MAKING A DIFFERENCE

DCC's Contribution to Canada

60 YEARS ANS
DCC | CDC

DEFENCE CONSTRUCTION CANADA

ANNUAL REPORT 2014–2015

Defence Construction Canada
Construction de Défense Canada

COVER PHOTO

DCC contributes to Canada's defence and security by providing the necessary infrastructure to meet the current and emerging training requirements for the Canadian Armed Forces. Dean MacMullin, Coordinator, Construction Services at the site of the new Junior Ranks facility at CFB Halifax. The facility is being constructed as a LEED Silver 21,060-m^2 accommodations, dining and messing building.

CORPORATE PROFILE

Defence Construction (1951) Limited, operating as Defence Construction Canada (DCC), is a Crown corporation that provides innovative and cost-effective contracting, construction contract management, infrastructure and environmental services, and lifecycle support for Canada's defence requirements. It has two primary Client-Partners: the Infrastructure and Environment (IE) community at the Department of National Defence (DND), and the Communications Security Establishment (CSE). From project needs planning to facility decommissioning, DCC's work covers a broad spectrum of activities. DCC's resources are divided among five service lines.

Contract Services

The Contract Services team oversees the procurement of goods and professional, construction and maintenance services to fulfill Canada's domestic and international defence infrastructure needs.

Construction Services

The Construction Services team supports the creation, renovation and maintenance of facilities for DND's infrastructure and environmental program.

Environmental Services

The Environmental Services team helps DND meet environmental performance targets, comply with regulatory requirements, and manage due diligence and risk.

Project and Program Management Services

The Project and Program Management Services team advises on matters such as building requirements, program planning, and schedule and document control.

Real Property Management Services

From needs planning to facility decommissioning, the Real Property Management Services team supports the efficient operation of DND's infrastructure.

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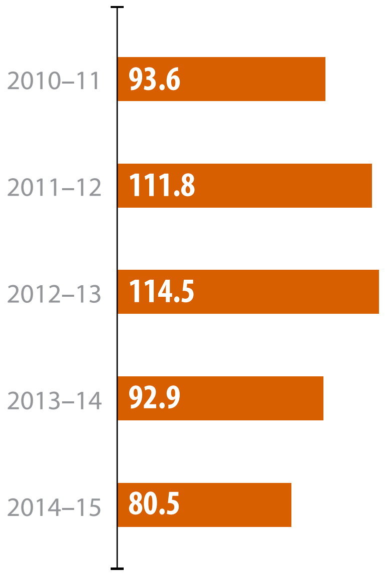
PERFORMANCE HIGHLIGHTS

SERVICES REVENUE

(in millions of dollars)



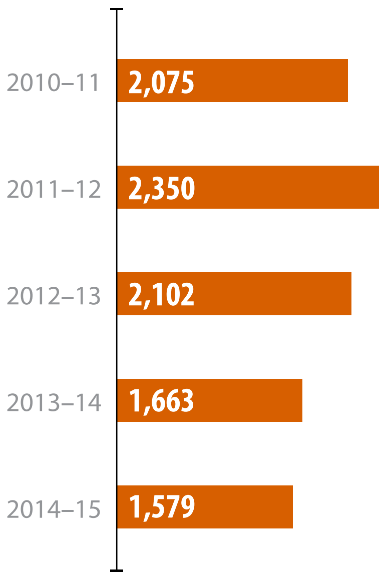
NUMBER OF EMPLOYEES

(based on full-time equivalents)

CONTRACT PAYMENTS PER EMPLOYEE

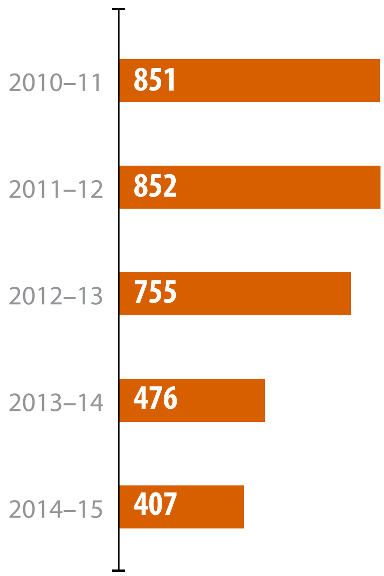
(in thousands of dollars)

NUMBER OF CONTRACTS AWARDED



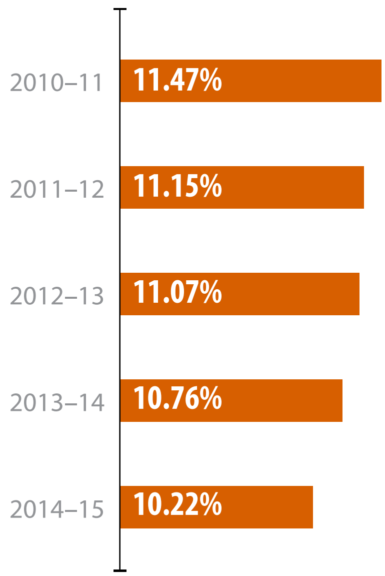
VALUE OF CONTRACTS AWARDED

(in millions of dollars)



COST OF SERVICE DELIVERY

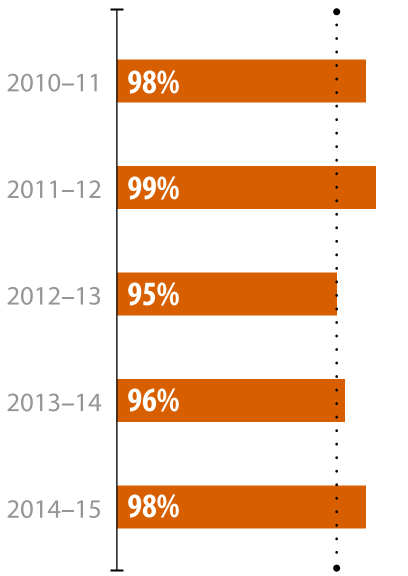
(services revenue as a percentage of contract payments)



SERVICE DELIVERY RATING

(client satisfaction)

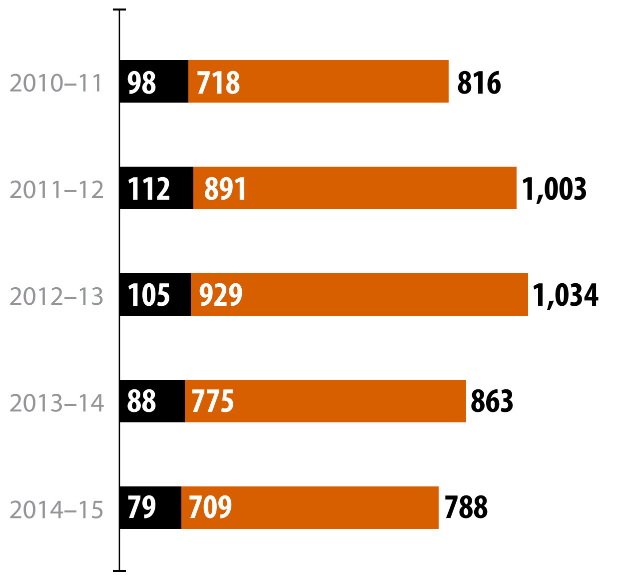
······ **TARGET = 95%**



CONTRACT PAYMENTS

(in millions of dollars)

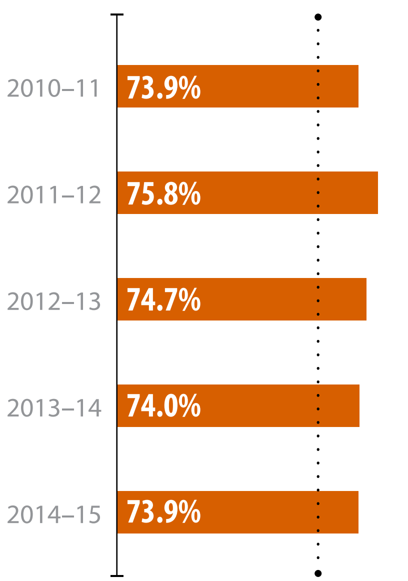
● **PROFESSIONAL SERVICES**
● **CONSTRUCTION GOODS AND SERVICES**



UTILIZATION RATE

(percentage of employee hours spent on billable contract work)

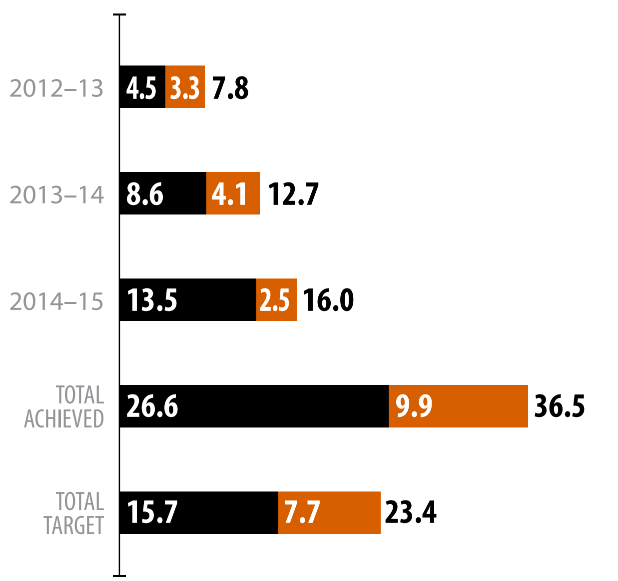
······ **TARGET = 70%**



DEFICIT REDUCTION ACTION PLAN (DRAP) SAVINGS

(in millions of dollars)

● **REDUCED COSTS TO DND**
● **DCC DIRECT COST SAVINGS**



To meet the challenges of the 21st century, DCC delivers contracting and contract management services that support the update and replacement of dated defence infrastructure. Jean-Frederic Lalonde, Team Leader, Contract Services (left) with Craig Mercer, Site Manager at 5 CDSB Gagetown.

MAKING A DIFFERENCE

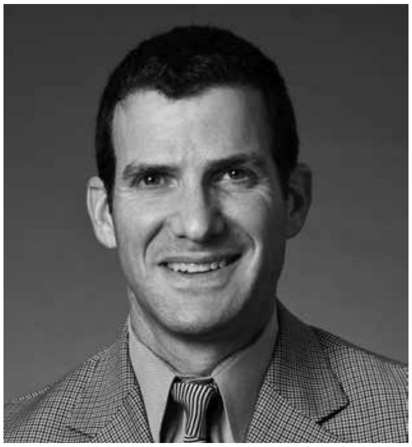
DCC's Contribution to Canada

At DCC, we take our contributions to Canada's defence and security seriously. You could say it's in our DNA to make a difference—we've been doing it for more than 60 years, at home and around the world. We were founded in a post-war era that required ingenuity, flexibility, and the ability to maximize value with every service. These elements are as important to us today as they were then.

We understand that delivering the highest value possible to our Client-Partners ensures that Canadians receive value for their tax dollars. That's why we didn't just meet the Government of Canada's fiscal restraint measures in recent years; we went above and beyond them. We recognize that the decisions we make every day have impacts on our Client-Partners and beyond: on our industry, on the communities where we work, and indeed on our country. So, we deliver projects on time and on budget, building safety and environmental efficiency into every process.

Our business model embraces leading edge thought: employment practices like the private sector, benchmarking to ensure cost and service efficiency, and active involvement in industry associations. We work hard to be a partner and employer of choice. With all of this, we offer a deep understanding of our Client-Partner needs, and fairness in everything we do. Because we are in business to serve.

MESSAGE FROM THE CHAIR



A calling to serve Canada's defence and security, and a drive to deliver value for every Canadian: these hallmarks of DCC's operating environment make forward thinking critical to our success. With our expertise providing a bridge between our Client-Partners and the Canadian construction industry, DCC occupies a unique position. We recognize the implications of the rapid evolution of technology, the drive to protect our environment and the need to make every project count.

DCC has taken a clear and consistent approach to our business, being always at the ready to provide timely, knowledgeable, effective and efficient service to our Client-Partners. Their needs define our destiny, and it is our mission to deploy our services to meet them. Our structure and approach, built through nearly seven decades of service, enable us to look forward, with both agility and innovation.

This is reflected in the successful completion of our Deficit Reduction Action Plan initiatives. DCC exceeded its targets for this multi-year program; reducing costs both internally through corporate-wide savings and business optimization, and externally through the freezing of our billing rates and efficient service delivery.

Supporting DND/CAF as it continues to transform towards a centralized authority model for its real property management remains a key priority for DCC. We are well positioned to meet our Client-Partners' requirements and have a delivery model that allows us to apply resources and expertise across all service lines and activities. We continue to demonstrate both value for money and cost efficiency in service delivery. Our strong operating base, and our ability to anticipate requirements, ensures that DCC will continue to deliver on all fronts.

Furthermore, DCC understands our industry and looks for ways to foster strong relationships with all sectors. DCC works collaboratively with industry. For example, DCC is looking to implement e-procurement in the coming years. We have invested considerable time and resources in moving from a paper-based to an online procurement system as that is a faster, more efficient option for managing our tender calls and contract administration—one that benefits both our Client-Partners as well as the construction industry.

We have traditionally taken a conservative approach to forecasting future growth, and currently expect an increase in revenue of approximately 10% in the year ahead. The Government of Canada's announcements under the Federal Infrastructure Investments Program (FIIP) involves $452 million over two years for DND. This program will see an increase in DCC's business volume over the next two years.

None of this would be possible without the ingenuity and hard work of DCC's people—the key to our success. Ensuring we have the leadership, management and operational resources to meet our Client-Partners' needs is one of DCC's foremost business objectives. To this end, DCC will continue its focus on employee leadership training and development, and enhancing internal communications.

I would like to close with my sincere thanks to my fellow board members for their commitment and contributions to DCC's governance. Their willingness to meet at our Client-Partner locations strengthens the Board's relationship with DCC employees and DND/CAF alike. I can say that serving both DCC and DND/CAF is a privilege and a pleasure for myself and my fellow administrators, and we are proud of the work performed and the commitment demonstrated by DCC's employees to the defence of Canada.

Robert Presser
Chair of the Board

MESSAGE FROM THE PRESIDENT

DCC is fully committed to meeting the needs of our Client-Partners—delivering the services they require, on specification, on time and on budget. Setting and meeting superior standards for service delivery and value is, for that reason, of paramount importance to DCC and reflected in the consistent achievements of our staff.

Employees throughout DCC continually work to strengthen our collaborative working relationships, and best position our resources to address organizational changes needed to reposition our Client-Partners for the future. DCC's priority is to support DND's infrastructure and environmental portfolio as it transforms to a centralized model for its real property management—a revised operational command and control structure with the creation of a single command. This transformation, which was initiated at the end of fiscal 2013–14, will continue until there is a single custodian or portfolio manager, targeted by spring 2016.

As part of this transformation, DND is establishing regional real property operations units in regions across Canada. Each unit will manage the infrastructure and environmental requirements at the regional level as the sole custodian—for Army, Navy and Air Force—as well as all other real property requirements. We are therefore aligning DCC's resources to support these real property operations units, establishing focussed, co-located regional support teams that are aligned with DND's requirements for that region, and ensure immediate access to required resources across our service delivery matrix.

We understand that this level of value is founded on the expertise of our staff, so we continue to implement policies and programs to support and strengthen our best resource—our people. For example, the launch of our Competency-Based Performance Management Program was recognized by the International Association of Business Communicators' Silver Leaf Award of Excellence in 2014, reflecting the care that went into designing and communicating the program. In the year ahead, we are launching a new national leadership development program, consolidating corporate training frameworks, and enhancing internal communications to ensure they are accessible, collaborative and effective. This will support the sharing of best practices, efficiencies and effectiveness, thus increasing the level of expertise quickly available to our Client-Partners.

At DCC, we have always believed in being a good corporate citizen. We have codified this with our corporate social responsibility policy; we are committed to operating in an economically, socially and sustainable manner. To support this, we are reaching out to our stakeholders through increased use of social media, including Facebook and Twitter, in a measureable manner.

Leading our industry is also important to us. In 2014, DCC received the National Procurement Institute's Achievement of Excellence in Procurement (AEP) award, honouring excellence in public procurement. DCC is one of just five Canadian organizations among the 2014 recipients, and the only federal one. And we are very proud to have earned the Canadian Forces Liaison Council's Employer Support Award, for creating a CAF Reservist-friendly workplace.

These are just some of the ways in which we demonstrate our dedication to our Client-Partners. Through our understanding of their needs and our shared commitment to supporting Canada's defence and security, we will continue to deliver service quality and value—wherever and whenever needed.

James S. Paul
President and Chief Executive Officer

As a service organization, DCC's chief asset is its people. The Corporation is committed to supporting and retaining a skilled, professional and motivated workforce. From left: Members of the Human Resources (HR) Team, Stephanie Izzard, Jen Sow, Gerry MacGillivray and Ian Quane. The HR Team provides recruitment, performance management, and professional development support to DCC's employees.

MANAGING HIGH PERFORMANCE

At DCC, we strive continuously for cost efficiency, with a focus on providing value for money for our Client-Partners, the Government of Canada and, ultimately, taxpayers.

Our business model combines many of the best characteristics of public and private organizations. In 2014–15, for example, our familiarity with industry costs and contracts allowed us to negotiate at least $23 million in savings for DND on change orders to contracts.

Our commitment to strong fiscal management shows. We supported DND's three-year Deficit Reduction Action Plan, freezing our billing rate and optimizing business practices to contribute $9.4 million in savings for our Client-Partner. Through our Procurement Code of Conduct, we manage both contractor and employee performance, expecting high standards of integrity and performance from all parties—to ensure best value for the Crown. Our updated employee performance management program uses private sector plans as models for compensation policy and structure, and employee benefits.

As we've implemented DCC's Corporate Performance Management Framework, we've defined qualitative and quantitative key performance indicators—from utilization rates to service delivery ratings—benchmarking ourselves against the industry to ensure our performance goals reflect cost effective, quality service delivery.

This can be seen as we support DND in urban planning, because long-term plans ensure that real property is used effectively and efficiently over time. In 2014–15, we helped DND complete the National Capital Region Master Real Property Development Plan—a complex undertaking, involving more than 1,800 hectares of land, 72 sites and 250 major buildings. DCC took stock of the current situation, consulted extensively with stakeholders, and tabled options for the future—working closely with DND staff at every stage.

Both the Real Property Institute of Canada and the Canadian Council for Public-Private Partnerships have recognized our innovative partnership with the Communications Security Establishment (CSE) for its high standards and collaborative approach. For this "P3" public-private partnership to procure a state-of-the-art, high security, $4.1-billion facility in Ottawa, DCC created a dedicated team to work with CSE and used a supervised collaborative negotiation model with short-listed firms, including independent fairness monitors. CSE moved in last fall as planned and we are now extending this partnership approach to the project's maintenance contract phase.

High performance: it's how DCC ensures value creation for our Client-Partners.

On a day-to-day working level, DCC makes a difference in the lives of Canadian military families. Together with the Canadian Forces Housing Agency (CFHA), DCC contracted for and managed a project at Garrison Petawawa that provided quality prefabricated, modular housing units—an innovative construction approach for CFHA. DCC's Bernie Finucane, Coordinator, Construction Services and Matt Schimmens, Team Leader, Construction Services (in photo) were instrumental in coordinating the modular housing project.

SHARING GOALS

DCC has a deep understanding of the needs of our Client-Partners, developed by working alongside DND in locations from the Far North to missions overseas. We share their mission to serve Canada's defence and security, understanding their special purpose, high security requirements and often harsh environmental conditions. Using this knowledge, we select and manage the best approaches to service delivery, meeting specifications, on time and on budget.

At CFB Valcartier, for example, DCC's Environmental Services team works with DND to jointly coordinate a service contract for integrated waste management. This annual $1-million program encompasses services from standard waste collection to recyclable and hazardous materials. DCC's expertise led to provincial authorizations to use less expensive disposal sites, helping DND achieve savings in hazardous material management without compromising environmental compliance.

We look continually for opportunities such as these for service delivery optimization, founded on risk-based decision making and a principles-based approach to procurement and contract management. This often involves flexible procurement methods that can be adapted for specific situations.

DCC's work with the Canadian Forces Housing Agency exemplifies this. At Garrison Petawawa, our project management approach to bundling maintenance service contracts is reducing administration and costs while increasing service quality for military families. DCC also recommended a paradigm shift in new housing procurement in 2011, when we identified the availability of quality modular housing. This option has proven successful, so modular housing has now been considered at bases including Gagetown, Petawawa, Trenton and Comox—providing accessible, sustainable and safe housing, and significant value for taxpayers.

At DCC, a number of our employees have had previous careers with DND—and some still serve in the military. In 2014, the Canadian Forces Liaison Council honoured DCC with its Employer Support Award, which recognizes active support to individual Reservists in the employer's staff and Reservist-friendly human resources practices. In this case, DCC at Borden set up a pre-approved leave arrangement, allowing one employee to more easily fulfill his Reservist role to support the family of a soldier with a terminal illness.

We are particularly proud that on May 9, 2014, DCC employees joined military members, veterans and the public for a National Day of Honour to mark the end of the Afghanistan mission. Over the course of this mission, 63 DCC employees and nine managers travelled in theatre to help sustain the military engineering mission, supported by staff across DCC.

We understand DND's needs, because we share their goals.

On August 12, 2014, James Paul, DCC President and CEO (centre) with then Defence Minister Rob Nicholson (second from right) officially opened the new headquarters building for 3rd Canadian Division. The 8,159-m^2 building also serves as a command centre for military operations in the event of a natural or man-made disaster, and as such was constructed to meet high post-disaster standards.

SERVING CANADA

At DCC, we are ever mindful of our goal to serve Canada and Canadian interests. Our approach recognizes the needs of all of our stakeholders while ensuring that we continue to meet and exceed our Client-Partners' expectations.

