchange), however, actually decreased by $1.6 million from last year. Lower interest rates affected the amount of interest income generated on the Corporation's surplus cash holdings (2003 – $1.365 million, 2002 – $1.706 million). The increase in the value of the Canadian dollar against the U.S. dollar resulted in a foreign exchange loss of $2.772 million in 2002-2003 compared to a foreign exchange gain of $434,000 in 2001-2002, when the Corporation's U.S. assets were converted to Canadian dollar equivalents.

FOREIGN EXCHANGE TRANSLATION GAINS AND LOSSES COMPARED TO THE CANADIAN DOLLAR RELATIONSHIP TO THE U.S. DOLLAR



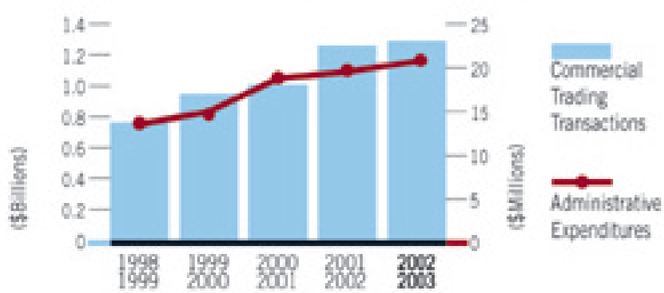
To minimize foreign exchange gains or losses in the future, the Corporation plans to implement a new treasury management policy of borrowing to meet its U.S. dollar requirements and converting its surplus U.S. dollars into Canadian dollars for investment purposes. This policy change also takes advantage of the currently positive interest rate spread between Canadian and U.S. rates. Consequently, the Corporate Plan projects that the Corporation's net revenues will be $6.529 million in 2003-2004 as the anticipated increase in interest income will be offset by more extensive use of its borrowing facility.

Total expenses increased by $1.6 million year-over-year, as administrative expenses increased by $1.8 million, offset by a $250,000 decline in additional contract and related costs. Administrative expenses rose by $1.8 million from last year, due to the following major items:

- approximately $600,000 in amortization expense, reflecting the first year's usage of the Corporation's new computer system;
- an increase of approximately $430,000 in charges by Public Works and Government Services (PWGSC) for services rendered on behalf of CCC, for export projects where the Corporation has billed an equivalent fee for service to the client; and
- approximately $850,000 in increased marketing and promotion, and human resources initiatives consistent with last year's Corporate Plan strategy, as well as increased workforce compensation associated with the Corporation's collective bargaining agreement. A more detailed breakdown of the Corporation's administrative expenditures is provided in note 14 of the Financial Statements.

The Corporation closely monitors its administrative expenditures. From 1998-1999 to 2002-2003, total administrative spending increased by 59 percent, nearly matching on a percentage basis the 57 percent rise in commercial trading transaction revenue during the same period. Of the nearly $7.74 million increase in administrative expenses, more than a third, or approximately $2.85 million, was from increased payments to PWGSC for services to support CCC's increased workload activity. The remaining $4.89 million increase was from investments in infrastructure and people that are enabling the Corporation to more proactively develop its business:

ADMINISTRATIVE EXPENDITURES COMPARED TO COMMERCIAL TRADING REVENUES



- The purchase of a new computer system to improve reporting across corporate functions and support future eBusiness initiatives
- Increased marketing to support the objective of diversifying the markets CCC serves, by raising awareness among suppliers and buyers of the services it offers
- Implementation of a compensation system for staff, additional employees, and higher collective bargaining contract costs.

In 2002-2003, the Corporation received an increase in its appropriation from Parliament for management and staff compensation. The Corporation expects to receive $16.2 million in appropriations in 2003-2004.

Balance Sheet Discussion

SUMMARY FINANCIAL POSITION

($ millions)	2002-2003	2001-2002
Total assets	$419.3	$674.8
Equity of Canada	40.8	40.7

Total assets decreased to $419.3 million at March 31, 2002, down $255.5 million from the previous fiscal year-end. This decrease reflects two major items: release of monies being held on behalf of foreign governments for approximately $102 million; and a change in the size and mixture of the Corporation's portfolio of uncompleted contracts, with lower advances and progress payment activity than last year. The Corporate Plan anticipates a further decline in assets to $383 million next year.

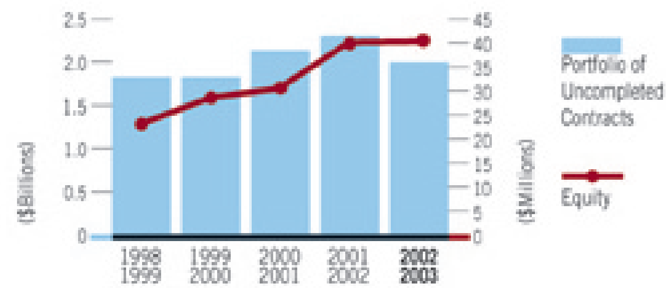
WORKING CAPITAL

As an international trade intermediary, CCC for the most part offsets its trading-related assets with matching liabilities. Accounts receivable from foreign customers and progress payments to Canadian exporters on the assets side of the balance sheet are largely offset by accounts payable and accrued liabilities to Canadian exporters as well as progress payments from foreign customers.

In certain programs, however (such as sales under the DPSA), the Corporation does have a need for other sources of working capital to bridge timing differences between its payables and receivables. CCC's new statutory power to borrow commercially up to $90 million (currently limited by Minister of Finance authority to $40 million) will provide it with useful flexibility to manage such variations. The Corporation no longer borrows from the Government of Canada, as it did in the previous year, with $10 million outstanding as of March 31, 2002. It repaid this amount early in the fiscal year 2002-2003.

CCC's capital assets increased on a net basis by $436,000 in 2002-2003. This was the result of investment in the Corporation's new information technology system as it was put into operational use. The Corporation's provision for additional contract and related costs declined by $1.9 million, due primarily to the resolution of one project.

CCC PORTFOLIO OF UNCOMPLETED CONTRACTS COMPARED TO EQUITY



The equity of Canada in CCC remained essentially the same, at approximately $41 million. The Corporation believes it has sufficient capital to support the normal commercial risks inherent in its contract portfolio of uncompleted contracts of $2.0 billion. The Corporation applies a comprehensive Risk Management Framework to support this position, acknowledging that, as an agent Crown corporation, all obligations of the Corporation are obligations of the Government of Canada.

Changes in Cash Flow Discussion

SUMMARY CASH FLOW

Cash provided by ($ millions)	2002-2003	2001-2002
Operating activities	($179.1)	$13.0
Investing activities	100.9	11.4
Financing activities	20.0	20.5

As described in the Corporation's Cash Flow statement, cash and short-term deposits at March 31, 2003, declined significantly compared to the previous year. This was the result of three main sets of activities.

OPERATING ACTIVITIES

Cash provided by operating activities contributed $179.1 million in negative cash flow, down from a positive $13.0 million in 2001-2002. In that year, the Corporation received significant sums from certain foreign customers for investment until called upon to service export projects. These sums were returned to the foreign customers this year. Normally, CCC's annual cash flow from operations is negative, because of the payment policies in its Defense Production Sharing Arrangement (DPSA) business. Under this program, the Corporation pays Canadian exporters in 30 days from receipt of invoice irrespective of when it receives payment from the U.S. Government.

