



ANTHONY CLARK INTERNATIONAL
INSURANCE BROKERS LTD.

ANNUAL FINANCIAL REPORT

MARCH 31, 2006

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.
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ANTHONY CLARK INTERNATIONAL
INSURANCE BROKERS LTD.

COMPANY PROFILE

The Company's head office and principal business office is located at Suite 355, 10333 Southport Road S.W., Calgary, Alberta, Canada T2W 3X6.

The Company's registered office is located at Suite 1200, 1015 - 4th Street S.W., Calgary, Alberta, Canada T2R 1J4.

ANNUAL GENERAL MEETING

Annual General Meeting of Anthony Clark International Insurance Brokers Ltd. will be held on Thursday, August 3, 2006, at 9:00 am (local time) in the Willow Park Room Best Western Hospitality Inn 135 Southland Drive S.E. Calgary, Alberta, Canada

The Company is a General Insurance Brokerage and has been in the General Insurance business since 1989. The Company carries on operations in Alberta, Canada and the States of California, Virginia, and Illinois, USA. The Company operates out of eighteen locations: five in Alberta, two in California, ten in Virginia, and one in Illinois.

The Company's operations are highly automated and it strives to maintain an excellent reputation with its customers and insurance carriers. Since its inception, the Company has pursued an aggressive growth strategy of acquiring other General Insurance Brokerages and integrating them into the Company's overall business structure. To date, the Company has purchased 23 General Insurance Brokerages and has plans to acquire additional brokerages in both Canada and the United States.

2006 HIGHLIGHTS

Year Ended March 31	2006	2005
Revenue	\$ 13,298,175	13,060,344
Earnings from operations (EBITDA) (1)	\$ 1,997,593	1,524,161
Total Assets	\$ 18,874,720	21,862,339
Total Liabilities and Shareholders' Equity	\$ 18,874,720	21,862,339
Cash and cash equivalents, end of year	\$ 558,551	401,944
Common Shares Outstanding at year end	8,551,978	7,955,153

(1) Before interest, taxes, depreciation and amortization. EBITDA is reconciled to Net Earnings (loss) on the Five Year Summary page at the end of the report.

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PRESIDENT'S REPORT

To Our Shareholders:

REVIEW OF OPERATIONS

The Company generated earnings of \$ 1,997,593 (2005 - \$1,935,436 before stock-based compensation expense (non-cash expense) of \$411,275) from operations before interest, income taxes and depreciation and amortization (EBITDA). EBITDA is discussed and presented here as a non-Generally Accepted Accounting Principle measure as it is management's major performance indicator. EBITDA is reconciled to Net Earnings (Loss) on the Five Year Summary page at the end of the annual report. The Company incurred a net loss from operations during the past fiscal year of \$2,850,451, including \$1,990,000 of net non-cash expenses relating to depreciation and amortization, future income taxes, amortization of deferred financing costs, loss on disposition of computer equipment and gain on Kabaker settlement. The cash expense portion of the loss amounted to approximately \$860,000, primarily related to the Kabaker litigation legal fees of \$408,000 and exit fees of \$363,000, associated with the refinancing of the FCC and Oak Street credit facilities. The Kabaker litigation was settled in December 2005.

NEW FINANCING OBTAINED

On June 15, 2005, the Company secured a new US\$25 Million (\$30,750,000 CDN) financing. This financing was used to repay the existing FCC and Oak Street credit facilities and certain other obligations amounting to approximately US\$8 Million and the remainder will be used to fund future acquisitions in the United States.

BROKERAGE ACQUISITION ACTIVITY

With the new financing in place and the Kabaker litigation settled, the Company can now fully focus on making additional brokerage acquisitions and significantly increasing revenues.

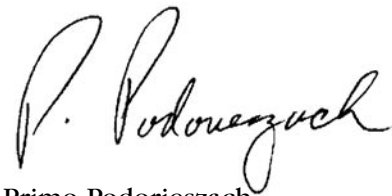
OUTLOOK

The Company is looking forward to a year of increasing revenues from new acquisitions and internal growth, together with the benefits resulting from the streamlining of costs initiated in the past fiscal year to improve its overall performance. Management believes that continuing to focus on acquisitions and operational improvements will reflect positively on the Company's share price.

Additionally, the Company will continue its efforts toward the attraction of additional capital to complement its current financing and accelerate the Company's growth.

Thank you for your confidence and continuing support.

On behalf of the Board of Directors,



Primo Podoriesz
President and CEO
Anthony Clark International Insurance Brokers Ltd.
June 15, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis may contain forward-looking statements and information. Forward-looking statements are statements that are not historical fact and are generally identified by words such as "believe", "expects", "projects" and words of similar connotation. Forward-looking statements are subject to various risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, changes in the insurance marketplace, regulations and taxes, restrictive terms and conditions, coverage exclusions and higher prices in every line of insurance. Readers are cautioned not to place undue reliance on these forward-looking statements.