We reflect this in the eight pillars of our corporate social responsibility program: workplace diversity; encouraging competition; environmental and safety responsibility; maintaining a safe work environment; official languages; transparency; values and ethics; and employment equity.

This includes ensuring fairness and encouraging competition and value in every dealing with our contractors—fully 99% of our contracts go to public tender, and most of the work that we contract for is performed by small to medium-sized firms.

We are also supporting our Client-Partners' participation in the federal New Building Canada Plan, which is providing stable funding for provincial, territorial and municipal public infrastructure during a 10-year period, with a focus on supporting projects that enhance economic growth, job creation and productivity.

We are even helping to restore and protect Canadian heritage properties through our work with DND. In 2014–15, DCC managed a major environmental rehabilitation project at 57B Saint-Louis Street in Quebec City, disposing of more than 2,000 metric tonnes of soil contaminated with heavy metals and polycyclic aromatic hydrocarbons, while protecting on-site archaeological remains dating from the 18th-century French regime and the post-Conquest British regime. Similarly, we are working to upgrade the 80-year-old, castle-like Seaforth Armoury in Vancouver, protecting its heritage designation while upgrading its structure to meet today's high seismic standards and building code standards.

At Edmonton Garrison, DND staff began moving into the new 3rd Canadian Division Headquarters in August 2014. DCC worked to ensure this LEED Silver building is operationally effective and environmentally friendly. Built to withstand earthquakes and other natural emergencies, it will be a command centre for regional military operations in the event of a natural or man-made disaster.

Our contribution to the communities where we work extends even further, as employees at local offices regularly demonstrate their care and compassion. Each year, for example, the DCC Workplace Charitable Campaign raises funds for local organizations; in 2014, we once again surpassed our goal of $70,000 for the campaign, through donations, payroll deductions and fundraising activities from pumpkin carving to car washes and potluck lunches.

From job creation to community support, DCC is motivated by the need to serve.

DCC ensures a secure, efficient and fair process for procuring and managing defence and security infrastructure projects. In 2014, DCC was honoured with the National Procurement Institute's Achievement of Excellence in Procurement award that recognizes excellence in public procurement. (l to r) Agnieszka Sakanovic, Coordinator, Contract Services, Mélinda Nycholat, Vice-President, Operations—Procurement and Mélanie Pouliot, Technical Specialist, Procurement spearheaded the award application.

SUPPORTING STRONG RELATIONSHIPS

We are proud of the reputation DCC has forged over decades of working with the Canadian construction industry at every level: local, regional and national. We believe that a strong, competitive and productive construction industry is critical to meeting the needs of our Client-Partners. That's why we leverage our expertise and knowledge base to support the industry, actively participating in industry associations, working to foster positive relationships with all sectors, and helping to develop national standards.

For example, a DCC Vice-President, Operations, has been appointed to the Board of Canadian Construction Innovations—a national organization that we helped to found, focused on instilling a new culture for research and innovation in the Canadian construction industry. Other industry associations where DCC Vice-Presidents are active include the Federal/Industry Real Property Advisory Council and the Canadian Construction Documents Committee, to name a few.

Our goal is always to increase supplier engagement in the procurements that we manage for our Client-Partners, ensuring competitive responses from contractors who will provide high value for their projects. We not only participate alongside our industry partners, we focus on making our own procurement practices both fair and transparent, resulting in industry viewing us as a partner of choice.

We were honoured in this regard in 2014 with the National Procurement Institute's Achievement of Excellence in Procurement award. This international award recognizes excellence in public procurement; DCC is one of just five Canadian organizations among the 2014 recipients, and the only federal one. With metrics based on innovation, ethics, training and development, quality control, productivity, e-procurement and leadership, the award highlights DCC's best practices, and our commitment to continuous improvement.

DCC's expertise was also recognized in 2014 by the Northwest Territories and Nunavut Association of Professional Engineers and Geoscientists, when the CFS Alert Wastewater Terraces project won the organization's Engineering Award for Environmental Excellence. This project involved constructing a terraced, overland flow system to treat wastewater at CFS Alert, Nunavut—the most northern permanently inhabited location in the world. While supporting DND, DCC's team from Trenton, Shilo and 1 Canadian Air Division managed a variety of services, from setting up consultant contracts to procuring materials. Our experience in northern conditions, including relationships with the construction industry, proved pivotal, ensuring that the $1-million project was completed within the short northern construction season and within budget.

The project, which discharges treated water onto the land to create a wetland, is now a demonstration project for other Arctic communities, ensuring that the knowledge gained here can be shared and leveraged throughout Canada's north.

DCC staff from the Montreal Garrison proposed an innovative approach to the demolition of Hangar M4 at St-Hubert, Quebec. Originally built in 1942, the 3,937-m² wooden hangar was in risk of collapse. DCC collaborated with DND to ensure a cost effective and efficient method of contracting would meet the project's specifications. On the demolition site are (l to r) Eric Chamberland, Guy Lepage, Vincent Bousquet, Marcel Archambault and Mario Larouche.

INNOVATING EVERY DAY

Innovation comes naturally to DCC. Given the range of projects that DND and our other Client-Partners bring to us, and their often mission-critical parameters, we need to constantly challenge ourselves and those with whom we work: how can we achieve project success, building and managing ever more effectively and efficiently?

The result is our focus on integrated service delivery. DCC's service line integration matrix delivery model gives us quick access to the required expertise across all service lines, activities and program type—no matter what the need or location, we put the right solutions in the right place at the right time.

We demonstrated this in managing DND's request for the demolition of Hangar M4 at St. Hubert. Built in 1942, this Warren truss building was at risk of collapse, requiring a fast and careful demolition that meant a standard "prescriptive specification" approach, involving a call for tenders, plans and specifications, and a call for tenders and execution, was unrealistic. Using best practices developed in similar situations, DCC proposed a "performance specification" approach, in which we described in detail the expectations and ultimate goal, but not how to achieve it. DND placed great trust in DCC in opting for this approach, but its success meant a faster project launch, and significant cost and time savings.

Internally, we nurture this flexibility and focus on solution-finding with our innoviCulture program. This highlights successes from our staff thinking "outside the box" through regional, monthly newsletters, national recognition and a network of representatives who track new ideas and their implementation.

Programs that demonstrate DCC's innovative thinking include building information modelling, integrated project delivery, and our active pursuit of e-procurement, which will enhance industry access, increase competitiveness and allow better integrity modelling.

We also bring ingenuity to programs beyond construction. At 8 Wing Trenton in late 2012, DCC and DND launched a dedicated energy management program to help achieve Federal Sustainable Development Strategy targets. DCC encouraged the innovative use of financial incentives from Hydro One and Union gas, which paid for a DCC employee to work directly with DND to design and manage energy-saving initiatives. These have so far provided more than 600 kW of energy reduction projects (enough to run 438 homes for a year) and are expected to save $3 million in electricity costs over the 10-year program.

For DCC, innovation equals added value for our Client-Partners.

DCC coordinates the removal of unexploded explosive ordnance (UXO) and manages active range clearance at sites across Canada for the DND UXO and Legacy Sites Program. An innovative software application from DCC's GIS team, from left, Yvan Goulet, Mark Smith, Amanda Soutar and Rose Zhou, allows site teams to collect and immediately upload information that increases UXO disposal efficiency.

THE ORGANIZATION

Employees

DCC's greatest asset is its people, and its corporate success is built on employee ability and commitment. DCC has a dedicated workforce of professional, technical and administrative people. Other specialists in finance, human resources, information technology, communications and administration support the operations workforce.

During 2014–15, DCC had 749 employees, based on full-time equivalents (FTEs)—a decrease of 12.4% from 855 FTEs in 2013–14. In keeping with its operating objectives, DCC continually adjusts the size of its workforce in response to the anticipated demand for infrastructure services from the Department of National Defence and the Canadian Armed Forces (DND/CAF). The employee headcount continued to decline for the third year due to the decreases in work volume. At fiscal year end, the number of employees was 751, compared to 802 in 2013–14, 963 in 2012–13 and 1,061 in 2011–12—year-over-year decreases of 6.4%, 16.7% and 9.2%, respectively. In the upcoming fiscal year, the FTE staff strength is expected to increase due to higher anticipated work volumes.

DCC has many longstanding employees who have enjoyed exciting careers with the Corporation. Each year, DCC recognizes those employees who have achieved employment milestones. In 2014–15, 79 employees reached five years of service with DCC, 35 employees marked 10 years of service, nine employees achieved 15 years of service, two employees marked 20 years of service and five employees reached 25 years of service.

During the year, DCC's internal career development practices helped 42 employees progress in their careers through promotions, reclassifications and acting assignments. DCC and DND also benefit from the transfer of skills among operating locations as employees hone their skills and test themselves. In 2014–15, six employees transferred from one region to another and 19 employees transferred to a different business unit within the same region.

Executive Management Structure

The President and CEO is accountable to the Board of Directors for the overall management and performance of the Corporation. DCC's President reports to the Chair of the Board. The Executive Team—made up of the President and CEO and four vice-presidents (three for operations, one for corporate services)—is located at DCC's Head Office in Ottawa. In addition to their day-to-day interactions, they meet regularly as the Executive Management Group (EMG), supported by the Corporate Secretary, to review strategic, operational and financial matters for the Corporation.

Three vice-presidents, operations, are responsible for DCC service delivery, corporate planning, business management and procurement activities. The Vice-President, Operations—Business Management is responsible for the business management of all regions. The Vice-President, Operations—Service Delivery and Corporate Planning is responsible for service delivery for the Construction Services, Environmental Services, Project and Program Management Services, and Real Property Management Services service lines, as well as corporate planning activities that support the strategic initiatives set out in DCC's Corporate Plan. This Vice-President also acts as the Corporate Security Officer.

The Vice-President, Operations—Procurement is accountable for the leadership and oversight of the procurement function across the Corporation, and is responsible for the Contract Services service line.

The Vice-President, Corporate Services is also the Chief Financial Officer and Treasurer, and is responsible for DCC's Corporate Services Division, including human resources, finance and information technology.

Regional directors manage activities in the Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively.

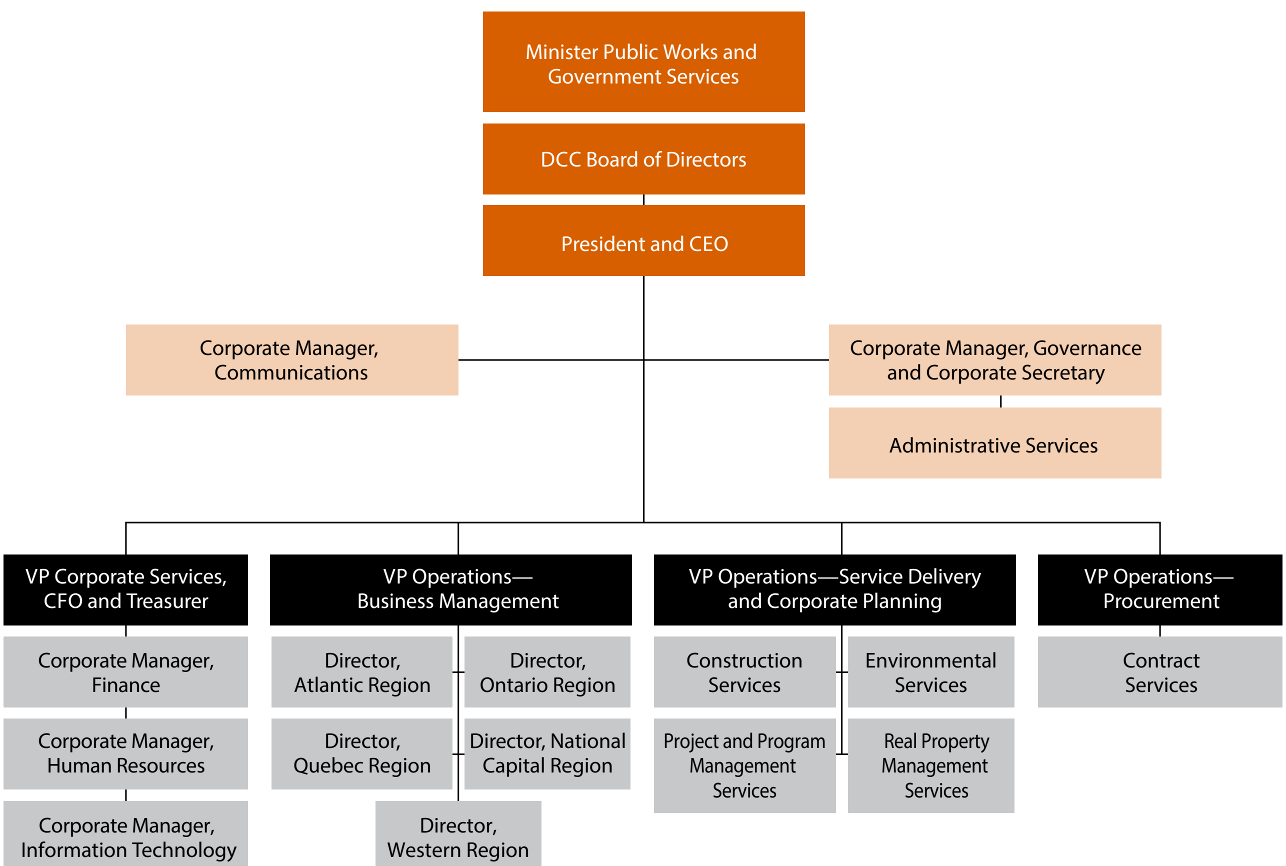
The Corporate Secretary is responsible for governance-related matters; ensures that DCC complies with all relevant legislation, regulations and government policies; supports the Board of Directors; and communicates with the Corporation's stakeholders.

The communications and administrative services groups also form part of the President's Office and are responsible for supporting internal and external communications activities and corporate-wide projects.

Corporate Services

To help DCC deliver services, the Corporate Services Division at the Corporation's Head Office in Ottawa provides support services to the entire organization and contract financial administration services to the client. These services include human resources, finance and information technology.

The Corporate Services Division comprises a strong and dedicated team of employees, including financial experts, human resources practitioners and information technology professionals. The division maintains business and operational programs, policies and practices to create an effective internal control system that safeguards corporate assets, while supporting employees and service delivery.



Recognition and Honours

National Awards 2015

Each year, DCC proudly recognizes the outstanding achievements of its employees and the contributions they make to the success of the Corporation. By honouring these individuals and teams, DCC highlights the innovative spirit and dedication of its most valuable resource—its people. DCC celebrates these achievements annually during the National Awards ceremony held in Ottawa. The following are the recipients of the 2015 National Awards.

The President's Award is presented annually to the employee who has consistently demonstrated exemplary service to DCC and achieved exceptional results. Jean-François Simard, Coordinator, Construction Services at Saint-Jean, was honoured with this award.

David Martin, Regional Service Line Leader, Real Property Management Services from the National Capital Region, received the Service Development Award. This award recognizes an employee or group of employees for making a notable contribution to developing and promoting value-added Client-Partner services.

DCC presents Customer Satisfaction Awards to employees who consistently provide exemplary customer service. The range of nominations is a true testament to DCC's commitment to its Client-Partners, and to the importance DCC places on meeting or exceeding client expectations. In 2014–15, DCC was privileged to present the Customer Satisfaction Individual Award to Erin Rice, Technical Specialist, Project Management from CFB Esquimalt; and the Customer Satisfaction Team Award to the Halifax Contract Services Team from CFB Halifax composed of Jim Payne and Veronica Mendoza.

The Innovation Award is presented to an employee or group of employees who has played an instrumental role in developing and implementing an innovative solution. The Prioritization Assessment Tool team from the National Capital Region was the 2015 recipient of this award. This team includes Michael Palmer, Nick Sanders, Amanda Soutar and Rose Zhou.

Spencer Wilson, Coordinator, Environmental Services at Garrison Petawawa, received the 2015 Robert Graham Memorial Award. This award recognizes an employee who makes a special contribution to improving workplace safety or environmental protection.

Members of DCC's Executive Team and Board Chair with the 2015 National Award winners following DCC's National Awards ceremony held in Ottawa.

President's Certificate of Recognition

The President´s Certificate of Recognition may be awarded, at the President's discretion, to one or more nominees that demonstrate an outstanding contribution to DCC. In 2014–15, two certificates were awarded.

- The Wainwright Water Treatment Plant (WTP) team was recognized for their commitment and positive attitude in breaking new ground and facilitating the successful transfer of the critical operations and maintenance requirements of the WTP from DND to industry. The team included Peter Burgess, Doug Barr, Christian Brazeau, Troy LaHaye, Mary-Lou MacMillan, Heather Tesselaar, Riche Williams and Yvonne Zimmer-Loeffler.

- Darrell Stewart, Team Leader, Construction Services at 5th CDSB Gagetown was recognized for his significant contribution to DCC and his commitment to building strong relationships with both the Client-Partner and industry over his 35-year career with DCC.

Friends of DCC Award

During the National Awards ceremony, Daniel Benjamin, Vice-President, Operations had the privilege of presenting the Friends of DCC Award. This award formally recognizes an individual who supports and shares our corporate values, and whose team approach has contributed to our joint success. The award was presented to Dominique Francoeur, Chief Executive Officer, Canadian Forces Housing Agency, who was recognized as a true collaborator.

Client-Partner Award

The Health and Safety Committee for the joint Director General Infrastructure and Environment Engineering Services (DGIEES) and DCC's National Capital Region Project Management Office received DND´s Well Done Award for excellence in workplace health and safety. The award recognizes an individual or group who has significantly contributed to a safety program over and above the call of duty, or who has prevented a serious accident that could have resulted in injury, fatality, damage or loss. DND´s Director of General Safety, Renée Roussel, presented the award to the Committee in September 2014. Recipients of this joint award were Scott Munn, Michelle Carrière, Laura Blais and Andrew Buchan from DCC; and Gaétan Morinville, Benoit Gignac, Branislav Gojković, Raouf Greiss, Eric Ferris, Luc Boulanger and Christine Émond from DND.

Industry Awards

Achievement of Excellence in Procurement

During 2014–15, a leading association of government purchasing professionals recognized DCC's fair and transparent approach to procurement. The National Procurement Institute's Achievement of Excellence in Procurement (AEP) award honours excellence in public procurement. DCC was one of five Canadian organizations among the 2014 recipients and the only federal one.

Organizations seeking to receive this designation are measured against criteria in the areas of innovation, ethics, training and development, quality control, productivity, e-procurement, and leadership related to procurement. To be successful, applicants must achieve at least 100 on a rating of standardized criteria. That threshold indicates basic best practices are in place; anything above that shows increasing levels of excellence.

Daniel Benjamin, Vice-President, Operations (left) presents CFHA Chief Executive Officer Dominique Francoeur with the Friends of DCC Award during the National Awards ceremony in Ottawa on May 5, 2015.

Shawn Bindon, DCC Site Manager and commander of 33 Canadian Brigade Group, the Army Reserve in Eastern and Northern Ontario, James Paul, DCC President and CEO, Steve Cromwell, DCC Borden Site Manager, Ontario Region Director John Graham and Alfred Lai, Technical Specialist, Real Property Management and also a major in the Reserve Force (32 Signal Regiment).

Canadian Forces Liaison Council Employer Support Award

DCC was recognized by the Canadian Forces Liaison Council (CFLC) for supporting employees as they carry out their duties as Canadian Armed Forces reservists. The Canadian Forces Liaison Council is a national group of business and educational leaders who volunteer their time to promote the benefits of Reserve Force training and experience to the civilian workplace. DCC received the Council's Employer Support Award, which honours organizations that provide active support to individual reservists in their employ and have reservist-friendly human resources practices. DCC set up a pre-approved leave arrangement that allowed Alfred Lai, DCC Technical Specialist, Real Property Management, CFB Borden, and a major in the Reserve Force (32 Signal Regiment), to temporarily step away from his DCC duties to support the family of a terminally ill soldier.

James Paul, President and CEO, received the award on behalf of DCC from Ontario Lieutenant Governor Elizabeth Dowdeswell in Toronto on March 11, 2015.

IABC Silver Leaf Award

The International Association of Business Communicators (IABC) recognized the DCC Communications Group for its work on the launch of DCC´s Competency-Based Performance Management Program. DCC received IABC's Canadian national honour, the Silver Leaf Award, for communications management related to human resources and benefits. The Communications Group developed a communications strategy for informing and educating employees about the new Performance Management Program.

DCC's Board oversees the management and strategic direction of the Corporation and ensures that its business practices foster integrity and ethical behaviour. Pictured is DCC board member, John Boyd at DCC's Annual Public Meeting in Ottawa on June 1, 2015.

CORPORATE GOVERNANCE

Stewardship

DCC's Board of Directors (the Board) is responsible for the management of the business, activities and other affairs of the Corporation pursuant to the *Financial Administration Act* (FAA). DCC reports to Parliament through the Minister of Public Works and Government Services (the Minister). The framework for the operation and management of the Corporation are set out in DCC's bylaws, and the Charter of the Board outlines the particular areas of responsibility and is available on DCC's website at www.dcc-cdc.gc.ca.

The Board is responsible for overseeing the Corporation's business affairs on behalf of its sole shareholder, the Government of Canada. DCC is governed by the *Defence Production Act* and the FAA. Like other federal Crown corporations, DCC is subject to other federal laws, such as the *Access to Information Act*, the *Privacy Act,* the *Employment Equity Act*, the Canada Labour Code and the *Official Languages Act*.

The Board relies on its two committees—the Audit Committee, and the Governance and Human Resources Committee—for assistance in the carrying out of its responsibilities. The charters of these committees are available on DCC's website at www.dcc-cdc.gc.ca.

