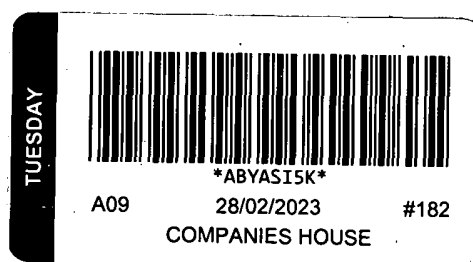


100102/20

Company number: FC031784

M. C. DEAN, INC.
UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
31ST DECEMBER, 2021



M. C. DEAN, INC.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 2021

CONTINUING OPERATIONS	Notes	2021 USD	2020 USD
Revenue	1.5	1,310,004,334	1,062,344,600
Cost of Sales	1.5	(1,126,467,152)	(907,524,811)
Gross Profit		183,537,182	154,819,789
Administrative Expenses		(102,917,850)	(87,336,250)
Owner's compensation and employee bonuses		(34,235,945)	(24,750,434)
Costs of Selling And Research and Development		(13,624,917)	(13,654,072)
Operating Profit		<u>32,758,470</u>	<u>29,079,033</u>
Other Net Income	2	9,216,993	2,154,772
Profit Before Taxation		<u>41,975,463</u>	<u>31,233,805</u>
Income Tax Expense		(2,342,684)	(1,394,451)
Profit After Taxation		<u><u>\$39,632,779</u></u>	<u><u>\$29,839,354</u></u>
Profit is attributable to:			
Controlling Interests		34,258,220	26,396,354
Non-Controlling Interests		<u>5,374,559</u>	<u>3,443,000</u>
Profit After Taxation		<u><u>\$39,632,779</u></u>	<u><u>\$29,839,354</u></u>

M. C. DEAN, INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2021

	2021 USD	2020 USD
Profit For The Year	39,632,779	29,839,354
Other Comprehensive Income		
Net unrealised losses on current investments	(12,554)	(8,906)
Net unrealised gains / (losses) on interest rate swaps	<u>516,535</u>	<u>(334,449)</u>
Total Comprehensive Income	<u>\$40,136,760</u>	<u>\$29,495,999</u>
Total Comprehensive Income is attributable to:		
Controlling Interests	34,762,201	26,052,999
Non-Controlling Interests	<u>5,374,559</u>	<u>3,443,000</u>
Total Comprehensive Income	<u>\$40,136,760</u>	<u>\$29,495,999</u>

M. C. DEAN, INC.
CONSOLIDATED BALANCE SHEET
31ST DECEMBER, 2021

		2021		2020	
	Notes	USD	USD	USD	USD
Assets					
Non-Current Assets					
Intangible assets	4		2,515,422		3,373,170
Property, plant and equipment	5		82,480,577		72,352,322
Other non-current assets	6		<u>34,855,385</u>		<u>10,978,625</u>
			119,851,384		86,704,117
Current Assets					
Current investments	7	61,653,462		49,478,979	
Inventories	8	366,401		412,894	
Trade and other receivables	9	302,152,066		310,835,110	
Cash and cash equivalents		<u>145,546,169</u>		<u>158,403,721</u>	
			509,718,098		519,130,704
Total Assets			<u><u>\$629,569,482</u></u>		<u><u>\$605,834,821</u></u>
Equity and Liabilities					
Capital and Reserves					
Share capital	10		50,000		50,000
Retained earnings	11		162,615,610		162,862,861
Other reserves	12		(75,192)		(579,173)
Non-Controlling Interests			<u>8,540,383</u>		<u>4,258,433</u>
Total Equity			<u>171,130,801</u>		<u>166,592,121</u>
Non-Current Liabilities					
Financial liabilities	13		<u>25,878,157</u>		<u>29,741,343</u>
Total Non-Current Liabilities			<u>25,878,157</u>		<u>29,741,343</u>
Current Liabilities					
Trade and other payables	14		428,622,146		405,107,924
Interest rate swap	14		75,192		591,727
Financial liabilities	14		<u>3,863,186</u>		<u>3,801,706</u>
			432,560,524		409,501,357
			<u><u>\$629,569,482</u></u>		<u><u>\$605,834,821</u></u>

Approved on behalf of M C Dean Inc on ... 2-24-2023

Signed: Norman D Cumins ... *Norman D Cumins*

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

1. ACCOUNTING POLICIES

1.1 Accounting Convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities at fair value, and in accordance with section 404 and with Schedule 4 and 5 of the Overseas Companies Regulations 2009.