The Company does not undertake to update or re-issue the forward-looking statements that may be contained herein, whether as a result of new information, future events or otherwise.

OVERVIEW

Anthony Clark International Insurance Brokers Ltd.'s (the "Company") primary business activity involves the operation of general insurance brokerages in Canada and the United States. Shares of the Company trade on the Toronto Stock Exchange ("TSE") under the symbol "ACL" and on the NASDAQ OTC under the symbol "ACKBF". The Company, founded in 1989, has expanded through internal growth and acquisitions. The Company operates in two economic environments and revenues are attributed to geographic areas based on the location of resources producing the revenues.

The following discussion should be read in conjunction with the consolidated financial statements and the related notes to those consolidated financial statements.

All amounts are in Canadian Dollars unless otherwise indicated.

2006 HIGHLIGHTS

- June 2005 - Closing of US\$25.0 million Bridge term loan
- June 2005 - Repayment of FCC and Oak Street credit facilities
- December 2005 - Settlement of Kabaker litigation



SELECTED ANNUAL INFORMATION

The following table summarizes selected annual information prepared in accordance with Canadian generally accepted accounting principles for the three most recently completed financial years (in Canadian dollars):

Years ended March 31,	2006	2005	2004
Revenue	\$13,298,175	\$13,060,344	\$7,469,559
Net earnings (loss)	\$(2,850,451)	\$(4,470,154)	\$(1,051,498)
Earnings (loss) per share- basic and diluted	\$(0.35)	\$(0.56)	\$(0.14)
Total assets	\$18,874,720	\$21,862,339	\$16,209,085
Total long-term financial liabilities	\$14,985,102	\$19,231	\$7,358,770

The Company's revenue and total assets have increased primarily due to US acquisitions during the year ended March 31, 2005.

The net loss for the year ended March 31, 2006 of \$(2,850,451), included net non-cash expenses amounting to \$1,989,845, which mainly related to depreciation and amortization, future income taxes, amortization of deferred financing costs, loss on disposition of computer equipment and gain on Kabaker settlement.

The net loss for the year ended March 31, 2005 of \$(4,470,154) included non-cash expenses amounting to \$4,651,527 which related to stock based compensation, depreciation and amortization, and amortization of deferred financing costs and loan discounts, and the impairment of deferred financing costs and unamortized loan discounts on reclassified long-term debt.

During the year ended March 31, 2006, new financing was obtained which resulted in the repayment of the existing senior debt and the reclassification of the seller's debt to long-term debt.

Effective on April 1, 2004 the Company adopted the guidance in Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" of the CICA Handbook. As permitted, the Company adopted Section 3870 on a retroactive basis but adjusted opening retained earnings of the 2005 fiscal year for the cumulative effect of adoption on prior years. The comparative figures for the 2004 fiscal year were therefore not restated to reflect the change in accounting policy.

RESULTS OF OPERATIONS

Business Acquisitions

Year ended March 31, 2006

The Vista acquisition agreement provided for contingent adjustment to the purchase price in the second and fifth years after closing. During the 2006 fiscal year, the second year adjustment was determined and the purchase price was reduced by \$ 3,105,202. This adjustment reduced the note payable to the vendor by \$ 3,105,202, goodwill by \$ 2,665,146 and customer accounts by \$ 440,056. Further, the Company and the vendors came to a settlement of ongoing disputes. The settlement resulted in the elimination of the fifth year adjustment from the agreement, the settlement of the note due from the vendors and withdrawal of all outstanding legal proceedings initiated by the vendors and the Company. The terms of the remaining note payable to the vendors were also revised to make the amount non-interest bearing and repayable over forty months, which commenced in December 2005. The Company realized a gain of \$ 251,377 resulting from the settlement.

Year ended March 31, 2005

During the 2005 fiscal year the Company acquired the net assets of two insurance brokerages known as "Vinciguerra", located in Virginia, and "Schuneman" located in Illinois. Purchase consideration of \$ 10,100,831 (US\$ 8,228,463) was given to effect these acquisitions. Both acquisitions are subject to a contingent adjustment based on future commission revenue, though in both acquisitions the purchase consideration may only be reduced. Goodwill attributed to both acquisitions is expected to be deductible for income tax purposes.

The results of operations and cash flows of the acquired businesses are included in these financial statements from the closing dates of the acquisitions, which are September 8, 2004 for Vinciguerra and January 12, 2005 for Schuneman.

The consideration given has been allocated to acquired identifiable assets and liabilities as follows based on the foreign exchange rates in effect on the dates of closing.

