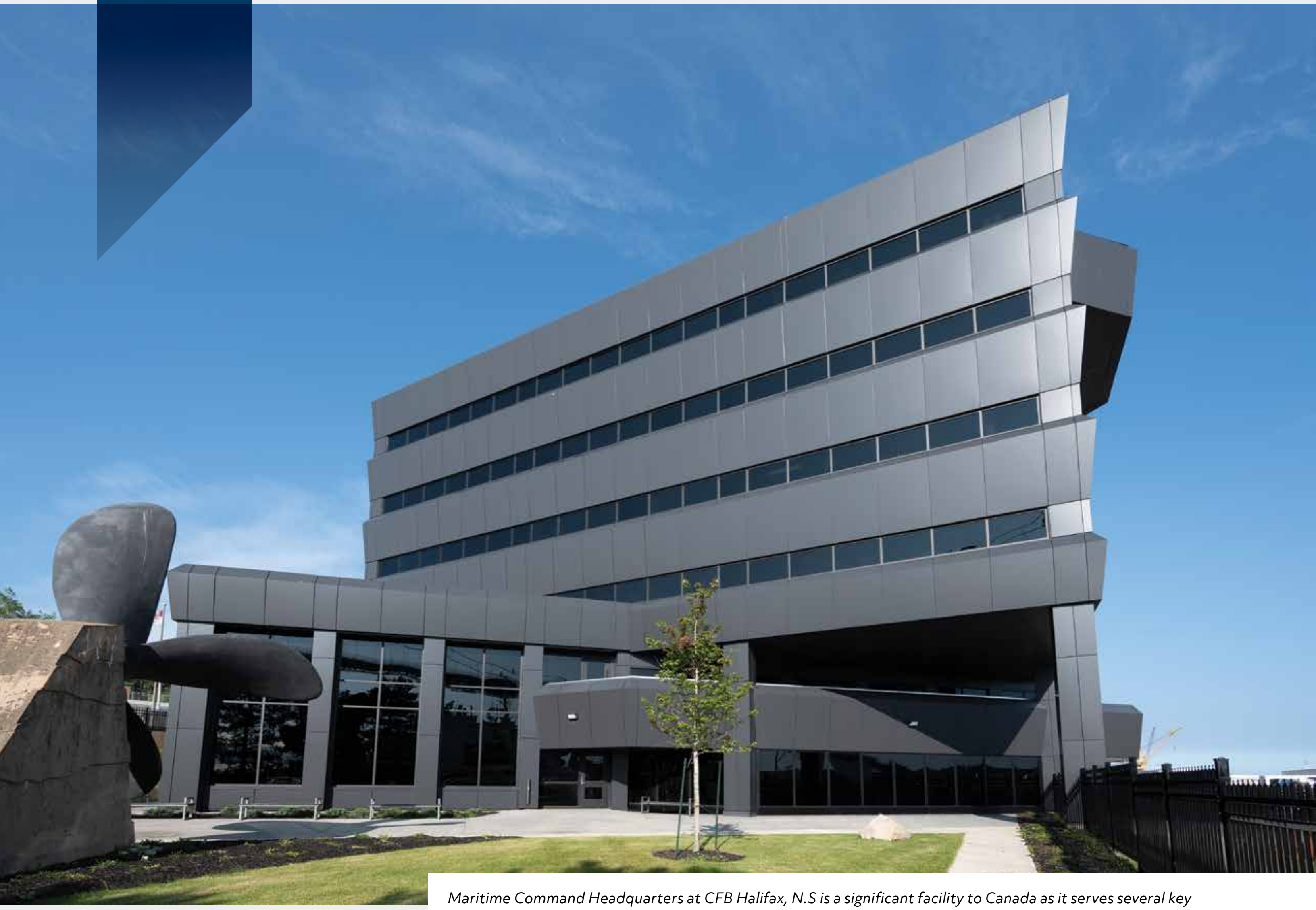
DEFENCE CONSTRUCTION CANADA
CONSTRUCTION DE DÉFENSE CANADA

Annual Report 2023–2024

DELIVERING VALUE FOR CANADA



Maritime Command Headquarters at CFB Halifax, N.S is a significant facility to Canada as it serves several key operational units. DCC supported the extensive building upgrade. The new, modern aesthetic resembles the unique look of the Arctic Offshore Patrol Ships stationed there.

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About DCC

Since 1951, Defence Construction Canada (DCC) has been participating in some of Canada's most challenging and innovative infrastructure and environmental projects.

We are a Crown corporation whose Client-Partners include: the Department of National Defence/ Canadian Armed Forces (DND/CAF), Communications Security Establishment and Shared Services Canada.

Our people have been developing the specialized expertise and knowledge to strategically plan for, procure, and manage defence infrastructure, real property and environmental projects.

From Canada's High Arctic to the deserts of Kuwait, DCC uses innovative, cost-effective, and transparent procurement and contract management practices. Our $9.6 billion active contract portfolio is comprised of many types of projects, including construction of new buildings and infrastructure environmental remediation projects, renovations of existing facilities, and energy performance contracts.

DCC is proud of our reputation for fair dealing and for timely, effective service. We foster collaborative relationships and a vibrant, respectful, and inclusive workplace. Together, these qualities mean that DCC delivers unique value to the Government of Canada.

Mission

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

Vision

To be a knowledgeable, ethical and innovative leader, and employer of choice, valued by the Government of Canada and industry.

Values

Dedication

DCC is dedicated to supporting defence infrastructure and environmental requirements. Since 1951, 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 offers a dynamic and inclusive working environment in which the experience, expertise and diversity of employees enable the development of innovative solutions for Client-Partner needs.

Fairness

DCC engages with everyone in a fair and ethical manner, embraces equity and inclusion, and advocates for mutual respect and professionalism throughout its business.

Operating Across Canada and Anywhere the CAF Deploys

- 1 Head Office, located in Ottawa
- 6 regional offices: Pacific, Western, Ontario, National Capital, Quebec and Atlantic
- 35 site offices at all active CAF bases, wings and area support units
  - 1 temporary remote office in the North for the Nanisivik Naval Facility infrastructure project in Nunavut
  - 1 permanent office in Yellowknife, Northwest Territories
  - 2 deployed operations in Latvia and Kuwait

In addition to working in Canada's Far North, DCC has deployed personnel alongside the CAF over the years. In 2023–2024, DCC deployed employees to two operational support hubs: Kuwait, to meet CAF infrastructure requirements for Operation IMPACT; and Latvia, to support Operation REASSURANCE. DCC also provides support to CAF operations from Canada, including recent operational support to Jamaica for humanitarian assistance and to Germany for Operational Support Hub Europe requirements.

Our Projects

- Jetty replacement and renovation
- Health care and community centres
- Aircraft hangars and runways
- Research and development facilities
- Green heating solutions and energy performance contracts
- Training and accommodation facilities
- Program and contract management services in international locations

Recognizing deployed DCCers

In September 2023, DCC's Daniel Yu, Imad Jaradat and Megan Butland received Certificates of Recognition from the Client-Partner for their success in managing construction and service contracts for Camp Adazi in Latvia.

DCC Timeline

1951 Defence Construction (1951) Limited created as a full-fledged Crown corporation

1965 Defence Construction (1951) Limited reports to Minister of National Defence

1980 Renamed Defence Construction Canada under Federal Identity Program

1986 Crown corporation status affirmed, now responsible to Minister of Public Works

1997 Fee-for-service approach adopted, so parliamentary appropriations no longer required

2005 Service delivery matrix business model adopted

2011 DCC awards largest public private partnership (P3) in Canadian government history

2015 E-procurement launched—a first for the Canadian federal government

2016 Value of annual contract expenditures reaches $1 billion

2019 DCC makes first federal government use of integrated project delivery (IPD)

2020 DCC exceeds forecasted results despite COVID-19 pandemic

2021 DCC celebrates 70 years of dedicated support and excellence

2022 DCC exceeds the federal government's 5% target for Indigenous procurements

Message from the Chair

Our world seems increasingly unstable these days, with conflicts in Ukraine, the Middle East and elsewhere. Pressures on Canada's military are almost certain to increase. Recognizing this reality, the Government of Canada significantly increased the country's defence spending in Budget 2024.

In this rapidly evolving context, DND needs an agile, responsive partner that can deliver innovative, value-added services. DCC is that partner.

Here is just one example. DCC recently managed a delicate, $15-million renovation of Building 54 at DRDC Toronto, which houses Canada's only human-rated centrifuge. During the complex, three-year project, 80% of the building was demolished and replaced—all without disrupting the centrifuge's operations.

DCC has an ambitious agenda to build meaningful relationships with Indigenous peoples and to create more opportunities for Indigenous businesses. In January 2024, we held a free business-to-business networking information session at DCC Esquimalt, the first of a nationwide series. About 120 attendees from Indigenous and non-Indigenous businesses learned about working with DCC. Such efforts are paying off; in 2023–2024, we awarded 8.3% of our total contract value to Indigenous businesses, surpassing the federal government's goal of 5%.

DCC also invests in its employees. Through targeted recruitment, succession planning and strategic investments in digital technologies, we ensure that the right people are available at the right time with the right tools to get the job done.

Sustaining excellence across DCC helps us carry out our primary objective: supporting the priorities of our Client-Partner and the Government of Canada. I continue to be impressed with the thoughtful guidance of the Board of Directors, the foresight of DCC's leadership and the creative problem-solving skills of DCC's employees. Thank you for your commitment. World events will likely continue to buffet us, but I am confident we have the agility to weather the storm.

Moreen Miller
Chair of the Board

Message from the President and CEO

In 2023–2024, DCC once again delivered value to the Government of Canada, in close alignment with the government's priorities.

For example, we are supporting DND's new Defence Climate and Sustainability Strategy, to help DND achieve net-zero carbon emissions by 2050. We are working on infrastructure for electric vehicles, remediating contaminated sites and setting up energy performance contracts.

In April 2024, the Government of Canada announced a major increase in defence spending: $8.1 billion over five years and $73 billion over 20 years. Budget 2024 also proposes innovative solutions to address Canada's housing crisis, including building homes on National Defence properties with high-potential for dual-use development. DCC stands ready to support DND's expanded requirements.

Internally, we've found ways to operate more effectively. Hybrid business meetings and virtual events have made it easier to leverage our highly-skilled and competent employees from across the country and around the world, while also reducing DCC's costs.

DCC supports employee well-being. We recently increased our employee wellness allowance, which helps DCCers pursue healthy lifestyles. In addition, we rolled out a new, 24-hour platform for our Employee and Family Assistance Program.

I'm proud of DCC's record in the areas of diversity, equity, inclusion and accessibility. This year, we completed Phase 3 of the Canadian Council for Aboriginal Business's Progressive Aboriginal Relations certification process. In addition, DCC was recognized in all five categories of the Government of Canada's Employment Equity Achievement Awards.

The Corporation is also preparing its next generation of leaders. Currently, roughly 160 DCC employees are participating in our Leadership Development Program. That will help ensure their readiness to step into key positions, if required.

Speaking of leadership: I'd like to warmly welcome Nicolas Forget (Vice-President, Operations–Procurement) and Kevin Horgan (Vice-President, Operations–Service Delivery), who recently joined our Executive Team. I'd also like to thank Karl McQuillan—former Vice-President, Operations–Service Delivery, who retired earlier this year—for his years of service to DCC.

My deepest thanks to the Board of Directors and DCC employees for creating a positive workplace culture where everyone feels included. That foundation helps us support Canada's defence, at home and abroad, and I'm honoured to lead this organization.

Derrick Cheung
President and Chief Executive Officer

Delivering Value for Canada

With our integrated service delivery model, DCC offers our Client-Partners advantages that no other organization can provide on its own.

Scope of Services

DCC has five integrated service lines:

- Contract Services
- Contract Management Services
- Environmental Services
- Project and Program Management Services
- Real Property Management Services

DCC's work covers a broad range of activities from project needs planning to building decommissioning.

Value for Money

A fee-for-service organization, DCC has billing rates that are significantly lower than those of comparable North American private sector engineering firms, according to Deltek's *44th Annual Clarity Architecture and Engineering Industry Study.*

The Best of Public and Private

We operate like an engineering consultancy firm, with the delegated authority, flexibility and know-how to make appropriate decisions. At the same time, we are governed by the *Financial Administration Act*, the *Public Servants Disclosure Protection Act, the Conflict of Interest Act,* the *Federal Prompt Payment for Construction Work Act,* the *Fighting Against Forced Labour and Child Labour in Supply Chains Act,* and other federal legislation. As a result, DCC is both responsive and accountable, both nimble and prudent.

Expertise, Accessibility and Deep Knowledge

DCC understands the special purposes, unique requirements and harsh environmental conditions in which our Client-Partners operate, as we've been working with DND since 1951.

Conveniently co-located with our primary Client-Partner on bases and wings across Canada and abroad, DCC is within easy reach. We provide in-person service delivery support and can respond to issues quickly.

In many cases, DCC employees have worked on a particular site longer than our clients, so we bring deep corporate knowledge to the table.

Flexibility

DCC has the ability to increase or redeploy our resources quickly, allowing us to respond with agility to emerging needs. We can offer the right solutions in the right place at the right time.

Industry Relationships

DCC actively participates in leading Canadian construction industry associations and professional groups. Industry trusts that our processes are open and fair, and that our tenders are structured to benefit both industry and the Client-Partners. As a result, we can attract multiple bidders to DCC-managed procurements, ensuring competition and value for the Crown.

Fairness

With our experience in procurement, contract management, and the infrastructure and environmental industries, we can provide significant efficiencies to our Client-Partners and good value to the Crown. DCC engages with our stakeholders in a fair and ethical manner, advocating mutual respect and professionalism.

Innovative Procurement

To meet Client-Partners' project needs, DCC uses innovative procurement models, such as public-private partnerships, building information modelling, modified design-build, integrated project delivery and e-procurement. These help us to develop straightforward, project-focused solutions for our clients, and to create a fair, transparent, open and secure marketplace for industry.

Alignment with Client-Partner Goals

Like our Client-Partners, DCC focuses on delivering projects that meet specifications, on time and on budget, and achieve the best overall value for Canada.

Working with Our Client-Partners

DCC's primary Client-Partner is the infrastructure and environment community at DND.

- Infrastructure and Environment (IE) Group at National Defence Headquarters—This is DCC's principal point of contact for managing the integrated DND real property portfolio at real property operations sites across Canada. With a single custodian for portfolio management at the national level, regional real property operations offices manage infrastructure requirements at the base and wing level.
- CAF Operations—DCC provides support as requested by the Canadian Joint Operations Command.
- Canadian Forces Housing Agency—DCC provides infrastructure-related services that support the construction and maintenance of accommodation for CAF members and their families at military bases and wings across Canada.
- North Atlantic Treaty Organization (NATO)—DCC supports Canada's NATO allies with facilities in Canada and overseas.
- DCC's Talent Acquisition team works with Military Family Services to support military families as an employment partner.

DCC has put in place two public-private partnerships with two other Client-Partners.

- Communications Security Establishment—This is a stand-alone agency within the Minister of National Defence portfolio. DCC is involved with the operations and maintenance of a public-private partnership facility, as part of a 30-year contract.
- Shared Services Canada—DCC provides services related to the maintenance of the Enterprise Data Centre at Canadian Forces Base (CFB) Borden.

DCC will respond to requests for support within the scope of our mandate from other organizations within DND, and as requested by our Minister for other Client-Partners.

DCC was honoured by Military Family Services and Canadian Forces Morale and Welfare Services for its dedication to supporting military families as an employer partner. DCC's Talent Acquisition team members Michelle Scheidegger and Beatrice Akinremi received a commemorative military coin on behalf of DCC at a ceremony in Ottawa on March 1, 2024.

Supporting DND

The Government of Canada's updated defence policy, *Our North, Strong and Free: A Renewed Vision for Canada's Defence,* responds to the significant global shifts DND has witnessed and makes modernizing DND infrastructure a priority. DCC may help DND

- provide new naval infrastructure to support Canada's National Shipbuilding Strategy;
- deliver infrastructure services for a variety of complex air and land projects, including
    - Future Fighter Capability
    - Defence of Canada Fighter Infrastructure
    - Remote Piloted Aircraft System
    - Canadian Multi-Mission Aircraft
    - Strategic Tanker Transport Capability
    - NORAD Modernization
    - Armoured Combat Support Vehicle;
- improve facilities, such as housing for military personnel; and
- divest or demolish underused or obsolete buildings.

