

300160/20

Company number: FC031784

M. C. DEAN, INC.

**UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

31ST DECEMBER, 2022



M. C. DEAN, INC.
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2022

CONTINUING OPERATIONS	Notes	2022 USD	2021 USD
Revenue	1.5	1,392,585,698	1,310,004,334
Cost of Sales	1.5	(1,171,644,126)	(1,126,467,152)
Gross Profit		220,941,572	183,537,182
Administrative Expenses		(115,404,960)	(102,917,850)
Owner's compensation and employee bonuses		(43,499,627)	(34,235,945)
Costs of Selling And Research and Development		(13,840,981)	(13,624,917)
Operating Profit		48,196,004	32,758,470
Other Net Income	2	(3,242,582)	9,216,993
Profit Before Taxation		44,953,422	41,975,463
Income Tax Expense		(3,623,519)	(2,342,684)
Profit After Taxation		\$41,329,903	\$39,632,779
Profit is attributable to:			
Controlling Interests		35,072,739	34,258,220
Non-Controlling Interests		6,257,164	5,374,559
Profit After Taxation		\$41,329,903	\$39,632,779

M. C. DEAN, INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2022

	2022 USD	2021 USD
Profit For The Year	41,329,903	39,632,779
Other Comprehensive Income		
Net unrealised losses on current investments	(230,011)	(12,554)
Net unrealised gains / (losses) on interest rate swaps	<u>1,369,946</u>	<u>516,535</u>
Total Comprehensive Income	<u><u>\$42,469,838</u></u>	<u><u>\$40,136,760</u></u>
Total Comprehensive Income is attributable to:		
Controlling Interests	36,212,674	34,762,201
Non-Controlling Interests	<u>6,257,164</u>	<u>5,374,559</u>
Total Comprehensive Income	<u><u>\$42,469,838</u></u>	<u><u>\$40,136,760</u></u>

M. C. DEAN, INC.

CONSOLIDATED BALANCE SHEET

31ST DECEMBER, 2022

		2022		2021	
	Notes	USD	USD	USD	USD
Assets					
Non-Current Assets					
Intangible assets	4		1,401,478		2,515,422
Property, plant and equipment	5		80,564,170		82,480,577
Other non-current assets	6		<u>53,318,782</u>		<u>34,855,385</u>
			135,284,430		119,851,384
Current Assets					
Current investments	7	90,615,648		61,653,462	
Inventories	8	2,007,735		366,401	
Interest Rate Swap	9	1,294,754		-	
Trade and other receivables	9	377,350,668		302,152,066	
Cash and cash equivalents		<u>130,784,527</u>		<u>145,546,169</u>	
			602,053,332		509,718,098
Total Assets			<u>\$737,337,762</u>		<u>\$629,569,482</u>
Equity and Liabilities					
Capital and Reserves					
Share capital	10		50,000		50,000
Retained earnings	11		76,293,786		162,615,610
Other reserves	12		1,064,743		(75,192)
Member's equity	13		103,981,204		-
Non-Controlling Interests	13		<u>5,995,264</u>		<u>8,540,383</u>
Total Equity			<u>187,384,997</u>		<u>171,130,801</u>
Non-Current Liabilities					
Financial liabilities	14		21,951,390		25,878,157
Other non-current liabilities	14		<u>27,797,205</u>		<u>-</u>
Total Non-Current Liabilities			<u>49,748,595</u>		<u>25,878,157</u>
Current Liabilities					
Trade and other payables	15		496,277,403		428,622,146
Interest rate swap	15		-		75,192
Financial liabilities	15		<u>3,926,767</u>		<u>3,863,186</u>
			500,204,170		432,560,524
			<u>\$737,337,762</u>		<u>\$629,569,482</u>

23 January 2024

Approved on behalf of M C Dean Inc on

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

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2022

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, its 28 subsidiaries and variable interest entities, and Dean Investment Holdings LLC, Dean Maryland Inc., Ostend Street Dean LLC and Dean Real Estate Holdings LLC 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, 2022 and 2021, 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, 2022 and \$nil for the year ended December 31, 2021.

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, 2022

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, 2022

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, 2022

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 2022 or 2021.

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, 2022 or December 31, 2021.

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 LLC as the custodian and their trading platform for buying and selling Bitcoin. 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, 2022

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 are 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 are 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, 2022, the Group had cash and cash equivalent balances not insured by the FDIC and SIPC of approximately \$137,605,000, of which approximately \$118,238,000 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, 2022

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.

1.15 Operating lease liabilities

The group leases office, warehouse, temporary housing and vehicles. All contracts that implicitly or explicitly involve property, plant and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, the group recognises a lease liability, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for prepaid lease costs, initial direct costs and lease incentives. The Group has elected and applies the practical expedient available to lessees to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. The Group remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for under a separate contract.