INVESTING ACTIVITIES

The profile of cash provided by investing activities was similarly influenced by large investments on behalf of foreign customers in 2001-2002, with a redemption of securities in 2002-2003 at the request of the foreign customers. The interest generated from these monies accrued to the foreign parties' benefit. The Corporation also spent $1.0 million in the acquisition of its new information technology system.

FINANCING ACTIVITIES

Cash provided by financing activities amounted to $20.0 million for the year ended March 31, 2003, compared to $20.5 million for 2002. Although the amount was the same year-over-year, this occurred for quite different reasons. In the year ending March 31, 2001, the Government of Canada provided a $10-million loan to the Corporation. The following year, the Government decided to strengthen the Corporation's financial position and provided increased operating appropriations and a capital infusion following the repayment of the loan.

Comparison with 2002-2003 to 2006-2007 Corporate Plan

INCOME STATEMENT

The Corporation exceeded its commercial trading transaction revenue target of $1.1 billion by $124 million, as more deliveries were made by Canadian exporters than projected. As mentioned earlier, the Corporation surpassed its $5.4-million target for fee-for-service revenues, generating $7.1 million in its first year of implementation. This led to a positive variance in its gross margin results. Net interest revenue results were greater than planned, as management was cautious in the utilization of its new commercial borrowing facility, thus minimizing interest charges. Unfortunately, the Corporation posted a significant foreign exchange translation loss, due to the rapid appreciation of the Canadian dollar vis-à-vis the U.S. dollar. This was not foreseen at the time of development of the 2002-2003 Corporate Plan.

Additional contract and related costs exceeded the expected level (based on historical trends) by $730,000, reflecting one contract dispute. Administrative expenditures were greater than planned, given higher than expected use of PWGSC services and as staff received incentive payment plan awards. Amortization charges were also higher than budget as approximately $1 million more was spent on the computer system's configuration than originally planned.

BALANCE SHEET AND CASH FLOW

The Corporation's total assets were slightly greater than planned ($419 million vs. $357 million) due to changes in the Corporation's contract portfolio and greater receivables from foreign clients, as of March 31, 2003. The Corporation had a lower cash position than planned, as a result of variances in payment flows in its operating activities. Notwithstanding this negative impact, the Corporation was able to minimize access to its operating line of credit compared to budget, as a result of careful cash management.

Looking Ahead Five Years

CCC's Corporate Plan for 2003-2004 to 2007-2008 identifies the objectives and strategies the Corporation will pursue to fulfil its mandate of facilitating trade. CCC will continue to work towards its strategic goal of becoming financially self-sufficient in its non-DPSA programs. For 2003-2004, the Corporation has developed a fee-for-service target of $6.0 million. Although this target was significantly surpassed this year, it was established before the current results were available.

In response to a growing number of companies asking for CCC's support for more complex projects with an overseas construction component, CCC is increasing its focus in this area. A shift toward these projects will have a positive impact on the Corporation's finances because they involve extensive pre-contract work, which under the Corporation's fee-for-service policy is chargeable as the work is performed.

The Corporation's total assets and liabilities are expected to decline from $419 million to $383 million (assets) and from $379 million to $341 million (liabilities) due to the changing mixture of the Corporation's contract portfolio even though the size of the portfolio will remain the same. The Corporation's cash position is projected to increase to $53 million next year due to improving contract payment flow in its operating activities.

Net income is planned at $154,000, about $50,000 higher than 2002-2003, as increased revenues from fees and interest income offset increases in interest expense and administrative expenditures.

Five-Year Historical Review For the year ended March 31 (in thousands of dollars)

Revenues	1998 1999	1999 2000	2000 2001	2001 2002	**2002 2003**
Commercial trading transactions	790,686	901,465	993,569	1,209,524	1,242,149
Interest income, net of interest expense	1,650	2,256	3,445	2,517	1,365
Foreign exchange gain (loss)	1,040	(728)	1,855	434	(2,772)
Parliamentary appropriations	10,443	12,548	13,869	15,831	16,631

Expenses	1998 1999	1999 2000	2000 2001	2001 2002	**2002 2003**
Cost of commercial trading transactions	788,709	897,726	989,216	1,204,227	1,234,117
Additional contract and related costs:					
Additional contract costs	1,057	3,345	2,876	397	1,990
Legal fees and other costs	293	216	155	2,146	305
Administrative expenses:					
Services provided by Public Works and Government Services Canada	3,083	3,700	4,155	5,507	5,937
Other administrative expenses	10,027	10,363	14,553	13,500	14,917
Net results of operations	650	191	1,783	2,529	107

2. RISK MANAGEMENT

Given its mandate to facilitate international trade and the commercial environment in which it operates, CCC is subject to a wide variety of risks and uncertainties, both external and internal to the Corporation.

CCC has a comprehensive Risk Management Framework that encompasses a number of risk factors that the Corporation faces in its day-to-day operations. The extent of the Corporation's ability to embrace these risks is determined by its risk tolerance policy, which is set by the Board of Directors. In establishing the Corporation's risk tolerance policy, the Board takes into account the Corporation's public policy mandate and financial requirements.

External Risks

As noted above in the review of Operations, the Corporation's sales prospects are subject to prevailing conditions in international economic and financial markets, and in particular to those factors influencing public procurement.

Canadian economic conditions, including the exchange rate, influence the competitive position of Canadian exporters and thus the demand for CCC's services. Interest rates and credit conditions affect the Corporation's overall risk exposure as well, via the balance sheet health of Canadian exporters. In 2002-2003, the rising Canadian dollar decreased the reporting size of the Corporation's assets and liabilities, of which a significant portion originate in U.S. dollars. Changes in interest rates in both Canada and the U.S. also impact CCC's treasury operations, described below.

Internal Risks

The Corporation has recognized that there are a number of internal factors and policies that can impact the effectiveness of its operations and, ultimately, its capacity to respond to the needs of its clients. Key risk areas include market awareness and stakeholder relations, pricing, personnel, technology and information systems, and organizational structure and values. Regular monitoring of these risks occurs through the Corporation's management structure and interactions with its Board, and through a comprehensive corporate planning process.

Increased awareness of the Corporation among clients, new and old, is key to increased international trade facilitation by the Corporation, and to support the new fee-for-service policy. It is being delivered through increased funding of marketing and promotion activities. Positive relations with stakeholders are encouraged and monitored through CCC's management committee structure.

The introduction of a fee-for-service policy successfully generated significant income growth in its first year, and to ensure the Corporation's revenue flow is not at risk, the policy will be reviewed next year to ensure it continues to adapt to market conditions.

The Corporation increased its training resources so employees will receive ongoing training in international trade with particular focus on contract structuring, negotiation, and management. CCC's new information technology system will improve the Corporation's business efficiency and enable more eBusiness. A long-term technology development plan is being developed to ensure that the proper level of funding is maintained and to minimize any disruption to the existing work environment.

