

DEFENCE CONSTRUCTION CANADA

2021–2022 THIRD QUARTER FINANCIAL REPORT

PERIOD ENDED DECEMBER 31, 2021

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Unless otherwise stated, all amounts are in Canadian dollars.

This management's discussion and analysis (MD&A) outlines the financial results and operational changes for the third quarter ended December 31, 2021, for Defence Construction (1951) Limited (the "Corporation" or "DCC"). This discussion should be read in conjunction with the unaudited condensed interim financial statements for the period ended December 31, 2021.

The Corporation prepared this quarterly report as per the requirements of the *Financial Administration Act*. This statute requires all federal Crown corporations to prepare and make public a report within 60 days of the end of each fiscal quarter. These statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and are reported in Canadian dollars. We also recommend that this information be read in conjunction with the Corporation's MD&A and annual financial statements for the year ended March 31, 2021 (the "*Annual Report 2020–2021*"). Financial results reported in the MD&A are rounded to the nearest thousand. Related percentages are based on numbers rounded to the nearest thousand. 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 third quarter refer to the three months ended December 31, 2021. All references to the previous year's third quarter relate to the three months ended December 31, 2020. All references to the year-to-date period refer to the nine months ended December 31, 2021. All references to the previous year-to-date period refer to the nine months ended December 31, 2020. All references to the previous year end relate to March 31, 2021.

1.0 MATERIALITY

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

2.0 CORPORATE PROFILE

Defence Construction (1951) Limited, operating as Defence Construction Canada (DCC), is a Crown corporation that provides innovative and cost-effective contracting, construction, contract management, infrastructure and environmental, and lifecycle support services for Canada's defence and security requirements. In its 70-year history, DCC has provided its services to a variety of Government of Canada departments and agencies across Canada and internationally.

It currently has two primary Client-Partners: the Infrastructure and Environment (IE) community at the Department of National Defence (DND), and the Communications Security Establishment (CSE). The Corporation also provides services to Shared Services Canada related to the expansion of the enterprise data centre at Canadian Forces Base Borden.

From project needs planning to facility decommissioning, DCC's work covers a broad spectrum of activities. DCC's resources are divided among five service lines.

CONTRACT SERVICES

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

CONTRACT MANAGEMENT SERVICES

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

ENVIRONMENTAL SERVICES

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

PROJECT AND PROGRAM MANAGEMENT SERVICES

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

REAL PROPERTY MANAGEMENT SERVICES

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

3.0 SIGNIFICANT EVENT: COVID-19 GLOBAL PANDEMIC

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a global pandemic and recommended containment and mitigation measures. All levels of government have taken extraordinary measures to help contain and combat the outbreak.

Consistent with government recommendations, DCC introduced essential staffing of operations in its physical workspaces. Most employees have been able to work from home and critical employees have been able to safely continue visiting sites and fulfilling their obligations to the Client-Partners. The level of on-site staffing has varied across the country based on the public health measures in effect at DCC's various workplaces. DCC continues to follow the announcements of governments across the country regarding their re-opening plans as the fifth wave of the COVID-19 pandemic recedes and more Canadians are vaccinated. In line with Government of Canada requirements for its workforce and the federally regulated transportation sector, DCC implemented a mandatory COVID-19 vaccination requirement for its workforce and service providers. The Corporation has also been seeking updates from the Client-Partners on their local approaches to returning to the workplace and is formulating its plans accordingly.

Throughout the pandemic, the Corporation has been keeping business as close to usual as possible, aligning operations with local public health authorities' requirements. The number of new tenders the Corporation has issued and closed during the pandemic has remained steady.

The Corporation maintains close contact with DND and other Client-Partners to ensure essential projects continue. DCC has also been communicating regularly with industry associations to share information and solicit their collaboration in these unusual circumstances. At bases and wings across Canada, project teams are managing contracts through a combination of remote and critical on-site work, while taking all the necessary precautions.

While the Corporation is unable to predict the exact nature and scope of the impact of COVID-19 on its business and operations, it believes at the time of this filing that its cash reserves, its accounts receivable and the service level arrangements in place with its Client-Partners will provide sufficient liquidity to fund its operations.

4.0 OPERATIONAL PERFORMANCE INDICATORS

4.1 UTILIZATION RATE

The utilization rate indicates the hours spent directly on service delivery functions that are billable to the Client-Partners, 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 indicator for efficiency and effectiveness, and a key financial management tool. The Corporation sets a target to recover 70% of employee salaries through its monthly invoices to its Client-Partners.

For the year-to-date period, the utilization rate was 71%, a decrease of 4 percentage points from the previous year-to-date period, marking a return to a more sustainable pace for DCC's workforce. The utilization rate decreased primarily because employees took more training and vacation, due to the lifting of pandemic-related restrictions in some locations.

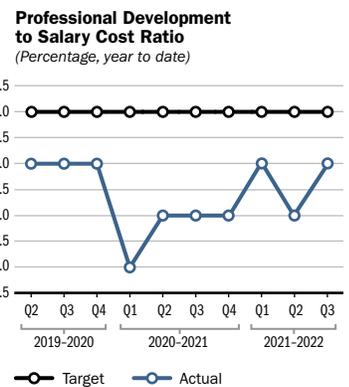
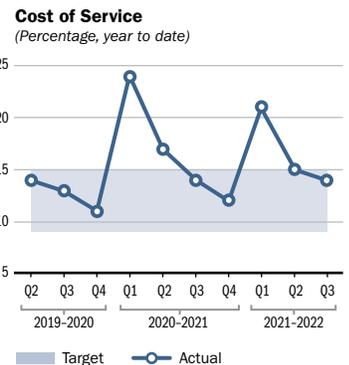
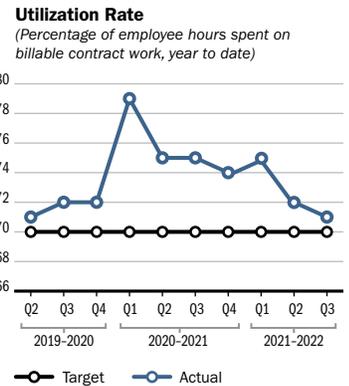
4.2 COST OF SERVICE

This indicator reflects how much of its IE program budget DND spends on DCC's services. Typically, DCC expects this cost to fall in the range of 9% to 15% of DND's IE program budget.

For the year-to-date period and the previous year-to-date period, the cost of service was 14%. The cost of service is typically higher than the targeted range earlier in the year, due to the timing of IE contract expenditures, and moves within range as the year progresses and contract expenditures are incurred.

4.3 PROFESSIONAL DEVELOPMENT TO SALARY COST RATIO

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. DCC has established an annual overall corporate target for spending on training and development of 4% of base salary costs.



