ANNUAL REPORT 2015–2016

DELIVERING RESULTS

Supporting Canada's Defence Needs

60 YEARS ANS
DCC | CDC

DEFENCE CONSTRUCTION CANADA

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.

CONTRACT MANAGEMENT SERVICES

The Contract Management Services team supports the creation, renovation and maintenance of facilities for DND's IE 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.

NANISIVIK NAVAL FACILITY NUNAVUT

Cover: DCC is contracting for and managing the construction of the $56-million Nanisivik Naval Facility located in Nunavut along the north shore of Baffin Island. The facility will serve as a docking and refueling station for Arctic/Offshore Patrol Ships and other vessels during the Northern shipping season. On September 5, 2015, a local Inuk worker observed an iceberg adjacent to the wharf and refueling cells.

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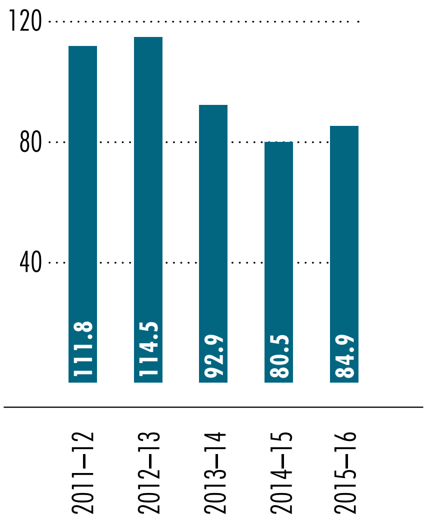
NANISIVIK NAVAL FACILITY NUNAVUT

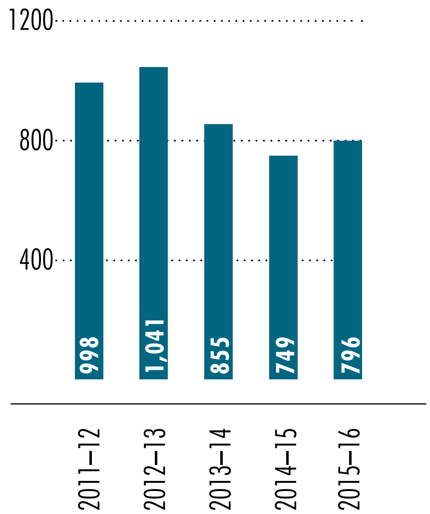
Left: Rendering of the Nanisivik Naval Facility on Baffin Island, Nunavut.

PERFORMANCE HIGHLIGHTS

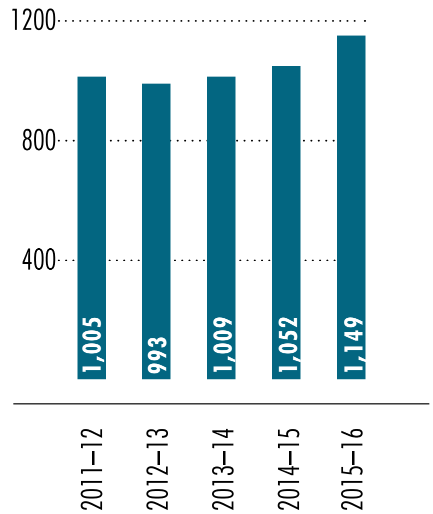
Services Revenue
($ millions)



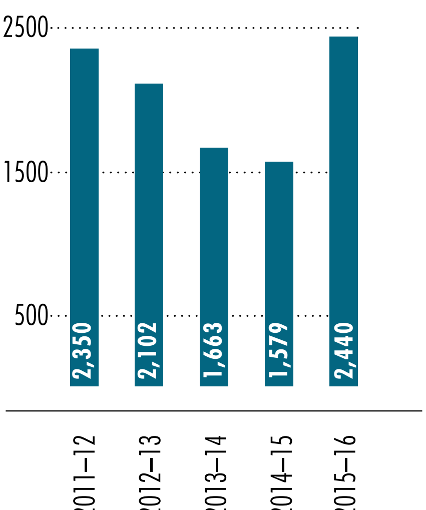
Number of Employees
(based on full-time equivalents)



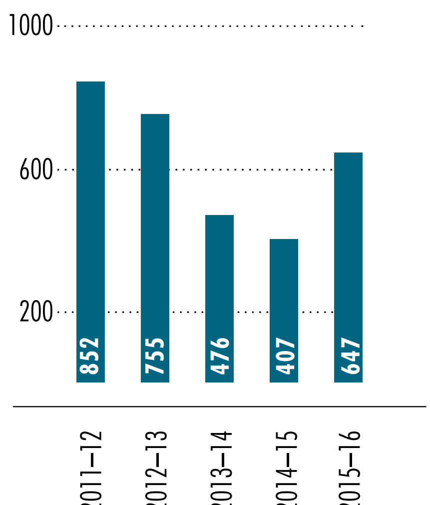
Contract Payments per Employee
($ thousands)



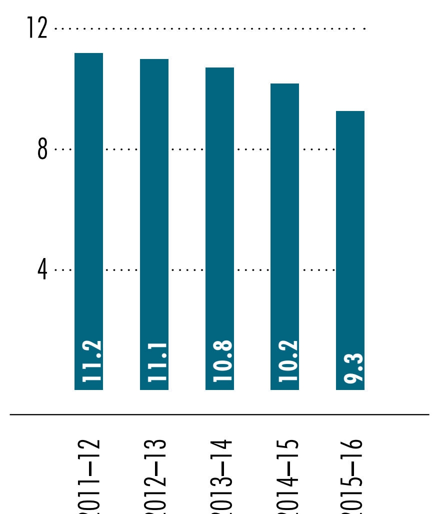
Number of Contracts Awarded



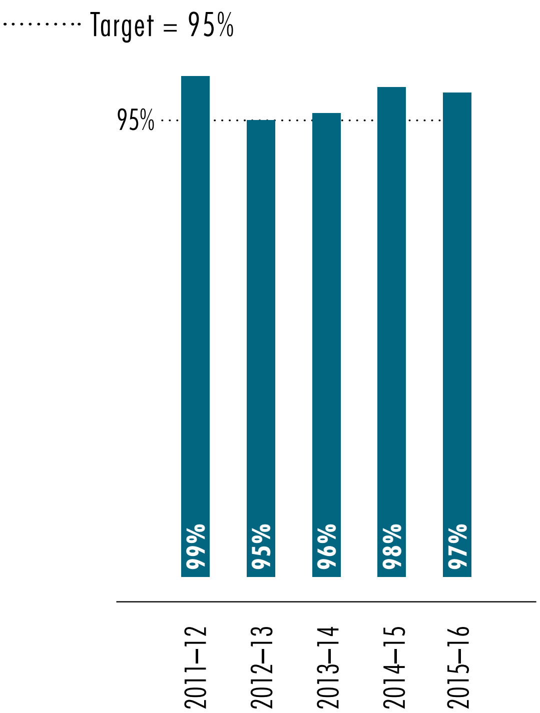
Value of Contracts Awarded
($ millions)



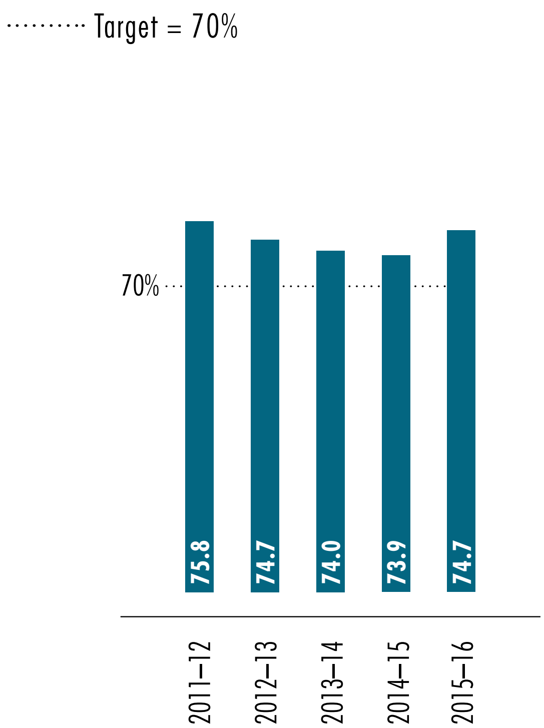
Cost of Service Delivery (services revenue as a percentage of contract payments)



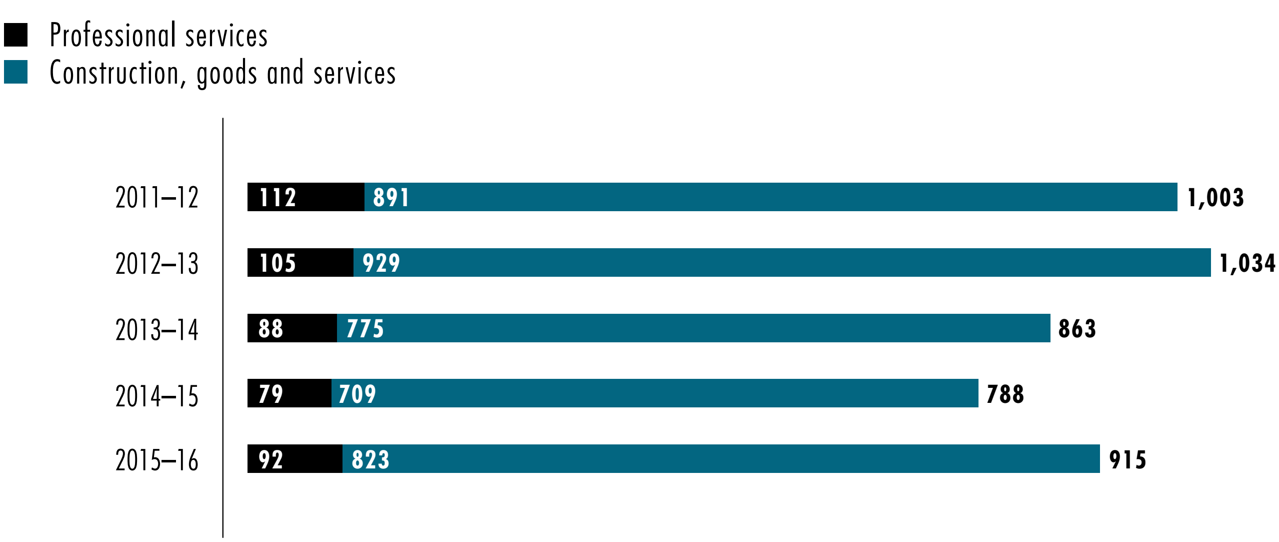
Service Delivery Rating
(client satisfaction)



Utilization Rate
(percentage of employee hours spent on billable contract work)



Contract Payments ($ millions)



DELIVERING RESULTS

Supporting Canada's Defence Needs

DCC has always operated wherever our Client-Partners need us: in the far reaches of Canada's north, from the Atlantic to the Pacific coastlines, and as far afield as Bosnia-Herzegovina and Afghanistan. Regardless of where we work, we continuously ask ourselves one question: how can we best support Canada's defence needs?

Defending Canada is a critical mission. It matters—and so we take pride in the knowledge and agility that our people offer. Thanks to our employees, DCC deftly handles the infrastructure needs of our Client-Partners, rising to the challenges of remote locations, critical timelines and complex, specialized facilities.

When DND received additional funding of $452 million in November 2014 through the Federal Infrastructure Investments Program (FIIP) to repair and upgrade its facilities, this represented a significant increase in our program delivery volume. Despite a three-year period of fiscal restraint that had seen us reduce our workforce by almost 30%, DCC's response was immediate and targeted. We leveraged our internal expertise and long history with DND, ensuring our Client-Partner could achieve maximum value through the FIIP with no compromise in quality and no increased program delivery costs.

Wherever and however we are called to serve, we understand Canada's defence needs, offering long-term benefits for our Client-Partners and their communities across the country. We deliver what counts—every time.

TAPV FACILITY PETAWAWA, ONTARIO

Construction of the Tactical Armoured Patrol Vehicle (TAPV) facility to store and maintain a new fleet of armoured vehicles at Garrison Petawawa, Ontario. DCC is managing the construction of this modified design build project, valued at approximately $21 million.

MESSAGE FROM THE CHAIR

For 65 years, DCC has defined success with two words: delivering results. Our mission is to support Canada's defence infrastructure needs—helping to deliver infrastructure that provides greater security for all Canadians, whatever form that requires: from supporting disaster relief and search and rescue, to environmental protection and overseas operations. We must be mindful, meanwhile, of shifting macro-economic trends that include continuous technology transformation, access to ever greater volumes of information, and a larger, more complex construction industry. At DCC, we respond to these challenges with flexibility, innovation and strength in our goals, our people and, ultimately, our performance.

This proved critical in 2015–16, when DCC was called upon to support a sudden increase in program spending, following three years of fiscal restraint and driving operational efficiencies that saw us reduce our workforce by almost 30%. First, DND received an additional $452 million in Federal Infrastructure Investments Program (FIIP) funding in November 2014 to repair and upgrade CAF facilities by the end of 2016–17, including airfield and hangar repairs, military housing improvements, armoury rehabilitation, and projects such as fire suppression systems.

This was followed by Budget 2016, which addressed the infrastructure needs of the Canadian Armed Forces and, in particular, Canada's role in peacekeeping operations that contribute to a more peaceful world that is also safer and more prosperous for Canada. This included support for safe, modern facilities for CAF personnel and their families, for which DND has proposed spending an additional $200.5 million over two years.

DCC's project delivery volume has increased substantially as a result of these initiatives, with an estimated 2016–17 growth in services revenue of 9% and full-time equivalent staff of 8%. We are well positioned to take on this additional infrastructure and procurement work, thanks to a breadth of internal expertise and extensive experience with our Client-Partners. Our strength in managing performance, both internally and through the contractors who work with us—coupled with efficient service delivery and the dedication and innovation of our people—allows us to deliver a highly cost-effective service regardless of the timelines involved.

Our results also depend on DCC's close ties to the Canadian construction industry, and our strong focus on openness, transparency and fairness in procurement. Our collaborative approach ensures that we understand trends and developments, and also affords DCC opportunities to demonstrate our leadership, as we are doing in such areas as procurement integrity and e-procurement.

I share with my fellow board members a deep sense of pride in the work that DCC accomplishes in support of Canada's defence needs, and an equally deep gratitude to DCC's employees, who drive this work across the country. In turn, it is our privilege to serve you through our focus on DCC's governance and the fulfilment of its mission to support our Client-Partners.

Robert Presser
Chair of the Board

MESSAGE FROM THE PRESIDENT

At DCC, our people take an innovative, collaborative and value-added approach to achieving our goals. So when the Federal Infrastructure Investments Program (FIIP) was announced in November 2014, resulting in a significant increase in program funding to repair and upgrade CAF facilities, DCC was ready. With a focus on optimizing service delivery for our Client-Partners, our people ensured that DND achieved maximum value from this funding, within the time allowed—by March 31, 2016, DCC had already supported approximately $209 million worth of additional projects.

This agile, fast and efficient response—which offered no compromise in quality and no increase in program delivery cost ratios—was not new to DCC. Our record as a high-performing and entrepreneurial Crown corporation has always provided our Client-Partners with the flexibility needed to meet changing needs and objectives, such as the tight timeline against which we delivered the procurement of 30 new buildings at Valcartier Garrison to accommodate potential Syrian refugees in early 2016. This responsiveness requires leadership from each member of our employee team, which DCC was pleased to support with the launch of our new national Leadership Development Program in 2015.

DCC's past experience, coupled with a clear understanding of our Client-Partners' current needs, provides operational excellence on every project we manage, no matter how large the scope. For example, we played a key role in supporting DND's multi-year transformation in the management of its Infrastructure and Environment portfolio, moving from nine real property custodians to a centralized model with one portfolio manager. In doing so, we aligned our regional real property management resources with those of DND, and put focused support teams in place, helping to reduce administrative costs and improve value for the Crown.

DCC also leverages technology and innovation, most notably in 2015–16 through our work to launch e-procurement. Developed in consultation with industry associations, our new online e-bidding capability enhances industry access and makes contract administration more efficient, supporting the government's commitment to online service access and to openness and transparency.

These outstanding results come from our people, whose performance was recognized in a variety of ways over the past year. We received the U.S. National Procurement Institute's Achievement of Excellence in Procurement Award, were named one of Canada's safest employers by Canadian Occupational Safety magazine, and received awards for the quality of our corporate reporting from the Chartered Professional Accountants of Canada and for our social media strategy from the International Association of Business Communicators. This would not be possible without the energy and commitment of all DCC employees.

In closing, I would like to recognize two retirements in the past year of executive team members: Angelo Ottoni, Vice-President, Corporate Services, CFO and Treasurer, in September 2015; and Randy McGee, Vice-President, Operations, in December 2015. On behalf of DCC, we thank them for their contributions to DCC's values and ethics, to our innovative culture, and to the excellence we continue to deliver to our Client-Partners.

