

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2023

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Directors of Annuity and Life Re (Holdings), Ltd.

Adverse Opinion

We have audited the consolidated financial statements of Annuity and Life Re (Holdings), Ltd. (the "Company") and its subsidiary (the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of income (loss), changes in shareholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly, the consolidated financial position of Annuity and Life Re (Holdings), Ltd. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion

As described in Note 2(a), Annuity and Life Re (Holdings), Ltd has not consolidated the financial statements of subsidiary Multivir Inc because the investment is fully impaired in the Group's consolidated financial statements and the Group has documented plans to dispose of this investment. This investment is therefore accounted for on a fair value basis by the Company. Under accounting principles generally accepted in the United States of America and relevant legislation, the subsidiary should have been consolidated because it is controlled by the Company. Had Multivir Inc. been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued or available to be issued.

INDEPENDENT AUDITORS' REPORT

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The Purpose of our Audit Work and to Whom we Owe our Responsibilities

This report is made solely to the Shareholder and Directors as a body, in accordance with the agreed scope of our engagement. Our audit work has been undertaken so that we might state to the Shareholder and Directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Shareholder and Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton (Bermuda) Limited

Grant Thornton (Bermuda) Limited
Hamilton, Bermuda
April 30, 2024

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

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

ASSETS	2023	2022
Cash and cash equivalents	567,668	224,547
Investments (note 3)	18,311,511	18,345,712
Other assets (notes 5)	46,477	60,474
TOTAL ASSETS	18,925,656	18,630,733
LIABILITIES		
Reserve for losses and loss expenses (note 7)	95,629	95,629
Due to affiliates (note 8)	250,000	250,000
Accounts payable and accrued expenses (note 14)	700,080	968,764
TOTAL LIABILITIES	1,045,709	1,314,393
SHAREHOLDERS' EQUITY		
Share capital (note 9)	6,948,159	6,948,159
Treasury stock (note 10)	(18,896,796)	(18,896,796)
Additional paid-in-capital (notes 9 and 10)	42,502,974	42,502,974
Deficit	(12,674,390)	(13,237,997)
TOTAL SHAREHOLDER'S EQUITY	17,879,947	17,316,340
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	18,925,656	18,630,733

Approved on behalf of the board:



Director

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

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

	2023	2022
NET INVESTMENT INCOME (note 3)	2,605,009	31,008
IMPAIRMENT OF LOAN RECEIVABLE (notes 4 and 5)	(1,486,325)	(915,799)
INCOME (LOSS) BEFORE OPERATING EXPENSES	1,118,684	(884,791)
OPERATING EXPENSES	(555,077)	(1,052,421)
NET INCOME (LOSS)	563,607	(1,937,212)
INCOME (LOSS) per share	\$ 0.08	\$ (0.28)

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

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

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

	2023	2022
Share capital		
Balance at beginning of year	6,948,159	6,948,159
Issuance of shares during the year	-	-
Balance at end of year	6,948,159	6,948,159
Treasury stock		
Balance at beginning of year	(18,896,796)	(18,896,796)
Shares purchased during the year	-	-
Balance at end of year	(18,896,796)	(18,896,796)
Additional paid-in-capital		
Balance at beginning 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
Deficit		
Balance at beginning of year	(13,237,997)	(11,300,785)
Net income (loss) for the year	563,607	(1,937,212)
Balance at end of year	(12,674,390)	(13,237,997)
TOTAL SHAREHOLDER'S EQUITY	17,879,947	17,316,340

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	563,607	(1,937,212)
Adjustments to reconcile net income from continuing operations to cash used in operating activities:		
Net realized loss on sale of investments	2,354,525	-
Net change in unrealized loss on equity investments	690,260	1,069,692
Dividend income	(4,757,230)	(365,392)
Change in impairment loss on loans	1,486,325	915,799
Changes in assets and liabilities:		
Interest receivable	(869,019)	(726,499)
Other assets	(36,003)	(4,474)
Accounts payable and accrued expenses	(268,684)	259,234
NET CASH USED FOR OPERATING ACTIVITIES	(836,219)	(788,852)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,012,596)	-
Proceeds from sale of investments	2,012	-
Issuance of loans	(567,306)	(101,500)
NET CASH USED FOR INVESTING ACTIVITIES	(3,577,890)	(101,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend income	4,757,230	365,392
Additional paid-in-capital	-	7,016
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,757,230	372,408
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	343,121	(517,944)
CASH AND CASH EQUIVALENTS – Beginning of year	224,547	742,491
CASH AND CASH EQUIVALENTS – End of year	567,668	224,547