DCC also stands ready to help DND implement its new Defence Climate and Sustainability Strategy (DCSS) and meet its overall goal of net-zero carbon, climate-resilient operations by 2050. Launched in December 2023, the DCSS sets out the Client-Partner's vision for shrinking its environmental footprint and becoming more sustainable and resilient in the face of climate-related disasters and the infrastructure, economic and security challenges that accompany them. DCC is helping DND meet the Government of Canada's greening targets as they relate to the Client-Partner's infrastructure projects and property management activities. This work includes remediating contaminated sites, supporting infrastructure for electric vehicles and establishing energy performance contracts.

Investing in Our Communities

Across the country, DCC employees support the communities where they work and live. They proudly contribute to their communities through professional and personal volunteerism, workplace giving, and other charitable activities.

Volunteering helps both the community and DCC

Heather Tesselaar, National Director, Real Property Management Services, joined the Board of Directors of the Real Property Institute of Canada (RPIC) in 2022. RPIC fosters lifelong learning across the federal government real property community, benefiting both DCC and its Client-Partners.

Sharing Professional Insight

DCC team members continually demonstrate their commitment to giving back by volunteering on boards and professional associations. There, they network with other professionals, sharing their experiences and expertise, and learning new best practices. Many of DCC's senior managers are also involved in construction, real property, and environmental and sustainability programs and initiatives.

On a personal level, DCC leaders contribute to associations and networks that promote diversity and inclusion, women in construction, and mental health and wellness, to name a few causes.

DCC Proudly Supports the United Way

Our largest employee-led fundraiser is the annual United Way and HealthPartners campaign. The national DCC Workplace Charitable Campaign (DCCWCC) raises funds that assist cities and towns across Canada to alleviate poverty and support children in need. The DCCWCC supports the most vulnerable Canadians and their families—providing critical care and services when money is tight—helping to build strong communities and healthier people nationwide.

In 2023, DCCers went above and beyond to organize activities that contribute to the health, safety and well-being of others. From coast to coast to coast, our employees organized in-person and virtual events and raised an impressive $139,718, which was 61% above the national goal of $87,000.

Giving to the Community

DCC supports employee efforts to engage with communities. Our personal leave policy includes one day a year to volunteer for a registered charity, non-profit or community organization. Here are some stories that demonstrate these efforts, among countless others.

Helping Families Put Food on the Table

With the cost of living rising, many families across the country are struggling to put food on the table. At our Borden, Kingston and Comox sites, staff helped fill the shelves of local food banks by donating food and raising funds. Again, last holiday season, DCC Goose Bay contributed funds to the local Rolland Shears Christmas Hamper program.

Supporting Canada's Military

More than 30 DCC employees, family and friends in the Ontario region joined together for the 2023 Canada Army Run in Ottawa on September 17, 2023. Other DCCers outside the region joined the team by participating virtually. Funds raised went toward the Support Our Troops and Soldier On initiatives to care for our CAF community, their families, and the ill and injured.

Helping Families in Need

DCC's Shilo team donated items to mothers and their children living at Mary's House. This organization provides housing for women and their children who have been victims of domestic violence. Further, their colleagues in Edmonton emptied their closets and cupboards to donate items to community members in need. About 30 bags of clothing and household goods were delivered.

Getting Active for Mental Health

Lacing up for Bell Let's Talk Day

On January 24, 2024, employees from DND's Real Property Operations Unit (RPOU) took on staff from DCC, DND's Resource Conservation Division and the Defence Research Establishment Valcartier at the Clément Boulanger Arena (Valcartier base) in a friendly hockey game to raise funds for Bell Let's Talk.

The RPOU team avenged last year's defeat with an 8–7 shootout victory. The event raised $885 for the Québec–Chaudières–Appalaches United Way, which redirected the funds to the Centre de prévention du suicide de Québec.

Push-up Challenge Brings Awareness and Support

DCCers took part in the 2,000 Push-Up Challenge 2024 to raise funds for and awareness of mental health services. From February 1 to 23, participants were challenged to meet a new target every day, each with a connection to mental health. Proceeds went to the Canadian Mental Health Association, which supports people living with mental illness, helps prevent mental ill-health, and promotes mental health and resilience for all Canadians.

Celebrating Diversity

Advocating for the 2SLGBTQIA+ Community

For the first time, DCC participated in a Pride parade. On Sunday, August 27, 2023, some 40 employees—as well as several friends and family members—marched in the Ottawa Capital Pride Parade. They joined more than 10,000 people in downtown Ottawa to celebrate the diversity and unity of the 2SLGBTQIA+ communities in the nation's capital. Their enthusiasm reflected both the symbolic and the practical value of the parade, which brings people together in a common cause: to create a more inclusive community and country.

Fostering this spirit is integral to building an increasingly safe, welcoming and healthy DCC workplace. We operate at our highest level when our team members are able to bring their whole selves to the job each day.

Empowering Black Students

DCC's Chuma Okereke joined members of the Black Students Association at McMaster University in Hamilton as a panellist at the Elevate and Empower event. That event features Black alumni who have excelled in their fields and contributed significantly to their communities. Chuma was honoured to participate and support young Black students.

Performance Highlights 2023–2024

$180 M
in services revenue

$826 M
in contracts awarded

$1.3 B
in contract payments

99%
satisfaction rating

4,000
Canadian jobs (estimated) created through contracts

$9.6 B
active contract portfolio under DCC management

8.3%
of total contract value awarded to Indigenous businesses (target was 5%)

DCC received the 2023 "Excellence in Foundations for Results and Benefits" award from the Real Property Institute of Canada (RPIC) at its national awards ceremony in Ottawa on October 25, 2023. The award was in recognition of our work to build respectful, meaningful relationships with Indigenous businesses. (l to r) Rob Chambers, Assistant Deputy Minister (IE), Jean-François Robert, RPIC President, Grant Sayers, DCC Vice-President, Operations, and Sonia Powell, RPIC's Past President at the awards ceremony.

Spotlight on Achievements

DCC Reaches Latest Indigenous Relations Milestone

DCC's Phase 3 submission for Progressive Aboriginal Relations certification from the Canadian Council for Aboriginal Business was accepted in January 2024. The Phase 3 submission covered a range of topics—from recruitment and retention of Indigenous employees to leadership engagement with Indigenous communities and procurement involving Indigenous businesses. DCC embarked on the multi-year project to gain Progressive Aboriginal Relations certification in 2021.

DCC Recognized for Excellence in Advancing Reconciliation

DCC was recognized for its work in constructing a foundation on which to enhance relations with Indigenous peoples. The company received the 2023 Excellence in Foundations for Results and Benefits award from the Real Property Institute of Canada (RPIC) at its national awards ceremony in Ottawa on October 25, 2023.

DCC, in partnership with DND's Assistant Deputy Minister (Infrastructure and Environment), has taken important steps to ensure more Indigenous businesses can participate in the real property lifecycle contracts DCC manages for DND.

The RPIC award recognizes DCC's success to date and motivates us to continue working to advance reconciliation.

DCC's Positive Impact on Indigenous Businesses

Ensuring alignment between DCC and our Client-Partners will not only help us meet the government's target of awarding 5% of contract value to Indigenous businesses annually; it will also help us support the government's efforts toward reconciliation. DND and DCC have developed a Joint Indigenous Procurement Strategy and started connecting with Indigenous businesses directly. As a result, DCC awarded 8.3% of our contract value to Indigenous businesses in 2023–2024, for a total of $40.4 million and 71 contracts.

DCC Honoured at Employment Equity Achievement Awards

DCC was a winner in all five categories of the 2023 Government of Canada Employment Equity Achievement Awards. The Corporation was recognized for Indigenous reconciliation, sector distinction, outstanding commitment to employment equity and innovation.

In addition, Derrick Cheung, President and CEO, was honoured as an employment equity champion. This award recognizes executives for their proven record of championing employment equity in their organization, as well as their overall contribution to diversity and inclusion in the workplace.

The Employment Equity Achievement Awards recognize federally regulated private-sector employers and federal contractors for their outstanding commitment to and achievements in implementing employment equity in their organizations.

DCC Recognized for Excellence in Procurement

DCC once again won the National Procurement Institute's prestigious Achievement of Excellence in Procurement (AEP) Award in 2023. The AEP Award recognizes organizational excellence in public procurement, as measured by five criteria: innovation, professionalism, productivity, e-procurement and leadership.

This was DCC's tenth AEP Award. We were one of 194 recipients and one of only six winning organizations in Canada.

DCC Receives Award of Excellence from IABC

The International Association of Business Communicators (IABC) gave a Gold Quill Award to the DCC Communications Team for its work on the 2023 National Awards ceremony. The IABC Gold Quill Awards recognize and honour the dedication, innovation and passion of communicators around the world, with a focus on efforts that achieve solid business outcomes.

Members of the DCC team with the award certificates and trophy: Navpreet Uppal, Director, Information Technology; Kevin Horgan, Vice-President, Operations—Service Delivery; Natalie Poirier, Manager, Diversity, Equity and Inclusion, and Wellness; Derrick Cheung, President and CEO; Kimberly Morgan, Director, Human Resources; Jana Morin, Manager, Policies and Programs; Kellie Shrimpton; Program Specialist, Diversity, Equity and Inclusion and Laura Denker, Manager, Communications.

Defence Infrastructure and Environment Projects

Energy Performance Contracts

DND aims to reduce the greenhouse gas emissions of its real property portfolio by 40% by 2030. DCC has put 11 energy performance contracts in place on behalf of DND, with an additional eight projects currently in various stages of development. In 2023–2024, energy performance contracts saved DND $20.6 million annually while reducing emissions by 66,476 metric tonnes of carbon dioxide equivalent (CO_{2e}).

Deployed Operations

DCC's work in Latvia includes supporting the infrastructure requirements of the Task Force Latvia program at Camp Adazi, Camp Ceri, Lielvārde Airbase and the Multi-National Headquarters Buildings in Riga, in addition to planning for future camps. In addition, DCC manages the construction of compounds supporting nations (Canada, Italy, Spain and other sending nations) operating in Latvia. DCC is also supporting multiple construction projects at the Operational Support Hub—Southwest Asia in Kuwait.

A/B Jetty Recapitalization

The A/B Jetty project supports Canada's National Shipbuilding Procurement Strategy, which will deliver modern ships to the Royal Canadian Navy over the next 30 years. The jetties will be home to the new Arctic/Offshore Patrol Ships and Joint Support Ships. This $743-million project to replace 70-year-old jetties consists of three contracts to demolish the old jetties and to design and construct the new jetties.
Esquimalt, British Columbia

Northern Facilities

DCC is managing an eight-year facilities maintenance and support services contract covering 80 buildings in forward-operating locations and communities in Canada's North. We will also handle various capital construction, minor new construction, maintenance and repair, and environmental projects.
Yellowknife, Northwest Territories

Future Fighter Capability Project

New fighter squadron facilities will be constructed at 3 Wing Bagotville and 4 Wing Cold Lake to accommodate Canada's next-generation fighter aircraft. DCC is using a phased modified design-build delivery approach to prepare for construction of the fighter squadron facilities.
Cold Lake, Alberta, and Bagotville, Quebec

Dwyer Hill Training Centre

DCC has awarded the contract to replace the facility's 89 aging buildings with 23 modern, reliable, state-of-the-art ones. Existing facilities will also be renovated. The $1.4-billion project aims to make the Dwyer Hill Training Centre carbon neutral and environmentally friendly. The facility on Ottawa's southwest edge is home to the CAF's Joint Task Force 2 elite unit.
Ottawa, Ontario

Edward Drake Building

Delivered under a P3 project model, the $4.1-billion contract provides for a modern and efficient facility for Communications Security Establishment, spanning over 72,000-m^2. The associated design-build-finance-maintain contract includes unique security, infrastructure and financing arrangements. DCC is involved with the operations and maintenance of the facility as part of this 30-year contract.
Ottawa, Ontario

Defence Research and Development Canada Complex

DCC awarded the contract for Phase 1 of the renewed research infrastructure at DRDC Valcartier on August 31, 2020. The $144-million contract will help the region's scientific community strengthen defence capabilities. The new research and development pavilion will include 30,859-m^2 of office, laboratory and support space.
Valcartier, Quebec

Canadian Surface Combatant, Land-Based Test Facility

The facility will mimic specific combat and platform components of an operational ship for test and evaluation activities. It is a new capability that DCC is developing for the CAF. The Royal Canadian Navy and contractors on the Atlantic coast will occupy the approximately 11,000-m^2 facility. The goal is to achieve LEED Silver certification and net-zero carbon emissions, to support the government's greening strategy.
Shearwater, Nova Scotia

5th Canadian Rangers Patrol Group Headquarters Building

DCC procured and is managing a contract to construct a new state-of-the-art workspace at 9 Wing Gander. The facility will not only provide DND with workspace for 74 people but will also help DND reduce its heating and cooling costs, and its greenhouse gas emissions. The $5-million, 998-m^2 facility will have office space, conference rooms, heated storage space and shared common areas.
Gander, Newfoundland and Labrador

Enterprise Data Centre

The expansion of Shared Services Canada's enterprise data centre has helped to modernize and standardize federal information technology (IT) infrastructure. DCC's second public-private (P3) procurement, this $332-million contract supports the design, building, financing, operations and maintenance of the data centre for 25 years. A LEED Silver-certified facility, the data centre achieved the Uptime Institute Tier 3 recertification standard in 2023. The contract is currently in the operations and maintenance phase.
Borden, Ontario

VC31 Genet Building

The VC31 Genet Building at CFB Kingston was chosen as the test building for an innovative green heating solution to reduce DND/CAF's greenhouse gas emissions, energy demand and carbon footprint. Using the Innovation for Defence Excellence and Security program, DCC is managing the project and the design-build team to design, install, operate and test an integrated, low-carbon energy generation and transfer system.
Kingston, Ontario

Management's Discussion and Analysis

1.0 Operating Environment and Structure

1.1 External Factors

DCC's operating environment is largely shaped by the priorities and planning of its primary Client-Partner, the Department of National Defence (DND), by the size and focus of DND's infrastructure and environment (IE) program, and by the business outlook for the architecture, engineering and construction industry.

Supporting DND and Government Priorities

The volume of business DCC receives under the IE program can change significantly from year to year, depending on DND and Government of Canada priorities. Announced in April 2024, the Government of Canada's new defence policy, *Our North, Strong and Free: A Renewed Vision for Canada's Defence,* is a renewed investment in Canada's defence spending. Building on the 2017 Strong, Secure, Engaged Defence Policy, the new policy is an updated vision for defence and for investing in Canada's capacity to respond to the significant global shifts we have witnessed since 2017. DCC continues to support DND/CAF in their renewed vision in various ways, including building new infrastructure for major CAF programs, improving facilities at bases, wings and overseas, and supporting the expanded CAF overseas mission Operation REASSURANCE.

Similarly, DCC stands ready to help DND implement its Defence Climate and Sustainability Strategy (DCSS), which outlines DND's plan to achieve sustainable assets and operations, in Canada and abroad. Launched in December 2023, the DCSS provides direction and renewed commitment to improving DND's environmental footprint and responding to a changing climate. As DCC did for DND's previous strategy—the Defence Energy and Environment Strategy—we are supporting this vision by helping DND meet the Government of Canada's greening targets, as they relate to improving energy efficiency and building sustainable real property at installations across Canada.

Industry Impacts

According to Build Force Canada, construction employment opportunities continue to outpace labour force growth, mainly due to a general increase in infrastructure investment, increased demand in the residential construction sector, challenges in accessing the Temporary Foreign Workers Program to supplement domestic workforce requirements, and the aging of the workforce. Canadian investment in construction increased dramatically as the economy recovered from the pandemic and many older construction workers left the workforce. Recruitment in the construction trades is increasingly challenging, as there is increased competition for skilled workers from other industries and youth are less interested in construction careers.

The Canadian construction industry, of which DCC is a member, is becoming more complex, with fewer firms, more foreign ownership, more service-integrated firms, quicker adoption of technology and greater third-party involvement in activities traditionally done by construction business owners, such as quality control.

Mergers and acquisitions among small and medium-sized enterprises are decreasing the pool of independently owned businesses eligible and able to bid on DCC contracts. In addition, federal, provincial and municipal governments are all coping with aging infrastructure, which challenges the capacity of industry to respond. For these reasons, DCC must always work to be a preferred business partner, since we rely on contractors and consultants to perform the work under the contracts we manage. DCC must also keep current with industry innovations, including e-procurement, new approaches to project delivery, integrated project delivery and lean construction methodologies.

1.2 Internal Factors

DCC operations are affected by factors both established and emerging, including where and how we work, and the ongoing need to recruit and retain talent across our many locations.