James S. Paul
President and Chief Executive Officer

FOCUS ON PROCUREMENT

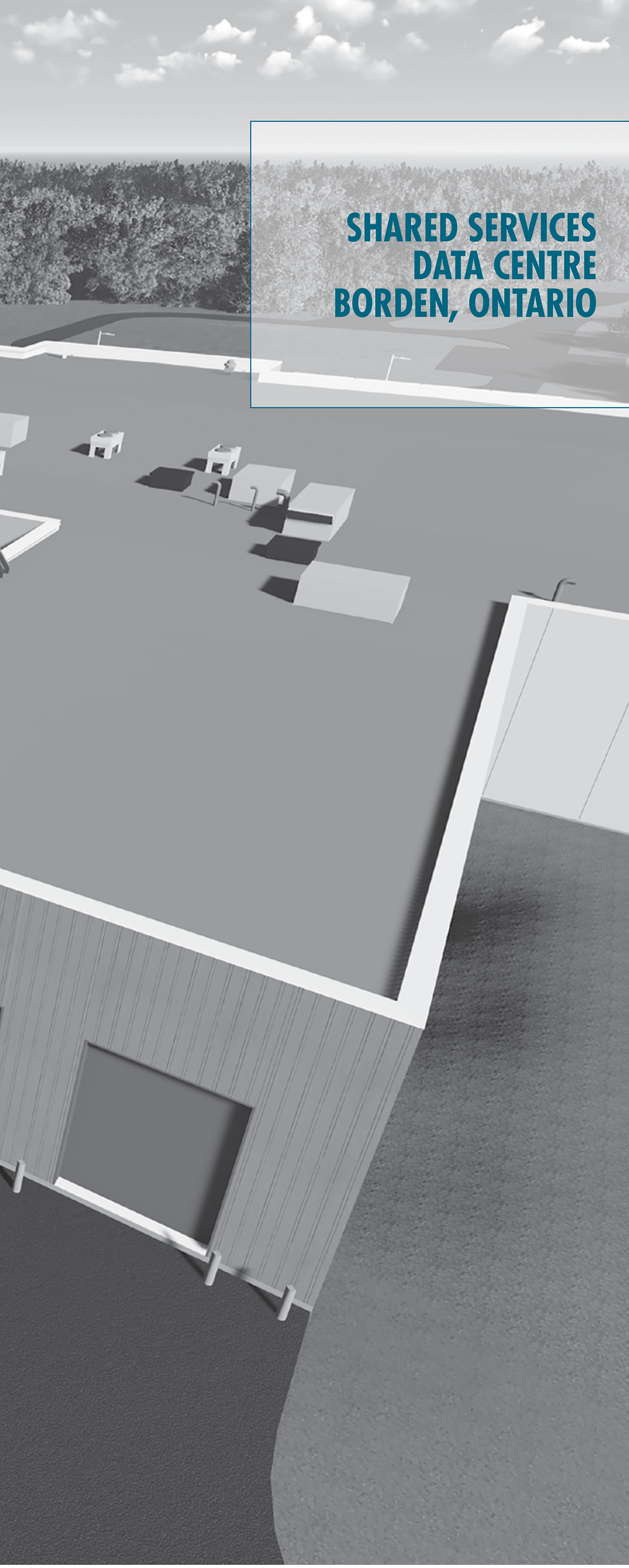
Innovative approaches get the job done right

At DCC, we embed innovation in every element of our work—beginning with the procurement process. Before a shovel ever breaks ground, our people are considering how to bring the project from vision to reality using a fair, open and transparent process that ensures maximum value for our Client-Partners.

This includes our expertise in alternative procurement options, such as the public-private partnership (P3) model used to procure the Long-Term Accommodation Project for the Communications Security Establishment (CSE)—one of Canada's largest P3 projects. We worked closely with CSE on this $4.1-billion, 30-year contract, covering everything from design and build to finance and maintenance.

DCC is now leveraging this successful collaboration to procure a new P3 project: a similar 25-year agreement for the expansion of Shared Services Canada's Enterprise Data Centre, located at CFB Borden. The project is pivotal to the modernization of IT support for federal government departments, accommodating greater volumes of data and storage capacity, while reducing costs and increasing security.

DCC's use of energy performance contracts (EPC), meanwhile, is reducing energy consumption and associated greenhouse gases by 10–15% at select facilities, with little up-front capital investment. The firms awarded an EPC finance the improvements over a period of years, allowing DND to pay for the project using the energy savings realized over the same period. In November 2015, DCC expedited an aggressive EPC program at Trenton, Cold Lake, Greenwood and



SHARED SERVICES DATA CENTRE BORDEN, ONTARIO

Rendering of Shared Services Canada's Enterprise Data Centre located at CFB Borden, Ontario. DCC's second P3 procurement, the award of the $330 million, 25-year contract was announced on May 25, 2016. The expansion of the data centre will help to modernize and standardize federal IT infrastructure. Construction is expected to begin in summer 2016.

Esquimalt using a collaborative framework of Head Office and site expertise, successfully increasing the payback period from 10 to 15 years.

In 2015–16, DCC collaborated with industry, including the Canadian Construction Association, to implement e-procurement. Our online e-bidding pilot program rolled out with the first official tender closing in March 2016. This supports the Budget 2016 commitment to make it easier for Canadians to access government services online—it enhances industry access, makes contract administration more efficient, reduces the potential for bidder errors, and allows DCC to more easily manage the tendering process.

And at CFB Petawawa, DCC's work with the Canadian Forces Housing Agency has developed a unique solution for providing maintenance services. One contract now replaces 14 previous standing offers, streamlining service provision so effectively that the technique is being considered at other sites.

Throughout the procurement process, from awarding tenders to managing contracts at the job site, DCC leverages innovation and alternative approaches to deliver results—effectively and efficiently.

FOCUS ON RESULTS

Success through performance management

DCC has always believed in measuring what matters—and performance matters, because it demonstrates how we deliver results and value for our Client-Partners and Canadian taxpayers. We employ a variety of tools and practices for managing performance both internally and externally, including contractor performance evaluations, employee performance reviews, employee competencies, and operational measures such as targeted costs of service delivery. Together, these create our corporate performance management framework.

Delivering procurement processes with integrity is the foundation of all of this work. DCC is committed to operating with the highest level of ethical standards, ensuring fair, open and transparent processes. Last year, we launched an Integrity Management Framework that brings all of DCC's integrity products under one framework, creating a structured, integrated governance approach to the principles, policy, guidelines and key processes involved.

INDUSTRIAL SECURITY TEAM OTTAWA, ONTARIO

(l to r) Linda Marcantonio, Debbie Martel, Andrew Buchan, Zinnia Segura, Marie-Claire Wihogora, Julie Roy, Sindy Ngai, Isabelle Lafrenière and Lauren Shattler. The team was recognized with a DCC National Award for educating firms and helping process more than 1,000 security clearance applications in one year.

This work is ongoing; however, key items are already in place. DCC's Procurement Code of Conduct, for example, provides suppliers with a clear statement of expectations to ensure they understand their responsibilities during the procurement process and the implementation of the work. And our employee Code of Business Conduct ensures that employees understand our mission, vision and values, along with their expected standard of conduct and the rules for avoiding and resolving potential conflicts of interest.

External recognition also helps us to benchmark our performance. We are particularly pleased, for example, that for the second straight year, DCC has received the Achievement of Excellence in Procurement Award from the U.S. National Procurement Institute. This highlights best practices in innovation, ethics, training and development, quality control, productivity, e-procurement and leadership related to procurement. And *Canadian Occupational Safety*, an industry magazine, has named DCC one of Canada's safest employers—a testament to every DCC employee's focus on safety, and to the renewal of our Health and Safety program in March 2015.

For the fourth time since 2010, the Chartered Professional Accountants of Canada has recognized DCC for the quality of our corporate reporting, this time for our focus on value for money and sustainability in the 2013–2014 Corporate Plan and Annual Report. And we received the International Association of Business Communicators' 2015 Silver Leaf Award for our social media strategy, which supports transparent communication with our key stakeholders.

At DCC, we are committed to measuring and managing our performance, to ensure we deliver results for all of our stakeholders: our Client-Partners, the construction industry, our contractors and our communities.

FOCUS ON OUR EMPLOYEES

Maintaining a healthy and inclusive workplace

DCC is a knowledge-based organization. Simply put, the experience, commitment and expertise of our employees makes us who we are, and allows us to deliver the value our Client-Partners expect. That's why we focus on a workplace that supports our people: productive, engaging, innovative and healthy.

Our employee programs and practices reflect a best practice approach that combines the best of both public and private spheres. This creates a strong and competitive environment that positions DCC as an employer of choice, allowing us to recruit and retain strong people.

DCC employees are part of the public service pension plan, for example, meaning that public service employees joining DCC may bring their accumulated pension contributions with them. However, DCC has set its own compensation policy and structure, benefits plan and sick leave policy, modelled on private sector models.

We support our employees with a comprehensive salary and benefits package, including a menu of health and wellness products, plus a flexible work schedule option, support for ill family members, and encouragement to take full advantage of annual leave entitlements—all of which support work-life balance and mental wellness.

We also believe that training and development for our people is essential to maintaining the expertise and flexibility DCC needs. Our competency-based job system makes expectations for skills and performance clear. To

JORDYN GAVINCHUK
ESQUIMALT, BRITISH COLUMBIA

As a service organization, DCC's chief asset is its people. All DCC employees make a difference by supporting Canada's troops and contributing to the defence of Canada.

support this, we launched DCC's Leadership Development Program last year, reflecting that all employees have a leadership competency and associated performance expectations. Strong leadership helps DCC continuously adapt to new realities, so we took the best elements from all of our regional leadership development and training programs, and created a standard, national program. The resulting consistency in the leadership characteristics we are developing across the company enables succession planning that effectively delivers the types of flexible, innovative leaders we need.

Since it is critical for employees to receive the information they require to do their jobs, we are also working to enhance internal communication, ensuring that it is accessible and effective—delivered when needed, in the right format.

Taking care of our people in a balanced way supports their strength and resilience, and their ability to deliver the work our mission depends on. And at DCC, nothing is more important.

FOCUS ON AGILITY

Meeting our Client-Partner requirements

DCC supports a wide range of defence infrastructure and environment needs, from airfields and naval dockyards to army training facilities and overseas deployments. We have developed not only the internal expertise to meet those needs, but the flexibility to respond rapidly—including, most recently, to the Federal Infrastructure Investments Program (FIIP).

This $452-million federal government investment in military assets, announced in November 2014, not only supports the infrastructure needs of DND, but builds community capacity as well. For example, DND is investing in 57 communities across Canada by improving the condition of armouries, repairing external building envelopes and modernizing plumbing and other internal systems. DCC is coordinating all of its service lines to offer a holistic service delivery for these projects—many of these structures dating back to the turn of the 20th century, including the Citadelle in Québec and Wolseley Barracks in London.

DND also turned to DCC in late 2015, when the Government of Canada announced the arrival of 25,000 Syrian refugees in the coming months. DCC responded in record time to the request for 30 new buildings that could house refugees as needed at the Valcartier Garrison, while also offering year-round housing for cadets, reservists and other units needing temporary housing. In less than two weeks, we drafted and issued the contract documents, and completed the tender periods. The contractor then set to work, building on site and through the holidays to ensure the buildings were ready in January 2016 to welcome refugees as needed.

The purchase of new, heavier Main Battle Tanks created another urgent situation last fall. To avoid limiting the

TEMPORARY HOUSING VALCARTIER, QUEBEC

DCC delivers the necessary requirements to meet current and future infrastructure needs of the Canadian Armed Forces. In 2015, DND asked DCC to begin construction of 30 new buildings to house refugees as needed at the Valcartier Garrison. The accommodations will also be used for year-round housing for cadets, reservists and other units needing temporary housing.

annual training exercise by the Canadian Maneuver Training Centre in Wainwright, the range and training area's Purple Bridge across the Battle River had to be replaced before spring 2016. DCC procured a consultant to write a performance specification, design abutments and coordinate with the supplier on the 40-metre bridge design. We then procured a contractor to remove the old bridge and erect the new one with on-site supplier support. Despite needing to be completed during the winter season, the installation for the bridge and abutments, with 30 pilings, was in place for the spring exercise.

Internal expertise, a culture of innovation, and long experience with our Client-Partners: this unique combination provides DCC with the ability to respond whenever and wherever Canada's defence requires us.

FOCUS ON COLLABORATION

Leveraging our internal expertise and experience

DCC's 65 years of experience serving DND/CAF translates into a deep understanding of our Client-Partner's needs. And as those needs evolve, so too does DCC. The adaptability and responsiveness that we offer reflects the knowledge and skills of our people, and our strong ability to leverage this through internal collaboration.

DCC's support of the Goose Bay Practice Target Area range clearance project highlights the depth of our internal resources. From 1985 to 2007, American, Dutch, German, Italian, British and Canadian air forces used the range to hone their low-level flying skills, dropping an estimated 21,000 inert bombs, amounting to approximately 2.6 million kilograms of debris. Located some 120 kilometres southwest of Goose Bay, this remote site has no road access, and a limited activity window from mid-June to early October.

Having developed extensive expertise in unexploded explosive ordnance (UXO) clearance work, DCC and DND representatives assessed the site in June 2014. In October 2015, the project team spent three weeks on site, identifying and preparing about 1,500 bombs and UXO debris for Level 3 clearance in June 2016. This complex operation required constant communication between DCC and 5 Wing colleagues, dealing with flights in and out of the site, equipment breakdowns, explosive ordnance disposal procedures and guidelines to meet DND standards. To augment the resources available in the Atlantic Region, DCC leveraged specialized expertise from the UXO project head office and other regions, making this challenging project possible despite short timelines.

UXO REMEDIATION GOOSE BAY, NEWFOUNDLAND AND LABRADOR

DCC coordinates the removal of unexploded explosive ordnance (UXO) and manages active range clearance at sites across Canada. Located in a remote area with limited access, the Goose Bay Practice Target Area clearance site is challenging for the DND and DCC project team. About 1,500 UXO have been identified and prepared for explosion to meet strict clearance requirements. The various UXO materials are scheduled for proper disposal in summer 2016.

DCC's approach to collaboration also proved critical to establishing regional facilities maintenance contracts for facilities outside garrisons throughout the Quebec Region—specifically, maintaining and improving the armouries. Dispersed locations and numerous stakeholders added to the complexity of these contracts, which involve sharing liabilities and risks with industry, which must perform inspections, recommend improvements, and carry out maintenance and repairs to ensure that facilities are maintained in good order.

To reduce the number of contracts needed, thus decreasing costs and increasing efficiency, DCC led almost a year of development, client listening, document review and negotiations to ensure our Client-Partner's objectives were identified, understood and met.

DCC's ability to access the expertise and experience of our people from across the organization creates an agile response to every challenge. Collaboration is, simply, how we do business.

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 2015–16, DCC had 796 employees, based on full-time equivalents (FTEs)—an increase of 6.3% from 749 FTEs in 2014–15. To meet its operating objectives, DCC continually adjusts the size of its workforce in response to the demand for infrastructure services from the Department of National Defence and the Canadian Armed Forces (DND/CAF). Following a three-year period of fiscal restraint, where DCC reduced its workforce by almost 30%, DCC increased its FTE staff strength due to higher work volumes. This increased demand for DCC's services was the result of the Corporation's support for the government's Federal Infrastructure Investments Program (FIIP). At fiscal year end, the employee headcount was 830, compared to 751 in 2014–15, 802 in 2013–14, 963 in 2012–13 and 1,061 in 2011–12—an increase of 10.5% in 2015–16 after year-over-year decreases of 6.4%, 16.7% and 9.2%, respectively. Staff levels are expected to increase in the upcoming fiscal year to support the increase in work volume forecasted for 2016–17 plus the additional funding announced by the Government of Canada in Budget 2016.

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 2015–16, 75 employees reached five years of service with DCC, 33 employees marked 10 years of service, nine employees achieved 15 years of service, three employees marked 20 years of

HUMAN RESOURCES TEAM HEAD OFFICE, OTTAWA, ONTARIO

DCC is focused on providing a healthy, productive and engaging work environment. DCC Employee Relations Specialist Dienabou Sow *(left)* and Ian Quane, Coordinator Programs, are two of the 15-person Human Resources team that deliver strategic and tactical HR direction, advice, systems and support to all DCC employees.

service, one employee reached 30 years of service and one employee achieved 35 years of service.

During the year, DCC's internal career development practices helped 44 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 2015–16, 14 employees transferred from one region to another, and 30 employees transferred to a different business unit within the same region.

Executive Management Structure

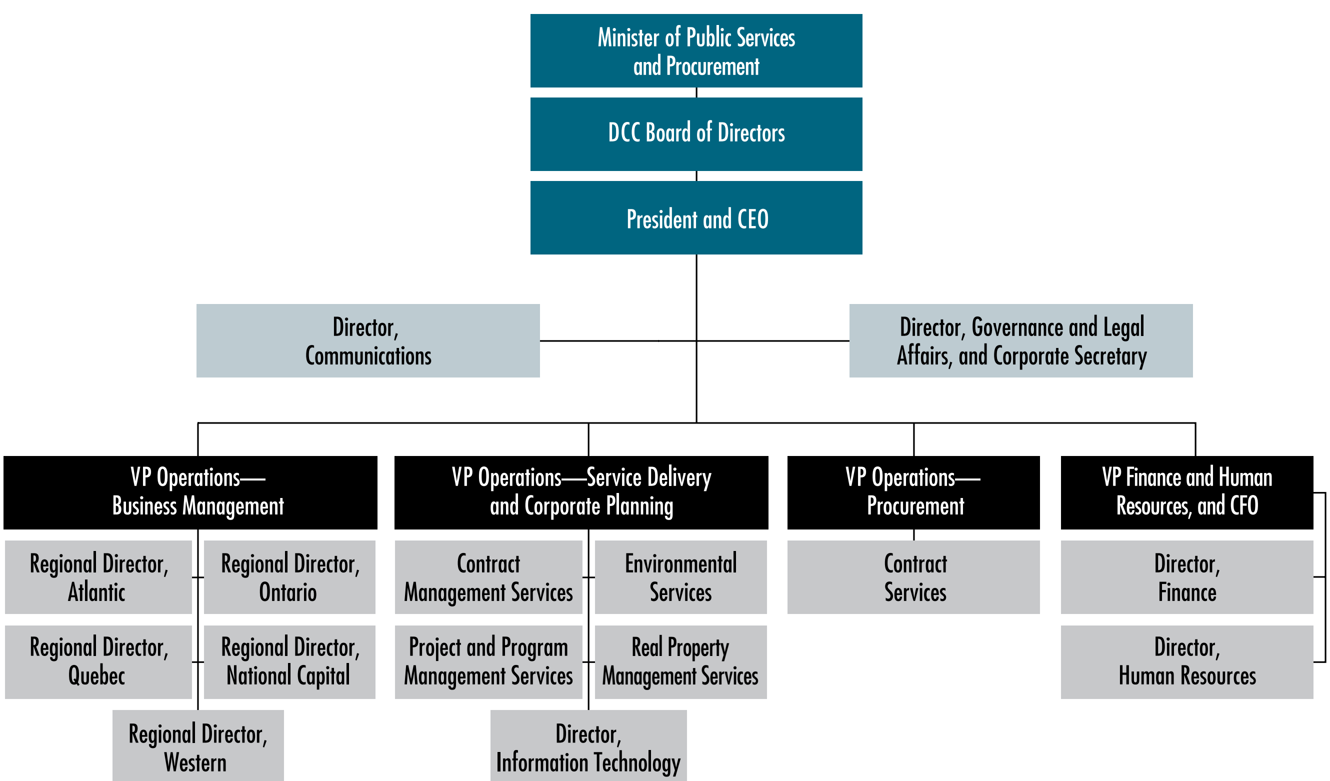
The President and CEO is accountable to the Board of Directors for the overall management and performance of the Corporation. DCC's President reports to the Chair of the Board. The Executive Team—made up of the President and CEO and four vice-presidents (three for operations, one for finance and human resources)—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 business management, service delivery and corporate planning, 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 the Information Technology Department. He is also responsible for corporate planning activities that support the strategic initiatives set out in DCC's Corporate Plan and acts as the Corporate Security Officer and the Chair of the Information and Technology Steering Committee. 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.