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 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 that 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 Bermuda Stock Exchange (“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 consolidation 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 31, 2023 (2022 – fully impaired) and the Company has documented plans to dispose of this investment. The Company values the investment in Multivir Inc. at fair value.

The significant accounting policies are as follows:

(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 2023 (2022– fully impaired) and the Company has documented plans to dispose this investment.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

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. The Company considers cash pledged as collateral for securities sold short to be restricted cash.

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 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 income (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.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

3. INVESTMENTS

The cost, gross unrealized gains, gross unrealized losses and market value of investments are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Market Value
<u>2023</u>				
Equities	\$ 20,287,772	\$ 4,017,448	\$ (5,993,710)	\$ 18,311,511
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Market Value
<u>2022</u>				
Equities	\$ 19,631,713	\$ 4,569,839	\$ (5,855,840)	\$ 18,345,712

Under Accounting Standards Codification (“ASC”) No. 820 - “Fair Value Measurements and Disclosures, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company’s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 assets and liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

3. INVESTMENTS (continued)

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Our valuation for level 3 assets is derived from the information provided by the entities in their fair value assessment that is based upon NPV calculations under the different scenarios and audited financial statements.

The categorization of the Company's financial assets recorded at fair value based upon the fair value hierarchy as at December 31, 2023 are as follows:

Description	Level 1	Level 2	Level 3	Total
Equities	13,974,761	-	4,336,750	18,311,511

There were no transfers between levels for the years ended December 31, 2023 and 2022.

Net investment income comprised of:

	2023	2022
Interest income	892,788	728,641
Realized loss on sale of investments	(2,354,525)	-
Dividend income	4,757,230	365,392
Unrealized loss on investments	(690,260)	(1,069,692)
Other income	(224)	6,667
	<u>2,605,009</u>	<u>31,008</u>

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

4 LOANS RECEIVABLE

Description	Face value	Purchase price	Interest rate, per annum	Interest receivable
2023 (fully impaired)				
Multivir, Inc.	\$14,525,005	\$5,370,669	6%	\$2,478,053
2022 (fully impaired)				
Multivir, Inc.	\$14,425,005	\$5,270,669	6%	\$1,609,034

Multivir, Inc. is a related party – see note 9.

During the year, management deemed that the loans of Multivir Inc were impaired and has recorded an allowance of \$100,000 (2022 -\$51,500) for the principal and \$869,019 (2022 - \$864,299) for the interest.

During the year, management recognized provision of 100% of the unrecoverable debts in the amount \$517,306 (2022 -\$nil) for the loans provided to Southern Advanced Materials LLC.

Southern Advanced Materials LLC is a related party – see note 8.

5. OTHER ASSETS

Other assets consist of prepaid expenses of \$10,256 (2022- \$10,474) and \$36,221 (2022 - \$ Nil) due from Pope Investments LLC. The due from Pope Investments LLC is net of a provision of \$61,383 expensed during the year (2022 - \$nil).

Pope Investments LLC is a related party – see note 8.

6. DIVIDEND RECEIVED

On January 18, 2023, Tethys Petroleum Limited (TSXV: TPL) has approved a dividend of 3 CAD cents per share. Dividends in the amount of \$549,801 (CAD 738,577.32) were deposited in the US Bank account (in 2022 - \$365,392.23 (CAD 493,125.60)).