Governance

As part of DCC's governance practices, the Board of Directors oversees DCC's management of a number of matters, such as integrity and ethics, business strategy, and risk management. The Board ensures that DCC's business practices foster integrity and ethical behaviour; guides the strategic direction of the Corporation; and assesses the appropriateness of DCC's risk management framework.

DCC's Board has seven members, all of whom are independent of DCC management, except for DCC's President and CEO. In 2014–15, DCC's Board had a full complement of members, so no new appointments were required to be made. With the approval of the Governor in Council, the Minister appoints board members and, pursuant to the FAA, they may hold office for up to four years. After this period, should they wish to do so, board members may continue in office until a successor is appointed. The Governor in Council appoints the Chair of the Board, as well as the President and CEO, for such terms as the Governor in Council considers appropriate. These roles are separate, and no DCC employees or corporate officers serve on the Board.

Board members bring a combination of business, financial, industry and public service experience, all of which serve to provide a variety of points of view. A Board of Directors Competency Profile is in place, which sets out the roles and responsibilities, and necessary competencies, skills and experience, expected of members of DCC's Board. The Board reviews its needs annually to ensure that its members reflect the core attributes, competencies and experience expected of DCC's board members and to define the optimal mix of specific skills, knowledge and experience needed for the Board to function effectively. The Competency Profile is posted on DCC's website. Currently, DCC's Board consists of two female members and five male members.

Newly appointed members to DCC's Board are given in-depth orientation by DCC representatives as to how the Corporation operates, as well as their roles and responsibilities. Further and other educational opportunities are available, and board members are encouraged to keep abreast of matters of interest and relevance to DCC by participating in various conferences and workshops, such as those held by the Institute of Corporate Directors (ICD), of which DCC is a member.

An assessment of the effectiveness of DCC's Board and its members is conducted regularly. Members complete a board assessment questionnaire and are encouraged to provide comments. Members are also asked to rate the performance of board committees and of themselves as individuals. Results are tabulated and recommendations are implemented, as appropriate. An analysis of this assessment is provided to the Minister of Public Works and Government Services.

Pursuant to the *Defence Production Act*, the Office of the Auditor General of Canada (OAG) is the auditor for DCC. Audits of the Corporation's financial statements are carried out annually, and at least once every 10 years the OAG must perform a special examination. DCC's last special examination took place in 2008. DCC's internal audit functions are outsourced to a third party and Interis Consulting Inc. currently provides these services to DCC. The Board receives regular reports on internal audits, including details on the implementation and status of recommendations.

Integrity and Ethics

Annually, members of the Board must confirm that they have read the *Conflict of Interest Act* and understand the application of this legislation to their role. They must also confirm that they have made the appropriate declarations and have taken mitigation measures, if necessary, to remain in compliance with this Act.

The Board also ensures that DCC has various mechanisms in place to support ethics and values. For example, DCC's Integrity Management Framework was reviewed and approved by the Board of Directors in 2014–15. The component parts of this framework are DCC's Code of Business Conduct and its Procurement Code of Conduct. Both of these documents are available on DCC's website.

It is a priority for DCC that all business is conducted with the highest ethical standards and with integrity. DCC's Code of Business Conduct (the Code) outlines expectations for all DCC employees. The Code incorporates the *Public Servants Disclosure Protection Act* and clearly sets out the procedures for the disclosure of wrongdoing. Each year, DCC employees are required to review their obligations and responsibilities under the Code. This is done using an electronic reminder process that tracks and records all responses, thereby ensuring that accurate records are kept and that there is appropriate follow-up. Shortly after they are hired, all new employees must pass an online test regarding the Code.

Through regular reports by the President and CEO, the Board monitors employee compliance with the Code, thereby ensuring that DCC maintains its best practices regarding values, ethics and integrity. In 2014–15, 100% of DCC's employees responded to the annual request for review and all new hires completed the required test.

The Board is also kept apprised of matters related to DCC's Procurement Code of Conduct (PCC) for suppliers. DCC expects suppliers to respond to bid solicitations in an honest, fair and comprehensive manner, and the PCC provides suppliers with a clear statement of expectations to ensure a basic understanding of their responsibilities during the procurement process, as well as throughout the implementation of the work. To demonstrate its importance, DCC has incorporated the PCC into its contract documents. DCC's President and CEO provides reports to the Board on matters arising out of the PCC.

Strategic Direction

At each meeting, the Board discusses DCC's strategic initiatives, industry trends and other matters of relevance to the Corporation. Each year, the Board advises on and approves DCC's five-year Corporate Plan, including major strategies and initiatives. For the 2014–15 to 2019–20 planning period, DCC began its annual strategic planning process in June 2014, when the Board held its annual strategy session to discuss its preliminary input into the Corporation's strategic plan.

The Board also ensured that the expectations of the Minister of Public Works and Government Services, as set out in the statement of priorities and accountabilities, also known as the letter of expectations, were appropriately incorporated into DCC's 2015–16 to 2019–20 Corporate Plan. Also, the key priorities of the Government of Canada were reviewed and addressed during DCC's strategic planning process.

A representative of the Board of Directors also participated in the Corporation's annual strategic planning session, held in September 2014 for senior management. Other invited participants at this session were DCC stakeholder representatives, including the Chief Military Engineer and Chief of Staff for the Assistant Deputy Minister (Infrastructure and Environment), DND; the Assistant Deputy Minister (Real Property), PWGSC; the President of the Canadian Construction Association; and the President of the Association of Consulting Engineering Companies.

After providing guidance on the draft Corporate Plan, the Board reviewed and approved it, along with the annual operating and capital budgets, at its meeting in December 2014.

Risk Management

DCC's Board exercises its responsibility to ensure that risks associated with DCC's operations have been identified and that appropriate controls and policies are implemented across the Corporation to manage these risks. The Board discusses risk management at each meeting, and routinely reviews and offers advice regarding DCC's enterprise risk management processes and policies. Due diligence is exercised by board members through the assessment of risks and opportunities and through the monitoring of DCC's financial management and corporate performance. The Board reviews and approves DCC's Corporate Performance Management Framework, which is used to assess the Corporation's performance against targets set for corporate initiatives. Key performance indicators are also reviewed and assessed by the Board for their appropriateness.

At each meeting, the Board reviews DCC's operating expenditures and budgets with the President and CEO, as well as the Chief Financial Officer, to ensure DCC's ongoing adherence to the spirit and intent of the Government of Canada's ongoing fiscal restraint measures. The Board also ensures that DCC management considers public policy objectives, stated Government of Canada objectives, and relevant private sector business practices and trends in managing the Corporation's operations.

Relationship Management and Communication

A representative of DCC, such as a vice-president, regional director or other DCC staff member, regularly presents to board members on a variety of topics at board meetings. Topics have included how DCC is responding to the requirements of its Client-Partners, the key concerns facing DCC in a specific region and the status of corporate initiatives. The Board also meets with DCC employees and answers questions posed in an open, informal setting. The Board typically holds two meetings at different regional offices across Canada (Atlantic, Quebec, Ontario or Western). In September 2014, one such meeting was held at CFB Halifax, and the March 2015 meeting was held at CFB Borden in Ontario.

DCC regularly communicates with stakeholders and held its 2014 Annual Public Meeting on June 4, 2014, after posting the notice on DCC's website 30 days prior to the event. At this meeting, DCC provided information on activities and financial results, and sought input from industry. DCC encourages interested parties to participate in its Annual Public Meeting, so the heads and members of industry associations were invited to attend this event, as were Client-Partners. DCC employees were also present and—along with the Chair of DCC's Board of Directors, board members, and DCC's President and CEO—were present to answer questions. A summary of the proceedings of this meeting is on DCC's website.

CEO Performance

The objective of the Privy Council Office (PCO) in its Performance Management Program for Chief Executive Officers of Crown Corporations is to encourage performance excellence. DCC's Board of Directors plays a role in performance management in that it ensures that clear objectives are set and that they are linked to DCC's Corporate Plan, as well as the government's objectives. The Chair of the Board adheres to the PCO's formal approach, as outlined in the PCO Program.

Board Committees

The Board relies on two committees: the Audit Committee and the Governance and Human Resources Committee. Their key activities in 2014–15 are noted below. These committees utilize their respective work plans to manage their agendas.

Audit Committee

Chair: Lori O'Neill

Members: Paul Cataford, Shirley McClellan and Marc Ouellet.

The Committee met four times in 2014–15.

The key functions of the Audit Committee are related to financial management, including reviewing and approving the Corporation's financial statements for inclusion in DCC's Annual Report, internal audits and other functions as assigned by the Board.

All Audit Committee members are independent of management, as per FAA requirements. As per the TBS *Guidelines for Audit Committees of Crown Corporations and Other Public Enterprises*, the Chair of this committee is a financial expert who holds a recognized accounting designation, and members are financially literate. The Audit Committee meets regularly *in camera* with committee members only, as well as separately with representatives from the OAG, DCC's internal auditors and the Chief Financial Officer (CFO). Prior to each meeting, the Chair of the Committee conducts separate teleconferences with a representative of the OAG, the internal auditors and DCC's CFO.

Key Activities
During 2014–15, the Audit Committee reviewed its Charter and Work Plan; internal audits proposed and conducted pursuant to the Corporation's audit plan; the OAG's 2014–15 annual audit plan and the results of the previous year's annual audit; and DCC's financial management policy. It also ensured DCC met the FAA requirement for quarterly financial reporting and the TBS *Standard on Quarterly Financial Reports for Crown Corporations.*

Governance and Human Resources Committee

Chair: John Boyd

Members: Robert Presser, Marc Ouellet and James Paul (ex officio).

The Committee met three times in 2014–15.

The key functions of the Governance and Human Resources Committee are related to corporate governance practices, including the board assessment process, human resources matters and board succession planning.

The Committee meets regularly in camera with committee members only.

Key Activities
During 2014–15, the Governance and Human Resources Committee reviewed its Charter and Work Plan; research conducted into the upcoming OAG Special Examination of the Corporation, expected to commence in 2017; the Board Assessment Questionnaire process and results; the ramifications of the federal government's fiscal restraint measures and work force adjustment on DCC's human resources; and board succession planning requirements. (See Chart 1)

This chart notes attendance at committee meetings of committee members only and not that of board members who attend committee meetings as observers.

Compensation

Guidance for retainer and per diem amounts for Crown corporation board members is set out in the Privy Council Office's document, *Remuneration Guidelines for Part-Time Governor in Council Appointees in Crown Corporations*, dated October 2000. In the Privy Council Office's December 2014 document, *Performance Management Program Guidelines for Chief Executive Officers of Crown Corporations*, DCC is listed in Group 3. The compensation for DCC's board members is set by an overarching Order in Council. (See Chart 2)

CHART 1

	BOARD	AUDIT COMMITTEE	GOVERNANCE AND HUMAN RESOURCES
Presser, Robert	4/4	—	3/3
Boyd, John	4/4	—	3/3
Cataford, Paul	4/4	4/4	—
McClellan, Shirley[1]	2/2	2/2	—
O'Neill, Lori	4/4	4/4	—
Ouellet, Marc	4/4	4/4	3/3
Paul, James	4/4	—	3/3

[1] Ms. McClellan was on a leave of absence from May 15, 2014, to September 22, 2014.

CHART 2

	ANNUAL RETAINER ($)	PER DIEM ($)
Presser, Robert	7,500	300
Boyd, John	3,800	300
Cataford, Paul	3,800	300
McClellan, Shirley	3,800	300
O'Neill, Lori	3,800	300
Ouellet, Marc	3,800	300

BOARD OF DIRECTORS

Robert Presser, Chair of the Board
Mr. Presser has experience in mergers and acquisitions with large Canadian corporations, as well as extensive knowledge of corporate governance practices. He is Vice-President of Acme Engineering Products Ltd. in Montréal and serves as Chair of the board of Sofame Technologies Inc.

John Boyd
Following a 35-year career in the consulting engineering business, Mr. Boyd currently provides training and consulting advice in the management of engineering consultancies and is a regular guest speaker on issues related to the role of engineers in society. Mr. Boyd has held numerous board and committee positions.

Paul Cataford
Mr. Cataford is President and CEO of Zephyr Sleep Technologies Inc. He serves as a director of a number of public and private companies, and has held several senior management positions in various financial and investment firms.

Shirley McClellan
After serving six terms in office over 20 years with the Government of Alberta, Ms. McClellan is a distinguished scholar in residence at the University of Alberta, serves on numerous boards and is the Chief Executive Officer of Horse Racing Alberta.

Lori O'Neill
Ms. O'Neill is a corporate director and independent financial and governance consultant. Following a 24-year career with a global professional services firm, she is the chair of the audit committee for Dragonwave Inc. and the Ontario Lottery and Gaming Corporation, and a board member for the University of Ottawa Heart Institute and Hydro Ottawa.

Marc Ouellet
After retiring from the Royal Canadian Air Force after a 32-year career, during which he held several command appointments, Mr. Ouellet is now an aerospace and security consultant with CIRRUS Research Associates Inc.

James Paul
Mr. Paul has over 30 years of business experience with a variety of international companies. He has a law degree from the University of Ottawa. Prior to his appointment with DCC, he served as President of a Canadian technology company and as Chair of the Canada Science and Technology Museum Corporation's board of trustees.

(l to r) Marc Ouellet, James Paul, Lori O'Neill, Robert Presser, John Boyd, Shirley McClellan and Paul Cataford.

EXECUTIVE TEAM

James Paul, J.D.
President and Chief Executive Officer
Mr. Paul was appointed to the position of President and Chief Executive Officer in September 2009. His career has spanned over 30 years and includes senior management roles in large Canadian technology firms. Prior to his appointment to DCC, Mr. Paul served as President of a Canadian technology company, and as Chair of the Canada Science and Technology Museum Corporation. He holds a Law degree from the University of Ottawa.

Daniel Benjamin, P.Eng., ing.
Vice-President, Operations—Service Delivery and Corporate Planning
Mr. Benjamin joined DCC in September 2011 after a 35-year career with the Canadian Armed Forces (CAF). He attained the position of Chief Military Engineer for the CAF and Chief of Staff (Infrastructure and Environment). He was involved in the design and construction of infrastructure, and in project, program and facility management of all military facilities in Canada and abroad. Mr. Benjamin retired from the military at the rank of Major-General. He holds a Master of Engineering degree from the Royal Military College.

Randy McGee, P.Eng., GSC
Vice-President, Operations—Business Management
Mr. McGee's career with DCC has spanned 25 years. He joined DCC as a project engineer in Shilo, Manitoba, and held various positions in the Western region. In 1995, he was promoted to Director, Western Region and subsequently took on the role of Director, Ontario Region in Kingston. In 2009, he was promoted to Vice-President, Operations at Head Office in Ottawa. Mr. McGee holds a Bachelor of Science in Engineering (Civil) degree from the University of Manitoba and is a Canadian Construction Association Gold Seal Certified project manager. He sits on the board of Canadian Construction Innovations.

Mélinda Nycholat, P.Eng.
Vice-President, Operations—Procurement
Ms. Nycholat joined DCC in 1988 and has held various positions in both the Western and Atlantic regions. She holds a Bachelor of Civil Engineering degree from l'Université Laval. Ms. Nycholat sits on the board of directors of the Canadian Public Procurement Council, is an owner representative on the Canadian Construction Documents Committee and sits on the steering committee of the Institute for Building Information Modeling in Canada. She is also a member of the Treasury Board Advisory Committee for Construction Contracts.

Angelo Ottoni, CPA, CA
Vice-President, Corporate Services, Chief Financial Officer and Treasurer
Mr. Ottoni joined DCC in 2001 after working nine years in the technology industry and 15 years with a major international accounting firm. He earned a Bachelor of Commerce degree from Concordia University, as well as a Public Accountancy diploma from McGill University. Mr. Ottoni received his Chartered Accountant designation in 1978.

(l to r) Mélinda Nycholat, Angelo Ottoni, James Paul, Randy McGee and Daniel Benjamin.

SENIOR MANAGEMENT TEAM

David Burley, GSC
National Service Line Leader, Construction Services
Mr. Burley was promoted to the role of National Service Line Leader for Construction Services in 2012. He joined the DCC Kingston office in 2002 and subsequently assumed the position of Site Manager at that site and Manager, Construction Services for the Ontario Region. He is a civil engineering technologist and holds a Canadian Construction Association Gold Seal Certified designation.

John Graham, P.Eng., PMP
Director, Ontario Region
Mr. Graham graduated from Lakehead University in 1988 with a Bachelor of Engineering (Civil) degree. He joined DCC as a junior engineer in the Kingston office. In 1998, he attained his designation as a Project Management Professional, and the following year he became the area engineer for Ontario Region. Mr. Graham was appointed Director, Ontario Region in 2009.

Stephen Karpyshin, P.Eng.
Director, Western Region
Mr. Karpyshin joined DCC in 1988 and has worked on a wide range of projects. A graduate of the University of Manitoba in physics and civil engineering, he is a member of the Association of Professional Engineers and Geoscientists of Manitoba, the Association of Professional Engineers and Geophysicists of Alberta, and the Alberta Federal Council.

Grant Sayers, CET
Director, Quebec Region
Mr. Sayers was promoted to the role of Director, Quebec Region, in 2012. He joined DCC in 2003 as a contract coordinator at CFB Suffield and later served as Operations Manager in Comox and Regional Service Line Leader for Real Property in Edmonton. He is a certified engineering technologist with a mechanical background.

George Theoharopoulos, P.Eng.
Director, Atlantic Region
Mr. Theoharopoulos became Director, Atlantic Region, in July 2011. He joined DCC in 2004, following 14 years in the public and private sectors, and has held a variety of positions, including Manager of Environmental Services and Manager of Business Operations in the Atlantic Region. He holds an Engineering degree from the Technical University of Nova Scotia.

Ross Welsman, P.Eng.
Director, National Capital Region
Mr. Welsman has served 16 years with DCC in all major areas of operation. He has contributed in different capacities, starting as a project engineer at three military bases, and served as the area engineer responsible for DCC operations in Atlantic Canada. In 2006, he transferred to Ottawa to assume the role of Director, National Capital Region. Mr. Welsman earned a Bachelor of Science and an Engineering (Civil) degree from Memorial University of Newfoundland.


(l to r) John Graham, Steve Karpyshin, David Burley, Ross Welsman, Grant Sayers and George Theoharopoulos.

CORPORATE MANAGERS

Richard M. Danis, CPA, CA
Corporate Manager, Finance
A graduate of Laurentian University with a Bachelor of Commerce degree and an MBA from the University of Ottawa, Mr. Danis joined DCC in 2009 from the private sector, where he held positions in auditing and as Director of Finance for 10 years. He is a member of the Certified Professional Accountants of Ontario (formerly the Institute of Chartered Accountants of Ontario).

Alison Lawford, LL.B., LL.M.
Corporate Secretary, Corporate Manager, Governance, and Access to Information and Privacy Coordinator
Ms. Lawford joined DCC in 2008 as Corporate Secretary and is also DCC's Access to Information and Privacy Coordinator. She has a Law degree and Master of Laws degree from the University of Ottawa. Before coming to DCC, she was the Compliance Officer at Export Development Canada and practised law with a national law firm.

Stephanie Ryan, B.A. (Hons.), ABC
Corporate Manager, Communications
Following a 12-year private sector career in marketing communications, Ms. Ryan joined DCC in 2002. Before coming to DCC, she spent three years with a national magazine publishing firm and nine years with a life sciences business. She holds a Bachelor of Arts (Honours) degree from the University of Ottawa and the designation of Accredited Business Communicator (ABC), and is an accredited TESL Ontario language instructor.

Marc Stackhouse
Corporate Manager, Information Technology
With experience in the fields of information technology and digital solutions, Mr. Stackhouse joined DCC in 2008 after a 20-year career in the public and private sectors. He started with DCC as a business analyst and assumed the role of Corporate Manager, IT in 2009. His combined business and technology background positions him well to improve DCC's IT experience.

Elaine Warren, CHRL
Corporate Manager, Human Resources
Ms. Warren joined DCC in 1998 following a 14-year career in the infrastructure and service industries. She earned a Business Administration, Human Resources diploma from Algonquin College, and in 2006 obtained her Executive Certificate in Strategic Human Resources Leadership from the Sprott School of Business at Carleton University. She holds a Certified Human Resources Leader (CHRL) designation from the Canadian Council of Human Resources.

(l to r) Elaine Warren, Marc Stackhouse, Alison Lawford, Richard Danis and Stephanie Ryan.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.0 Corporate Profile

1.1 Profile

Created in 1951, Defence Construction Canada (DCC) is a Crown corporation that provides a wide variety of property-related services to support the defence of Canada. The prime focus and beneficiaries of DCC's services are the Department of National Defence (DND) and Canadian Armed Forces (CAF) operations, both domestic and overseas. DCC is accountable to Parliament through the Minister of Public Works and Government Services.

Over the years, DCC's extensive construction expertise has been instrumental in the construction of projects that have shaped the Canadian economic and military landscape, and fulfilled Canada's international obligations. Examples of such projects include the Distant Early Warning (DEW) Line across the Arctic, the Northern Ontario section of the Trans-Canada Pipeline and the Canadian Embassy in Kabul, Afghanistan.

1.2 Mission, Vision and Values

Mission: To provide timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada.

Vision: To be a knowledgeable and innovative leader and employer of choice, valued by the Government of Canada and industry, in the achievement of our mission.

Values: DCC's values ensure the Corporation can continue to meet the requirements of DND and the CAF in Canada and abroad. Those values include the following.

Dedication: DCC is dedicated to supporting DND's infrastructure and environment requirements. For over 60 years, DCC employees have dependably and diligently carried out that mission.

Collaboration: DCC is committed to developing collaborative relationships with its Client-Partners, industry and employees. Together, we leverage our shared expertise toward our common goals.

Competence: DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to Client-Partner needs.

Fairness: DCC deals with its Client-Partners, industry and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.

