DEFENCE CONSTRUCTION CANADA

2023–2024 FIRST QUARTER FINANCIAL REPORT

PERIOD ENDED JUNE 30, 2023

Management's Discussion and Analysis, and Unaudited Condensed Interim Financial Statements

DEFENCE CONSTRUCTION CANADA
CONSTRUCTION DE DÉFENSE CANADA

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (MD&A) outlines the financial results and operational changes for the first quarter ended June 30, 2023, for Defence Construction Canada (the Corporation, or DCC). This discussion should be read in conjunction with the unaudited condensed interim financial statements for the period ended June 30, 2023.

The Corporation prepared this quarterly report as per the requirements of the *Financial Administration Act*. This statute requires all federal Crown corporations to prepare and make public a report within 60 days of the end of each fiscal quarter. These statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and are reported in Canadian dollars. The Corporation also recommends that this information be read in conjunction with the Corporation's MD&A and annual financial statements for the year ended March 31, 2023 (the *Annual Report 2022–2023*). DCC management is responsible for the information presented in the MD&A and unaudited condensed interim financial statements.

In the following analysis, all references to the first quarter refer to the three months ended June 30, 2023. All references to the previous year's first quarter relate to the three months ended June 30, 2022. All references to the previous year end relate to March 31, 2023.

1.0 MATERIALITY

In assessing what information is to be provided in the MD&A, management applies the materiality principle. Management considers information to be "material" when it is probable that its omission or misstatement would influence decisions that users make based on the financial information.

2.0 CORPORATE PROFILE

Defence Construction Canada (DCC, or the Corporation) is a Crown corporation that procures and delivers defence infrastructure and environmental projects. DCC's principal mandate is to meet the infrastructure, real property and environmental needs of the Department of National Defence and the Canadian Armed Forces (DND/CAF) by advising on, collaboratively planning, procuring and managing defence contracts.

Throughout the Corporation's history, DCC has supported the Government of Canada, including its departments and agencies both at home and abroad. DCC currently has two primary Client-Partners: the infrastructure and environment (IE) community at DND, and the Communications Security Establishment. DCC also provides services to Shared Services Canada for its Enterprise Data Centre at CFB Borden.

DCC is proud to have worked with DND since 1951, acquiring the specialized expertise and large knowledge base to manage projects at home and abroad, from traditional to innovative, from simple maintenance work to complex construction projects. 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 handles planning and contracting for goods and for professional, environmental, real property, construction and maintenance services.

CONTRACT MANAGEMENT SERVICES

The Contract Management Services Team supports the creation, renovation and maintenance of facilities for DND's IE program, as well as the management of complex public-private partnership agreements.

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 infrastructure requirements, program planning, and schedule and document control.

REAL PROPERTY MANAGEMENT SERVICES

The Real Property Management Services Team supports the efficient maintenance of DND's infrastructure by providing strategic and tactical support throughout the entire real property lifecycle.

3.0 OPERATIONAL PERFORMANCE INDICATORS

3.1 COST OF DCC SERVICE DELIVERY

This indicator measures the cost of DCC's program-driven services, including Contract Management, Project and Program Management, and Contract Services, in relation to the size of the infrastructure and environmental program delivered by DCC. DCC expects these costs to fall in the range of 9% to 15% of its Client-Partners' actual program expenditures. For the first quarter of 2023–2024, the cost of service delivery for program-driven services was 20%, up one percentage point from 2022–2023. This increase was due to a planned billing rate increase and higher demand for program-driven services, which led to higher revenue. The cost of service is typically higher than the targeted range at the beginning of the year, due to the timing of IE contract expenditures, and moves within range as the year progresses and contract expenditures are incurred.

3.2 EMPLOYEE UTILIZATION RATE

The employee utilization rate indicates the hours spent directly on service delivery functions that are billable to the Client-Partners, as opposed to the hours spent on corporate strategic initiatives and administrative functions that are considered overhead support, and on compensated leave. The utilization rate is an important indicator of efficiency and effectiveness, and a key financial management tool.

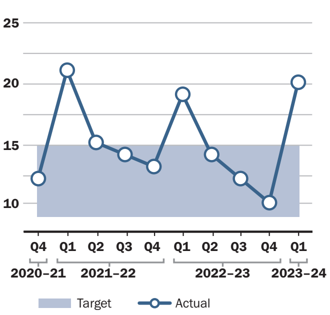
The Corporation sets a target to recover 70% of employee hours from the Client-Partners. For the first quarter of 2023–2024, the utilization rate was 74%— consistent with the same period in 2022–2023.

3.3 INVESTMENT IN TRAINING AND DEVELOPMENT

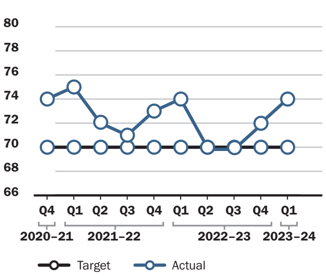
DCC's ability to serve DND is heavily dependent on the skills of its employees, and maintaining a skilled and professional workforce is a key corporate objective. DCC's performance indicator for training and development is based on the total annual investment in professional development, defined as the 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 2023–2024, DCC increased its annual overall corporate target for spending on training and development from 3% to 4.5% of base salary cost to better align with training and development industry trends and best practices for similarly sized organizations. The increase has allowed us to fund new national training and development initiatives and to better support in-person training and development activities and related travel following the lifting of COVID-19 measures.

For the first quarter of 2023–2024, the actual percentage was 4%, an increase of two percentage points from the same period in 2022–2023. The amount of training is dependent on the effort required to develop and maintain internal courses, and the timing and delivery of professional development activities in various regions. The increase over the previous year's first quarter occurred because in-person leadership and orientation forums were held during the first quarter.