The Group determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. The rate implicit in the lease is generally not readily determinable. The Group has elected to use risk-free rates as the discount rate for all its leases. The Group uses rates on US government securities for periods comparable with the lease terms as risk-free rates.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2022

1. ACCOUNTING POLICIES *(continued)***1.15 Operating lease liabilities** *(continued)*

For accounting purposes, the Group's leases commence on the earlier of (i) the date upon which the Group obtains control of the underlying asset and (ii) the contractual effective date of the lease. Lease commencement for most of the Group's leases coincides with the contractual effective date. The Group's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Group and, when exercised, usually provide for rental payments during the extension period at then current market rates or pre-determined rental amounts. Unless the Group determines that it is reasonably certain that the terms of a lease will be extended, such as through the exercise of a renewal option or non-exercise of an early termination option, the term of the lease begins at lease commencement and spans for the duration of the minimum non-cancellable contractual term. When the exercise of a renewal option or non-exercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

The Group includes variable payments based on a rate or an index such as the Consumer Price Index (CPI) in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred.

2. OTHER NET INCOME

	2022	2021
	USD	USD
Interest, dividends and similar income	6,147,466	3,819,687
Gain / (loss) on sale of current investments	19,269,160	1,766,379
Unrealised gain / (loss) on current investments	(16,594,086)	7,352,171
Gain / (loss) on sales of assets	31,169	4,576,657
Loss on sales of Bitcoin	(946,130)	(1,446,434)
Bitcoin impairment	(14,928,248)	(5,047,710)
Bad debt recovery	195,505	-
DCI recovery proceeds	5,497,654	-
Acquisition cost	(990,020)	(990,020)
Equity in Losses of Construction Joint Ventures and LLCs	(1,954)	(6,053)
Interest expense	(923,098)	(807,684)
	<u>(\$3,242,582)</u>	<u>\$9,216,993</u>

3. DIVIDENDS

Distribution to stockholders	<u>\$124,395,944</u>	<u>\$34,505,471</u>
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M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2022

4. INTANGIBLE ASSETS

	2022 USD	2021 USD
Goodwill	5,384,145	5,384,145
Trademarks	215,000	215,000
Software licences	470,186	388,946
Other intangibles	<u>4,056,016</u>	<u>4,225,618</u>
	10,125,347	10,213,709
Less Accumulated Amortisation	<u>(8,723,869)</u>	<u>(7,698,287)</u>
	<u><u>\$1,401,478</u></u>	<u><u>\$2,515,422</u></u>

5. PROPERTY AND EQUIPMENT

Cost		
Land, buildings and improvements	105,025,037	101,597,051
Equipment, tools, trucks and vans	10,498,385	10,230,643
Autos, computers, office furniture and equipment	22,199,626	19,283,582
Openband Infrastructure and Equipment	25,000	25,000
Aircraft	<u>13,001,317</u>	<u>13,001,317</u>
	150,749,365	144,137,593
Depreciation	<u>(70,185,195)</u>	<u>(61,657,016)</u>
Net book value	<u><u>\$80,564,170</u></u>	<u><u>\$82,480,577</u></u>

6. OTHER NON CURRENT ASSETS

Investments in Joint Ventures and LLCs	(1,836)	118
Bitcoin	16,722,472	32,655,346
Operating Lease Assets	31,861,301	-
Other non current assets	<u>4,736,845</u>	<u>2,199,921</u>
	<u><u>\$53,318,782</u></u>	<u><u>\$34,855,385</u></u>

7. CURRENT INVESTMENTS

Stocks and equities	60,936,380	61,552,478
Treasury bonds	29,578,259	-
Other investments	<u>101,009</u>	<u>100,984</u>
	<u><u>\$90,615,648</u></u>	<u><u>\$61,653,462</u></u>

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2022

8. INVENTORIES

	2022 USD	2021 USD
Inventories of materials and work in progress	\$2,007,735	\$366,401

9. CURRENT ASSETS

Trade and other receivables

Trade debtors	247,867,281	172,021,109
Retention debtor	68,615,547	71,460,243
Costs and estimated earnings in excess of billings	55,150,796	54,950,784
Prepayments and other debtors	5,717,044	3,719,930
	377,350,668	302,152,066
Derivative financial instruments		
Interest Rate Swap	1,294,754	-
	\$378,645,422	\$302,152,066

Retention debtors include approximately \$18,600,000 at December 31, 2022 that is not expected to be collected within one year and \$19,000,000 at December 31, 2021.

10. SHARE CAPITAL

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

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.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2022

14. NON-CURRENT FINANCIAL LIABILITIES

	2022 USD	2021 USD
Financial liabilities		
Notes payable	8,826,390	12,003,157
Delayed draw term loan	<u>13,125,000</u>	<u>13,875,000</u>
	<u>\$21,951,390</u>	<u>\$25,878,157</u>
Other non-current liabilities		
Operating lease liabilities	<u>\$27,797,205</u>	<u>\$ -</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 \$7,812,500 at December 31, 2022.

