

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY
CONSOLIDATED AND UNAUDITED FINANCIAL STATEMENTS**

June 30, 2023

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

CONTENTS

	Page
Consolidated balance sheets	2
Consolidated statements of income and comprehensive (loss) income	3
Consolidated statements of changes in shareholder's equity	4
Notes to the consolidated financial statements	5-9

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

CONSOLIDATED BALANCE SHEETS

June 30, 2023 and December 31, 2022

(Expressed in U.S. dollars)

ASSETS	UNAUDITED 2023	AUDITED 2022
Cash and cash equivalents	1,088,189	224,547
Investments	18,363,666	18,345,712
Other assets	393,478	60,474
TOTAL ASSETS	19,845,333	18,630,733
LIABILITIES		
Reserve for losses and loss expenses	95,629	95,629
Due to affiliates	250,000	250,000
Accounts payable and accrued expenses	733,868	968,764
TOTAL LIABILITIES	1,079,497	1,314,393
SHAREHOLDERS' EQUITY		
Share capital	6,948,159	6,948,159
Treasury stock	(18,896,796)	(18,896,796)
Additional paid-in-capital	42,502,974	42,502,974
Deficit	(11,788,501)	(13,237,997)
TOTAL SHAREHOLDER'S EQUITY	18,765,836	17,316,340
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	19,845,333	18,630,733

The accompanying notes form an integral part of these consolidated financial statements.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME

June 30, 2023 and December 31, 2022

(Expressed in U.S. dollars)

	UNAUDITED	AUDITED
	2023	2022
UNDERWRITING INCOME		
Premiums written	-	-
Change in unearned premiums	-	-
Net premiums earned	-	-
UNDERWRITING EXPENSES		
Losses and loss expenses	-	-
Acquisition costs	-	-
Commutation expense	-	-
Profit commission	-	-
Total underwriting expenses	-	-
NET UNDERWRITING (LOSS) INCOME	-	-
NET INVESTMENT INCOME	2,199,553	31,008
IMPAIRMENT OF LOAN RECEIVABLE	(495,333)	(915,799)
INCOME (LOSS) BEFORE OPERATING EXPENSES	1,704,220	(884,791)
OPERATING EXPENSES	(254,724)	(1,052,421)
NET INCOME (LOSS)	1,449,496	(1,937,212)
INCOME (LOSS) PER SHARE	\$0.21	\$ (0.28)

The accompanying notes form an integral part of these consolidated financial statements.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDER'S EQUITY**

June 30, 2023 and December 31, 2022

(Expressed in U.S. dollars)

	UNAUDITED 2023	AUDITED 2022
Share capital		
Balance at beginning of year (at \$1 par)	6,948,159	6,948,159
Issuance of shares during the year (at \$1 par)	-	-
Balance at end of year	6,948,159	6,948,159
<hr/>		
Treasury stock		
Balance at beginning of year	(18,896,796)	(18,166,954)
Shares purchased during the year	-	-
Balance at end of year	(18,896,796)	(18,896,796)
<hr/>		
Additional paid-in-capital		
Balance at beginning and end of year	42,502,974	42,502,974
Additional paid-in-capital during the year	-	-
Balance at end of year	42,502,974	42,502,974
<hr/>		
Deficit		
Balance at beginning of year	(13,237,997)	(11,300,785)
Net income (loss) for the year	1,449,496	(1,937,212)
Balance at end of year	(11,788,501)	(13,237,997)
<hr/>		
TOTAL SHAREHOLDER'S EQUITY	18,765,836	17,316,340

The accompanying notes form an integral part of these consolidated financial statements.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and December 31, 2022

(Expressed in U.S. dollars)

1. BUSINESS ACTIVITY

Annuity and Life Re (Holdings), Ltd. (“Holdings”) was incorporated under the laws of Bermuda on December 2, 1997. Its principal activity is that of investment holding.