These financial statements have not been audited.

1.2 Consolidation

The financial statements include the information for M C Dean Inc, its wholly owned subsidiaries, its majority owned subsidiaries and all variable interest equities in which M C Dean Inc is the primary beneficiary. All material intercompany balances and transactions have been eliminated in consolidation. All of the entities' year-ends are December 31. M C Dean Inc and its 27 subsidiaries and variable interest entities are collectively referred to as "the Group".

1.3 Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used. During the years ended December 31, 2021 and 2020, the Group changed its estimate of gross profit on several projects due to a variety of factors.

1.4 Foreign currency translation

The functional currencies of the Group's foreign operations are the local currencies. The financial statements of the Group's foreign subsidiaries have been translated into U.S. dollars. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Income translation adjustments have been reported separately in other reserves in the consolidated financial statements. Foreign currency translation adjustments resulted in gains of \$nil for the year ended December 31, 2021 and \$nil for the year ended December 31, 2020.

1.5 Contract revenues and costs

The Group derives revenue from long-term construction contracts with public and private customers in various regions in the United States, as well as internationally. The Group's projects consist of mission-critical facilities, secure environments, complex infrastructure and global enterprises including some of the largest U.S. hospitals, global water plants, U.S. computing data centres, and busiest global airports. The Group recognizes construction revenue over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Long-term construction contracts are generally accounted for as one performance obligation. For contracts with multiple performance obligations, the Group allocates the contract's transaction price to each performance obligation using the Group's best estimate of the standalone selling price of each distinct good or service in the contract. Progress toward completion of the Group's contracts is measured by the percentage of total costs incurred to date to the estimated total costs for each contract. This method is utilized because management considers the cost-to-cost method to be the best available measure of progress on these contracts.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

1. ACCOUNTING POLICIES *(continued)*

1.5 Contract revenues and costs *(continued)*

Contract costs include all direct labor, material, subcontractor costs, quoted equipment, and other direct contract costs, as well as indirect costs related to contract performance, such as support labour, fringe benefits and certain shared service centre expenses. Costs of inefficiencies or wasted resources (material or labor) are excluded when measuring progress and are expensed as incurred. Overhead and general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, cost of materials and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and income and are recognised in the period in which the revisions are determined.

Changes in estimated job profitability resulting from variable consideration (such as incentives for completing a contract early or on time, penalties for not completing a contract on time, claims for which the Group has enforceable rights, or contract modifications or change orders in which the scope of modification has been approved, but the price has not been determined or approved) are typically accounted for as changes in estimates in the current period, but are constrained, or limited to an amount that will not result in a significant reversal of construction revenue in future periods. Estimates of variable consideration and determination of whether to include estimated amounts in the contract price are based largely on an assessment of anticipated performance and all information (historical, current and forecasted) that is reasonably available to management. Contract modifications are generally accounted for as additions to the original contract. However, if the scope of the contract increases because of the addition of promised goods or services that are distinct and the price of the contract increases by an amount that reflects the standalone selling price of the additional services, the contract modification is accounted for as a separate contract. If the modification does not increase the price of the contract by an amount that reflects the standalone selling price of the additional services, the contract modification is accounted for as a termination of the existing contract and creation of a new contract.

The Group's revenues are recognized under various types of long-term construction contracts. Fixed price or lump sum contracts generally commit the Group to provide all of the resources required to complete a project for a fixed sum. Fixed price contracts transfer more risk to the Group but offer the opportunity for greater profits. Billings on fixed price contracts are typically based on estimated progress against predetermined contractual milestones.