The Corporation has a number of policies and procedures in place, as well as a long-term internal audit plan, to identify and correct internal control weaknesses and systems deficiencies, covering the areas of human resources, technology, and other organizational factors.

Transaction Risks

The Corporation is sensitive to the need to protect taxpayers by effectively mitigating and managing risk in its business transactions, specifically its export contracts and other financial activities. A measure of its success may be seen in the performance target "Additional contract costs as a percentage of business volumes" on page 13.

CONTRACT RISK

As CCC is an organization that signs and takes responsibility for about $1 billion in export contracts each year, contract risk is a critical concern for the Corporation. CCC takes a proactive role in the development of the foreign contract and uses the contract negotiating process to mitigate risk. CCC staff assesses the international transaction as a whole and identifies the roles and responsibilities needed for successful completion of the project, and works with the buyer and the Canadian supplier to secure a mutually beneficial contract.

Among the risk mitigation issues that CCC addresses in the contract are: timing of foreign payment flows to exporter production cash flows, location and basis of acceptance of the goods or services, location and basis for dispute resolution, and timing of foreign party contractual obligations versus the exporter's. CCC passes on the obligations of the foreign contract to the Canadian supplier via a back-to-back matching domestic contract.

PERFORMANCE RISK

Performance risk is the risk that the Corporation's supplier or suppliers (or the "exporter") may fail to supply goods and services to the foreign buyer consistent with the terms and conditions of the contract. Prior to entering into such contracts, the Corporation conducts an extensive due diligence review of the exporter's managerial, technical and financial capability and, as described above, the foreign contract.

In the case of DPSA projects and some others, this assessment is carried out on behalf of the Corporation by Public Works and Government Services Canada (PWGSC). Depending upon the results of this review, the Corporation may require additional assurance such as performance securities and/or contract modifications. If required, CCC may also facilitate cash flow improvement for the exporter through a financial institution.

FOREIGN CREDIT RISK

Foreign credit risk is the risk that the foreign party will not honour its obligation to pay for the goods and/or services under the contract. The Corporation has a foreign credit risk policy that determines the amount and extent to which it will entertain this risk on its own account. Specifically, it takes a Triple A-rated credit risk of foreign governments and commercial parties, and accepts commercial securities to back up customers' payment obligations where the credit rating is less, unless the Board has provided an exception. In all other cases, the foreign credit risk is the responsibility of the exporter, who often uses the financing and insurance services of Export Development Canada (EDC).

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the foreign currency under the contract fluctuates negatively against the Canadian dollar over the term of the contract. It is the Corporation's policy to pass through this risk to the Canadian exporter. The Corporation has entered into a partnership with the Toronto-Dominion Bank to offer foreign exchange services to exporters under its contracts at favourable rates.

Implementation Risks

Following contract signing, the Corporation actively monitors and manages the risks associated with transactions post-commitment to ensure that issues are identified and addressed as early as possible. During 2002-2003, the Corporation's internal auditor undertook a comprehensive review of post-contract arrangement practices, policies and organization. Follow-up action will be taken to respond to issues raised, which will give rise to certain changes in internal management processes to improve efficiencies. Where transactions are evaluated as a probable loss situation, a team of employees from Operations, Financial Risk Analysis Services and Legal Services is formed to organize action plans to mitigate loss to the extent possible.

Allocation of Responsibilities

To properly assess the risk inherent in each international trade transaction, the following groups within the Corporation have been allocated responsibility for certain categories of risk:

1) Operations is responsible for evaluating and assessing the supplier's technical and managerial capability, and for assessing, developing and signing contracts
2) Financial Risk Analysis Services is responsible for evaluating and assessing the supplier's financial capability, project cash flow, foreign credit risk and foreign exchange risk
3) Legal Services unit is responsible for evaluating and assessing contractual risk.

Each individual in these groups has a delegated approval authority based on relevant expertise and experience. With some exceptions, each transaction requires the approval of all three groups. Significant transactions that pose special risk, such as overseas construction projects, require Board of Directors' approval.

The Corporation's Policy and Planning Unit is responsible to assist Operations to ensure all trade transactions adhere to export permit requirements, Government of Canada trade sanctions, "capital" project guidelines (governing overseas construction projects), environmental and Corporate Social Responsibility requirements.

Other Business Risks

In addition to risk related to specific export transactions, the Corporation is exposed to risks related to its corporate financial or treasury operations. These include the risk of financial loss arising from movements in interest and foreign exchange rates, appropriateness of the investment instruments and the financial institutions holding the Corporation's money, as well as (liquidity) risk of insufficient funds to address corporate obligations. Treasury management policies approved by the Audit Committee of the Board have been put in place to minimize these risks, including the currencies and types of investment instruments it uses. For 2003-2004, the Corporation will invest its cash balances in Canadian dollars, to take advantage of favourable interest rates and eliminate its exposure to foreign exchange loss. The treasury unit also reports on a regular basis on the credit status of the financial institutions holding its cash.

In terms of the risk becoming illiquid, most of the Corporation's transactions outside the U.S. are structured to avoid this risk, as the exporter normally receives payment only after prior payment to CCC by the foreign buyer. Under the DPSA with the U.S., however, CCC may pay its supplier before receiving payment from the customer. The Corporation has access to lines of credit up to $40 million with a Canadian financial institution to address liquidity requirements if required.

Risk Capital Allocation

The Corporation allocates its available risk capital between its performance risk obligations and its foreign credit risk obligations based on limits imposed by the Board of Directors. The utilization status of its risk capital is reported to the Board of Directors at each meeting.

Performance risk exposures are further subdivided into two categories: 1) exposures that fit within normal risk tolerance parameters and 2) exposures that are above normal risk and have been allocated to the Corporation's Small and Medium-sized Enterprise (SME) Risk Fund.

SMEs typically tend to be weaker than larger companies in one or all of CCC's principal areas of due diligence review: financial, technical, and managerial capacity. As noted above, CCC takes a hands-on approach to addressing these risks, notably through the negotiation of the foreign contract. However, in some cases, the Corporation is unable to completely mitigate all of the project risks, which results in some residual exposure to the Corporation, and consequently an inability to participate in a transaction under CCC's normal risk tolerance parameters.

The SME Risk Fund enables the Corporation to participate in some of these higher-risk transactions, where the exposure can be quantified and a corresponding risk premium can be charged, over and above CCC's normal fee-for-service. In the future, it is planned to increase the limits of the Fund significantly, based on the Corporation's experience to date and increased equity capital.

The Financial Risk Analysis Services Unit of the Corporation regularly monitors the Corporation's risk exposure, and based on past and current transactional experience and the current domestic and foreign market environments, updates the Corporation's risk capital allocation ratios accordingly. It is management's responsibility to operate within the portfolio risk capital allocation limits established by the Board. Any exceptions to limits require specific Board approval.

Financial Statements and Notes

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to corporate policies and statutory requirements.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditor has full and free access to the Audit Committee to discuss the results of her work and to express her concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing her report thereon.

