

DEFENCE CONSTRUCTION CANADA

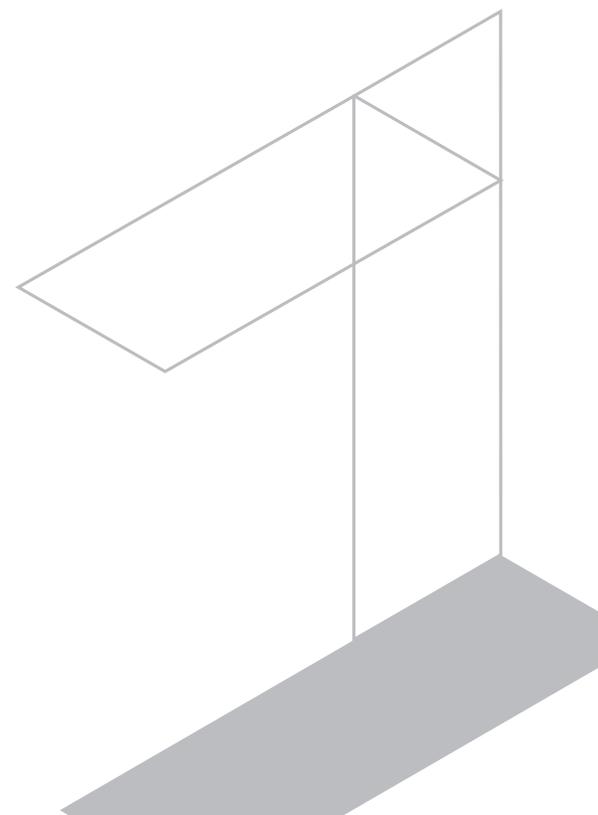
# 2025-2026 SECOND QUARTER FINANCIAL REPORT

PERIOD ENDED SEPTEMBER 30, 2025

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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (MD&A) outlines the financial results and operational changes for the second quarter ended September 30, 2025, for Defence Construction Canada (the "Corporation" or "DCC"). This discussion should be read in conjunction with the unaudited condensed interim financial statements for the period ended September 30, 2025.

The Corporation prepared this quarterly report as per the requirements of the *Financial Administration Act*. This statute requires all federal Crown corporations to prepare and make public a report within 60 days of the end of each fiscal quarter. These statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Report, and are reported in Canadian dollars. The Corporation also recommends that this information be read in conjunction with the Corporation's MD&A and annual financial statements for the year ended March 31, 2025 (the "*Annual Report 2024-2025*"). DCC management is responsible for the information presented in the MD&A and unaudited condensed interim financial statements.

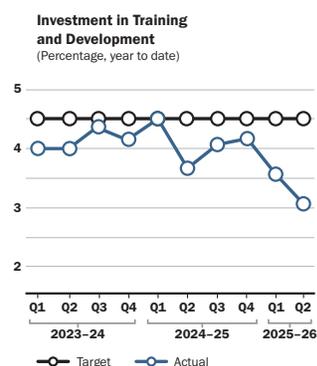
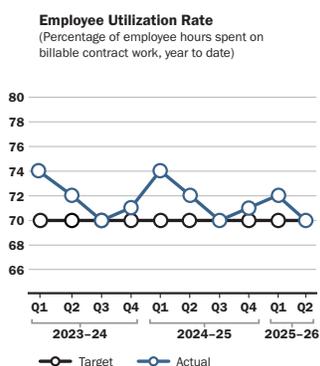
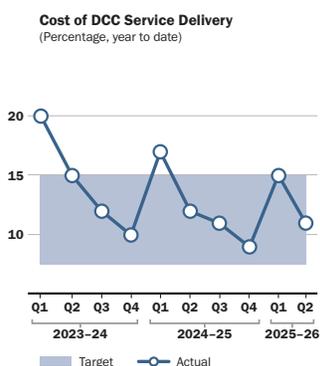
In the following analysis, all references to the second quarter refer to the three months ended September 30, 2025. All references to the previous year's second quarter relate to the three months ended September 30, 2024. All references to the year-to-date period refer to the six months ended September 30, 2025. All references to the previous year-to-date period refer to the six months ended September 30, 2024. All references to the previous year end relate to March 31, 2025.