Workplace Models and Policies

Up-to-date technology with robust and secure capacity makes the modern hybrid workplace viable. This hybrid approach allows DCC to offer our employees a workplace that fosters work-life balance, good mental health and productivity, while sustaining our reputation as a high-quality service provider. Building a healthy, respectful and accessible workplace is a priority for DCC. In 2023–2024, DCC's Flexible Workplace Allowance helped employees meet personal needs while continuing to deliver key services to our clients. We also increased our employee wellness allowance to help DCC employees pursue healthy lifestyles.

Information technology (IT) systems are evolving rapidly to meet the demands of remote working. Employees, senior managers and external stakeholders alike expect to have a well-functioning, reliable and secure virtual environment.

Working in the North requires flexibility

Justine Loader, Technical Specialist, Real Property Management, has travelled to the North several times. "When working in remote locations, you need to be very flexible with scheduling and to build strong working relationships with station staff very quickly."

Recruiting and Retaining Talent

Like many other Canadian organizations, DCC faces the ongoing challenges of recruiting and retaining top talent to ensure we can continue to meet Client-Partner needs, while dealing with generational turnover and varying expectations of employees of different ages. Since DCC largely hires from outside government, we will be affected by the anticipated demographic crunch in the construction industry, with over one-fifth of workers on track to retire in 10 years but fewer young people entering the workforce. Moreover, many large construction projects are carried out in remote areas, where younger people are less likely to relocate.

Nonetheless, DCC must continue to be able to adapt the size, location and makeup of our workforce, so we can quickly respond to changes in Client-Partner service delivery requirements and priorities. DCC's status as a non-unionized Crown corporation gives us the flexibility to do this. DCC has a comprehensive Human Resources Strategy that addresses this internal business factor with programs that support employee recruitment and retention.

2.0 Integrity and Ethical Conduct

2.1 Procurement Verification

DCC treats the integrity of the procurement process seriously. Accordingly, we align with Government of Canada contracting regulations ensuring a secure, transparent, efficient and fair process for procuring and managing DND infrastructure projects. DCC's Procurement Code of Conduct (PCC) ensures that DCC's contractors and consultants meet the expected integrity requirements for doing business with the Government of Canada. The PCC brings together in one concise document the ethical responsibilities of contractors that offer goods and services to DCC. It ensures transparency, accountability and the highest standards of ethical conduct in DCC's procurement of goods and services.

DCC has a memorandum of understanding with Public Services and Procurement Canada (PSPC), under which 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 our own database.

In 2023–2024, DCC awarded 1,473 contracts to contractors, consultants and suppliers. We aim to verify all firms before awarding contracts to ensure that all contractors and consultants comply with the PCC.

Verifications are not required for contracts whose estimated value is less than $10,000. In 2023–2024, DCC made 1,473 verification requests and successfully verified 100% of the successful bidders on applicable contracts.

2.2 Fraud Management

DCC is committed to operating with the highest level of integrity and ethical standards in support of its business. We have zero tolerance for conflicts of interest, wrongdoings, corrupt conduct or fraudulent activities. Consequently, fraud detection and awareness are among our top priorities. In one of our many efforts to mitigate fraud risk, DCC has been applying internally developed data analytics that identify data anomalies to detect potential indicators of fraud, both internal and external. We then use these data anomalies to select specific contracts for further review and auditing, and to broaden data analytics to detect procurement fraud. This work, together with DCC's ongoing collaboration with Competition Bureau Canada through a memorandum of understanding, is helping mitigate the Government of Canada's risk of procurement fraud.

DCC has ensured that our Integrity Management Framework (comprising the Code of Business Conduct for employees and the PCC for suppliers) aligns with its PSPC counterpart and that the terms of these codes feature in all DCC contract documents.

3.0 DCC Involvement in Industry Activities

DCC works closely with private sector consultants and contractors, so it is vital that we stay on top of trends and contribute to the construction industry. We do this in a number of ways, including the following:

- **formal exchanges with the Canadian Construction Association and its provincial counterparts;**
- **strong relationships with professional groups, such as**
  - Association of Consulting Engineering Companies Canada
  - Royal Architectural Institute of Canada
  - Federal/Industry Real Property Advisory Council (FIRPAC)
  - Lean Construction Institute—Canada
  - Canadian Public Procurement Council
  - Canadian Construction Documents Committee
  - Canadian Design-Build Institute
  - Canadian Public Service Excellence Network
  - Algonquin College Program Advisory Committee;
- **interactions between DCC employees and contractors on job sites every day;**
- **relationships with industry organizations for infrastructure services;**
- **DCC employee involvement in major industry associations, with a goal of involvement in all of them;**
- **DCC employee involvement in professional organizations related to their areas of expertise, such as**
  - construction, facility and procurement management
  - architecture
  - project management
  - innovation and data management
  - health and safety
  - sustainable energy and environment
  - fire safety;

At the Geoenvironmental Forum, held by the Association of Consulting Engineering Companies in Drummondville on April 26, 2023, Geneviève Marquette, Regional Service Line Leader, Environmental Services, along with members of the industry, presented on a new provincial regulation regarding the recovery of waste materials.

DCC executive involvement on national committees and professional organizations to

- provide opportunities for DCC to be an industry leader
- keep DCC informed of new trends and developments in industry practices
- accept industry feedback on areas for improvement
- strengthen DCC's collaborative relationships with key industry organizations;

participation in the semi-annual Canadian Construction Association (CCA)–Government of Canada joint meeting to discuss current and emerging real property issues of shared interest, such as

- sustainable infrastructure
- workforce recruitment and retention
- diversity, social procurement and accessibility
- Indigenous considerations in procurement
- security clearances on federal projects; and

efforts to keep up to date with industry innovations and to seek new ways of working for the benefit of our Client-Partners, such as

- involvement in a joint government-industry working group, composed of representatives from PSPC, DCC and the CCA, related to the prompt payment of federal government construction contracts
- membership in FIRPAC, where the public and private sectors collaborate on issues pertaining to planning and managing federal real property
- participation in industry-led working groups on initiatives such as developing guidelines for project management services
- involvement in the Canadian Construction Documents Committee, which develops, produces and reviews standard Canadian construction contract documents
- annual participation in the evaluation of CCA Innovation Award nominations.

Raising DCC's profile with industry

Martine Côté, Regional Service Line Leader, Contract Services in Quebec, participates in industry events because she enjoys introducing DCC to potential partners and contributing to the evolution of DCC's vision.

Indigenous Relations at DCC

In 2023–2024, DCC continued to pursue an ambitious agenda to initiate, grow and sustain meaningful relationships with Indigenous businesses, people and communities.

DCC is working to advance reconciliation in many ways. We have developed a Commitment to Indigenous Peoples, an Indigenous Relations Policy and an Indigenous Relations logo. Our multi-year project to gain certification through the Canadian Council for Aboriginal Business's Progressive Aboriginal Relations program is progressing. In the Pacific region, DCC has established the new, full-time role of Regional Advisor, Indigenous Relations. We have organized free business-to-business information sessions for Indigenous businesses. We provide company-wide cultural competency training, and we offer a bursary for Indigenous students.

Our government and industry stakeholders have recognized DCC's work.

- In December, DCC received awards in all five categories of the 2023 Government of Canada Employment Equity Achievement Awards. We were proud to be among the first recipients of a new Indigenous Reconciliation Award, recognizing our work to support the government's priorities to advance reconciliation and to renew relationships with First Nations, Inuit and Métis.
- DCC also received the 2023 Excellence in Foundations for Results and Benefits Award from the Real Property Institute of Canada, for our work to construct a foundation on which to build good relationships with Indigenous peoples.

We have progressed on our multi-year project to become certified under the Canadian Council for Aboriginal Business's Progressive Aboriginal Relations program.

- In 2023–2024, DCC reached another important milestone in our work toward certification. In January, our Phase 3 submission was accepted, paving the way for work to begin toward Bronze certification.

  The Phase 3 submission covered a range of topics—from recruitment and retention of Indigenous employees to leadership engagement with Indigenous communities and procurement involving Indigenous businesses.

  The Bronze certification submission will delve deeply into this and other work to show that DCC is initiating, growing and sustaining authentic and mutually beneficial relationships with Indigenous peoples.

In 2023, DCC was one of the event sponsors for the Songhees Nation South Island Powwow. This support was initiated under a pilot program to enhance Indigenous outreach in the Pacific Region. Local DCC employees were among the more than 10,000 people in attendance.

We have continued to grow employee cultural competency.

- To help employees better understand the historical and cultural experiences of Indigenous peoples, all DCCers complete NVision Insights' The Path: Your Journey Through Indigenous Canada.

  Over the last year, DCC further partnered with NVision Insights to provide The Path: Building Indigenous Cultural Capacity (Level 2) training to select groups of employees, including members of DCC's regional management teams, Senior Management Group and Executive Management Group.

We're investing in the future.

- DCC has partnered with Indspire, a national Indigenous charity that invests in the education of First Nations, Inuit and Métis people. In 2022–2023, DCC established the DCC Indigenous Bursary Program to support Indigenous students who are pursuing qualifications to enter a career in engineering, planning, environmental sciences, construction, IT or finance. We awarded two annual bursaries in 2023, to students enrolled in programs in Vancouver and Edmonton. DCC leaders welcomed the students at local sites to share information about career options and opportunities.
- We continue to offer young Indigenous people meaningful work experiences at sites and offices from coast to coast to coast through our national Indigenous Youth Work Experience Program.

We are building meaningful relationships.

- Through our pilot outreach program in the Pacific Region, and across DCC, we have been laying the groundwork for meaningful relationships with Indigenous people, businesses and communities. In January 2024, DCC's first free business-to-business networking and information session kicked off a planned series of similar events across the country. The sessions bring together experts from DND, PSPC, Indigenous Services Canada and local Indigenous businesses to ensure that Indigenous businesses have access to the people, information and opportunities they need.

  These outreach sessions are just one of the ways that DCC is making sure that Indigenous businesses can participate in government procurement opportunities. The results speak for themselves. In 2023–2024, DCC awarded 58 direct contracts and recorded an additional 13 subcontracts to Indigenous businesses. Together, they totalled $40.4 million, equivalent to 8.3% of the total value of contract awards. These numbers exceed the government's target to award 5% of total contract value to Indigenous companies.
- This year, DCC was proud to be among the sponsors of the South Island Powwow in Victoria, B.C., marking the first time we have supported such an event.

4.0 Strategic Framework

People

Strategic objective: To build and sustain a competent, engaged and diverse workforce

Key performance indicator	Performance target	Result
Investment in training and development: Cost of training and development, as a percentage of base payroll costs	4.5%	4.2%
Innovation results: Percentage of employees who participate in the innoviCulture program	10%	40%
Employee retention rate: Percentage of employees who stay with DCC from year to year	Minimum of 90%	93%
Employment diversity results: Success in meeting requirements for the four designated groups (women, Indigenous peoples, people with disabilities, visible minorities)	No deficiencies in three of the four categories	Two deficiencies
Recruitment results: Percentage of all job postings filled in the first round of job advertising	85%	89%

Helping DCC engage with Indigenous Peoples

Nicci Bergunder is DCC's first Regional Advisor, Indigenous Relations. *"I am the result of a combination of ethnicities: Anishinaabe, Polish, German and Danish. One of my first goals is to help ensure that everyone has information and tools to succeed."*

Strategic and Operational Performance Indicators

Employees

DCC has a dedicated workforce of professional, technical and administrative people that supports the operations workforce, including specialists in finance, human resources, IT, communications and administration.

In 2023–2024, DCC had 1,247 full-time equivalent (FTE) employees, an increase from 1,156 the previous year. DCC works with DND/CAF not only across Canada, but also around the world. We stand ready to provide short- and long-term procurement, contract management and project support services to military operations abroad. This year, 12 DCC employees accepted deployments related either to DCC's work in Latvia to support the infrastructure requirements of the Enhanced Forward Presence, or to construction projects at operational support hubs in Kuwait.

Diversity and Employment Equity

DCC has built our employment equity program on a solid foundation. In 2023, for the fourth time, Employment and Social Development Canada recognized DCC for its achievements in employment equity. The award recognizes employers that are inspirational role models, that champion employment equity in their sector and that have succeeded notably in implementing employment equity in their organization. Notably, in 2023, DCC was recognized in all five categories: outstanding commitment to employment equity; innovation; sector distinction; employment equity champion; and Indigenous reconciliation.

On January 22, 2024, DCC completed Phase 3 of the Canadian Council for Aboriginal Business's Progressive Aboriginal Relations certification process. The Phase 3 submission covered a wide range of activities in support of DCC's commitment to reconciliation with Indigenous businesses, people and communities.

DCC is in the fourth year of the five-year DCC Diversity and Inclusion (DI) Strategy. The regional DI plans have helped identify gaps and address them at the local level. As well, DCC employees continued following our DI learning program, which included training related to unconscious bias and to Indigenous cultural awareness. Further, we awarded two Indspire bursaries to Indigenous students, hosted DI book clubs, published quarterly DI newsletters, participated in the Capital Pride Parade and coordinated numerous recognition activities.

We also conducted our annual *Count Yourself In!* online employment equity and diversity questionnaire. Results help us to identify possible barriers in DCC's recruitment, hiring, training, retention and promotion practices.

DCC works diligently to enhance our ability to recruit and retain top talent, including members of four employment equity groups and the 2SLGBTQI+ community. Work continues to ensure that DCC's workplace is diverse and inclusive. For example, partnerships with national and local organizations help DCC recruit and retain employees who identify as persons with disabilities. During its 2023 summer student employment campaign, DCC entered into a partnership agreement with Specialisterne, a government-funded organization that helps match neurodiverse engineers with jobs. We hired a neurodiverse student and received support from Specialisterne during the onboarding process. In total, DCC hired nine students with disabilities across all regions in 2023, representing 11.25% of DCC's student population.

Diversity of the DCC employee population

Employment equity designated group	Percentage of the total employee population	Labour market availability target
Women	42.7%	33.7%
Indigenous peoples	3.8%	3.5%
Visible minorities	15.5%	17.8%
Persons with disabilities	8.7%	9.9%

Employee Wellness

DCC 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. We provide access to benefits and resources, such as lifestyle modification programs, fitness memberships and recreational programs, as well as an employee assistance program, an absence support program, flexible working arrangements and compressed workweeks.

Supporting the 2SLGBTQIA+ community

In 2023, DCC Head Office staff—including President and CEO Derrick Cheung—took part in Ottawa's Capital Pride Parade for the first time. "I was proud to join my colleagues, and their friends and families" he says, adding that the event fosters a spirit of inclusion.

Employee Recruitment and Retention

Like many other Canadian organizations, DCC faces the ongoing challenges of recruiting and retaining top talent to ensure we can continue to meet Client-Partner needs. DCC aims to have 85% of all postings filled in the first round of job advertising. In 2023–2024, we filled 89%. DCC again surpassed our retention rate target of 90% with a rate of 93%.

Innovation

For over 15 years, DCC has been promoting and inspiring innovation among employees. DCC's innovation program, innoviCulture, encourages and tracks innovation in the workplace. Employees can use an online module called the inCubator to submit their ideas.

Tracking showed that employees submitted 474 ideas in 2023–2024, and the participation rate was 40%, well above the target rate of 10%. The innoviCulture Committee continued its efforts to upgrade the innovation software and began developing an innovation framework.

Investment in Training and Development

DCC's ability to serve DND is heavily dependent on the skills of our employees. 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 our annual overall corporate target for spending on training and development from 3% to 4.5% of base salary costs, to better align with industry trends and best practices for similar-sized organizations. The increase has allowed DCC 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.

In 2023–2024, the actual percentage was 4.2%, an increase of one percentage point over the previous year. The amount of training is dependent on the effort required to develop and maintain internal courses, and the time and delivery model for professional development activities in various regions. The increase over the previous year related to in-person leadership and regional forums held throughout the year.

Corporate Strategic Initiatives

There were two initiatives for the 2023–2024 planning period.

Implement year five of the Human Resources Strategic Plan, including the Diversity and Inclusion Strategy, and the Workplace Wellness and Mental Health Strategy

The Government of Canada has many ambitious objectives related to its commitment to social and cultural diversity and inclusion. Aligned with the Call to Action on Anti-Racism, Equity and Inclusion in the Federal Public Service, DCC supports these priorities under two strategies that include meaningful activities, milestones and objectives. We have continued to build on the significant accomplishments of the past several years.

Significant actions in 2023–2024 under the DI Strategy included the continuation of DCC's DI learning program for employees—most notably, Introduction to Unconscious Bias and Indigenous Peoples of Canada Cultural Awareness training; progress in implementing the corporate and regional DI plans that support the hiring and retention of employment equity groups; a renewed focus on a national student program and bursary; and numerous recognition and celebration activities.