In the first half of 2015–16, the Vice-President, Corporate Services and Chief Financial Officer retired. A competitive recruitment process for this position was undertaken and the new Vice-President, Finance and Human Resources, and Chief Financial Officer, will be responsible for the financial affairs of the Corporation and the executive leadership for DCC's human resources function. During the interim period, this essential role was managed by members of the Executive Team according to the CEO's management plan approved by the Board of Directors. Upon the retirement of the Vice-President, Operations—Business Management, in the third quarter, DCC held a competitive recruitment process and the Regional Director, National Capital Region, was the successful candidate for the position.

Members of the Senior Management Team include regional directors, the National Service Line Leader for Contract Management and Real Property Management Services, and directors. 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. Directors of communications, finance, governance and legal affairs, human resources, and information technology are accountable for the corporate strategic leadership and management of their respective functions and groups.

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.



Recognition and Honours

NATIONAL AWARDS 2016

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 2016 National Awards.

The President's Award is presented annually to the employee who has consistently demonstrated exemplary service to DCC and achieved exceptional results. Coleen Purdey-Morrison, Site Manager at 19 Wing Comox, was honoured with this award.

The Industrial Security Program team from the National Capital Region received the Service Development Award. It recognizes an employee or group of employees for making a notable contribution to developing and promoting value-added Client-Partner services. The team consisted of Andrew Buchan, Isabelle Lafrenière, Linda Marcantonio, Debbie Martel, Sindy Ngai, Julie Roy, Zinnia Segura, Lauren Shattler and Marie-Claire Wihogora.

DCC presents Customer Satisfaction Awards to employees who consistently provide exemplary customer service. The large number 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 2015–16, DCC presented the Customer Satisfaction Individual Award to Jason Myers, Coordinator, Contract Services, at CFB Petawawa; and the Customer Satisfaction Team Award to the Valcartier Team from Valcartier Garrison, composed of Alain Bélanger, Sonia Bilodeau, Nicolas Boivin, Sébastien Boucher, Nicolas Boutin, Ole Dounedara, Véronique Jean, Diane Morel, Annie Pageau, Rémy Robitaille, Jean-Philippe Simard, Francis Thiboutot and Karine Vincent.

The Innovation Award is presented to an employee or group of employees who have played an instrumental role in developing and implementing an innovative solution.

Jordan Mooers, Coordinator, Environmental Services, from CFB Halifax was the 2016 recipient of this award.

Craig Banilevic, Coordinator, Environmental Services, at 17 Wing Detachment Dundurn, received the 2016 Robert Graham Memorial Award. This award recognizes an employee who makes a special contribution to improving workplace safety or environmental protection.

PRESIDENT'S CERTIFICATE OF RECOGNITION

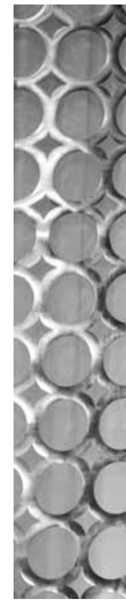
The President´s Certificate of Recognition may be awarded, at the President's discretion, to one or more nominees who have made an outstanding contribution to DCC. In 2016, a certificate was awarded to Richard Allie, Procurement Specialist, Contract Services, at Head Office in Ottawa.

INDUSTRY AWARDS

Achievement of Excellence in Procurement

For the second straight year, DCC was honoured with the Achievement of Excellence in Procurement Award from the U.S. National Procurement Institute (NPI). This award honours excellence in public procurement. Of the 204 organizations so recognized, DCC is one of just six from Canada.

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 succeed, applicants must achieve a rating of at least 100 on standardized criteria. That threshold indicates basic best practices are in place; anything above that shows increasing levels of excellence.



Canada's Safest Employers' Award

Canadian Occupational Safety, an industry magazine, recognized DCC as one of Canada's safest employers. DCC's Health and Safety and Hazard Prevention Program won the Silver Award in the public sector category. Canada's Safest Employers Awards recognize organizations from across Canada with outstanding accomplishments in promoting the health and safety of their workers.

Corporate Reporting Award

For the fourth time since 2010, DCC was recognized for the quality of its corporate reporting by the Chartered Professional Accountants of Canada (CPA Canada). DCC won the association's 2015 Award of Excellence in the small federal Crown Corporations category for the 2013–2014 Corporate Plan and Annual Report. CPA Canada has been handing out corporate reporting awards for 62 years, as part of a broad program to enhance the quality of financial reporting in Canada.

IABC Award of Merit

The International Association of Business Communicators (IABC) recognized Lucie Frigon, Advisor, Communications, with IABC Canada's Silver Leaf Award of Merit for her work in developing and implementing DCC's social media engagement strategy.

Clockwise: Daniel Benjamin, Vice-President, Operations; 2015 National Procurement Institute's Achievement of Excellence in Procurement award; Richard Danis, DCC Director, Finance *(left)* collected the corporate reporting award from John A. Gordon, KPMG LLP; Steve Irwin, retired DCC Vice-President, Operations, and Colonel Commandant of the Canadian Military Engineering Branch *(centre)* joined DCC's Executive Team *(l to r)* Ross Welsman, James Paul, Daniel Benjamin and Mélinda Nycholat at the 2016 National Awards ceremony.

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 Services and Procurement (the Minister). A Corporate Governance Framework is in place that provides an overview of the governance structure, principles and practices for the Board of Directors of DCC. The Board is also guided by the Corporation's bylaws and the Board Charter. To maintain DCC's commitment to openness and transparency, all board-related documentation is available on DCC's website.

The sole shareholder of DCC is the Government of Canada and DCC's Board is responsible for overseeing the Corporation's business affairs on behalf of the shareholder. The Board plays a role in ensuring that DCC's services are delivered efficiently through an open, transparent, competitive and streamlined procurement process. The *Defence Production Act* and the FAA govern DCC and, like other federal Crown corporations, DCC is subject to other federal legislation, including the *Access to Information Act*, the *Privacy Act*, the *Employment Equity Act,* the Canada Labour Code and the *Official Languages Act.*

Two committees—the Audit Committee, and the Governance and Human Resources Committee—assist the Board in carrying out its responsibilities, and each committee has its own charter.

TRAVEL DIRECTIVE

In 2015–16, the Governor in Council directed Crown corporations to align their policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures, in a manner that is consistent with

MANAGING DCC'S BUSINESS

DCC's Board oversees the management and strategic direction of the Corporation and ensures that its business practices foster integrity and ethical behaviour. Robert Presser, Chair of the Board of Directors, discussed the Corporation's approach to change and transformation during DCC's Annual Public Meeting in Ottawa.

their legal obligations. Parliament and Canadians expect the federal government to be well managed with the prudent stewardship of public funds, and the effective, efficient and economical use of public resources. In doing so, they also expect the government to act at all times with the highest standards of integrity, fiscal prudence, accountability, transparency and values and ethics. These fundamental management principles apply to all government expenditures. DCC's Board of Directors is responsible for ensuring prompt and efficient implementation of this directive. DCC's planned activities related to implementing this government priority were outlined in its 2016–17 to 2020–21 Corporate Plan.

During this reporting period, DCC reviewed and compared its Travel Policy with the Treasury Board of Canada Secretariat's (TBS's) National Joint Council Travel Directive. To assist in this activity, DCC personnel met with officials from the Department of Public Services and Procurement to discuss the application of this directive and to explore the related TBS policy suite.

During this period, DCC completed the evaluation process of aligning the Corporation's policies to Treasury Board policies and reported on the implementation of this directive in the Corporate Plan. The implementation is expected to be completed in fiscal year 2016–17. DCC's objectives under this directive include that travel, hospitality, conferences and event expenditures are managed with prudence and probity and represent the most economic and efficient use of funds. DCC's travel expenditures are focused on its core mandate activities.

In addition, DCC drafted a new Conferences and Events Policy for its personnel, which was also based on the similar TBS policy.

Governance

The Board of Directors oversees DCC's management of such matters as integrity, values and ethics, strategic planning, and risk management. Further, the Board ensures that DCC's business practices foster openness, transparency, integrity and ethics; provides guidance on the Corporation's strategic direction; and assesses the appropriateness of DCC's Risk Management Framework.

All of DCC's seven board members are independent of DCC management, except for DCC's President and CEO. No new appointments were required in 2015–16, as the Board had a full complement of members. As per the FAA and the current Governor in Council approval process, the Minister appoints board members. They may hold office for up to four years, pursuant to the FAA. Should they wish to remain on DCC's Board after the end of their term, they may do so until a successor is appointed. The Chair of DCC's Board and DCC's President and CEO are appointed by the Governor in Council for such terms as the Governor in Council considers appropriate. These two roles are separate, and no DCC employees or corporate officers serve on the Board.

Board members have a combination of business, financial, industry and public service experience, allowing them to collectively provide a variety of points of view. DCC's Board uses the Privy Council Office (PCO) document *Building a Crown Corporation Director Profile* to establish its Board of Directors Profile. This profile helps to identify and clarify the roles and responsibilities of the Board and its committees. It is also used to identify 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 key roles and responsibilities of DCC's board members include governance, strategic planning, risk assessment and management, internal controls, performance management and evaluation, and management continuity. DCC's Board strives to appropriately represent Canada, a task that includes reflecting gender equity and ensuring regional representation. The Board reviews its needs regularly and analyzes the current members to ensure that the overall membership continues to be appropriate for the Corporation's requirements. DCC's Board is working toward gender parity and currently consists of five male and two female members.

When new members are appointed to DCC's Board, DCC representatives provide a detailed orientation session on how the Corporation operates, along with information about their roles and responsibilities. Board members are encouraged to seek further educational opportunities and to keep abreast of matters of interest and relevance to DCC. Since DCC is a member of the Institute of Corporate Directors (ICD), board members are able to attend workshops and conferences in their home province.

The Board regularly undergoes an assessment of its effectiveness and that of its members. A Board Effectiveness Assessment Questionnaire gives members an opportunity to examine how the Board is operating and to suggest improvements. Members are also asked to rate their own performance. Results are tabulated and recommendations are implemented, as appropriate. DCC provides an analysis of this assessment to the Minister of Public Services and Procurement.

The Office of the Auditor General of Canada (OAG) is DCC's auditor, further to the *Defence Production Act*. In early 2016, the OAG began its special examination of DCC, and DCC's Audit Committee reviewed and confirmed the plan for that examination. The OAG also audits the Corporation's financial statements annually.

In 2015–16, DCC used an open, transparent and fair procurement process by posting on MERX a request for abbreviated proposal (RFAP) and standing offer agreement (SOA) for internal audit and evaluation consultant services for DCC. This RFAP set out all of the required information and closed on April 7, 2016. DCC's Audit Committee was involved in this procurement, as per its charter. The results of this process were not known when this annual report was produced.

For all internal audits, the Audit Committee receives reports, including details on the implementation and status of recommendations, and notifies the Board of key issues.

Integrity and Ethics

Board members must comply with the *Conflict of Interest Act*. Each year they sign a declaration confirming they have read this Act and understand its application to their role.

In this declaration, they must also confirm they have made the appropriate declarations and have taken mitigation measures, if necessary, to comply with this Act. Board members are also subject to the Board of Directors Code of Conduct (Board Code). It outlines the standards of conduct board members are expected to meet as they exercise their duties as directors of DCC. The Board Code supplements and is to be read together with the *Conflict of Interest Act* and guidelines governing the ethical conduct of board members.

DCC conducts all business with high ethical standards and integrity, and the Board ensures DCC has systems and practices in place to support the Corporation's expectations related thereto. The Board monitors DCC's frameworks and policies related to values and ethics, including DCC's Integrity Management Framework, which comprises DCC's Code of Business Conduct for employees and Procurement Code of Conduct (PCC) for suppliers.

The Code of Business Conduct outlines expectations for all DCC employees. It incorporates the *Public Servants Disclosure Protection Act* and clearly sets out procedures for disclosing wrongdoing under that Act. Annually, DCC employees are required to review their obligations and responsibilities under the Code. Each year, employees receive an electronic reminder. An automated system tracks and records all responses, ensuring DCC keeps accurate records and follows up appropriately. Also, shortly after they are hired, all new employees must pass an online test regarding the Code. In 2015–16, 100% of DCC's employees responded to the annual request for review and all new hires completed the required test.

Under the PCC, the Corporation expects suppliers to respond to bid solicitations in an honest, fair and comprehensive manner. The PCC clearly states what DCC expects of suppliers not only during the procurement process, but also as they carry out their work. The Corporation has incorporated the PCC into its contract documentation. DCC's President and CEO reports regularly to the Board on matters arising out of the PCC and on employee compliance with DCC's Integrity Management Framework. This helps DCC maintain its best practices regarding integrity, ethics and values.

Strategic Direction

For planning purposes, DCC uses a strategic and corporate planning process chart that sets out the timeline for this process, as well as key activities and deliverables. At each meeting, the Board discusses DCC's strategic initiatives and industry trends, but it also dedicates time twice a year specifically to discuss board members' perspectives on strategic planning. Also, the Board selects one member to participate in DCC's strategic planning session with senior management. DCC also invites stakeholder representatives to this session, including the Assistant Deputy Minister (Infrastructure and Environment), DND; the Assistant Deputy Minister (Real Property), Public Services and Procurement Canada; the President of the Canadian Construction Association; and the President of the Association of Consulting Engineering Companies.

In late fall, the Board advises on, reviews and approves DCC's five-year Corporate Plan. For the 2016–17 to 2021–22 planning period, the Board began its discussions in June 2015 with a strategic session, participated in DCC's September planning meetings, and reviewed and approved the draft 2016–17 to 2020–21 Corporate Plan in December 2015.

With the change of government in November 2015 came new expectations for government departments. DCC's Board specifically reviewed the Mandate Letter that Prime Minister Trudeau sent to the Honourable Judy Foote, Minister of Public Services and Procurement to ensure that DCC's 2016–17 to 2020–21 Corporate Plan appropriately addressed the government's priorities and the expectations of the Minister.

The Corporation ensures that its services are delivered efficiently, that these services are held to a high standard, that its procurement processes reflect modern best practices, and that they reflect public expectations around transparency, openness and fairness of government.

Additionally, DCC stands ready to support Minister Foote with its specialized expertise in contracting for and constructing northern infrastructure as she prioritizes and collaborates on the National Shipbuilding Procurement Strategy with the Department of National Defence.

DCC's primary Client-Partner is the Department of National Defence and the Corporation supports this Minister's mandate of ensuring that the Canadian Armed Forces are kept mission-ready to protect Canadian sovereignty, defend North America, provide disaster relief, support United

Nations Peace Operations, and contribute to the security of Canada's allies and coalition operations abroad. Also, if needed, the Corporation stands ready to apply its specialized technical expertise that it has accumulated over six decades in working with its highly specialized and complex Client-Partner under a variety of conditions.

Risk Management

The Board works with DCC management to identify and prioritize the principal risks of DCC's business and ensure that an appropriate system is in place to manage these risks. DCC's Board reviews and approves DCC's Risk Management Framework and discusses risks at each meeting. The Board performs due diligence by assessing risks and opportunities and by monitoring DCC's financial and corporate performance against targets set for corporate initiatives.

Engagement and Communication

DCC's Board engages with DCC staff at each meeting and with external stakeholders at least annually at the Annual Public Meeting. The Chair of the Board also seeks opportunities to communicate with government stakeholders, including the Minister. At each board meeting, a representative of DCC—such as a vice-president, regional director or other DCC staff member—makes a presentation on one or more subjects, to board members. Board members also meet with DCC staff informally.

The Board holds at least two meetings per cycle in different regional offices across Canada (Atlantic, Quebec, Ontario, National Capital or Western). In September 2015, it met at 17 Wing Winnipeg, and in December, it met in the National Capital Region.

DCC held its 2015 Annual Public Meeting on June 1, 2015, after posting a notice on DCC's website 30 days earlier. DCC encourages collaboration with stakeholders, so it invited the heads and members of industry associations to this event, along with DCC employees. The Chair of DCC's Board of Directors, board members, and DCC's President and CEO were available to answer questions. The Chair and the President and CEO provided information on DCC's activities and financial results, and sought input from attendees. A summary of the proceedings of this meeting is available on DCC's website.

CEO Performance

Through its Performance Management Program for Chief Executive Officers of Crown Corporations, the Privy Council Office (PCO) encourages excellent performance by setting clear objectives linked to corporate plans and government objectives; by recognizing and rewarding strong performance; and by providing a framework for managing performance consistently. By following PCO's guidance, the Chair and board members ensure that they set clear objectives that are linked to DCC's Corporate Plan and to the government's objectives. The Board of Directors ensures that the priorities of the Government of Canada are reflected in the CEO's performance evaluation.

Board Committees

DCC's Board has two committees: the Audit Committee, and the Governance and Human Resources Committee. These committees use charters and work plans to ensure that they identify and address all of their responsibilities at each meeting. The key activities of these committees in 2015–16 are noted below.

AUDIT COMMITTEE

Chair: Lori O'Neill
Members: Paul Cataford, Shirley McClellan and Marc Ouellet
The Committee met three times in 2015–16.