Cost plus fee contracts provide for reimbursement of approved project costs plus a fixed fee. Cost plus fee contracts serve to minimize the Group's financial risk but may also limit profits. Billings on cost plus fee contracts typically occur on a monthly basis based on actual costs incurred plus a negotiated margin. Costs under cost reimbursement contracts with the U.S. government, as well as certain commercial customers, are subject to audit upon completion. Therefore, contract cost reimbursements under these contracts are subject to adjustment. Management believes that adequate provision for cost adjustments, if any, has been made in the accompanying consolidated financial statements.

Time and materials contracts provide for an arrangement under which a contractor is paid based on actual cost of direct labor at specified rates, actual cost of materials and equipment usage plus a fixed fee and serve to minimize the Group's financial risk but may also limit profits. Profits may vary if actual labor costs vary significantly from negotiated rates. Billings on time and materials contracts typically occur on a monthly basis based on actual costs incurred plus a negotiated margin.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

1. ACCOUNTING POLICIES *(continued)*

1.5 Contract revenues and costs *(continued)*

Guaranteed maximum price contracts provide for a cost-plus fee arrangement up to a maximum agreed upon price. These contracts place risks on the Group for amounts in excess of the guaranteed maximum price but may permit an opportunity for greater profits than under cost plus fee contracts through sharing arrangements with the owner on any cost savings that may be realized. Billings on guaranteed maximum price contracts typically occur on a monthly basis and are based on actual costs incurred plus a negotiated margin.

Unit price contracts generally commit the Group to provide an estimated or undetermined number of units or components that comprise a project at a fixed price per unit. This approach shifts the risk of estimating the quantity of units required to the project owner but the risk of increased cost per unit is borne by the Group unless otherwise allowed for in the contract. Billings on unit price contracts typically occur on a monthly basis and are based on actual quantity of work performed or completed during the billing period.

The Group's revenues are generated from various types of customers. Services provided to federal, state and local government agencies are primarily pursuant to contracts awarded through competitive bidding processes and typically contain provisions that permit the termination of contracts, in whole or in part, for the convenience of government customers, among other reasons. Services are provided to private customers through negotiated contract arrangements as well as through competitive bids.

The Group generally provides limited warranties for work performed under its construction contracts. The warranty periods typically extend for a limited duration following substantial completion of the Group's work on a project. Historically, warranty claims have not resulted in material costs incurred, and any estimated costs for warranties are included in the individual project cost estimates for purposes of accounting for long-term contracts. The Group also assesses the significance of uninstalled materials on its contracts. If the Group determines there are significant uninstalled materials on a contract, the Group recognizes revenue for the transfer of these goods but only in an amount equal to the costs of those goods. In those circumstances, the Group excludes the costs of the goods from the cost-to-cost calculation.

Service revenue consists of repair and maintenance support and is recognized at a point in time when services are performed and contractually billable. Billings typically occur within one month of when work is completed and is based on actual costs incurred plus a margin. Such revenues are typically generated from private customers in the United States.

Fulfilment costs are costs that directly relate to a contract or anticipated contract that can be specifically identified, generate or enhance resources that will be used in satisfying or continuing to satisfy performance obligations in the future and are expected to be recovered. Incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group does not typically incur significant fulfilment or incremental costs. When significant fulfilment and incremental costs are incurred, they are capitalized and included in capitalized contract costs on the consolidated balance sheet and amortized over the life of the contract. The Group did not capitalize any fulfilment or incremental costs on the accompanying consolidated balance sheet.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

1. ACCOUNTING POLICIES *(continued)*

1.5 Contract revenues and costs *(continued)*

The contract asset, "Costs and Estimated Earnings in Excess of Billings," represents revenues recognized in excess of amounts billed. The contract liability, "Billings in Excess of Costs and Estimated Earnings," represents billings in excess of revenues recognized.

In accordance with normal practice in the construction industry, the Group has included assets and liabilities (including retention receivable and payable) related to long-term construction contracts in current assets and current liabilities on the accompanying consolidated balance sheet. These assets and liabilities will be liquidated over the course of contract completion, which may exceed one year. The Group generally enters into construction contracts ranging from one week to five years in duration.

1.6 Intangible assets and amortisation

Intangible assets are recorded at cost.