DCC also made strides under the Workplace Wellness and Mental Health Strategy. These included a flexible workplace allowance; an increase to our annual employee wellness allowance; a new, comprehensive employee and family assistance program; enhancements to DCC's extended health care coverage and health spending account; and wellness-related learning opportunities and tools, including mental health awareness training, and harassment and violence prevention refresher training, for all employees.

Develop DCC's Pay Equity Plan

DCC seeks to have a fair and equitable workplace and is committed to fulfilling its obligations and requirements under the *Pay Equity Act*. In 2023–2024, DCC established a Pay Equity Committee to develop and review DCC's various pay equity-related data, tools and resources, and to develop a pay equity plan. Committee members received pay equity and job evaluation training and are on target to develop a formal Pay Equity Plan by September 2024.

Service Delivery

Strategic objective: To deliver innovative, value-added services that meet Client-Partner requirements

Key performance indicator	Performance target	Result
Service delivery rating: Client satisfaction, as measured by the percentage of clients who give DCC an overall rating of three or higher on a five-point scale	Minimum of 95%	99%
Procurement results—Award success: Percentage of procurements that result in a contract award	Minimum of 95%	97%
Procurement results—Procurement competition: Number of bidders or proponents per procurement	Minimum of 4	5
Procurement results—Public access to business opportunities: Percentage of all procurements awarded through public business opportunities	Minimum of 98%	99%
Contract management results—Contract completion: Percentage of all contracts completed by the date scheduled for occupancy and readiness for intended use	Minimum of 85%	95%
Contract management results—Contractor performance evaluation: Percentage of evaluations of contractors that have completed their contracts with DCC	95%	98%

Strategic and Operational Performance Indicators

Service Delivery Rating

As a service delivery organization, DCC wants to ensure our Client-Partners are satisfied with the quality of our work. Consequently, we track client feedback through a service delivery rating system.

DCC administers our work with DND/CAF through service level arrangements (SLAs). DCC interviews the primary representative for each significant SLA individually each year. 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.

We aim to ensure that 95% of assessments achieve an overall rating of three (met service delivery standards) or higher (exceeded service delivery standards). In 2023–2024, DCC conducted 144 service delivery assessments, and 99% of the overall scores indicated that we met or exceeded expectations.

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, as these reduce competition. DCC works with Client-Partners to make each procurement as viable as possible. The goal is that at least 95% of all procurements result in a contract. At year end, 97% of DCC procurements had resulted in a contract, an increase of one percentage point from last year's result.

Public Access to Business Opportunities

DCC wants to encourage competition and ensure that all enterprises have equal opportunity to bid on contracts. The goal is to award a minimum of 98% of DCC contracts by value through public opportunities. In 2023–2024, DCC awarded 99% of all contract value through public opportunities.

Procurement Competition

DCC wants industry to view us as a knowledgeable and fair company to work with, so that as many bidders as possible compete for work. A greater number of bidders will foster competition and wider access to government opportunities, helping ensure we get the best value possible. DCC tracks the number of bidders per procurement, one indication of our reputation among contractors and consultants. The goal is to have an average of four bidders per procurement. DCC had an average of five bidders per procurement in 2023–2024, an increase from last year's number of four.

Contract Management Results

Timeliness of Construction Contract Completion

Timely completion of projects is a key component of client satisfaction. DCC monitors this and works with clients and contractors to minimize schedule slippage. When slippage does occur, DCC ensures that DND knows the reasons, and we take all necessary action to minimize the impact on DND. In 2023–2024, 95% of construction contracts were completed on time, a one percentage-point decrease from last year.

Contractor Performance Evaluations

To satisfy our Client-Partners, DCC wants to have the job done right. To satisfy the industry, DCC wants to provide useful and fair performance feedback to the contractors and consultants that perform the work. For over two decades, DCC has used our contractor performance evaluation report form to ensure delivery of quality work and to achieve value for the Crown. This vendor management tool holds contractors accountable for poor performance or unacceptable behaviour. The goal is to evaluate 95% of all contractors that have completed their contracts with DCC. In 2023–2024, 98% of contractors were evaluated.

Indigenous Outreach

When collaborating with the Client-Partner in our procurement planning, DCC continues to consider how to create a positive social impact through purchasing. During 2023–2024, DCC helped to strengthen DND's efforts to engage Indigenous businesses, and to support the Government of Canada's focus on providing business opportunities for Indigenous people and companies. In 2023–2024, DCC awarded 71 contracts to Indigenous businesses. They resulted in a total of $40.4 million in contract value, equivalent to 8.3% of the total value, going to Indigenous companies. That was a decrease of 1.5 percentage points from the previous year's results but well above the 5% target.

DCC partnered with other federal government departments and organizations in events to help Indigenous suppliers find opportunities. At these events, DCC presented information about finding and bidding on our opportunities, and about our approach to increasing Indigenous business participation in our projects.

Corporate Strategic Initiatives

There were four initiatives for the 2023–2024 planning period.

Enhance DCC's capabilities to support DND in its program delivery and IE strategic portfolio management

DCC is supporting DND in modernizing its infrastructure in two ways. First, we support the development of real property program and procurement plans, and their associated tracking tools, to help our Client-Partners acquire and lease sites and carry out other transactions. Second, DCC works with DND to make requirements for facilities maintenance more consistent, as well as to reform joint procurement methods so that they encourage innovation.

In 2023–2024, DCC supported our Client-Partner in collecting data to acquire a more comprehensive understanding of DND's real property portfolio. Use of capital asset management software allows DND to make informed, risk-based decisions to maintain and recapitalize real property in relation to operational requirements. DCC also continued to improve and standardize the planning for facilities maintenance contracts, and we initiated a Project Management Information System pilot project.

Support DND's greening defence and sustainability initiatives

DND manages one of the largest and most complex infrastructure portfolios in the federal government. As a result, it is the single largest contributor to federal greenhouse gas (GHG) emissions. DND is aiming to reduce the GHG emissions of its real property portfolio by 40% from 2005 levels by 2030 and to be net-zero by 2050. DCC supports greening defence directives at the national, regional and site levels.

To support DND greening defence initiatives, DCC has done the following.

- We established the DCC Greening and Sustainability Working Group to help advance greening and sustainability within DCC and in support of the Client- Partner. The group includes members from all regions and service lines. They share new information on evolving requirements and support the integration of greening considerations into DCC service delivery and operations.
- DCC has put 11 energy performance contracts in place since 2018 to help DND reduce GHG emissions to net-zero by 2050. In 2023–2024, these contracts saved DND approximately $20.6 million annually and are projected to reduce DND's annual GHG emissions by 66,476 metric tonnes of carbon dioxide equivalent (CO_{2e}).
- We have established and managed procurement processes related to SMART buildings, electric vehicle charging stations and net-zero carbon planning.
- DCC has developed and refined tools to support lifecycle assessment and carbon management in project planning. We use RETScreen clean energy management software to support building and portfolio management.
- We have continued implementing projects that involve greening and sustainability-related building standards such as LEED, Green Globes and Net-Zero Carbon.
- DCC has initiated an innovative project related to incorporating low-embodied carbon concrete in DND infrastructure projects.
- We have provided project and program management support to deliver Phase IV of the multi-year Federal Contaminated Sites Action Plan, with approximately $25 million in contract expenditures.

Implement innovative procurement and project delivery options

When collaborating with the Client-Partner in its procurement planning, DCC considers ways to create a positive social impact through purchasing. In 2023–2024, we continued to implement our Indigenous Relations Policy to support DND's efforts to engage Indigenous businesses. The policy aims to help stimulate economic growth, create career opportunities and contribute to the Indigenous communities where DCC works.

As part of the federal government's efforts to decrease GHG emissions, DND identified an opportunity to reduce its environmental footprint: finding a low-carbon energy generation system to heat and cool current buildings, using the Innovation for Defence Excellence and Security (IDEaS) program. This innovative procurement process involves evaluating technology and focusing on target outcomes. Design of this system was completed in 2023, with construction beginning in spring 2024. This project may lead to a new solution for DND's many other facilities.

In 2021, DCC completed our first integrated project delivery (IPD) project: the Royal Canadian Dragoon facility at Garrison Petawawa. This collaborative, lean construction approach used one of the most collaborative and innovative contracting models in the construction industry. The pilot project was a success and DCC has identified a second project—the Canadian Special Operations Training Centre—where it can apply the same IPD contract model in 2024.

DCC has also developed an innovative procurement process to support the SMART building program and other greening and sustainability programs.

Leverage technology to better support service delivery

DCC needs to keep pace with technology trends in our industry. Employees expect to have a modern, digital workplace, Client-Partners want real-time, accessible data and reports, and industry partners want easy and efficient ways to do business with DCC.

We continue to seek ways to use mobile applications, new work practices and methods, and industry-specific software—such as business information modelling, digital analytics and special data tools—to enhance our service delivery.

Supporting Client-Partner research

Craig Reesor, Coordinator, Environmental Services at 1 Canadian Air Division, helped tag whales in the Arctic to help determine the lowest sonar threshold that would affect their behaviour. This work will inform mitigation strategies and enhance Canada's reputation for environmental stewardship.

Business Management

Strategic objective: To develop and maintain responsive, integrated business management structures, tools, teams and practices

Key performance indicator	Performance target	Result
Cost of service: DCC's program-related revenues as a percentage of contract expenditures	Between 9% and 15%	10%
Utilization rate: Percentage of employees' total payable hours that DCC can bill to the Client-Partner	Minimum of 70%	71%
Corporate financial results: Financial results consistent with DCC's Financial Management Policy	Achievement of budgeted gross margin	Achieved

Strategic and Operational Performance Indicators

Cost of DCC Service Delivery

The indicator of overall cost of services to DND reflects how much of our Client-Partner's infrastructure and environment (IE) program budget is spent on DCC's services. Typically, DCC expects these costs to fall in the range of 9% to 15%.

In recent years, DND has requested increased support from DCC for non-program-related services. As a result, DCC has revised the calculation for cost of DCC service delivery. Starting in fiscal 2022–2023, that cost includes only service revenue related to program-driven services, including contract management, project and program management, and contract services.

However, in 2023–2024, the volume of program-driven services that DCC delivered to DND grew by 13%. For that reason, the cost of DCC service delivery remained consistent at 10% in both years.

Employee Utilization Rate

The utilization rate indicates the hours spent directly on service delivery functions that are billable to the Client-Partner, as opposed to hours spent on corporate strategic initiatives and 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.

The Corporation sets a target to recover 70% of employee salaries through our monthly invoices to our Client-Partners. In 2023–2024, the utilization rate was 71%—a decrease of one percentage point from the prior year. The utilization rate decreased primarily because employees spent more time on training and development, as well as non-revenue-generating corporate strategic initiatives.

DCC updated the IT Strategic Plan

DCC updated the IT Strategic Plan in early 2021, with a focus on a cyber security awareness program and a digital business capabilities (DBC) project. DCC continues to provide employees with cyber security awareness training using a cloud-based platform.

Financial Results

DCC expects to achieve financial results consistent with our Financial Management Policy. The objective is to generate and maintain sufficient cash and working capital to meet DCC'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, 2024, DCC's overall cash balance was lower than our 2023–2024 targeted operating reserve level of $39 to $50 million, primarily due to the purchase of bonds and guaranteed investment certificates.

DCC adjusts our billing rate annually so that we can support operating costs for subsequent years and achieve our target operating cash and investment balance range as approved by the Board of Directors in the Corporate Plan. Consistent with the 2023–2024 Corporate Plan, cash and investments in excess of the operating reserve range will accumulate within the range of $25 to $35 million in order to fund innovation, research and long-term capital projects.

Corporate Strategic Initiatives

Under the theme of business management, DCC identified one initiative for the 2023–2024 planning period.

Implement the Information Technology Strategic Plan, including an information management policy, a cyber security awareness program and a digital business capabilities project

Like many organizations, DCC aims to have up-to-date, reliable, accurate and efficient systems to manage our business. Robust, dependable and easy-to-use IT systems are key to a positive work environment.

DCC updated the IT Strategic Plan in early 2021, with a focus on a cyber security awareness program and a digital business capabilities (DBC) project. DCC continues to provide employees with cyber security awareness training using a cloud-based platform. All employees learn how to practise cyber security every day to safeguard their data and personal information against theft and loss.

The DBC project includes improvements to DCC's enterprise resource planning (ERP) system. The project will streamline processes and workflows, enable DCC's future capabilities, improve performance measurement, and provide higher quality service and experiences to our Client-Partners and employees. In 2023–2024, working groups reviewed DCC's business processes and documented our current and future processes. This work helped us define the requirements for the ERP solution.

This plan to modernize DCC's IT infrastructure will ensure that we keep pace with our industry and government partners in our use of technology to provide infrastructure and environmental services, as well as to meet employee expectations for a hybrid, virtual work environment.

Leadership and Governance

Strategic objective: To provide agile leadership and be responsive to Government of Canada objectives

Key performance indicator	Performance target	Result
Corporate reporting results—Timeliness of corporate reporting: Percentage of corporate reports that are submitted on time	100%	100%
Overall business performance results—Corporate initiatives: Percentage of corporate initiatives identified in the Corporate Plan that DCC has achieved	100%	100%
DCC Procurement Code of Conduct results—Awards: Percentage of contracts awarded to firms without current restrictions under the Public Services and Procurement Canada Integrity Regime	100%	100%
DCC Code of Business Conduct results: Compliance with the DCC Code of Business Conduct	100%	100%
Environmental incidents: Number of environmental incidents per year resulting from DCC management actions	0	0
Health and safety accidents and incidents: Number of hazardous occurrences, accidents and safety incidents involving DCC employees that result in lost work time	0	6
Lost-time hours: Total lost-time hours as a percentage of total employee hours	0.5%	0.006%
Security compromises: Number of corporate security compromises (operational or industrial)	0	0

Strategic and Operational Performance Indicators

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, DCC must submit our Corporate Plan, including our operating budget and capital budget, and our Annual Report, as regulations dictate. DCC submitted our 2023–2024 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 2023–2024, DCC complied with all reporting requirements under each of these pieces of legislation.

Separate from DCC corporate reporting requirements, DCC receives a variety of inquiries from our government stakeholders each year. These include order paper questions, constituent inquiries and ministerial questions. DCC responds to all requests in a timely manner. In 2023–2024, DCC responded to 55 inquiries. The volume of these requests fluctuates, depending on the current business environment. DCC stands ready to respond to these inquiries in a timely manner.

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 2023–2024, DCC verified 1,473 firms—100% of the firms that required verification.

DCC Code of Business Conduct Results

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 2023–2024, 100% of DCC employees responded to the annual requirement to review the Code and all new hires completed the required test related to the Code.

Environmental Results

To mitigate DCC's impact on the environment, DCC's Board of Directors and Senior Management Group are committed to the principles of environmental sustainability and stewardship, including the principles of sustainable development, pollution prevention, environmental protection and enhancement, and due diligence.

Our 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. DCC strives to have zero incidents due to the actions of DCC personnel, a goal we met in 2023–2024.

DCC's Greening and Sustainability Working Group supports DND's new Defence Climate and Sustainability Strategy, which sets out a vision for how the Client-Partner plans to decrease its environmental footprint and become more sustainable. We are supporting this vision by helping DND meet the Government of Canada's greening targets as they relate to DND's infrastructure projects and property management activities. The working group provides advice, knowledge and guidance on greening and sustainability issues, supports the integration of DCC's services to respond to evolving environmental requirements, engages in intergovernmental and industry-related committees, and ensures DCC continues to be a responsible, resilient and sustainable steward of the environment.

Health and Safety Results

Occupational and operational health and safety excellence remains a priority for DCC. We maintain an occupational health and safety program focused on continual improvement to ensure that DCC is taking all reasonable precautions to protect the health and safety of our employees.

DCC employs a network of safety professionals across all regions, including employee representatives at each site, and adheres to the Canada Labour Code by maintaining safety committees at DCC sites with more than 20 employees. DCC also shares best practices and health and safety programs with other Crown corporations and the Client-Partners.

In 2023–2024, DCC's five dedicated ergonomic specialists continued to support DCC employees through assessments to optimize workspaces and to ensure that employees are working efficiently and safely. DCC health and safety coordinators and representatives continue to focus on preventing physical or psychological safety challenges. They evaluate data gained from leading indicators, such as monitoring and inspection reports, and from lagging indicators from injury and illness incidents. We have also created an incident management database that helps us review and evaluate incident data.

DCC strives to have no lost-time safety accidents or incidents, with the goal to have lost-time hours add up to less than 0.5% of total employee hours. In 2023–2024, there were six minor lost-time incidents totalling 21 days, meaning lost-time hours totalled 0.006% of total employee hours.

Security Results

DCC strives to comply with the Policy on Government Security, to protect government information and assets from compromise.