Douglas Patriquin
President

Paul J. Thoppil, CA
Vice-President,
Risk and Financial Services

Ottawa, Canada
May 30, 2003

AUDITOR'S REPORT

To the Minister for International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 2003 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 30, 2003

Balance Sheet

As at March 31 (in thousands of dollars)

	2003	2002
ASSETS		
Cash and short-term deposits *(Note 4)*	$ 31,063	$ 92,123
Segregated investments *(Note 5)*	-	101,895
Accounts receivable *(Note 6)*	233,664	211,027
Receivable from the Government of Canada	107	13,431
Advances to Canadian exporters	40,076	61,713
Progress payments to Canadian exporters	111,412	192,024
	416,322	672,213
Capital assets *(Note 7)*	2,986	2,550
	$ 419,308	$ 674,763
LIABILITIES		
Accounts payable and accrued liabilities *(Note 6)*	$ 217,938	$ 242,731
Loan from the Government of Canada *(Note 8)*	-	10,000
Advances from foreign customers	51,186	183,471
Progress payments from foreign customers	104,793	191,497
Provision for additional contract and related costs *(Note 11)*	3,551	5,406
	377,468	633,105
Employee severance benefits	1,063	988
	378,531	634,093
Contingencies *(Note 12)*		
EQUITY OF CANADA		
Contributed surplus *(Note 1)*	28,000	28,000
Retained earnings	12,777	12,670
	40,777	40,670
	$ 419,308	$ 674,763

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

Approved:

Chair, Board of Directors

Chair, Audit Committee

Statement of Operations and Retained Earnings

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

	2003	2002
REVENUES		
Commercial trading transactions *(Note 13)*	$1,242,149	$1,209,524
Less: Cost of commercial trading transactions	1,234,117	1,204,227
Gross margin	8,032	5,297
Net interest income	1,365	2,517
(Loss) gain on foreign exchange	(2,772)	434
Net Revenues	6,625	8,248
EXPENSES		
Additional contract and related costs	2,295	2,543
Administrative expenses *(Note 14)*	20,854	19,007
Total expenses	23,149	21,550
Net results of operations before Parliamentary appropriation	(16,524)	(13,302)
Parliamentary appropriation *(Note 16)*	16,631	15,831
Net results of operations	107	2,529
Retained earnings at beginning of year	12,670	10,141
Retained earnings at end of year	$ 12,777	$ 12,670

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

Cash Flow Statement

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

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from foreign customers	$ 993,260	$ 1,294,069
Interest received	1,365	2,410
Fees for service and other income received	7,264	5,474
Payments to Canadian exporters	(1,160,507)	(1,269,904)
Administrative payments	(20,485)	(19,053)
Cash (used in) provided by operating activities	(179,103)	12,996
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(1,035)	(2,243)
Purchases of short-term deposits	-	(101,895)
Redemptions of short-term deposits	101,895	115,504
Cash provided by investing activities	100,860	11,366
CASH FLOWS FROM FINANCING ACTIVITIES		
Parliamentary appropriation- operating	21,955	10,545
Parliamentary appropriation- contributed surplus	8,000	-
Loan (repaid) received from the Government of Canada	(10,000)	10,000
Cash provided by financing activities	19,955	20,545
Effect of exchange rate changes on cash and short-term deposits	(2,772)	434
Increase (decrease) in cash and short-term deposits	(61,060)	45,341
Cash and short-term deposits at beginning of year	92,123	46,782
Cash and short-term deposits at end of year	$ 31,063	$ 92,123

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

Notes to Financial Statements

March 31, 2003

1. NATURE, ORGANIZATION AND FUNDING

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

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

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

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

On April 19, 2002, the *Canadian Commercial Corporation Act* was amended. The amendments to the Act permit the Corporation to borrow from the Consolidated Revenue Fund or other sources for an amount not to exceed $90 million (previously $10 million), to charge fees for services, and to separate the position of Chairman and President.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The most significant management estimates are the provision for additional contract costs and the employee severance benefits. Actual results could differ from those estimates.

(b) Contracts

The Corporation records its commercial trading revenues, and related costs, when a delivery has taken place thus passing title to the foreign customer, or, in the case of progress payments, upon acceptance of progress billings from Canadian exporters for work performed.

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

Advances from foreign customers and to Canadian exporters represent a down payment made at the outset of the contract before any work has been performed.

Prior to the amendment of the *Canadian Commercial Corporation Act* on April 19, 2002, the Corporation was only allowed to recover costs directly incurred upon securing specific international contracts. Amounts recovered on international contracts signed prior to this date are recognized in commercial trading revenues as earned when:

(1) deliveries have been made by the Canadian exporter; or

(2) substantial work has been performed by the Canadian exporter in the case of progress payments.

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

Receivable discounting revenues are revenues generated by the Corporation based on the difference between the amount the Corporation pays to the Canadian exporter and the amount the Canadian exporter originally billed the Corporation.

Additional contract and related costs are costs incurred primarily as a result of Canadian exporters failing to fulfil their obligations to the Corporation and are determined on a contract-by-contract basis, together with associated legal and other costs. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

(c) *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average monthly exchange rate.

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

(d) *Cash and short-term deposits*

Cash and short-term deposits includes cash, demand deposits and temporary investments, maturing in less than three months from acquisition date.

(e) *Capital assets*

Capital assets, primarily costs associated with the design and development of information systems are recorded, when significant, after technological feasibility is established. These capital assets are amortized on a straight-line basis over the estimated useful life of five years.

(f) *Parliamentary appropriations*

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

(g) *Pension plan*

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are 2.14 times the employees' contributions on account of current service on amounts of salaries below $100,000 annually. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

(h) *Employee severance benefits*

Employees of the Corporation are entitled to specified severance benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for employee severance benefits is estimated by management based on current entitlements and is recorded in the accounts as the benefits accrue to employees.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and short-term deposits, accounts receivable, receivable from the Government of Canada, advances to Canadian exporters, progress payments to Canadian exporters, accounts payable and accrued liabilities, advances from foreign customers and progress payments from foreign customers, since they have short maturities, is equivalent to their carrying amounts.

4. CASH AND SHORT-TERM DEPOSITS

As at March 31, 2003, cash and short-term deposits include:

Year ended March 31 (in thousands)

	2003		2002	
	Original Currency	**Canadian dollars**	Original currency	Canadian dollars
Canadian dollars	**15,448**	**$15,448**	17,407	$17,407
U.S. dollars	**7,035**	**10,326**	46,252	73,734
Australian dollars	**4,537**	**4,031**	422	358
EURO	**479**	**767**	-	-
British pound sterling	**164**	**380**	147	334
Eastern Caribbean dollars	**202**	**111**	487	290
		$31,063		$92,123

The Corporation invests in short-term deposits in Canadian Schedule A or B banks. At March 31, 2003, the average term to maturity of short-term deposits was 3 days (2002 - 3 days). The overall portfolio yield at March 31, 2003 was 2.69% (2002 – 1.92%). Cash and short-term deposits are recorded at cost which approximates fair value.

Of the cash and short-term deposits, $20,007,000 (2002 - $14,889,000) represents funds 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. SEGREGATED INVESTMENTS

The Corporation holds significant advances from foreign customers or Canadian exporters which, upon demand by one of the contractual parties, are segregated and invested separately from the Corporation's cash and short-term deposits. In these instances, interest earned is credited to the benefit of the respective foreign customer or Canadian exporter.