Amortisation is provided on the straight line method over the estimated useful lives of the assets which are generally between 3 and 5 years.

Goodwill is amortised on a straight-line basis over 3 years. Goodwill is tested for impairment only when a triggering event occurs, and, when tested, will be tested at the entity level. Management does not believe any triggering events occurred during 2021 or 2020.

The recoverability of long-lived assets and finite-lived intangibles is assessed whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. A long-lived asset is considered to be not recoverable when the undiscounted estimated future cash flows are less than the asset's carrying value. An impairment charge is measured based on estimated fair market value, determined primarily using estimated future cash flows on a discounted basis. Losses on long-lived assets to be disposed of are determined in a similar manner, but the fair value would be reduced for estimated costs to dispose.

Management is not aware of any impairment losses during the year ended December 31, 2021 or December 31, 2020.

1.7 Bitcoin

Management considers Bitcoin, which the Group accounts for as an indefinite lived intangible asset, to be one of many components of its investment portfolio and is included under Other Non Current Assets. The Group uses Fidelity Digital Assets as the custodian for its investments in Bitcoin and Genesis Global as a broker dealer for executing Bitcoin transactions. Genesis Global Trading buys and sells Bitcoin across digital markets and is a securities broker-dealer with the SEC and FINRA. The Group's management also views its Bitcoin holdings to be part of its working capital for operational purposes as those holdings can be sold into what management believes are active markets. It should be noted that the Group's holdings of Bitcoin are not readily convertible to known amounts of cash and that Bitcoin markets are unregulated and may not produce prices indicative of the value that could be realized in an executed Bitcoin transaction.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

1. ACCOUNTING POLICIES *(continued)*

1.7 Bitcoin *(continued)*

The Group accounts for its Bitcoin holdings as indefinite lived intangible assets because Bitcoin lacks physical form and there is no known or determinable limit to its useful life as of the balance sheet date. Accordingly, the Group's Bitcoin is not subject to amortization but is tested for impairment continuously to assess if it is more likely than not that it is impaired. If the Group identifies an impairment indicator with respect to its Bitcoin holdings, then it will compare the carrying value of its Bitcoin holdings to the lowest quoted value of Bitcoin in the most active exchanges during the respective period ending on and including the date of such impairment assessment. If such quoted value of Bitcoin is less than the carrying value of the Group's Bitcoin holdings during the assessed period, then an impairment charge will be recognized at that time to adjust the carrying value to the aforementioned quoted value, which will become the new accounting basis of the Group's Bitcoin. A subsequent reversal of a previously recognized impairment loss is prohibited.

1.8 Property and equipment

Property and equipment is recorded at cost. Depreciation is provided on the straight line method over the estimated useful lives of the assets as follows:-

Property and equipment over periods of between 3 and 15 years.
Buildings and improvements over periods if between 5 and 40 years

Repairs and maintenance is expenses as incurred.

1.9 Inventory

Inventory, consisting primarily of prefabrication work in process, is valued on the basis of the lower of cost or market value with cost being determined under the first in first out basis.

1.10 Surety bonds

Certain entities of the Group may be required to provide surety bonds as a condition for entering into construction contracts. Those entities obtain such bonds, for a fee, from a surety. The bonds are issued at the surety's discretion under a bonding program that is renewed annually and may contain certain limits with respect to individual contract value as well as total value of all bonded contracts outstanding. Those entities have indemnified the surety against claims or losses incurred by the surety related to the bonds.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in banks and money-market funds with original maturities of 90 days or less. Such balances may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) coverage. As of December 31, 2021, the Group had cash and cash equivalent balances not insured by the FDIC and SIPC of approximately \$151,249,000, of which approximately \$140,342,000 was held by Bank of Montreal. The Group has not experienced any losses to date related to maintaining deposits not insured by the FDIC and SIPC.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

1. ACCOUNTING POLICIES *(continued)*

1.12 Current investments

Current investments are carried at fair value. The group believes that unrealised losses on current investments are temporary and do not represent a need for other-than-temporary impairment. Cost of securities sold is identified on a first in, first out methodology.