In our Corporate Security Policy, "industrial security requirements" are the Client-Partner's security requirements for a project. DCC ensures these are included in all our procurements and managed appropriately, tracking all instances of non-compliance. When non-compliance occurs, DCC ensures that corrective actions are taken. 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.

"Corporate security requirements" are DCC's internal security requirements for our own corporate information, assets and employees. We review and manage all non-compliance and take corrective measures, where applicable.

The target is to have no compromises of either industrial or corporate security requirements. In 2023–2024, there were 20 industrial security incidents with no compromises and 13 corporate security incidents with no compromises.

Corporate Strategic Initiatives

Two initiatives were identified for the 2023–2024 planning period under the leadership and governance theme.

Strengthen collaborative relationships with Client-Partner leadership

DCC's stable, long-term relationship with DND allows us to serve as the corporate memory for our client groups, which often undergo frequent staff changes in key positions. DCC follows a stakeholder engagement matrix to ensure regular communications with DND, to keep knowledge of DCC's mandate top of mind among Client-Partner representatives. As such, DCC holds regular executive-level DND-DCC joint planning sessions, and senior management forums and workshops, to strengthen collaborative relationships and to facilitate integration, planning and issues resolution.

Implement DCC's Indigenous Relations Policy

DCC has an ambitious agenda to build strong partnerships with Indigenous peoples and to create more opportunities for Indigenous businesses. The Corporation is implementing our Indigenous Relations Policy, based on the three pillars of people, businesses and communities. With the Client-Partner, we developed the DCC-DND Joint Indigenous Procurement Strategy to strengthen DND's efforts to engage Indigenous businesses, and to support the Government of Canada's focus on providing business opportunities for Indigenous people and companies. We conduct regular outreach to Indigenous communities to stimulate interest in DCC business opportunities. DCC aims to award 5% of the value of all contracts to Indigenous businesses. In 2023–2024, DCC exceeded that goal by awarding 8.3% of total contract value to Indigenous businesses, for a total value of $40.4 million.

In 2023–2024, through our Indigenous Student Recruitment and Retention Strategy, we hired 17 Indigenous students across the country. Further, to support Canada's commitment to reconciliation, we partnered with Indspire, a national Indigenous charity that invests in the education of First Nations, Inuit and Métis people. Accordingly—in its second year—the DCC Indigenous Bursary Program supported two post-secondary Indigenous students who are pursuing qualifications to enter a career in engineering, planning, environmental sciences, construction, IT or finance. In 2023–2024, the $2,500 bursaries were awarded to an engineering technology student at the Northern Alberta Institute of Technology, and a Masters planning program student at the University of British Columbia.

5.0 Risk Management

A key aspect of DCC's corporate governance is our ability to manage all forms of risk and liability.

Sound Risk Management Practices

DCC has established a comprehensive Corporate Risk Management Framework. It 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 our strategic planning process.

The 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.

Assessing Risk

Project risk assessments are based on the Project Complexity Risk Assessment process approved by Treasury Board of Canada Secretariat. They are also based on the reputational risk DCC will face if the related contracts are improperly procured or managed, or if the work is not delivered on time or on budget. Risk response strategies can be classified as follows:

- high (mitigate)
- medium (monitor)
- low (accept)

Each risk assessment is based on the likelihood of the risk occurring, and its impact or consequences. These risks include the following:

- 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.

In 2023–2024, DCC updated our Corporate Risk Register quarterly 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 $180 million in 2023–2024, an increase of $19 million or approximately 12% from the previous fiscal year. 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, service revenue directly correlates 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.

The cyclical nature of DND funding has a direct impact on demand for our services and on our services revenue. Payments to project contractors made by DCC on behalf of our Client-Partners were $212 million, or 19% higher than forecasted in the 2023–2024 Corporate Plan. Forecasts are based on information provided by the Client-Partners at the time of forecasting.

Revenue, by activity			Change	
(in thousands of dollars)	**2024**	**2023**	**$**	**%**
Contract Management	**$ 73,636**	$ 66,196	$ 7,440	11%
Project and Program Management	**45,309**	40,512	4,797	12%
Real Property Technical Support	**19,959**	18,053	1,906	11%
Contracting	**14,081**	12,783	1,298	10%
Construction Technical Support	**13,814**	11,170	2,644	24%
Environmental Technical Support	**13,153**	11,968	1,185	10%
Total services revenue	**$ 179,952**	$ 160,682	$ 19,270	12%

Contract Management

Contract Management revenue increased by 11% in 2023–2024. The higher revenue was a result of 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). The higher demand reflects the variability of services used by the Client-Partners as projects moved through the various stages from planning and contracting to contract management.

Project and Program Management

Project and Program Management revenue increased by 12% in 2023–2024. The increase over the prior fiscal year was 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).

Real Property Technical Support

Real Property Technical Support revenue increased by 11% in 2023–2024, due to increased demand for services related to facility and portfolio management (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).

Contracting

Revenue from Contracting increased by 10% in 2023–2024, due to increased demand from the Client-Partners (which accounted for 6.5 percentage points of the increase) and the increase in billing rates (which accounted for 3.5 percentage points of the increase).

Construction Technical Support

Revenue from Construction Technical Support in 2023–2024 increased by 24% over the previous fiscal year, due to higher demand from the Client-Partners (which accounted for 20.5 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 in 2023–2024 by 10% over the previous fiscal year, due to an increase in demand for these services (which accounted for 6.5 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 2023–2024 by $922,000 or approximately 53% over the previous fiscal year, due to the purchase of bonds and guaranteed investment certificates to capitalize on market interest rates. The average return on investment generated in 2023–2024 from cash and investments was one percentage point higher than the prior year's average of 3%.

Investment Revenue *(in thousands of dollars)*	**2024**	**2023**	**Change $**	**Change %**
Investment revenue	**$ 2,678**	$ 1,756	$ 922	53%

6.2 Expenses

Salaries and Employee Benefits

Salaries totalled $124 million in 2023–2024, an increase of $13 million or approximately 11% over the previous fiscal year. The 11% increase was mainly due to an increase of approximately 8% or 91 full-time equivalents (FTEs) during the year in response to increased demand from the Client-Partners. The remaining increase related to a planned annual increase in salary, related to cost of living and performance pay.

Employee benefits totalled $33 million in 2023–2024, an increase of $4 million or approximately 13% over the previous fiscal year. The increase was mainly due to an increase in servicing the interest on employee future benefits and increased contribution rates for the Canada Pension Plan.

Salaries and Employee Benefits *(in thousands of dollars)*	**2024**	**2023**	**Change $**	**Change %**
Salaries	**$ 124,344**	$ 111,560	$ 12,784	11%
Employee benefits	**33,129**	29,274	3,855	13%
Total salaries and employee benefits	**$ 157,473**	$ 140,834	$ 16,639	12%
Employee benefits as a percentage of salaries	**27%**	26%		

Operating and Administrative Expenses

Operating and administrative expenses were $14 million in 2023–2024, an increase of $2 million or approximately 20% over the previous fiscal year. A variety of factors influenced these expenses.

Operating and Administrative Expenses *(in thousands of dollars)*	**2024**	**2023**	**Change $**	**Change %**	**Variance analysis**
Cloud computing services	**$ 2,141**	$ 2,039	$ 102	5%	The increase was due to the replacement of the intranet and higher subscription costs for enterprise resource planning software.
Software maintenance	**1,853**	1,582	271	17%	The increase was due to a workforce expansion to meet increased demand for services from the Client-Partners.
Professional services	**1,708**	1,295	413	32%	The increase was due to technical consulting services to support the replacement of the enterprise resource planning system, as well as for human resources initiatives, such as pay equity support services.
Employee training and development	**1,548**	1,030	518	50%	The increase was due to a leadership training initiative and the return of in-person regional collaboration forums.
Leased location operating costs	**1,099**	960	139	14%	The increase was due to the opening of the new Pacific Regional Office and a one-time operating cost recovery in the previous year.
Equipment rental	**975**	872	103	12%	The increase was due to a workforce expansion to meet increased demand for services, requiring additional equipment rentals.
Travel	**828**	558	270	48%	The increase was due to a higher number of in-person collaborations in the current year.
Telephone and data communications	**710**	752	(42)	-6%	The decrease was due to the purchase of encryption licences for secure communications in the previous year and to a reduction in the number of landlines across DCC.
Office services, supplies and equipment	**697**	671	26	4%	The increase was due to an increase in cyber security insurance costs.
Computer hardware	**513**	594	(81)	-14%	The decrease was due to one-time purchases in the previous year of computer accessories that were previously rented; this was offset by the purchase of cyber security equipment in the current year.
Client services and communications	**455**	403	52	13%	The increase was due to higher demand for videography, photography, editing and digital asset management services.
Furniture and equipment	**432**	303	129	43%	The increase was due to the purchase of furniture and equipment for the new Pacific Regional Office.
Recruiting	**375**	252	123	49%	The increase was due to higher demand for external recruiting services, given the competitive labour market.

Operating and Administrative Expenses (continued)			**Change**		
(in thousands of dollars)	**2024**	**2023**	**$**	**%**	**Variance analysis**
Hospitality	**283**	160	123	77%	The increase was due to additional training initiatives and in-person collaborations.
Computer software	**253**	81	172	212%	The increase was due to a workforce expansion to meet increased Client-Partner demand for services, requiring additional software licences.
Staff relocation	**204**	191	13	7%	The increase was due to increased business requirements to relocate current and new staff.
Memberships and subscriptions	**107**	91	16	18%	The increase was due to higher monthly subscription costs and an increase in the number of subscriptions.
Other	**41**	27	14	52%	The increase was due to one-time expenditures.
Postage and freight	**40**	35	5	14%	The variance was not material.
Leasehold improvements	**15**	12	3	25%	The variance was not material.
Total operating and administrative expenses	**$ 14,277**	$ 11,908	$ 2,369	20%	

Depreciation and Amortization

Depreciation and amortization combined increased by $27,000 over the prior year. The decrease of $42,000 in depreciation of right-of-use assets was mostly due to amendments to the Head Office lease, offset in part by the new Pacific Regional Office lease. Depreciation of property, plant and equipment increased by 15% or $63,000, mostly due to leasehold improvement costs for the new Pacific Regional Office. The increase of $6,000 in amortization of intangible assets was mostly due to the purchase of access to information and privacy software.

Depreciation and Amortization			**Change**	
(in thousands of dollars)	**2024**	**2023**	**$**	**%**
Depreciation of right-of-use assets	**$ 1,247**	$ 1,289	$ (42)	-3%
Depreciation of property, plant and equipment	**489**	426	63	15%
Amortization of intangible assets	**28**	22	6	27%
Total depreciation and amortization	**$ 1,764**	$ 1,737	$ 27	2%

6.3 Net Income and Total Comprehensive Income

Net income in the current period was $9 million compared with a net income of $8 million in the previous fiscal year—an increase of $1 million. The higher net income was a result of 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. Accumulated net income will fund future capital projects, IT infrastructure initiatives and innovation to improve its efficiency and effectiveness, and deliver further value for the Crown. Other comprehensive loss in 2023–2024 was $2 million compared to other comprehensive income of $2 million in 2022–2023. The actuarial loss in 2023–2024 was due to an increase in the monthly benefits premium.

DCC's total comprehensive income for the year ended March 31, 2024, was $7 million, compared with total comprehensive income of $10 million in the previous fiscal year—a decrease of $3 million.

Net Income and Total Comprehensive Income			Change	
(in thousands of dollars)	**2024**	**2023**	**$**	**%**
Net income	$ **8,869**	$ 7,756	$ 1,113	14%
Other comprehensive income (loss)	**(1,707)**	2,387	(4,094)	-172%
Total comprehensive income	$ **7,162**	$ 10,143	$ (2,981)	-29%

6.4 Liquidity and Capital Resources

DCC´s capital management approach is to ensure that DCC is appropriately capitalized in order to generate and maintain sufficient funds to meet the Corporation's anticipated operating and capital requirements, to settle its financial obligations as they become due, and to maintain adequate cash and investments to meet contingencies that may arise. DCC's capital position is regularly identified, measured, managed, and reported on to DCC's Board of Directors.

The Corporation operates on a fee-for-service basis and receives no government appropriations, nor does DCC maintain or have access to any lines of credit or other sources of borrowings. DCC assesses its capital adequacy by comparing the supply of capital to the demand for capital. And DCC strives to ensure that its risk and capital management policies are aligned with industry standards and are appropriate for DCC's risk profile and business operations.

Consistent with its mandate, the Corporation aims to operate on a slightly better than break-even basis. The Corporation's capital is generated from the services it provides to its Client-Partners. The Corporation sets billing rates based on expected Client-Partner program and operating costs. Unexpected increases in program and/or required services provided to Client-Partners, as well as DCC's ability to achieve its own operating efficiencies, can result in margins that exceed or fall short of initial targets. Therefore, DCC's capital adequacy is constantly monitored. DCC relies on prudent forward planning of its resource levels and ongoing active business operations to help ensure that it can meet its obligations.

The objective of DCC's capital management approach is to keep available sufficient capital 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.

DCC considers several factors when determining the amount of capital required to maintain, including the planning and operating risk inherent in our 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 capital generated.

Although DCC has a secure client base from which we regularly collect receivables, several incidents 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 our funds, and no legal or statutory obligations to segregate funds for any current or future liabilities, including future benefits for employees. As such, DCC 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.

Capital Requirements and Uses

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

Capital may also be required for costs associated with workforce adjustments, including relocations, if such adjustments are required due to unexpected fluctuations or changes in DND's IE program.

Cash and Cash Equivalents, and Investments

Cash and investments totalled $70 million at March 31, 2024, an increase of $14 million or 24% from the previous year.

The cash balance at March 31, 2024, was $26 million, an increase of $10 million or 58% from the previous year. In 2023–2024, DCC generated $16 million from operating activities, spent $1 million on property, plant and equipment and intangible assets, acquired investments in a net amount of $4 million and paid a net amount of $1 million for leases.

As at March 31, 2024, DCC's overall cash balance was lower than the 2023–2024 targeted reserve level of $39 to $50 million, primarily due to the acquisition of guaranteed investment certificates and provincial bonds to take advantage of more favourable interest rates. Investments (both current and long term) at March 31, 2024, were $43 million, an increase of $4 million or 10% from the previous year. The increase was due to the $4 million net acquisition of investments as part of DCC's planned reserve requirements to fund innovation, research and long-term capital projects. Investments consist of non-derivative financial assets with fixed or determinable payments and fixed maturity. DCC 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 our intention to hold the investments to maturity.

Trade Receivables

Trade receivables are due from DCC's Client-Partners, mainly DND. As at March 31, 2024, trade receivables were $35 million, which represented an increase of $3 million or 10% over the previous fiscal year. The increase was due to an increase in the time needed to collect those receivables and increased revenue from DND. All of the trade receivables were assessed to be fully collectible.

Current Liabilities

Current liabilities were $26 million at March 31, 2024, an increase of $3 million or 16% from March 31, 2023. The increase in current liabilities was due to the timing of payments to vendors and an increase in employee salaries compared to the prior year.

Liquidity and Capital Resources			**Change**	
(in thousands of dollars)	**2024**	**2023**	**$**	**%**
Cash and cash equivalents	**$ 26,169**	$ 16,563	$ 9,606	58%
Investments	**43,374**	39,373	4,001	10%
Cash and cash equivalents and investments	**$ 69,543**	$ 55,936	$ 13,607	24%
Trade receivables	**$ 35,194**	$ 31,961	$ 3,233	10%
Current liabilities	**$ 25,581**	$ 22,109	$ 3,472	16%

6.5 Employee Benefits

DCC 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 our retirees. This estimate is actuarially determined. Beginning in April 2022, the sick leave program was curtailed. Current employees' accumulated sick leave banks were frozen but may be used in the future. Sick leave was replaced by a short-term disability program. The accrual for employee benefits at March 31, 2024, was $39 million, an increase of $5 million or approximately 15% from the previous fiscal year.

Overall, the liability increased due to the actuarial loss, current service cost and interest charges being higher than the benefits paid. Current service costs and interest charges for the period were $4 million and benefits paid were $741,000. The actuarial loss was $2 million, due mainly to an increase in the estimate for the monthly benefits premiums.

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; changes in the average expected remaining service lifetime of active employees; and changing demographics. Note 12 to the financial statements describes the actuarial assumptions used in determining the liability. This liability is primarily a non-current one and DCC estimates the current payout amount based on the best information available. Although we have not specifically segregated funds for this obligation, we have sufficient capital resources to meet our employee benefit payment obligations as they become due.