Segregated investments are short-term deposits in Canadian Schedule A or B banks and are made up of the following:

Year ended March 31 (in thousands)

		2003			2002	
	Canadian dollars	**Days to maturity**	**Yield**	Canadian dollars	Days to maturity	Yield
Investment A	-	-	-	$2,764	25	1.65%
Investment B	-	-	-	99,131	2	2.75%
				$101,895		

6. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Accounts payable are due on normal trade terms, except for accounts payable to certain small-medium enterprises with contracts signed prior to January 2001. Where these contracts have not been completed, related accounts payable are paid within 15 days.

7. CAPITAL ASSETS

Year ended March 31 (in thousands of dollars)

	2003			2002
	Cost	Accumulated Amortization	Net book Value	Net book Value
Information systems	$3,583	$597	$2,986	$2,550

Included in administrative expenses is $597,000 (2002- Nil) of amortization.

8. LOAN FROM THE GOVERNMENT OF CANADA

Prior to April 19, 2002, the Corporation had authority to draw loans from the Consolidated Revenue Fund, subject to Governor-in-Council and Minister of Finance approvals, in amounts up to a total of $10 million as required to supplement its working capital.

During the year ending March 31, 2002, the Corporation was able to borrow amounts with approval from the Minister of Finance for up to 120 days at the Consolidated Revenue Fund lending rate to Crown corporations which equals the latest available interest rate on comparable term Treasury bills plus 1/8 of 1%. Of the $10 million outstanding as at March 31, 2002, $1.5 million was paid on April 26, 2002 bearing an interest rate of 2.12% and $8.5 million was paid on July 21, 2002 bearing an interest rate of 2.28%.

9. DEMAND OPERATING CREDIT FACILITY

On August 16, 2002, the Corporation opened a revolving credit facility providing access to funds in the amount of $40 million Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at March 31, 2003, there were no draws on this line of credit.

10. CONTRACTUAL OBLIGATIONS AND RISK MANAGEMENT

(a) Contractual obligations and indemnities

The Corporation is obligated to complete numerous contracts with foreign customers. As of March 31, 2003, the total contract value remaining to be fulfilled approximates $2.0 billion (2002- $2.3 billion).

Under the Progress Payment Program, the Corporation indemnifies participating banks for amounts they have advanced to Canadian exporters. The Corporation may claim title to the works in progress should a Canadian exporter fail to complete a contract. The amount of outstanding indemnities as of March 31, 2003 is $11,225,000 (2002 - $6,050,000).

Under a specific series of contracts, the Corporation also indemnifies a bank for amounts it has advanced to Canadian exporters. The Corporation has access to a number of commercial securities should the foreign party fail to repay amounts owed. The amount of outstanding indemnities as of March 31, 2003 is $39,470,000 (2002 - $45,773,000).

(b) Risk management

In terms of foreign customer credit risk, the Corporation generally extends open account terms to parties with a credit rating of at least AAA, and seeks security where the rating falls below this threshold.

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

11. PROVISION FOR ADDITIONAL CONTRACT AND RELATED COSTS

The Corporation may incur additional contract and related costs should Canadian exporters not fulfil the terms of their contracts. The Corporation has recorded a provision of $3,551,000 as of March 31, 2003 (2002 - $5,406,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

12. CONTINGENCIES

The Corporation is the claimant or defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs are significant, based on advice from legal counsel, management believes that the potential liabilities of the Corporation and consequent damages or awards arising from such liabilities are, at present, not determinable.

Amounts payable, if any, will be recorded in the year in which they can be determined.

13. COMMERCIAL TRADING TRANSACTIONS

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

Year ended March 31 (in thousands of dollars)

	2003	2002
U.S. government and other buyers	**$943,930**	$908,383
Other foreign governments and buyers	**282,090**	270,683
United Nations agencies	**16,129**	30,458
	$1,242,149	$1,209,524

Commercial trading transactions are comprised of contract billings of $1.2 billion (2002- $1.2 billion) and fee for services and other income of $8,032,000 for the year ended March 31, 2003 (2002- $5,297,000).

Commercial trading transactions are distinct from business volume which is the term used to describe the total value of contracts and amendments signed during the year. Business volume for the year ended March 31, 2003 amounted to $952 million (2002 - $1.2 billion).

14. ADMINISTRATIVE EXPENSES

Administrative expenses were distributed as follows:

Year ended March 31 (in thousands of dollars)

	2003	2002
Workforce compensation	**$9,273**	$8,691
Travel and hospitality	**1,122**	1,127
Telecommunications, courier, translations	**348**	361
Marketing and promotion	**1,026**	679
Human resource training and other initiatives	**451**	329
Rent	**872**	924
Software/ hardware and support	**729**	862
Public Works and Government Services Canada fee for service	**5,937**	5,507
Amortization	**597**	-
Other expenses	**499**	527
	$20,854	$19,007

15. RELATED PARTY TRANSACTIONS

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

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Public Works and Government Services Canada

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

For the year ended March 31, 2003 the cost of these services amounted to $5,937,000 (2002 - $5,507,000) and is included in administrative expenses.

In one circumstance, Public Works and Government Services Canada provides the Corporation with contract management services at no additional cost. It is not practicable to determine the cost of these services. Accordingly, the value of these services is not recorded in the Corporation's accounts.

(b) Department of Justice

The Department of Justice provides legal services to the Corporation and represents it in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 2003 the cost of legal fees and expenses in the amount of $364,000 (2002 - $276,000) are included in administrative expenses, and in the amount of $305,000 (2002 - $396,000) are included in additional contract and related costs.

As a result of these related party transactions, the amounts due from and to these parties are nil (2002 - $9,000) and $651,000 (2002 - $370,000) and are included in accounts receivable and accounts payable respectively.

16. PARLIAMENTARY APPROPRIATIONS

During the year, the Parliament of Canada authorized appropriations for the Corporation in the amount of $16,631,000 (2002- $23,831,000). A portion of the amount authorized in the year 2002, $8,000,000, was for equity purposes and thus was accounted for as contributed surplus.

17. LEASE COMMITMENTS

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

2003-04	$905,000
2004-05	789,000
2005-06	396,000
	$2,090,000

18. COMPARATIVE FIGURES

Certain 2001-02 figures have been reclassified to conform with the current year presentation.