On May 24, 2023, Enwell Energy plc (AIM: ENW) has approved a dividend of £0.15 per share. Dividends in the amount of \$4,207,429 (GBP 3,306,878.70) were deposited in the US Bank account.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

7. RESERVE FOR LOSSES AND LOSS EXPENSES

The movement in the reserve for losses and loss expenses is summarized as follows:

	2023	2022
Long Term Business		
Provisions, beginning of year	\$ 95,629	\$ 95,629
Losses incurred related to prior years	-	-
Losses paid related to prior years	-	-
Provisions, end of year	\$ 95,629	\$ 95,629
General Business		
Provisions, beginning of year	\$ -	\$ -
Losses incurred related to prior years	-	-
Losses paid related to prior years	-	-
Provisions, end of year	-	-
Total reserve for loss and loss expenses	\$ 95,629	\$ 95,629

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS

The \$250,000 balance represent the funds received from Wells Investment LLP for the Joint Venture agreement with Pope Asset Management LLC, received in February 10, 2012.

Included in Other assets is a \$36,221 (2022 - \$nil) due from Pope Investments LLC. It is unsecured, non- interest bearing and is due on demand. The due from Pope Investments LLC is net of a provision of \$61,383 expensed during the year (2022 - \$nil). William P. Wells is the president of Pope Asset Management LLC. Pope Asset Management LLC is the Manager of Pope Investments LLC.

William P. Wells is a director and shareholder of the Company and a director, CEO and the Chairman of Tethys Petroleum Limited. Casey McCandless is a director of the Company and a CFO of Tethys Petroleum Limited. At December 31, 2023, the Company held approximately 21.4% of the issued ordinary shares of Tethys Petroleum Limited. The fair value basis of accounting has been adopted for this investment rather than equity accounting as it is considered to be a more appropriate representation of the market value of the investment. The Company's share of the equity of Tethys Petroleum Limited as at 31 December 2023 based on its audited financial statements is \$9,024,868.

William P. Wells is a director and shareholder of the Company and a director and the Chairman of Multivir Inc. Casey McCandless is a director of the Company and a director of Multivir Inc. At December 31, 2023, the Company held approximately 97% of the issued ordinary shares of Multivir Inc.

William P. Wells is a director and shareholder of the Company and a Manager of Southern Advanced Material LLC.

In May 2023 14,608,000 shares of Enwell Energy plc were bought at a price of \$0.3732 per share for a total consideration of \$5,451,930, out of that 11,857,165 shares were bought from the shareholders of the Company for a total consideration of \$4,425,094 and the rest were bought from parties, related to the shareholders of the Company.

In June 2023 12,838,600 shares of Enwell Energy plc were sold at a price of \$0.19 per share for a total consideration of \$2,439,334, out of that 10,087,165 shares were sold to the shareholders of the Company for a total consideration of \$1,916,561 and the rest were sold to the parties, related to the shareholders of the Company. The transaction resulted in a realized loss of \$2,352,032.

9. SHARE CAPITAL

Effective September 21, 2011, Holdings increased its authorized share capital to 100,000,000 shares of \$1 par value from authorized shares of 100 of \$1 par value. As at December 31, 2023, Holdings had issued 6,948,159 shares (2022 - 6,948,159).

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

10. TREASURY STOCK

In June 2014, the Company applied for a repurchase of 2,395,625 of its own shares from Wilson & Co. The application was approved and executed within the facilities of the BSX. Total cost of the repurchase amounted to \$17,687,505. The said repurchase was funded in part through settlement of intercompany accounts between the Company and ALRE via dividend-in-specie, receipt of contributed surplus amounting to \$15,420,000, and settlement of intercompany accounts between the Company and Pope Investments II LLC. The repurchase is reflected as treasury stock at cost in the 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 BSX. Total cost of the repurchase amounted to \$639,449. The repurchase is reflected as treasury stock at cost in the 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 BSX. The said repurchase was funded by a return of capital received from its subsidiary, ALRE.

11. STATUTORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

ALRE is required to comply with the provisions of the Companies Act that regulate the payment of dividends and the making of distributions from contributed surplus. ALRE may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that: (i) the relevant company is, or would be after the payment, unable to pay its liabilities as they become due; or (ii) the realizable value of the relevant Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

ALRE must maintain long-term business assets of a value of at least \$500,000 greater than its long-term business liabilities. It is prohibited from declaring or paying dividends unless the value of its long-term business assets exceed the amount of its long-term business liabilities (as certified by an approved actuary), by the amount of the dividend and by at least \$500,000.