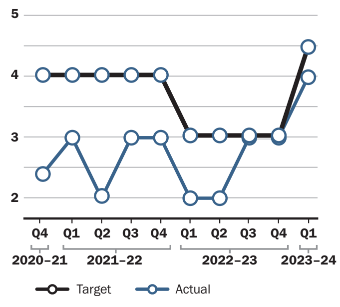
Cost of Service Delivery
(Percentage, year to date)



Utilization Rate
(Percentage of employee hours spent on billable contract work, year to date)



Investment in Training and Development
(Percentage, year to date)



4.0 RISK MANAGEMENT

There have been no material changes to the corporate risks identified by management and discussed in Section 5.0, Risk Management, of the MD&A in DCC's *Annual Report 2022–2023*.

5.0 FINANCIAL PERFORMANCE

5.1 REVENUE

SERVICES REVENUE

Services revenue for all activities combined was $46 million in the first quarter, an increase of $5 million or approximately 14% from the same period in 2022–2023. The increase was due to an increase in demand for services from the Client-Partners, combined with a planned billing rate increase for the year.

In general, services revenue directly correlates with 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. The cyclical nature of DND funding has a direct impact on demand for the Corporation's services and its services revenue. DCC's payments to project contractors on behalf of its Client-Partners totalled $172 million in the first quarter, 10% higher than in the same period in 2022–2023. The DND program in 2023–2024 is expected to be similar to that in 2022–2023.

Revenue, by Activity	**Three months ended June 30**		**Change**	
(in thousands of dollars)	**2023**	2022	**$**	**%**
Contract Management	**$ 19,326**	$ 16,706	2,620	16%
Project and Program Management	**11,336**	9,977	1,359	14%
Real Property Technical Support	**4,955**	4,450	505	11%
Contracting	**3,550**	3,211	339	11%
Construction Technical Support	**3,059**	2,742	317	12%
Environmental Technical Support	**3,341**	3,057	284	9%
Total services revenue	**$ 45,567**	$ 40,143	5,424	14%

Contract Management

Contract Management revenue increased by 16% over the previous year's first quarter. The higher revenue was a result of increased demand from the Client-Partners (which accounted for 12.5 percentage points of the increase) and the increase in billing rates (which accounted for 3.5 percentage points of the increase). The higher demand reflected the variability of services used by the Client-Partners as projects moved from the project and program management phase and the contracting phase to the contract management phase.

Project and Program Management

Project and Program Management revenue increased by 14% over the previous year's first quarter. The increase over the previous year's first quarter was due to higher demand from the Client-Partners (which accounted for 10.5 percentage points of the increase) and the billing rate increase (which accounted for 3.5 percentage points of the increase).

Real Property Technical Support

Real Property Technical Support revenue increased by 11% over the previous year's first quarter, due to increased demand for services related to facility and portfolio management (which accounted for 7.5 percentage points of the increase) and the billing rate increase (which accounted for 3.5 percentage points of the increase).

Contracting

Contracting revenue increased by 11% over the previous year's first quarter, due to increased demand from the Client-Partners (which accounted for 7.5 percentage points of the increase) and the increase in billing rates (which accounted for 3.5 percentage points of the increase).

ConstructionTechnical Support

Construction Technical Support revenue increased by 12% over the previous year's first quarter, due to higher demand from the Client-Partners (which accounted for 8.5 percentage points of the increase) and the billing rate increase (which accounted for 3.5 percentage points of the increase).

Environmental Technical Support

Environmental Technical Support revenue increased by 9% over the previous year's first quarter, due to an increase in demand (which accounted for 5.5 percentage points of the increase) and the increase in billing rates (which accounted for 3.5 percentage points of the increase).

INVESTMENT REVENUE

Investment revenue, which is generated from the Corporation's average cash balance in the bank and from investments, increased in the first quarter by $340,000, or approximately 148%, when compared to the previous year's first quarter. The increase over the previous year's first quarter was due to a higher rate of return in the first quarter, due to rising interest rates, and to the investment of a greater amount of cash not immediately required for operational purposes, compared to the previous year's first quarter. The investment balance as at June 30, 2023, was 95% higher than at June 30, 2022, while the cash balance was 52% lower than that in the previous year's first quarter.

	Three months ended June 30		**Change**	
(in thousands of dollars)	**2023**	2022	**$**	**%**
Investment revenue	**$ 569**	$ 229	340	148%

5.2 EXPENSES

SALARIES AND EMPLOYEE BENEFITS

Salaries totalled $32 million in the first quarter, an increase of $3 million or approximately 9% over the previous year's first quarter. The increase was mainly due to an increase of approximately 8% (or 90) in full-time equivalents (FTEs) over the previous year's first quarter, in response to increased demand from the Client-Partners. The remaining increase related to a planned annual increase in salaries, related to cost of living and performance pay.

Employee benefits totalled $9 million, an increase of $1 million or approximately 17% from the previous year's first quarter. The increase was due to growth in the Corporation's workforce and an increase in the cost of employee future benefits.

(in thousands of dollars)	Three months ended June 30 **2023**	**2022**	Change **$**	**%**
Salaries	**$ 31,718**	$ 29,093	2,625	9%
Employee benefits	**8,799**	7,527	1,272	17%
Total salaries and employee benefits	**$ 40,517**	$ 36,620	3,897	11%
Employee benefits as a percentage of salaries	**28%**	26%		

OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses were $3 million in the first quarter, an increase of $633,000 or approximately 24% over the previous year's first quarter. A variety of factors influenced these expenses.