1.3 Operating Structure

DCC maintains site offices at all active CAF establishments in Canada and abroad, as required. Its Head Office is located in Ottawa. The Corporation maintains five regional offices (Western, Ontario, National Capital, Quebec and Atlantic), as well as 37 site offices located at CAF bases, wings and area support units. In addition, DCC maintains a temporary remote unit in Nanisivik, as required for the Nanisivik Naval Facility infrastructure project in Nunavut. With the completion of the clean-up work for the Distant Early Warning (DEW) Line in March 2014, DCC no longer requires remote sites to support DND's 21-site remediation project.

1.4 DCC'S Client-Partners

Operationally and administratively, DCC deals with many organizations within DND. The Infrastructure and Environment Group of National Defence headquarters is DCC's principal point of contact for the centrally managed major capital construction and environmental programs. As the chiefs of the maritime, land and air staffs are responsible for minor construction and maintenance programs at their respective facilities, DCC also has significant dealings with their organizations, primarily at the base, wing and station levels. DCC supports CAF operations as requested by the Canadian Joint Operations Command (CJOC).

Other organizations which DCC also contracts for—and manages—construction and environmental services include the Communications Security Establishment (CSE), a stand-alone agency within the Minister of National Defence portfolio; the Canadian Forces Housing Agency; Defence Research and Development Canada; and the Canadian Forces Personnel Support Agency. The Corporation also has a memorandum of understanding with Shared Services Canada relating to the expansion of the data centre at CFB Borden. Additionally, DCC supports the country's North Atlantic Treaty Organization (NATO) allies with training programs and facilities in Canada.

DCC will respond to requests for support within the scope of its mandate from other organizations within DND.

1.5 Contractors and Consultants

As outlined in the governance section, DCC treats the integrity of the procurement process seriously. Accordingly, the Corporation complies fully with Government of Canada contracting regulations that ensure a secure, efficient and fair process for procuring and managing DND infrastructure projects. As a result, DCC's Procurement Code of Conduct (PCC), launched in 2012–13, sets out expectations for contractor conduct to ensure integrity in defence infrastructure contracts. The PCC brings together in one concise document the ethical responsibilities of contractors who offer goods and services to the Corporation. It ensures greater transparency, greater accountability and the highest standards of ethical conduct in DCC's procurement of goods and services.

DCC has also signed a memorandum of understanding with Public Works and Government Services Canada (PWGSC) to carry out integrity verifications on winning bidders. This leverages PWGSC resources and avoids duplication of effort by DCC in creating its own database. It involves searching a database of provincial records and other publicly available data to see whether the firms or any of their officers have been convicted of fraud or related offences. In 2014–15, DCC verified 1,579 contracts.

Because DCC works closely with private sector consultants and contractors, it is vital that the Corporation stay abreast of trends and contribute to the construction industry. In addition to maintaining formal exchanges with the Canadian Construction Association and its provincial counterparts, DCC employees interact with contractors on job sites every day. These discussions, along with participation in a number of association committees, help keep DCC informed of industry developments and provide a useful forum through which the Corporation connects with its industry partners. DCC maintains relations with other groups, such as the Association of Consulting Engineering Companies—Canada, the Royal Architectural Institute of Canada, the Canadian Public Procurement Council and the Canadian Design-Build Institute, as well as industry organizations for a variety of infrastructure services.

2.0 Delivering Value for Canada

DCC is strongly focused on providing the highest value possible to its Client-Partners in the services it delivers, which, in turn, ensures Canadians are receiving value for their tax dollars. DCC consistently maintains a Client-Partner service delivery rating of 95% or greater. In addition to value for money, Client-Partners benefit from the following advantages that DCC provides.

1. Corporate performance management and measurement, including targeted levels for costs of service delivery and industry benchmarking. These ensure the most efficient cost level for service delivery.

2. Service delivery optimization initiatives that rely on risk-based decision making and a principles-based approach to procurement and contract management. These ensure effective service delivery that meets Client-Partner requirements.

3. Understanding of the needs of Client-Partners. DCC understands the special purposes, high security requirements and harsh environmental conditions of its Client-Partners.

It uses this knowledge every day in selecting and managing the best approaches to service delivery.

4. Flexible procurement methods. DCC has developed a variety of procurement approaches to best meet Client-Partners' project needs. DCC is flexible in adapting these as required for specific situations or opportunities. They are specifically tailored to defence project needs and they can respond to time-sensitive requirements.

5. Integrated service delivery. DCC uses a service line integration matrix delivery model that allows it to access required expertise across all service lines and activities. This holistic approach can put the right solutions in the right place at the right time.

6. Alignment with Client-Partner goals. Like the Client-Partners, DCC focuses on delivering projects that meet specifications, on time and on budget.

7. Understanding of the construction industry. DCC is a knowledgeable owner and an active participant in construction industry association activities, and fosters strong relationships with all sectors. This increases supplier engagement in procurements that DCC manages, resulting in increased competitiveness and value for Client-Partners.

8. Innovation. DCC is an industry leader and innovates in many areas that increase value for Client-Partners. These include innovative procurement models, building information modelling, integrated project delivery and e-procurement which enhances industry access, and reduces contracting risks.

9. Fairness. DCC settles legal claims and change orders resulting from the third-party contracts it puts in place for its Client-Partners. With its experience in the infrastructure and environment industry, combined with sound contract management processes, DCC is able to provide significant savings to its Client-Partners, and fair and good value to the Crown.

3.0 Strategic Initiatives

DCC's Corporate Plan is structured into five planning themes—business management, service delivery, people, strategic management and leadership, and corporate governance and stakeholder relationships—that inform the organization's strategic initiatives.

The following is a summary of DCC's progress in 2014–15 on initiatives under these themes.

Theme: Business Management

Objective: To develop and maintain responsive, sustainable business management structures, tools, teams and practices.

The aim of reducing costs while maintaining value-added service drives the three business management initiatives for 2014–15. Work began on all of these initiatives during the 2012–13 planning period and continued throughout this fiscal year.

DCC is committed to enhancing its business management and corporate performance reporting; capitalizing on the functionality of the enterprise resource planning (ERP) system; and optimizing its business practices.

Foremost is the formal launch of the Corporate Performance Management Framework (CPMF) in 2014–15. The CPMF defines performance measures, sets out processes to track data, and provides senior management with the information needed to monitor all aspects of DCC's business and to pinpoint efficiencies. The CPMF provides substantive information and performance indicators that senior management can use for all levels of decision-making.

All of these initiatives complement each other. Both the improvements to the ERP system and DCC's commitment to optimizing its business practices support performance management. For example, the completion of an ERP dashboard reporting feature furthers DCC's resource-planning capability by permitting easy monitoring of operational analytics. In addition, business units across the organization took on the challenge of reducing internal red tape and modernizing business practices. These efforts included adopting an e-signature capability, developing a mentoring guide, improving Human Resources Information System (HRIS) capabilities, and eliminating or consolidating the need for certain types of paperwork. Further, to enhance collaboration and connectivity, IT initiated video-conferencing capabilities at sites across Canada. These types of tactical activities contribute to DCC's overall efficient and effective performance.

Theme: Service Delivery

Objective: To meet Client-Partner requirements and to achieve value for money.

Over the past three years, DCC has focused strongly on doing more with less and helping its Client-Partners achieve cost savings, while still providing high-quality service. The following four service delivery initiatives reflect this restrained approach. The Corporation has committed to seeking opportunities to help DND/CAF manage its infrastructure and environment (IE) portfolio; participating in industry innovation initiatives; optimizing service line processes and practices; and implementing a lessons-learned framework.

The multi-year transformation that DND/CAF has been going through is significant. Helping it move to a centralized model for managing its IE portfolio has been a service delivery priority for DCC. DND holds the largest and most complex real property portfolio in government, with about 21,000 buildings valued at a total of approximately $25 billion. The goal for the Department is to have one centralized authority accountable for the management of its real property. Originally, there were nine of these custodians or authorities managing DND real property. DCC has helped DND change this model from a nine-custodian organization to a three-custodian model, as at April 1, 2015. To help fully achieve this transformation, DCC has committed to establishing co-located regional real property operations units with DND across Canada in 2015–16. Each unit will manage the IE requirements at the regional level as the sole custodian of the Army, Navy and Air Force in the region.

Moving to a one-custodian model will support potential consolidation of facility maintenance contracts at the base, regional and national levels. Together, DCC and DND are working to look for opportunities to consolidate contracts at CFB Borden to achieve savings in administrative efforts and better value for the Crown. The pilot does so by sourcing the requirements through more comprehensive nationwide facility maintenance contracts.

Together with its Client-Partners, DCC is exploring the application of integrated project delivery (IPD) for construction projects and building information modelling (BIM) for lifecycle infrastructure management, and stands ready to support DND in adopting these innovations. When both of these techniques are fully applied, it will save time, enhance value, increase departmental expertise, and make building and maintaining military infrastructure more efficient.

On a day-to-day working level, DCC has been able to make a difference in the lives of Canadian military families. Together with the Canadian Forces Housing Agency (CFHA), DCC pioneered and implemented the first phase of a pilot project to consolidate contracts for maintenance services for base housing at Garrison Petawawa. Typically, repairs to these military homes generate many small work orders. This pilot project consolidates the contract for managing these requests. This saves DND money on each administrative transaction, frees technical staff from administrative duties to focus on quality and thereby improves the day-to-day service experience for the tenant.

Additionally, DCC has made progress on other aspects of service delivery. The Corporation chose a service provider for online e-procurement in the third quarter of 2014–15 and expects to finalize a contract in the first quarter of 2015–16. An updated Service Level Arrangement (SLA) Handbook was finalized during the year and will provide guidance to DND representatives on DCC contract processes. A joint lessons-learned framework was formally launched in January 2015 to enhance knowledge-sharing between DCC business units and DND client representatives. In particular, this initiative supported contract management for both modified design-build projects and infrastructure maintenance contracts.

Theme: People

Objective: To recruit, develop, support and retain a skilled, professional and motivated workforce.

Like its Client-Partners, DCC has been going through its own transformation. The Corporation has committed to fostering a principles-based, decision-making culture; continuing to promote a culture of innovation and to improve the newly launched innoviCulture program; and encouraging social media use to increase employee engagement.

Work on all of these initiatives supports DCC's internal cultural evolution, its capacity to modernize its workplace, and the empowerment of its employees to drive efficiency and effectiveness in its operations.

Over the past several years, DCC has been working to further a principles-based decision-making culture among its employees in several ways, from having senior managers model the desired approach to having business units apply their knowledge and experience instead of a more prescriptive method. Throughout 2014–15, optimization efforts involving corporate risk and performance management have increased the use of risk-based decision making. DCC employees are adopting a principles-based service delivery model to improve efficiency.

During 2014–15, DCC rebranded the longstanding Ideas at Work program and worked on trademarking its name as innoviCulture to reflect the larger intent and impact of the program. Increased participation in DCC's recognition board and a 64% increase in the number of national submissions during the year indicate a notable shift from ideas to a culture of innovation. DCC is developing a more automated system for tracking new ideas and plans to implement it in the next fiscal year. This system will permit more accurate and timely reporting, and deliver a clear view of the implementation process.

DCC continued to apply its new social media strategy in 2014–15 in pursuit of two objectives: creating external awareness of DCC and fostering positive engagement. Social media use is a current communications approach and most stakeholders expect organizations to be involved in social media. Since DCC's employee base is national, using social media is a very cost-efficient means to foster employee engagement. Results for 2014–15 show that DCC has surpassed its target for volume of content by 188%, its readership target by 225% and its engagement target by 158%. The number of DCC's followers on social media is growing steadily and includes a mix of employees, retirees, military organizations, government stakeholders, industry partners and job seekers. The employees who are engaging on DCC's channels are spread out across the country. Now that this initiative has moved to the operational stage, its plan and measures are reviewed and updated annually.

Theme: Strategic Management and Leadership

Objective: To provide strong, ethical, efficient, and effective strategic management and leadership for the Corporation.

Accountability, transparency and success in meeting government requirements are crucially important to DCC, given the Corporation's role in defence procurement and contract management. Several initiatives relate to DCC's integrity as a Crown corporation. DCC committed to enforcing its Procurement Code of Conduct (PCC) and applying its Corporate Social Responsibility Framework. Additionally, work advanced in the areas of external communications and employee training, both important elements of leadership and governance.

Throughout 2014–15, work proceeded steadily on all of these initiatives. DCC has fully applied the PCC throughout its procurement process and has built related elements into the general terms and conditions of its contracts.

As a Crown corporation, DCC is committed to operating in an economically, socially and environmentally sustainable manner, while recognizing the interests of its employees, industry and the communities in which it works. DCC's commitment to corporate social responsibility shows clearly in many of its policies and practices. Annually, DCC participates in community-related initiatives, such as the Government of Canada Workplace Charitable Campaign, and supports DND/CAF through the Canada Army Run and Canadian Military Engineers charitable events. On May 9, 2014, DCC participated in the National Day of Honour in Ottawa to recognize Canada's mission in Afghanistan. DCC employees who completed tours of service in Afghanistan were in Ottawa to participate in the official ceremony. Additionally, DCC employees are active in industry associations at both the national and provincial levels.

Ensuring that DCC has the leadership, management and operational resources to meet Client-Partners' needs is one of DCC's foremost business objectives. In the fourth quarter of 2014–15, DCC introduced two corporate initiatives that support leadership development and strategic management. The first was the formal introduction of DCC's Succession Planning Management Framework, which outlines how DCC intends to sustain leadership, management and operational readiness. The second was the launch of the Leadership Development Program, which ensures the Corporation consistently cultivates quality leadership across the organization and maintains a leadership pool that is prepared to successfully adapt to new realities.

Theme: Corporate Governance and Stakeholder Relationships

Objective: To be recognized as competent and responsive to government priorities, policies and practices.

DCC is strongly focused on providing the highest value possible to its Client-Partners in the services it delivers, which, in turn, ensures Canadians are receiving value for their tax dollars. The Corporation continued to conduct various business optimization efforts throughout 2014–15. Many of these efforts provided value for money and benefits to Client-Partners, through DCC's fiscal restraint activities, and its knowledge of and strong relationship with industry. This knowledge and expertise enable DCC to negotiate contract expenditures on behalf of the Client-Partners.

DCC's success in meeting the Corporation's reporting requirements, including timeliness of submissions, reflects its commitment to meeting the objectives of government. DCC has also met its budget projections, including its commitment to reduce costs as per the Deficit Reduction Action Plan, and does so through its strong management capability and support for Client-Partners' fiscal restraint measures. DCC continued to contain the cost of DCC services to DND/CAF and help the Department achieve its DRAP savings by reducing internal costs and freezing billing rates. Further, DCC's billing rates are highly competitive among comparable North America private sector engineering firms, based on data from *Deltek's 35th Annual Comprehensive Report: Architecture and Engineering Industry Study.*

In addition, DCC has strived to adhere to the Policy on Government Security in order to protect government information and assets from compromise. In its security policy, DCC refers to industrial security and corporate security requirements. Client-Partners communicate the industrial security requirements for its projects, and DCC ensures that these requirements are met and managed appropriately, and tracks all instances of non-compliance.

In response to a recommendation in the *Report of the Auditor General of Canada, Chapter 2: Status Report on Security in Contracting*, DND issued a Canadian Forces General Order (CANFORGEN) to clarify when a security requirements checklist (SRCL) is required for a contract. Subsequently, DCC issued a technical bulletin to its employees detailing the industrial security procedure to follow to meet this requirement. Also, DCC has continued to work to support security by helping companies with registration in the Industrial Security Program, supporting the Canadian Industrial Security Directorate in its sponsorship process, and organizing resources to support the validation of visit clearance requests for contractors.

DCC also developed a Corporate Integrity Management Framework (CIMF), which encompasses integrity in contracting, codes of conduct, and due diligence verification of contractors, consultants and suppliers. The framework outlines all DCC resources and tools dedicated to fostering a culture of accountability and integrity. DCC is committed to operating at the highest level of integrity and ethical standards. The CIMF will be launched in the first quarter of 2015–16.

4.0 Strategic and Operational Performance Indicators

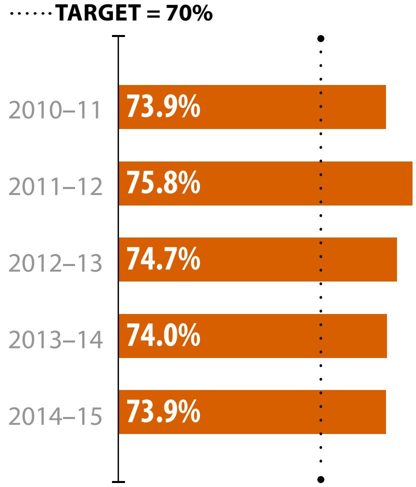
4.1 Business Management

Utilization Rate

The utilization rate indicates the hours spent directly on service delivery functions that are billable to the client, as opposed to hours spent on administrative functions that are considered overhead support and on compensated leave. It is an important performance indicator for efficiency and effectiveness, and a key financial management tool. DCC's target utilization rate is 70%. In 2014–15, the Corporation achieved a utilization rate of 73.9%, a decrease of 0.1 percentage points from last year's rate of 74.0%, but above the targeted rate.

UTILIZATION RATE

(percentage of employee hours spent on billable contract work)



4.2 Service Delivery

Service Delivery Rating

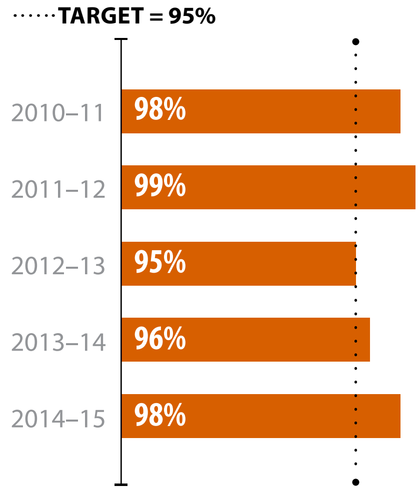
As a service delivery organization, DCC wants to ensure its Client-Partners are satisfied with its quality of work. Consequently, the Corporation tracks client feedback through a service delivery rating system. DCC administers its work with DND/CAF through service level arrangements (SLAs). Each SLA may comprise many projects, and there is one primary DND representative for each SLA. DCC interviews these representatives individually each year. Each representative has the opportunity to comment on the service DCC provided on all projects in which he or she was involved.

The representatives rate DCC's performance on a scale from one to five, with a score of three indicating that DCC "met expectations" and a score of four or five indicating that the Corporation "surpassed expectations." Scores are weighted according to the value of each SLA. DCC defines satisfied clients as those who provide an overall rating of three or higher.

In 2014–15, DCC conducted 115 service delivery reviews. DCC has met or exceeded its target for the past five fiscal years, with a rating of 98% in 2014–15. Typically, issues relate to specific incidents that fall into one of several categories, such as communications issues, administrative problems or staffing concerns. DCC is responsive to all concerns about its service and addresses each in a timely manner. DCC will continue to look for opportunities to further increase the efficiency of the service delivery rating process. For instance, an initiative in 2015–16 will look at ways to bring more of the process online.

SERVICE DELIVERY RATING

(client satisfaction)



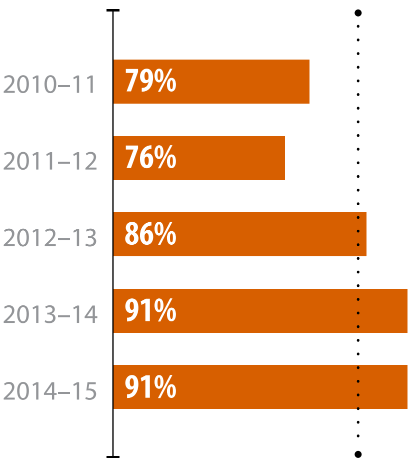
Timeliness of Construction Contract Completion

Timely completion of projects is a key component of client satisfaction. DCC monitors the timeliness of construction contract completion, and works with clients and contractors to minimize schedule slippage. When slippage does occur, DCC ensures that DND knows the reasons, and the Corporation takes all necessary action to ensure that the project is completed as quickly as possible, to minimize the impact on DND. In 2014–15, results were identical to those in the previous year, with 91% of construction contracts finished on time.

TIMELINESS OF CONSTRUCTION CONTRACT COMPLETION

(jobs completed on time)

······TARGET = 85%



Construction Change Order Values

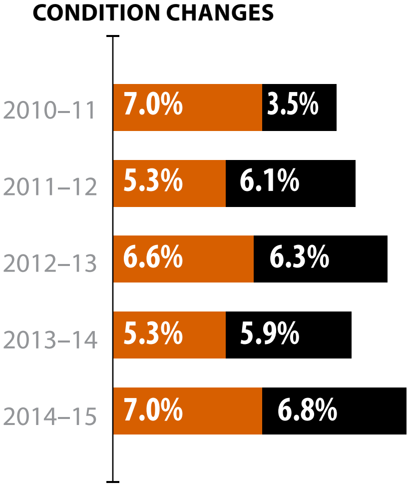
The change in construction award value for 2014–15 was 13.8%, an increase from the 2013–14 figure of 11.2%. Of the 13.8% change in value, 7.0 percentage points related to design changes and 6.8 percentage points related to site condition changes. Although DCC does not set formal targets for this indicator, it tracks this information to inform the client about project and budget status. Additionally, this information helps both DCC and the client monitor the impact of scheduling risks associated with construction.