1.13 Trade and other receivables

Trade receivables are recorded net of an allowance for doubtful accounts. The allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowance for doubtful accounts once management determines the amount, or a portion thereof, to be worthless. Prior to contract completion, customer adjustments to progress billings on contracts are typically accounted for in a subsequent month by a reduction in trade receivable and billings to date.

1.14 Derivative instruments

The Group has designated its interest rate swap agreements as cash flow hedges at the inception of the hedged transactions. The interest rate swaps are used to limit exposure to variable interest rates over the term of the related notes payable. The Group concluded that the interest rate swaps are highly effective and, as a result, qualify for hedge accounting. The interest rate swaps are reported at fair value in the consolidated balance sheet and have no fair value at inception. Changes in fair value of the interest rate swaps are recorded in each period to other reserves with any ineffectiveness recorded in the consolidated profit and loss account. Amounts paid or received to settle interest rate swap obligations are reclassified into the consolidated profit and loss account and recognized as an adjustment to interest expense. Currently, the Group does not have any other financial contracts that contain embedded derivatives, cash flow hedges, or fair value hedge relationships.

2. OTHER NET INCOME

	2021	2020
	USD	USD
Interest, dividends and similar income	3,819,687	3,026,690
Gain / (loss) on sale of current investments	1,766,379	2,801,710
Unrealised gain / (loss) on current investments	7,352,171	(2,177,567)
Gain / (loss) on sales of assets	4,576,657	410,790
Loss on sales of Bitcoin	(1,446,434)	-
Bitcoin impairment	(5,047,710)	-
Bad debt recovery	-	42,041
Acquisition cost	(990,020)	(990,020)
Equity in Losses of Construction Joint Ventures and LLCs	(6,053)	(1,179)
Interest expense	(807,684)	(957,693)
	\$9,216,993	\$2,154,772

3. DIVIDENDS

Distribution to stockholders	\$34,505,471	\$20,416,724
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M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

4. INTANGIBLE ASSETS	2021 USD	2020 USD
Goodwill	5,384,145	5,384,145
Trademarks	215,000	215,000
Software licences	388,946	845,481
Other intangibles	<u>4,225,618</u>	<u>4,056,016</u>
	10,213,709	10,500,642
Less Accumulated Amortisation	<u>(7,698,287)</u>	<u>(7,127,472)</u>
	<u>\$2,515,422</u>	<u>\$3,373,170</u>
5. PROPERTY AND EQUIPMENT		
Cost		
Land, buildings and improvements	101,597,051	86,659,562
Equipment, tools, trucks and vans	10,230,643	10,604,497
Autos, computers, office furniture and equipment	19,283,582	16,431,032
Openband Infrastructure and Equipment	25,000	53,000
Aircraft	<u>13,001,317</u>	<u>13,001,317</u>
	144,137,593	126,749,408
Depreciation	<u>(61,657,016)</u>	<u>(54,397,086)</u>
Net book value	<u>\$82,480,577</u>	<u>\$72,352,322</u>
6. OTHER NON CURRENT ASSETS		
Investments in Joint Ventures and LLCs	118	(689)
Bitcoin	32,655,346	9,997,267
Other non current assets	<u>2,199,921</u>	<u>982,047</u>
	<u>\$34,855,385</u>	<u>\$10,978,625</u>
7. CURRENT INVESTMENTS		
Stocks and equities	61,552,478	41,513,625
Treasury bonds	-	822,918
Other investments	<u>100,984</u>	<u>7,142,436</u>
	<u>\$61,653,462</u>	<u>\$49,478,979</u>

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

8. INVENTORIES

	2021 USD	2020 USD
Inventories of materials and work in progress	<u>\$366,401</u>	<u>\$412,894</u>

9. TRADE AND OTHER RECEIVABLES

Trade debtors	172,021,109	219,570,277
Retention debtor	71,460,243	55,303,248
Costs and estimated earnings in excess of billings	54,950,784	33,373,529
Prepayments and other debtors	<u>3,719,930</u>	<u>2,588,056</u>
	<u>\$302,152,066</u>	<u>\$310,835,110</u>

Retention debtors include approximately \$19,000,000 at December 31, 2021 that is not expected to be collected within one year and \$15,000,000 at December 31, 2020.