	Vinciguerra	Schuneman	Total
Customer accounts	\$ 1,855,983	\$ 227,906	\$ 2,083,889
Computer systems and equipment	64,390	36,759	101,149
Non-competition agreements	160,975	34,308	195,283
Goodwill	6,978,094	823,504	7,801,598
Other	6,439	—	6,439
Liabilities assumed	(87,527)	—	(87,527)
	\$ 8,978,354	\$ 1,122,477	\$ 10,100,831

Consideration paid

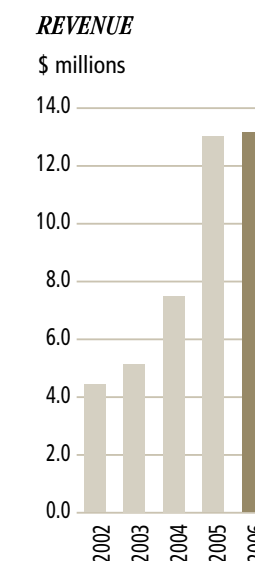
Cash	\$ 7,857,638	\$ 299,588	\$ 8,157,226
Fair values of notes payable	1,120,716	822,889	1,943,605
	\$ 8,978,354	\$ 1,122,477	\$ 10,100,831

The notes issued in connection with the Vinciguerra and Schuneman acquisitions are at rates of interest that were determined to be below the estimated market rate of interest for indebtedness with similar terms and credit quality. These notes have therefore been accounted for at their discounted fair values.

Revenue

The Company's revenue has increased to \$13,298,175 for the year ended March 31, 2006 from \$13,060,344 for the year ended March 31, 2005 primarily due to the impact of the 2005 US acquisitions being fully reflected in the current year's revenue, partially offset by the adverse effect (approximately \$600,000) of the strengthening Canadian dollar, reduced contingency income, loss of an independent producer's revenue, decline in premiums and general competition.

The Company's revenue has increased to \$13,060,344 for the year ended March 31, 2005 from \$7,469,559 for the year ended March 31, 2004 primarily due to revenue generated from US acquisitions (approximately \$5,891,000). Revenue from the US acquisitions has been recorded from the closing date of acquisition.



Expenses

Salaries and wages have decreased to \$7,766,650 for the year ending March 31, 2006 from \$7,925,260 for the year ending March 31, 2005 mainly due to the streamlining of costs in the US operations and the effect of the high Canadian dollar which reduced the impact of higher salaries and wages due to 2005 US acquisitions.

Salaries and wages have increased to \$7,925,260 for the year ending March 31, 2005 from \$4,818,880 for the year ending March 31, 2004 mainly due to salaries and wages of US acquisitions. Salaries and wages were streamlined in one US division during the year resulting in an annual saving of approximately \$767,000.

Rent increased to \$889,658 for the year ending March 31, 2006 from \$805,937 for the year ending March 31, 2005 primarily due to rent related to the 2005 US acquisitions.

Rent increased to \$805,937 for the year ending March 31, 2005 from \$422,672 for the year ending March 31, 2004 primarily due to rent related to the new US acquisitions.

General and administrative expenses increased to \$2,644,274 for the year ending March 31, 2006 from \$2,393,711 for the year ending March 31, 2005 primarily due to the 2005 US acquisitions and legal costs related to Kabaker litigation (net of gain on Kabaker settlement), partially offset due to company wide cost reductions and the effect of the exchange rate.

General and administrative expenses increased to \$2,393,711 for the year ending March 31, 2005 from \$1,446,886 for the year ending March 31, 2004 primarily due to the US acquisitions.

During the year ended March 31, 2005, the Company awarded 520,000 stock options which were accounted for in accordance with the new guidance Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" of the CICA Handbook which requires the expensing of the fair value of the options (\$411,275). There were no stock options issued during the current year ending March 31, 2006.

Revenues and expenses for US acquisitions have been included in the prior fiscal year from the closing date of the acquisitions and thus reflect results for only part of the year.

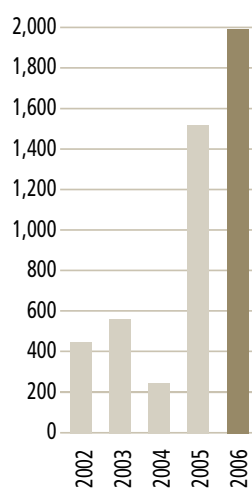
EARNINGS FROM OPERATIONS BEFORE INTEREST AND FINANCING COSTS AND TAXES AND DEPRECIATION AND AMORTIZATION (EBITDA)

The Company's EBITDA increased to \$ 1,997,593 for the year ended March 31, 2006 from \$1,524,161 for the year ended March 31, 2005, primarily due to streamlining of costs during the year and having the results of the US acquisitions for the 2005 fiscal year reflected for a full year. EBITDA as a percentage of revenue has increased from 11.7% for the year ended March 31, 2005 to 15.0% for the year ended March 31, 2006. Management has taken steps to streamline the costs associated with its US operations and expects further EBITDA improvements in upcoming quarters from these adjustments together with the effect of any new acquisitions.