Additionally, the amounts of any such dividend must not exceed the aggregate of those excess and other funds properly available for the payment of dividends, including funds arising out of its business aside from its long-term business. Any dividends paid out of contributed capital and in excess of 15% of the prior year's shareholder's capital must be approved by the Bermuda Monetary Authority.

The Company's required minimum long-term business solvency margin is \$500,000 and the statutory capital and surplus for long-term business as of December 31, 2023 is \$19,834,477.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and December 31, 2022

(Expressed in U.S. dollars)

12. TAXATION

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (“the Act”). The Act introduces a 15% corporate income tax on Bermuda businesses that are part of an In Scope Multinational Enterprise Group (“MNE Group”), effective for fiscal years beginning on or after January 1, 2025. The Act defines an In Scope MNE Group as an MNE Group if, with respect to any fiscal year beginning on or after the commencement date, the MNE Group has annual revenue of EUR 750 million or more in the consolidated financial statements of the ultimate parent entity for at least two of the four fiscal years immediately preceding such fiscal year. Pursuant to the In Scope MNE Group definition in the legislation, the Company has determined that it is not in scope for Bermuda Corporate Income Tax as of the current reporting date. The Financial Statements, as presented do not reflect an impact of the Bermuda Corporate Income Tax.

Tax Related Risks and Uncertainties

As required by the uncertain tax position guidance in Accounting Standards Codification (“ASC”) 740 - “Income Taxes, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations remained open. There were no changes to the Company’s unrecognized tax benefit liability because the Company believes, more likely than not, that all tax positions would be sustained upon audit.

13. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company’s financial instruments consist of cash and cash equivalents, investments, loans receivable, reserve for losses and loss expenses, due to affiliate, loans payable and accounts payable and accrued expenses.

The carrying value of cash and cash equivalents and accounts payable and accrued expenses approximates fair value due to their short-term nature.

The carrying value of investments is at fair value based on available market information.

The carrying value of reserves for losses and loss expenses is not at fair value and is recorded using management’s best estimate together with the recommendations of the actuaries of the ultimate cost of settlement of losses.

The Company’s investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most significant types of financial risks to which the Company is exposed to are market risk, credit risk and interest rate risk.

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13. FINANCIAL INSTRUMENTS AND RELATED RISKS

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below:

(a) Market risk

The prices of the financial instruments in which the Company may invest can be highly volatile. Price movements are influenced by, among other things, changing supply and demand relationships, trade, fiscal programs and policies of governments, national and international political and economic events and policies.

(b) Credit risk

A concentration of credit risk exists when there are significant contracts with individual counterparties or when groups of issuers or counterparties have similar business characteristics that would cause their ability to meet contract commitments to be adversely affected, in a similar manner, by changes in the economy or other market conditions. The Company conducts business with financial institutions believed to be well established and monitors credit risk on both an individual and group counterparty basis.

(c) Interest rate risk

The Company is exposed to interest rate risk on cash and cash equivalents held at financial institutions and note receivables with third parties. The Company is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. The Company manages this risk by depositing cash in established financial institutions in economically stable countries and evaluating the financial position of the third parties involved.

(d) Cybersecurity risk

The Company is subject to cybersecurity risk because of ordinary course of business. Financial, reputational or regulatory loss may be possible due to the breach of IT systems and associated loss of confidential information. The Company manages this risk by reviewing security protocols in place along with ongoing efforts to further harden IT structure.

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14. CONTINGENCIES

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.

On May 6, 2023, the Company won the legal case against China Yida Holding Company, Inc. (CYH) regarding the unpaid fair value of the shares of CYH common stock in the amount of \$17,710,440 plus interest of 6.25% per annum from July 8, 2016. The Company is working with legal advisers Boies Schiller Flexner LLP and Chasey Law Offices to assess the probability of the collection. The probability and likely amount of collection is uncertain at this time.

15. SUBSEQUENT EVENTS

Management has performed an evaluation of the Company's activities through to April 30, 2024, the date these financial statements were available to be issued, and concluded that there are no additional subsequent events requiring recognition or disclosure.