CHANGE ORDER VALUES

(proportion of total award value)

● ATTRIBUTABLE TO DESIGN CHANGES

● ATTRIBUTABLE TO SITE CONDITION CHANGES



Negotiated Cost Savings for Contract Changes

During the lifecycle of a project, a request for work to be added or deleted from the original scope of work of the contract can occur. The most common reasons for a change order to be issued are changes made to the original design or changes due to unforeseen site conditions. Depending on the volume, scope and cost of change orders, the original contract amount and completion date can be altered. DCC negotiates requests for change orders with contractors regarding the cost to be paid for the specific work to be completed. The cost associated with the change order is verified to determine whether the request is within the scope of the contract or if it is in fact a change. In 2014–15, DCC reviewed over 10,000 requests for contract change orders by contractors. The Corporation negotiated with contractors and the difference between the original quoted amounts and the final settlement amounts totalled at least $23 million.

DCC Involvement in Industry Activities

DCC monitors employee involvement in all major industry associations, such as the Canadian Construction Association, the Association of Consulting Engineering Companies and the Royal Architectural Institute of Canada. In addition, DCC is a founding member of Canadian Construction Innovations (CCI), a new institute focusing on industry-driven research and innovation to solve industry problems. DCC will work with CCI to promote innovation in the construction industry. The goal is to have a DCC representative involved in each relevant association and to act on industry feedback to ensure DCC policies and practices meet industry needs.

Across Canada, DCC employees are involved at all levels of professional organizations related to their areas of expertise, from construction and architecture to project management, innovation, sustainable energy and fire safety. At the national level, DCC executives are active on national committees and professional organizations involved with construction, architecture, real property, consulting engineering, procurement and building information modelling, to name a few areas. This involvement helps keep DCC informed of new trends and developments in industry practices; provides opportunities for DCC to be an industry leader; and strengthens DCC's collaborative relationships with key industry organizations.

Contractor Performance Evaluation Report

DCC values continuous improvement. This indicator tracks DCC's commitment to provide feedback to industry regarding contractor performance and indicates any action taken if necessary. The goal is to evaluate all contractors who have completed their contracts with DCC. During 2014–15, DCC evaluated 98.7% of its contractors, a 0.5-percentage-point increase from 2013–14 of 98.2%.

Procurement Results

Procurement award success: DCC wants Client-Partners to have a timely procurement experience and does not want to waste industry's time with false starts. DCC works with Client-Partners to make each procurement as viable as possible. The goal is that a minimum of 95% of all procurements result in a contract. During 2014–15, DCC awarded contracts for 96.8% of its requested procurements.

Public access to business opportunities: DCC wants to encourage competition and ensure that all enterprises have an equal opportunity to bid on contracts. The goal is to award a minimum of 98% of DCC contracts through public opportunities. During 2014–15, DCC awarded 99.3% of all contracts through public opportunities.

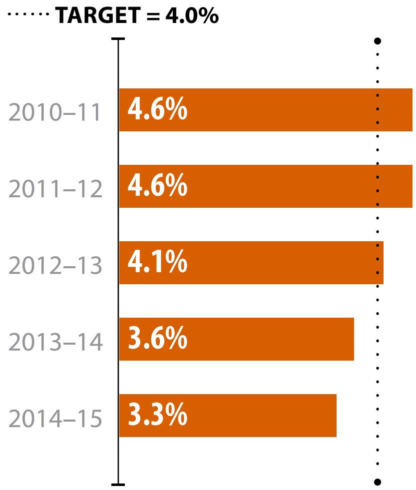
Procurement competition: DCC wants industry to view it as an attractive company to work with, so that there are always varied bidders competing for work. This helps ensure that the Corporation gets the best price possible. The Corporation tracks the number of bidders per procurement, one indication of its reputation among contractors and consultants. The goal is to have an average of four bidders per procurement. DCC had an average of 4.7 bidders per procurement in 2014–15.

4.3 People

Investment in Training and Development

DCC's ability to serve DND is heavily dependent on the skills of its employees, and maintaining a skilled and professional workforce is a key corporate objective. DCC's performance indicator for training and development is based on the total annual investment in professional development, defined as the combination of direct expenditures and the cost of staff time spent on training and development activities, expressed as a percentage of total salary cost. In 2014–15, DCC established an annual overall corporate target for spending on training and development of 4.0% of base salary costs. This target has decreased by 0.5 percentage points for the past two years from the prior target of 5.0%, as part of DCC's DRAP commitment. In 2014–15, the actual percentage declined by 0.3 percentage points to 3.3%, from 3.6% in 2013–14. The amount spent on training and development fluctuates from year to year. It depends on the effort required to develop and maintain internal courses, and the timing of professional development activities in various regions. DCC had expected the amount spent on professional development to be below the target since the number of employees had declined and current employees became increasingly experienced.

PROFESSIONAL DEVELOPMENT TO SALARY COST RATIO



Employee Wellness

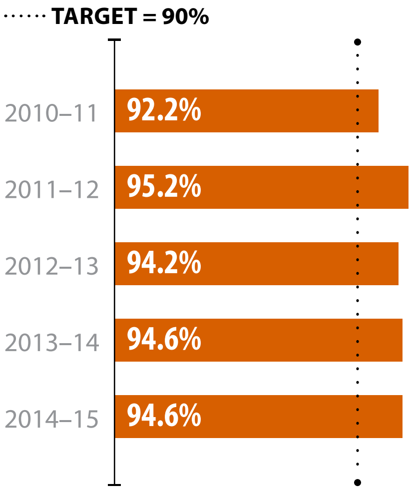
DCC's value as an employer is in its people. The organization is strongly committed to creating a workplace environment that encourages its employees to incorporate wellness into their daily routine and promotes work-life balance. DCC is focused on preventive measures and interventions that reduce employees' health risk factors. DCC demonstrates this commitment by providing financial assistance, and access to benefits and resources, such as lifestyle modification programs; fitness memberships and recreational programs; an employee assistance program; an absence support program; flexible working arrangements; and compressed workweeks. Having employees who are healthy, on the job every day and able to fulfill their duties is important to overall employee wellness and the success of DCC.

During the year, DCC reported an average of 38 sick leave hours (5.07 days) per full-time equivalent (FTE), a decrease from 42 sick leave hours (5.6 days) per FTE in the previous year.

Employee Retention Rate

DCC's success depends on its ability to maintain a skilled, professional and motivated workforce to meet business requirements. To that end, it is critical to recruit and retain the types of employees needed to guarantee a high level of client service. It is normal for DCC to experience some staff turnover, due to the seasonal and geographically cyclical nature of its work. With a target of 90%, DCC again surpassed its goal in 2014–15 with a retention rate of 94.6%. DCC has surpassed its target for the past five years by achieving 94.6% in 2013–14, 94.2% in 2012–13, 95.2% in 2011–12 and 92.2% in 2010–11.

RETENTION RATE



Diversity and Employment Equity

DCC is committed to maintaining its performance with respect to the government's employment equity objectives. In the Employment and Social Development Canada *Employment Equity Act 2014 Annual Report*, "A" indicates superior performance on all six indicators; "B" indicates good performance, but with persistent problems; "C" indicates average to less-than-average performance; and "D" indicates poor performance. In October 2014, DCC conducted an internal employment equity self-identification campaign to identify where under-representation exists, and to target efforts towards removing barriers that may exist in DCC's recruitment, hiring, training, retention and promotion practices. (See Table 1)

TABLE 1: EMPLOYMENT EQUITY RATING RESULTS

CATEGORY	2014	2013	2012	2011	2010
Women	A	A	A	A	B
Aboriginal people	A	A	A	A	A
Persons with disabilities	B	C	A	A	A
Visible minorities	C	C	C	B	C

Source: *Employment Equity Act 2014 Annual Report* (Ottawa: Employment and Social Development Canada, 2014). This report uses data as at December 31, 2014.

4.4 Strategic Management and Leadership

Timeliness of Submission Reporting

DCC is accountable to both the federal government and Parliament through Part X of the *Financial Administration Act* (FAA), which outlines the control and accountability framework for Crown corporations. Accordingly, it is DCC's responsibility to submit its Corporate Plan, including its operating budget and capital budget, and its Annual Report, as regulations dictate. DCC submitted its 2015–16 Corporate Plan to the Minister of Public Works and Government Services on time, as per sections 122 and 125 of the FAA.

In addition to the FAA, other key pieces of legislation to which DCC is subject include the *Public Servants Disclosure Protection Act, Access to Information Act, Privacy Act, Employment Equity Act, Official Languages Act* and *Canadian Multiculturalism Act.* In 2014–15, DCC complied with all reporting requirements under each of these pieces of legislation.

Achievement of Corporate Initiatives

DCC has planning themes with corresponding strategic objectives and key performance indicators, against which the performance of the Corporation and its services are measured.

Business management: To develop and maintain responsive, sustainable business management structures, tools, teams and practices.

Service delivery: To meet Client-Partner requirements and to achieve value for money.

People: To recruit, develop, support and retain a skilled, professional and motivated workforce.

Strategic management and leadership: To provide strong, ethical, efficient and effective strategic management and leadership for the Corporation.

Corporate governance and stakeholder relationships: To be recognized as competent and responsive to government priorities, policies and practices.

Eighteen strategic outcomes, aligned with DCC's business needs, defined the intent of these strategic objectives for the 2014–15 planning period. DCC identified 20 corporate initiatives to help direct DCC's efforts during the year and to contribute to the sustained viability of the Corporation. All initiatives were monitored closely and section 3.0 of this report provided details of their progress. DCC can continue to fulfill its mission due to the work completed annually on these strategic corporate initiatives.

DCC Code of Business Conduct Results

As mentioned previously in the governance section of this report (page 28), DCC's Code of Business Conduct (the Code) outlines expectations for standards of conduct for all DCC employees. The Code covers ethical practices, and compliance with legislation and DCC policies. In 2014–15, 100% of DCC employees responded to the annual request for review and all new hires completed the required test.

DCC Procurement Code of Conduct Results

The Procurement Code of Conduct (PCC) ensures that DCC's industry partners meet the expected integrity requirements for doing business with the Government of Canada. The PCC complements the Code of Business Conduct. DCC aims to verify all firms before awarding contracts, to ensure that all contracts are awarded to firms without prior convictions, and to ensure that all contractors and consultants comply with the PCC. As at the end of 2014–15, DCC had checked 100% of all firms, as per its procurement process, based on random file audits.

Successful Contracts

DCC recognizes the time and effort that the industry expends to prepare and submit tenders. Consequently, to reduce the risk of a failed tender, DCC screens all projects over $1 million for significant problems that could potentially jeopardize the tender. At year end, 96.8% of DCC tender calls had resulted in the award of a contract. This figure was higher than the rates in any of the previous four years, which were 94.4% in 2013–14, 96.2% in 2012–13, 95.1% in 2011–12 and 95.4% in 2010–11.

Legal Claims

The Corporation's efforts to resolve contract disputes are reflected in the number and value of contract claims before the courts. As at March 31, 2015, there were 13 ongoing claims totalling $16.9 million: 12 claims relating to DND totalling $16.4 million and one claim relating to the Corporation totalling $500,000 for which no provision has been provided. These figures compare with eight ongoing claims with a total value of $7.7 million as at March 31, 2014.

In accordance with the memorandum of understanding between the Corporation and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by the Corporation. Thus, the financial risk associated with settling these contractual claims does not have any financial impact on the Corporation. As a result, the Corporation does not consider it necessary to record any provision in its financial statements relating to legal claims.

4.5 Corporate Governance and Stakeholder Relationships

Environmental Responsibilities

To mitigate DCC's impact on the environment, DCC's Board of Directors and Senior Management Team are committed to the principles of sound environmental stewardship. The Corporation's operational policies and procedures are designed to minimize environmental impacts on all worksites and to specify the significance of environmental incidents that employees must report.

Three environmental incidents arising from contractor activities were reported in 2014–15. No environmental incidents occurred as a result of DCC activities. DCC employees reported all three incidents in a timely manner and appropriate follow-up action was implemented. Follow-up action included mitigation measures to prevent incidents from reoccurring. Eight such reportable environmental incidents occurred in 2013–14, nine in 2012–13 and four in 2011–12. DCC continues to implement environmental incident reporting criteria that meet government regulations and are harmonized with DND's criteria for spill reporting.

Maintaining a Safe Work Environment

Occupational and operational health and safety are primary concerns, both in the workplace and on job sites. The Corporation has developed and maintains a strong, agile, and effective health and safety program to ensure proper training and reporting, and to provide accessible information and resources to employees. A team of certified professionals and health and safety representatives in DCC offices nationwide manages and supports this program. DCC continues to collaborate with other Crown corporations and the Client-Partner by sharing best practices and programs. This collaboration is an example of the Corporation's commitment to continuous improvement of DCC's health and safety program.

DCC's 2014–15 program focus was the development of a Hazard Prevention Program to supplement DCC's existing health and safety program and policies. The process included the creation of DCC's Comprehensive Hazard Assessment, a risk-based analysis of DCC employees' work activities and the hazards associated with them. The newly titled Hazard Awareness and Health and Safety Program includes all occupational, operational, and human resources policies and programs that support the health and safety of DCC employees. It also includes a revised and reformatted manual; improved accident, incident and hazard identification reporting; and a new health and safety intranet section designed to provide employees with quick access to policies, templates and resources on workplace safety. The Hazard Awareness and Health and Safety Program was launched in the fourth quarter of 2014–15 and included a national orientation training program delivered to all DCC employees.

The number of lost-time injuries decreased from seven in 2013–14 to four in 2014–15. These four incidents involved minor injuries and accounted for a total of 13 days of lost time, an increase of six days from the time lost in the previous year.

Security Results

Over the past several years, DCC has strived to ensure compliance with the Policy on Government Security, in order to protect government information and assets against compromise. In its Corporate Security Policy, DCC refers to industrial security and corporate security requirements.

"Industrial security requirements" are the Client-Partner's security requirements for a project, which it communicates to DCC during the procurement phase. DCC ensures that these requirements are met and managed appropriately. The Corporation tracks all instances of non-compliance.

When non-compliance occurs, DCC ensures that corrective actions are implemented. DCC coordinates all efforts with applicable stakeholders, such as the Deputy Security Officer, the Canadian Industrial Security Directorate and/or other local security authorities, as appropriate.

"Corporate security requirements" are DCC's internal security requirements for its own corporate information, assets and employees. The Corporation reviews and manages all non-compliance and takes corrective measures, where applicable.

The target is to have no compromises of either corporate or industrial security requirements. In 2014–15, there were two occurrences related to DCC's corporate security requirements, with no compromise in security—a decrease from six occurrences in 2013–14.

Regarding industrial security, there was one occurrence without compromise, down from nine occurrences in 2013–14.

Success in Responding to Government Requests

Each year, government stakeholders submit a variety of inquiries to DCC for information beyond that provided via corporate reporting requirements. These queries include order paper questions, ministerial constituent inquiries and ministerial questions, to name a few. The volume of these requests fluctuates, depending on the current business environment. In 2014–15, DCC received and responded to 47 requests. In 2013–14, it responded to 53 such inquiries. DCC stands ready to respond to these inquiries in a timely manner.

5.0 Risk Management

A key aspect of DCC's corporate governance is its ability to manage all forms of risk and liability. Under the direction of the Board of Directors, senior management established a comprehensive Corporate Risk Management Framework. The framework is based on the principles of integrated risk management and is written in accordance with the risk management methodology used by DND and many other government organizations.

Sound risk management practices are already ingrained in DCC's corporate culture, and the framework supports better integration with the Corporation's strategic planning process.

The Corporate Risk Management Framework ensures that management's direction on risks is clearly communicated, understood and applied throughout DCC; that risk management is integrated into DCC's existing decision-making and planning tools; and that there is a consistent means to effectively and regularly apply risk management to corporate and project-related activities.

DCC's strategic-level corporate risks relate to factors that could hamper its ability to deliver services to its Client-Partners, such as circumstances beyond DCC's control that result in project schedule delays; uncertainty in government funding that could affect defence and public security infrastructure budgets; and industry-related labour issues.

DCC classifies risks as high, medium or low. Each risk assessment is based on the likelihood of the risk occurring, and its impact or consequences. Classified risk response strategies can be summarized as follows: high (mitigate), medium (monitor) and low (accept). During 2014–15, DCC regularly updated the risk register and successfully managed all identified risks in accordance with the risk mitigation strategies.

6.0 Financial Performance

6.1 Revenue

Services Revenue

Services revenue for all activities combined was $80.5 million in 2014–15, a decrease of $12.4 million or approximately 13% from the previous year. The decrease is related to the overall drop in business volume, due to lower client demand for services. In general, services revenue has a direct correlation to DND's spending on infrastructure and environmental projects. Services revenue increases when the number and dollar value of DND projects increase, and decreases when the opposite occurs. This cyclical nature of DND funding has a direct impact on demand for the Corporation's services and its services revenue. Billing rates, which remained unchanged from the previous year, had no impact on the decrease.

Contract Management

Revenue from Contract Management in 2014–15 represented 43% of total revenue and decreased by 18% over the previous fiscal year. The decrease related to lower demand for contract management services, more efficient service delivery and some reclassification of revenue to construction technical support services.

Construction Technical Support

Revenue from Construction Technical Support in 2014–15 increased by 10% over the previous fiscal year, because DND requested additional optional services and DCC reclassified some revenue from contract management.

Project Planning

Project Planning revenue decreased by 14% in 2014–15, due to lower DND demand for these services.

Real Property Technical support

Real Property Technical Support revenue decreased by 5% in 2014–15, due to lower demand for services related to facility and portfolio management.

Environmental Technical Support

Environmental Technical Support revenue decreased in 2014–15 by 13% over the previous fiscal year, driven by decreased demand for these services.

Procurement

Revenue from procurement services decreased in 2014–15 by 10% over the previous fiscal year, because the dollar value of contracts awarded during 2014–15 and the number of contracts awarded decreased. (See Table 2)

Investment Revenue

Investment revenue, which is generated from the Corporation's average cash balance in the bank and from investments, increased in 2014–15 by $139,000 or approximately 22% over the previous fiscal year. The average rate of return generated in 2014–15 from cash and investments was 2.1%, compared to 1.8% in the prior fiscal year. The average rate of return rose because the Corporation transferred funds from cash, which were generating an average return of 1.2%, to investments, which generated an average return of 3.5%. (See Table 3)

6.2 Expenses

Salaries and Employee Benefits

Salaries totalled $59.5 million in 2014–15, a decrease of $7.5 million or approximately 11% over the previous fiscal year. The 11% decrease can be explained by a decline in the number of full-time equivalents (FTEs), due to lower levels of business activity, which led to a decrease in salaries of approximately 13 percentage points; that decrease was offset by a net increase of approximately 2 percentage points due to a combination of salary increases, employee mix and effects of efficiencies in service delivery. The 11% decrease in salaries is smaller than the corresponding 13% decrease in revenue. The smaller proportional decrease in salaries was due to the billing rate freeze and the decrease in the utilization rate, as explained in section 4.1.

Employee benefits totalled $17.8 million in 2014–15, a decrease of $481,000 or approximately 3% over the previous fiscal year. This decrease was not proportional to the decrease in salaries, because employee benefits as a percentage of salaries rose to 30% in 2014–15 from 27% in 2013–14. The rise in employee benefits as a percentage of salaries was due to the recording of past service costs of $1.9 million related to the introduction of post-retirement dental benefits as of October 1, 2014. Going forward, the impact of this new benefit on the employee benefit rate will not be relevant. (See Table 4)

Operating and Administrative Expenses

Operating and administrative expenses were $6.2 million in 2014–15, a decrease of $882,000 or approximately 13% over the previous year. A variety of factors influenced these expenses. (See Table 5)

TABLE 2

REVENUE, BY ACTIVITY			CHANGE	
(in thousands of dollars)	2014–15	2013–14	$	%
Contract Management	$ 34,960	$ 42,892	(7,932)	-18%
Construction Technical Support	5,822	5,273	549	10%
Project Planning	20,291	23,482	(3,191)	-14%
Real Property Technical Support	8,250	8,643	(393)	-5%
Environmental Technical Support	5,574	6,392	(818)	-13%
Procurement	5,634	6,227	(593)	-10%
	$80,531	**$92,909**	**(12,378)**	**-13%**

TABLE 3

INVESTMENT REVENUE			CHANGE	
(in thousands of dollars)	2014–15	2013–14	$	%
Investment revenue	$780	$641	139	22%

TABLE 4

SALARIES AND EMPLOYEE BENEFITS			CHANGE	
(in thousands of dollars)	2014–15	2013–14	$	%
Salaries	$59,493	$67,006	(7,513)	-11%
Employee benefits	17,801	18,282	(481)	-3%
	$77,294	**$85,288**	**(7,994)**	**-9%**
Employee benefits as a percentage of salaries	30%	27%		

TABLE 5

OPERATING AND ADMINISTRATIVE EXPENSES			CHANGE		
(in thousands of dollars)	2014–15	2013–14	$	%	Variance Analysis
Rent	$ 1,729	$ 2,141	(412)	-19%	The decrease was due to reduced space requirements in the National Capital Region and reduced rental rates for Head Office on renewal of its lease.
Employee training and development	915	1,263	(348)	-28%	The decrease was due to a drop in training and development activities related to the reduced number of FTEs and lower performance targets.
Professional services	771	887	(116)	-13%	The decrease was due primarily to lower costs related to IT consulting services for the Corporation's enterprise resource planning (ERP) system, compared to the prior fiscal year.
Telephone and data communications	757	617	140	23%	The increase was due to upgrading of data communications networks at various company locations to improve operational and network performance of the Corporation's ERP and document management systems.
Software maintenance	662	645	17	3%	The increase was due to the development of additional software tools related to the document management system to increase operational efficiency.
Travel	417	441	(24)	-5%	The decrease was due to the timing of demand for corporate travel and closer management of travel requirements under the Deficit Reduction Action Plan (DRAP) and operating budget freeze.
Office services, supplies and equipment	276	413	(137)	-33%	The decrease was due to lower spending on office services and supplies due to DRAP-related cost containment efforts and to the lower number of FTEs.
Staff relocation	205	143	62	43%	The increase was due to higher levels of key staff relocation activity than in the prior fiscal year. The need for staff relocation is highly variable and not necessarily related to business volume.
Printing and stationery	114	146	(32)	-22%	The decrease was due to lower staff levels, efficiency gains from the implementation of electronic signatures and document management solutions, and lower levels of business activity.
Client services and communications	102	111	(9)	-8%	The decrease was due to cost savings measures for the production of corporate reports.
Computer equipment	41	42	(1)	-2%	This variance is not material.
Computer software	40	11	29	264%	The increase was due to the purchases of software that was not capitalized, as the price per licence was not high enough to require capitalization under DCC's policies.
Postage and freight	39	50	(11)	-22%	The decrease was due to lower requirements for postage due to the use of electronic payments and the introduction of corporation-wide electronic document management solutions.
Memberships and subscriptions	37	25	12	48%	The increase was due to the cyclical nature of timing of membership purchases.
Furniture and equipment	24	52	(28)	-54%	The decrease was due to lower staff levels and business activity, and the cyclical nature of furniture and equipment purchases.
Other	43	67	(24)	-36%	The decrease was due to a write-off of leased office equipment expenses and to lower spending on leasehold improvements.
	$6,172	**$7,054**	**(882)**	**-13%**	

Depreciation and Amortization

Depreciation and amortization combined decreased by a total of 16% or $210,000 in 2014–15. Depreciation of property, plant and equipment decreased by 24% or $231,000 due to fewer acquisitions of computer equipment as a result of the reduction in FTEs. The increases in depreciation of assets under finance lease and in the amortization of intangible assets were due to the renewal of some of the leased asset fleet and increased investment in productivity software for the document management system. (See Table 6)

6.3 Total Comprehensive Income (Loss)

The total comprehensive loss of the Corporation for the year ended March 31, 2015, was $5.8 million, compared with total comprehensive income of $1.2 million in the previous fiscal year—a decrease of 591% or $7.0 million.