For the year-to-date period, the professional development to salary cost ratio was 3%. This was a 1 percentage point increase from the previous year-to-date period ratio of 2%. The professional development to salary cost ratio increased during the period because training that had been deferred due to COVID-19 pandemic restrictions took place as they were lifted.

5.0 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 2020–2021*.

6.0 FINANCIAL PERFORMANCE

6.1 REVENUE

SERVICES REVENUE

Services revenue for all activities combined was \$36.4 million in the third quarter, an increase of \$6.7 million or approximately 22% from the previous year's third quarter. For the year-to-date period, services revenue was \$108.6 million, an increase of \$15.1 million or approximately 16% over the previous year-to-date period. The increases were due to an increase in demand for services from the Client-Partner combined with a planned billing rate increase for the year.

In general, services revenue correlates directly to DND's spending on IE projects. Services revenue increases when the number and dollar value of DND projects increase and decreases when the opposite occurs.

CONTRACT MANAGEMENT

Revenue from Contract Management increased by 16% in the third quarter and 14% in the year-to-date period when compared to the same periods in the previous year. The higher revenue resulted from the increase in billing rates (which accounted for 4.5 percentage points of each increase) and increased demand from the Client-Partner (which accounted for 11.5 and 9.5 percentage points, respectively, of the increases).

PROJECT PLANNING

Project Planning revenue increased by 24% in the third quarter and 13% in the year-to-date period when compared to the same periods in the prior year. The higher revenue was due to the increase in billing rates (which accounted for 4.5 percentage points of each rise) and increased demand from the Client-Partner (which accounted for 19.5 and 8.5 percentage points, respectively, of the increases).

REAL PROPERTY TECHNICAL SUPPORT

Real Property Technical Support revenue increased by 30% in the third quarter and 26% in the year-to-date period when compared to the same periods in the prior year, due to the billing rate increase (which accounted for 4.5 percentage points of each rise) and increased demand for services related to facility and portfolio management (which accounted for 25.5 and 21.5 percentage points, respectively, of the increases).

PROCUREMENT

Revenue from Procurement increased by 23% in the third quarter and 15% in the year-to-date period when compared to the same periods in the prior year, due to the billing rate increase (which accounted for 4.5 percentage points of each rise) and increased demand from the Client-Partner (which accounted for 18.5 and 10.5 percentage points, respectively, of the increases).

CONSTRUCTION TECHNICAL SUPPORT

Revenue from Construction Technical Support increased by 23% in the third quarter and 16% in the year-to-date period when compared to the same periods in the prior year, due to the billing rate increase (which accounted for 4.5 percentage points of each increase) and an increase in demand for these services from DND (which accounted for 18.5 and 11.5 percentage points, respectively, of the increases).

ENVIRONMENTAL TECHNICAL SUPPORT

Environmental Technical Support revenue increased by 46% in the third quarter and 30% in the year-to-date period when compared to the same periods in the prior year. The higher revenue was a result of the increase in billing rates (which accounted for 4.5 percentage points of each increase) and an increase in demand for these services (which accounted for 41.5 and 25.5 percentage points, respectively, of the increases).

REVENUE, BY ACTIVITY

	Three months ended December 31		Change		Nine months ended December 31		Change	
	2021	2020	\$	%	2021	2020	\$	%
<i>(in thousands of dollars)</i>								
Contract Management	\$ 14,639	\$ 12,580	2,059	16%	\$ 43,642	\$ 38,224	5,418	14%
Project Planning	9,815	7,933	1,882	24%	29,898	26,443	3,455	13%
Real Property Technical Support	3,452	2,649	803	30%	10,466	8,289	2,177	26%
Procurement	2,882	2,339	543	23%	8,805	7,639	1,166	15%
Construction Technical Support	3,061	2,479	582	23%	8,715	7,492	1,223	16%
Environmental Technical Support	2,572	1,765	807	46%	7,030	5,396	1,634	30%
Total revenue	\$ 36,421	\$ 29,745	6,676	22%	\$ 108,556	\$ 93,483	15,073	16%

TRAVEL AND DISBURSEMENT REVENUE

Travel and disbursement revenue is the amount the Corporation recovers from DND for travel and expenses DCC incurs for work it does on DND's behalf. The amount varies, depending on the nature of the work the Corporation is performing for the Client-Partner. Travel and disbursement revenue totalled \$735,000 in the third quarter, an increase of \$284,000, or approximately 63%, compared to the previous year's third quarter. For the year-to-date period, this revenue totalled \$1.7 million, an increase of \$700,000 from the same period in the previous year. The increases were due to a reduction in COVID-19 travel restrictions.

<i>(in thousands of dollars)</i>	Three months ended December 31		Change		Nine months ended December 31		Change	
	2021	2020	\$	%	2021	2020	\$	%
Travel and disbursement revenue	\$ 735	\$ 451	284	63%	\$ 1,682	\$ 982	700	71%

INVESTMENT REVENUE

Investment revenue, which is generated from the Corporation's average cash balance in the bank and from investments, increased in the third quarter by \$60,000 or 95%, compared to the previous year's third quarter. The increase in investment revenue was mainly due to the acquisition of provincial bonds. For the year-to-date period, interest revenue decreased by \$278,000 or 45%, compared to the same period in the prior year. The decrease was mainly due to a gain on the sale of investments done to rebalance DCC's investment portfolio in the prior year.

<i>(in thousands of dollars)</i>	Three months ended December 31		Change		Nine months ended December 31		Change	
	2021	2020	\$	%	2021	2020	\$	%
Investment revenue	\$ 123	\$ 63	60	95%	\$ 342	\$ 620	(278)	-45%

6.2 EXPENSES

SALARIES AND EMPLOYEE BENEFITS

Salaries totalled \$26.7 million in the third quarter, an increase of \$3.4 million or approximately 15% over the previous year's third quarter. For the year-to-date period, salaries totalled \$76.6 million, an increase of \$9.4 million or approximately 14% over the same period in the previous year. Salary rates increased by 4%, compared to the same period in the prior year, due to a cost-of-living increase of 1% and performance pay increases of 3%, on average. The number of full-time equivalents increased by approximately 13% or 127 full-time equivalents over the same period of the prior year, in response to Client-Partner demand for service.

In the third quarter, employee benefits totalled \$6.6 million, an increase of \$1.5 million or 30% from the same period in the prior year. For the year-to-date period, employee benefits totalled \$19.6 million, an increase of \$3.5 million or approximately 21% from the same period in the prior year. Both increases were due mainly to an increase in benefit costs from the prior year and growth of the Corporation's workforce.