### 1.0 CORPORATE PROFILE

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

### 2.0 OPERATIONAL PERFORMANCE INDICATORS

Operational performance indicator	Six months ended September 30, 2025	Target
Cost of DCC service delivery	11%	9% to 15%
Employee utilization rate	70%	70%
Investment in training and development	3.1%	4.5%



### 3.0 RISK MANAGEMENT

There have been no material changes to the corporate risks identified by management and discussed in Section 5.0, Risk Management, of the MD&A in DCC's *Annual Report 2024-2025*.

### 4.0 FINANCIAL PERFORMANCE

#### 4.1 FINANCIAL RESULTS

(in thousands of dollars)	Three months ended September 30		Change		Six months ended September 30		Change	
	2025	2024	\$	%	2025	2024	\$	%
Services revenue	\$ 50,170	\$ 47,230	2,940	6%	\$ 102,781	\$ 98,524	4,257	4%
Travel and disbursement revenue	1,374	1,196	178	15%	2,340	1,915	425	22%
Investment revenue	743	754	(11)	-1%	1,523	1,549	(26)	-2%
<b>Total revenue</b>	<b>\$ 52,287</b>	<b>\$ 49,180</b>	<b>3,107</b>	<b>6%</b>	<b>\$ 106,644</b>	<b>\$ 101,988</b>	<b>4,656</b>	<b>5%</b>
Salaries and employee benefits	\$ 44,415	\$ 41,436	2,979	7%	\$ 93,784	\$ 86,989	6,795	8%
Operating and administrative expenses	3,457	3,366	91	3%	6,659	7,002	(343)	-5%
Travel and disbursement expenses	1,374	1,196	178	15%	2,340	1,915	425	22%
Depreciation and amortization	450	454	(4)	-1%	888	911	(23)	-3%
Finance costs	59	65	(6)	-9%	120	132	(12)	-9%
<b>Total expenses</b>	<b>\$ 49,755</b>	<b>\$ 46,517</b>	<b>3,238</b>	<b>7%</b>	<b>\$ 103,791</b>	<b>\$ 96,949</b>	<b>6,842</b>	<b>7%</b>
<b>Net income and comprehensive income</b>	<b>\$ 2,532</b>	<b>\$ 2,663</b>	<b>(131)</b>	<b>-5%</b>	<b>\$ 2,853</b>	<b>\$ 5,039</b>	<b>(2,186)</b>	<b>-43%</b>

Services revenue was \$50 million in the second quarter, an increase of \$3 million or 6% from the previous year's second quarter. For the year-to-date period, services revenue was \$103 million, an increase of \$4 million or 4% over the previous year-to-date period. This was due to an increase in demand for services from the Client-Partners, combined with a billing rate increase of 3.25%.

The increase in salaries and employee benefits was primarily due to annual compensation adjustments related to economic factors, performance pay, and benefits. The remaining increase was due to an increase of approximately 2% (or 30) in full-time equivalents (FTEs) when compared with the previous year-to-date period.

Operating and administrative expenses were \$3 million in the second quarter, an increase of approximately 3% over the previous year's second quarter. For the year-to-date period, operating and administrative expenses totalled \$7 million, a decrease of approximately 5% from the previous year-to-date period. These variances were primarily influenced by information technology, professional services, and staffing costs.

Information technology expenses totalled \$2 million in the second quarter, an increase of \$108,000 or 6% over the previous year's second quarter. For the year-to-date period, information technology expenses totalled \$3 million, an increase of \$164,000 or 5% over the previous year-to-date period. The increase was primarily due to computer equipment purchases for new employees hired to meet increased demand for services from the Client-Partners.

Professional services totalled \$537,000 in the second quarter, an increase of \$138,000 or 35% over the previous year's second quarter. The increase was primarily due to higher costs for managed cloud services. For the year-to-date period, professional services totalled \$802,000, a decrease of \$187,000 or 19% when compared with the previous year-to-date period. The decrease was primarily due to non-recurring expenses incurred in the previous year-to-date period for internal audit services and intranet content migration.