(in thousands of dollars)	Three months ended June 30 **2023**	**2022**	Change **$**	**%**	**Variance analysis**
Cloud computing services	**$ 550**	$ 447	103	23%	The increase was due to the subscription costs for mobile contract management software to meet Client-Partner needs and the development of a new digital workplace.
Software maintenance	**447**	438	9	2%	The increase was due to a higher head count required to meet increased demand for services from the Client-Partners.
Professional services	**441**	360	81	23%	The increase was due to human resources initiatives, such as pay equity and diversity and inclusion initiatives, and to IT initiatives, such as information management process reviews and the intranet replacement in the first quarter.
Employee training and development	**349**	136	213	157%	The increase was due to a national leadership training initiative and to an orientation forum for new employees in the Western region.
Leased location operating costs	**270**	247	23	9%	The increase was due to higher rental costs as more employees returned to the office, and to a one-time operating cost recovery in the previous year's first quarter for a regional office.
Travel	**214**	106	108	102%	The increase was a result of business travel returning to pre-COVID-19 levels.
Equipment rental	**210**	259	(49)	-19%	The decrease was due to the purchase of computer peripherals in the third quarter of 2022 that had been rental items in the previous year's first quarter.

OPERATING AND ADMINISTRATIVE EXPENSES (CONTINUED)

	Three months ended June 30		**Change**		
(in thousands of dollars)	**2023**	2022	**$**	**%**	**Variance analysis**
Telephone and data communications	**165**	181	(16)	-9%	The decrease was due to optimization efforts that reduced the number of landlines in regional and site offices resulting in cost savings.
Office services, supplies and equipment	**149**	173	(24)	-14%	The decrease was due mainly to the carryover of 70th anniversary costs in the previous year's first quarter, slightly offset by an increase in cybersecurity insurance in the first quarter.
Recruiting	**142**	11	131	1191%	The increase was due to higher demand for external recruiting services, given the competitive labour market.
Client services and communications	**99**	112	(13)	-12%	The decrease occurred because the Corporation incurred one-time costs for DCC brand promotional items and for Progressive Aboriginal Relations and Indigenous visual identity work in the previous year's first quarter.
Computer software	**66**	60	6	10%	The increase was due to the purchase of a cloud services software licence.
Hospitality	**64**	20	44	220%	The increase was due to additional training initiatives and in-person meetings.
Furniture and equipment	**30**	7	23	329%	The increase was due to the purchase of additional office cabinets, workstations and chairs for multiple sites to accommodate the increase in FTEs.
Staff relocation	**29**	40	(11)	-28%	The decrease was due to relocations in the previous year's first quarter related to the creation of the new Pacific region.
Memberships and subscriptions	**25**	28	(3)	-11%	The variance was not material.
Computer hardware	**16**	8	8	100%	The increase was due to the purchase of computer accessories.
Other	**6**	4	2	50%	The variance was not material.
Postage and freight	**5**	7	(2)	-29%	The variance was not material.
Total operating and administrative expenses	**$ 3,277**	$ 2,644	633	24%	

DEPRECIATION AND AMORTIZATION

Depreciation and amortization combined decreased by 7% or $31,000 in the first quarter. Depreciation of right-of-use assets decreased by 9% or $31,000 in the first quarter, mostly due to amendments to the Head Office lease. Depreciation of property, plant and equipment in the first quarter was consistent with the previous year's first quarter. Amortization of intangible assets in the first quarter was consistent with the previous year's first quarter.

	Three months ended June 30		**Change**	
(in thousands of dollars)	**2023**	2022	**$**	**%**
Depreciation of right-of-use assets	**$ 299**	$ 330	(31)	-9%
Depreciation of property, plant and equipment	**106**	106	–	0%
Amortization of intangible assets	**5**	5	–	0%
Total depreciation and amortization	**$ 410**	$ 441	(31)	-7%

5.3 NET INCOME AND TOTAL COMPREHENSIVE INCOME

Net income and total comprehensive income in the current quarter was $2 million, compared to a net income of $615,000 in the previous year's first quarter. The higher net income in the first quarter was driven by higher demand for DCC's services, as well as a planned billing rate increase. These were partially offset by higher operating costs, as well as the growth in salaries driven by an increase in FTEs and the annual salary increase.

	Three months ended June 30		**Change**	
(in thousands of dollars)	**2023**	2022	**$**	**%**
Net income and comprehensive income	**$ 1,880**	$ 615	1,265	206%

5.4 LIQUIDITY AND CAPITAL RESOURCES

DCC's financial and cash management policy is discussed in the *Annual Report 2022–2023.*

CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments totalled $60 million as at June 30, 2023, an increase of $4 million or 7% from March 31, 2023.

The cash and cash equivalents balance as at June 30, 2023, was $20 million, an increase of $4 million or 21% from March 31, 2023. In the three-month period after March 31, 2023, the Corporation generated $4 million in cash through operating activities, spent $392,000 on capital expenditures, spent $214,000 on net acquisitions of investments and paid $321,000 for lease obligations.

As at June 30, 2023, DCC's overall cash balance was lower than its 2023–2024 targeted operating cash reserves of $26 to $34 million, due to the unplanned purchase of new provincial bonds and guaranteed investment certificates.

Investments (both current and long term) as at June 30, 2023, were $40 million, an increase of $238,000 or 1% from the 2022–2023 year end. The increase was due to the acquisition of a guaranteed investment certificate and a provincial bond, offset by the redemption of investments that reached maturity.

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, which are recorded at cost and amortized using the effective interest method. The investments held are consistent with the policy approved by the Board of Directors. It is the Corporation's intention to hold the investments to maturity.

TRADE RECEIVABLES

Trade receivables are due from the Corporation's Client-Partners, mainly DND. As at June 30, 2023, trade receivables were $36 million, which represented an increase of $4 million or 12% from March 31, 2023. The increase was mostly due to increased revenue from DND and an increase in the time needed to collect those receivables. All of the trade receivables were assessed to be fully collectible.

CURRENT LIABILITIES

Current liabilities were $31 million as at June 30, 2023, an increase of $9 million or 39% from March 31, 2023. The increase in current liabilities was primarily due to the increase in deferred revenue and the timing of payments to suppliers.