The Audit Committee values financial integrity. It actively promotes an overall corporate tone for quality financial reporting and sound business risk practices by reviewing such documents as DCC's Financial Management Policy and recommending them to the Board for approval.

All Audit Committee members are independent of DCC management in that none of them are officers or employees of DCC, as per the FAA. Further to 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. At each meeting, the Audit Committee holds an *in camera* session for committee members only, as well as separate sessions with representatives from the OAG, DCC's internal auditors and the Chief Financial Officer (CFO). Before each meeting, the Chair of the Committee conducts individual teleconferences with a representative of the OAG, the internal auditors and DCC's CFO.

Key Activities

During 2015–16, the Audit Committee reviewed its charter and work plan; participated in internal audits proposed and conducted pursuant to DCC's audit plan; reviewed the results of the previous year's annual audit; and approved revisions to DCC's Financial Management Policy. The Committee also ensured DCC met the FAA requirement for quarterly financial reporting and the TBS Standard on Quarterly Financial Reports for Crown Corporations. Pursuant to its charter, at its meeting in the first half of 2016–17, the Audit Committee reviewed and confirmed the OAG's 2016 Special Examination Plan, then advised the Board on the status of this matter.

GOVERNANCE AND HUMAN RESOURCES COMMITTEE

Chair: John Boyd

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

The Committee met twice in 2015–16.

The Governance and Human Resources Committee helps the Board review and consider developments in corporate governance practices and human resources matters.

The Committee meets regularly *in camera* with committee members only.

Key Activities

During 2015–16, the Governance and Human Resources Committee reviewed its charter and work plan; supported the establishment and revision of corporate governance documentation, such as the Corporate Governance Framework and the Board Code of Conduct; and assessed the succession planning requirements of the Board and of certain DCC positions.

Attendance: Chart 1 notes committee members' attendance at committee meetings. It does not show the attendance of board members who attend committee meetings as observers.

Compensation: Chart 2 shows board compensation. Guidance for retainer and per diem amounts for Crown corporation board members is set out in the PCO document *Remuneration Guidelines for Part-Time Governor in Council Appointees in Crown Corporations*, dated October 2000. In PCO's July 2015 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.

Chart 1

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

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 Sofame Technologies Inc.'s board.

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 chairs the audit committees of Dragonwave Inc. and the Ontario Lottery and Gaming Corporation, and is a member of the boards of the University of Ottawa Heart Institute and Hydro Ottawa.

John Boyd

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

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.

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.

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.

Shirley McClellan

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

EXECUTIVE TEAM

James Paul, J.D.

President and Chief Executive Officer

Mr. Paul was appointed to the position of President and CEO in September 2009. His career has spanned over 30 years and includes senior management roles in large Canadian technology firms. He has managed major infrastructure projects in the civilian, government and defence sectors. 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's board of trustees. He holds a Law degree from the University of Ottawa.

Mélinda Nycholat, P.Eng.

Vice-President, Operations—Procurement

Ms. Nycholat joined DCC in 1988 and has held various positions in the Western and Atlantic regions and Head Office. She holds a Bachelor of Civil Engineering degree from 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, sits on the steering committee of the Institute for Building Information Modeling in Canada and is a member of the Treasury Board Advisory Committee for Construction Contracts.

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 for 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.

Ross Welsman, P.Eng.

Vice-President, Operations—Business Management

Mr. Welsman holds a Bachelor of Science in Mathematics degree and a Bachelor of Engineering (Civil) degree from Memorial University of Newfoundland. Following 15 years in the private sector, he joined DCC as the Area Engineer for the Atlantic Region. He was appointed Regional Director of the Atlantic Region in 2006 and transferred to Ottawa in July 2011. Mr. Welsman was promoted to VP, Operations—Business Management in November 2015 and currently sits on the board of Canadian Construction Innovations.

SENIOR MANAGEMENT TEAM

David Burley, GSC

National Service Line Leader, Contract Management and Real Property Management Services

Mr. Burley joined DCC in Kingston in 2002 and transferred to Ottawa in 2012 in his role as National Service Line Leader (NSLL) for Contract Management Services. He subsequently assumed the role of NSLL for Real Property Management Services. He is a civil engineering technologist and holds a Canadian Construction Association Gold Seal Certified designation. Mr. Burley is a board member for the Real Property Institute of Canada and a council member on Lean Construction Institute—Canada.

Richard M. Danis, CPA, CA

Director, 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.

Dan Fortier

Director, Information Technology

With more than 20 years as an information technology professional, Mr. Fortier joined DCC in 2016 as Director, Information Technology. His prior work experience included 15 years in various high technology companies, most recently in a not-for-profit organization that operates a payment clearing and settlement system in Canada. Mr. Fortier obtained a professional certificate in Management Skills from the Sprott School of Business in 2009 and has a certificate in Law and Security from Algonquin College.

John Graham, P.Eng., PMP

Regional Director, Ontario

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 Regional Director, Ontario, in 2009.

Stephen Karpyshin, P.Eng.

Regional Director, Western

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 Engineers Geoscientists Manitoba, the Association of Professional Engineers and Geoscientists of Alberta, and the Alberta Federal Council.

Alison Lawford, LL.B., LL.M.

Director, Governance and Legal Affairs, and Corporate Secretary

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 practiced law with a national law firm.

Elizabeth Mah, P.Eng., GSC, PMP

Regional Director, National Capital Region

Following her graduation from the University of Manitoba with a Bachelor of Science Civil Engineering degree, Ms. Mah joined DCC in 1998. After working at the DCC Edmonton and Esquimalt site offices, she transferred to Ottawa in 2011. She was promoted to Regional Director for the National Capital Region in November 2016. Ms. Mah holds a Project Management Professional certificate and has Gold Seal Certification from the Canadian Construction Association.

Stephanie Ryan, B.A. (Hons.), ABC

Director, 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.

Grant Sayers, CET

Regional Director, Quebec

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.

Regional Director, Atlantic

Mr. Theoharopoulos became Regional Director in the 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.

Elaine Warren, CHRL

Director, 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.

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 Services and Procurement.

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.

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.

Exhaust stacks on the roof of the Fleet Maintenance Facility Cape Breton, Esquimalt, British Columbia.

Dedication: DCC is dedicated to supporting DND's infrastructure and environment requirements. For 65 years, DCC employees have dependably and diligently carried out that mission for Client-Partners.

Collaboration: DCC is committed to developing collaborative relationships with Client-Partners, industry, employees and other stakeholders. 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 Client-Partners, industry, employees and other stakeholders in a fair and ethical manner, advocating mutual respect and professionalism.

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 30 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.

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 for 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. In the 2016 Budget, the federal government reaffirmed its commitment to openness, transparency and collaboration, and its focus on ensuring the integrity of its public institutions. As a result, the focus on DCC's Procurement Code of Conduct (PCC)—which sets out expectations for contractor conduct to ensure integrity in defence infrastructure contracts—will remain a priority. The PCC brings together in one concise document the ethical responsibilities of contractors who offer goods and services to the Corporation. It ensures transparency, accountability and the highest standards of ethical conduct in DCC's procurement of goods and services.

DCC also signed a memorandum of understanding under which Public Works and Government Services Canada (now Public Services and Procurement Canada, or PSPC) carries out integrity verifications on winning bidders. This leverages PSPC's resources and avoids duplication of effort, as it means DCC does not need to create its own database. These verifications involve 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 2015–16, DCC awarded 2,440 contracts to contractors, consultants or suppliers. PSPC revised its Integrity Regime and Ineligibility and Suspension Policy in August 2015. As a result, DCC updated its integrity processes in January 2016 to align with the new policy. DCC is no longer required to verify 100% of the firms that bid on contracts since PSPC no longer requires verification on contracts whose estimated value is less than $10,000; call-ups against a standing offer (SO), as the verification was done when the SO was put in place; and contracts with suppliers from a source list (SL), as the verifications were done when the SL was put in place. In 2015–16, DCC verified 2,390 or 98% of 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 Federal/Industry Real Property Advisory Council, the Lean Construction Institute—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 focuses on providing the highest value possible to its Client-Partners in its service delivery. When working with DCC, Client-Partners can benefit from the following advantages that DCC provides.

1. Corporate performance management and measurement: This approach includes targeted cost of

service delivery levels and industry benchmarking. It ensures cost-effective service delivery.

2. Service delivery optimization initiatives: These rely on risk-based decision making and a principles-based approach to service delivery and business management activities. This ensures that Client-Partner requirements are met.

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 to specific situations or opportunities, as required. They are specifically tailored to defence and security project needs, and time-sensitive requirements.

5. Integrated service delivery: DCC uses a service line integration matrix delivery model to access required expertise across all service lines and activities. This model enables DCC's activity-based costing by DND program type fitting with DND's Program Alignment Architecture. This holistic approach can put the right solutions in the right place at the right time.

6. Alignment with Client-Partner goals: Like its 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 DCC-managed procurements, 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 such as public-private partnerships, building information modelling, integrated project delivery and e-procurement, which enhances industry access, increases competitiveness and permits better integrity monitoring.

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 environmental 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 four planning themes—business management, service delivery, people, and leadership and governance.

The following is a summary of DCC's progress in 2015–16 on initiatives under these themes.

THEME: BUSINESS MANAGEMENT

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

Last year, DCC committed to one initiative: improving business planning, resource management and performance reporting. Elements of this initiative include simplifying operating business plans; selecting and implementing a more robust digital analytics tool; and taking steps to consolidate performance reporting across business units.

DCC identified managers' need for quick access to a standardized resource-planning tool across business units. To improve resource planning, a national working group explored options that ranged from off-the-shelf software and customized solutions to tools developed in-house. Given the scope of DCC's business, the group decided that an in-house-developed tool would be the most effective, accurate solution for consolidating reporting across business units. DCC launched the resource-planning tool in the second half of 2015–16. It is currently in the trial stage in the regions. Feedback from the trial will be consolidated and used to standardize the resource-planning tool for the next fiscal year. During the next phase, in 2016–17, the Corporation will look at ways to link the resource expenditure management tool to DCC's resource planner and revenue expenditure model.

These elements are a priority for the organization, and their implementation will significantly improve DCC's resource-planning and expenditure management capabilities.

Further efforts to improve, streamline and continuously improve DCC's business management practices and corporate performance reporting will continue with consolidation and standardization of corporate reporting and document management. Streamlining operations, reducing red tape, saving money and modernizing DCC's business practices are key factors in sustaining DCC's service delivery capability.

THEME: SERVICE DELIVERY

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

For the 2015–16 planning period, the management group identified two initiatives under the theme of service delivery. DCC will support DND in its Infrastructure and Environment (IE) transformation to a centralized model; and implement e-procurement.

DND/CAF has been going through a significant, multi-year transformation. Helping DND/CAF move to a centralized model for managing its IE portfolio has been a service delivery priority for DCC. The Department had nine custodians, or authorities, managing its real property and wanted to set up one centralized authority instead. DCC supported DND in its efforts to reduce the number of custodians over three years and move to a single custodian model by April 1, 2016. Throughout the process, DCC aligned its regional real property management resources with those of its Client-Partner and put focused support teams in place to assist the new organization. In the coming year, DCC will continue to adapt its methods of service delivery as the Department's requirements migrate from bases and wings to the new regional real property operations headquarters. This model supports the consolidation of infrastructure maintenance contracts at the base, regional and national levels, which will help reduce administrative efforts and improve value for the Crown.

DCC's Contract Services service line worked on implementing an e-procurement system in 2015–16. Adopting an online, e-bidding capability enhances industry access, reduces the potential for bidder errors, and allows DCC to manage the tendering process more efficiently from beginning to end. During 2015–16, DCC conducted a pilot with the Canadian Construction Association, and worked with the service provider and industry to prepare for the rollout of e-bidding in the last quarter. This involved extensive training and engagement with the construction bidding community across Canada in partnership with numerous local construction associations and Surety Association of Canada. Further, comprehensive training sessions were presented to contractors across Canada in four months to provide them with the necessary information to submit their bids. Tenders that did not require bid security were rolled out first on a phased region-by-region basis, starting in Quebec. The first official e-tender closed in March 2016 with good participation from industry. Future phases will include tenders that require bid bonds, followed by tenders where bid security is provided through electronic funds transfer. DCC's focus on e-procurement supports the government's commitment, outlined in the 2016 Budget, to making it easier to access government services online.

A new initiative emerged in November 2014 when DND received $452 million in funding from the Federal Infrastructure Investments Program (FIIP) to repair and upgrade CAF facilities. DND anticipated spending approximately $209 million by March 31, 2016. DCC successfully ensured that DND achieved maximum value from this program funding within the first year of implementation. FIIP projects included airfield and hangar repairs, military housing improvements, rehabilitation of armouries, and projects such as fire suppression and fire alarm repairs.

THEME: PEOPLE

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

For 2015–16, there were three initiatives under the People planning theme: develop and implement a national leadership development program; enhance internal communications capability; and consolidate corporate training frameworks.

DCC rolled out its new national leadership development program in 2015–16. This program includes an eclectic mix of online and in-person training requirements for employees identified as leaders. During the first quarter, DCC held its first national Leadership Forum in Ottawa for 50 of DCC's current and future leaders. It provided a unique opportunity to network, team build, clarify strategic direction, and learn about the commitments, expectations and accountabilities of leaders at DCC. In the coming year, DCC will promote the program and continue to track progress on leadership training required by the program's participants.

In a complementary initiative, DCC standardized a training register across all regions that enables managers to track the training history of all employees. The automated register was developed in the second half of the year and will be launched in 2016–17, along with a companion initiative to identify mandatory training for employees who have delegated signing authority.

It is important that people receive the information they need to do their jobs. At the same time, efficiency is always top of mind for DCC employees when it comes to day-to-day business operations. In the first half of this year, DCC reviewed its formats for communicating to employees, as well as the tools, training and distribution channels used to ensure that internal communications are accessible, collaborative and effective. The Communications Department developed standards, templates, and workflow procedures for technical and administrative information distribution. This initiative also saw the update of online communications training modules for supervisors and employees. In the coming year, DCC will complete the second phase of this initiative by rolling out these new tools, as well as internal communications training and education for employees. With the work done on these initiatives over the planning period, DCC expects to maintain its service quality over the long term and improve administrative efficiency.

In 2015–16, the International Association of Business Communicators recognized DCC's social media strategy—a corporate strategic plan initiative from the 2013–14 and 2014–15 planning periods—with a Silver Leaf Award of Merit. This national awards program recognizes a strategic approach to communications programs conducted by professional communicators.

THEME: LEADERSHIP AND GOVERNANCE

Objective: To provide strong leadership and be responsive to Government of Canada requirements.

For 2015–16, the management group had identified three initiatives under the theme of leadership and governance: respond to the recommendations arising from the documents and records management internal audit; demonstrate value, integrity and innovation to stakeholders and Client-Partners; and implement the Integrity Management Framework.

Implementing DCC's new documents and records management system is part of DCC's modernization of its internal business operations. Acting on recommendations made in an internal audit last year, DCC drafted improved system processes and documentation, which will be completed and rolled out in 2016–17. DCC's electronic filing system is now fully functional across the Corporation and the organization is working toward becoming as paperless as possible. Each year, DCC looks for opportunities to save time and money by modernizing its operational systems.

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 carry out transformation and optimization initiatives throughout 2015–16 with the focus on continuous improvements. These efforts provided value for money and benefits to Client-Partners, due to DCC's fiscal restraint activities, and its knowledge of and strong relationship with industry. This knowledge and expertise enable DCC to skilfully negotiate contract expenditures on behalf of Client-Partners. In 2015–16, DCC reviewed almost 13,500 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 $43.1 million, including settlements of legal claims.

During the year, DCC reduced its cost of service for contract management by 28%—over five times the original planned reduction of 5%. Further, DCC's billing rates are highly competitive when compared with those of other architectural and engineering (A&E) firms in North America. Based on data DCC shared with industry, DCC's cost of service is approximately 20% less than that of the average A&E firm. For a benchmarking reference, DCC refers to Deltek's 36th *Annual Clarity Architecture and Engineering Industry Study*.

Given DCC's involvement in large-scale public procurement, high levels of integrity and accountability in DCC's business operations are important. DCC has had a Code of Business Conduct for employees for many years and a Procurement Code of Conduct for suppliers since fall 2012. In 2015–16, DCC developed and launched its Integrity Management Framework (IMF), which outlined a comprehensive approach to bringing together all DCC resources and tools related to integrity. The document reflected the Government of Canada's Integrity Regime, announced on July 3, 2015. Following the IMF launch, DCC adjusted its Procurement Code of Conduct, IMF and related processes to align with Public Services and Procurement Canada's Integrity Regime and Ineligibility and Suspension Policy. Under that policy, verifications of contractor, consultant or supplier integrity must be performed for all contracts, except for contracts valued at less than $10,000, call-ups against a standing offer and contracts with suppliers from a source list, as discussed earlier. DCC will keep abreast of any updates to the Government of Canada's Integrity Regime and align its own integrity documents, as appropriate.

A new initiative arose out of a directive issued by the Governor in Council on July 16, 2015. This directive required DCC to ensure that, pursuant to section 89 of the *Financial Administration Act*, the Corporation aligns its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board of Canada Secretariat (TBS) policies, directives and related instruments on travel, hospitality, conference and event expenditures, in a manner consistent with its legal obligations. Canadians expect the federal government to be well managed, to use public funds prudently, and to ensure the effective, efficient and economical use of public resources.

DCC's Board of Directors is responsible for ensuring prompt and efficient implementation of this directive. The Corporation outlined its planned activities related to implementing this government priority in its 2016–2017 to 2020–2021 Corporate Plan.

During this reporting period, DCC reviewed and compared its Travel Policy with the TBS National Joint Council Travel Directive. To assist in this activity, DCC personnel met with officials from Public Services and Procurement Canada to discuss the application of this directive and to explore the related TBS policy suite.

During the year, DCC completed the evaluation process of aligning the Corporation's policies to Treasury Board policies and reported on the implementation of this directive in the Corporate Plan. The implementation is expected to be completed in fiscal year 2016–17. DCC's expenditures are managed with prudence and probity and represent the most economic and efficient use of funds given the nature of the activity in relation to the achievement of its core mandate. DCC's new directive will fall within DCC's Financial Management Policy and will stipulate that the Corporation has oversight mechanisms, accountabilities and controls in place to manage these expenditures appropriately. DCC's travel expenditures are focused on its core mandate activities. Where travel is required, DCC works to minimize expenditures.