Staffing costs totalled \$34,000 in the second quarter, a decrease of \$138,000 or 80% when compared with the previous year's second quarter. For the year-to-date period, staffing costs totalled \$138,000, a decrease of \$155,000 or 53% when compared with the previous year-to-date period. The decrease was primarily due to higher employee relocation requirements and one-time payments for employee placements in the previous year-to-date period.

#### 4.2 LIQUIDITY AND CAPITAL RESOURCES

DCC's financial and cash management policy is discussed in the *Annual Report 2024–2025*.

##### CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments totalled \$83 million at September 30, 2025, a decrease of \$14 million or 14% from March 31, 2025.

The cash and cash equivalents balance at September 30, 2025, was \$30 million, a decrease of \$16 million or 35% from March 31, 2025. In the six-month period after March 31, 2025, the Corporation had net cash outflows of \$13 million on operating activities, had net acquisitions of investments of \$2 million, spent \$287,000 on capital expenditures, and paid \$512,000 for lease obligations.

As at September 30, 2025, DCC's overall cash balance was within its 2025–26 targeted operating cash reserves of \$24 to \$34 million.

Investments (both current and long term) at September 30, 2025, were \$53 million, an increase of \$3 million from the previous year end. The increase was primarily due to the purchase of guaranteed investment certificates (GICs) and provincial bonds.

Liquidity and capital resources (in thousands of dollars)	As at		Change	
	September 30, 2025	March 31, 2025	\$	%
Cash and cash equivalents	\$ 30,103	\$ 46,421	(16,318)	-35%
Investments	53,005	50,429	2,576	5%
<b>Cash and cash equivalents and investments</b>	<b>\$ 83,108</b>	<b>\$ 96,850</b>	<b>(13,742)</b>	<b>-14%</b>

#### 4.3 ACTUAL PERFORMANCE VERSUS PLAN

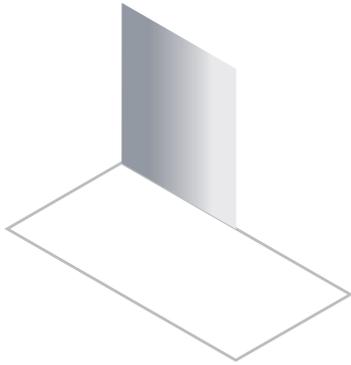
The following table compares the Corporation's actual performance in the year-to-date period with the projections in the Corporate Plan (the Plan). Revenue generation is tracking slightly below initial projections. Salaries and employee benefits are higher than originally anticipated, primarily due to the timing of compensation adjustments. Despite this, the Corporation remains on track to meet its financial targets for the full fiscal year.

Services revenue for the period was \$2 million lower than projected in the Plan. The decrease was due to lower-than-anticipated demand for services from the Client-Partners.

Overall operating and administrative expenses were 23% lower than projected in the Plan, mainly due to a change in the period these expenses will occur. The Corporation continues to identify opportunities for cost-saving and efficiency initiatives to support the Government of Canada spending reduction.

<i>(in thousands of dollars)</i>	Six months ended September 30, 2025		Change	
	Actual	Corporate Plan	\$	%
<b>Revenue</b>				
Services revenue	\$ 102,781	\$ 105,140	(2,359)	-2%
Travel and disbursement revenue	2,340	1,567	773	49%
Investment revenue	1,523	1,515	8	1%
<b>Total revenue</b>	<b>\$ 106,644</b>	<b>\$ 108,222</b>	<b>(1,578)</b>	<b>-1%</b>
<b>Expenses</b>				
Salaries and employee benefits	\$ 93,784	\$ 92,773	1,011	1%
Operating and administrative expenses	6,659	8,631	(1,972)	-23%
Travel and disbursement expenses	2,340	1,567	773	49%
Depreciation and amortization	888	883	5	1%
Finance costs	120	126	(6)	-5%
<b>Total expenses</b>	<b>\$ 103,791</b>	<b>\$ 103,980</b>	<b>(189)</b>	<b>0%</b>
<b>Net income and comprehensive income</b>	<b>\$ 2,853</b>	<b>\$ 4,242</b>	<b>(1,389)</b>	<b>-33%</b>
<b>Capital expenditures</b>	<b>\$ 277</b>	<b>\$ —</b>	<b>277</b>	<b>*</b>
<b>Contract expenditures</b>	<b>\$ 684,391</b>	<b>\$ 557,202</b>	<b>127,189</b>	<b>23%</b>

\*The change was not meaningful.



# UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS



## MANAGEMENT RESPONSIBILITY STATEMENT

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting, and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. Management is also responsible for such internal controls as it determines are necessary to enable the preparation of condensed interim financial statements that are free from material misstatement. In addition, management is responsible for ensuring that all other information in this quarterly financial report is consistent, as appropriate, with the condensed interim financial statements. Based on our knowledge, these unaudited condensed interim financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the condensed interim financial statements.

Original signed by

Derrick Cheung  
*President and Chief Executive Officer*

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

Ottawa, Canada  
November 28, 2025

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)	Notes	As at	
		September 30, 2025	March 31, 2025
<b>Assets</b>			
Cash and cash equivalents		\$ 30,103	\$ 46,421
Investments	6	9,544	9,797
Accrued revenue	9	3,145	—
Trade receivables	13	42,580	21,239
Prepaid expenses		2,778	1,920
Salary and other receivables		2,109	1,770
<b>Current assets</b>		<b>\$ 90,259</b>	<b>\$ 81,147</b>
Investments	6	43,461	40,632
Property, plant and equipment	7	2,174	2,165
Intangible assets		70	97
Right-of-use assets	12	5,019	5,612
<b>Non-current assets</b>		<b>\$ 50,724</b>	<b>\$ 48,506</b>
<b>Total assets</b>		<b>\$ 140,983</b>	<b>\$ 129,653</b>
<b>Liabilities</b>			
Trade and other payables	13	\$ 24,640	\$ 21,669
Deferred revenue	9	4,160	399
Employee benefits	8	982	860
Lease obligations	12	797	1,045
<b>Current liabilities</b>		<b>\$ 30,579</b>	<b>\$ 23,973</b>
Employee benefits	8	48,141	46,006
Lease obligations	12	5,335	5,599
<b>Non-current liabilities</b>		<b>\$ 53,476</b>	<b>\$ 51,605</b>
<b>Total liabilities</b>		<b>\$ 84,055</b>	<b>\$ 75,578</b>
<b>Equity</b>			
Share capital: Authorized (1,000 common shares of no par value); issued (32 common shares)		—	—
Retained earnings		56,928	54,075
<b>Total equity</b>		<b>\$ 56,928</b>	<b>\$ 54,075</b>
<b>Total liabilities and equity</b>		<b>\$ 140,983</b>	<b>\$ 129,653</b>

Commitments: See Note 12. Contingent liabilities: See Note 14.

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

## CONDENSED INTERIM STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

(in thousands of dollars)	Notes	Three months ended September 30		Six months ended September 30	
		2025	2024	2025	2024
Services revenue	9	\$ 50,170	\$ 47,230	\$ 102,781	\$ 98,524
Travel and disbursement revenue		1,374	1,196	2,340	1,915
Investment revenue		743	754	1,523	1,549
<b>Total revenue</b>		<b>\$ 52,287</b>	<b>\$ 49,180</b>	<b>\$ 106,644</b>	<b>\$ 101,988</b>
Salaries and employee benefits		\$ 44,415	\$ 41,436	\$ 93,784	\$ 86,989
Operating and administrative expenses	10	3,457	3,366	6,659	7,002
Travel and disbursement expenses		1,374	1,196	2,340	1,915
Depreciation and amortization	7, 12	450	454	888	911
Finance costs	12	59	65	120	132
<b>Total expenses</b>		<b>\$ 49,755</b>	<b>\$ 46,517</b>	<b>\$ 103,791</b>	<b>\$ 96,949</b>
<b>Net income and comprehensive income</b>		<b>\$ 2,532</b>	<b>\$ 2,663</b>	<b>\$ 2,853</b>	<b>\$ 5,039</b>