Liquidity and Capital Resources	**As at**		**Change**	
(in thousands of dollars)	**June 30, 2023**	March 31, 2023	**$**	**%**
Cash and cash equivalents	$ **20,121**	$ 16,563	3,558	21%
Investments	**39,611**	39,373	238	1%
Cash and cash equivalents and Investments	$ **59,732**	$ 55,936	3,796	7%
Trade receivables	$ **35,715**	$ 31,961	3,754	12%
Current liabilities	$ **30,675**	$ 22,109	8,566	39%

5.5 EMPLOYEE BENEFITS

The Corporation records a liability for the estimated cost of sick leave remaining in a curtailed sick leave program (which has been replaced by a short-term disability program), as well as a retirement allowance for active employees, and health and dental care and life insurance benefits for DCC retirees. This estimate is actuarially determined. The accrual for employee benefits as at June 30, 2023, was $35 million, an increase of $769,000 or approximately 2% from March 31, 2023.

Overall, the liability increased because the current service cost ($565,000) and the interest on the present value of the obligation ($434,000) were higher than the employee benefit premiums ($230,000).

	As at		Change	
(in thousands of dollars)	**June 30, 2023**	March 31, 2023	**$**	**%**
Current portion	$ **2,447**	$ 2,403	44	2%
Long-term portion	**32,244**	31,519	725	2%
Total employee benefits	$ **34,691**	$ 33,922	769	2%

5.6 CAPITAL EXPENDITURES

The Corporation's capital expenditures for the first quarter totalled $675,000, an increase of $603,000 or 838% from the previous year's first quarter. The increase was mainly due to leasehold construction at a regional office and the amendment of the Head Office lease.

	Three months ended June 30		Change	
(in thousands of dollars)	**2023**	2022	**$**	**%**
Furniture and equipment	$ **–**	$ 60	(60)	–100%
Leasehold improvements	**524**	–	524	–
Intangible assets	**–**	12	(12)	–100%
Right-of-use assets	**151**	–	151	–
Total capital expenditures	$ **675**	$ 72	603	838%

5.7 ACTUAL PERFORMANCE VERSUS PLAN

The following table compares the Corporation's actual performance in the first quarter of 2023–2024 with the projections in the Corporate Plan (the Plan). The Corporation's actual performance was better than that forecasted in the Plan.

Services revenue for the period was 6% higher than projected in the Plan. The increase was due to higher-than-anticipated demand for services from DND.

Travel and disbursement revenue and expenses were both 214% higher than indicated in the Plan, due to the gradual return of in-person business travel to pre-COVID-19 levels.

Investment revenue was 20% higher than anticipated in the Plan, due to the increase in the investment balance and higher interest rates.

Salaries and employee benefit costs were 9% higher than projected in the Plan, due to the higher-than-planned cost of employee benefits and an unplanned increase in FTEs due to higher demand from the Client-Partners.

Operating and administrative expenses were 22% lower than projected. The decrease was due mainly to lower-than-expected levels of employee training and development, and the timing of professional services and furniture purchases for the new Pacific Regional Office.

Depreciation and amortization were 17% lower than indicated in the Plan, due to prolonged construction timelines for the Pacific Regional Office and the amendment of the Head Office lease.

Net income was $614,000 higher than forecasted in the Plan, mainly due to higher demand for services and lower-than-planned operating and administrative expenses. This was partially countered by higher-than-expected salaries and employee benefits.

Capital expenditures were 73% lower than projected, due to prolonged construction timelines affecting the Pacific Regional Office lease.

	Three months ended June 30		Change	
(in thousands of dollars)	**Actual**	Corporate Plan	**$**	**%**
Revenue				
Services revenue	$ **45,567**	$ 42,888	2,679	6%
Travel and disbursement revenue	**1,151**	366	785	214%
Investment revenue	**569**	473	96	20%
Total revenue	**47,287**	43,727	3,560	8%
Expenses				
Salaries and employee benefits	**40,517**	37,320	3,197	9%
Operating and administrative expenses	**3,277**	4,226	(949)	-22%
Travel and disbursement expenses	**1,151**	366	785	214%
Depreciation and amortization	**410**	492	(82)	-17%
Finance costs	**52**	57	(5)	-9%
Total expenses	**45,407**	42,461	2,946	7%
Net income and comprehensive income	**1,880**	1,266	614	48%
Capital expenditures	$ **675**	$ 2,531	(1,856)	-73%

5.8 CONTRACT EXPENDITURES, BY REGION

The Corporation's contract expenditures through the DND program for the three months ended June 30, 2023, increased by $15 million or 10% when compared to the same period last year.

This increase was mostly due to a faster DND program rollout, compared to the previous year's first quarter. The DND program in 2023–2024 is expected to be similar to that of 2022–2023.

(in thousands of dollars)	Three months ended June 30		Change	
Region	**2023**	2022	**$**	**%**
Ontario	**$ 43,699**	$ 32,418	11,281	35%
Quebec	**34,549**	29,343	5,206	18%
National Capital	**34,390**	26,720	7,670	29%
Pacific	**21,407**	24,651	(3,244)	-13%
Western	**21,123**	23,007	(1,884)	-8%
Atlantic	**17,185**	20,947	(3,762)	-18%
Total contract expenditures	**$ 172,353**	$ 157,086	15,267	10%

6.0 DCC FUTURE OUTLOOK

6.1 MONITORING THE WAR IN UKRAINE

On February 24, 2022, Russian troops started invading Ukraine. The ongoing military attack continues to lead to significant casualties, dislocation of the population, damage to infrastructure and disruption of economic activity in Ukraine. In response, multiple jurisdictions, including Canada, have imposed economic sanctions on Russia.