(in thousands of dollars)	Three months ended December 31		Change		Nine months ended December 31		Change	
	2021	2020	\$	%	2021	2020	\$	%
Salaries	\$ 26,670	\$ 23,259	3,411	15%	\$ 76,633	\$ 67,235	9,398	14%
Employee benefits	6,634	5,108	1,526	30%	19,595	16,137	3,458	21%
	\$ 33,304	\$ 28,367	4,937	17%	\$ 96,228	\$ 83,372	12,856	15%
Employee benefits as a percentage of salaries	25%	22%			26%	24%		

OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses were \$2.6 million in the third quarter, an increase of \$469,000 or 22% over the third quarter of 2020–21. For the year-to-date period, operating and administrative expenses increased by \$165,000 or 2%. Material variances are shown in the following table.

(in thousands of dollars)	Three months ended December 31		Change		Nine months ended December 31		Change		Variance analysis
	2021	2020	\$	%	2021	2020	\$	%	
Cloud computing services	\$ 477	\$ 441	36	8%	\$ 1,394	\$ 1,258	136	11%	The increases were due to higher monthly managed cloud service costs, due to an increased scope of services.
Professional services	468	266	202	76%	1,059	1,088	(29)	-3%	The increase in the third quarter was due to one-time professional services contracts signed in the current period. The decrease in the year-to-date period occurred because the e-procurement project and the cyber incident review were completed in the prior period.
Software maintenance	303	322	(19)	-6%	958	960	(2)	-	The decrease in the third quarter was due to higher maintenance costs for DCC's document management system in the prior period and lower costs in the current period for various software packages. The variance for the year-to-date period was not significant.
Equipment rental	298	231	67	29%	807	692	115	17%	The increases were due to an increase in equipment rentals, stemming from the increase in the number of employees, compared to the prior period.
Leased location operating costs	251	265	(14)	-5%	675	786	(111)	-14%	The decreases were due to lower rental operating costs and parking costs.
Employee training and development	221	157	64	41%	424	401	23	6%	The increases occurred because employees took training that had been deferred due to COVID-19 pandemic restrictions.
Telephone and data communications	200	210	(10)	-5%	589	636	(47)	-7%	The decreases were due to a reduction in data and teleconferencing systems usage, due to the ongoing COVID-19 pandemic restrictions for workplaces.

OPERATING AND ADMINISTRATIVE EXPENSES (continued)

	Three months ended December 31		Change		Nine months ended December 31		Change		Variance analysis
	2021	2020	\$	%	2021	2020	\$	%	
(in thousands of dollars)									
Office services, supplies and equipment	148	89	59	66%	304	335	(31)	-9%	The decrease in the year-to-date period was due to a reduction in personal protective equipment purchases related to COVID-19, due to eased restrictions and the fact that many employees were working from home. The increase in the third quarter was due to the deployment of rapid tests for employees working on sites.
Furniture and equipment	67	39	28	72%	158	343	(185)	-54%	The decrease in the year-to-date period occurred because the pandemic allowance provided to help employees transition to working from home in the prior year was a one-time expense. The increase in the third quarter was due to the purchase of furnishings for regional offices to help employees return to the office after restrictions are lifted.
Client services and communications	61	73	(12)	-16%	281	197	84	43%	The increase in the year-to-date period was due to a higher number of communications initiatives completed in the first quarter. The decrease in the third quarter occurred because the costs of new DCC brand/website planning and development in the prior period were one-time expenses.
Computer software	40	19	21	111%	98	56	42	75%	The increases were due to the purchase of additional software licences related to the increase in full-time equivalents.
Staff relocation	22	20	2	10%	109	44	65	148%	The increases were due to increased business requirements to relocate current and new staff.
Computer hardware	19	-	19	-	26	7	19	271%	The increases were due to the purchase of additional hardware related to the increase in full-time equivalents.
Memberships and subscriptions	18	15	3	20%	71	48	23	48%	The increases were due to a higher volume of annual subscriptions.
Travel	13	11	2	18%	19	16	3	19%	The increases were due to reduced COVID-19 travel restrictions.

OPERATING AND ADMINISTRATIVE EXPENSES (continued)

	Three months ended December 31		Change		Nine months ended December 31		Change		Variance analysis
	2021	2020	\$	%	2021	2020	\$	%	
(in thousands of dollars)									
Hospitality	12	5	7	140%	23	27	(4)	-15%	The decrease in the year-to-date period was due to a decrease in the number of internal physical meetings. The increase in the third quarter was due to a virtual event held for all employees.
Recruiting	11	3	8	267%	61	8	53	663%	The increases were due to higher demand for external recruiting services.
Other	7	2	5	250%	14	15	(1)	-7%	The variance for the year-to-date period was not significant. The increase in the third quarter was due to higher interest costs.
Postage and freight	6	5	1	20%	20	15	5	33%	The increases were related to shipping new employee welcome kits to multiple sites.
Leasehold improvements	-	-	-	-	7	-	7	-	The increase in the year-to-date period was due to leasehold improvements at a regional office.
Total	\$ 2,642	\$ 2,173	469	22%	\$ 7,097	\$ 6,932	165	2%	

TRAVEL AND DISBURSEMENT EXPENSES

Travel and disbursement expenses are incurred by the Corporation for work it performs on DND's behalf. DCC recovers these expenses by billing the Client-Partner at no markup. Travel and disbursement expenses totalled \$735,000 in the third quarter, an increase of \$283,000, or approximately 63%, over the previous year's third quarter. For the year-to-date period, these expenses totalled \$1.7 million, an increase of \$700,000 from the previous year. The increases in these expenses were due to the easing of COVID-19 travel restrictions.

	Three months ended December 31		Change		Nine months ended December 31		Change	
	2021	2020	\$	%	2021	2020	\$	%
(in thousands of dollars)								
Travel and disbursement expenses	\$ 735	\$ 452	283	63%	\$ 1,682	\$ 982	700	71%

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by 13% or \$53,000 in the third quarter and decreased by 3% or \$48,000 in the year-to-date period, compared to the same periods in the previous year. The increase in the third quarter was due to the depreciation of new furniture and leasehold improvement costs related to the Head Office renovations. The decrease in the year-to-date period was mostly due to the non-renewal of a co-location lease in the previous year's first quarter.