10. SHARE CAPITAL

Class A Common Stock – 1,000 shares	2,500	2,500
Class B Common Stock – 19,000 shares	<u>47,500</u>	<u>47,500</u>
	<u>\$50,000</u>	<u>\$50,000</u>

The company has two classes of stock. The rights and privileges of both classes are identical except that class A stock has voting rights and class B is non-voting.

M C Dean has entered into a stockholder's purchase agreement with its three stockholders. M C Dean maintains the right of first refusal to purchase all shares offered for sale at the agreed upon value based upon an annual valuation. If the corporation does not elect to purchase the stock, then the other stockholders may elect to purchase the offered stock at such agreed value.

11. RETAINED EARNINGS

At 31st December, 2020/2019	162,862,861	156,883,231
Effect of change in accounting principle	-	-
Profit for the year ending 31st December, 2021/2020	34,258,220	26,396,354
Distributions to stockholders	<u>(34,505,471)</u>	<u>(20,416,724)</u>
At 31st December, 2021/2020	<u>\$162,615,610</u>	<u>\$162,862,861</u>

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

12. OTHER RESERVES – UNREALISED HOLDING GAINS

	Current Investments	Interest rate Swaps	Foreign Currency Translation	Total
At 31 st December 2019	21,460	(257,278)	-	(235,818)
Unrealised gains (losses)	(8,906)	(334,449)	-	(343,355)
<hr/>				
At 31 st December, 2020	12,554	(591,727)	-	(579,173)
Unrealised gains (losses)	(12,554)	516,535	-	503,981
<hr/>				
At 31 st December, 2021	\$-	\$(75,192)	\$ -	\$(75,192)

13. NON-CURRENT FINANCIAL LIABILITIES

	2021 USD	2020 USD
Notes payable	12,003,157	15,116,343
Delayed draw term loan	<u>13,875,000</u>	<u>14,625,000</u>
	<u>\$25,878,157</u>	<u>\$29,741,343</u>

The above liabilities are repayable in monthly or quarterly instalments and are due to be repaid in full by June 2025. Interest is payable on two loans at LIBOR plus 1.25% and on one loan at 3.26% to 3.68%.

The BMO WA Aircraft Notes are guaranteed by M C Dean and are secured by the aircraft. The debt is subject to certain covenants that provide guidelines for maintenance of the aircraft.

The BMO Harris borrowing facilities include a term loan commitment of \$12,500,000. The principal amount of the loan is to be repaid in quarterly instalments equal to 5 percent of the outstanding principal balance through March 2024, plus interest paid monthly at a rate equal to LIBOR plus a variable margin based upon the Group's most recent quarterly leverage ratio. The amounts owed under this facility were \$9,062,500 at December 31, 2021.

The BMO Harris borrowing facilities include a delayed draw term loan commitment of \$15,000,000 to fund the expansion of M.C. Dean's ModularMEP manufacturing and systems integration facility expansion in Caroline County, Virginia. This facility had an availability period through April 2022. The Company had drawn \$15 million on this loan by December 31, 2020. During 2020, the \$15,000,000 principal amount of the loan was converted to a term loan to be repaid in quarterly instalments equal to 1.25 percent of the outstanding principal balance with the remaining principal balance due at expiration unless renewed. Interest is payable at a rate equal to LIBOR plus a variable margin based upon the Group's most recent quarterly leverage ratio. The amounts owed under this facility were \$13,875,000 at December 31, 2021.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

14. CURRENT LIABILITIES

	2021	2020
	USD	USD
Trade and other payables		
Trade creditors	72,459,180	78,001,217
Billings in excess of costs and estimated earnings	288,392,436	255,268,270
Accrued expenses	58,036,138	62,189,654
Due to Stockholders	<u>9,734,392</u>	<u>9,648,783</u>
	<u>\$428,622,146</u>	<u>\$405,107,924</u>
Derivative financial instruments		
Interest rate swap	<u>\$75,192</u>	<u>\$591,727</u>
Financial liabilities		
Notes payable	<u>\$3,863,186</u>	<u>\$3,801,706</u>