In addition, DCC drafted a new Conferences and Events Policy for its personnel, which was also based on the similar TBS policy.

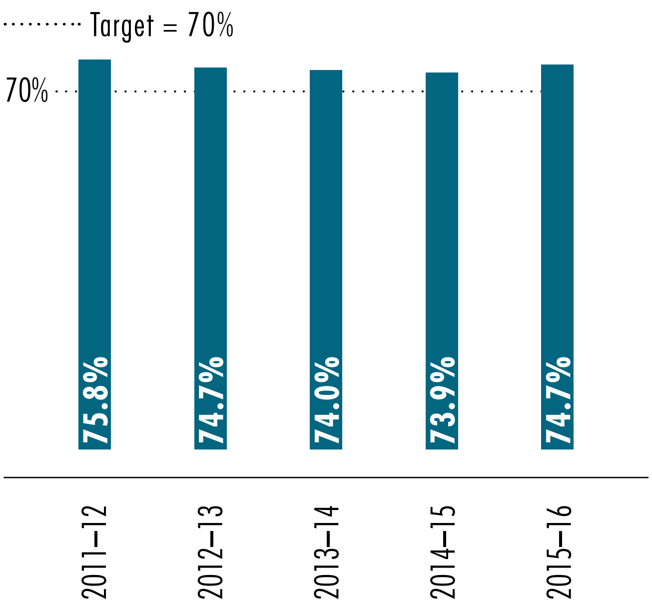
4.0 Strategic and Operational Performance Indicators

4.1 OPERATIONAL RESULTS AND PERFORMANCE MEASURES

Employee 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 2015–16, the Corporation achieved a utilization rate of 74.7%, an increase of 0.8 percentage points from last year's rate of 73.9.

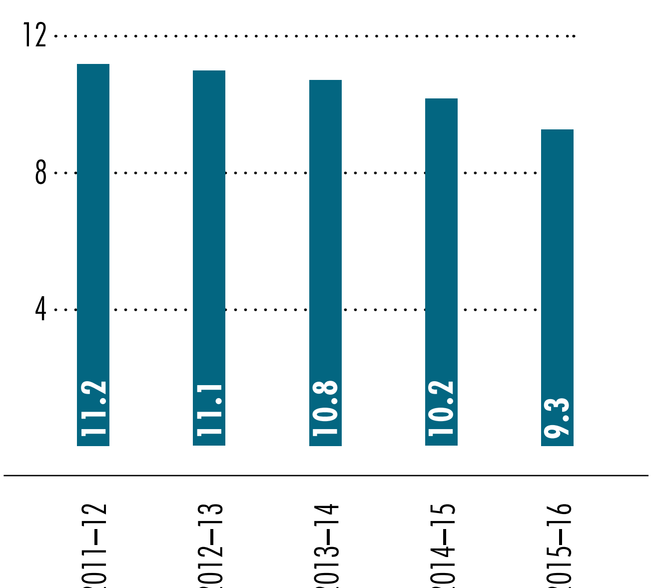
Employee Utilization Rate (percentage of employee hours spent on billable contract work)



COST OF DCC SERVICES

The indicator of overall costs of DCC services to DND reflects how much of DND's Infrastructure and Environment (IE) program budget is spent on DCC's services—or, in other words, how much DCC services cost DND's IE community. Typically, DCC expects these costs to fall in the range of 10% to 15% of DND's IE program budget. In 2015–16, the cost of service delivery was 9.3%, a decrease from 10.2% in 2014–15.

Cost of Service Delivery
(services revenue as a percentage of contract payments)



FINANCIAL RESULTS

Each year, DCC expects to achieve financial results consistent with its financial management objectives. The objective is to generate and maintain sufficient cash to meet the Corporation's anticipated operating and capital requirements, to settle financial obligations as they become due, and to meet contingencies that may arise. As at March 31, 2016, DCC's financial results were consistent with the forecast for this period, with the exception of its forecasted cash reserve level, which was higher than planned.

Under DCC's cash management objectives, the Corporation currently aims to have a cash reserve of $21 to $24 million. These amounts may change over time as DCC's financial position changes. As at March 31, 2016, DCC forecasted having a cash reserve of $36.5 million. At fiscal year end, the actual cash reserve level was $38.2 million, or $1.7 million higher than anticipated. DCC's cash reserve did not decrease as quickly as expected due mainly to the increase in services revenue from the project volume associated with the previously announced Federal Infrastructure Investments Program (FIIP) and the new infrastructure spending included in Budget 2016.

With this growth in infrastructure spending, DCC's staff levels are expected to rise in the upcoming fiscal year to support DND's increased program, causing further impact to the associated cash reserve.

DCC's primary approach to reduce cash is by freezing billing rates, which it has done for the past four years.

By the end of the five-year planning period, DCC expects to achieve its cash reduction target. DCC will continue to freeze the billing rate in 2016–17. In subsequent years, the billing rate will see modest increases. However, the forecasted increase to employee salaries at the same time will likely offset those billing rate increases, allowing DCC to reduce the cash reserve level.

4.2 SERVICE DELIVERY

Service Delivery Rating

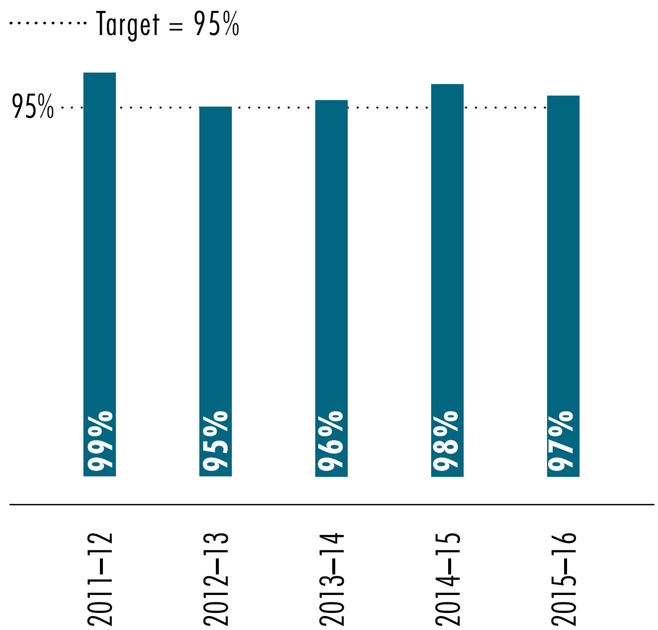
As a service delivery organization, DCC wants to ensure its Client-Partners are satisfied with the quality of its work. Consequently, the Corporation tracks client feedback through a service delivery rating (SDR) system. DCC administers its work with DND/CAF through service level arrangements (SLAs). 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.

In 2015–16, DCC reviewed the SDR system and, as a result, made a number of adjustments to make the system more efficient. For example, DCC aligned the SDR more closely with the new DCC/DND Joint Management Handbook for SLAs; began using a risk-based approach, based on factors such as new types of services or high-risk projects or where completion of an SDR is not mandatory for SLAs valued at less than $100,000; and added activity-based comment sections to collect more robust feedback on specific SLA activities. DCC also reviewed the administration of the SDR system to maximize its efficiency and suitability. The face-to-face client meeting remains the key method of gathering information.

The representatives rate DCC's performance on five factors—quality of services, value added, timeliness, responsiveness and communications—on a scale from one to five. The primary objective is an overall SDR of three or higher. A score of three indicates that DCC "met service delivery standards" and a score of four or five indicates that the Corporation "exceeded service delivery standards." Scores are weighted according to the value of each SLA. DCC defines satisfactory service delivery by achieving an overall rating of three or higher.

In 2015–16, DCC conducted 99 service delivery assessments. The Corporation aims to ensure that 95% of assessments achieve an overall rating of three or more. DCC has met or exceeded that target for each of the past five fiscal years, with a rating of 97% in 2015–16. Of those 99 assessments, 96 met or exceeded service delivery standards, and three received a less than satisfactory score. 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.

Service Delivery Rating
(client satisfaction)



DCC Involvement in Industry Activities

DCC monitors employee involvement in all major industry associations. 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.

In addition, DCC is a founding member of the Institute for BIM in Canada (IBC) and most recently Canadian Construction Innovations (CCI), a relatively new institute focusing on industry-driven research and innovation to solve industry problems. DCC is working with CCI to promote innovation in the construction industry. In 2016–17, the government will be defining its plan to make Canada a centre of global innovation. DCC is committed to keeping up to date with industry innovations and seeking new ways of working for the benefit of its Client-Partners. For example, the Federal/Industry Real Property Advisory Council (FIRPAC)—of which DCC is a member—is looking at how Canadian industry can apply building information modelling similar to other countries in the world.

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.

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. At year end, 97.1% of DCC tender calls had resulted in a contract. This figure was higher than the rates in any of the previous five years, which were 96.8% in 2014–15, 94.4% in 2013–14, 96.2% in 2012–13 and 95.1% in 2011–12.

Public Access to Business Opportunities

DCC wants to encourage competition and ensure that all enterprises have an equal access to DCC procurement opportunities. The goal is to award a minimum of 98% of DCC contracts through public opportunities. During 2015–16, DCC awarded 2,338, or 99.2% of all contract values, through public opportunities.

Procurement Competition

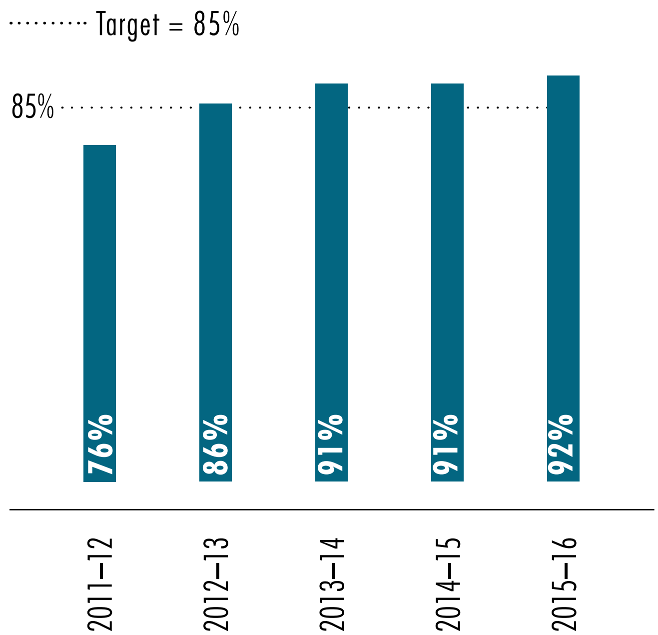
DCC wants industry to view it as an attractive company to work with, so that there are always varied bidders competing for work. This helps ensure that the Corporation gets the best value possible. The Corporation tracks the number of bidders per procurement, one indication of its reputation among contractors and consultants. The goal is to have an average of four bidders per procurement. DCC had an average of 5.1 bidders per procurement in 2015–16, an increase from 4.7 bidders in 2014–15.

Contract Management Results

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 2015–16, 92% of construction contracts were completed on time, an increase from 91% in 2014–15.

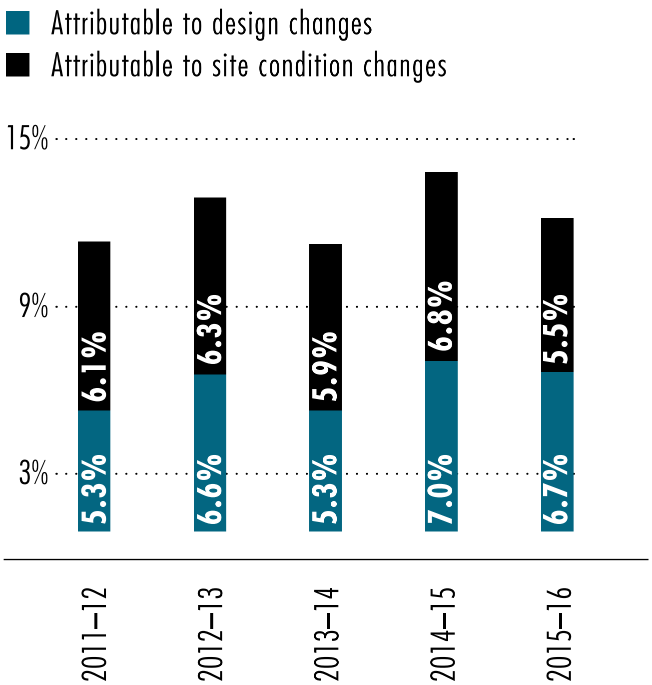
Timeliness of Construction Contract Completion (jobs completed on time)



Construction Change Order Values

The change in construction award value for 2015–16 was 12.2%, a decrease from the 2014–15 figure of 13.8%. Of the 12.2% change in value, 6.7 percentage points related to design changes and 5.5 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)



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 are changes 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. 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 2015–16, DCC reviewed almost 13,500 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 $43.1 million—including $29.1 million in settlements due to contract management changes and $14.0 million in legal claim settlements.

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, 2016, there were 11 ongoing claims totalling $2.13 million, including 10 claims relating to DND totalling $2.08 million and one claim relating to the Corporation totalling $47,000, for which no provision has been provided. These figures compare with 13 ongoing claims with a total value of $16.9 million as at March 31, 2015.

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.

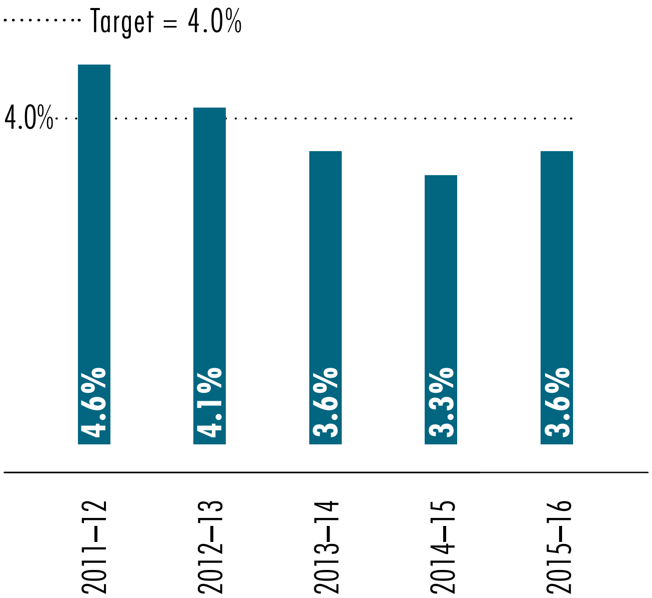
4.3 PEOPLE

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 base salary cost. In 2015–16, DCC established an annual overall corporate target for spending on training and development of 4.0% of base salary costs.

In 2015–16, the actual percentage increased by 0.3 percentage points to 3.6%, from 3.3% in 2014–15. The amount spent on training and development fluctuates from year to year. The amount of training is dependent 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 increase from the prior year, due to the increase in the number of employees in 2015–16 in response to the Federal Infrastructure Investments Program.

Professional Development to Salary Cost Ratio



Innovation Results

The innoviCulture program is DCC's means of encouraging and tracking innovation in the workplace. To get a sense of the level of employee engagement in the program, DCC tracks the number of ideas submitted. This year, DCC aimed to receive 160 submissions and to implement five ideas nationally. In 2015–16, employees submitted a total of 30 ideas nationally and 160 regionally—meeting its target—and implemented 18 of them across the organization. Most of these ideas relate to administrative process improvements.

Another measure that shows the enthusiasm of employees is their activity on the online peer-to-peer Recognition Board. In 2015–16, 32 DCC employees were recognized via the online recognition system, with staff reinforcing the recognitions with almost 500 "likes" and comments.

In 2015–16, DCC developed an automated system for tracking new ideas and plans. It is currently in the testing stage and will be ready to implement in the first quarter of 2016–17. This system will permit more accurate and timely reporting, and deliver a clear view of the implementation process. Plans for the next fiscal year include the launch of a video, new branding and the move to a national innoviCulture newsletter to reflect the culture of innovation across the organization.

Employee Wellness

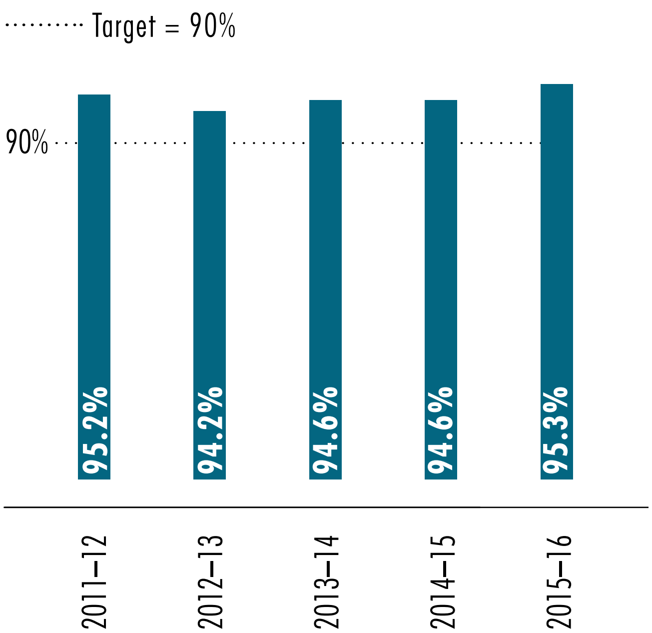
DCC's value as an employer lies in its people. The organization is strongly committed to encouraging its employees to incorporate wellness into their daily routine and promoting work-life balance. The Corporation is focused on preventive measures and interventions that reduce employees' health risk factors, as well as on providing a health and wellness program that accommodates employees with physical or mental health challenges. DCC demonstrates its commitment to wellness by providing financial assistance; 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. At the same time, DCC's health and wellness program can accommodate employees with physical or mental health challenges as well as focusing on preventive measures. Having employees who are healthy, on the job every day and able to fulfill their duties is important to DCC's success.