Employee Benefits			**Change**	
(in thousands of dollars)	**2024**	**2023**	**$**	**%**
Current portion	**$ 781**	$ 2,403	$ (1,622)	-67%
Long-term portion	**38,085**	31,519	6,566	21%
Total employee benefits	**$ 38,866**	$ 33,922	$ 4,944	15%

6.6 Capital Expenditures

DCC's capital expenditures for 2023–2024 totalled $3 million, an increase of $2 million or 285% from the previous fiscal year. The increase was mainly due to lease extensions and leasehold improvements at the new Pacific Regional Office.

Capital Expenditures			**Change**	
(in thousands of dollars)	**2024**	**2023**	**$**	**%**
Computer equipment	**$ 51**	$ –	$ 51	–
Furniture and equipment	**251**	105	146	139%
Leasehold improvements	**882**	182	700	385%
Intangible assets	**162**	12	150	1250%
Right-of-use assets	**1,545**	452	1,093	242%
Total capital expenditures	**$ 2,891**	$ 751	$ 2,140	285%

6.7 Actual Performance Versus Plan

The following table compares DCC's actual performance in 2023–2024 with the projections in the Corporate Plan (the Plan). Our actual performance compared to the Plan was better than anticipated.

Services revenue for the year was $670,000 higher than projected in the Plan. The increase was due to higher-than-anticipated demand for services from Client-Partners.

Travel and disbursement revenue and expenses were 169% higher than the Plan due to the return of in-person business travel to pre-COVID-19 levels.

Investment revenue was 42% higher than anticipated in the Plan, due to the increase in the investment balance and higher interest rates.

Salaries and employee benefits were 1% higher than projected in the Plan due to the higher-than-planned cost of salaries and employee benefits due to a higher-than-planned number of FTEs and the competitive labour market.

Operating and administrative expenses were 16% lower than projected. The decrease was due mainly to the postponement of professional services purchases to the next fiscal year due to evolving operational priorities, lower-than-expected levels of employee training and development, and lower-than-expected IT expenditures.

Depreciation and amortization were 12% lower than projected in the Plan, mainly due to prolonged construction timelines for the Pacific Regional Office and to the amendment of the Head Office lease. The latter lowered costs to DCC over the renewed term, reducing the amount of depreciation.

Net income was 31% higher than forecasted in the Plan, due to lower-than-expected operating and administrative expenses, and a higher return on investments, partially offset by higher-than-planned salaries and employee benefits.

Capital expenditures were 14% higher than projected, due to earlier-than-planned lease extensions and a higher-than-anticipated amount for furniture and equipment purchases.

Actual Performance Versus Planned			**Change**	
(in thousands of dollars)	**Actual**	**Corporate Plan**	**$**	**%**
Revenue				
Services revenue	**$ 179,952**	$ 179,282	$ 670	0%
Travel and disbursement revenue	**3,934**	1,464	2,470	169%
Investment revenue	**2,678**	1,892	786	42%
Total revenue	**$ 186,564**	$ 182,638	$ 3,926	2%
Expenses				
Salaries and employee benefits	**$ 157,473**	$ 155,208	$ 2,265	1%
Operating and administrative expenses	**14,277**	16,952	(2,675)	-16%
Travel and disbursement expenses	**3,934**	1,464	2,470	169%
Depreciation and amortization	**1,764**	2,009	(245)	-12%
Finance costs	**247**	213	34	16%
Total expenses	**$ 177,695**	$ 175,846	$ 1,849	1%
Net income	**$ 8,869**	$ 6,792	$ 2,077	31%
Other comprehensive loss	**(1,707)**	–	(1,707)	–
Total comprehensive income	**$ 7,162**	$ 6,792	$ 370	5%
Capital expenditures	**$ 2,891**	$ 2,531	$ 360	14%

Corporate Governance

DCC's Corporate Governance Framework sets out the responsibilities of DCC's Board of Directors. We also rely on our by-laws and charters, and the *Financial Administration Act* and other documents, for guidance in terms of board roles and responsibilities.

Overview

DCC's Board of Directors is responsible for the management of the businesses, activities and other affairs of DCC, pursuant to the *Financial Administration Act* (FAA). DCC is accountable, through the Minister of Public Services and Procurement (the Minister) to Parliament for the conduct of our affairs. The Government of Canada is the sole shareholder of DCC.

DCC is also governed by the *Defence Production Act*, and we must remain compliant with various other pieces of federal legislation, such as the *Access to Information Act*, *Accessible Canada Act*, Canada Labour Code, *Employment Equity Act*, *Official Languages Act* and *Privacy Act*.

DCC's policies and practices are aligned with Government of Canada priorities and expectations, particularly those articulated in a letter from the Minister to the Chair of DCC's Board of Directors.

The responsibilities of DCC's Board include the following:

- monitoring performance against Corporate Plan;
- providing input into DCC's strategic direction;
- reviewing and assessing the appropriateness of DCC's Risk Management Framework; and
- ensuring that DCC continues to demonstrate high ethical standards, openness and transparency in the management of our business affairs.

Governance

All appointments to DCC's Board are managed by the Privy Council Office (PCO). PCO may refer to DCC's board profile to identify candidates with the specific characteristics that potential DCC board members should have, including a mix of industry knowledge, skills and experience, regional representation, and diversity.

All members of DCC's Board are independent of DCC management, except for the President and CEO. Board members are provided with in-depth orientation sessions as soon as possible after they are appointed, and the Board receives ongoing training and development sessions regularly.

The Office of the Auditor General of Canada (OAG) is DCC's auditor. The OAG audits our financial statements annually and carries out a Special Examination at least once every 10 years.

Integrity and Ethics

The *Conflict of Interest Act* sets out the behavioural expectations and requirements for members of DCC's Board of Directors. Each year, all board members sign a declaration confirming they have read the Act and understand its application to their role. In addition, all board members must comply with DCC's Board of Directors' Code of Conduct (Board Code). This document articulates the standards of conduct that DCC board members are expected to follow when exercising their duties.

DCC also has a Code of Business Conduct (the Code) for employees, which specifically incorporates the *Public Servants Disclosure Protection Act*. The Code sets out expected behaviours for DCC's employees, as well as processes for disclosing wrongdoing. Compliance with the Code is a condition of employment for DCC employees. All employees are to review their obligations and responsibilities regularly, and to report on any changes in their status at the earliest opportunity. In addition, an annual code review and reporting requirement keeps ethical behaviour top of mind. All new employees must complete mandatory online training on the Code and pass a related test. In 2023, 100% of DCC's employees responded to the annual request for review, and all new hires completed the mandatory module and test.

Strategic Direction

DCC's strategic direction is set by the Board, which provides guidance and input into DCC's planning process. As part of this process, DCC conducts an environmental scan and seeks information from various representatives, including those from government and industry. A Corporate Plan is the culmination of DCC's planning process. This document articulates DCC's corporate initiatives, activities and key performance indicators. It is submitted to the Minister annually, pursuant to the FAA.

Risk Management

The Board is responsible for ensuring that principal risks related to DCC's business are appropriately identified and prioritized, further to DCC's Corporate Risk Management Framework, and that systems and processes are in place to manage these risks.

Engagement and Communication

DCC invites members of the public to participate in our annual public meetings so that they can communicate with and find out about DCC. DCC holds the Annual Public Meeting virtually, and the latest one was held in July 2023.

DCC's Board also seeks opportunities to engage with DCC employees at DCC offices across Canada. These sessions include presentations on topics of interest, tours of sites and facilities, and innovative information-sharing opportunities. DCC's Board also regularly engages with stakeholders and other external entities.

Board Committees

The Board is supported by two committees: the Audit Committee, and the Governance and Human Resources Committee. Pursuant to the FAA, all Audit Committee members are independent of DCC management.

Each committee has a charter that articulates its responsibilities and uses work plans to ensure that responsibilities are identified and addressed at each meeting. The key activities of these committees in 2023–2024 are noted in the following section.

Audit Committee

Chair: Cynthia Ene

Members: Moreen Miller and Angus Watt

The Committee met four times in 2023–2024. The work of the Audit Committee is set out in its charter and includes overseeing DCC's financial and management controls and ensuring that DCC's information systems and management practices are appropriate.

The Audit Committee reviews internal audit plans and receives regular reports on the status of recommendations arising from DCC's internal audits. This committee keeps the Board abreast of the status of audit-related matters and key issues. The Committee holds in camera sessions as required.

Key Items Reviewed in 2023–2024

- DCC's financial results
- DCC's risk-based internal audit plan
- Status of recommendations arising from completed internal audits
- OAG's annual audit
- Work plan

Governance and Human Resources Committee

Chair: Stephen Burbridge

Members: Moreen Miller, Claude Lloyd, Steve Anderson and Derrick Cheung (ex officio)

The Committee met four times in 2023–2024. Its charter sets out the duties and responsibilities of the Committee, which include identifying best practices, trends and issues related to governance, and assessing the strategic alignment of DCC's human resources policies with related corporate objectives and initiatives. The Committee holds in camera sessions as required.

Key Items Reviewed in 2023–2024

- Human Resources Strategic Plan updates
- Privy Council Office Performance Management Program
- CEO performance agreement and evaluation
- Performance review of corporate officers
- Reappointment of corporate officers
- Charter review
- Work plan

Attendance

Attendance	Board	Audit Committee	Governance and Human Resources Committee
Miller, Moreen	5/5	4/4	4/4
Anderson, Steve	4/5	–	4/4
Burbridge, Stephen	5/5	–	4/4
Ene, Cynthia	5/5	4/4	–
Lloyd, Claude	4/5	–	4/4
Watt, Angus	5/5	4/4	–
Cheung, Derrick	4/4	–	4/4

Board of Directors

The following are the members of DCC's Board of Directors. To see their full biographies, please visit the DCC website.

- Moreen Miller, Chair of the Board
- Steve Anderson
- Stephen Burbridge
- Derrick Cheung, DCC President and CEO
- Cynthia Ene
- Claude Lloyd
- Angus Watt

Board Compensation

The Governor in Council established the remuneration regime for members of Boards of Directors for Federal Crown Corporations in 2001. The Chair of the Board receives an annual retainer of between $6,400 and $7,500, and a per diem of between $200 and $300. The remuneration for members of the Board includes an annual retainer of between $3,200 and $3,800, and a per diem of between $200 and $300. Per diems are provided for such activities as meetings and special executive, analytical or representational responsibilities. Directors receive only one per diem for each day of work (24 hours), regardless of the number of activities in which they participate.

Executive Management Structure

Executive Team

Made up of the President and CEO and four vice-presidents; meets regularly as the Executive Management Group to review strategic, operational, financial and human resources matters for DCC.

President and CEO

Reports to the Board of Directors and is accountable to the Board for the overall management and performance of DCC.

Vice-President, Operations—Service Delivery

Is responsible for service delivery for three of DCC's five service lines, plus oversight of the Information Technology Department, and acts as the Corporate Security Officer.

Vice-President, Operations—Business Management

Is responsible for business management in all regions.

Vice-President, Operations—Procurement

Is accountable for the leadership, oversight and delivery of contracting and contract management services across DCC.

Vice-President, Finance and Human Resources and Chief Financial Officer

Is responsible for DCC's financial affairs and the executive leadership of DCC's finance and human resources function.

Senior Management Group

Regional directors

Manage activities in the Pacific, Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Victoria, Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively.

National directors

Ensure all service line activities meet corporate objectives and are accountable for the efficiency and quality of service delivery at the national level.

Corporate services directors

Are accountable for the corporate leadership and management of the communications, finance, governance and legal affairs, human resources, and IT functions and groups.

Corporate Secretary

Is responsible for governance-related matters, ensures that DCC is prepared to comply with relevant legislation, regulations, and government policies, supports the Board of Directors, and communicates with DCC's stakeholders.

Senior Management Members

The following are members of DCC's Senior Management Group. To see their full biographies, please visit the DCC website.

Executive Team

Derrick Cheung, LLM, MBA, MA
President and Chief Executive Officer

Nicolas Forget, MSc
Vice-President, Operations—Procurement

Kevin Horgan, PEng
Vice-President, Operations—Service Delivery

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

Grant Sayers, CET
Vice-President, Operations—Business Management

Director Team

Dave Burley, GSC
National Director, Contract Management Services

Marcy Burton, BSc
Regional Director, Ontario

Charles Fuller, BASc, PMP, PgMP
National Director, Project and Program Management Services

Danny Gruner, BSc, MBA
Regional Director, Pacific

Alison Lawford, LLB, LLM
General Counsel and Corporate Secretary

Elizabeth Mah, PEng, GSC, PMP
Regional Director, National Capital Region

Kimberly Morgan, CHRL
Director, Human Resources

Victoria Neary, BA
Regional Director, Western

Marco Palmieri, ing., MBA, PMP
Regional Director, Quebec

Marlies Paulhus, CPA, CGA
Director, Finance

Mélanie Pouliot, PEng
National Director, Contract Services

Stephanie Ryan, BA(Hons), ABC
Director, Communications

Heather Tesselaar, MBA, PEng, PMP
National Director, Real Property Management Services

George Theoharopoulos, PEng
Regional Director, Atlantic

Navpreet Uppal, BEng, CGEIT, CRISC, CISM
Director, Information Technology

Defence Construction (1951) Limited

Financial Statements

Management Responsibility Statement

The management of Defence Construction Canada (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 her report thereon.

Original signed by:

Derrick Cheung
President and Chief Executive Officer

Original signed by:

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

June 4, 2024

Office of the Auditor General of Canada | Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Services and Procurement

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Defence Construction (1951) Limited (the Entity), which comprise the statement of financial position as at 31 March 2024, and the statement of profit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 31 March 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of Defence Construction (1951) Limited coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are 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*.

In our opinion, the transactions of Defence Construction (1951) Limited that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act* we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Defence Construction (1951) Limited's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Defence Construction (1951) Limited to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Mélanie Cabana, CPA
Principal
for the Auditor General of Canada

Ottawa, Canada
4 June 2024

Statement of Financial Position

As at March 31, 2024

(in thousands of Canadian dollars)	Notes	2024	2023
Assets			
Cash and cash equivalents		**$ 26,169**	$ 16,563
Investments	8, 18	**5,740**	7,057
Trade receivables	5, 18	**35,194**	31,961
Prepaid and other assets	6	**1,300**	1,366
Other receivables	7	**1,887**	1,607
Current assets		**$ 70,290**	$ 58,554
Investments	8, 18	**$ 37,634**	$ 32,316
Property, plant and equipment	9	**2,620**	1,925
Intangible assets	10	**161**	27
Right-of-use assets	17	**6,494**	6,196
Non-current assets		**46,909**	40,464
Total assets		**$ 117,199**	$ 99,018
Liabilities			
Trade and other payables	11, 18	**$ 22,907**	$ 17,097
Deferred revenue	13	**920**	1,299
Employee benefits	12	**781**	2,403
Lease obligations	17	**973**	1,310
Current liabilities		**$ 25,581**	$ 22,109
Employee benefits	12	**$ 38,085**	$ 31,519
Lease obligations	17	**6,268**	5,287
Non-current liabilities		**44,353**	36,806
Total liabilities		**$ 69,934**	$ 58,915
Equity			
Share Capital: Authorized, 1,000 common shares of no par value; Issued, 32 common shares		**–**	–
Retained earnings		**47,265**	40,103
Total equity		**47,265**	40,103
Total liabilities and equity		**$ 117,199**	$ 99,018

Commitments: see Note 17. | Contingent liabilities: see Note 21. | The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors on June 4, 2024.