	Three months ended December 31		Change		Nine months ended December 31		Change	
	2021	2020	\$	%	2021	2020	\$	%
<i>(in thousands of dollars)</i>								
Depreciation of right-of-use assets	\$ 335	\$ 339	(4)	-1%	\$ 1,015	\$ 1,136	(121)	-11%
Depreciation of property, plant and equipment	123	62	61	98%	301	188	113	60%
Amortization of intangible assets	5	9	(4)	-44%	9	49	(40)	-82%
Total	\$ 463	\$ 410	53	13%	\$ 1,325	\$ 1,373	(48)	-3%

6.3 NET INCOME AND TOTAL COMPREHENSIVE INCOME

The net income and total comprehensive income in the current quarter was \$80,000, compared to a net loss and total comprehensive loss of \$1.2 million in the previous year's third quarter. For the year-to-date period, the Corporation realized a net income of \$4.1 million, compared to a net income of \$2.3 million in the previous year. The higher net income in both periods was driven by higher demand for DCC's services, as well as a planned billing rate increase. These were partially countered by lower interest income resulting from a one-time gain on disposal of investments in the prior year-to-date period.

	Three months ended December 31		Change		Nine months ended December 31		Change	
	2021	2020	\$	%	2021	2020	\$	%
<i>(in thousands of dollars)</i>								
Net income (loss) and total comprehensive income (loss)	\$ 80	\$ (1,206)	1,286	*	\$ 4,076	\$ 2,305	1,771	77%

* The change was not meaningful.

6.4 LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL AND CASH MANAGEMENT

DCC's financial and cash management policy is discussed in the *Annual Report 2020–2021*.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments totalled \$57.0 million at December 31, 2021, an increase of \$11.1 million from March 31, 2021.

The cash and cash equivalents balance at December 31, 2021, was \$42.7 million, an increase of \$7.1 million or 20% from March 31, 2021. In the nine-month period after March 31, 2021, the Corporation generated \$12.5 million in cash through operating activities, spent \$4.4 million on investment activities and paid \$1.0 million for lease obligations.

Investments (both current and long term) at December 31, 2021, totalled \$14.3 million, an increase of \$4.0 million or 39% from the 2020–21 year end. The increase was due to the acquisition of provincial bonds and guaranteed investment certificates in the second quarter.

Investments consist of non-derivative financial assets with fixed or determinable payments and fixed maturity. The Corporation currently invests in listed bonds, guaranteed investment certificates and mutual funds, which are recorded at cost and amortized using the effective interest method. The investments held are consistent with the policy approved by the Board of Directors. It is the Corporation's intention to hold the investments to maturity.

TRADE RECEIVABLES

Trade receivables are due from the Corporation's Client-Partners, mainly DND. At December 31, 2021, trade receivables were \$17.1 million, which represented an increase of \$1.9 million or 12% from March 31, 2021. The increase was due to increased revenue from DND, offset by a reduction in the time needed to collect those receivables. All of the trade receivables were assessed to be fully collectible.

CURRENT LIABILITIES

Current liabilities were \$29.3 million at December 31, 2021, an increase of \$8.0 million or 38% from March 31, 2021. The increase in current liabilities was primarily due to the increase in deferred revenue and timing of payments from suppliers.

LIQUIDITY AND CAPITAL RESOURCES

	As at		Change	
	December 31, 2021	March 31, 2021	\$	%
<i>(in thousands of dollars)</i>				
Cash and cash equivalents	\$ 42,705	\$ 35,632	7,073	20%
Investments	14,298	10,304	3,994	39%
Cash and cash equivalents and Investments	\$ 57,003	\$ 45,936	11,067	24%
Trade receivables	\$ 17,050	\$ 15,156	1,894	12%
Current liabilities	\$ 29,294	\$ 21,352	8,008	38%

6.5 EMPLOYEE BENEFITS

The Corporation records a liability for the estimated cost of sick leave and retirement allowance for active employees, and health and dental care and life insurance benefits for retirees. This estimate is actuarially determined. The accrual for employee benefits at December 31, 2021, was \$39.3 million, an increase of \$2.2 million or 6% from March 31, 2021. Overall, the liability increased because current service costs and interest charges were higher than the benefit payments. Current service costs and interest charges for the period were \$2.5 million and benefits paid were \$291,000.

	As at		Change	
	December 31, 2021	March 31, 2021	\$	%
<i>(in thousands of dollars)</i>				
Current portion	\$ 3,731	\$ 3,667	64	2%
Long-term portion	35,589	33,430	2,159	6%
Total employee benefits	\$ 39,320	\$ 37,097	2,223	6%

6.6 CAPITAL EXPENDITURES

The capital expenditures in the three months and the nine months ended December 31, 2021, are shown in the following table.

	Three months ended December 31		Change		Nine months ended December 31		Change	
	2021	2020	\$	%	2021	2020	\$	%
<i>(in thousands of dollars)</i>								
Computer equipment	\$ -	\$ -	-	-	\$ 124	\$ -	124	-
Furniture and equipment	-	12	(12)	-100%	104	11	93	845%
Leasehold improvements	-	42	(42)	-100%	151	156	(5)	-3%
Intangible assets	33	-	33	-	33	-	33	-
Right-of-use assets	-	-	-	-	456	-	456	-
Total capital expenditures	\$ 33	\$ 54	(21)	39%	\$ 868	\$ 167	701	420%

6.7 ACTUAL PERFORMANCE VERSUS PLAN

The following table compares the Corporation's actual performance for the year-to-date period with the projections in the Corporate Plan (the Plan). The Corporation's actual performance compared to the Plan was better than anticipated. The Plan was developed prior to the federal budget tabled in 2021.

Services revenue was 8% higher than projected in the Plan. The increase was due to higher-than-anticipated demand for services from DND.

Travel and disbursement revenue and expenses were 26% higher than projected in the Plan, due to the reduction of COVID-19 travel restrictions.

Investment revenue was 35% lower than anticipated in the Plan, due to lower-than-expected interest rates on new investments.

Salaries and employee benefits were 10% higher than projected in the Plan, due to higher-than-expected demand from the Client-Partner, which resulted in 7% more full-time equivalents than planned.

Operating and administrative costs were 31% lower than projected. The decrease was due mainly to the timing of professional services and information technology (IT) expenditures, and COVID-19's impact on travel and training.

Depreciation and amortization were 6% lower than anticipated in the Plan, mainly due to delays in the 2020–21 Head Office renovations as a result of the COVID-19 pandemic.

Income for the year-to-date period was \$2.7 million higher than forecasted in the Plan, due to higher demand for services and lower-than-anticipated operating and administrative expenses.

Capital expenditures were 367% higher than anticipated in the Plan, due to the unplanned renewal of a lease and to the fact that certain expected 2020–21 expenditures for Head Office leasehold renovations occurred in 2021–22, due to the aforementioned renovation delays.