CCC

Directors

Alan R. Curleigh
Chairman of the Board
Canadian Commercial Corporation

Wendy Morris
Chairman of the Board
Morris Industries
Edmonton, Alberta

Louis-Marie Beaulieu, FCA *
Chairman of the Board and
Chief Executive Officer
Group Desgagnés Inc.
Québec, Québec

Peter M. Wright
Chairman
Patterson Palmer
Moncton, New Brunswick

John Banigan* +
Assistant Deputy Minister
Industry Sector, Industry Canada
Ottawa, Ontario

John Gero
Assistant Deputy Minister
International Business and
Chief Trade Commissioner
Foreign Affairs and
International Trade Canada
Ottawa, Ontario

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

Amélia Salehabadi
President
Groupe conseil Salehabadi Melaçon
Montréal, Québec

David W. Stapley +
President
DRS Flight Safety and Communications
Carleton Place, Ontario

Douglas Patriquin
President
Canadian Commercial Corporation

* Member of Audit Committee
+ Member of Compensation Committee

CCC
Officers

J. Hugh O'Donnell
Executive Vice-President
Business Development and Operations

Sharon Fleming
Vice-President
Corporate Services

Tamara Parschin-Rybkin, QC
Corporate Counsel
and Corporate Secretary

Paul J. Thoppil, CA
Vice-President
Risk and Financial Services

Douglas Patriquin
President

CCC

Partners

In 2002-2003, CCC strengthened and expanded its network of alliances with almost 2,000 exporters and 106 international customers within national governments and international agencies, as well as the private sector in 31 countries around the world.

Canadian exporters contracting through CCC in 2002-2003

3M Canada Inc.
Brockville, Ontario
ABB BOMEM Inc.
Québec, Québec
ABB Inc.
Saint-Laurent, Québec
ACCESSAIR Systems Inc.
Ville Sainte-Catherine, Québec
Accucaps Industries
Windsor, Ontario
Acro Aerospace Inc.
Richmond, British Columbia
Active Gear Co. of Canada Ltd.
Concord, Ontario
Acton International Inc.
Acton Vale, Québec
Air Data Inc.
Ville Mont Royal, Québec
Air Labrador
Goose Bay Labrador, Newfoundland
Aircraft Appliances and Equipment Ltd.
Bramalea, Ontario
Aklak Air Inc.
Inuvik, Northwest Territories
Almedic Limited
St. Laurent, Québec
Aluminum Foundry & Pattern Works Ltd.
Dorval, Québec
Anachemia Canada Inc.
Lachine, Québec
Armet Armored Vehicles Canada
Concord, Ontario
Array Systems Computing Inc.
Toronto, Ontario
ArvinMeritor Ride Control Products, Inc.
Toronto, Ontario
Atlantis Systems International Inc.
Brampton, Ontario
Automatic Coating Ltd.
Toronto, Ontario
Banner Pharmacaps (Canada) Ltd.
Olds, Alberta
Barer Engineering Co.
Montréal, Québec
Baultar Composite Inc.
Windsor, Québec
Beavers Dental
Morrisburg, Ontario
Best Cooking Pulses Inc.
Rowatt, Saskatchewan
Bombardier Inc.
Mirabel, Québec
Bombardier Inc.
Millhaven, Ontario
Bombardier Inc.
Downsview, Ontario
Bradley Air Services Limited
Carp, Ontario
Bristol Aerospace Limited
Winnipeg, Manitoba
Burden's Services Ltd.
Goose Bay, Newfoundland
C2 Logistics Inc.
Ottawa, Ontario
CAE Inc.
Saint Laurent, Québec
CMC Electronics Inc.
Ville Saint-Laurent, Québec
CMC Electronics Inc.
Kanata, Ontario
CSI Gear Corporation
Brampton, Ontario
CTF Systems (2001) Inc.
Port Coquitlam, British Columbia
CYMC Corp.
Concord, Ontario
Calian Technology Ltd.
Kanata, Ontario
Cametoid, Ltd.
Whitby, Ontario
CanAmera Foods
Montréal, Québec
Canada Allied Diesel Co. Ltd.
Lachine, Québec
Canadian Bank Note Company Ltd.
Ottawa, Ontario
Canadian Helicopters Limited
Les Cedres, Québec
Cargill Ltd.
Clavet, Saskatchewan
Carleton Life Support Technologies Ltd.
Mississauga, Ontario
Casavant Frères Ltée.
St. Hyacinthe, Québec
Certicom Corporation
Mississauga, Ontario
Chemac Industries Inc.
Vernon, British Columbia
Clientronics Inc.
Edmonton, Alberta
Com Dev Ltd.
Cambridge, Ontario
Communications & Power Industries Canada Inc.
Georgetown, Ontario
Comprehensive Care International
Toronto, Ontario
DAC Aviation International Ltd.
Montréal, Québec
DRS Technologies
Carleton Place, Ontario
DY 4 Systems Inc.
Kanata, Ontario
Davie Industries Inc.
Lévis, Québec
Davis Engineering Ltd.
Ottawa, Ontario
Department of National Defence
Hull, Québec
Dieco Technologies Limited
Brampton, Ontario
Diemaco Inc.
Kitchener, Ontario
Donlee Precision
Toronto, Ontario
Dorothea Knitting Mills Ltd.
Toronto, Ontario
ELCAN Optical Technologies
Midland, Ontario
ELI Eco Logic International Inc.
Rockwood, Ontario
Eagle-Picher Energy Products Corporation
Surrey, British Columbia
Excalibur Systems Limited
Kanata, Ontario
Expro Technologies Inc.
St. Timothée, Québec
FAG Bearings Limited
Stratford, Ontario
FTG-Edgelit/FTG-Quantaflex
Toronto, Ontario
FTS Fire Training Systems Ltd.
Napanee, Ontario
Finora Canada Ltd.
Surrey, British Columbia
Gallium Software Inc.
Ottawa, Ontario
General Dynamics Canada Ltd.
Nepean, Ontario
General Dynamics Canada Ltd.
Calgary, Alberta
General Dynamics Land Systems - Canada Corporation
London, Ontario
General Kinetics Engineering Corporation
Brampton, Ontario
General Motors of Canada Limited
London, Ontario
General Switchgear & Controls Ltd.
Vaughan, Ontario
Genix Technology
Vancouver, British Columbia
Goodrich Control Systems Ltd.
Montréal, Québec
Goodrich Landing Systems Services
Burlington, Ontario
Goodrich Landing Systems Services
Oakville, Ontario
Hanover Kitchens Inc.
Hanover, Ontario
Hewlett-Packard (Canada) Limited
Mississauga, Ontario
Honeywell ASCa Inc.
Mississauga, Ontario
Honeywell Aerospatiale Inc.
St. Laurent, Québec
Honeywell Limited
Ottawa, Ontario
Hurley Slate Works Company Inc.
Manuels, Newfoundland
Héroux-Devtek Inc.
Longueuil, Québec
ICN Canada Ltd.
Montréal, Québec
IMP Group Limited
Halifax County, Nova Scotia
IMP Group Limited
Halifax, Nova Scotia
IMP Group Limited
Enfield, Nova Scotia
IMT Corporation
Ingersoll, Ontario
IMW Industries Ltd.
Chilliwack, British Columbia
Indal Technologies Inc.
Mississauga, Ontario
Institut National d'Optique
Sainte-Foy, Québec
Interactive Visualization Systems Inc.
Fredericton, New Brunswick
International Civil Aviation Organization
Montréal, Québec
International Code Services Inc.
Aurora, Ontario
International Thermal Research Ltd.
Richmond, British Columbia
Iso Tech Design Inc.
Saint-Laurent, Québec