During the year, DCC reported an average of 38.6 sick leave hours (5.15 days) per full-time equivalent (FTE), a slight increase from 38 sick leave hours (5.07 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. DCC again surpassed its target of 90% in 2015–16, with a retention rate of 95.3%. DCC has surpassed its target in each of the past five years.

Retention Rate



Diversity and Employment Equity

DCC is committed to achieving the Government of Canada's employment equity objectives. Under the *Employment Equity Act*, federally regulated employers, such as DCC, analyze their workforce to determine the degree of under-representation of designated groups in each occupational group. Each employer reports annually on a set of performance criteria that measures its progress in achieving a workforce that is representative of the designated groups.

The employer performance ratings are based on six criteria showing representation, clustering, salary gaps, hirings, promotions and terminations. Each employer receives an alphabetical employer rating (A, B, C, D or Z) based on the sum of the six indicators for each designated group.

For example, a good performance situation would meet the following conditions:

- an employer's workforce would reflect the labour market availability of a designated group in the Canadian labour market workforce;
- members of designated groups would work in the same types of jobs as other employees in the same organization, as reflected in the 14 occupational groups, and receive proportionate shares of hirings and promotions; and
- members of designated groups would earn, on average, the same salaries as other employees in the same organization and would not be disproportionately affected by terminations as a group.

In the Employment and Social Development Canada publication *Employment Equity Act: Annual Report 2015*, "A" indicates superior performance on all six indicators; "B" indicates good performance, but with persistent problems; "C" indicates average to less-than-average performance; "D" indicates poor performance; and "Z" indicates no representation reported. DCC continues to carry out an employment equity awareness campaign to promote employment opportunities and achieve equal opportunity for all workers.

In 2012, Human Resources and Skills Development Canada—now Employment and Social Development Canada (ESDC)—revised DCC's sector in the North American Industry Classification System from construction to professional, scientific and technical services. This change in classification may have affected DCC's annual score in the case of persons with disabilities, for example. Before the classification was changed, DCC's workplace was scored in a category that recognized the reality of most of its site office locations across Canada—construction sites and trailers, often in rugged locations.

The current classification of professional services puts DCC construction site offices in a category that may not adequately reflect their reality, which in turn may cause DCC to score more poorly in some categories. In 2015–16, ESDC informed DCC that they will no longer be using the Performance Ratings and Report Compliance Index (RCI) to demonstrate employers' success in meeting their reporting obligations. Table 1 includes 2014 data reported in the 2015 *Employment Equity Act* Annual Report.

DCC will work steadily to increase its employment diversity and has made this the subject of a strategic initiative in the coming year. Upcoming actions to address this issue include developing an employee diversity strategy and implementation plan, which will include developing recruitment tools and training materials for hiring managers.

4.4 LEADERSHIP AND GOVERNANCE

Corporate Reporting Results

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 2016–17 Corporate Plan to the Minister of Public Services and Procurement 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 2015–16, DCC complied with all reporting requirements under each of these pieces of legislation.

Overall Business Performance Results

DCC's business results have been positive in an environment of fluctuating Client-Partner program volume and evolving business circumstances. As at March 31, 2016, DCC had been able to increase the volume of projects delivered to its main Client-Partner at no additional cost of service and with no compromises in project quality. This is indicative of DCC's strong management capability and leadership.

DCC Code of Business Conduct Results

As mentioned previously in the Governance section of this report (page 27), 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 2015–16, 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. In the past, DCC has aimed 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. In 2015–16, DCC verified 100% of the firms that required verification. In August 2015, Public Services and Procurement Canada (PSPC) revised its Integrity Regime and Ineligibility and Suspension Policy. As a result, DCC updated its PCC, Integrity Management Framework and related processes in January 2016, to align with the new Government of Canada policy. DCC is no longer required to verify 100% of the firms that bid on contracts. As discussed earlier, PSPC no longer requires verification of all contracts.

Environmental Results

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.

Seven environmental incidents were reported in 2015–16: three arising from contractor activities and four arising from refrigerant releases from malfunctioning

Table 1

EMPLOYMENT EQUITY RATING RESULTS

DESIGNATED GROUP	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 2015 Annual Report* (Ottawa: Employment and Social Development Canada, 2015). This report uses data as at December 31, 2014.

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

In 2015–16, the Environmental Services service line developed a corporate Environmental Management Framework (EMF). The framework describes DCC's environmental management principles, policies and key processes, and provides all DCC employees with strategic direction related to managing the environmental aspects of the Corporation's day-to-day business activities. DCC will formally launch the EMF in 2016–17 and will then provide corporate environmental awareness training for all DCC employees.

Health and Safety Results

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-Partners by sharing best practices and programs. DCC's Health and Safety team continually identifies new opportunities and products offered by industry providers that enhance employees' safety. This collaboration is an example of the Corporation's commitment to continuous improvement of DCC's health and safety program.

The health and safety focus in 2015–16 was on preventing ergonomic injuries in the workplace. Following collaboration with other public sector departments and an internal review, DCC distributed 95 sit/stand workstations at its sites across Canada in a pilot project. The Corporation provided self-assessment questionnaires and online ergonomic training before installing the workstations. In the first quarter of 2016–17, DCC will survey participants to determine whether the pilot has succeeded, as shown by a decrease in ergonomic injury-related symptoms and increased productivity among participants.

The number of lost-time injuries was four in 2015–16, consistent with results in the previous year. These four incidents involved minor injuries and accounted for a total of 15.5 days of lost time, an increase of 2.5 days from the time lost in the previous year.

Canadian Occupational Safety, an industry magazine, recently recognized DCC as one of Canada's safest employers. DCC's Hazard Awareness and Health and Safety Program won the Silver Award in the public sector category.

Security Results

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

"Industrial security requirements" are a Client-Partner's security requirements for a project, which it communicates to DCC during the procurement planning 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 Corporate 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 2015–16, there were three occurrences related to DCC's corporate security requirements, with no compromise in security—an increase from two occurrences in 2014–15.

Regarding industrial security, there were two occurrences without compromise, up from one occurrence in 2014–15.

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 identified in its risk register 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 2015–16, 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 $84.9 million in 2015–16, an increase of $4.4 million or approximately 5% from the previous year. The increase is related to the increase in business volume, due to higher client demand for services related to the Federal Infrastructure Investments Program (FIIP). 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 increase.

Contract Management

Revenue from Contract Management in 2015–16 represented 43% of total revenue. Contract Management revenue increased by 5% over the previous fiscal year due to higher demand for contract management services, mainly related to FIIP requirements.

Project Planning

Project Planning revenue increased by 10% in 2015–16. The increase over the prior year was due to higher DND demand for this service, due to ongoing FIIP activities.

Real Property Technical Support

Real Property Technical Support revenue decreased by 7% in 2015–16, due to lower demand for services related to facility and portfolio management.

Construction Technical Support

Revenue from Construction Technical Support in 2015–16 increased by 15% over the previous fiscal year. The increase over the prior year was due to higher demand from DND for this service, due to ongoing FIIP activities.

Procurement

Revenue from procurement services increased in 2015–16 by 15% over the previous fiscal year, because the dollar value of contracts awarded during 2015–16 and the number of contracts awarded rose, mainly due to FIIP.

Environmental Technical Support

Environmental Technical Support revenue decreased in 2015–16 by 13% over the previous fiscal year, driven by decreased demand for these services. (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 2015–16 by $8,000 or approximately 1% over the previous fiscal year. The average rate of return generated in 2015–16 from cash and investments was 2.0%, compared to 2.1% in the prior fiscal year. The average rate of return decreased because the interest earned on the cash balance held at the bank declined form 1.2% to 0.9%. The investment portfolio generated an average return of 3%. (See Table 3)

6.2 EXPENSES

Salaries and Employee Benefits

Salaries totalled $64.2 million in 2015–16, an increase of $4.8 million or approximately 8% over the previous fiscal year. The 8% increase can be explained by an increase in the number of full-time equivalents (FTEs), due to higher levels of business activity, which led to an increase in salaries of approximately 5 percentage points; salary increases, employee mix and the effects of efficiencies in service delivery contributed to the remaining 3-percentage-point increase.

Employee benefits totalled $17.8 million in 2015–16, a decrease of $42,000 or approximately 0.2% over the previous fiscal year. This decrease was not proportional to the increase in salaries, because employee benefits as a percentage of salaries dropped to 28% in 2015–16 from 30% in 2014–15. The decline 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 in the prior year, which increased employee benefits in 2014–15 by approximately 2%. (See Table 4)

Operating and Administrative Expenses

Operating and administrative expenses were $6.8 million in 2015–16, an increase of $612,000 or approximately 10% over the previous year. A variety of factors influenced these expenses. (See Table 5)

Table 2

SERVICES REVENUE, BY ACTIVITY

			CHANGE	
(in thousands of dollars)	2015–16	2014–15	$	%
Contract Management	$36,801	$34,960	1,841	5%
Project Planning	22,402	20,291	2,111	10%
Real Property Technical Support	7,685	8,250	(565)	-7%
Construction Technical Support	6,696	5,822	874	15%
Procurement	6,487	5,634	853	15%
Environmental Technical Support	4,834	5,574	(740)	-13%
	$84,905	**$80,531**	**4,374**	**5%**

Table 3

INVESTMENT REVENUE

			CHANGE	
(in thousands of dollars)	2015–16	2014–15	$	%
	$788	**$780**	**8**	**1%**

Table 4

SALARIES AND EMPLOYEE BENEFITS

(in thousands of dollars)	2015–16	2014–15	CHANGE $	CHANGE %
Salaries	$64,248	$59,493	4,755	8%
Employee benefits	17,759	17,801	(42)	0%
	$82,007	**$77,294**	**4,713**	**6%**
Employee benefits as a percentage of salaries	27.64%	29.92%		

Table 5

OPERATING AND ADMINISTRATIVE EXPENSES

(in thousands of dollars)	2015–16	2014–15	CHANGE $	CHANGE %	Variance analysis
Rent	$1,651	$1,729	(78)	-5%	The decrease was due to a refund of $68,000 to the Corporation from a landlord for rent paid in prior years, as a result of a successful appeal of the assessed value of the rented property. The decrease in the assessed value also reduced the operating costs for the property in question, which also resulted in savings in the year.
Employee training and development	995	915	80	9%	The increase was mainly due to higher costs for travel related to employee education (mainly regional training sessions).
Software maintenance	899	662	237	36%	The increase was due to increased use of software solutions for office productivity and storage solutions that require annual maintenance payments.
Professional services	832	771	61	8%	The increase was due mainly due to higher spending on human resources consulting.
Telephone and data communications	830	757	73	10%	The increase was due to the upgrading of telecommunications services at various sites to meet minimum operational requirements.
Travel	394	417	(23)	-6%	The decrease was due to lower travel requirements, as corporate initiatives did not require significant travel.
Office services, supplies and equipment	340	276	64	23%	The increase was due to increased use of office consumables, as a result of staff increases related to FIIP.
Staff relocation	201	205	(4)	-2%	This variance was not material.
Client services and communications	146	102	44	43%	The increase was due to higher costs of producing corporate reports.
Furniture and equipment	101	24	77	321%	The increase was due to the purchase of a number of ergonomic sit/stand desktop workstations.
Printing and stationery	96	114	(18)	-16%	The decrease was due to lower costs for paper and printing consumables, due to increased use of electronic document storage and electronic signatures, which reduced the need for printed materials.
Recruiting	70	9	61	678%	The rise was due to increased recruiting activity to meet operational demands related to FIIP and to fill a vacant vice-president position.
Computer equipment	67	41	26	63%	The increase was related to increased purchases of computer equipment valued at less than the $1,000 capitalization threshold, due to higher staffing levels.
Postage and freight	45	39	6	15%	The increase was due to higher activity levels related to FIIP.
Memberships and subscriptions	36	37	(1)	-3%	This variance was not material.
Hospitality	22	20	2	10%	The increase was due to higher staff levels related to the delivery of FIIP.
Other	59	54	5	9%	This variance relates to miscellaneous office expenses.
	$6,784	**$6,172**	**612**	**10%**	

Depreciation and Amortization

Depreciation and amortization combined increased by a total of 12% or $137,000 in 2015–16. Depreciation of property, plant and equipment increased by 23% or $170,000 due to increased acquisitions of computer equipment in the previous year, as DCC hired more people to meet FIIP requirements. The decrease in depreciation of assets under finance lease was due to the replacement of some of the leased asset fleet with less expensive units. The increase in amortization of intangible assets was due to the 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, 2016, was $451,000, compared with a total comprehensive loss of $5.8 million in the previous fiscal year—a decrease of 92% or $5.4 million.

The increase in net loss of $1.1 million or 33% was due to mainly to the billing rate freeze that the Corporation continued in 2015–16 for the fourth straight year. The increase in net loss was consistent with the Corporation's policy of managing its cash reserves at a level appropriate to meet current and future requirements.

The change in other comprehensive income (loss) from a loss of $2.6 million in 2014–15 to a gain of $3.9 million in 2015–16 was mainly due to an actuarial gain related to changes in financial assumptions related to medical and dental premiums for retirees, and a change in the discount rate. The premiums for retiree medical and dental plans decreased because the Corporation successfully negotiated lower rates with a new benefits provider. Together, these changes decreased the defined benefit obligation. (See Table 7)

6.4 LIQUIDITY AND CAPITAL RESOURCES

DCC's financial management approach 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

Table 6

DEPRECIATION AND AMORTIZATION

			CHANGE	
(in thousands of dollars)	2015–16	2014–15	$	%
Depreciation of property, plant and equipment	$ 912	$ 742	170	23%
Depreciation of assets under finance lease	110	159	(49)	-31%
Amortization of intangible assets	226	210	16	8%
	$1,248	**$1,111**	**137**	**12%**

Table 7

TOTAL COMPREHENSIVE LOSS

			CHANGE	
(in thousands of dollars)	2015–16	2014–15	$	%
Net loss	$(4,357)	$(3,283)	(1,074)	33%
Other comprehensive income				
Actuarial gain (loss) on employee benefit obligations	3,906	(2,551)	6,457	-253%
	$ (451)	**$(5,834)**	**5,383**	**-92%**

Corporation's cash is generated solely from fees collected from DND for services provided.

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.

The objective of the DCC's cash management approach is to keep available sufficient cash reserves to meet DCC's obligations, recognizing the potential for short-term interruptions in collections of receivables. Potential obligations considered 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 and Environment program.

Cash and Investments

Cash and investments totalled $38.2 million at March 31, 2016, a decrease of $718,000 or 2% from the previous year.

The cash balance at March 31, 2016, was $18.4 million, a decrease of $1.3 million or 6% from the previous year. During 2015–16, the Corporation generated $972,000 in cash from operating activities, spent $1.3 million on capital expenditures, invested a net amount of $668,000 and paid $138,000 on finance lease obligations.

Investments (both current and long term) at March 31, 2016, were $19.8 million, an increase of $534,000 or 3% 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.

As at March 31, 2016, DCC's overall cash balance exceeds its targeted reserve level. This surplus is mainly due to additional revenues from the successful delivery of higher-than-planned program services, and lower operating expenses due to DCC's continuous efforts to optimize its operations. To manage DCC's cash balance to the targeted level, the Board resolved on June 7, 2016, that DCC would pay a dividend of $8.5 million to the Receiver General of Canada in fiscal 2016–17.

Trade Receivables

Trade receivables are due from the Corporation's clients, mainly DND. At March 31, 2016, trade receivables were $16.0 million, which represented an increase of $793,000 or 5% over the previous fiscal year. The increase was due to higher revenue in 2015–16 and to the timing of receipts.

Current Liabilities

Current liabilities were $11.4 million at March 31, 2016, an increase of $5.5 million or 92% from March 31, 2015. The increase in current liabilities was due to the increase 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, 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, 2016, was $19.9 million, a decrease of $1.8 million or approximately 8% from the previous fiscal year.

Table 8

LIQUIDITY AND CAPITAL RESOURCES

			CHANGE	
(in thousands of dollars)	2015–16	2014–15	$	%
Cash	$18,378	$19,630	(1,252)	-6%
Investments	19,790	19,256	534	3%
Cash and investments	**$38,168**	**$38,886**	**(718)**	**-2%**
Trade receivables	**$15,966**	**$15,173**	**793**	**5%**
Current liabilities	**$11,443**	**$ 5,957**	**5,486**	**92%**

Table 9

EMPLOYEE BENEFITS

			CHANGE	
(in thousands of dollars)	2015–16	2014–15	$	%
Current portion	$ 946	$ 400	546	137%
Long-term portion	18,933	21,252	(2,319)	-11%
	$19,879	**$21,652**	**(1,773)**	**-8%**

Table 10

CAPITAL EXPENDITURES

			CHANGE	
(in thousands of dollars)	2015–16	2014–15	$	%
Intangible assets	$ 270	$ 208	62	30%
Computer equipment	1,049	1,366	(317)	-23%
Furniture and equipment	46	6	40	667%
Leasehold improvements	53	25	28	112%
	$1,418	**$1,605**	**(187)**	**-12%**

The balance decreased due to a number of factors, including a net decrease of $3.9 million due to changes in actuarial assumptions; an increase in current service costs of $1.6 million; an increase in the interest on the current value of the obligation of $878,000 and benefits paid of $355,700.

The liability for employee benefits fluctuates from year to year due to a combination of factors, including the inflation rate; the benefit 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 2015–16 totalled $1.4 million, a decrease of $187,000 or 12% from the previous fiscal year. The decrease was mainly due to a drop in purchases of computer equipment. This decrease from the prior year was due to the fact that the purchases in 2014–15 included a higher number of devices that came to the end of their useful life than in 2015–16. This is part of the regular replacement policy of the Corporation. (See Table 10)

6.7 ACTUAL PERFORMANCE VERSUS PLAN

The following table compares the Corporation's actual performance in 2015–16 with the projections in the Corporate Plan.

Services revenue was $3.9 million or 4% below plan, due mainly to the fact that the anticipated business volume in the Corporate Plan included higher revenues for FIIP than DCC actually earned during the year. In addition, the Corporation's staff achieved a higher utilization rate than the rate forecasted in the Corporate Plan. The result of the higher utilization meant that DCC was able to deliver more program expenditures with less staff which resulted in a lower number of billable hours than planned in the Corporate Plan.