ACTUAL PERFORMANCE VERSUS PLAN

<i>(in thousands of dollars)</i>	Nine months ended December 31		Change	
	Actual	Plan	\$	%
Services revenue	\$ 108,556	\$ 100,111	8,445	8%
Travel and disbursement revenue	1,682	1,333	349	26%
Investment revenue	342	525	(183)	-35%
Total revenue	\$ 110,580	\$ 101,969	8,611	8%
Salaries and employee benefits	96,228	87,367	8,861	10%
Operating and administrative expenses	7,097	10,246	(3,149)	-31%
Travel and disbursement expenses	1,682	1,333	349	26%
Finance costs	172	198	(26)	-13%
Depreciation and amortization	1,325	1,416	(91)	-6%
Total expenses	\$ 106,504	\$ 100,560	5,944	6%
Net income and other comprehensive income	\$ 4,076	\$ 1,409	2,667	189%
Capital expenditures	\$ 868	\$ 200	668	334%

6.8 CONTRACT EXPENDITURES, BY REGION

The Corporation's contract expenditures through the DND program for the nine months ended December 31, 2021, increased by \$80.1 million or 12%, compared to the same period last year. This increase was mostly due to a quicker DND program rollout, compared to the previous year-to-date period. The DND program in 2021–22 is expected to be similar to that in 2020–21.

<i>(in thousands of dollars)</i>	Nine months ended December 31		Change	
	2021	2020	\$	%
Region				
Western	\$ 234,379	\$ 195,448	38,931	20%
Ontario	190,559	190,341	218	–
Atlantic	130,517	103,740	26,777	26%
National Capital	108,687	124,324	(15,637)	-13%
Quebec	106,766	76,453	30,313	40%
	\$ 770,908	\$ 690,306	80,602	12%

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

*Unless otherwise stated, all amounts
are in Canadian dollars.*

MANAGEMENT RESPONSIBILITY STATEMENT

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting, and the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations. Management is also responsible for such internal controls as it determines are necessary to enable the preparation of condensed interim financial statements that are free from material misstatement. In addition, management is responsible for ensuring that all other information in this quarterly financial report is consistent, as appropriate, with the condensed interim financial statements.

Based on our knowledge, these condensed interim financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the condensed interim financial statements.

Original signed by

Derrick Cheung
President and Chief Executive Officer

Ottawa, Canada
February 28, 2022

DEFENCE CONSTRUCTION (1951) LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)	Notes	As at	
		December 31, 2021	March 31, 2021
Assets			
Cash and cash equivalents		\$ 42,705	\$ 35,632
Investments	6	2,021	2,925
Accrued revenue	10	1,336	–
Trade receivables	13	17,050	15,156
Prepays and other assets		1,104	1,515
Other receivables		1,890	1,729
Current assets		66,106	56,957
Investments	6	12,277	7,379
Property, plant and equipment	7	2,091	2,014
Intangible assets		41	17
Right-of-use assets	8	7,367	7,981
Non-current assets		21,776	17,391
Total assets		\$ 87,882	\$ 74,348
Liabilities			
Trade and other payables	13	\$ 18,855	\$ 16,453
Deferred revenue	10	5,443	–
Employee benefits	9	3,731	3,667
Lease obligations	8	1,265	1,232
Current liabilities		29,294	21,352
Employee benefits	9	35,589	33,430
Lease obligations	8	6,469	7,112
Non-current liabilities		42,058	40,542
Total liabilities		71,352	61,894
Equity			
Share capital—authorized: 1,000 common shares of no par value			
Issued: 32 common shares		–	–
Retained earnings		16,530	12,454
Total equity		16,530	12,454
Total liabilities and equity		\$ 87,882	\$ 74,348

Commitments: See note 8. Contingent liabilities: See note 14.

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

DEFENCE CONSTRUCTION (1951) LIMITED

**CONDENSED INTERIM STATEMENT OF PROFIT AND OTHER
COMPREHENSIVE INCOME**

<i>(in thousands of dollars)</i>	Notes	Three months ended December 31		Nine months ended December 31	
		2021	2020	2021	2020
Services revenue	10	\$ 36,421	\$ 29,745	\$ 108,556	\$ 93,483
Travel and disbursement revenue		735	451	1,682	982
Investment revenue		123	63	342	620
Lease revenue		-	-	-	74
Total revenue		37,279	30,259	110,580	95,159
Salaries and employee benefits		33,304	28,367	96,228	83,372
Operating and administrative expenses	11	2,642	2,173	7,097	6,932
Travel and disbursement expenses		735	452	1,682	982
Depreciation of property, plant and equipment	7	123	62	301	188
Depreciation of right-of-use assets	8	335	339	1,015	1,136
Amortization of intangible assets		5	9	9	49
Finance costs	8	55	63	172	195
Total expenses		37,199	31,465	106,504	92,854
Net income and other comprehensive income		\$ 80	\$ (1,206)	\$ 4,076	\$ 2,305

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

DEFENCE CONSTRUCTION (1951) LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

<i>(in thousands of dollars)</i>	Three months ended December 31		Nine months ended December 31	
	2021	2020	2021	2020
Share capital	\$ -	\$ -	\$ -	\$ -
Retained earnings				
Balance at the beginning of the period	16,450	12,829	12,454	9,318
Net income and other comprehensive income	80	(1,206)	4,076	2,305
Balance at the end of the period	16,530	11,623	16,530	11,623
Equity	\$ 16,530	\$ 11,623	\$ 16,530	\$ 11,623

DEFENCE CONSTRUCTION (1951) LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS

(in thousands of dollars)	Notes	Three months ended December 31		Nine months ended December 31	
		2021	2020	2021	2020
Cash flow from operating activities					
Net income and other comprehensive income		\$ 80	\$ (1,206)	4,076	2,305
Adjustments to reconcile income and other comprehensive income to cash provided by operating activities					
Employee benefits expensed		839	725	2,514	2,137
Employee benefits paid		(94)	(146)	(291)	(416)
Gain on disposition of investments		-	(1)	-	(360)
Depreciation of property, plant and equipment	7	123	62	301	188
Depreciation of right-of-use assets	8	335	339	1,015	1,136
Amortization of intangible assets		5	9	9	49
Amortization of investment premiums		12	5	23	23
Loss on disposal of property, plant and equipment		1	-	1	-
Change in non-cash operating working capital					
Trade receivables		2,184	2,542	(1,894)	7,247
Other receivables		1,731	1,562	(161)	2,460
Prepays and other assets		119	104	411	(1)
Accrued revenue		(269)	103	(1,336)	(1,947)
Trade and other payables		4,802	1,113	2,337	2,678
Deferred revenue		(649)	653	5,443	2,439
Net cash flows provided by operating activities		9,219	5,864	12,448	17,938
Cash flows from investing activities					
Acquisition of investments		-	-	(5,942)	(3,600)
Redemption and disposition of investments		-	-	1,925	3,232
Acquisition of property, plant and equipment	7	(66)	(113)	(314)	(167)
Acquisition of intangible assets		(33)	-	(33)	-
Net cash flows provided by investing activities		(99)	(113)	(4,364)	(535)
Cash flows used in financing activities					
Repayment of lease obligations	8	(309)	(315)	(1,011)	(994)
Net cash flows used in financing activities		(309)	(315)	(1,011)	(994)
Increase (decrease) in cash during the period		8,811	5,436	7,073	16,409
Cash at the beginning of the period		33,894	26,711	35,632	15,738
Cash and cash equivalents at the end of the period		\$ 42,705	\$ 32,147	42,705	32,147
Supplemental operating cash flow information					
Interest charges on lease obligations		\$ 55	\$ 63	172	195
Interest received from bank deposits		58	43	164	107
Interest received from investments		62	16	172	247
Acquisition of property, plant and equipment not paid		(101)	-	65	-