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

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(in thousands of dollars)	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
<b>Share capital</b>	\$ —	\$ —	\$ —	\$ —
<b>Retained earnings</b>				
Balance as at the beginning of the period	54,396	49,641	54,075	47,265
Net income and comprehensive income	2,532	2,663	2,853	5,039
<b>Balance as at the end of the period</b>	<b>\$ 56,928</b>	<b>\$ 52,304</b>	<b>\$ 56,928</b>	<b>\$ 52,304</b>
<b>Equity</b>	<b>\$ 56,928</b>	<b>\$ 52,304</b>	<b>\$ 56,928</b>	<b>\$ 52,304</b>

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

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

(in thousands of dollars)	Notes	Three months ended September 30		Six months ended September 30	
		2025	2024	2025	2024
<b>Cash flow provided by (used in) operating activities</b>					
Net income		\$ 2,532	\$ 2,663	\$ 2,853	\$ 5,039
<b>Adjustments to reconcile net income to cash provided by (used in) operating activities</b>					
Employee benefits expensed	8	1,299	1,117	2,598	2,232
Employee benefits paid	8	(172)	(144)	(341)	(279)
Depreciation and amortization	7, 12	450	454	888	911
Accretion of investment premiums		(140)	(67)	(258)	(133)
Amortization of investment premiums		8	11	18	23
<b>Change in non-cash operating working capital</b>					
Trade receivables		(2,881)	1,644	(21,341)	(1,434)
Salary and other receivables		4	(1,180)	(339)	(1,133)
Prepaid expenses		129	299	(858)	(1,376)
Accrued revenue		(158)	(112)	(3,145)	(2,828)
Trade and other payables		(1,737)	(102)	2,981	1,491
Deferred revenue		2,533	795	3,761	2,497
<b>Net cash flows provided by (used in) operating activities</b>		<b>\$ 1,867</b>	<b>\$ 5,378</b>	<b>\$ (13,183)</b>	<b>\$ 5,010</b>
<b>Cash flows provided by (used in) investing activities</b>					
Acquisition of investments		(2,600)	(1,000)	(7,045)	(1,000)
Redemption and disposition of investments		3,979	1,736	4,709	1,736
Acquisition of property, plant and equipment	7	(268)	—	(287)	(85)
<b>Net cash flows provided by (used in) investing activities</b>		<b>\$ 1,111</b>	<b>\$ 736</b>	<b>\$ (2,623)</b>	<b>\$ 651</b>
<b>Cash flows used in financing activities</b>					
Repayment of lease obligations	12	(258)	(226)	(512)	(458)
<b>Net cash flows used in financing activities</b>		<b>\$ (258)</b>	<b>\$ (226)</b>	<b>\$ (512)</b>	<b>\$ (458)</b>
Increase (decrease) in cash and cash equivalents during the period		2,720	5,888	(16,318)	5,203
Cash and cash equivalents at the beginning of the period		27,383	25,484	46,421	26,169
<b>Cash and cash equivalents at the end of the period</b>		<b>\$ 30,103</b>	<b>\$ 31,372</b>	<b>\$ 30,103</b>	<b>\$ 31,372</b>
<b>Supplemental cash flow information</b>					
Interest received from investments		\$ 494	\$ 388	\$ 981	\$ 765
Interest received from bank deposits		\$ 246	\$ 364	\$ 535	\$ 778
Interest charges on lease obligations		\$ 59	\$ 65	\$ 120	\$ 132

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

## NOTICE TO READERS

These condensed interim financial statements have not been audited or reviewed by an external auditor and must be read in conjunction with the most recent financial statements for the year ended March 31, 2025, and with the management's discussion and analysis (MD&A) included in this quarterly financial report.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

### 1. DESCRIPTION OF BUSINESS AND OBJECTIVES

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

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

### 2. BASIS OF PREPARATION AND PRESENTATION

The Corporation prepared these condensed interim financial statements in accordance with International Accounting Standard 34 (IAS 34), Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. As permitted under IAS 34, these condensed interim financial statements do not include all of the disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited financial statements for its fiscal year ended March 31, 2025, and the current quarter's MD&A.

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

### 3. SUMMARY OF ACCOUNTING POLICIES

These condensed interim financial statements follow the same accounting policies and methods of computation described in the notes to the Corporation's audited financial statements for the year ended March 31, 2025. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

### 4. CRITICAL ACCOUNTING ESTIMATES

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

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised when the revision affects only that period, or in the period of the revision and future periods when the revision affects both current and future periods. Critical judgments and key sources of estimation uncertainty are disclosed in the notes to the Corporation's annual financial statements for the year ended March 31, 2025.