15. LEASE AGREEMENTS

Future minimum lease payments are as follows:-

Within 12 months	9,508,646	8,906,027
In one to five years	25,658,036	24,340,336
In over five years	<u>7,459,544</u>	<u>13,981,118</u>
	<u>\$42,626,226</u>	<u>\$47,227,481</u>

16. COMMITMENTS AND CONTINGENT LIABILITIES

The Group has entered into material purchase commitments with various suppliers. These agreements fix prices for a specified time period in exchange for the Group's commitment to purchase specified quantities or dollar amounts. As of December 31, 2021, the Group had remaining purchase commitments of approximately 2,200,000 pounds of copper with an estimated purchase price of approximately \$9,200,000. These purchases are required to be made by September 2023. Based on the Group's backlog, management believes that all required purchases will be made during the time period of the agreement as part of the Group's ordinary course of business.

The Group is involved in legal proceedings, claims, and disputes that have arisen in the ordinary course of its business. In the opinion of management, the Group has adequately provided for such contingencies and the ultimate resolution of these matters is not presently expected to have a material adverse effect on the financial position, result of operations, or cash flows of the Group.

The Group has submitted Requests for Equitable Adjustment on a number of projects, related to differences in scope interpretation, as well as delays and inefficiencies experienced on these projects. As of December 31, 2021, the Group has not recognized any revenue related to these Requests for Equitable Adjustment inasmuch as management cannot yet reliably estimate the outcome of these matters.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

16. COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

In early 2020, an outbreak of a novel strain of coronavirus that causes COVID-19 emerged globally and the spread of this virus has caused business disruption domestically in the United States, including the area in which the Group primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, while the Group does not expect this matter to materially impact the Group's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

17. RELATED PARTY TRANSACTIONS

The Group conducts transactions in the normal course of business with a joint venture in which it has an investment. Amounts included in the consolidated profit and loss account and consolidated balance sheet are as follows:

	2021 USD	2020 USD
Revenue		\$1,631,567

The Group conducts transactions with two non-profit organisations affiliated with M C Dean. The Group provides training to its employees through apprenticeship programs under M C Dean, Inc. Benefits Training Trust, a non-profit organisation, for which one of M C Dean's stockholders is the trustee. The Group also makes charitable donations to M C Dean Charitable Foundation, another non-profit organisation for which two of M C Dean's stockholders are officers.

Amounts included in the consolidated profit and loss account and consolidated balance sheet with respect to the related non-profit organisations are as follows:

	2021 USD	2020 USD
Administrative expenses	\$880,264	\$427,248
Prepayments and other debtors	\$299,598	\$302,147

18. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

	2021 USD	2020 USD
Financial assets		
Cash and cash equivalent	\$145,546,169	\$158,403,721
Trade debtors	\$172,021,109	\$219,570,277
Retention debtor	\$71,460,243	\$55,303,248
Current investments	\$61,653,462	\$49,478,979
Bitcoin	\$32,655,346	\$9,997,267

Bad debt recovery was \$nil in 2021 and \$42,041 in 2020.

The Group is subject to a concentration of credit risk with respect to outstanding trade debtors and retention debtor. Trade debtors and retention debtors are not typically collateralized. Although the Group generally grants credit without collateral, management believes that its contract acceptance, billing, and collection policies are adequate to minimize potential credit risk. However, the Group can generally place liens against constructed assets in the event of non-payment by non-governmental customers. Trade debtors are generally due 30 to 60 days after issuance of the invoice. Final balances on retention debtors are generally due 30 days after completion of the project and acceptance by the owner.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2021

18. FINANCIAL INSTRUMENTS *(continued)*

Interest and dividend income relating to current investments was \$2,663,978 and \$1,807,731 for the years ended December 31, 2021 and 2020, respectively, which is included in "Interest, dividends and similar income" as explained in Note 2.

Certificates of deposit and treasury bonds are not exchange-traded investments and are valued using a market approach based on quoted prices in an active market from pricing sources utilised by investment managers.