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, 2021, and with the management’s discussion and analysis (MD&A) included in this quarterly financial report.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

1. DESCRIPTION OF BUSINESS AND OBJECTIVES

Defence Construction (1951) Limited (the “Corporation”) was incorporated under the *Companies Act* in 1951 pursuant to the authority of the *Defence Production Act* and continued under the *Canada Business Corporations Act*. The Corporation’s Head Office is located at 350 Albert Street, Ottawa, Ontario, Canada. The Corporation is an agent Crown corporation named in Part 1 of Schedule III to the *Financial Administration Act* (FAA). 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, the Communications Security Establishment, Shared Services Canada, and the Department of Public Services and Procurement Canada. Revenue is generated from fees charged for specific services provided.

1.1 GLOBAL PANDEMIC

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a global pandemic, and recommended containment and mitigation measures. All levels of government have taken extraordinary measures to help contain and combat the outbreak.

Consistent with government recommendations, DCC began minimum staffing of its operations in its physical workspaces. Most employees were able to work from home, and critical staff members were able to safely continue visiting sites and fulfilling their obligations to the Client-Partners. DCC continues to follow the announcements of governments across the country regarding their re-opening plans as the fifth wave of the COVID-19 pandemic recedes and more Canadians are vaccinated. In line with Government of Canada requirements for its workforce and the federally regulated transportation sector, DCC implemented a mandatory COVID-19 vaccination requirement for its workforce and service providers. The Corporation has also been seeking updates from the Client-Partners on their local approaches to returning to the workplace and is formulating its plans accordingly.

The Corporation is in close contact with DND and other Client-Partners to ensure essential projects continue. DCC is also communicating regularly with industry associations to share information and solicit their collaboration in these unusual circumstances. On the front lines, project teams are on the job at bases and wings across Canada, managing contracts through a combination of remote and critical on-site work. They are taking all necessary precautions and complying with local public health authorities' requirements across Canada and in locations abroad where DCC works.

The Corporation cannot predict the exact nature of COVID-19's impact on its business. However, when the Board of Directors approved these financial statements, DCC believed its cash reserves, accounts receivable and service level arrangements with its Client-Partners would provide sufficient liquidity to fund its operations for at least the next 12 months. The Corporation does not believe there are any current indications that would warrant an impairment test of its assets.

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, as issued by the International Accounting Standards Board (IASB), and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board of Canada. As permitted under IAS 34, these condensed interim financial statements do not include all of the disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited financial statements for its fiscal year ended March 31, 2021, 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, 2021, except for the application of new standards, amendments and interpretations effective January 1, 2021, as disclosed in Note 5 of these condensed interim financial statements. 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, 2021.

5. STANDARDS, AMENDMENTS AND INTERPRETATIONS

5.1 CURRENT ACCOUNTING CHANGES

The Corporation actively monitors new standards and amendments to existing standards that have been issued by the IASB. There were no new or amended standards issued by the IASB that had an impact on the Corporation's condensed interim financial statements.

5.2 FUTURE ACCOUNTING CHANGES

The IASB has not issued any new standards or amendments to existing standards that would affect the Corporation in the future other than those disclosed in Note 3 of the Corporation's annual financial statements for the year ended March 31, 2021.

6. INVESTMENTS

Investments consist of Canadian provincial bonds with effective interest rates ranging from 0.4% to 3% (coupon rates ranging from 0.5% to 4.4%), guaranteed investment certificates (GICs) with effective interest rates ranging from 0.8% to 2.8%, and mutual funds with variable interest rates. The maturity dates of the bonds vary from June 2022 to June 2027 and those of the GICs vary from March 2022 to July 2026, and the Corporation intends to hold all of them to maturity. The mutual fund accounts can be liquidated on demand and are classified as "Cash and cash equivalents" in the condensed interim financial statements. The carrying amounts, measured at the amortized cost and fair value of these investments, are shown in the following table.

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

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

	As at	
	December 31, 2021	March 31, 2021
Current portion	\$ 2,021	\$ 2,925
Long-term portion	12,277	7,379
Total	\$ 14,298	\$ 10,304

	As at	
	December 31, 2021	March 31, 2021
Carrying amount at amortized cost		
Provincial bonds	\$ 5,503	\$ 1,829
Guaranteed investment certificates	8,795	8,475
	\$ 14,298	\$ 10,304
Fair value		
Provincial bonds	\$ 5,528	\$ 1,951
Guaranteed investment certificates	8,899	8,531
	\$ 14,427	\$ 10,482

7. PROPERTY, PLANT AND EQUIPMENT

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

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance as at March 31, 2021	\$ 672	\$ 1,167	\$ 1,536	\$ 3,375
Additions	124	104	151	379
Disposals	(147)	(7)	-	(154)
Balance as at December 31, 2021	\$ 649	\$ 1,264	\$ 1,687	\$ 3,600

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Accumulated depreciation				
Balance as at March 31, 2021	\$ 526	\$ 683	\$ 152	\$ 1,361
Depreciation	89	103	109	301
Disposals	(147)	(6)	-	(153)
Balance as at December 31, 2021	\$ 468	\$ 780	\$ 261	\$ 1,509

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Net book value, by asset class				
Net book value as at March 31, 2021	\$ 146	\$ 484	\$ 1,384	\$ 2,014
Net book value as at December 31, 2021	181	484	1,426	2,091

There was no impairment of property, plant and equipment. There were no proceeds associated with the disposals that occurred during the period.

8. LEASES

8.1 RIGHT-OF-USE ASSETS

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

	Office space leases	Data warehouse leases	Total right-of-use assets
Balance as at March 31, 2021	\$ 7,574	\$ 407	\$ 7,981
Additions	456	-	456
Depreciation	(924)	(91)	(1,015)
Modifications	(55)	-	(55)
Balance as at December 31, 2021	\$ 7,051	\$ 316	\$ 7,367

8.2 LEASE OBLIGATIONS

	As at	
	December 31, 2021	March 31, 2021
Current portion	\$ 1,265	\$ 1,232
Long-term portion	6,469	7,112
Total	\$ 7,734	\$ 8,344

The changes in lease obligations are shown in the following table.