On July 10, 2023, the Prime Minister announced a $2.6B funding commitment to renew and expand Operation REASSURANCE that includes Canada's support to NATO's Enhanced Forward Presence (eFP) in Latvia, where Canada acts as the Framework Nation leading the multinational battle group. DCC supports DND/CAF in Latvia and is working with its Client-Partner to understand the additional service requirements.

While DCC cannot predict the duration and impact of the war in Ukraine, it continues to monitor its operations and stays ready to provide any incremental support that DND requires. Although the Corporation has seen minimal increases in the prices of the goods and services it buys, it continues to monitor closely the wider effects of the war—including increasing inflationary pressures and supply-chain disruptions—on its operations. The surge in inflation that began in the first half of 2022 increased uncertainty around inflation assumptions for future salary increases, billing rate increases for Client-Partners and long-term assumptions for the employee benefit plan. However, DCC has not changed its assumptions from 2022–2023, since its long-term view of inflation has not changed.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

MANAGEMENT RESPONSIBILITY STATEMENT

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting, and the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations. Management is also responsible for such internal controls as it determines are necessary to enable the preparation of condensed interim financial statements that are free from material misstatement. In addition, management is responsible for ensuring that all other information in this quarterly financial report is consistent, as appropriate, with the condensed interim financial statements. Based on our knowledge, these condensed interim financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the condensed interim financial statements.

Original signed by

Derrick Cheung
President and Chief Executive Officer

Marie-Josée Lacombe, CPA
Vice-President, Finance &
Human Resources and,
Chief Financial Officer

Ottawa, Canada
August 29, 2023

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)	Notes	As at June 30, 2023	As at March 31, 2023
Assets			
Cash and cash equivalents		**$ 20,121**	$ 16,563
Investments	6, 14	**5,870**	7,057
Accrued revenue	9	**2,470**	–
Trade receivables	14	**35,715**	31,961
Prepaids and other assets		**2,051**	1,366
Other receivables		**1,951**	1,607
Current assets		**68,178**	58,554
Investments	6, 14	**33,741**	32,316
Property, plant and equipment	7	**2,343**	1,925
Intangible assets		**22**	27
Right-of-use assets	13	**6,048**	6,196
Non-current assets		**42,154**	40,464
Total assets		**$ 110,332**	$ 99,018
Liabilities			
Trade and other payables	14	**$ 24,311**	$ 17,097
Deferred revenue	9	**2,920**	1,299
Employee benefits	8	**2,447**	2,403
Lease obligations	13	**997**	1,310
Current liabilities		**30,675**	22,109
Employee benefits	8	**32,244**	31,519
Lease obligations	13	**5,430**	5,287
Non-current liabilities		**37,674**	36,806
Total liabilities		**68,349**	58,915
Equity			
Share capital: Authorized (1,000 common shares of no par value); issued (32 common shares)		**–**	–
Retained earnings		**41,983**	40,103
Total equity		**41,983**	40,103
Total liabilities and equity		**$ 110,332**	$ 99,018

Commitments: See Note 13. Contingent liabilities: See Note 15.

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

CONDENSED INTERIM STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

		Three months ended June 30	
(in thousands of dollars)	Notes	**2023**	2022
Services revenue	9	**$ 45,567**	$ 40,143
Travel and disbursement revenue		**1,151**	711
Investment revenue		**569**	229
Total revenue		**47,287**	41,083
Salaries and employee benefits		**40,517**	36,620
Operating and administrative expenses	10	**3,277**	2,644
Travel and disbursement expenses		**1,151**	711
Depreciation of right-of-use assets	13	**299**	330
Depreciation of property, plant and equipment	7	**106**	106
Amortization of intangible assets		**5**	5
Finance costs	13	**52**	52
Total expenses		**45,407**	40,468
Net income and comprehensive income		**$ 1,880**	$ 615

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Three months ended June 30	
(in thousands of dollars)	**2023**	2022
Share capital	**$ –**	$ –
Retained earnings		
Balance as at the beginning of the period	**40,103**	29,960
Net income and comprehensive income	**1,880**	615
Balance as at the end of the period	**$ 41,983**	$ 30,575
Equity	**$ 41,983**	$ 30,575

CONDENSED INTERIM STATEMENT OF CASH FLOWS

		Three months ended June 30	
(in thousands of dollars)	Notes	**2023**	2022
Cash flow provided by operating activities			
Net income		**$ 1,880**	$ 615
Adjustments to reconcile net income to cash provided by (used in) operating activities			
Employee benefits expensed	8	**999**	785
Employee benefits paid	8	**(230)**	(230)
Depreciation of property, plant and equipment	7	**106**	106
Depreciation of right-of-use assets	13	**299**	330
Amortization of intangible assets		**5**	5
Accretion of investment premiums		**(42)**	–
Amortization of investment premiums		**18**	13
Change in non-cash operating working capital			
Trade receivables		**(3,754)**	(3,144)
Other receivables		**(344)**	80
Prepaids and other assets		**(685)**	(390)
Accrued revenue		**(2,470)**	(3,053)
Trade and other payables		**7,082**	6,281
Deferred revenue		**1,621**	3,855
Net cash flows provided by operating activities		**4,485**	5,253
Cash flows provided by (used in) investing activities			
Acquisition of investments		**(1,400)**	–
Redemption and disposition of investments		**1,186**	320
Acquisition of property, plant and equipment	7	**(392)**	(2)
Acquisition of intangible assets		**–**	(12)
Net cash flows provided by (used in) investing activities		**(606)**	306
Cash flows used in financing activities			
Repayment of lease obligations	13	**(321)**	(315)
Net cash flows used in financing activities		**(321)**	(315)
Increase in cash and cash equivalents during the period		**3,558**	5,244
Cash and cash equivalents at the beginning of the period		**16,563**	36,918
Cash and cash equivalents at the end of the period		**$ 20,121**	$ 42,162

Supplemental cash flow information: See Note 11.