Original signed by:

Moreen Miller,
Chair of the Board

Original signed by:

Cynthia Ene,
Chair of the Audit Committee

Statement of Profit and Other Comprehensive Income

For the year ended March 31, 2024

(in thousands of Canadian dollars)	Notes	2024	2023
Services revenue	13	**$ 179,952**	$ 160,682
Travel and disbursement revenue		**3,934**	3,255
Investment revenue	13	**2,678**	1,756
Total revenue		**$ 186,564**	$ 165,693
Salaries and employee benefits		**$ 157,473**	$ 140,834
Operating and administrative expenses	14	**14,277**	11,908
Travel and disbursement expenses		**3,934**	3,255
Depreciation of right-of-use assets	17	**1,247**	1,289
Depreciation of property, plant and equipment	9	**489**	426
Amortization of intangible assets	10	**28**	22
Finance costs	15	**247**	203
Total expenses		**$ 177,695**	$ 157,937
Net income		**$ 8,869**	$ 7,756
Other comprehensive income (loss)			
Actuarial gain (loss) on employee benefit obligation[1]	12	**(1,707)**	2,387
Total comprehensive income		**$ 7,162**	$ 10,143

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

1 This item of other comprehensive income (loss) will not be reclassified to net income.

Defence Construction (1951) Limited

Statement of Changes in Equity

For the year ended March 31, 2024

(in thousands of Canadian dollars)	Share capital	Retained earnings	Total equity
Balance as at March 31, 2022	–	$ 29,960	$ 29,960
Net income	–	7,756	7,756
Other comprehensive income	–	2,387	2,387
Balance as at March 31, 2023	–	$ 40,103	$ 40,103
Net income	–	8,869	8,869
Other comprehensive loss	–	(1,707)	(1,707)
Balance as at March 31, 2024	–	**$ 47,265**	**$ 47,265**

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

Statement of Cash Flows

For the year ended March 31, 2024

(in thousands of Canadian dollars)	Notes	2024	2023
Cash flow provided by (used in) operating activities			
Net income		$ **8,869**	$ 7,756
Adjustments to reconcile net income to cash provided by (used in) operating activities			
Employee benefits expensed	12	**3,978**	3,708
Employee benefits paid	12	**(741)**	(731)
Depreciation of right-of-use assets	17	**1,247**	1,289
Depreciation of property, plant and equipment	9	**489**	426
Amortization of intangible assets	10	**28**	22
Accretion of investment premiums		**(210)**	–
Amortization of investment premiums		**53**	30
Change in non-cash operating working capital			
Trade receivables		$ **(3,233)**	$ (15,285)
Other receivables		**(280)**	186
Prepaids and other assets		**66**	(270)
Trade and other payables		**5,851**	2,780
Deferred revenue		**(379)**	14
Net cash flows provided by (used in) operating activities		$ **15,738**	$ (75)
Cash flows provided by (used in) investing activities			
Acquisition of investments		$ **(10,900)**	$ (20,940)
Redemption and disposition of investments		**7,056**	2,137
Acquisition of property, plant and equipment	9	**(1,225)**	(197)
Acquisition of intangible assets	10	**(162)**	(12)
Net cash flows used in investing activities		$ **(5,231)**	$ (19,012)
Cash flows used in financing activities			
Repayment of lease obligations	17	$ **(1,243)**	$ (1,268)
Proceeds from lease incentive		**342**	–
Net cash flows used in financing activities		$ **(901)**	$ (1,268)
Increase (decrease) in cash and cash equivalents during the year		**9,606**	(20,355)
Cash and cash equivalents at the beginning of the year		**16,563**	36,918
Cash and cash equivalents at the end of the year		$ **26,169**	$ 16,563

Supplemental cash flow information: See note 15.
The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Unless otherwise stated, all amounts are in thousands of Canadian dollars.
March 31, 2024

Note 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.

In July 2015, the Corporation was issued a directive (P.C. 2015-1113) pursuant to section 89 of the *Financial Administration 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. The Corporation finished aligning its policies with Treasury Board policies on March 31, 2017. The Corporation has subsequently updated its policies to align them with revised Treasury Board policies.

Note 2: Basis of Preparation and Presentation

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

These financial statements have been prepared on a going-concern basis, on a historical cost basis as set out in the accounting policies below, except as permitted by IFRS and as otherwise indicated in these notes.

The material accounting policy information, accounting estimates and judgements that the Corporation applied in preparing these financial statements are in the appropriate sections of these notes. These accounting policies have been used throughout all periods presented in the financial statements.

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

The judgements, accounting estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the accounting 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.

Note 3: Standards, Amendments and Interpretations

3.1 New and Amended IFRS Accounting Standards Effective for the Current Year

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee have issued certain pronouncements with mandatory effective dates of annual periods beginning on or after January 1, 2023. The Corporation adopted the following standards on April 1, 2023.

IAS 1 Presentation of Financial Statements

In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) with amendments that are intended to help preparers decide which accounting policies to disclose in their financial statements. The amendment is effective from January 1, 2023. The adoption of this amendment had no impact on the financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments help entities distinguish between accounting policies and accounting estimates. The amendment is effective from January 1, 2023. The adoption of this amendment had no impact on the financial statements.

3.2 Standards, Amendments and Interpretations Not Yet in Effect and Not Applied

At the date of authorization of these financial statements, the Corporation had not applied the following new and revised IFRS Accounting Standard that has been issued but is not yet effective and has been assessed as having a potential effect on the Corporation in the future: *IAS 1 – Presentation of Financial Statements.* This amendment clarifies the classification of liabilities as current or non-current, depending on the right to defer settlement of a liability for a period of at least 12 months after the reporting period. The amendment is effective for the Corporation's annual reporting period beginning on January 1, 2024, with earlier application permitted. The Corporation has concluded its current accounting policies and disclosures are in line with the amended standards and therefore the amendment will have no impact on its financial statements.

Note 4: Cash and Cash Equivalents

Accounting Policy

"Cash" refers to 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. Cash equivalents include cash investments in interest-bearing accounts and term deposits that can readily be redeemed for cash without penalty or are issued for terms of three months or less from the date of acquisition.

Note 5: Trade Receivables

Accounting Policy

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.

Accounting Estimates and Judgements

The Corporation applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables, as these items do not have a significant financing component. Therefore, the Corporation does not track changes in credit risk, but instead recognizes a loss allowance at an amount equal to the lifetime expected credit losses at each reporting date.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis, as they possess shared credit risk characteristics. They have been grouped based on the days past due, as all trade receivables are receivable from the Government of Canada and deemed recoverable based on the payment profile of the customer.

Supporting Information

Trade receivables are due entirely from related parties (see Note 18). The usual credit period for trade receivables is 30 days. The aging of the trade receivables is as follows.

	2024	2023
Current	**$ 18,703**	$ 16,795
Outstanding for 31 to 60 days	**16,398**	15,006
Outstanding for 61 to 90 days	**–**	160
Outstanding for 91 days or more	**93**	–
Total trade receivables	**$ 35,194**	$ 31,961

Note 6: Prepaid and Other Assets

The following table is a detailed summary of the items making up prepaids and other assets.

	2024	2023
Prepaid expenses	**$ 1,295**	$ 1,353
Travel advances	**–**	3
Employee advances	**5**	10
Total prepaid and other assets	**$ 1,300**	$ 1,366

Note 7: Other Receivables

The following table is a detailed summary of the items making up other receivables. The salary receivables were generated when the Corporation implemented salary payments in arrears in 2015–2016 for all employees paid bi-weekly. As a result, a one-time payment was issued to employees who are paid every two weeks on a "current" basis. These payments did not represent a salary expense in 2015–2016 and were recorded as a receivable by the Corporation, as they will be recovered from employees in the future.

	2024	2023
Salary receivables	**$ 1,278**	$ 1,357
Other receivables	**609**	250
Total other receivables	**$ 1,887**	$ 1,607

Note 8: Investments

Accounting Policy

Investments consist of non-derivative financial assets with fixed or determinable payments and fixed maturities. The Corporation currently holds listed bonds, guaranteed investment certificates (GICs) 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.

Supporting Information

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%), GICs with interest rates ranging from 0.9% to 5.1%, and mutual funds with variable interest rates. The maturity dates of the bonds vary from September 2024 to April 2028 and those of the GICs vary from July 2024 to March 2029; the Corporation intends to hold all of them to maturity. The mutual fund accounts can be liquidated on demand. The carrying amounts, measured at the amortized cost and fair value of these investments, are shown in the table below.

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

Investments	2024	2023
Current portion	**$ 5,740**	$ 7,057
Long-term portion	**37,634**	32,316
Total investments	**$ 43,374**	$ 39,373

Carrying amount at amortized cost	2024	2023
Provincial bonds	**$ 10,707**	$ 9,336
Federal bonds (Note 18)	**1,000**	1,001
Guaranteed investment certificates	**31,667**	29,036
	$ 43,374	$ 39,373

Fair value	2024	2023
Provincial bonds	$ **10,491**	$ 9,155
Federal bonds (Note 18)	**984**	970
Guaranteed investment certificates	**31,848**	29,183
	$ **43,323**	$ 39,308

As at March 31, 2024	Effective interest rate	Coupon interest rate	< 1 year	1 to 5 years	Total
Obligations					
Provincial bonds	1.2%–4.6%	2.3%–4.6%	$ 1,454	$ 9,253	$ **10,707**
Federal bonds (Note 18)	1.7%	1.8%	1,000	–	**1,000**
Guaranteed investment certificates	0.9%–5.1%	0.9%–5.1%	3,286	28,381	**31,667**
			$ **5,740**	$ **37,634**	$ **43,374**

Note 9: Property, Plant and Equipment

Accounting Policy

Computer equipment, furniture and fixtures, and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of such assets. Depreciation on assets under construction does not commence until they are complete and available for use. The following useful lives are applied.

Computer equipment	3 to 5 years
Furniture and fixtures	5 years
Leasehold improvements	remaining length of the lease

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 it is recognized in operating and administrative expenses.

Items of property, plant and equipment 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 accounting 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.

Accounting Estimates and Judgements

Property, plant and equipment with finite useful lives are required to be tested for impairment only when indication of impairment exists. Management is required to make a judgement with respect to the existence of impairment indicators at the end of each reporting period. Some indicators of impairment that management may consider include changes in the current and expected future use of the asset, and obsolescence or physical damage to the asset.

The impairment test compares the carrying value to the asset's recoverable amount, which is the higher of the asset's fair value less costs of disposal and its value in use. Determining both the fair value less costs to sell and its value in use requires management to make accounting estimates, either regarding the asset's market value and selling costs, or the future cash flows related to the asset or cash-generating unit, discounted at the appropriate rate to reflect the time value of money. Differences from accounting estimates in determining any of these variables could materially affect the financial statements, both in determining the existence of any impairment and in determining the amount of impairment.

Key Sources of Estimation Uncertainty

The following are key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the financial statements within the next 12 months.

- Capital assets—comprising property, plant and equipment, and intangible assets with finite useful lives—are depreciated or amortized over their useful lives.
- Useful lives are based on management's best accounting estimates of the periods of service provided by the assets.
- The appropriateness of useful lives of these assets is assessed annually.
- Changes to useful life accounting estimates would affect future depreciation or amortization expenses, and future carrying values of assets.

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, 2022	$ 649	$ 1,327	$ 1,711	$ 3,687
Additions	–	105	182	287
Disposals	–	(11)	–	(11)
Balance as at March 31, 2023	$ 649	$ 1,421	$ 1,893	$ 3,963
Additions	51	251	882	1,184
Disposals	–	(182)	(2)	(184)
Balance as at March 31, 2024	**$ 700**	**$ 1,490**	**$ 2,773**	**$ 4,963**
Accumulated depreciation				
Balance as at March 31, 2022	$ 494	$ 815	$ 314	$ 1,623
Depreciation	73	147	206	426
Disposals	–	(11)	–	(11)
Balance as at March 31, 2023	$ 567	$ 951	$ 520	$ 2,038
Depreciation	70	157	262	489
Disposals	–	(182)	(2)	(184)
Balance as at March 31, 2024	**$ 637**	**$ 926**	**$ 780**	**$ 2,343**
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 March 31, 2024	**$ 63**	**$ 564**	**$ 1,993**	**$ 2,620**

Proceeds associated with the disposals that occurred in the years ended were immaterial. There was no impairment of property, plant and equipment.

Note 10: Intangible Assets

Accounting Policy

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 for 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 three to 10 years.

Accounting Estimates and Judgements

Intangible assets are assessed for impairment at each reporting period. Assets are impaired when the recoverable amount is less than the carrying amount. An accounting 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.

Supporting Information

Intangible assets consist of software purchased by the Corporation.

Changes to intangible assets are shown in the following table.

		Total
Cost		
Balance as at March 31, 2022	$	984
Additions		12
Disposals		–
Balance as at March 31, 2023	$	996
Additions		162
Disposals		–
Balance as at March 31, 2024	**$**	**1,158**
Accumulated amortization		
Balance as at March 31, 2022	$	947
Amortization		22
Disposals		–
Balance as at March 31, 2023	$	969
Amortization		28
Disposals		–
Balance as at March 31, 2024	**$**	**997**
Net book value		
Net book value as at March 31, 2023	$	27
Net book value as at March 31, 2024	**$**	**161**

There was no impairment of intangible assets.

Note 11: Trade and Other Payables

Supporting Information

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.

	2024	2023
Accounts payable (Note 18)	**$ 2,094**	$ 1,043
Accrued vacation and overtime	**7,952**	7,114
Accrued liabilities	**11,375**	7,463
Commodity taxes payable	**1,486**	1,477
Total trade and other payables	**$ 22,907**	$ 17,097

Note 12: Employee Benefits

Accounting Policy

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 costs trend rates. 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 other comprehensive income.

The Corporation provides post-employment benefits payable after completion of employment. The types of post-employment benefits include extended health care, dental 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. Starting in April 2022, the sick leave program was curtailed. Current employees' accumulated sick leave banks were frozen to be used in the future. Sick leave was replaced by a short-term disability program.

Substantially, all 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.

Accounting Estimates and Judgements

Post-employment and other long-term benefit obligations to be settled in the future require assumptions to establish the benefit obligations. Defined benefit accounting is intended to reflect the recognition of the benefit costs over the employee's approximate service period or when the event triggering the benefit entitlement occurs, based on the terms of the plan. The significant actuarial assumptions used by the Corporation in measuring the benefit obligations and benefit costs are discount rates, mortality tables, health care costs trend rates and the inflation rate, which have an impact on the long-term rates of compensation increase. The Corporation consults with external actuaries regarding these assumptions at least annually. Changes in these key assumptions can have a significant impact on defined benefit obligations, funding requirements, and pension, other post-employment and other long-term benefit costs.

Supporting Information

12.1 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.

Employee benefits	2024	2023
Current portion	**$ 781**	$ 2,403
Long-term portion	**38,085**	31,519
Total employee benefits	**$ 38,866**	$ 33,922

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.

The significant actuarial assumptions adopted in measuring the Corporation's retirement allowance and non-pension benefits are as follows.

Actuarial assumptions	2024	2023
Discount rate for projected benefit obligation	**4.9%**	4.9%
Rate of general salary increases	**5.0% at March 31, 2025** **4.8% at March 31, 2026** **4.5% at March 31, 2027** **4.3% at March 31, 2028** **4.0% thereafter**	5.5% at March 31, 2024 5.3% at March 31, 2025 5.0% at March 31, 2026 4.8% at March 31, 2027 4.5% thereafter
Initial weighted average health care costs trend rate	**4.7%**	4.7%
Ultimate weighted average health care costs trend rate	**4.0%**	4.0%
Year ultimate health care costs trend rate is reached	**2040**	2040
Mortality rate table	**CPM2014**	CPM2014
Mortality rate table improvement scale	**MI-2017**	MI-2017
Retirement age	**65**	65

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

Employee benefits obligation	2024	2023
Opening value of obligation	**$ 33,922**	$ 33,332
Current service cost	**2,239**	1,747
Interest on present value of obligation	**1,754**	1,389
Actuarial loss (gain)	**1,692**	(1,815)
Employee benefit payments	**(741)**	(731)
Closing value of benefit obligation	**$ 38,866**	$ 33,922

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 benefit obligation, adjustments to usage trends, participation rates, and changes in premium and drug cost assumptions.

The weighted average duration of the defined benefit obligation is 20 years (2023, 20 years).

Amounts recognized in the Statement of Profit and Other Comprehensive Income for the year in respect of this benefit plan are as follows.

Employee benefits expenses	2024	2023
Current service cost	**$ 2,239**	$ 1,747
Interest on present value of obligation	**1,754**	1,389
Actuarial loss (gain) recognized in year	**(15)**	572
Employee benefits expenses	**$ 3,978**	$ 3,708

The amount recognized in the Statement of Profit and Other Comprehensive Income for the actuarial gain or loss is made up of the following elements.

Actuarial gain (loss) on employee benefit obligation	2024	2023
Actuarial gain (loss) from financial assumptions	**$ (1,692)**	$ 1,815
Less: Actuarial gain (loss) recognized in year	**15**	(572)
Actuarial gain (loss) on employee benefit obligation	**$ (1,707)**	$ 2,387

12.2 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 amounts 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.

Effect on defined benefit obligation at fiscal year end	Increase (decrease) in the benefit obligation Increase of 1%	 Decrease of 1%
Effect of change on discount rate assumption	$ (6,904)	$ 9,231
Effect of change on salary scale assumption	$ 186	$ (164)
Effect of change on health care costs trend rate assumption	$ 9,160	$ (6,928)

The Corporation expects to expense $4,465 in 2025 for current service costs related to employee benefits.