### 5. STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

### 6. INVESTMENTS

Investments consist of Canadian provincial bonds with effective interest rates ranging from 1.2% to 4.0% (coupon rates ranging from 2.6% to 4.0%) and guaranteed investment certificates (GICs) with effective interest rates ranging from 1.3% to 5.1% (coupon rates ranging from 1.3% to 5.1%).

The maturity dates of the bonds vary from December 2025 to December 2031, and those of the GICs from March 2026 to June 2030, and the Corporation intends to hold all of them to maturity. The carrying amounts, measured at the amortized cost and fair value of these investments, are shown in the following table.

	As at	
	September 30, 2025	March 31, 2025
Current portion	\$ 9,544	\$ 9,797
Long-term portion	43,461	40,632
<b>Total investments</b>	<b>\$ 53,005</b>	<b>\$ 50,429</b>

Carrying amount at amortized cost	As at	
	September 30, 2025	March 31, 2025
Provincial bonds	\$ 18,165	\$ 15,049
Guaranteed investment certificates	34,840	35,380
	<b>\$ 53,005</b>	<b>\$ 50,429</b>

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.

Fair value	As at	
	September 30, 2025	March 31, 2025
Provincial bonds	\$ 18,243	\$ 15,121
Guaranteed investment certificates	35,591	35,655
	\$ 53,834	\$ 50,776

As at September 30, 2025						
	Effective interest rate	Coupon interest rate	Less than one year	One to five years	Over five years	Total
<i>Obligations</i>						
Provincial bonds	1.2% to 4.0%	2.6% to 4.0%	\$ 3,764	\$ 6,264	\$ 8,137	\$ 18,165
Guaranteed investment certificates	1.3% to 5.1%	1.3% to 5.1%	5,780	29,060	—	34,840
			\$ 9,544	\$ 35,324	\$ 8,137	\$ 53,005

## 7. PROPERTY, PLANT AND EQUIPMENT

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

Cost	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance as at March 31, 2025	\$ 700	\$ 1,558	\$ 2,773	\$ 5,031
Additions	228	10	39	277
Disposals	—	(4)	—	(4)
<b>Balance as at September 30, 2025</b>	<b>\$ 928</b>	<b>\$ 1,564</b>	<b>\$ 2,812</b>	<b>\$ 5,304</b>

Accumulated depreciation	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance as at March 31, 2025	\$ 666	\$ 1,116	\$ 1,084	\$ 2,866
Depreciation	20	96	152	268
Disposals	—	(4)	—	(4)
<b>Balance as at September 30, 2025</b>	<b>\$ 686</b>	<b>\$ 1,208</b>	<b>\$ 1,236</b>	<b>\$ 3,130</b>

Net book value, by asset class	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Net book value as at March 31, 2025	\$ 34	\$ 442	\$ 1,689	\$ 2,165
<b>Net book value as at September 30, 2025</b>	<b>\$ 242</b>	<b>\$ 356</b>	<b>\$ 1,576</b>	<b>\$ 2,174</b>

There was no impairment of property, plant and equipment during the period.

## 8. 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 retirees. The benefit plan is not funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The significant actuarial assumptions are disclosed in the annual financial statements for the year ended March 31, 2025. The measurement date for the last actuarial valuation of the provision for employee benefits was March 31, 2023. The next actuarial valuation is planned for March 2026 or sooner, as required.

	As at	
	September 30, 2025	March 31, 2025
Current portion	\$ 982	\$ 860
Long-term portion	48,141	46,006
<b>Total employee benefits</b>	<b>\$ 49,123</b>	<b>\$ 46,866</b>

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

Balance as at March 31, 2025	\$ 46,866
Current service cost	1,416
Interest on present value of obligation	1,182
Employee benefit premiums	(341)
<b>Balance as at September 30, 2025</b>	<b>\$ 49,123</b>

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

	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Current service cost	\$ 708	\$ 613	\$ 1,416	\$ 1,225
Interest on present value of obligation	591	504	1,182	1,007
<b>Employee benefit expenses</b>	<b>\$ 1,299</b>	<b>\$ 1,117</b>	<b>\$ 2,598</b>	<b>\$ 2,232</b>

## 9. REVENUE RECOGNITION

### 9.1 ACCOUNTING POLICY

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

## 9.2 SEGMENTED AND DISAGGREGATED REVENUE INFORMATION

The following table disaggregates revenue by activity.