K.P. Collection Ltd.
Vancouver, British Columbia
Kasten Chase Applied Research
Mississauga, Ontario
Koss Machine and Tool Company
Brampton, Ontario
LIOH Inc.
Mont Royal, Québec
LNS Systems Inc.
Ville St. Laurent, Québec
Le Groupe Tecnum Inc.
Montréal, Québec
Liftking Industries Inc.
Woodbridge, Ontario
Lockheed Martin Canada
Kanata, Ontario
Lunny Communications Group
Vancouver, British Columbia
MDG Fog Generators
Montréal, Québec
MDS Aero Support Corporation
Ottawa, Ontario
MMISTMobility Integrated Systems Technology Inc.
Nepean, Ontario
MTU Maintenance Canada Ltd.
Richmond, British Columbia
MacDonald Dettwiler Space and Advanced Robotics Ltd.
Brampton, Ontario
MacDonald Dettwiler and Associates Ltd.
Richmond, British Columbia
Magma Communications Ltd.
Nepean, Ontario
Magneto-Inductive Systems Limited
Head of Jeddore, Nova Scotia
Mandate Erectors & Welding Ltd.
Big River, New Brunswick
Marathon Watch Company Limited
Richmond Hill, Ontario
Mark Blevis
Ottawa, Ontario
Mecair Inc.
Pointe Claire, Québec
Med-Eng Systems Inc.
Ottawa, Ontario
Menasco Aerospace
Oakville, Ontario
Messier-Dowty Inc.
Ajax, Ontario
MetalCraft Marine Inc.
Kingston, Ontario
Micro Optics Design Corporation
Moncton, New Brunswick
Mitrade International Inc.
Montréal, Québec
Nasittuq Corporation
Ottawa, Ontario
Natural Resources Canada
Ottawa, Ontario
Nav-Aids Limited
Montréal, Québec
Navigation Aeronav International Inc.
Pointe Claire, Québec
Neptec Design Group Limited
Kanata, Ontario
Nordic Systems Inc.
Mississauga, Ontario
Northrop Grumman Canada Corporation
Toronto, Ontario
Northstar Aerospace (Canada) Inc.
Milton, Ontario

O'Dell Engineering
Cambridge, Ontario
OceanWorks International Inc.
North Vancouver, British Columbia
Oculus Info Inc.
Toronto, Ontario
Ontario Medical Supply Ltd.
Ottawa, Ontario
Optech Inc.
North York, Ontario
Orenda Aerospace Corporation
Mississauga, Ontario
Orgues Létourneau Ltée.
Saint-Hyacinthe, Québec
Patriot Forge Inc.
Brantford, Ontario
Pharmalab (1982) Inc.
Lévis, Québec
Pharmascience Inc.
Montréal, Québec
Poly-Pacific International Inc.
Edmonton, Alberta
Pratt & Whitney Canada Inc.
Longueuil, Québec
Precision Technology Ltd.
Cambridge, Ontario
Pro-Safe Fire Training System Inc.
Nobel, Ontario
Proceco Ltd.
Montréal, Québec
Professional Machine Service
Markham, Ontario
Protocol Resource Management Inc.
Aurora, Ontario
Purifics Environmental Technologies Inc.
London, Ontario
PyroGenesis Inc.
Montréal, Québec
Quester Tangent Corporation
Sidney, British Columbia
Receiver General for Canada
Hull, Québec
Refrigerant Services Inc.
Darmouth, Nova Scotia
Refrigerative Supply
Burnaby, British Columbia
Remcor Brains Trust
Chambly, Québec
Remtec Inc.
Chambly, Québec
Robotsearch Software Inc.
Kanata, Ontario
Rolls-Royce Canada Limited
Lachine, Québec
Ron Verch
Chilliwack, British Columbia
Royal Building Systems (Cdn) Ltd.
Woodbridge, Ontario
SDV Logistics (Canada) Inc.
Ville St-Laurent, Québec
SED Systems Inc.
Saskatoon, Saskatchewan
SNC Technologies Inc.
Le Gardeur, Québec
Satlantic Inc.
Halifax, Nova Scotia
Scepter Corporation
Scarborough, Ontario
Schreiner Target Services Canada Ltd.
Medicine Hat, Alberta
Seaforth Engineering Group Inc.
Dartmouth, Nova Scotia

Sentinel Canada
Montréal, Québec
Serco Facilities Management Inc.
Goose Bay, Labrador, Newfoundland
Simunition
Le Gardeur, Québec
SkyWave Mobile Communications Inc.
Kanata, Ontario
Soheil Mosun Ltd.
Toronto, Ontario
Soucy International Inc.
Drummondville, Québec
Soucy Techno Inc.
Rock Forest, Québec
Spar Aerospace Limited
Mississauga, Ontario
Sparton Corp.
London, Ontario
Spirent Systems
Ottawa, Ontario
Standard Aero Ltd.
Winnipeg, Manitoba
Swiftsure Spatial Systems Inc.
Victoria, British Columbia
Teleflex Canada Limited Partnership
Richmond, British Columbia
Thermotex Therapy Systems Ltd.
Calgary, Alberta
Tokmakjian Limited
Milton, Ontario
Tokmakjian Limited
Concord, Ontario
TransMedico Inc.
Montréal, Québec
Ultra Electronics Tactical Communication Systems Inc.
Ville Saint Laurent, Québec
Uni-ram Corporation
Markham, Ontario
Unique Broadband Systems Inc.
Concord, Ontario
Unitron Industries Ltd.
Kitchener, Ontario
University of Alberta
Edmonton, Alberta

NUMBER OF CONTRACTED SUPPLIERS BY PROVINCE

Alberta	8
British Columbia	20
Manitoba	2
New Brunswick	3
Newfoundland	5
Nova Scotia	7
Northwest Territories	1
Ontario	106
Prince Edward Island	1
Québec	59
Saskatchewan	3
Total	215

University of Calgary
Calgary, Alberta

Valcom Ltd.
Guelph, Ontario

Visual Insights Canada, Inc.
Toronto, Ontario

Volvo Motor Graders Limited
Goderich, Ontario

Vulkan Harex Steelfiber (North America) Inc.
Brantford, Ontario

Vêtements Stenis Inc.
Le Gardeur, Québec

Wajax Industries Limited
Mississauga, Ontario

Walbar Canada
Mississauga, Ontario

Waltek Motor Trucks Inc.
Anjou, Québec

Weatherhaven Resources Ltd.
Burnaby, British Columbia

Wescam Inc.
Burlington, Ontario

West Heights Manufacturing
Kitchener, Ontario

Western Star Trucks Inc.
Kelowna, British Columbia

Wiebel Aerospace Inc.
Summerside, Prince Edward Island

Wire Rope Industries Ltd.
Pointe Claire, Québec

Woodward Group of Companies
Goose Bay, Newfoundland

Wright Environmental Management Inc.
Richmond Hill, Ontario

Customers contracting through CCC in 2002-2003

NON-USA

Angola
- United Nations World Food Programme

Argentina
Consejo Federal De Inversiones

Australia
- Anglican Property Trust, Diocese of Sydney
- Director, Weapons and Vehicle Procurement
- Embassy of Australia

Austria
- Republik Österreich

Brazil
- Companhia Energetica Do Amazonas (CEAM)

Congo
- République Démocratique du Congo

Cuba
- AZUIMPORT
- Comercializadora ITH, S.A.
- Corporacion Financiera Azucarera, S.A.