Balance as at March 31, 2021	\$ 8,344
Additions	456
Modifications	(55)
Payments	(1,183)
Interest expense	172
Balance as at December 31, 2021	\$ 7,734

The following table shows the contractual undiscounted cash flows for lease obligations as at December 31, 2021.

One year or less	\$	1,465
Between one and two years		2,085
Between two and five years		2,646
Over five years		2,505
Total	\$	8,701

The expense relating to variable lease payments not included in the measurement of lease obligations was \$675. This consisted of variable lease payments for operating costs, property taxes and insurance. There were immaterial expenses relating to short-term leases, and leases of low-value assets. Total cash outflow for leases was \$1,858, including \$1,011 for principal payments on lease obligations.

9. EMPLOYEE BENEFITS

Post-employment and other long-term employee benefits represent the Corporation's estimated costs of sick leave for employees, 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.

	As at	
	December 31, 2021	March 31, 2021
Current portion	\$ 3,731	\$ 3,667
Long-term portion	35,589	33,430
Total employee benefits	\$ 39,320	\$ 37,097

The significant actuarial assumptions are disclosed in the *Annual Report 2020–2021*. The measurement date for the last actuarial valuation of the provision for employee benefits was March 31, 2020. The next actuarial valuation is planned for March 2023 or sooner, as required.

Balance as at March 31, 2021	\$	37,097
Current service cost		1,525
Interest on the present value of the obligation		989
Employee benefit payments		(291)
Balance as at December 31, 2021	\$	39,320

(in thousands of dollars)	Three months ended December 31		Nine months ended December 31	
	2021	2020	2021	2020
Current service cost	\$ 509	\$ 421	\$ 1,525	\$ 1,262
Interest on the present value of the obligation	330	306	989	920
Employee benefit expenses	\$ 839	\$ 727	\$ 2,514	\$ 2,182

10. REVENUE FROM SERVICES

10.1 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.

Deferred revenue arises when the amount invoiced to the Client-Partners exceeds the services delivered through fixed-fee service level arrangements. The Corporation has an unconditional right to payment when it has invoiced in accordance with fixed-fee service level arrangements. The amounts in excess will be recognized in revenue as services are delivered.

10.2 SEGMENTED REVENUE

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 tables disaggregate revenue by major sources and by region.

Three months ended December 31, 2021

Region	Activity							Total revenue, by region
	Contract management	Project planning	Real property technical support	Procurement	Construction technical support	Environmental technical support		
Atlantic	\$ 2,435	\$ 1,304	\$ 415	\$ 432	\$ 244	\$ 681	\$ 5,511	
Quebec	2,598	1,276	378	442	336	411	5,441	
National Capital	1,305	3,371	1,675	78	114	444	6,987	
Ontario	3,143	1,368	708	571	1,632	539	7,961	
Western	5,116	2,441	276	931	401	497	9,662	
Head Office	42	55	-	428	334	-	859	
Total revenue, by activity	\$ 14,639	\$ 9,815	\$ 3,452	\$ 2,882	\$ 3,061	\$ 2,572	\$ 36,421	

Nine months ended December 31, 2021

Region	Activity							Total revenue, by region
	Contract management	Project planning	Real property technical support	Procurement	Construction technical support	Environmental technical support		
Atlantic	\$ 7,065	\$ 4,328	\$ 1,225	\$ 1,305	\$ 706	\$ 1,653	\$ 16,282	
Quebec	7,665	3,752	1,173	1,216	954	1,163	15,923	
National Capital	3,586	10,194	5,016	223	359	1,307	20,685	
Ontario	9,856	4,315	2,060	1,757	4,385	1,615	23,988	
Western	15,364	7,222	991	3,079	1,208	1,292	29,156	
Head Office	106	87	1	1,225	1,103	-	2,522	
Total revenue, by activity	\$ 43,642	\$ 29,898	\$ 10,466	\$ 8,805	\$ 8,715	\$ 7,030	\$ 108,556	

Three months ended December 31, 2020

Region	Activity							Total revenue, by region
	Contract management	Project planning	Real property technical support	Procurement	Construction technical support	Environmental technical support		
Atlantic	\$ 2,064	\$ 1,284	\$ 372	\$ 444	\$ 179	\$ 356	\$ 4,699	
Quebec	2,242	1,210	376	328	309	357	4,822	
National Capital	1,108	2,194	1,253	36	125	357	5,073	
Ontario	3,044	1,203	534	481	1,124	421	6,807	
Western	4,082	1,978	114	735	401	274	7,584	
Head Office	40	64	-	315	341	-	760	
Total revenue, by activity	\$ 12,580	\$ 7,933	\$ 2,649	\$ 2,339	\$ 2,479	\$ 1,765	\$ 29,745	

Nine months ended December 31, 2020

Region	Activity							Total revenue, by region
	Contract management	Project planning	Real property technical support	Procurement	Construction technical support	Environmental technical support		
Atlantic	\$ 5,989	\$ 4,301	\$ 1,110	\$ 1,268	\$ 514	\$ 928	\$ 14,110	
Quebec	6,692	4,035	1,076	1,076	970	1,038	14,887	
National Capital	3,378	6,884	3,826	217	338	973	15,616	
Ontario	9,553	4,328	1,839	1,648	3,330	1,429	22,127	
Western	12,467	6,653	431	2,497	1,318	1,028	24,394	
Head Office	145	242	7	933	1,022	-	2,349	
Total revenue, by activity	\$ 38,224	\$ 26,443	\$ 8,289	\$ 7,639	\$ 7,492	\$ 5,396	\$ 93,483	

The following tables disaggregate revenue by region and contract type.