Travel and disbursement expenses are recovered from the Client-Partner at no markup. Travel and disbursement revenue and expense were $837,000 or 58% above plan. The higher travel and disbursement revenue was due to higher travel and disbursement costs for service delivery to the client.

Investment revenue was $138,000 or 21% above plan. This variance was primarily due to a higher-than-forecasted cash balance throughout the year, which led to higher-than-expected returns on investments.

Salaries and employee benefits were $4.9 million or 6% 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 and a higher-than-expected utilization rate.

Operating and administrative expenses were $991,000 or 13% below plan. The decrease was largely the result of lower-than-planned business activity and lower-than-planned spending in many areas, specifically training and development, professional services, travel, and office expenses, due to the Corporation's efforts to decrease spending and be more efficient.

Depreciation and amortization were $60,000 or 5% lower than plan, due to the timing of acquisitions in 2015–16.

The variance in the loss for the year of $2.2 million was due to lower spending on salaries and benefits and on operating and administrative costs. Total comprehensive loss for the year varied 93% from plan due to the accounting gain on employee benefit obligations.

Capital expenditures were $82,000 or 5% 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

(in thousands of dollars)	Actual	Plan	CHANGE $	CHANGE %
Revenue				
Services revenue	$84,905	$88,763	(3,858)	-4%
Travel and disbursement revenue	2,278	1,441	837	58%
Investment revenue	788	650	138	21%
	87,971	**90,854**	**(2,883)**	**-3%**
Expenses				
Salaries and employee benefits	82,007	86,875	(4,868)	-6%
Operating and administrative expenses	6,796	7,787	(991)	-13%
Travel and disbursement expenses	2,277	1,441	836	58%
Depreciation and amortization	1,248	1,308	(60)	-5%
	92,328	**97,411**	**(5,083)**	**-5%**
Profit (loss) for the year	(4,357)	(6,557)	2,200	-34%
Items of other comprehensive income	3,906	—	3,906	100%
TOTAL COMPREHENSIVE LOSS	$ (451)	$ (6,557)	6,106	-93%
CAPITAL EXPENDITURES	**$ 1,418**	**$ 1,500**	**(82)**	-5%

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(in thousands of dollars)	2015–16	2014–15	2013–14	2012–13	2011–12
Revenue					
Services revenue	$84,905	$80,531	$92,909	$114,541	$111,806
Travel and disbursement revenue	2,278	2,052	2,882	3,117	3,685
Investment revenue	788	780	641	598	495
Total revenue	**87,971**	**83,363**	**96,432**	**118,256**	**115,986**
Expenses					
Salaries and employee benefits	82,007	77,294	85,288	99,262	92,610
Operating and administrative expenses	6,784	6,172	7,054	8,868	9,477
Travel and disbursement expenses	2,277	2,052	2,882	3,117	3,685
Depreciation and amortization	1,248	1,111	1,321	1,350	1,297
Finance costs	12	17	20	23	27
Total expenses	**92,328**	**86,646**	**96,565**	**112,620**	**107,096**
Profit for the year	**(4,357)**	**(3,283)**	**(133)**	**5,636**	**8,890**
Other comprehensive income (loss)	3,906	(2,551)	1,322	1,627	98
TOTAL COMPREHENSIVE INCOME (LOSS)	**(451)**	**(5,834)**	**1,189**	**7,263**	**8,988**
Retained earnings, beginning of year	31,006	36,840	35,651	28,388	19,400
RETAINED EARNINGS, END OF YEAR	**$30,555**	**$31,006**	**$36,840**	**$ 35,651**	**$ 28,388**

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(in thousands of dollars)	2015–16	2014–15	2013–14	2012–13	2011–12
Assets					
Cash	$18,378	$19,630	$29,568	$25,829	$20,869
Investments	19,790	19,256	10,420	10,114	9,835
Trade receivables, prepaids and other current assets	17,433	16,499	17,234	22,405	23,789
Other receivables	2,263	—	—	—	—
Property, plant and equipment, and assets under finance lease	2,662	2,412	1,806	2,275	2,490
Intangible assets	601	557	559	560	428
TOTAL ASSETS	**$61,127**	**$58,354**	**$59,587**	**$61,183**	**$57,411**
Liabilities					
Trade and other payables	$10,404	$ 5,454	$ 6,900	$10,623	$ 7,853
Finance lease obligation	289	242	255	344	364
Employee benefits	19,879	21,652	15,592	14,565	20,806
Total liabilities	30,572	27,348	22,747	25,532	29,023
Equity					
Share capital	—	—	—	—	—
Retained earnings	30,555	31,006	36,840	35,651	28,388
Total equity	30,555	31,006	36,840	35,651	28,388
TOTAL LIABILITIES AND EQUITY	**$61,127**	**$58,354**	**$59,587**	**$61,183**	**$57,411**

Cash flows from (used in):					
Operating activities	$ 972	$ 785	$ 5,095	$ 6,610	$ 9,747
Acquisition of property, plant and equipment, and intangibles	(1,418)	(1,605)	(803)	(1,134)	(1,191)
Acquisition of investments	(1,668)	(10,458)	(1,299)	(880)	(1,084)
Redemption of investments	1,000	1,500	900	500	722
Financial activities	(138)	(160)	(154)	(136)	(114)
Increase (decrease) in cash during the year	(1,252)	(9,938)	3,739	4,960	8,080
Cash, beginning of the year	19,630	29,568	25,829	20,869	12,789
CASH, END OF THE YEAR	**$18,378**	**$19,630**	**$29,568**	**$25,829**	**$20,869**

7.0 Outlook

DCC will continue to handle procurement and contract management for some very high-profile DND projects over the next year. These include maintenance of the Communications Security Establishment Long-Term Accommodation Project in Ottawa, Ontario; the new Mattawa Plains Compound in Petawawa, Ontario; environmental remediation work at Camp Ipperwash, Ontario; the renovation of the Sawyer Girouard Facilities at the Royal Military College in Kingston, Ontario; the Defence Research Development Canada facility in Valcartier, Quebec; the new NJ Jetty in Halifax, Nova Scotia; the Fleet Maintenance Facility Cape Breton Shop Consolidation Project in Esquimalt, British Columbia; and the new naval facility in Nanisivik, Nunavut, 700 kilometres north of the Arctic Circle. DCC is delivering the infrastructure required for the Tactical Armoured Patrol Vehicle (TAPV) Program in Gagetown, New Brunswick; Valcartier, Quebec; Petawawa, Ontario; and Edmonton, Alberta, as well as several Health Services Centres in Cold Lake and Edmonton, Alberta; Petawawa, Ontario; and Saint-Jean-sur-Richelieu, Quebec.

DCC is also leveraging its growing P3 expertise by procuring a new P3 project: a 25-year agreement for the expansion of Shared Services Canada's Enterprise Data Centre, located at CFB Borden. The project is pivotal to the modernization of IT support for federal government departments, accommodating greater volumes of data and storage capacity, while reducing costs and increasing security.

In addition to funding for its regular Infrastructure and Environment (IE) program expenditures, DND received $452 million in funding from the Federal Infrastructure Investments Program (FIIP) in November 2014 to repair and upgrade CAF facilities. FIIP projects include airfield and hangar repairs, military housing improvements, rehabilitation of armouries, and projects such as fire suppression and fire alarm repairs. At the end of 2015–16, DND had spent more than $160 million, with the remainder to be spent by March 31, 2017. Further, in the 2016 Budget, the government committed to ensuring that CAF personnel and their families have the support they need, including safe and modern facilities in which to live, work and train. As part of this initiative, DND proposes to provide $200.5 million over two years to undertake infrastructure projects at CAF bases and other defence properties across Canada. DCC's priority will be to ensure that DND achieves maximum value from this program funding within the time allowed. This has substantially increased DCC's project delivery volume and, as a result, DCC expects the number of full-time equivalents to increase by 8% in 2016–17.

Further efforts to improve and streamline DCC's business management practices and corporate performance reporting will continue with the consolidation and standardization of corporate reporting and document management. DCC regularly asks a third-party auditor to conduct internal audits to foster continuous improvement. In 2016–17, DCC will respond to the recommendations arising from a recent audit to ensure its business management systems and processes are reliable, up to date, accurate and efficient.

Additionally, DCC will continue to work toward fully implementing e-procurement in 2016–17 by completing the launch of e-bidding in all regions. Future phases will allow DCC to electronically accept tenders that require bid bonds, and then tenders where bid security is provided through an electronic funds transfer. DCC's focus on e-procurement supports the government's commitment to making it easier for Canadians to access government services online, support its sustainability goals and increase efficiencies.

Throughout the next planning period, DCC will continue to work with industry to help enterprises meet the requirements of the updated National Defence Security Operations Directive issued in June 2015. The changing nature of the Canadian defence and security environment means the number of defence infrastructure projects with security requirements is rising significantly. DCC will continue to be a bridge between industry and the Canadian and International Industrial Security Directorate, and to facilitate the security clearance process for small to medium-sized contractors.

DCC is also focusing on enhancing internal communications with upgrades, revisions and additions to its communications tools, training, distribution channels and processes. The upgrades and updated tools and training will be fully launched in 2016–17. In the coming year, DCC will also continue to promote employee awareness of diversity and workplace health. The government has made diversity a priority, which DCC will support by developing a cohesive diversity strategy and implementation plan.

Pursuant to the *Financial Administration Act*, the Office of the Auditor General is conducting a special examination of DCC, starting with the planning phase in 2016. The reporting phase is expected to begin in fall 2016, with a final report issued by the end of 2016. DCC will support the efficient completion of this special examination.

Additionally, the Corporation is reviewing Treasury Board of Canada Secretariat (TBS) policies to determine whether gaps between DCC and TBS policies exist. The Corporation will propose amendments to DCC's current policies, if necessary. DCC will complete the alignment of its travel, hospitality, conference and event expenditure policies, guidelines and practices with those of TBS, in a manner consistent with its legal obligations as a Crown corporation.

Finally, DCC's internal auditor audited DCC's values and ethics in 2015–16. This audit assessed whether DCC has an effective management control framework to support the values and ethics in its Integrity Management Framework. DCC will respond to the recommendations resulting from this audit in 2016–17.

7.1 FINANCIAL OUTLOOK

The Corporation has traditionally taken a conservative approach to forecasting future growth. Its latest Corporate Plan shows an increase in services revenue of approximately 8% in 2016–17, driven by anticipated higher business volume due to DND's plans to spend more on infrastructure. The Corporation has committed to freezing billing rates through 2016–17.

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 2016–17 to 2020–21. Billing rate increases will begin in 2017–18 and continue to the end of the planning period. Business volume will increase for the first three years of the plan and decrease slightly in the last two years. (See Table 11)

Salary and benefits expenses for 2016–17 are forecasted to increase by approximately 7.5%, due to a number of factors including the expected 7.5% volume increase, and inflation and performance-based merit increases totalling 3%. These increases will be offset by reductions in salary and benefits expenses of 3%, due to efficiency gains and to the fact that newly hired employees often start at the bottom of the salary range. The expected increases in salary and benefits expenses in 2017–18, 2018–19, 2019–20, 2020–21 are 5%, 4%, 2% and 2%, respectively. They are due to a combination of factors, including expected increases for inflation and merit pay, and expected increases and decreases in the workforce, in line with projected changes in contract volume.

Operating and administrative expenses for 2016–17 are projected to increase by 16% from those in 2015–16. This increase includes increases related to inflation, ongoing corporate initiatives and higher costs for items such as training and development, professional services and initiatives for corporate communications. Operating and administrative expenses are forecasted to increase by 2% annually from 2017–18 to 2020–21. The increases in the latter part of the plan are related to inflation.

Depreciation and amortization are expected to decrease by 18% in 2016–17 over the prior fiscal year. This is due to lower depreciation for property, plant and

Table 11

	PLANNED				
	2016–17	2017–18	2018–19	2019–20	2020–21
Billing rate change	0.0%	3.0%	3.5%	3.5%	3.5%
Volume change	7.5%	3.2%	1.0%	-1.0%	-0.8%
TOTAL ANTICIPATED INCREASE OR DECREASE	**7.5%**	**6.2%**	**4.5%**	**2.5%**	**2.7%**

equipment resulting from lower expenditures in 2015–16. 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 loss of $5.1 million is forecasted for 2016–17, an increase of 18% from the loss of $4.4 million in 2015–16. The increase in loss is due to the fact that DCC has held billing rates at the 2011–12 level, as well as to increases in salary and benefits expenses, and operating and administrative expenses. The loss is expected to drop to $4.7 million in 2017–18 and to $3.5 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 objectives.

Over the past several years, DCC's cash reserve level has exceeded its targeted level due to several reasons including: additional revenues in the year due to success in delivering higher-than-planned work volume; higher gross margin than required to achieve a targeted break-even result from improved efficiencies in service delivery; lower operating expenses due to DCC optimization of its operations; lower capital expenditures than planned due to changing operational requirements; and normal fluctuations in working capital. DCC's expects to manage its cash balance to the targeted level by the end of 2016–17 through the payment of a dividend of $8.5 million to the Receiver General of Canada.

Further, DCC is adopting a more proactive approach to its ongoing fee arrangements to ensure that it manages cash levels going forward.

Table 12

FINANCIAL OUTLOOK

(in thousands of dollars)	ACTUAL	PLANNED				
	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Services revenue	**$84,905**	$92,123	$97,835	$102,238	$104,794	$107,623
Travel and disbursement revenue	**2,278**	1,703	1,800	1,850	1,900	1,950
Investment revenue	**788**	650	630	550	500	430
Total revenue	**87,971**	**94,476**	**100,265**	**104,638**	**107,194**	**110,003**
Salaries and employee benefits	**82,007**	88,947	93,662	97,151	99,359	101,763
Operating and administrative expenses	**6,784**	7,895	8,051	8,211	8,375	8,541
Travel and disbursement revenue	**2,277**	1,703	1,800	1,850	1,900	1,950
Depreciation of property, plant and equipment	**912**	630	989	1,057	815	815
Depreciation of assets under finance lease	**110**	180	185	190	195	200
Amortization of intangible assets	**226**	215	218	221	224	227
Finance costs	**12**	28	30	32	33	35
Total expenses	**92,328**	**99,598**	**104,935**	**108,712**	**110,901**	**113,531**
Loss for the year	**$ (4,357)**	$ (5,122)	$ (4,670)	$ (4,074)	$ (3,707)	$ (3,528)
Other comprehensive income	**3,906**	—	—	—	—	—
TOTAL COMPREHENSIVE LOSS	**$ (451)**	**$ (5,122)**	**$ (4,670)**	**$ (4,074)**	**$ (3,707)**	**$ (3,528)**
CAPITAL EXPENDITURES	1,418	925	1,225	1,225	1,225	1,225

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
and Acting Chief Financial Officer

Richard M. Danis, CPA, CA
Director, Finance

June 7, 2016

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Services and Procurement

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 2016, 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 2016, 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*, the articles and by-laws of Defence Construction (1951) Limited, and the directive issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the financial statements.

Marise Bédard

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

June 7, 2016
Ottawa, Canada

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2016

(in thousands of Canadian dollars)	NOTES	2016	2015
Assets			
Cash	5	**$18,378**	$19,630
Investments	13	**560**	1,098
Trade receivables	5, 8	**15,966**	15,173
Other receivables		**2,263**	—
Prepaid and other current assets	10	**1,467**	1,326
Current assets		**38,634**	37,227
Investments	13	**19,230**	18,158
Property, plant and equipment	11	**2,383**	2,185
Intangible assets	12	**601**	557
Assets under finance lease		**279**	227
Non-current assets		**22,493**	21,127
TOTAL ASSETS		**$61,127**	$58,354
Liabilities			
Trade and other payables	14	**$10,404**	$ 5,454
Current portion—finance lease obligation		**93**	103
Current portion—employee benefits	15	**946**	400
Current liabilities		**11,443**	5,957
Finance lease obligation		**196**	139
Employee benefits	15	**18,933**	21,252
Non-current liabilities		**19,129**	21,391
TOTAL LIABILITIES		**$30,572**	$27,348
Equity			
Share Capital—Authorized—1,000 common shares of no par value Issued—32 common shares		**$ —**	$ —
Retained earnings		**30,555**	31,006
Total equity		**30,555**	31,006
TOTAL LIABILITIES AND EQUITY		**$61,127**	$58,354

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 7, 2016

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, 2016

(in thousands of Canadian dollars)	NOTES	2016	2015
Services revenue	18	**$84,905**	$80,531
Travel and disbursement revenue		**2,278**	2,052
Investment revenue	6	**788**	780
Total revenue		**87,971**	83,363
Salaries and employee benefits		**82,007**	77,294
Operating and administrative expenses	7	**6,784**	6,172
Travel and disbursement expenses		**2,277**	2,052
Depreciation of property, plant and equipment	11	**912**	742
Depreciation of assets under finance lease		**110**	159
Amortization of intangible assets	12	**226**	210
Finance costs	16	**12**	17
Total expenses		**92,328**	86,646
Loss for the year		**(4,357)**	(3,283)
Other comprehensive income			
Actuarial gain (loss) on employee benefit obligation[1]	15	**3,906**	(2,551)
TOTAL COMPREHENSIVE LOSS		**$ (451)**	$ (5,834)

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).*

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2016

(in thousands of Canadian dollars)	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Balance as at March 31, 2015	$ —	$31,006	$31,006
Loss for the year		(4,357)	(4,357)
Actuarial gain on employee benefit obligation	—	3,906	3,906
Total comprehensive income		(451)	(451)
BALANCE AS AT MARCH 31, 2016	**$ —**	**$30,555**	**$30,555**

(in thousands of Canadian dollars)	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Balance as at March 31, 2014	$ —	$36,840	$36,840
Loss for the year		(3,283)	(3,283)
Actuarial loss on employee benefit obligation	—	(2,551)	(2,551)
Total comprehensive income		(5,834)	(5,834)
BALANCE AS AT MARCH 31, 2015	**$ —**	**$31,006**	**$31,006**

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, 2016

(in thousands of Canadian dollars)	NOTES	2016	2015
Cash flow from (used in) operating activities			
Loss for the year		**$ (4,357)**	$ (3,283)
Adjustments to reconcile loss for the year to cash provided by operating activities			
Depreciation of property, plant and equipment	11	**912**	742
Depreciation of assets under finance lease		**110**	159
Amortization of intangible assets	12	**226**	210
Amortization of investment premiums		**134**	122
Loss on disposal of property, plant and equipment		**38**	37
Loss on disposal of assets under finance lease		**23**	—
Change in non-cash operating working capital			
Employee benefits		**2,133**	3,509
Trade receivables		**(793)**	1,158
Other receivables		**(2,263)**	—
Prepaids and other current assets		**(141)**	(423)
Trade and other payables		**4,950**	(1,446)
Net cash flows provided by operating activities		**972**	785
Cash flows from (used in) investing activities			
Acquisition of investments		**(1,668)**	(10,458)
Disposition of investments		**1,000**	1,500
Acquisition of property, plant and equipment	11	**(1,148)**	(1,397)
Acquisition of intangible assets	12	**(270)**	(208)
Net cash flows used in investing activities		**(2,086)**	(10,563)
Cash flows used in financing activities			
Repayment of finance lease obligations		**(138)**	(160)
Net cash flows used in financing activities		**(138)**	(160)
Decrease in cash during the year		**(1,252)**	(9,938)
Cash at the beginning of the year		**19,630**	29,568
CASH AT THE END OF THE YEAR		**$18,378**	$19,630

Supplemental Cash Flow information: see note 16

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

DEFENCE CONSTRUCTION (1951) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

March 31, 2016

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* (FAA). Since 1996, responsibility for the Corporation has rested with the Minister of Public Services and Procurement.