Activity	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Contract Management	\$ 20,773	\$ 19,554	\$ 42,024	\$ 40,307
Project and Program Management	12,038	11,216	24,949	24,011
Real Property Technical Support	5,514	5,314	11,503	11,232
Contracting	3,733	3,679	7,453	7,516
Construction Technical Support	4,512	3,837	9,183	7,981
Environmental Technical Support	3,600	3,630	7,669	7,477
<b>Total revenue</b>	<b>\$ 50,170</b>	<b>\$ 47,230</b>	<b>\$ 102,781</b>	<b>\$ 98,524</b>

The following table disaggregates revenue by contract type.

Contract type	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Time-based revenue	\$ 23,969	\$ 20,584	\$ 48,811	\$ 41,376
Fixed-fee revenue	26,201	26,646	53,970	57,148
<b>Total revenue</b>	<b>\$ 50,170</b>	<b>\$ 47,230</b>	<b>\$ 102,781</b>	<b>\$ 98,524</b>

As at September 30, 2025, \$4,160 (March 31, 2025, \$399) in deferred revenue was related to performance obligations that have not yet been satisfied. Management expects the balance to be recognized as revenue by March 31, 2026. The changes in deferred revenue are shown in the following table.

	September 30, 2025	March 31, 2025
Balance as at the beginning of the period	\$ 399	\$ 920
Recognition of deferred revenue	(259)	(953)
Amounts invoiced and revenue deferred	4,020	432
<b>Balance as at the end of the period</b>	<b>\$ 4,160</b>	<b>\$ 399</b>

## 10. OPERATING AND ADMINISTRATIVE EXPENSES

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

	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Information technology	\$ 1,779	\$ 1,671	\$ 3,411	\$ 3,247
Professional services	537	399	802	989
Travel, hospitality and training	468	515	1,119	1,225
Occupancy costs	334	276	617	594
General administrative expenses	305	333	572	654
Staffing	34	172	138	293
<b>Total operating and administrative expenses</b>	<b>\$ 3,457</b>	<b>\$ 3,366</b>	<b>\$ 6,659</b>	<b>\$ 7,002</b>

## 11. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

### 11.1 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 September 30, 2025, was \$127,797 (March 31, 2025, \$119,859) and represented the Corporation's maximum exposure to credit risk.

The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of the financial asset. The Corporation minimizes credit risk on cash by depositing the cash only with reputable and high-quality financial institutions.

The Corporation has no significant exposure to credit risk on trade receivables, since all of the trade receivables are due from departments of the Government of Canada. The Corporation is exposed to concentration risk in relation to trade receivables with DND, as described in Note 13. Based on historic default rates and the aging analysis, the Corporation evaluates the loss allowance on trade receivables (based on lifetime expected credit loss) to be \$nil (2025, \$nil).

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

	As at September 30, 2025		
	FVTPL	Amortized cost	Total carrying amount
Cash and cash equivalents	\$ 30,103	\$ —	\$ 30,103
Investments	—	53,005	53,005
Trade receivables	—	42,580	42,580
Salary and other receivables	—	2,109	2,109
<b>Total financial assets</b>	<b>\$ 30,103</b>	<b>\$ 97,694</b>	<b>\$ 127,797</b>

	As at March 31, 2025		
	FVTPL	Amortized cost	Total carrying amount
Cash and cash equivalents	\$ 46,421	\$ —	\$ 46,421
Investments	—	50,429	50,429
Trade receivables	—	21,239	21,239
Salary and other receivables	—	1,770	1,770
<b>Total financial assets</b>	<b>\$ 46,421</b>	<b>\$ 73,438</b>	<b>\$ 119,859</b>

## 11.2 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 September 30, 2025, was \$14,661 (March 31, 2025, \$12,329) and was equal to the contractual cash flows representing 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 September 30, 2025, the Corporation's financial assets exceeded its financial liabilities by \$113,136 (March 31, 2025, \$107,530).