Holdings was wholly owned by Pope Investments II LLC, a managed limited liability company registered in Delaware. In 2013, the Board of Directors of Holdings approved the transfer of all its common shares from Pope Investments II LLC to Wilson & Co., a nominee company owned by HSBC Bermuda Custody Services for and on behalf of National Financial Services, with the intent of allowing more liquidity to the Company’s investors.

The financial statements include the accounts of Holdings and its wholly owned subsidiary, Annuity and Life Reassurance, Ltd. (“ALRE”), a Class C insurer under the Insurance Act, 1978 of Bermuda and related regulations. ALRE has not written any long-term business since December 31, 2005 and does not intend to continue writing any long-term business in the near future. Effective August 1, 2013, ALRE entered into a commutation and release agreement with Alterra Bermuda Limited, in respect of the Property Quota Share Retrocession Agreement which both parties entered into in January 1, 2010. The commutation and release agreement mutually releases both parties from any and all past, present and future payment obligations in connection with the Retrocession agreement. Following the Retrocession agreement, ALRE applied for cancellation of the Class 3A Insurer registration, pursuant to Section 41(1)(a) of the Insurance Act 1978, which was approved by The Bermuda Monetary Authority effective August 25, 2021. Given the ALRE has ceased writing general business, The Bermuda Monetary Authority amended Schedule I of the Class C Certificate of Registration, including the addition of condition #2.

Holdings and ALRE are collectively referred to herein as the “Company.”

In 2012, the Company obtained a waiver on the qualified investor restriction, effectively allowing the Company’s listed securities to be held by the general public, subject to a few requirements imposed on regular publicly listed entities in the BSX.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America with the exception of the non consolidated of a subsidiary entity Multivir Inc. The consolidated financial statements do not include the accounts of Multivir, Inc. as this investment is fully impaired in the financial statement as of December 2022 (2021 – fully impaired) and the Company has documented plans to dispose this investment. The Company values the investment in Multivir Inc. at fair value.

The significant accounting policies are as follows:

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and December 31, 2022

(Expressed in U.S. dollars)

(a) Basis of consolidation

The consolidated financial statements include the accounts of Holdings and ALRE. All significant inter-company accounts and transactions have been eliminated upon consolidation.

The consolidated financial statements do not include the accounts of Multivir, Inc. as this investment is fully impaired in the financial statement as of December 2022 (2021– fully impaired) and the Company has documented plans to dispose this investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Cash and cash equivalents

Cash and cash equivalents are carried at market value, and consist of money market funds and short-term investments, with original maturities of 90 days or less.

(c) Premiums written

Premiums are recognized as revenue on a pro-rata basis over the periods of the respective policies or contracts of reinsurance. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. Premiums which are subject to adjustment are estimated based upon available information. Any variances from the estimates are recorded in the periods in which they become known.

(d) Reserve for losses and loss expenses

Long-term Business

The development of reserves for policy benefits and for claims incurred but not reported (“IBNR”) for the Company’s long-term products requires management to make estimates and assumptions regarding mortality, lapse, persistency, expenses and investment experience. Such estimates are primarily based on historical experience and information provided by ceding companies. Actual results could differ materially from those estimates. Management monitors actual experience and, where circumstances warrant, revises its assumptions and the related reserve estimates. In certain instances, the Company continues to be liable for claims arising on novated contracts which pre-date the novation agreement.

(e) Acquisition costs and profit commission

Acquisition costs, primarily commission and brokerage expenses, represent those costs which vary with and are primarily related to the acquisition of the general reinsurance contracts. These costs are deferred and are amortized over the period during which related premiums are earned.

Profit commission is accrued in accordance with the terms of the Property Quota Share retrocession agreement in an amount based upon the net income on the contract as recorded in the financial statements.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and December 31, 2022

(Expressed in U.S. dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments

Investments are carried at their fair value with the unrealized gain or loss reported in the consolidated statements of loss.

Realized gains and losses on investments are recognized in the consolidated statements of loss using the specific identification method. Interest income is recognized on an accrual basis.

Investments in non-publicly traded companies are measured at cost.

Investments on Short sale

Investments on short sale are carried at their fair value.