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

NOTICE TO READERS

These condensed interim financial statements have not been audited or reviewed by an external auditor and must be read in conjunction with the most recent financial statements for the year ended March 31, 2023, and with the management's discussion and analysis (MD&A) included in this quarterly financial report.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

1. DESCRIPTION OF BUSINESS 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). In 1980, under the Federal Identity Program, the Corporation was provided "Defence Construction Canada" as an applied title. 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 is the Department of National Defence (DND). The Corporation also provides services to the 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.

2. BASIS OF PREPARATION AND PRESENTATION

The Corporation prepared these condensed interim financial statements in accordance with International Accounting Standard 34 (IAS 34), Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and the Standard on Quarterly Financial Reports for Crown Corporations, issued by the Treasury Board of Canada. As permitted under IAS 34, these condensed interim financial statements do not include all of the disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited financial statements for its fiscal year ended March 31, 2023, and the current quarter's MD&A.

The condensed interim financial statements have been prepared according to the International Financial Reporting Standards (IFRS) effective when these statements were prepared. The statements have been prepared on a historical cost basis, except as permitted by the IFRS and as otherwise indicated in these notes.

3. SUMMARY OF ACCOUNTING POLICIES

These condensed interim financial statements follow the same accounting policies and methods of computation described in the notes to the Corporation's audited financial statements for the year ended March 31, 2023. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

4. CRITICAL ACCOUNTING ESTIMATES

Under the Corporation's accounting policies, 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 the judgments, estimates and assumptions.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised, when the revision affects only that period, or in the period of the revision and future periods, when the revision affects both current and future periods. Critical judgments and key sources of estimation uncertainty are disclosed in the notes to the Corporation's annual financial statements for the year ended March 31, 2023.

5. STANDARDS, AMENDMENTS AND INTERPRETATIONS

5.1 CURRENT ACCOUNTING CHANGES

The Corporation actively monitors new and amended IASB standards. The IASB did not issue any such standards that had an impact on the Corporation's condensed interim financial statements.

5.2 FUTURE ACCOUNTING CHANGES

The IASB has not issued any new or amended standards that would affect the Corporation in the future, other than those disclosed in Note 3 to the Corporation's annual financial statements for the year ended March 31, 2023.

6. INVESTMENTS

Investments consist of Canadian provincial and federal bonds with effective interest rates ranging from 1.2% to 4.6% (coupon rates ranging from 1.8% to 4.6%) and guaranteed investment certificates (GICs) with effective interest rates ranging from 0.9% to 5.0% (coupon rates ranging from 0.9% to 5.0%).

The maturity dates of the bonds vary from September 2024 to April 2028, and those of the GICs from July 2023 to March 2028, and the Corporation intends to hold all of them to maturity. The carrying amounts, measured at the amortized cost and fair value of these investments, are shown in the following table.

	As at	
	June 30, 2023	March 31, 2023
Current portion	**$ 5,870**	$ 7,057
Long-term portion	**33,741**	32,316
Total investments	**$ 39,611**	$ 39,373

	As at	
Carrying amount at amortized cost	**June 30, 2023**	March 31, 2023
Provincial bonds	**$ 9,573**	$ 9,336
Federal bonds (Note 14)	**1,001**	1,001
Guaranteed investment certificates	**29,037**	29,036
	$ 39,611	$ 39,373

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.

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

	As at	
Fair value	**June 30, 2023**	March 31, 2023
Provincial bonds	**$ 9,224**	$ 9,155
Federal bonds (Note 14)	**957**	970
Guaranteed investment certificates	**29,410**	29,183
	$ 39,591	$ 39,308

	As at June 30, 2023				
	Effective interest rate	**Coupon interest rate**	**Less than one year**	**One to five years**	**Total**
Obligations					
Federal bonds (Note 14)	1.7%	1.8%	$ –	$ 1,001	**$ 1,001**
Provincial bonds	1.2%–4.6%	2.3%–4.6%	–	9,573	**9,573**
Guaranteed investment certificates	0.9%–5%	0.9%–5%	5,870	23,167	**29,037**
			$ 5,870	**$ 33,741**	**$ 39,611**

7. PROPERTY, PLANT AND EQUIPMENT

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

Cost	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance as at March 31, 2023	$ 649	$ 1,421	$ 1,893	$ 3,963
Additions	–	–	524	524
Balance as at June 30, 2023	**$ 649**	**$ 1,421**	**$ 2,417**	**$ 4,487**
Accumulated depreciation				
Balance as at March 31, 2023	$ 567	$ 951	$ 520	$ 2,038
Depreciation	17	38	51	106
Balance as at June 30, 2023	**$ 584**	**$ 989**	**$ 571**	**$ 2,144**
Net book value, by asset class				
Net book value as at March 31, 2023	$ 82	$ 470	$ 1,373	$ 1,925
Net book value as at June 30, 2023	**$ 65**	**$ 432**	**$ 1,846**	**$ 2,343**

There was no impairment of property, plant and equipment.

8. EMPLOYEE BENEFITS

8.1 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, and 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.

The significant actuarial assumptions are disclosed in the *Annual Report 2022–2023*. The measurement date for the last actuarial valuation of the provision for employee benefits was March 31, 2023. The next actuarial valuation is planned for March 2026 or sooner, as required.

	As at			
		June 30, 2023		March 31, 2023
Current portion	**$**	**2,447**	$	2,403
Long-term portion		**32,244**		31,519
Total employee benefits	**$**	**34,691**	$	33,922

Movements in the present value of the defined benefits obligation during the year were as follows.

Balance as at March 31, 2023	**$**	**33,922**
Current service cost		**565**
Interest on present value of obligation		**434**
Employee benefit premiums		**(230)**
Balance as at June 30, 2023	**$**	**34,691**

Amounts recognized in the Condensed Interim Statement of Profit and Comprehensive Income for the period in respect of this benefit plan are as follows.