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). The Corporation also provides services to Canadian Forces Housing Agency, Communications Security Establishment, Shared Services Canada and Public Services and Procurement Canada. Revenue is generated from fees charged for specific services provided.

In July 2015, the Corporation was issued a directive (P.C. 2015-1113) pursuant to Section 89 of the *Financial Administrative Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of the directive in the Corporation's next Corporate Plan. During the 2015–16 year, the Corporation completed the evaluation process of aligning the Corporation's policies to Treasury Board policies and reported on the implementation of this directive in the Corporate Plan. The implementation is expected to be completed in fiscal year 2016–17.

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, 2016).

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.

Derecognition of Financial Assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Classification of Financial Liabilities

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

Financial liabilities are classified at fair value through profit and loss when the financial liability is either held for trading or it is designated as at fair value through profit and loss.

A financial liability is classified as held for trading using the same criteria described for a financial asset classified as held for trading.

The Corporation has not designated any financial liability as fair value through profit and loss as at the end of the reporting period.

Financial liabilities at fair value through profit and loss are presented at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described below.

Derecognition of Financial Liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

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. Cash not immediately required for working capital is invested 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 investment 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 is 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 consist of 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.

Intangible assets 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 3 to 10 years.

Intangible assets are assessed for impairment at each reporting period. Assets are impaired when the recoverable amount is less than the carrying amount. An estimate of the recoverable amount is made when indicators of impairment are present. 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. An estimate of the recoverable amount is made when indicators of impairment are present. 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 profit and loss and other 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 employee benefit 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 profit and loss and other 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 fee 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 liabilities related to payments received in advance of performance or assets related to performance rendered in advance of payments. There is no collection uncertainty with the amounts billed to the client as they are for services already performed under the SLA 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 SLAs. 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. 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, 2015

There are no new pronouncements 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, 2015 that affect the Corporation's financial statements.

3.15.2 Standards, Amendments and Interpretations Not Yet In Effect

The Corporation reviews 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. Based on our review to date, none of the standards issued are expected to have a material impact on the financial statements of the Corporation except for IFRS 16 "Leases" which is expected to add a significant asset and liability on the statement of financial position. The Corporation will adopt the new standards when they are required. The standards reviewed were:

- IFRS 16 "Leases", effective for reporting periods on or after January 1, 2019, requires that leases be brought onto companies' statement of financial position, increasing the visibility of their assets and liabilities.

- IFRS 15 "Revenue from Contracts with Customers" (IFRS 15), effective for reporting periods on or after January 1, 2018, contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time.

- IFRS 9 "Financial Instruments" (IFRS 9), effective for reporting periods on or after January 1, 2018, incorporates the classification and measurement, impairment and hedge accounting.

- 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"), effective January 1, 2016. IFRS 5 clarifies the accounting for changes in methods of disposal; IFRS 7 clarifies the application of the disclosure requirements to servicing contracts and addresses the applicability of the offsetting amendments to IFRS 7 to condensed interim financial statements; IAS 19 clarifies the requirements to determine the discount rate in a regional market sharing the same currency; and IAS 34 clarifies the meaning of disclosure of information elsewhere in the interim financial report.

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: FINANCIAL ASSETS AND LIABILITIES

(See Table 13)

Except for investments, the carrying amounts noted above approximate the fair values due to the short term to maturity of the items. Fair value for investments is disclosed in note 13.

Financial instruments, other than those that are not subsequently measured at fair value and for which fair value approximates carrying value, must be disclosed at their fair value and be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: 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 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value measurement of cash is classified as level 1 of the fair value hierarchy as at March 31, 2016 and 2015.

5.1 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, 2016, was $56,413 (as at March 31, 2015, it was $54,085) 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 as in note 18, there

Table 13

FINANCIAL ASSETS AND LIABILITIES

	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	AMORTIZED COST	TOTAL CARRYING AMOUNT
As at March 31, 2016				
Cash	**$18,378**	$—	$ —	**$18,378**
Investments	—	—	**19,790**	**19,790**
Trade receivables	—	—	**15,966**	**15,966**
Other receivables	—	—	**2,263**	**2,263**
Other current assets	—	—	**16**	**16**
FINANCIAL ASSETS	**18,378**	—	**38,035**	**56,413**
Accounts payable	—	—	**1,601**	**1,601**
Accrued liabilities			**5,023**	**5,023**
Finance lease obligation			**289**	**289**
FINANCIAL LIABILITIES	$ —	$—	**$ 6,913**	**$ 6,913**

	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

is no concentration of trade receivables with any one customer. Based on historic default rates and the aging analysis in note 8, 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.

5.2 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, 2016, was $6,913 (as at March 31, 2015, it was $2,239) 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. Refer to the maturity analysis for accounts payable in note 14. In addition, as at March 31, 2016, the Corporation's financial assets exceeded its financial liabilities by $49,500 (as at March 31, 2015, its financial assets exceeded its financial liabilities by $51,846).

Refer to table in note 5.3 for the contractual maturities of financial liabilities, including estimated interest payments.

5.3 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, 2016, all of the investments ($19,790) were in fixed interest-bearing instruments (as at March 31, 2015, the comparable figure was $19,256). 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.

AS AT MARCH 31, 2016	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	SIX MONTHS OR LESS	MORE THAN SIX MONTHS
Accounts payable	$1,601	$1,601	$1,601	$—
Accrued liabilities	5,023	5,023	5,023	—
Finance lease obligations	289	305	50	255
FINANCIAL LIABILITIES	**$6,913**	**$6,929**	**$6,674**	**$255**

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

NOTE 6: INVESTMENT REVENUE

	2016	2015
Interest from:		
Bank deposits	$204	$342
Investments	570	429
Other interest	14	9
	$788	$780

NOTE 7: OPERATING AND ADMINISTRATIVE EXPENSES

	2016	2015
Rent	$1,651	$1,729
Employee training and development	995	915
Software maintenance	899	662
Professional services	832	771
Telephone and data communications	830	757
Travel	394	417
Office services, supplies and equipment	340	276
Staff relocation	201	205
Client services and communications	146	102
Furniture and equipment	101	24
Printing and stationery	96	114
Recruiting	70	9
Computer equipment	67	41
Postage and freight	45	39
Memberships and subscriptions	36	37
Hospitality	22	20
Other	59	54
	$6,784	$6,172

NOTE 8: TRADE RECEIVABLES

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

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
TRADE RECEIVABLES	$15,966	$15,173

The aging of the trade receivables was as follows:

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
Current	$ 7,747	$ 7,815
Past due 0–30 days	7,940	7,293
Past due 31–60 days	—	67
Past due 61–90 days	258	—
Past due 91 plus days	21	(2)
	$15,966	$15,173

NOTE 9: OTHER RECEIVABLES

The Corporation implemented salary payments in arrears in 2015–2016 for all employees paid on a bi-weekly basis. As a result, a one-time payment was issued to employees who are paid every two weeks on a "current" basis. These payments do not represent a salary expense in 2015–2016 and are recorded as a receivable by DCC considering they will be recovered from them in the future.

NOTE 10: PREPAID AND OTHER CURRENT ASSETS

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
Prepaid expenses	$1,184	$1,063
Other current receivables	266	237
Employee advances	10	14
Travel advances	7	12
	$1,467	$1,326

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
Cost	$7,268	$6,761
Less: Accumulated depreciation	4,885	4,576
Net book value	$2,383	$2,185
Net book value by asset class		
Computer equipment	$2,218	$2,031
Furniture and fixtures	77	80
Leasehold improvements	88	74
NET BOOK VALUE	$2,383	$2,185

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, 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
Plus: Additions	1,049	46	53	1,148
Less: Disposals	627	14	—	641
BALANCE AS AT MARCH 31, 2016	**$4,572**	**$672**	**$2,024**	**$7,268**

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, 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
Plus: Depreciation	826	47	39	912
Less: Disposals	591	12	—	603
BALANCE AS AT MARCH 31, 2016	**$2,354**	**$595**	**$1,936**	**$4,885**

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, 2016	AS AT MARCH 31, 2015
Cost	$1,398	$1,175
Less: Accumulated amortization	797	618
NET BOOK VALUE	**$ 601**	**$ 557**

Changes to intangible assets are detailed in the following table:

	TOTAL
Cost	
Balance as at March 31, 2014	$ 967
Plus: Additions	208
Less: Disposals	—
Balance as at March 31, 2015	1,175
Plus: Additions	270
Less: Disposals	47
BALANCE AS AT MARCH 31, 2016	$1,398

Changes to accumulated amortization are detailed in the following table:

	TOTAL
Accumulated amortization	
Balance as at March 31, 2014	$408
Plus: Amortization	210
Less: Disposals	—
Balance as at March 31, 2015	618
Plus: Amortization	226
Less: Disposals	47
BALANCE AS AT MARCH 31, 2016	$797

There is no impairment of intangible assets.

NOTE 13: INVESTMENTS

Investments consist of Canadian, provincial and corporate bonds with fixed interest rates ranging from 2.85% to 7.2%, guaranteed investment certificates (GIC) ranging from 1.7% to 2.1%, and mutual funds with variable interest rates. The maturity dates of the bonds vary from 2016 to 2031 and GIC vary from 2017 to 2020 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 following table.

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 not quoted in an active market, but rather are determined from quoted prices from a decentralized, over the counter market, which is considered Level 2 in the fair value hierarchy. In the current year, the investments were therefore reclassified from Level 1 to Level 2. As a result, the comparative figures as at March 31, 2015 were also reclassified to Level 2.

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

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
Current portion	$ 560	$ 1,098
Long-term portion	19,230	18,158
	$19,790	$19,256

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
Carrying amount at amortized cost:		
Bonds		
Federal	$ 508	$ 1,009
Provincial	9,657	10,241
Corporate	4,366	2,911
Total bonds	14,531	14,161
Guaranteed Investment Certificate	5,200	5,000
Mutual funds	59	95
	$19,790	$19,256

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
Fair value:		
Bonds		
Federal	$ 554	$ 1,070
Provincial	10,290	11,110
Corporate	4,486	3,095
Total bonds	15,330	15,275
Guaranteed Investment Certificate	5,212	5,009
Mutual funds	58	95
	$20,600	$20,379

RATE AND MATURITY DATES

AS AT MARCH 31, 2016	EFFECTIVE INTEREST RATE	LESS THAN ONE YEAR	LATER THAN ONE YEAR AND NOT LATER THAN FIVE YEARS	LATER THAN FIVE YEARS	TOTAL
Bonds					
Federal	3.75%	$ —	$ 508	$ —	$ 508
Provincial	2.85% to 6.6%	502	3,053	6,102	9,657
Corporate	3.0% to 7.22%	—	528	3,839	4,367
Guaranteed Investment Certificate	1.7% to 2.1%	—	5,200	—	5,200
Mutual funds	1.00%	58	—	—	58
		$560	$9,289	$9,941	$19,790

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, 2016	AS AT MARCH 31, 2015
Accounts payable	$ 1,601	$ 740
Accrued vacation and overtime	3,259	2,830
Accrued liabilities	5,023	1,257
Commodity taxes payable	521	627
	$10,404	$5,454

The following is an aged analysis of the accounts payable.

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
Less than 1 month	$1,554	$737
1 to 3 months	27	3
3 to 6 months	20	—
	$1,601	$740

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

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
Third-party balances	$1,585	$734
Related-party balances	16	6
	$1,601	$740

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, 2016	AS AT MARCH 31, 2015
Long-term portion employee benefits	$18,933	$21,252
Current portion employee benefits	946	400
TOTAL EMPLOYEE BENEFITS	$19,879	$21,652

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:

	2016	2015
Discount rate for projected benefit obligation	**4.00%**	3.80%
Rate of general salary increases	**3.25%**	3.50%
Initial weighted average health care cost trend rate	**5.50%**	5.60%
Ultimate weighted average health care cost trend rate	**4.50%**	4.50%
Year ultimate health care cost trend rate is reached	**2029**	2029
Mortality rate table	**CPM2014**	CPM2014
Mortality rate table improvement scale	**CPM-B**	CPM-B
Retirement age	**62**	62

Movements in the present value of the defined benefits obligation during the year are as follows:

	2016	2015
Opening value of benefits obligation	**$21,652**	$15,592
Remeasurement as at April 1, 2014	**—**	(938)
Current service cost	**1,640**	1,160
Interest on present value of obligation	**878**	765
Actuarial (gains) and losses from financial assumptions	**(3,935)**	3,536
Plan amendment	**—**	1,880
Employee benefit payments	**(356)**	(343)
CLOSING VALUE OF BENEFITS OBLIGATION	**$19,879**	$21,652

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 benefits obligation and changes in premium and drug cost assumptions.

Amounts recognized in profit and loss for the year in respect of this benefit plan are as follows:

	2016	2015
Current service cost	**$1,640**	$1,160
Interest on present value of obligation	**878**	765
Actuarial (gain) loss recognized in year	**(29)**	47
Past service cost	**—**	1,880
EMPLOYEE BENEFIT EXPENSES	**$2,489**	$3,852

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

	2016	2015
Remeasurement gain as at April 1, 2014	**$ —**	$ 938
Actuarial gains (losses) from financial assumptions	**3,935**	(3,536)
Less: Actuarial gain (loss) recognized in year	**(29)**	47
ACTUARIAL GAIN (LOSS) ON EMPLOYEE BENEFIT OBLIGATION	**$3,906**	$(2,551)

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. If all other assumptions are held constant, a hypothetical increase of one percentage point in the following assumed rates will increase (decrease) the defined benefit obligation by the amount in the table below. The effect of a hypothetical decrease of one percentage point in the assumed rates will have approximately the opposite result. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities. Methods used in determining the sensitivity are consistent with those used to determine the benefit obligations and with the methods used in 2014 at our last full actuarial valuation.

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	$(3,707)	$ 5,011
Effect of change in salary scale assumption	$ 119	$ (116)
Effect of change in health care cost trend rate assumption	$ 5,075	$(3,783)

The Corporation expects to expense $2,264 in 2017 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 11.10% (2015—11.73%). Total contributions of $7,131 (2015—$6,977) 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.

NOTE 16: SUPPLEMENTAL OPERATING CASH FLOW INFORMATION

	2016	2015
Interest charges on finance leases	$ 12	$ 17
Interest received from bank deposits	$204	$342
Interest received from investments	$668	$478
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. The tables show the future minimum lease payments:

AS AT MARCH 31, 2016

LEASE PERIOD	CORPORATION LEASES	CO-LOCATION LEASES	TOTAL
April 1, 2016 to March 31, 2017	$1,993	$1,941	$3,934
April 1, 2017 to March 31, 2018	1,817	1,793	3,610
April 1, 2018 to March 31, 2019	866	149	1,015
April 1, 2019 to March 31, 2020	53	—	53
After April 1, 2020	—	—	—
	$4,729	$3,883	$8,612

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

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 Corporation's entire services revenue of $84,905 (2015—$80,531) was generated from services provided to entities owned by the Government of Canada. The amounts due to and from related parties are as follows:

	AS AT MARCH 31, 2016	AS AT MARCH 31, 2015
Due from:		
Department of National Defence	**$14,595**	$13,805
Canadian Forces Housing Agency	**1,202**	1,041
Shared Services Canada	**109**	129
Communication Security Establishment	**58**	164
Public Service and Procurement Canada	**2**	34
	$15,966	$15,173
Due to:		
Shared Services Canada	**$ 14**	$ 5
Department of National Defence	**1**	—
Canada School of Public Service	**1**	1
	$ 16	$ 6

The Corporation incurred expenses with other departments of the Government of Canada. These transactions totalled $119 (2015—$128).

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 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.

18.1 Compensation of Key Management Personnel

Key management personnel are those persons (including members of the Board of Directors) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The number of individuals in this category increased from 16 to 20 during the year due to a reclassification of certain Head Office positions. The remuneration of key management personnel was as follows:

	2016	2015
Short-term benefits	$3,413	$2,316
Post-employment benefits	134	158
	$3,547	$2,474

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, 2016, there were 11 ongoing claims totaling $2,126 including 10 claims relating to DND totaling $2,079 and one claim relating to the Corporation totaling $47 for which no provision has been provided. These figures compare with 13 ongoing claims with a total value of $16,851 as at March 31, 2015.

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.

NOTE 21: EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on June 7, 2016, the Board of Directors approved the payment of dividends in the amount of $8.5 million to the shareholder of the Corporation. The amount has not been included in the results of the period ended March 31, 2016. It is management's objective to pay this dividend by March 31, 2017.