Denmark
- Danish Army
- International Development and Research Centre
- Ministerie Van Defensie
- The Micronutrient Initiative

Ecuador
- Distribuidora Superior S.A.
- International Organization for Migration

Germany
- Bundesamt fuer Wehrtechnik und Beschaffung
- Rolls-Royce Deutschland Ltd. & CO KG

India
- Environment Canada

Ireland
- Floor Seasons PTY Ltd.

Italy
- Ministero Della Difesa

Kenya
- Government of Kenya

Kuwait
- Kuwait Ministry of Defense

Luxembourg
- Armée Luxembourgeoise

Malaysia
- Malaysian International Trading Corporation

Mexico
- Bombardier Concarril, S.A. de C.V.

Netherlands
- Royal Netherlands Airforce

Nigeria
- The National Boundary Commission of Nigeria

Norway
- OSLO POLITIDISTRIKT
- Royal Norwegian Navy

Panama
- Autoridad del Canal de Panama

Saudi Arabia
- Sultan Bin Abdulaziz Al-Saud Foundation

Senegal
- ASECNA

South Africa
- Technology Exploitation Centre Ltd.

Sweden
- Alvis Hägglunds AB
- Försvarets Materielverk
- SR Technics

Trinidad and Tobago
- Ministry of Health

United Kingdom
- British Aerospace (Operations) Limited
- Defence Clothing Integrated Project Team
- London Fire and Civil Defence Authority
- Ministry of Defence
- Rolls-Royce plc.
- Royal Air Force
- The Master and Fellows of Selwyn College

Zambia
- Central Board of Health, Republic of Zambia

USA

- Aberdeen Proving Ground Support Activity
- Anniston Army Depot
- Armament R&D Command Chemicals Ballistics
- Artco Contract Furnishing Inc.
- Boeing Aerospace Operations
- Bombardier Inc.
- CAMACO LLC
- Colt's Manufacturing Company Inc.
- Commonwealth of Australia
- Defense Logistics Agency
- Defense Supply Center Columbus
- Defense Supply Center Philadelphia
- Defense Supply Center Richmond
- Defense Supply Service
- Department of the Air Force
- Department of the Navy
- Directorate of Peninsula Contracting
- Ebbets Field Flannels
- Electronic Systems Center
- ESC-PKOP
- First Presbyterian Church
- Fleet & Industrial Supply Center
- Gordon & Ferguson of Delaware, Inc.
- Headquarters AFSOC/PKMZ
- Headquarters AMC/DOYAS
- Itochu Aviation Co. Ltd.
- Marine Corps Systems Command
- Maryland Procurement Office
- Military Sealift Command
- NASA - Johnson Space Center
- National Imagery & Mapping Agency
- Naval Air Systems Command
- Naval Air Warfare Center
- Naval Facilities Engineering Command
- Naval Inventory Control Point
- Naval Oceanographic Office
- Naval Sea Systems Command
- Naval Sea Systems Command
- Naval Surface Warfare Center
- Office of Naval Research
- Ogden Air Logistics Center
- Peabody Construction Company, Inc.
- Red River Army Depot
- Rolls-Royce Derby
- Space and Naval Warfare Systems Command
- St. Andrew United Methodist Church
- Suarez Corporation Industries
- Turner Construction Company
- U.S. Army Armament and Chemical Acquisition and Logistics Act
- U.S. Army Communications-Electronics Command
- U.S. Army Corps of Engineers
- U.S. Army Industrial Operations Command
- U.S. Army Robert Morris Acquisition Center
- U.S. Army Tank Automotive R&D Command
- U.S. Army Tank-Automotive and Armaments Command
- U.S. Army Topographic Engineering Center
- U.S. Department of Energy
- U.S. Department of the Interior
- U.S. Special Operations Command
- Wal-Mart
- Willard Marine, Inc.

Glossary

Additional contract costs:
Costs incurred by the Corporation to meet its contractual obligations to foreign buyers when suppliers are unable to meet their contractual commitment to CCC. These may include the cost of reprocurement or the cost of compensation.

Advance payment:
Down payment made by the buyer at the outset of the contract, before any work has been performed.

Appropriations:
Funding CCC receives from the Government of Canada to manage U.S. DoD/NASA Prime Contracts.

Business volume:
Total value of contracts and amendments signed by the Corporation during the fiscal year with respect to export transactions to foreign buyers.

Capital project:
A project in which a significant portion of the work is performed by a Canadian exporter, or by its sub-contractor, in a foreign country and/or the contract contains a significant supply risk associated with the long-term sale of commodities.

Clients:
Canadian exporters doing business through CCC.

Contract:
Legally binding agreement between the Corporation and Canadian exporters or foreign buyers, with respect to the supply of a product and/or service.

Contract amendment:
Variation to the original signed contract providing for additional or less work than the agreed-upon terms and conditions.

Contract billings:
The total amount the Corporation invoiced to foreign customers for the delivery of products and services.

Contract performance guarantee:
A government-backed assurance provided by the Corporation to the foreign buyer that, in the event of non-performance by a contracted supplier, CCC will maintain the integrity of the contract by means of compensation or identification of an alternate source of supply.

Contract risk:
Possibility that the terms and conditions of the contract may not be met by all parties to the contract.

Cost recovery:
Direct costs, such as travel expense and direct labour costs, recovered by the Corporation on a number of contracts.

Credit risk:
Possibility of a contract party failing to meet its financial/payment commitments.

Customers:
Foreign buyers doing business through CCC

Defense Production Sharing Arrangement (DPSA):
Agreement signed in 1956 between Canada and the United States to allow Canadian industry to compete with U.S. firms for defence contracts on a normal, commercial basis.

Fee-for-service:
Direct and indirect costs including risk premium and appropriate service fees charged to Canadian exporters or foreign buyers using CCC services.

Gain/loss on foreign exchange translation:
Gain/loss resulting from the movement in the exchange rate which affects the Canadian value of the Corporation's foreign exchange holdings.

Pre-shipment financing:
Financing required to cover direct costs incurred on a project at a stage before the exporter has generated a receivable.

Prime contractor:
CCC signs the international contract with the customer, guaranteeing that its terms and conditions will be met, and then issues a domestic contract to the Canadian supplier for the execution of the work.

Procurement agent:
CCC sources Canadian supply for international customers from Canadian companies.

Progress payments:
Payments from foreign customers and to Canadian exporters on contracts where the partial recoupment of costs associated with the work performed on a contract leading up to delivery is allowed.

Risk Management Framework:
The Corporation's Risk Management Framework combines the Board of Directors' directive on annual allowable losses and management's policies and practices related to operational risk mitigation.

Receivables Discounting Service:
Receivables Discounting Service provides to Canadian companies having contracts with CCC, access to immediate payments for their invoices at a reasonable financing rate. This allows these companies to meet their financial obligations without increasing their debt.

Unbundled services:
The International Prime Contractor Service has been broken apart to allow Canadian exporters to build a customized service package that meets their needs.

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