	Three months ended June 30			
		2023		2022
Current service cost	**$**	**565**	$	437
Interest on present value of obligation		**434**		348
Employee benefit expenses	**$**	**999**	$	785

9. REVENUE RECOGNITION

9.1 ACCOUNTING POLICY

Accrued revenue arises when, at a reporting date, the services delivered through fixed-fee service-level arrangements exceed the amount of revenue invoiced.

9.2 SEGMENTED AND DISAGGREGATED REVENUE INFORMATION

In reviewing the performance of the Corporation, management analyzes revenue by region, by activity and by type of contract (time based vs. fixed fee). The following tables disaggregate revenue by major activity and by region.

	Three months ended June 30, 2023						
	Activity						
Region	**Contract Management**	**Project and Program Management**	**Real Property Technical Support**	**Contracting**	**Construction Technical Support**	**Environmental Technical Support**	**Total revenue, by region**
Atlantic	$ 2,699	$ 1,209	$ 601	$ 588	$ 505	$ 894	**$ 6,496**
Quebec	3,312	1,461	648	470	438	600	**6,929**
National Capital	2,310	4,208	1,843	147	162	453	**9,123**
Ontario	4,531	1,502	858	654	1,024	765	**9,334**
Western	3,531	1,643	561	813	267	286	**7,101**
Pacific	2,862	1,263	304	353	187	343	**5,312**
Head Office	81	50	140	525	476	–	**1,272**
Total revenue, by activity	**$ 19,326**	**$ 11,336**	**$ 4,955**	**$ 3,550**	**$ 3,059**	**$ 3,341**	**$ 45,567**

	Three months ended June 30, 2022						
	Activity						
Region	Contract Management	Project and Program Management	Real Property Technical Support	Contracting	Construction Technical Support	Environmental Technical Support	Total revenue, by region
Atlantic	$ 2,749	$ 1,122	$ 649	$ 535	$ 276	$ 797	$ 6,128
Quebec	2,883	1,274	499	443	344	554	5,997
National Capital	1,777	3,668	1,757	151	80	617	8,050
Ontario	3,552	1,407	937	585	1,209	676	8,366
Western	3,222	1,492	355	806	255	235	6,365
Pacific	2,410	1,006	209	242	150	178	4,195
Head Office	113	8	44	449	428	–	1,042
Total revenue, by activity	$ 16,706	$ 9,977	$ 4,450	$ 3,211	$ 2,742	$ 3,057	$ 40,143

The following tables disaggregate revenue by region and contract type.

Time-based revenue	**Three months ended June 30**	
Region	**2023**	2022
Atlantic	**$ 1,287**	$ 1,236
Quebec	**2,194**	1,598
National Capital	**7,780**	6,549
Ontario	**2,148**	2,181
Western	**1,284**	1,148
Pacific	**1,331**	1,422
Head Office	**824**	615
Total time-based revenue	**$ 16,848**	$ 14,749

Fixed-fee revenue	**Three months ended June 30**	
Region	**2023**	2022
Atlantic	**$ 5,209**	$ 4,892
Quebec	**4,735**	4,400
National Capital	**1,343**	1,500
Ontario	**7,186**	6,185
Western	**5,817**	5,216
Pacific	**3,981**	2,773
Head Office	**448**	428
Total fixed-fee revenue	**$ 28,719**	$ 25,394
Total revenue	**$ 45,567**	$ 40,143

As at June 30, 2023, $2,920 (March 31, 2023, $1,299) in deferred revenue was related to unsatisfied performance obligations. Management expects the balance to be recognized as revenue by March 31, 2024. The changes in deferred revenue for the three-month period are shown in the following table.

	June 30, 2023	March 31, 2023
Balance as at the beginning of the period	**$ 1,299**	$ 1,285
Recognition of deferred revenue	**(245)**	(473)
Amounts invoiced and revenue deferred	**1,866**	487
Balance as at the end of the period	**$ 2,920**	$ 1,299

10. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year are detailed in the following table.

	Three months ended June 30	
	2023	2022
Cloud computing services	$ **550**	$ 447
Software maintenance	**447**	438
Professional services	**441**	360
Employee training and development	**349**	136
Leased location operating costs	**270**	247
Travel	**214**	106
Equipment rental	**210**	259
Telephone and data communications	**165**	181
Office services, supplies and equipment	**149**	173
Recruiting	**142**	11
Client services and communications	**99**	112
Computer software	**66**	60
Hospitality	**64**	20
Furniture and equipment	**30**	7
Staff relocation	**29**	40
Memberships and subscriptions	**25**	28
Computer hardware	**16**	8
Other	**6**	4
Postage and freight	**5**	7
Total operating and administrative expenses	$ **3,277**	$ 2,644

11. SUPPLEMENTAL OPERATING CASH FLOW INFORMATION

	Three months ended June 30	
	2023	2022
Interest received from investments	$ **292**	$ 94
Interest received from bank deposits	$ **274**	$ 135
Acquisition of property, plant and equipment not paid	$ **224**	$ 60
Interest charges on lease obligations	$ **52**	$ 52

12. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

12.1 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 June 30, 2023, was $97,407 (March 2023, $89,517) 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, since all of the trade receivables are due from departments of the Government of Canada. The Corporation is exposed to concentration risk in relation to trade receivables with DND, as described in Note 14. Based on historic default rates and the aging analysis, the Corporation believes that there are no requirements for an expected credit loss.

Other assets consist of balances related to travel advances to employees and computer loans to employees. Prepaids are not included in other assets.

The following table shows the fair value through profit or loss (FVTPL) of the financial assets subject to credit risk.