12.3 Pension Benefits

Almost all employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefits 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 9.5% (2023, 9.8%). Total contributions of $11,722 (2023, $10,941) were recognized as an 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 13: Revenue Recognition

Accounting Policy

Services Revenue

The Corporation generates revenue from the delivery of services to its Client-Partners. The six main categories of services that the Corporation delivers are as follows:

- contracting, which is responsible for handling procurement and solicitation planning, preparing tender documents, soliciting and evaluating bids, awarding contracts, and conducting market assessments;
- contract management, which is responsible for contract payment administration, change management, risk management, document and schedule control, quality assurance, quality audit, dispute mitigation and resolution, claims management, performance assessment, and warranty management;
- construction technical support, which is responsible for activities such as commissioning and payment processing services;
- project and program management, which is responsible for services ranging from specific tasks to support DND project managers to turnkey project services and program management;
- environmental technical support, which is responsible for performing activities related to energy performance contracts, environmental assessments, environmental management systems, and work on contaminated sites and sites with unexploded explosive ordnance; and
- real property technical support, which is responsible for operational support functions to ensure the efficient oversight of DND's properties and buildings (this includes the delivery of facility management and technical support services, and real property acquisition and disposal services).

Revenue is recognized after the service is rendered. The Corporation invoices its Client-Partners monthly, as established in service level arrangements (SLAs). SLAs typically have a duration equivalent to the fiscal year or less. All SLAs are renegotiated and signed annually, based on the nature of the funding for the Client-Partners. As the need arises during the fiscal year, SLAs can be modified, and new SLAs signed.

SLAs can be on a time-based 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 provide over the year. Each month, 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 each month as agreed in the SLAs. Most SLAs have standard 30-day payment terms.

Deferred revenue arises when the amount invoiced to the Client-Partners exceeds the services delivered through fixed-fee SLAs. The Corporation has an unconditional right to payment when it has invoiced in accordance with fixed-fee SLAs. The amounts in excess will be recognized in revenue as services are delivered. There are no assets related to performance rendered in advance of payments at year end, as all SLAs are renegotiated annually.

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

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. No mark-up is added.

Investment Revenue

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

Accounting Estimates and Judgements

Performance obligations are satisfied as the service is rendered to the Client-Partner, which simultaneously receives and consumes the benefits provided. For travel and disbursements, the performance obligations are satisfied as the expenses are incurred. The output method (survey of performance to date) is used to measure the obligation satisfied over time.

The transaction price for services rendered and for travel and disbursements is the hourly rate established by the Corporation annually for services and agreed to with the Client-Partners annually for time-based arrangements. Fixed fee-based arrangements are annual agreements and the price for services and for related travel and disbursements is agreed to in the arrangement. There is no variable consideration, and no obligations for returns, refunds or other similar obligations.

When a change is made to the arrangement (changeover or amendment) for price, scope of work, or travel and disbursements, the change will be accounted for prospectively as a new arrangement.

There are no costs to obtain or fulfill a contract with a Client-Partner that requires capitalization. There are no sales commissions or other costs that would not already be incurred.

There is no financing component to any revenue arrangement the Corporation enters into with a Client-Partner.

Supporting Information

13.1 Segmented and Disaggregated Revenue Information

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

2024	Activity						
Region	Contract Management	Project and Program Management	Real Property Technical Support	Contracting	Construction Technical Support	Environmental Technical Support	Total revenue, by region
Atlantic	$ 10,719	$ 4,754	$ 2,013	$ 2,064	$ 2,196	$ 3,491	$ 25,237
Quebec	12,435	5,832	2,704	1,880	1,891	2,164	26,906
National Capital	9,740	17,734	7,017	644	699	1,821	37,655
Ontario	15,801	5,586	3,933	2,637	5,095	3,054	36,106
Western	14,325	6,262	2,401	3,222	1,378	1,112	28,700
Pacific	10,253	4,966	1,282	1,387	863	1,493	20,244
Head Office	363	175	609	2,247	1,692	18	5,104
Total revenue, by activity	**$ 73,636**	**$ 45,309**	**$ 19,959**	**$ 14,081**	**$ 13,814**	**$ 13,153**	**$ 179,952**

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	$ 10,331	$ 4,433	$ 2,505	$ 1,965	$ 1,609	$ 3,588	$ 24,431
Quebec	11,335	5,410	2,322	1,660	1,368	1,949	24,044
National Capital	7,312	14,419	6,626	634	428	1,947	31,366
Ontario	14,233	5,443	3,427	2,353	4,419	2,465	32,340
Western	12,693	5,944	1,819	3,082	947	1,090	25,575
Pacific	9,373	4,490	1,013	995	695	821	17,387
Head Office	919	373	341	2,094	1,704	108	5,539
Total revenue, by activity	**$ 66,196**	**$ 40,512**	**$ 18,053**	**$ 12,783**	**$ 11,170**	**$ 11,968**	**$ 160,682**

The following table disaggregates revenue by region and contract type.

Time-based revenue

Region	2024	2023
Atlantic	**$ 5,820**	$ 5,430
Quebec	**8,892**	7,489
National Capital	**31,933**	26,484
Ontario	**9,065**	8,258
Western	**5,510**	5,164
Pacific	**4,985**	5,573
Head Office	**3,083**	2,680
Total time-based revenue	**$ 69,288**	$ 61,078

Fixed-fee revenue

Region	2024	2023
Atlantic	**$ 19,417**	$ 19,001
Quebec	**18,014**	16,555
National Capital	**5,722**	4,882
Ontario	**27,041**	24,082
Western	**23,190**	20,411
Pacific	**15,259**	11,814
Head Office	**2,021**	2,859
Total fixed-fee revenue	**$ 110,664**	$ 99,604

Total revenue	**$ 179,952**	$ 160,682

As at March 31, 2024, $920 (2023, $1,299) in deferred revenue was related to performance obligations that had not yet been satisfied. Management expects the balance to be recognized as revenue during the next reporting period. The changes in deferred revenue are shown in the following table.

	2024	2023
Balance as at the beginning of the year	**$ 1,299**	$ 1,285
Recognition of deferred revenue	**(749)**	(473)
Amounts invoiced and revenue deferred	**370**	487
Balance as at the end of the year	**$ 920**	$ 1,299

13.2 Investment Revenue

Investment revenue is mainly derived from the cash in the bank and investments.

Income from	2024	2023
Bank deposit interest	**$ 1,370**	$ 1,226
Investment interest	**1,289**	519
Other interest	**19**	11
Total investment revenue	**$ 2,678**	$ 1,756

Note 14: Operating and Administrative Expenses

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

	2024	2023
Cloud computing services	**$ 2,141**	$ 2,039
Software maintenance	**1,853**	1,582
Professional services	**1,708**	1,295
Employee training and development	**1,548**	1,030
Leased location operating costs	**1,099**	960
Equipment rental	**975**	872
Travel	**828**	558
Telephone and data communications	**710**	752
Office services, supplies and equipment	**697**	671
Computer hardware	**513**	594
Client services and communications	**455**	403
Furniture and equipment	**432**	303
Recruiting	**375**	252
Hospitality	**283**	160
Computer software	**253**	81
Staff relocation	**204**	191
Memberships and subscriptions	**107**	91
Other	**41**	27
Postage and freight	**40**	35
Leasehold improvements	**15**	12
Total operating and administrative expenses	**$ 14,277**	$ 11,908

Note 15: Supplemental Operating Cash Flow Information

	2024	2023
Interest charges on lease obligations	**$ 247**	$ 203
Interest received from bank deposits	**$ 1,370**	$ 1,226
Interest received from investments	**$ 1,289**	$ 519
Acquisition of property, plant and equipment not paid	**$ 51**	$ 92

Note 16: Financial Instruments and Related Risk Management

Accounting Policy

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 at fair value through profit and loss (FVTPL).

Financial liabilities are classified at FVTPL when the financial liability either is held for trading or is designated as FVTPL.

The Corporation has not designated any financial liability as FVTPL as at the end of the reporting period.

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

Financial liabilities at FVTPL 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, are cancelled or expire.

Classification of Financial Assets and Liabilities

The classifications list in the table below remained consistent for the years presented in this financial statement.

	Classification	Subsequent measurement
Cash and cash equivalents	FVTPL	FVTPL
Investments	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Other receivables	Amortized cost	Amortized cost
Other assets	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost

Fair Value Measurement

Fair value is the price that would be received to sell an asset or would be 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.

IFRS 9 applies to financial assets measured at amortized cost and to contract assets and requires the Corporation to consider factors such as historical, current and forward-looking information when measuring expected credit loss (ECL) receivables. The ECL allowance for trade and other receivables is estimated using the simplified approach, which requires the use of lifetime expected credit losses. The Corporation estimates the lifetime expected credit losses from a combination of historical write-off percentages and forward-looking information used to identify a deterioration of credit, either at a company level or a macroeconomic level. The amount of the allowance is the difference between the receivable's gross carrying amount and the estimated future cash flows. Credit losses and subsequent recoveries are recognized in operating and administrative expenses. The Corporation does not expect credit losses from assets such as trade receivables, as its historical write-offs are $0, and the creditworthiness of the clients is rated as AAA by the rating agency DBRS. Therefore, the Corporation has concluded that no impairment of financial assets has to be recognized in accordance with IFRS 9. The Corporation reviews the expected credit loss provision annually.

Except for investments, the carrying amounts of financial assets and financial liabilities approximate the fair values due to the short term to maturity of the items. Fair value of investments is disclosed in Note 8.

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, as follows:

- 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); and
- 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, 2024 and 2023.

Supporting Information

16.1 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, 2024, was $106,629 (as at March 31, 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, as all of the trade receivables are due from departments of the Government of Canada. The Corporation is exposed to concentration risk of trade receivables with DND as described in Note 18. Based on historic default rates and the aging analysis in Note 5, Trade Receivables, the Corporation evaluates the loss allowance on trade receivables (based on lifetime expected credit loss) to an amount of $nil (March 31, 2023, $nil). Other assets consist of balances related to travel advances to employees and computer loans to employees. Prepaids are not included in other assets.

2024	**FVTPL**	**Amortized cost**	**Total carrying amount**
Cash and cash equivalents	**$ 26,169**	**$ –**	**$ 26,169**
Investments	**–**	**43,374**	**43,374**
Trade receivables	**–**	**35,194**	**35,194**
Other receivables	**–**	**1,887**	**1,887**
Other assets	**–**	**5**	**5**
Total financial assets	**$ 26,169**	**$ 80,460**	**$ 106,629**

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

16.2 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 March 31, 2024, was $13,469 (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 March 31, 2024, the Corporation's financial assets exceeded its financial liabilities by $93,160 (2023, $81,011).

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

2024	**Carrying amount**	**Contractual cash flows**	**< 6 months**	**> 6 months**
Trade and other payables	**$ 13,469**	**$ 13,469**	**$ 13,469**	**$ –**
Financial liabilities	**$ 13,469**	**$ 13,469**	**$ 13,469**	**$ –**

2023	Carrying amount	Contractual cash flows	< 6 months	> 6 months
Trade and other payables	$ 8,506	$ 8,506	$ 8,506	$ –
Financial liabilities	$ 8,506	$ 8,506	$ 8,506	$ –

16.3 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 March 31, 2024, all of the investments ($43,374) were in fixed interest-bearing instruments (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.

Note 17: Leases

Accounting Policy

Lessee

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an accounting estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method, as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option. Lease terms (including renewal options) range from one to 18 years for offices and co-location spaces. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The weighted average incremental borrowing rate as of March 31, 2024, was 3.74% (2023, 3.05%).

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate; if there is a change in the Corporation's accounting estimate of the amount expected to be payable under a residual value guarantee; if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option; or if there is a change in term. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lessor

Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the lessor is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Classification is reassessed if the terms of the lease change.

Accounting Estimates and Judgements

The Corporation is party to certain arrangements, which requires management to determine whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation determines its incremental borrowing rate by adjusting the risk-free rate to reflect the length of the lease and the regional property yield. The incremental borrowing rate is updated when there are modifications to the lease and is adjusted for each new lease.

17.1 Right-of-Use Assets

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

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

Right-of-use assets	Office space leases	Data warehouse leases	Total right-of-use assets
Balance as at March 31, 2022	$ 6,748	$ 285	$ 7,033
Additions	452	–	452
Depreciation	(1,167)	(122)	(1,289)
Disposals	–	–	–
Balance as at March 31, 2023	$ 6,033	$ 163	6,196
Additions	1,017	–	1,017
Modifications	314	214	528
Depreciation	(1,125)	(122)	(1,247)
Disposals	–	–	–
Balance as at March 31, 2024	**$ 6,239**	**$ 255**	**$ 6,494**

17.2 Lease Obligations

Lease obligations	2024	2023
Current portion	**$ 973**	$ 1,310
Long-term portion	**6,268**	5,287
Total lease obligations	**$ 7,241**	$ 6,597

Balance as at March 31, 2022	$ 7,413
Additions	452
Payments	(1,471)
Interest expense	203
Balance as at March 31, 2023	$ 6,597
Additions	1,017
Modifications	870
Payments	(1,490)
Interest expense	247
Balance as at March 31, 2024	**$ 7,241**

The following represents the contractual undiscounted cash flows for lease obligations as at March 31, 2024.

One year or less	$ 1,220
Between one and two years	$ 730
Between two and five years	$ 2,118
Over five years	$ 4,350
Total	**$ 8,418**

The following table shows the breakdown of lease payments for the year. Variable lease payments consist of amounts 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.

	2024	2023
Variable lease payments	**$ 1,099**	$ 960
Total cash outflow for leases	**2,589**	2,431
Principal repayment on lease obligations	**$ 1,243**	$ 1,268

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 fair value, which is the actual amount of the consideration given or received for the services provided. The Corporation's entire services revenue of $179,952 (2023, $160,682) was generated from services provided to entities owned by the Government of Canada. The amounts due to and from related parties, included in trade receivables and trade and other payables, respectively, are as follows.

	2024	2023
Due from:		
Department of National Defence (DND)	**$ 32,955**	$ 30,007
Canadian Forces Housing Agency	**1,844**	1,749
Communications Security Establishment	**361**	150
Shared Services Canada	**34**	55
	$ $35,194	$ 31,961
Due to:		
Shared Services Canada	**$ 2**	$ 4
Public Services and Procurement Canada	**113**	–
Department of Justice	**32**	153
	$ 147	$ 157

The Corporation incurred expenses with other Government of Canada departments. These transactions totalled $675 (2023, $920) and no portion of this amount relates to the prior year. Of these expenses, the Corporation recovered $605 (2023, $828) from Client-Partners.

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.

The Corporation purchased a bond on March 2, 2022, for $1,002 issued by the Canadian Mortgage and Housing Corporation. The Corporation earned investment revenue of $18 during the year (2023, $18). Interest receivable of $5 (2023, $5) is included in other receivables.

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 remuneration of key management personnel was as follows.

	2024	2023
Short-term benefits	**$ 5,344**	$ 5,355
Post-employment benefits	**665**	676
Total key management compensation	**$ 6,009**	$ 6,031

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 DND. 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: Taxation

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

Note 21: Contingent Liabilities

Accounting Policy

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 these conditions are not met, no provision shall be recognized, and a contingent liability will be disclosed.

Accounting Estimates and Judgements

In determining whether a liability should be recorded in the form of a provision, management is required to exercise judgement in assessing whether the Corporation has a present legal or constructive obligation as a result of a past event, whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and whether a reasonable accounting estimate can be made of the amount of the obligation.

In making this determination, management may use experience, prior external precedents, and the opinions and views of legal counsel. If management determines that the above three conditions are met, a provision is recorded for the obligation. Alternatively, a contingent liability is disclosed in the notes to the financial statements if management determines that any one of the above three conditions is not met, unless the possibility of outflow in settlement is considered to be remote.

When management has determined that the Corporation has a present legal or constructive obligation as a result of a past event, that it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and that a reliable accounting estimate of the obligation can be made, a provision is accrued.

In determining a reliable accounting estimate of the obligation, management makes assumptions about the amount and likelihood of outflows, the timing of outflows, and the appropriate discount rate to use. Factors affecting these assumptions include the nature of the provision, the existence of a claim amount, opinions or views of legal counsel and other advisers, experience in similar circumstances, and any decision of management as to how the Corporation intends to handle the obligation. The actual amount and timing of outflows may deviate from assumptions, and the difference might materially affect future financial statements, with a potentially adverse impact on the results of operations, financial position and liquidity.

21.1 Legal Claims

The Corporation's efforts to resolve disputes are reflected in the number and value of claims before the courts. As at March 31, 2024, there were 12 ongoing claims totalling $10,659. 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, so 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 March 31, 2024, there were other ongoing legal claims, not related to DND, for which the outflow of resources to settle the obligations either cannot be estimated or is not probable at this time. No amount for these claims had been recognized as at March 31, 2024.