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 Modular MEP manufacturing and systems integration facility expansion in Caroline County, Virginia. 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 \$13,125,000 at December 31, 2022.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2022

15. CURRENT LIABILITIES

	2022 USD	2021 USD
Trade and other payables		
Trade creditors	77,099,226	72,459,180
Billings in excess of costs and estimated earnings	350,607,625	288,392,436
Accrued expenses	59,823,381	58,036,138
Operating Lease Liabilities	8,183,404	-
Due to Stockholders	<u>563,767</u>	<u>9,734,392</u>
	<u>\$496,277,403</u>	<u>\$428,622,146</u>
Derivative financial instruments		
Interest rate swap	\$ -	\$75,192
Financial liabilities		
Notes payable	<u>\$3,926,767</u>	<u>\$3,863,186</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, 2022, the Group had remaining purchase commitments of approximately 3,600,000 pounds of copper with an estimated purchase price of approximately \$23,600,000. 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, 2022, 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, 2022****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:

	2022	2021
	USD	USD
Revenue	348,348	-

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:

Administrative expenses	\$1,180,327	\$880,264
Prepayments and other debtors	\$300,736	\$299,598

18. FINANCIAL INSTRUMENTS

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

	2022	2021
	USD	USD
Financial assets		
Cash and cash equivalent	\$130,784,527	\$145,546,169
Trade debtors	\$247,867,281	\$172,021,109
Retention debtor	\$68,615,547	\$71,460,243
Current investments	\$90,615,648	\$61,653,462
Bitcoin	\$16,722,472	\$32,655,346
Interest Rate Swap	\$1,294,754	-

Bad debt recovery was \$nil in 2022 and \$nil in 2021.

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, 2022

18. FINANCIAL INSTRUMENTS *(continued)*

Interest and dividend income relating to current investments was \$3,461,400 and \$2,663,978 for the years ended December 31, 2022 and 2021, 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 \$(230,011) and \$(12,554) for the years ended December 31, 2022 and 2021, respectively. Proceeds from sale of debt securities and equity securities were \$87,980,035 and \$8,588,230 for the years ended December 31, 2022 and 2021, respectively. The net realised gains/(losses) before taxes on these sales totalled \$19,269,160 and \$1,766,379 for the years ended December 31, 2022 and 2021, respectively.

The Group has holdings of Bitcoin with a carrying value of \$16,722,472 as of December 31, 2022 and \$32,655,346 as of December 31, 2021. M.C. Dean sold all of its Bitcoin holdings during 2022. 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, 2022 and not as of December 31, 2021. The fair value of the Bitcoin holdings as at December 31, 2022 is \$17,517,064 and as at 31 December, 2021 is \$46,362,735.

The Group has recorded an impairment loss of \$14,928,248 (2021: \$5,047,710) on its Bitcoin investment during the year ended December 31, 2022, 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 \$946,130 (2021: \$1,446,434) during the year ended December 31, 2022.

Financial liabilities

	2022 USD	2021 USD
Notes payable	\$12,753,157	\$15,866,343
Delayed draw term loan	\$13,125,000	\$13,875,000
Interest rate swap	-	\$75,192
Trade creditors	\$77,099,226	\$72,459,180
Due to stockholders	\$563,767	\$9,734,392

Interest expense related to notes payable for the years ended December 31, 2022 and 2021 was \$923,098 and \$807,684, 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.

M. C. DEAN, INC.

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2022

18. FINANCIAL INSTRUMENTS *(continued)*

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.

The total notional value of the Group's swaps was \$20,187,500 at December 31, 2022 (2021: \$9,062,500). The notional amount decreases in an amount equal to the principal payments made on the related note. This includes an interest rate swap 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. 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 2023, the Group's swaps were converted from LIBOR to SOFR, in accordance with the amendment of the Group's BMO borrowing facilities.

The fair value of the interest rate swap asset (liability) was \$1,294,754 and \$(75,192) at December 31, 2022 and 2021, 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, 2022, \$563,767 (2021: \$9,734,392) of outstanding tax distributions is due to the Group's stockholders to cover their remaining estimated 2022 income tax liabilities.

19. PRIOR YEAR ADJUSTMENT

The December 31, 2021 financial statements issued by the Group included Dean Maryland, Inc and Ostend Street Dean, LLC as consolidated variable interest entity (VIEs). These entities are no longer consolidated as VIEs. Company management has elected to combine these entities in the December 31, 2022 financial statements. The change in reporting entity has resulted in a reduction of noncontrolling interest of \$(3,251,889) and an increase in member's equity of \$3,251,889 as of January 1, 2022.