	As at June 30, 2023		
	FVTPL	**Amortized cost**	**Total carrying amount**
Cash and cash equivalents	$ 20,121	$ –	$ 20,121
Investments	–	39,611	39,611
Trade receivables	–	35,715	35,715
Other receivables	–	1,951	1,951
Other assets	–	9	9
Total financial assets	**$ 20,121**	**$ 77,286**	**$ 97,407**

	As at March 31, 2023		
	FVTPL	Amortized cost	Total carrying amount
Cash and cash equivalents	$ 16,563	$ –	$ 16,563
Investments	–	39,373	39,373
Trade receivables	–	31,961	31,961
Other receivables	–	1,607	1,607
Other assets	–	13	13
Total financial assets	$ 16,563	$ 72,954	$ 89,517

12.2 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 as at June 30, 2023, was $14,525 (March 31, 2023, $8,506) 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. All trade and other payables mature within six months or less. Trade and other payables consist of balances owed to suppliers. Commodity taxes payable and accrued vacation and overtime are not included in trade and other payables.
In addition, as at June 30, 2023, the Corporation's financial assets exceeded its financial liabilities by $82,882 (March 31, 2023, $81,011).

The contractual maturities of financial liabilities, including estimated interest payments, are shown in the following table.

	As at June 30, 2023		
	Carrying amount	**Contractual cash flows**	**Maturing within six months or less**
Trade and other payables	$ 14,525	$ 14,525	$ 14,525
Financial liabilities	**$ 14,525**	**$ 14,525**	**$ 14,525**

	As at March 31, 2023		
	Carrying amount	Contractual cash flows	Maturing within six months or less
Trade and other payables	$ 8,506	$ 8,506	$ 8,506
Financial liabilities	$ 8,506	$ 8,506	$ 8,506

12.3 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 financial 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 June 30, 2023, all of the investments ($39,611) were in fixed interest-bearing instruments (March 31, 2023, $39,373). 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 market risk is not significant.

13. LEASES

13.1 RIGHT-OF-USE ASSETS

The Corporation's right-of-use assets comprise office space and facilities for information technology (data warehouses). The Corporation has included extension options in the measurements of its lease liability when it is reasonably certain it will exercise the extension options.

The changes in right-of-use assets are shown in the following table.

	Office space leases	Data warehouse leases	Total
Balance as at March 31, 2023	$ 6,033	$ 163	$ 6,196
Additions	151	–	151
Depreciation	(268)	(31)	(299)
Balance as at June 30, 2023	**$ 5,916**	**$ 132**	**$ 6,048**

13.2 LEASE OBLIGATIONS

	As at	
	June 30, 2023	March 31, 2023
Current portion	**$ 997**	$ 1,310
Long-term portion	**5,430**	5,287
Total lease obligations	**$ 6,427**	$ 6,597

Balance as at March 31, 2023	$ 6,597
Additions	151
Payments	(373)
Interest expense	52
Balance as at June 30, 2023	**$ 6,427**

The following table shows the contractual undiscounted cash flows for lease obligations as at June 30, 2023.

One year or less	$ 1,200
Between one and two years	$ 474
Between two and five years	$ 1,538
Over five years	$ 4,297
Total	**$ 7,509**

For the first quarter, the expense relating to variable lease payments not included in the measurement of lease obligations was $270, while the same expense in the previous first quarter was $247. This amount consists of variable lease payments for operating costs, property taxes and insurance. There were no expenses relating to short-term leases, and expenses relating to leases of low-value assets were immaterial. Total cash outflow for leases was $643 for the first quarter (the amount for the same period in 2022–2023 was $614). This included $321 for principal payments on lease obligations (the amount for the same period in 2022–2023 was $315).

The Corporation signed a lease agreement for its new Pacific Regional Office on August 30, 2022. The lease commenced on July 22, 2023. The Corporation has committed to a five-year lease term with an undiscounted cash flow of $617.

14. 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 fair value, which is the actual amount of the consideration given or received for the services provided. The Corporation's services revenue in the first quarter totalled $45,567, compared to $40,143 in the same period in 2022–2023, and was generated from services provided to entities owned by the Government of Canada. The amounts due to and from related parties are included in trade receivables and trade and other payables, respectively, and are shown in the following table.

	As at	
	June 30, 2023	March 31, 2023
Due from:		
Department of National Defence (DND)	**$ 32,584**	$ 30,007
Canadian Forces Housing Agency	**2,713**	1,749
Communications Security Establishment	**391**	150
Shared Services Canada	**27**	55
	$ 35,715	$ 31,961
Due to:		
Shared Services Canada	**–**	4
Department of Justice Canada	**229**	153
	$ 229	$ 157

The Corporation incurs expenses with other Government of Canada departments. These transactions totalled $294 for the first quarter, compared to $174 in the same period in 2022–2023. Of these expenses, the Corporation recovered $290 from DND in the first quarter.

In accordance with the 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.

On March 2, 2022, the Corporation purchased a bond for $1,002 issued by the Canadian Mortgage and Housing Corporation. The Corporation earned investment revenue of $5 from the bond during the first quarter, consistent with the same period in 2022–2023.

15. CONTINGENT LIABILITIES

The Corporation's efforts to resolve disputes are reflected in the number and value of claims before the courts. As at June 30, 2023, there were 13 ongoing claims totalling $14,581. These were related to contracts the Corporation had put in place on behalf of its Client-Partners.
As at March 31, 2023, there were 12 ongoing claims totalling $14,557.

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. Therefore, the financial risk associated with settling these contractual claims does not have any financial impact on the Corporation, and the Corporation does not consider it necessary to record any provision in its financial statements relating to these particular legal claims.

In addition, as at June 30, 2023, there were other ongoing legal claims, not related to DND, for which the outflow of resources to settle the obligation either cannot be estimated or is not probable at this time. No amount for these claims had been recognized as at June 30, 2023.