The increase in net loss of $3.2 million or 2,368% is due to a combination of factors, including a decrease in revenue, a freeze in billing rates and charges in the year for past service costs related to employee benefit improvements for retirees. The increase in net loss is consistent with the Corporation's policy of managing its cash reserves at a level appropriate to meet current and future requirements.

The decrease in other comprehensive income from $1.3 million in 2013–14 to a loss of $2.6 million in 2014–15 is mainly due to an actuarial loss related to the changes in assumptions for the current period for employee benefits. The changes in assumptions for the discount rate and plan participation resulted in financial, demographic and experience losses, which led to the actuarial loss. (See Table 7)

6.4 Liquidity and Capital Resources

DCC's financial management policy is to generate and maintain sufficient cash to meet the Corporation's anticipated operating and capital requirements, to settle its financial obligations as they become due, and to maintain adequate cash reserves to meet contingencies that may arise.

The Corporation operates on a fee-for-service basis and receives no cash funding through government appropriations, nor does it maintain or have access to any lines of credit or other sources of borrowings. Thus, the Corporation's cash is generated solely from fees collected from DND for services provided.

Consistent with its mandate, the intent of the Corporation is to operate on a slightly better than break-even basis. The Corporation sets billing rates based on expected program and operating costs. However, unexpected increases in program services provided to DND, as well as DCC's success in achieving its own operating efficiencies, can result in margins that exceed its initial targets. Cash levels are constantly monitored and any cash surpluses judged to exceed operating requirements are reduced through future operating plans and budgets, particularly through the setting of billing rates for services provided to DND. In preparing its operating plans, the Corporation prudently allows for reasonable levels of cash contingencies in its financial projections to ensure that it has sufficient cash reserves to continue to fulfill its mandate and serve its Client-Partners in an effective and timely manner.

TABLE 6

DEPRECIATION AND AMORTIZATION			**CHANGE**	
(in thousands of dollars)	2014–15	2013–14	$	%
Depreciation of property, plant and equipment	$ 742	$ 973	(231)	-24%
Depreciation of assets under finance lease	159	146	13	9%
Amortization of intangible assets	210	202	8	4%
	$1,111	**$1,321**	**(210)**	**-16%**

TABLE 7

TOTAL COMPREHENSIVE INCOME			**CHANGE**	
(in thousands of dollars)	2014–15	2013–14	$	%
Loss for the year	$(3,283)	$ (133)	(3,150)	2,368%
Other comprehensive income Actuarial gain (loss) on the employee benefit obligation	(2,551)	1,322	(3,873)	-293%
TOTAL COMPREHENSIVE INCOME (LOSS)	**$(5,834)**	**$1,189**	**(7,023)**	**-591%**

The objective of the cash management policy is to keep available sufficient cash reserves to meet DCC's obligations, recognizing the potential for short-term interruptions of collections of receivables. Potential obligations considered in the cash management policy include salaries, benefits and other current operating costs; long-term employee benefits; and other obligations that may arise in relation to Government of Canada directives.

The Corporation considers several factors when determining the amount of cash reserves to maintain, including the planning and operating risk inherent in its operations. In particular, the risk associated with potential and unanticipated changes to the amount or timing of DND construction project expenditures has a direct impact on the amount or timing of services DCC provides and on the cash generated.

Although DCC has a secure client base from which it regularly collects receivables, several things can affect the timing of those collections. Routine delays in Client-Partners' approvals and processing of invoices can affect some collections from time to time.

There are no restrictions on the use of the Corporation's funds, and no legal or statutory obligations to segregate funds for any current or future liabilities, including future benefits for employees. As such, the Corporation does not have any segregated or restricted funds, and cash in excess of short-term operational and capital requirements is invested in accordance with the investment policy approved by the Board of Directors.

Cash Requirements and Uses

Some of the more significant working capital cash requirements include payments for salaries, wages and benefits, leased office space, employee training and development, professional services, telecommunications, office supplies, and business travel. DCC also maintains and uses cash to buy computer hardware and software, as well as office furniture and equipment, and to pay for leasehold improvements.

Cash may also be required for costs associated with workforce adjustments, including relocations, if such adjustments are required as a result of unexpected fluctuations or changes in DND's infrastructure program.

Cash and Investments

Cash and investments totalled $38.9 million at March 31, 2015, a decrease of $1.1 million or 3% from the previous year.

The cash balance at March 31, 2015, was $19.6 million, a decrease of $9.9 million or 34% from the previous year. During 2014–15, the Corporation generated $785,000 in cash from operating activities, spent $1.6 million on capital expenditures, invested $9.0 million and paid $160,000 on finance lease obligations.

Investments (both current and long term) at March 31, 2015, were $19.3 million, an increase of $8.8 million or 85% from the previous year. Investments consist of non-derivative financial assets with fixed or determinable payments and fixed maturity. The Corporation currently invests in listed bonds, guaranteed investment certificates and mutual funds that are recorded at cost and amortized using the effective interest method. The investments held are consistent with the policy approved by the Board of Directors. It is the Corporation's intention to hold the investments to maturity.

Trade Receivables

Trade receivables are due from the Corporation's clients, mainly DND. At March 31, 2015, trade receivables were $15.2 million, which represents a decrease of $1.2 million or 7% over the previous fiscal year. The decrease was due to lower revenue in 2014–15 compared with the previous fiscal year and to the timing of receipts.

Current Liabilities

Current liabilities were $6.0 million at March 31, 2015, a decrease of $1.6 million or 21% from March 31, 2014. The decrease in current liabilities was due to the decrease in accounts payable at year end, related to payroll deduction remittances, year-end payroll expense accruals, the vacation and overtime accrual, and the timing of payments of accounts payable. (See Table 8)

6.5 Employee Benefits

The Corporation records a liability for the estimated cost of sick leave and retirement allowance for active employees,

TABLE 8

LIQUIDITY AND CAPITAL RESOURCES			**CHANGE**	
(in thousands of dollars)	2014–15	2013–14	$	%
Cash	$19,630	$29,568	(9,938)	-34%
Investments	19,256	10,420	8,836	85%
Cash and investments	**38,886**	**39,988**	**(1,102)**	**-3%**
Trade receivables	**15,173**	**16,331**	**(1,158)**	**-7%**
CURRENT LIABILITIES	**$ 5,957**	**$ 7,579**	**(1,622)**	**-21%**

and health and dental care and life insurance benefits for its retirees. This estimate is actuarially determined. The accrual for employee benefits at March 31, 2015, was $21.7 million, an increase of $6.1 million or approximately 39% from the previous fiscal year.

The balance increased by $6.1 million due to a number of factors, which include a decrease of $343,000 for payments of benefits; a net increase of $2.6 million for charges in actuarial assumptions; an increase in current service costs of $1.2 million; an increase in the interest on the current value of the obligation of $765,000; and an increase of $1.9 million for past service costs related to the addition of post-retirement dental benefits.

The liability for employee benefits fluctuates from year to year due to a combination of factors, including the inflation rate; workforce changes; changes in the discount rate, which is determined by reference to market interest rates; changes in the average rate of salary increases; and changes in the average expected remaining service lifetime of active employees, due to changing demographics. Note 15 to the financial statements describes the actuarial assumptions used in determining the liability. This liability is primarily a non-current one and the Corporation estimates the current payout amount based on the best information available. Although the Corporation has not specifically segregated funds for this obligation, it has sufficient capital resources to meet its employee benefit payment obligations as they become due. (See Table 9)

6.6 Capital Expenditures

The Corporation's capital expenditures for 2014–15 totalled $1.6 million, an increase of $802,000 or 100% from the previous fiscal year. The increase was mainly due to the purchase of computer equipment, as a significant proportion of the computers used by employees were replaced with the latest technology, based on the current replacement policy. (See Table 10)

6.7 Actual Performance Versus Plan

The following table compares the Corporation's actual performance in 2014–15 with the projections in the Corporate Plan.

Services revenue was $1.7 million or 2% below plan, due mainly to lower-than-planned business volume due to lower-than-planned service requirements of the client.

Travel and disbursement revenue and expense was $460,000 or 29% above plan. This was due to higher travel and disbursement costs for service delivery to the client.

Investment revenue was $180,000 or 30% above plan. This variance was primarily due to a higher-than-forecasted cash balance throughout the year and the transfer of cash into investments that generated a higher return in accordance with DCC's investment policy.

Salaries and employee benefits were $2.1 million or 3% lower than plan. This decrease was largely the result of lower-than-planned staff growth linked to the lower-than-planned service requirements of the client.

Operating and administrative expenses were $1.3 million or 17% below plan. The decrease was largely the result of lower-than-planned business activity and lower-than-planned

TABLE 9

EMPLOYEE BENEFITS			**CHANGE**	
(in thousands of dollars)	2014–15	2013–14	$	%
Long-term portion	$ 21,252	$ 15,022	6,230	41%
Current portion	400	570	(170)	-30%
TOTAL EMPLOYEE BENEFITS	**$21,652**	**$15,592**	**6,060**	**39%**

TABLE 10

CAPITAL EXPENDITURES			**CHANGE**	
(in thousands of dollars)	2014–15	2013–14	$	%
Intangible assets	$ 208	$ 201	7	3%
Computer equipment	1,366	528	838	159%
Furniture and equipment	6	9	(3)	-33%
Leasehold improvements	25	65	(40)	-62%
	$1,605	**$803**	**802**	**100%**

spending in many areas, specifically training and development, professional services, travel, software maintenance, and office expenses, due to the Corporation's efforts to lower spending as part of the Deficit Reduction Action Plan measures.

Depreciation and amortization were $389,000 or 26% lower than plan, due to lower-than-planned capital expenditures in 2013–14 and the timing of acquisitions in 2014–15.

The variance in the loss for the year of $2.3 million is due to lower spending on salaries and benefits and on operating and administrative costs. Total comprehensive loss for the year only varied 4% from plan due to the accounting loss on employee benefit obligations.

Capital expenditures were $782,000 or 33% below plan, for two reasons: some capital projects, such as a corporate reporting initiative, were not completed; and spending on furniture and fixtures and on leasehold improvements was lower than projected.

ACTUAL PERFORMANCE VERSUS PLAN

			CHANGE	
(in thousands of dollars)	Actual	Plan	$	%
Revenue				
Services revenue	$80,531	$82,212	(1,681)	-2%
Travel and disbursement revenue	2,052	1,592	460	29%
Investment revenue	780	600	180	30%
	$83,363	$84,404	(1,041)	-1%
Expenses				
Salaries and employee benefits	$77,294	$79,430	(2,136)	-3%
Operating and administrative expenses	6,189	7,469	(1,280)	-17%
Travel and disbursement expenses	2,052	1,592	460	29%
Depreciation and amortization	1,111	1,500	(389)	-26%
	86,646	89,991	(3,345)	-4%
Profit (loss) for the year	(3,283)	(5,587)	2,304	-41%
Items of other comprehensive income	(2,551)	—	(2,551)	100%
Total comprehensive income	(5,834)	(5,587)	(247)	4%
CAPITAL EXPENDITURES	**$ 1,605**	**$ 2,387**	**(782)**	**-33%**

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(in thousands of dollars)	2014–15	2013–14	2012–13	2011–12	2010–11
Revenue					
Services revenue	$ 80,531	$ 92,909	$114,541	$111,806	$ 93,576
Travel and disbursement revenue	2,052	2,882	3,117	3,685	3,555
Investment revenue	780	641	598	495	209
	83,363	96,432	118,256	115,986	97,340
Expenses					
Salaries and employee benefits	$ 77,294	$ 85,288	$ 99,262	$ 92,610	$ 79,466
Operating and administrative expenses	6,172	7,054	8,868	9,477	8,181
Travel and disbursement expenses	2,052	2,882	3,117	3,685	3,555
Depreciation and amortization	1,111	1,321	1,350	1,297	1,066
Finance costs	17	20	23	27	24
	86,646	96,565	112,620	107,096	92,292
Profit for the year	(3,283)	(133)	5,636	8,890	5,048
Other comprehensive income (loss)	(2,551)	1,322	1,627	98	369
Total comprehensive income (loss)	(5,834)	1,189	7,263	8,988	5,417
Retained earnings, beginning of year	36,840	35,651	28,388	19,400	13,983
RETAINED EARNINGS, END OF YEAR	**$31,006**	**$36,840**	**$35,651**	**$28,388**	**$19,400**

FIVE-YEAR SUMMARY FINANCIAL INFORMATION (CON'T)

(in thousands of dollars)	2014–15	2013–14	2012–13	2011–12	2010–11
Assets					
Cash	$ 19,630	$ 29,568	$ 25,829	$ 20,869	$ 12,789
Investments	19,256	10,420	10,114	9,835	9,593
Trade receivables, prepaids and advances	16,499	17,234	22,405	23,789	19,871
Property, plant and equipment, and assets under finance lease	2,412	1,806	2,275	2,490	2,532
Intangible assets	557	559	560	428	370
	$ 58,354	$ 59,587	$ 61,183	$ 57,411	$ 45,155
Liabilities					
Trade and other payables	$ 5,454	$ 6,900	$ 10,623	$ 7,853	$ 7,991
Finance lease obligation	242	255	344	364	354
Employee benefits	21,652	15,592	14,565	20,806	17,410
	27,348	22,747	25,532	29,023	25,755
Equity					
Share capital	—	—	—	—	—
Retained earnings	31,006	36,840	35,651	28,388	19,400
	31,006	36,840	35,651	28,388	19,400
	$ 58,354	$ 59,587	$ 61,183	$ 57,411	$ 45,155
Cash flows from (used in):					
Operating activities	$ 785	$ 5,095	$ 6,610	$ 9,747	$ 6,664
Acquisition of property, plant and equipment, and intangibles	(1,605)	(803)	(1,134)	(1,191)	(1,616)
Acquisition of investments	(8,958)	(399)	(380)	(362)	(9,651)
Financial activities	(160)	(154)	(136)	(114)	(101)
Increase (decrease) in cash during the year	(9,938)	3,739	4,960	8,080	(4,704)
Cash, beginning of the year	29,568	25,829	20,869	12,789	17,493
CASH, END OF THE YEAR	**$19,630**	**$29,568**	**$25,829**	**$20,869**	**$12,789**

6.8 Deficit Reduction Action Plan (DRAP)

In the 2011 Budget, the Government of Canada introduced the Deficit Reduction Action Plan (DRAP), intended to achieve cost savings for the government. Through the Minister of Public Works and Government Services, the Corporation's Board received a letter asking it to do a review to support the DRAP. The DRAP was intended to achieve cost savings over three fiscal years: 2012–13, 2013–14 and 2014–15. In the 2013 Speech from the Throne, and the November 2013 Update of Economic and Fiscal Projections by the Minister of Finance, the Government of Canada extended this commitment to fiscal restraint by freezing the overall federal operating budget for 2014–15 and 2015–16.

DCC identified a number of ways to reduce its indirect operating costs. The Corporation estimated it could save approximately $2.5 million annually—about 7% of its indirect operating costs of $35.4 million for 2011–12.

DCC identified four categories of cost savings: corporate services, corporate-wide savings, salaries and benefits, and operational savings. Regarding operational savings, DCC aimed to reduce service delivery costs by 5%, or $550,000, through efficiency gains. In relation to salaries and benefits, the Corporation expected to save $1.3 million by changing a number of policies. For corporate operations, DCC proposed to reduce spending by $600,000 annually. Across the Corporation, DCC proposed to save $650,000 by reducing various expenses. DCC measured these four initiatives using 2011–12 data as a baseline for DRAP savings. The following table shows DCC's results for each initiative it proposed under the DRAP for 2014–15.

TYPE OF SAVINGS	DESCRIPTION OF MEASURE	TARGET	SAVINGS ACHIEVED	STATUS
Corporate services savings	DCC proposed to reduce corporate services costs for IT, finance, human resources, communications and general administration.	DCC proposed to reduce total corporate services costs by $600,000 annually. Corporate services costs in 2011–12 were $4.4 million.	Actual savings in 2014–15 compared to the 2011–12 baseline were $1.4 million.	Achieved 233% of target.
Corporate-wide savings	DCC proposed reducing the external costs of training and development (T&D) by reducing the target ratio from 2.5% of base salary expenses to 2% (external T&D costs are one component of the overall T&D target of 4.5% of base salary costs). DCC also suggested reducing cell phone costs by adopting the existing government standing offer wherever possible. It also proposed cutting the costs of relocation, internal audits, office supplies and business travel.	DCC proposed reducing the external costs of T&D by $405,000 annually; cell phone costs by $60,000; relocation costs by $50,000; spending on internal audits by $50,000; expenses for office supplies by $50,000; and business travel costs by $35,000. Combined, these measures would reduce general and administrative expenses by $650,000 annually.	Actual savings in 2014–15 compared to the 2011–12 baseline were as follows: • T&D, $313,000; • cell phones, $59,000; • relocation $239,000; • internal audits, $87,000; • office supplies, $214,000; and • business travel costs, $158,000. Savings from corporate-wide initiatives totalled $1.07 million.	Achieved 165% of target.
Salaries and benefits savings	DCC proposed eliminating the future accrual of retirement allowances; eliminating the excessive vacation payout policy; introducing a voluntary one-week leave without pay policy; implementing a voluntary reduced workweek policy; and eliminating the bilingual bonus and language testing. Also, due to a reduction in health care premiums, DCC negotiated additional savings with its benefits provider in 2012–13.	These measures were to generate savings of $1.3 million over 2011–12 figures. Most of the items were benefits, and benefits as a percentage of salaries in 2011–12 were 30%.	DCC implemented most of the savings measures proposed. In 2014–15, DCC benefits as a percentage of salaries rose to 30%. This is the same as the proportion in 2011–12. No savings were achieved in 2014–15 due to the past service costs expensed in the current fiscal year for enhancements to employee benefits.	Achieved 0% of target.
Operational savings	DCC committed to reducing contract management service delivery costs to DND.	DCC aimed for a 5% reduction in service delivery costs based on 2011–12 actuals. In 2011–12, service delivery costs for $982.6 million in contract expenditures (which excludes deployed operations) were $54.3 million or 5.53%.	In 2014–15, the service delivery costs for $787.8 million in contract expenditures were $35.0 million or 4.44%. If the service delivery costs had amounted to 5.53% of contract expenditures, as in 2011–12, they would have totalled $43.6 million. DCC reduced service delivery costs by 19.7%, which represents a savings to DND of $8.6 million.	Achieved 394% of target.

In addition to the proposed DRAP savings, DCC elected to freeze billing rates for the DRAP period, which saved DND $4.9 million in 2014–15. The total DCC direct cost savings, as well as the reduced costs to DND during the three fiscal years of DRAP measures, are summarized below. (See Table 11)

7.0 Outlook

DCC has taken a clear and consistent approach to its business, being always at the ready to provide timely, knowledgeable, effective and efficient service to its Client-Partners. The needs of the Client-Partners define DCC's destiny, and it is DCC's mission to tactically deploy its services to meet those needs. Four overarching objectives help ensure DCC's capacity to do this. They relate to having sound business management structures, meeting Client-Partner requirements, having an engaged workforce, and demonstrating strong leadership. Work undertaken during the year support each of these objectives and will form the planning themes for the upcoming 2015–16 fiscal year.

Supporting DND/CAF as it continues to move toward centralized authority will remain a key priority for DCC throughout 2015–16. Previously, nine custodians were accountable for managing DND's real property. A new business model, which moves DND toward a centralized model with a single portfolio manager and four custodians, was implemented at the end of 2013–14. The transformation will continue until there is a single custodian, potentially by spring 2016. To achieve this transformation, DND is establishing regional real property operations units across Canada. Each DND unit will manage infrastructure and environmental requirements at the regional level as the sole custodian. Accordingly, DCC is putting focused real property operations support teams in place to align with DND's requirements for the regions. This new alignment of resources will help to support the Client-Partner's transformation and position DCC's resources to meet DND's changing needs.