Margin receivable represent margin deposits held in respect of short sale contracts.

(g) Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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. While management believes that the amounts included in the consolidated financial statements reflect the Company's best estimates and assumptions, actual results could differ from these estimates.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and December 31, 2022

(Expressed in U.S. dollars)

3. OTHER MATTERS

In June 2014, the Company applied for a repurchase of 2,375,625 of its own shares from Wilson & Co. The application was approved and executed within the facilities of the Bermuda Stock Exchange. Total cost of the repurchase amounted to \$17,527,505. The said repurchase was funded in part through settlement of intercompany accounts between the Company and ALRE via dividend-in-specie, and settlement of intercompany accounts between the Company and Pope Investments II LLC. The repurchase is reflected as treasury stock at cost in the Company's Shareholder's equity.

In August 2014, the Company applied for another repurchase of 84,309 of its own shares from Wilson & Co. The application was approved and executed within the facilities of the Bermuda Stock Exchange. Total cost of the repurchase amounted to \$639,449. The repurchase is reflected as treasury stock at cost in the Company's Shareholder's equity.

In January 2019, the Company's Board of Directors approved and executed a repurchase of 80,800 of its common shares from US Bank for a consideration of \$518,721. An additional stock repurchase was approved in April 2019. For a consideration of \$217,183 (inclusive of BSX and Custody fees) the Company bought 25,000 of its shares from US Bank. Both transactions were executed through the facilities of the Bermuda Stock Exchange. The said repurchase was funded by a return of capital received from its subsidiary, Annuity and Life Reassurance Ltd.

On January 27, 2020, the Company has elected to convert in full, the principal and accrued interest outstanding on the Loans and Debenture provided by Tethys Petroleum Ltd of US\$4,331,840 into 13,973,677 Tethys ordinary shares.

On October 26, 2022, the Company has elected to convert in full, the principal and accrued interest outstanding on the Loans and Debenture provided by Tethys Petroleum Ltd of US\$2,653,327 into 8,559,119 Tethys ordinary shares.

In 2021, management deemed that since the investments in Pope Investments LLC and Pope Investments II LLC result in additional shares of Annuity and Life Re (Holdings) that will ultimately be cancelled these positions should be valued at \$nil, resulting in an unrealized loss of \$2,775,750.

During the year, management deemed that the Multivir loans were impaired and has recorded an allowance of \$65,000 (2022 -\$51,500) for the principal and \$430,333 (2022 - \$864,299) for the interest.

Pursuant to Securities Purchase Agreements dated December 30, 2021 the Company issued additional 1,930,659 shares of \$1 par value for a consideration of \$11,869,000. The surplus over par value in the amount of \$9,938,341, less issuance costs of \$19,000, was recorded as addition paid in capital in the amount of \$9,919,341. On January 14, 2022 the Bermuda Stock Exchange approved the listing of the issuance of the additional 1,930,659 ordinary shares.

The judgement on Full Apex Winding up proceedings was handed down on March 12, 2020. The Court dismissed the Company's substitution application. The Company has filed an application for permission to appeal.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and December 31, 2022

(Expressed in U.S. dollars)

The Company is a petitioner to the following litigation which is currently on foot before the Supreme Court of Bermuda:

A minority shareholder proceeding under section 111 of the Companies Act 1981 brought by the Company against Full Apex (Holdings) Limited and certain shareholders of that company as Respondents (the "Full Apex matter"). The possible contingent liabilities arising from the Full Apex matter would be adverse costs orders in favor of the Respondents if the Company were to be unsuccessful. No proceedings for assessment of these costs have been brought against the Company as of year-end, but in December 2020, Full Apex notified the Company that it had paid the joint provisional liquidators' costs and asserted an entitlement in respects of the costs in the sum of \$620,613.

ALRE continues to comply with the relevant statutory ratios and margins required by the provisions of the Companies Act.

The Company is not aware of any new contingencies other than those previously reported on the Company's audited financial statements for the year ended December 31, 2022.

3. Subsequent events

No additional subsequent events require recognition or disclosure.