The Corporation's financial liabilities, including estimated interest payments, were due to mature entirely within six months or less as at September 30, 2025.

## 11.3 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 September 30, 2025, all of the investments (\$53,005) were in fixed interest-bearing instruments (March 31, 2025, \$50,429). 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.

## 12. LEASES

### 12.1 RIGHT-OF-USE ASSETS

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

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

	Office space leases	Data warehouse leases	Total
Balance as at March 31, 2025	\$ 5,474	\$ 138	\$ 5,612
Depreciation	(547)	(46)	(593)
<b>Balance as at September 30, 2025</b>	<b>\$ 4,927</b>	<b>\$ 92</b>	<b>\$ 5,019</b>

## 12.2 LEASE OBLIGATIONS

	As at	
	September 30, 2025	March 31, 2025
Current portion	\$ 797	\$ 1,045
Long-term portion	5,335	5,599
<b>Total lease obligations</b>	<b>\$ 6,132</b>	<b>\$ 6,644</b>

Balance as at March 31, 2025	\$ 6,644
Payments	(632)
Interest expense	120
<b>Balance as at September 30, 2025</b>	<b>\$ 6,132</b>

The following table shows the contractual undiscounted cash flows for lease obligations as at September 30, 2025.

One year or less	\$ 1,006
Between one and two years	599
Between two and five years	2,469
Over five years	3,084
<b>Total</b>	<b>\$ 7,158</b>

The following table shows the breakdown of lease payments. 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.

	Three months ended September 30		Six months ended September 30	
	2025	2024	2025	2024
Variable lease payments	\$ 302	\$ 213	\$ 578	\$ 507
Total cash outflow for leases	\$ 619	\$ 504	\$ 1,210	\$ 1,097
Principal repayment on lease obligations	\$ 258	\$ 226	\$ 512	\$ 458

### 13. RELATED-PARTY TRANSACTIONS AND BALANCES

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business under its stated mandate. These transactions are measured at fair value, which is the actual amount of the consideration given or received for the services provided. The Corporation's services revenue in the second quarter totalled \$50,170, compared to \$47,230 in the same period in 2024-25, and was generated from services provided to entities owned by the Government of Canada. For the year-to-date period, this revenue totalled \$102,781, compared to \$98,524 for the previous year-to-date period. The amounts due from and to related parties are included in trade receivables and in trade and other payables, respectively, and are shown in the following table.

	As at	
	September 30, 2025	March 31, 2025
<b>Due from:</b>		
Department of National Defence (DND)	\$ 39,341	\$ 18,082
Canadian Forces Housing Agency	2,804	2,944
Communications Security Establishment	406	163
Shared Services Canada	29	50
	\$ 42,580	\$ 21,239
<b>Due to:</b>		
Public Services and Procurement Canada	\$ 2,153	\$ —
Canada Revenue Agency	1,415	1,711
Department of Justice	113	152
Shared Services Canada	—	2
	\$ 3,681	\$ 1,865

The Corporation incurs expenses with other Government of Canada departments. These transactions totalled \$354 for the second quarter, compared to \$156 in the same period in 2024-25. The transactions totalled \$564 for the year-to-date period of 2025-26, compared to \$280 in the same period in 2024-25. Of these expenses, the Corporation recovered \$336 from the Client-Partners in the first quarter and \$538 in the year-to-date period.

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 Canada Mortgage and Housing Corporation. The bond matured on December 15, 2024. The Corporation earned investment revenue of \$nil from the bond during the second quarter, compared to \$4 in the same period in 2024-25 and \$nil during the year-to-date period, compared to \$9 in the same year-to-date period in 2024-25.

#### 14. CONTINGENT LIABILITIES

The Corporation's efforts to resolve disputes are reflected in the number and value of claims before the courts. As at September 30, 2025, there were 12 ongoing claims totalling \$17,387. These were related to contracts the Corporation had put in place on behalf of its Client-Partners. As at March 31, 2025, there were 13 ongoing claims totalling \$17,837.

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