At the same time, DCC intends to augment its internal capacity for resource planning and reporting by developing and applying improved digital analytics. This multi-year initiative will result in better business forecasting for DCC and make DCC's service delivery more efficient. Additionally, the implementation of e-procurement next year will provide a faster, cheaper option for administering tender calls and contract awards than the current paper-based manual process.

DCC is also focusing on employee leadership training and development, and enhanced internal communications. People are the key to DCC's success, and ensuring the Corporation has the leadership, management and operational resources to meet our Client-Partners' needs is one of DCC's foremost business objectives. DCC is committed to fulfilling its operational requirements, but it is equally committed to supporting the growth of its employees to ensure it has a skilled and available workforce to achieve this goal. To that end, DCC launched its formal Succession Planning Management Framework in the final quarter of 2014–15. It outlines how the Corporation intends to sustain its leadership, management and operational readiness while continuing to promote employee development. The full impact of this work, which affects workplace culture, will not be felt overnight and as such will span the next few years.

Based on work volume forecasts, DCC expects the number of FTEs to increase by 9.4% in 2015–16 and by 13.5% in 2016–17. These estimates are subject to the service requirements of DND/CAF, as well as any impact due to DCC's

TABLE 11: SUMMARY OF DRAP AND OPERATING FREEZE SAVINGS

	ACTUAL SAVINGS			**THREE YEAR**		**VARIANCE**	
(in thousands of dollars)	2012–13	2013–14	2014–15	Total	Target	$	%
Corporate services savings	$ 141	$ 1,224	$ 1,409	$ 2,774	$ 1,800	974	54%
Corporate-wide savings	807	1,087	1,070	2,964	1,950	1,014	52%
Salaries and benefits savings	2,400	1,820	—	4,220	3,900	320	8%
DCC direct cost savings	3,348	4,131	2,479	9,958	7,650	2,308	30%
Operational savings	2,170	4,860	8,608	15,638	7,519	8,119	108%
Billing rate freeze	2,291	3,762	4,929	10,982	8,225	2,757	34%
Reduced costs to DND	4,461	8,622	13,537	26,620	15,744	10,876	69%
TOTAL SAVINGS	**$7,809**	**$12,753**	**$16,016**	**$36,578**	**$23,394**	**13,184**	**56%**

business process optimization efforts. Managing the fluctuations in the DND infrastructure and environment (IE) program, and the associated impact on human resources, will be one of the key issues that the Corporation will face in the planning period. This ebb and flow is characteristic of DCC's business model and the Corporation maintains a flexible resource management capability.

DCC provides services to DND's ADM(IE) community. About 10% of DND's IE-related program spending, excluding their own workforce, is allocated to DCC services. As part of DCC's ongoing optimization efforts, DCC is continually working to find ways to reduce this cost without compromising quality and value. It is important to DCC's Client-Partners that the Corporation demonstrate value for money and cost efficiency in service delivery, and efforts to do so will continue throughout the next planning period.

DCC forecasts that it will handle procurement and contract management for some very high-profile DND projects in the coming fiscal year and over the planning period. These include the maintenance contract for the Communications Security Establishment Long-Term Accommodation Project in Ottawa, Ontario; the new Joint Task Force 2 facility in Trenton, Ontario; the Defence Research Development Canada facility in Valcartier, Quebec; the new Jetty NJ in Halifax, Nova Scotia; the Fleet Maintenance Facility Cape Breton Shop Consolidation Project in Esquimalt, British Columbia; and the naval facility in Nanisivik, Nunavut, over 1,100 kilometres north of the Arctic Circle.

DCC is involved with DND legacy sites, usually to remediate and clean up unexploded explosive ordnance (UXO). In 2014–15, procurement planning was underway for the last phase of the environmental assessment of Camp Ipperwash, Ontario, in conjunction with First Nations and DND. Once remediation of this site is complete, steps for returning the land to First Nations can proceed.

7.1 Financial Outlook

The Corporation has traditionally taken a conservative approach to forecasting future growth. Its latest Corporate Plan shows an increase in revenue of approximately 10% in 2015–16, driven by anticipated higher business volume due to DND's announced spending increases for infrastructure. The Corporation has committed to freezing billing rates through 2015–16.

For the remaining plan years, revenue is forecasted to increase each year. The table below shows the annual changes to the billing rates and business volumes anticipated from 2015–16 to 2019–20. Billing rate increases will begin in 2016–17 and continue to the end of the planning period. Business volume will increase for the first three years of the plan and level off in the last two years. (See Table 12)

Salaries and benefits expenses for 2015–16 are forecasted to increase by approximately 12%, due to the expected 10% revenue increase, combined with inflation and performance-based merit increases totalling 3.5%, offset by efficiency gains of 1.5%. The expected increases in salary and benefits expenses in 2016–17, 2017–18, 2018–19 and 2019–20 are 13%, 5%, 4% and 4%, respectively. They are due to a combination of factors, including expected increases for inflation and merit pay, and expected increases and decreases to the workforce, in line with projected changes in services revenue.

Operating and administrative expenses for 2015–16 are projected to increase by 26% from those in 2014–15. This increase includes increases related to inflation, ongoing corporate initiatives and higher costs for items such as communications improvements for employee productivity. Operating and administrative expenses are forecasted to increase by 1.5% annually from 2016–17 to 2019–20. The increases in the latter part of the plan are related to inflation.

Depreciation and amortization are expected to increase by 18% in 2015–16 over the prior fiscal year, due mainly to capital expenditures in 2015–16 for computer equipment. Projections for capital expenditures, as discussed below, will affect the year-to-year fluctuation in depreciation and amortization over the remaining years of the plan.

A total comprehensive loss of $6.6 million is forecasted for 2015–16, a decrease of 12% from the actual total comprehensive loss of $5.8 million in

TABLE 12

	PLAN				
	2015–16	2016–17	2017–18	2018–19	2019–20
Billing rate change	0.00%	3.50%	3.50%	3.50%	4.00%
Business volume change	10.22%	13.90%	0.90%	0.00%	-0.20%
Services revenue increase	10.22%	17.40%	4.40%	3.50%	3.80%

2014–15. The decrease is a result of holding billing rates at the 2011–12 level, along with increases in salary and benefits expenses, and operating and administrative expenses. Total comprehensive loss is expected to drop to $3.0 million in 2016–17 and to $2.3 million by the end of the planning period. The losses are planned as a way to reduce cash and investments to the optimal level, based on the Corporation's cash management policy.

Capital expenditures are projected to decrease by 7% in 2015–16 compared to those in the previous fiscal year. The anticipated expenditures will relate primarily to the deployment of new technologies to increase staff efficiency, and investments in corporate budgeting and reporting capabilities. Spending is planned to remain stable at $1.5 million for the remaining years of the plan. (See Table 13)

TABLE 13

FINANCIAL OUTLOOK	ACTUAL	PLAN				
(in thousands of dollars)	**2014–15**	2015–16	2016–17	2017–18	2018–19	2019–20
Services revenue	**$80,531**	$88,763	$104,208	$109,835	$113,679	$117,999
Investment revenue	**780**	650	595	525	460	420
Total revenue	**81,311**	89,413	104,803	110,360	114,139	118,419
Salaries and employee benefits	**77,294**	86,875	98,500	103,388	107,082	110,830
Operating and administrative expenses	**6,172**	7,759	7,874	7,991	8,110	8,230
Depreciation of property, plant and equipment	**742**	913	984	1,040	1,086	1,150
Depreciation of assets under finance lease	**159**	180	185	190	195	200
Amortization of intangible assets	**210**	215	218	221	224	227
Finance costs	**17**	28	30	32	33	35
Total expenses	**$84,594**	$95,970	$107,791	$112,862	$116,730	$120,672
Loss for the year	**$ (3,283)**	$ (6,557)	$ (2,988)	$ (2,502)	$ (2,591)	$ (2,253)
Other comprehensive loss	**(2,551)**	—	—	—	—	—
Total comprehensive loss	**$ (5,834)**	$ (6,557)	$ (2,988)	$ (2,502)	$ (2,591)	$ (2,253)
CAPITAL EXPENDITURES	**$ 1,605**	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500

MANAGEMENT RESPONSIBILITY STATEMENT

The management of the Corporation is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report and the production of its contents, together with the financial statements. These statements, approved by the Board of Directors, were prepared in accordance with International Financial Reporting Standards using management's best estimates and judgements, where appropriate. Financial and operating information appearing in the Annual Report is consistent with that contained in the financial statements.

Management relies on internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act,* the *Canada Business Corporations Act,* and the articles and bylaws of the Corporation. These systems and practices are also designed to ensure that assets are safeguarded and controlled, and that the operations of the Corporation are carried out effectively. In addition, the Audit Committee, appointed by the Board of Directors, oversees the internal audit activities of the Corporation and performs other such functions as are assigned to it.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

James S. Paul
President and Chief Executive Officer

Richard M. Danis, CPA, CA
Corporate Manager, Finance

June 2, 2015

Auditor General of Canada
Vérificateur général du Canada

To the Minister of Public Works and Government Services

Report on the Financial Statements

I have audited the accompanying financial statements of Defence Construction (1951) Limited, which comprise the statement of financial position as at 31 March 2015, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Defence Construction (1951) Limited as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the Financial Administration Act, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Defence Construction (1951) Limited 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 *Defence Production Act*, the *Canada Business Corporations Act* and the articles and by-laws of Defence Construction (1951) Limited.

Marise Bédard

Marise Bédard, CPA, CA
Principal
for the Auditor General of Canada

2 June 2015
Ottawa, Canada

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2015

(in thousands of Canadian dollars)	Notes	2015	2014
Assets			
Cash	6	**$19,630**	$29,568
Investments	13	**1,098**	1,514
Trade receivables	6, 9	**15,173**	16,331
Prepaid and other current assets	10	**1,326**	903
Current assets		**37,227**	48,316
Investments	13	**18,158**	8,906
Property, plant and equipment	11	**2,185**	1,567
Assets under finance lease		**227**	239
Intangible assets	12	**557**	559
Non-current assets		**21,127**	11,271
TOTAL ASSETS		**$58,354**	$59,587
Liabilities and equity			
Trade and other payables	14	**$5,454**	$6,900
Current portion—finance lease obligation		**103**	109
Current portion—employee benefits	15	**400**	570
Current liabilities		**5,957**	7,579
Finance lease obligation		**139**	146
Employee benefits	15	**21,252**	15,022
Non-current liabilities		**21,391**	15,168
Total liabilities		**27,348**	22,747
Equity			
Share Capital—Authorized—1,000 common shares of no par value			
Issued—32 common shares		**—**	—
Retained earnings		**31,006**	36,840
Total equity		**31,006**	36,840
TOTAL LIABILITIES AND EQUITY		**$58,354**	$59,587

Commitments: see note 17

Contingent liabilities: see note 20

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

Approved by the Board of Directors on June 2, 2015

Robert Presser
Chair of the Board

Lori O'Neill
Chair of the Audit Committee

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2015

(in thousands of Canadian dollars)	Notes	**2015**	2014 Restated (note 5)
Services revenue	18	**$80,531**	$92,909
Travel and disbursement revenue		**2,052**	2,882
Investment revenue	7	**780**	641
Total revenue		**83,363**	96,432
Salaries and employee benefits		**77,294**	85,288
Operating and administrative expenses	8	**6,172**	7,054
Travel and disbursement expenses		**2,052**	2,882
Depreciation of property, plant and equipment	11	**742**	973
Depreciation of assets under finance lease		**159**	146
Amortization of intangible assets	12	**210**	202
Finance costs	16	**17**	20
Total expenses		**86,646**	96,565
Loss for the year		**(3,283)**	(133)
Other comprehensive income			
Actuarial gain (loss) on employee benefit obligation[1]	15	**(2,551)**	1,322
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ (5,834)**	$ 1,189

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

[1] This item of other comprehensive income will not be reclassified to profit (loss)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2015

(in thousands of Canadian dollars)	Share Capital	Retained Earnings	Total Equity
Balance as at March 31, 2014	$—	$36,840	$36,840
Loss for the year		(3,283)	(3,283)
Actuarial loss on employee benefit obligation	—	(2,551)	(2,551)
Total comprehensive loss		(5,834)	(5,834)
BALANCE AS AT MARCH 31, 2015	**$—**	**$31,006**	**$31,006**

(in thousands of Canadian dollars)	Share Capital	Retained Earnings	Total Equity
Balance as at March 31, 2013	$—	$35,651	$35,651
Loss for the year		(133)	(133)
Actuarial gain on employee benefit obligation	—	1,322	1,322
Total comprehensive income		1,189	1,189
BALANCE AS AT MARCH 31, 2014	**$—**	**$36,840**	**$36,840**

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

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

(In thousands of Canadian dollars)	Notes	2015	2014
Cash flow from (used in) operating activities			
Loss for the year		**$ (3,283)**	$ (133)
Adjustments to reconcile loss for the year to cash provided by operating activities			
Depreciation of property, plant and equipment	11	**742**	973
Depreciation of assets under finance lease		**159**	146
Amortization of intangible assets	12	**210**	202
Amortization of investment premiums		**122**	93
Loss on disposal of property, plant and equipment and assets under finance lease		**37**	17
Change in non-cash operating working capital			
Employee benefits	15	**3,509**	2,349
Trade receivables		**1,158**	5,356
Prepaids and other current assets		**(423)**	(185)
Trade and other payables		**(1,446)**	(3,723)
Net cash flows provided by operating activities		**785**	5,095
Cash flows used in investing activities			
Acquisition of investments		**(8,958)**	(399)
Acquisition of property, plant and equipment	11	**(1,397)**	(602)
Acquisition of intangible assets	12	**(208)**	(201)
Net cash flows used in investing activities		**(10,563)**	(1,202)
Cash flows used in financing activities			
Repayment of finance lease obligations		**(160)**	(154)
Net cash flows used in financial activities		**(160)**	(154)
Increase (decrease) in cash during the year		**(9,938)**	3,739
Cash at the beginning of the year		**29,568**	25,829
CASH AT THE END OF THE YEAR		**$19,630**	$29,568

Supplemental Cash Flow information: see note 16

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

NOTES TO THE FINANCIAL STATEMENTS

Unless otherwise stated, all amounts are in thousands of Canadian dollars

March 31, 2015

Note 1: Summary of Business Authority and Objectives

Defence Construction (1951) Limited (the "Corporation") was incorporated under the *Companies Act* in 1951 pursuant to the authority of the *Defence Production Act* and continued under the *Canada Business Corporations Act*. The Corporation's Head Office is located at 350 Albert Street, Ottawa, Ontario, Canada. The Corporation is an agent Crown corporation named in Part 1 of Schedule III to the *Financial Administration Act*. Since 1996, responsibility for the Corporation has rested with the Minister of Public Works and Government Services.

The mandate of the Corporation is to provide procurement, construction, professional, operations and maintenance services in support of the defence of Canada. The prime, but not exclusive, beneficiary of the Corporation's services has always been the Department of National Defence (DND). DCC also provides services to Canadian Forces Housing Agency, Communications Security Establishment, Shared Services Canada and Public Works and Government Services Canada. Revenue is generated from fees charged for specific services provided.

Note 2: Basis of Preparation and Presentation

These financial statements are prepared by the Corporation in accordance with the International Financial Reporting Standards (IFRS) issued by the Accounting Standards Board (AcSB). These financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Corporation.

Note 3: Summary of Accounting Policies

3.1 Overall Considerations

The significant accounting policies that the Corporation applied in preparing these financial statements are summarized below.

The financial statements have been prepared based on the historical cost except for financial instruments at fair value through profit and loss. They have also been prepared using accounting policies specified by IFRS that were in effect at the end of the reporting period (March 31, 2015) or that the Corporation adopted earlier.

These accounting policies have been used throughout all periods presented in the financial statements.

3.2 Financial Assets and Financial Liabilities

Recognition and Initial Measurement

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Classification of Financial Assets

At inception, a financial asset is classified at amortized cost or fair value.

A financial asset qualifies for amortized cost measurement only if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Corporation assesses the business model at an asset level, as this best reflects the way the business is managed and information is provided to management.

In assessing whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Corporation considers the following:

- management's stated policies and objectives for the asset, and the operation of those policies in practice;
- how management evaluates the performance of the asset;
- the frequency of any expected asset sales; and

- whether assets that are sold are held for an extended period relative to their contractual maturity or are sold shortly after acquisition.

Financial assets held for trading are not held within a business model whose objective is to hold the assets in order to collect contractual cash flows.

Classification of Financial Liabilities

The Corporation classifies its financial liabilities as measured at amortized cost or fair value through profit and loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Corporation measures the fair value using quoted prices in an active market, when available. If the market is not active, the Corporation establishes fair value using valuation techniques, including recent arm's-length transactions between knowledgeable, willing parties, if available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price—that is, the fair value of consideration given or received. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at that price.

Identification and Measurement of Impairment

At each reporting date, the Corporation determines whether there is objective evidence that financial assets carried at amortized cost are impaired. A financial asset is impaired when objective evidence demonstrates a loss has occurred after the initial recognition of the asset.

3.3 Cash

Cash is cash held in banks. Cash is managed on a fair value basis and its performance is actively monitored. Excess cash is invested in investments as per the Corporation's investment policy. There are no restrictions on the use of cash.

3.4 Investments

Investments consist of non-derivative financial assets with fixed or determinable payments and fixed maturities. The Corporation currently holds listed bonds, guaranteed investment certificates and mutual fund accounts that are recorded at cost and amortized using the effective interest method. The investments held are consistent with the policy approved by the Board of Directors. Interest income is accrued when earned and included in income for the year.

3.5 Trade Receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. Trade receivables are recognized initially at fair value. Subsequent measurement of trade receivables are at amortized cost.

The Corporation does not maintain an allowance for doubtful accounts, as all trade receivables are receivable from the Government of Canada and deemed to be all collectable.

3.6 Intangible Assets

Intangible assets include acquired and internally developed software used in business operations. When the software does not form an integral part of the machinery or computer hardware to which it relates, it is separately accounted as an intangible asset. They are accounted for using the cost model, whereby capitalized costs are amortized on a straight-line basis over their estimated useful life. The estimated useful life of software is three to 10 years.

Items of intangible assets measured at cost are assessed for impairment at each reporting period. Assets are impaired when the recoverable amount is less than the carrying amount. The recoverable amount is the greater of fair value less cost to sell and value in use.

3.7 Property, Plant and Equipment, and Assets Under Finance Lease

Computer equipment, furniture and fixtures, leasehold improvements, and assets under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost over the estimated useful life of such assets, using the straight-line method. The following useful lives are used to calculate depreciation:

Computer equipment	3 to 5 years
Furniture and fixtures	5 years
Leasehold improvements	5 to 10 years
Assets under finance lease	5 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant or equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in profit and loss.

Items of property, plant and equipment, and assets under finance lease measured at cost less depreciation and impairment losses are assessed for impairment at each reporting period. Assets are impaired when the recoverable amount is less than the carrying amount. The recoverable amount is the greater of the fair value less cost to sell and the value in use.

3.8 Leases

Leases are classified as either operating or finance, based on the substance of the transaction at the inception of the lease. Classification is reassessed if the terms of the lease change.

Operating Lease

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments under an operating lease (net of any incentive received by the lessee) are recognized in the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance Lease

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between the finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit and loss.

3.9 Trade and Other Payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

3.10 Provisions and Contingent Liabilities

Provisions are liabilities to the Corporation for which the amount or timing is uncertain. Provisions are recognized when: (a) the Corporation has a current legal or constructive obligation as a result of past events; (b) an outflow of resources will likely be required to settle the obligation; and (c) the amount can be reliably estimated. If any of these conditions are not met, no provision shall be recognized and a contingent liability will be disclosed in note 20.

3.11 Employee Benefits

Employees are entitled to specific non-pension post-employment allowances and benefits. Each year, independent actuaries use the projected unit credit method to actuarially determine the net periodic expense. To do so, they make assumptions about such factors as the discount rate for obligations, expected mortality, the expected rate of future compensation and the expected health care cost trend rate. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation are recognized immediately in other comprehensive income and included in the statement of comprehensive income.

The Corporation provides post-employment benefits payable after completion of employment. The types of post-employment benefits include extended health care and paid-up life insurance.

The Corporation provides sick leave as other employee benefits. Sick leave is accumulated by employees and available in case of absence from work. Accumulated sick leave is not paid out when the employee leaves the Corporation.

3.12 Pension Benefits

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

3.13 Revenue Recognition

The Corporation does not generate revenue from the sale of goods, from dividends or from royalties.

Service Revenue

The Corporation derives its revenue from the delivery of services related to contract management, project planning, procurement, and real property management activities. Revenue is recognized after the service is rendered. The Corporation receives payments from its clients based on a monthly billing cycle, as established in service level arrangements (SLAs). All SLAs have a duration equivalent to the fiscal year and are renegotiated and signed annually based on the nature of the funding for the clients. As the need arises during the fiscal year, the SLAs can be modified and new SLAs signed.

SLAs can be on a time based fees or fixed fee basis. For time based SLAs, the clients and the Corporation agree to a number of service hours that the Corporation's personnel will perform over the year. On a monthly basis, services for the month are invoiced to the client using actual time and the agreed billing rates in the SLAs. For fixed fee SLAs, a fixed amount is invoiced to the client on a monthly basis as agreed in the SLAs.

As there are new SLAs annually, there are no arrangements liabilities related to payments received in advance of performance under the arrangement nor are there arrangement assets and liabilities due to our performance under the arrangement. There is no collection uncertainty with the amounts billed to the client as they are for services already performed under the arrangement and as government entities are required to pay under the *Financial Administration Act* for all valid services invoiced.

Travel and Disbursement Revenue

The Corporation recovers the cost of travel and disbursements related to service delivery from the client as part of the service level arrangements. The costs incurred for these expenses are recovered at cost and no mark-up is added.