The net change in unrealised (losses)/gains on available-for-sale debt equities was \$(12,554) and \$(8,906) for the years ended December 31, 2021 and 2020, respectively. Proceeds from sale of debt securities and equity securities were \$8,588,230 and \$10,953,312 for the years ended December 31, 2021 and 2020, respectively. The net realised gains/(losses) before taxes on these sales totalled \$1,766,379 and \$2,801,710 for the years ended December 31, 2021 and 2020, respectively.

The Group has holdings of Bitcoin with a carrying value of \$32,655,346 as of December 31, 2021. The carrying value represents the lowest fair value of the bitcoins at any time since their acquisition. Therefore the fair value measurements were made during the period from their acquisition through December 31, 2021 and not as of December 31, 2021. The fair value of the Bitcoin holdings as at December 31, 2021 is \$46,362,735.

The Group has recorded an impairment loss of \$5,047,710 on its Bitcoin investment during the year ended December 31, 2021, which is included in "Interest, dividends and similar income" as explained in Note 2. Realised gains or losses on the sale of Bitcoin, net of transaction costs, are included net in "Interest, dividends and similar income". The Group has a realised loss on sale of Bitcoin of \$1,446,434 during the year ended December 31, 2021.

Financial liabilities

Notes payable	\$15,866,343	\$18,918,049
Delayed draw term loan	\$13,875,000	\$14,625,000
Interest rate swap	\$75,192	\$591,727
Trade creditors	\$72,459,180	\$78,001,217
Due to stockholders	\$9,734,392	\$9,648,783

Interest expense related to notes payable for the years ended December 31, 2021 and 2020 was \$807,684 and \$957,693, respectively. These amounts are included in administrative expenses and other net income on the accompanying consolidated profit and loss account.

The interest rate swaps are not exchange-traded instruments; however, they are based upon pricing models, discounted cash flow methodologies, and similar techniques that are based on market data. The fair value of interest rate swaps is derived from models prepared by BMO Harris that use primarily market observable inputs, such as interest rate yield curves and credit curves adjusted to reflect mid-market consensus data for the swap instruments.

The Group has interest rate swap agreements with BMO Harris. Under terms of the interest rate swap agreement, the Group pays a fixed interest rate and receives a floating interest rate of 1 month LIBOR on debt equal to the notional value.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

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18. FINANCIAL INSTRUMENTS *(continued)*

The total notional value of the Group's swaps was \$9,062,500 at December 31, 2021 (2020: \$10,312,500). The notional amount decreases in an amount equal to the principal payments made on the related note. The swaps were issued at market terms, so they had no fair value at inception. The critical terms of the swaps and the related note is the same; therefore, the swaps are considered an effective cash flow hedge and the fair value of the swaps is included in current liabilities on the accompanying consolidated balance sheet. As payments are made to, or amounts are received from, counterparties to the interest rate swap agreements upon settlement of swap obligations, equivalent amounts are reclassified from accumulated other comprehensive income (loss) to other net income on the accompanying consolidated profit and loss account.

During January 2021, the Group entered into an additional interest rate swap agreement with BMO Harris, which will be effective January 2024 with a starting notional value of \$12,375,000 and a maturity date of May 2029 at a floating interest rate of 1 month LIBOR. The critical terms of the swaps and the related note are expected to be the same once the current borrowing facilities with BMO Harris are renewed in 2024; therefore, the swaps are considered an effective cash flow hedge and the fair value of the swaps is included in current liabilities on the accompanying balance sheet.

The fair value of the interest rate swap (liability) was \$(75,192) and \$(591,727) at December 31, 2021 and 2020, respectively.

The stockholders of the Group have verbally agreed to make distributions during the year equal to the income tax liability resulting from the Group's estimated taxable income. Amounts declared but unpaid to the stockholders net of amounts paid in advance to the stockholders for distributions, as well as other advances to or from the stockholders, are included in these accounts. As of December 31, 2021, \$9,734,392 (2020: \$9,648,783) of outstanding tax distributions is due to the Group's stockholders to cover their remaining estimated 2021 income tax liabilities related to 2021.