Time-based revenue

Region	Three months ended December 31		Nine months ended December 31	
	2021	2020	2021	2020
Atlantic	\$ 1,256	\$ 817	\$ 3,364	\$ 2,254
Quebec	1,967	1,669	5,566	4,772
National Capital	6,264	4,542	17,700	13,214
Ontario	2,432	2,230	7,358	6,296
Western	2,562	2,256	7,553	6,388
Head Office	638	561	1,729	1,724
Total time-based revenue	\$ 15,119	\$ 12,075	\$ 43,270	\$ 34,648

Fixed-fee revenue

Region	Three months ended December 31		Nine months ended December 31	
	2021	2020	2021	2020
Atlantic	\$ 4,255	\$ 3,883	\$ 12,918	\$ 11,854
Quebec	3,474	3,153	10,357	10,116
National Capital	723	530	2,985	2,402
Ontario	5,529	4,576	16,630	15,831
Western	7,100	5,329	21,603	18,006
Head Office	221	199	793	626
Total fixed-fee revenue	\$ 21,302	\$ 17,670	\$ 65,286	\$ 58,835
Total services revenue	\$ 36,421	\$ 29,745	\$ 108,556	\$ 93,483

11. OPERATING AND ADMINISTRATIVE EXPENSES

	Three months ended December 31		Nine months ended December 31	
	2021	2020	2021	2020
Cloud computing services	\$ 477	\$ 441	\$ 1,394	\$ 1,258
Professional services	468	266	1,059	1,088
Software maintenance	303	322	958	960
Equipment rental	298	231	807	692
Leased location operating costs	251	265	675	786
Employee training and development	221	157	424	401
Telephone and data communications	200	210	589	636
Office services, supplies and equipment	148	89	304	335
Furniture and equipment	67	39	158	343
Client services and communications	61	73	281	197
Computer software	40	19	98	56
Staff relocation	22	20	109	44
Computer hardware	19	-	26	7
Memberships and subscriptions	18	15	71	48
Travel	13	11	19	16
Hospitality	12	5	23	27
Recruiting	11	3	61	8
Other	7	2	14	15
Postage and freight	6	5	20	15
Leasehold improvements	-	-	7	-
Total	\$ 2,642	\$ 2,173	\$ 7,097	\$ 6,932

12. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

12.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms of the financial instrument. The carrying value of financial assets subject to credit risk as at December 31, 2021, was \$77,288 (as at March 31, 2021, it was \$62,827) and represented DCC'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.

DCC minimizes credit risk on cash by depositing the cash only with reputable and high-quality financial institutions. The Corporation has no significant exposure to credit risk on trade receivables, as all of the trade receivables are due from the Government of Canada. The Corporation is exposed to concentration risk of trade receivables with DND, as described in Note 13. Based on historical default rates and the aging analysis, the Corporation believes there are no requirements for an expected credit loss.

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

As at December 31, 2021			
	Fair value through profit and loss	Amortized cost	Carrying amount
Cash and cash equivalents	\$ 42,705	\$ -	\$ 42,705
Investments	-	14,298	14,298
Trade receivables	-	17,050	17,050
Other receivables	-	1,890	1,890
Other assets	-	9	9
Accrued revenue	-	1,336	1,336
Total financial assets	\$ 42,705	\$ 34,583	\$ 77,288
Trade and other payables	\$ -	\$ 11,608	\$ 11,608
Total financial liabilities	\$ -	\$ 11,608	\$ 11,608

As at March 31, 2021			
	Fair value through profit and loss	Amortized cost	Carrying amount
Cash and cash equivalents	\$ 35,632	\$ -	\$ 35,632
Investments	-	10,304	10,304
Trade receivables	-	15,156	15,156
Other receivables	-	1,729	1,729
Other assets	-	6	6
Total financial assets	\$ 35,632	\$ 27,195	\$ 62,827
Trade and other payables	\$ -	\$ 9,756	\$ 9,756
Total financial liabilities	\$ -	\$ 9,756	\$ 9,756

12.2 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The carrying value of DCC's financial liabilities for trade and other payables as at December 31, 2021, was \$11,608 (as at March 31, 2021, it was \$9,756) 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. In addition, as at December 31, 2021, the Corporation's financial assets exceeded its financial liabilities by \$65,680 (as at March 31, 2021, the figure was \$53,071).

As at December 31, 2021				
	Carrying amount	Contractual cash flows	Six months or less	Over six months
Trade and other payables	\$ 11,608	\$ 11,608	\$ 11,608	\$ -
Total financial liabilities	\$ 11,608	\$ 11,608	\$ 11,608	\$ -

As at March 31, 2021				
	Carrying amount	Contractual cash flows	Six months or less	Over six months
Trade and other payables	\$ 9,756	\$ 9,756	\$ 9,756	\$ -
Total financial liabilities	\$ 9,756	\$ 9,756	\$ 9,756	\$ -

12.3 MARKET RISK

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

The Corporation is exposed to fluctuations in interest rates on its investments. As at December 31, 2021, all of the investments (\$14,298) were in fixed interest-bearing instruments (as at March 31, 2021, the figure was \$10,304). Fluctuations in the interest rate would affect the fair value of the instruments. Management intends to hold these instruments until maturity. The Corporation has determined that the market risk is not significant.

13. 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 consideration given or received for the services provided. The Corporation's services revenue in the third quarter of 2021–22 totalled \$36,421, compared to \$29,745 in the same period in 2020–21, and was generated from services provided to entities owned by the Government of Canada. For the year-to-date period ending December 31, 2021, this revenue totalled \$108,556, compared to \$93,483 for the comparable prior-year period.

The Corporation incurred expenses with other Government of Canada entities. These transactions totalled \$403 for the third quarter of 2021–22, compared to \$205 in the same period in 2020–21. The transactions totalled \$809 for the year-to-date period of 2021–22, compared to \$752 in the same period in 2020–21. Of these expenses, the Corporation recovered \$392 from DND in the third quarter, and \$770 in the year-to-date period.

The amounts due to and from related parties are as follows.

	As at	
	December 31, 2021	March 31, 2021
Due from:		
Department of National Defence (DND)	\$ 15,695	\$ 13,987
Canadian Forces Housing Agency	1,131	1,016
Communications Security Establishment	200	133
Shared Services Canada	24	20
	\$ 17,050	\$ 15,156
Due to:		
Shared Services Canada	\$ 2	\$ 17
Department of Justice	231	86
	\$ 233	\$ 103

13.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons (including members of the Board of Directors) who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The remuneration of DCC's key management personnel is shown in the following table.

	Three months ended December 31		Nine months ended December 31	
	2021	2020	2021	2020
Short-term benefits	\$ 1,004	\$ 1,034	\$ 3,195	\$ 3,006
Post-employment benefits	129	121	428	388
Total	\$ 1,133	\$ 1,155	\$ 3,623	\$ 3,394

14. CONTINGENT LIABILITIES

The Corporation's efforts to resolve disputes are reflected in the number and value of claims before the courts. As at December 31, 2021, there were 14 ongoing claims totalling \$21,061. These were related to contracts DCC had put in place on behalf of its Client-Partners. These figures can be compared with 13 ongoing claims totalling \$19,538 as at March 31, 2021. 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 DCC does not consider it necessary to record any provision in its financial statements relating to these particular legal claims. In addition, as at December 31, 2021, 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 has been recognized as at December 31, 2021.

15. COMPARATIVE FIGURES

The Corporation has reclassified comparative information in the condensed interim statement of financial position and condensed interim statement of cash flows to be consistent with current period presentation.