Investment Revenue

Investment revenue is recognized on an accrual basis using the effective interest method.

Accommodations

As per the memorandum of understanding between DND and the Corporation, DND provides the Corporation with office accommodations free of charge for personnel at DND-owned bases and wings and other locations. Where space is not provided, the Corporation has established hourly billing rates to recover the accommodation charge that is not reimbursed directly by DND, which is part of the revenue charged. If the accommodation cost is recovered as an out-of-pocket reimbursement, the disbursement reduces the charged amount.

3.14 Taxation

The Corporation is not subject to corporate taxation under section 149(1)(d) of the *Income Tax Act*.

3.15 Application of New and Revised International Financial Reporting Standards

3.15.1 New standards, amendments and interpretations effective April 1, 2014

Certain pronouncements were issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (Interpretations Committee) that were mandatory for accounting periods beginning on or after April 1, 2014.

IFRIC 21, Levies, came into effect in the period that affects these financial statements but did not have any impact on the Corporation's financial statements.

3.15.2 Standards, amendments and interpretations not yet in effect

The Corporation has reviewed new and revised accounting pronouncements that have been issued by the International Accounting Standards Board (IASB) but are not yet effective and have not been early adopted, to determine the impact on the Corporation. None of the standards issued will have a material impact on the financial statements of the Corporation. The standards reviewed were:

- Amendments to IFRS 11 "Joint Arrangements"—Accounting for Acquisitions of Interest in Joint Operations
- IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)
- IFRS 9 "Financial Instruments" (IFRS 9)
- Annual Improvements to IFRS—2012–2014 Cycle (IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"; IFRS 7 "Financial Instruments: Disclosures"; IAS 19 "Employee Benefits"; and IAS 34 "Interim Financial Reporting."

Note 4: Critical Accounting Estimates

Under the Corporation's accounting policies described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Depreciation and Amortization

The Corporation reviews the estimated life of property, plant and equipment, intangible assets, and assets under finance lease at each year end. As a result of this review, there were no changes required in the current period.

4.2 Employee Benefits

The Corporation provides employee benefits to cover extended health and dental care, life insurance and sick leave benefits. The determination of expenses and obligations associated with employee benefits requires the use of assumptions about such factors as the discount rate for measuring obligations, mortality rates, the rate of future compensation and health care cost trends. Because determining the expenses and obligations associated with employee benefits requires the use of such assumptions, measurement uncertainty is inherent in the actuarial valuation process. Actual results may differ from results estimated based on assumptions. See note 15 for further details.

Note 5: Prior Year Restatement

In the prior year, the amount recoverable for travel and disbursement expenses was netted against travel and disbursement revenue and not presented on the Statement of Profit and Loss and Other Comprehensive Income. As per IAS 18, the Corporation was not acting as an agent for these expenses as per the standard but as a principal. As per the accounting policy for revenue, the recovery of expenses is billed at no mark-up to the client. The Statement of Profit and Loss and Other Comprehensive Income was changed to show all revenue and expenses for the year including the revenue and expense related to travel and disbursement. The following table shows the impact of the restatement on the Statement of Profit and Loss and Other Comprehensive Income:

	TOTAL FOR THE YEAR ENDED MARCH 31, 2014	TOTAL FOR THE YEAR ENDED MARCH 31, 2014 RESTATED
Travel and disbursement revenue	$ —	$ 2,882
Total revenue	93,550	96,432
Travel and disbursement expenses	—	2,882
Total expenses	93,683	96,565
Loss for the year	$ (133)	$ (133)
TOTAL COMPREHENSIVE INCOME	**$1,189**	**$1,189**

Note 6: Financial Assets and Liabilities Classification

	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	AMORTIZED COST	TOTAL CARRYING AMOUNT
As at March 31, 2015				
Cash	**$19,630**	**$—**	**$ —**	**$19,630**
Investments	—	—	**19,256**	**19,256**
Trade receivables	—	—	**15,173**	**15,173**
Other current assets	—	—	**26**	**26**
FINANCIAL ASSETS	**19,630**	—	**34,455**	**54,085**
Accounts payable	—	—	**740**	**740**
Accrued liabilities	—	—	**1,257**	**1,257**
Finance lease obligation	—	—	**242**	**242**
FINANCIAL LIABILITIES	**$ —**	**$—**	**$2,239**	**$ 2,239**

	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	AMORTIZED COST	TOTAL CARRYING AMOUNT
As at March 31, 2014				
Cash	$29,568	$—	$ —	$29,568
Investments	—	—	10,420	10,420
Trade receivables	—	—	16,331	16,331
Other current assets	—	—	24	24
FINANCIAL ASSETS	29,568	—	26,775	56,343
Accounts payable	—	—	1,690	1,690
Accrued liabilities	—	—	1,607	1,607
Finance lease obligation	—	—	255	255
FINANCIAL LIABILITIES	$ —	$—	$3,552	$ 3,552

Cash, trade receivables, other current assets and trade and other payables are presented at the carrying values because the carrying value approximates fair value. Fair value for investments is disclosed in note 13.

6.1 Credit Risk

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms of the financial instrument. The carrying value of financial assets subject to credit risk as at March 31, 2015, was $54,085 (as at March 31, 2014, it was $56,343) and represented the Corporation's maximum exposure to credit risk. The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of the financial asset. The Corporation minimizes credit risk on cash by depositing the cash only with reputable and high-quality financial institutions. The Corporation has no significant exposure to credit risk on trade receivables, as all of the trade receivables are due from the Government of Canada. With the exception of amounts due from the Department of National Defence and other government departments, there is no concentration of trade receivables with any one customer. Based on historic default rates and the aging analysis in note 9, Trade Receivables, the Corporation believes that there are no requirements for an allowance for doubtful accounts. Other current assets consist of balances related to travel advances to employees and computer loans to employees. Prepaids are not included in other current assets.

6.2 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The carrying value of financial liabilities for trade and other payables and obligations under capital leases as at March 31, 2015, was $2,239 (as at March 31, 2014, it was $3,552) and represented the maximum exposure of the Corporation. The Corporation manages its liquidity risk by monitoring and managing its cash flow from operations and anticipated investing activities. The liquidity risk is low, since the Corporation does not have debt instruments and derives its cash flow from services offered to the Government of Canada. Maturity analysis in note 14 shows low risk as virtually all obligations are current. In addition, as at March 31, 2015, the Corporation's financial assets exceeded its financial liabilities by $51,846 (as at March 31, 2014, its financial assets exceeded its financial liabilities by $52,791).

The following are the contractual maturities of financial liabilities, including estimated interest payments: (See Table 14)

6.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation's financial assets and liabilities are not exposed to fluctuations in currency risk and other price risk, given their underlying nature and characteristics.

The Corporation is exposed to fluctuations in interest rates on its investments. As at March 31, 2015, all of the investments ($19,256) were in fixed interest-bearing instruments (as at March 31, 2014, the comparable figure was $10,420). Fluctuations in the interest rate would affect the fair value of the instruments. Management intends to hold these instruments until maturity. The Corporation has determined that the risk is not significant.

TABLE 14

AS AT MARCH 31, 2015	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	SIX MONTHS OR LESS	MORE THAN SIX MONTHS
Accounts payable	$ 740	$ 740	$ 740	$ —
Accrued liabilities	1,257	1,257	1,257	—
Finance lease obligations	242	264	57	207
FINANCIAL LIABILITIES	**$2,239**	**$2,261**	**$2,054**	**$207**

AS AT MARCH 31, 2014	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	SIX MONTHS OR LESS	MORE THAN SIX MONTHS
Accounts payable	$ 1,690	$ 1,690	$ 1,690	$ —
Accrued liabilities	1,607	1,607	1,607	—
Finance lease obligations	255	274	66	208
FINANCIAL LIABILITIES	**$3,552**	**$3,571**	**$3,363**	**$208**

Note 7: Investment Revenue

	2015	2014
Interest from:		
Bank deposits	**$342**	$309
Investments	**429**	332
Other interest	**9**	—
	$780	$641

Note 8: Operating and Administrative Expenses

	2015	2014
Rent	**$1,729**	$2,141
Employee training and development	**915**	1,263
Professional services	**771**	887
Telephone and data communications	**757**	617
Software maintenance	**662**	645
Travel	**417**	441
Office services, supplies and equipment	**276**	413
Staff relocation	**205**	143
Printing and stationery	**114**	146
Client services and communications	**102**	111
Computer equipment	**41**	42
Computer software	**40**	11
Postage and freight	**39**	50
Memberships and subscriptions	**37**	25
Furniture and equipment	**24**	52
Other	**43**	67
	$6,172	$7,054

Note 9: Trade Receivables

Trade receivables are due entirely from related parties (see note 18).

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Trade receivables	**$15,173**	$16,331

The aging of the trade receivables was as follows:

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Current	**$ 7,815**	$ 8,364
Past due 0–30 days	**7,293**	7,892
Past due 31–60 days	**67**	34
Past due 61–90 days	**—**	—
Past due 91 plus days	**(2)**	41
	$15,173	$16,331

Note 10: Prepaid and Other Current Assets

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Prepaid expenses	**$1,063**	$230
Other receivables	**237**	649
Employee advances	**14**	6
Travel advances	**12**	18
	$1,326	$903

Note 11: Property, Plant and Equipment

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Cost	$6,761	$5,760
Less: Accumulated depreciation	4,576	4,193
Net book value	**$2,185**	$1,567
Net book value by asset class		
Computer equipment	$2,031	$1,339
Furniture and fixtures	80	153
Leasehold improvements	74	75
NET BOOK VALUE	**$2,185**	$1,567

The changes in property, plant and equipment are shown in the following table:

	COMPUTER EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
Cost				
Balance as at March 31, 2013	$ 4,045	$1,959	$ 1,881	$ 7,885
Plus: Additions	528	9	65	602
Less: Disposals	1,398	1,329	—	2,727
Balance as at March 31, 2014	$ 3,175	$ 639	$ 1,946	$ 5,760
Plus: Additions	1,366	6	25	1,397
Less: Disposals	391	5	—	396
BALANCE AS AT MARCH 31, 2015	**$4,150**	**$ 640**	**$1,971**	**$6,761**

The changes in accumulated depreciation are shown in the following table:

	COMPUTER EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
Accumulated depreciation				
Balance as at March 31, 2013	$2,605	$1,665	$1,661	$5,931
Plus: Depreciation	625	138	210	973
Less: Disposals	1,394	1,317	—	2,711
Balance as at March 31, 2014	$1,836	$ 486	$1,871	$4,193
Plus: Depreciation	635	79	28	742
Less: Disposals	352	5	2	359
BALANCE AS AT MARCH 31, 2015	**$2,119**	**$ 560**	**$1,897**	**$4,576**

There is no impairment of property, plant and equipment.

Note 12: Intangible Assets

Intangible assets consist of software purchased by the Corporation.

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Cost	**$1,175**	$967
Less: Accumulated amortization	**618**	408
NET BOOK VALUE	**$ 557**	$559

Changes to intangible assets are detailed in the following table:

COST	TOTAL
Balance as at March 31, 2013	$4,555
Plus: Additions	201
Less: Disposals	3,789
Balance as at March 31, 2014	967
Plus: Additions	208
Less: Disposals	—
BALANCE AS AT MARCH 31, 2015	**$1,175**

Changes to accumulated amortization are detailed in the following table:

ACCUMULATED AMORTIZATION	TOTAL
Balance as at March 31, 2013	$3,995
Plus: Amortization	202
Less: Disposals	3,789
Balance as at March 31, 2014	408
Plus: Amortization	210
Less: Disposals	—
BALANCE AS AT MARCH 31, 2015	**$ 618**

There is no impairment of intangible assets.

Note 13: Investments

Investments consist of Canadian, provincial and corporate bonds with fixed interest rates ranging from 2.5% to 6.6%, guaranteed investment certificates (GIC) ranging from 1.7% to 2.1%, and mutual funds with variable interest rates. The maturity dates of the bonds and GIC vary from 2015 to 2029 and are intended to be held to maturity. The mutual fund accounts can be liquidated on demand. The carrying amounts, measured at the amortized cost and fair value of these investments, are shown in the table below.

The fair value of the investments can be determined by: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The fair values of the investments are determined from quoted prices in active markets which is Level 1.

The current portion of investments consists of instruments maturing in the next 12 months.

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Carrying amount at amortized cost:		
Bonds	**$14,161**	$10,414
Guaranteed investment certificates	**5,000**	—
Mutual funds	**95**	6
	$19,256	$10,420
Fair value:		
Bonds	**$15,275**	$10,788
Guaranteed investment certificates	**5,009**	—
Mutual funds	**95**	6
	$20,379	$10,794

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Current portion	**$ 1,098**	$ 1,514
Non-current portion	**18,158**	8,906
	$19,256	$10,420

Note 14: Trade and Other Payables

Trade and other payables of the Corporation principally comprise amounts outstanding for purchases relating to corporate activities, accruals for employee vacations and overtime, and payroll and commodity taxes. The usual credit period for trade purchases is 30 days.

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Accounts payable	**$ 740**	$1,690
Accrued vacation and overtime	**2,830**	2,857
Accrued liabilities	**1,257**	1,607
Commodity taxes payable	**627**	746
	$5,454	$6,900

The following is an aged analysis of the accounts payable.

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Less than 1 month	**$737**	$1,684
1 to 3 months	**3**	6
3 to 6 months	**—**	—
	$740	$1,690

Accounts payable include balances with related parties. (See also note 18.)

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Third-party balances	**$734**	$1,655
Related-party balances	**6**	35
	$740	$1,690

Note 15: Employee Benefits

15.1 Post-Employment and Other Long-Term Employee Benefits

Post-employment and other long-term employee benefits represent the Corporation's liability for the estimated costs of sick leave for employees, retirement allowance for certain employees at retirement as well as health, dental and life insurance benefits for its retirees. The benefit plan is not funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Long term portion employee benefits	**$21,252**	$15,022
Current portion employee benefits	**400**	570
TOTAL EMPLOYEE BENEFITS	**$21,652**	$15,592

The measurement date for the last actuarial valuation of the provision for employee benefits was April 1, 2014. The next actuarial valuation is planned for April 2017 or sooner as required.

The significant actuarial assumptions adopted in measuring the Corporation's retirement allowance and non-pension benefits are as follows: (See Table 15)

Movements in the present value of the defined benefits obligation during the year are as follows: (See Table 16)

Included in the prior year actuarial losses from demographic assumptions is the effect of changes in mortality rates which are a key demographic assumption used. The Canadian Institute of Actuaries released new mortality tables in 2014 which increased the liability for post-retirement employee benefits.

Included in the actuarial gains and losses from financial assumptions are the adjustments due to the effect of the discount rate applied to the employee

TABLE 15

	2015	2014
Discount rate for projected benefit obligation	3.80%	4.65%
Rate of general salary increases	3.50%	3.50%
Initial weighted average health care cost trend rate	5.60%	5.00%
Ultimate weighted average health care cost trend rate	4.50%	5.00%
Year ultimate health care cost trend rate reached	2029	2014
Mortality rate table	CPM2014	CPM2014
Mortality rate table improvement scale	CPM-B	B1-2014
Retirement age	62	62

TABLE 16

	2015	2014
Opening value of benefits obligation	$15,592	$14,565
Remeasurement as at April 1, 2014	(938)	—
Current service cost	1,160	2,489
Interest on present value of obligation	765	670
Actuarial losses from demographic assumptions	—	2,136
Actuarial (gains) and losses from financial assumptions	3,536	(3,458)
Plan amendments	1,880	—
Employee benefits payments	(343)	(810)
CLOSING VALUE OF BENEFITS OBLIGATION	**$21,652**	$15,592

benefits obligation and the experience adjustment.

Amounts recognized in profit and loss for the year in respect of this benefit plan are as follows: (See Table 17)

The amount recognized in other comprehensive income for the actuarial gain or loss is made up of the following elements: (See Table 18)

Sensitivity Analysis

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the key assumptions shown.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below. (See Table 19)

The Corporation expects to expense $2,519 in 2016 (2015—$2,200) for current service costs related to employee benefits.

15.2 Pension Benefits

Almost all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Employees and the Corporation must both contribute. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 11.73% (2014—12.08%). Total contributions of $6,977 (2014—$8,093) were recognized as expense in the current year.

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

TABLE 17

	2015	2014
Current service cost	**$1,160**	$2,489
Interest on present value of obligation	**765**	670
Actuarial loss recognized in year	**47**	—
Past service cost	**1,880**	—
EMPLOYEE BENEFIT EXPENSES	**$3,852**	$3,159

TABLE 18

	2015	2014
Remeasurement gain as at April 1, 2014	**$ 938**	$ —
Actuarial losses from demographic assumptions	**—**	(2,136)
Actuarial gains and (losses) from financial assumptions	**(3,536)**	3,458
Less: Actuarial loss recognized in year	**47**	—
ACTUARIAL GAIN(LOSS) ON EMPLOYEE BENEFIT OBLIGATION	**$(2,551)**	$1,322

TABLE 19

EFFECT ON DEFINED BENEFIT OBLIGATION AT FISCAL YEAR END	**INCREASE (DECREASE) IN THE BENEFIT OBLIGATION**	
	Increase of 1%	Decrease of 1%
Effect of change in discount rate assumption	$(4,163)	$ 5,667
Effect of change in salary scale assumption	$ 125	$ (111)
Effect of change in health care cost trend rate assumption	$ 4,901	$(3,650)

Note 16: Supplemental Operating Cash Flow Information

	2015	2014
Interest charges on finance leases	**$ 17**	$ 20
Interest received from bank deposits	**$342**	$309
Interest received from investments	**$478**	$403
Income taxes	**$ —**	$ —

Note 17: Lease Commitments

The Corporation leases office space for its operations to meet client requirements. The Corporation has entered into leases for the co-location of Department of National Defence (DND) and Corporation staff to jointly deliver services. These co-location leases are recoverable from DND. (See Tables 20 and 21)

Note 18: Related-Party Transactions and Balances

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business under its stated mandate. These transactions are measured at the fair value, which is the actual amount of the consideration given or received for the services provided. The entire Corporation's services revenue of $80,531 (2014—$92,909) was generated from services provided to entities owned by the Government of Canada.

The Corporation incurred expenses with other departments of the Government of Canada. These transactions totalled $128 (2014—$190).

In accordance with a memorandum of understanding between DND and the Corporation, DND is to provide office accommodations free of charge to the Corporation's service delivery personnel at DND-owned bases and wings and at other locations. Where office space is not provided, and for the Corporation's service delivery personnel who cannot be

TABLE 20

AS AT MARCH 31, 2015

Lease Period	Corporation leases	Co-location leases	Total
April 1, 2015 to March 31, 2016	$1,569	$2,419	$3,988
April 1, 2016 to March 31, 2017	1,193	318	1,511
April 1, 2017 to March 31, 2018	967	—	967
April 1, 2018 to March 31, 2019	827	—	827
After April 1, 2019	52	—	52
	$4,608	**$2,737**	**$7,345**

TABLE 21

AS AT MARCH 31, 2014

Lease Period	Corporation leases	Co-location leases	Total
April 1, 2014 to March 31, 2015	$ 1,491	$ 2,279	$ 3,770
April 1, 2015 to March 31, 2016	1,733	2,139	3,872
April 1, 2016 to March 31, 2017	1,077	178	1,255
April 1, 2017 to March 31, 2018	851	—	851
After April 1, 2018	709	—	709
	$5,861	**$4,596**	**$10,457**

accommodated at a DND-owned facility, accommodation costs are recovered either as an out-of-pocket reimbursable disbursement or through the hourly billing rates established for the services provided. (See Table 22)

18.1 Compensation of Key Management Personnel

Key management personnel are those persons—including directors of the Corporation—having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

	2015	2014
Short-term benefits	**$2,316**	$2,302
Post-employment benefits	**158**	73
	$2,474	$2,375

Note 19: Capital Management

The Corporation's objectives in managing capital are to safeguard the Corporation's ability to continue as a going concern and fulfill its stated mandate, generate sufficient cash to meet its anticipated operating and capital requirements, and settle its financial obligations as they come due.

In determining the amount of cash reserves carried for operating needs, the Corporation considers the planning and operating risks inherent in its operations, particularly the risk associated with potential and unanticipated changes to the amount or timing of construction project expenditures by the Department of National Defence. Cash levels are constantly monitored, and any surpluses or shortfalls that may occur from time to time during certain operating periods are taken into account in the determination of billing rates for future services. The Corporation's capital consists of its retained earnings.

Note 20: Contingent Liabilities

20.1 Legal Claims

The Corporation's efforts to resolve contract disputes are reflected in the number and value of contract claims before the courts. As at March 31, 2015, there were 13 ongoing claims totalling $16,851, including 12 claims relating to DND totalling $16,351 and one claim relating to the Corporation totalling $500 for which no provision has been provided. These figures compare with 8 ongoing claims with a total value of $7,681 as at March 31, 2014.

In accordance with the memorandum of understanding (MOU) between the Corporation and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by the Corporation. Thus, the financial risk associated with settling these contractual claims does not have any financial impact on the Corporation. As a result, the Corporation does not consider it necessary to record any provision in its financial statements relating to legal claims.

TABLE 22

	AS AT MARCH 31, 2015	AS AT MARCH 31, 2014
Due from:		
Department of National Defence	**$13,805**	$14,881
Canadian Forces Housing Agency	**1,041**	1,145
Communication Security Establishment	**164**	194
Shares Services Canada	**129**	100
Public Works and Government Services Canada	**34**	11
	$15,173	$16,331
Due to:		
Public Works and Government Services Canada	**$ —**	$ 35
Shared Services Canada	**5**	
Canada School of Public Service	**1**	—
	$ 6	$ 35