The Company's EBITDA increased to \$1,524,161 for the year ended March 31, 2005 from \$258,502 for the year ended March 31, 2004, primarily due to US acquisitions, two of which the operations were included for the full year and two new acquisitions during the year. EBITDA as a percentage of revenue has increased from 3.5% for the year ended March 31, 2004 to 11.7% for the year ended March 31, 2005.

EARNINGS FROM OPERATIONS (EBITDA)

\$ thousands



EBITDA is discussed and presented here as a non-Generally Accepted Accounting Principles measure because it is management's major performance indicator. EBITDA is reconciled to Net loss below.

Reconciliation of EBITDA to Net loss

Years ended March 31,	2006	2005
Revenue	\$ 13,298,175	\$ 13,060,344
Earnings before the following (EBITDA)	1,997,593	1,524,161
Interest and Financing Costs	(2,724,687)	(4,539,268)
Depreciation and amortization	(1,858,270)	(1,303,867)
Income Taxes	(265,087)	(151,180)
Net Loss	\$ (2,850,451)	\$ (4,470,154)

During the year ended March 31, 2006, net non-cash expenses included in arriving at the net loss amounted to \$1,989,845, which mainly related to depreciation and amortization, future income taxes, amortization of deferred financing costs, loss on disposition of computer equipment and gain on Kabaker settlement.

During the year ended March 31, 2005, non-cash expenses included in arriving at the net loss amounted to \$4,651,527 which related to stock-based compensation, depreciation and amortization, amortization of deferred financing costs and loan discounts, and the impairment of deferred financing costs and unamortized loan discounts on reclassified long-term debt.

INTEREST AND FINANCING COSTS

	2006	2005
Canadian operations		
Interest on obligations under capital lease	\$ 910	\$ 1,410
U.S. operations		
Amortization of discount on reclassified long-term debt	—	166,489
Interest and loan fees on long-term debt	2,301,184	1,596,851
Amortization of deferred financing costs	421,925	230,199
Impairment of discount on reclassified long-term debt	—	1,428,664
Impairment of deferred financing costs on reclassified long-term debt	—	1,111,033
Interest on obligations under capital lease	668	4,622
	2,723,777	4,537,858
	\$ 2,724,687	\$ 4,539,268

Early payment fees of \$ 362,684 paid to Oak Street and FCC on June 30, 2005 are included in interest and loan fees on long-term debt.

Depreciation and Amortization

Depreciation and amortization increased to \$1,858,270 for the year ended March 31, 2006 from \$1,303,867 for the year ended March 31, 2005. The increase was due mainly to the amortization of increased customer accounts resulting from the US acquisitions, one of which has a two year amortization period and write down of customer accounts in one of the US divisions.

Depreciation and amortization increased to \$1,303,867 for the year ended March 31, 2005 from \$481,025 for the year ended March 31, 2004. The increase was due mainly to the amortization of increased customer accounts resulting from the US acquisitions, one of which has a two year amortization period.

SUMMARY QUARTERLY INFORMATION

The following table summarizes the Company's key consolidated financial information for the last eight quarters.

- Revenues from the new acquisitions are included from the closing date of the respective acquisitions.
- EBITDA is defined as Earnings before interest, income taxes, and depreciation and amortization.
- EBITDA is discussed and presented here as a non-Generally Accepted Accounting Principles measure because it is management's major performance indicator. EBITDA is reconciled to Net loss above.
- EBITDA loss in the September 2004 quarter was primarily related to the non-cash stock-based compensation (\$411,275) expensed in that quarter.
- EBITDA in the March 2005 quarter was primarily related to the US acquisitions in Virginia and Illinois.
- Net earnings (loss) in the March 2005 quarter was primarily related to the impairment of deferred financing costs and unamortized loan discounts on reclassified long-term debt \$2,539,697 (non-cash expenses).
- Revenue in September quarters is historically lower compared to the other quarters.
- EBITDA loss for the September 2005 quarter was primarily due to lower revenues and legal expenses related to Kabaker dispute.
- EBITDA for December 2005 quarter primarily due to the benefit of cost reduction initiatives in the US operations, the gain on Kabaker settlement, offset by legal expenses related to the Kabaker dispute.

	March 31, 2006				March 31, 2005			
	Mar	Dec	Sept	June	Mar	Dec	Sept	Jun
Revenues	4,042,729	3,088,025	2,733,826	3,433,595	4,872,382	3,146,777	2,528,979	2,512,206
EBITDA	1,382,435	565,283	(263,135)	313,010	1,732,032	27,253	(394,456)	159,332
Net loss	(221,852)	(580,523)	(993,632)	(1,054,444)	(2,079,926)	(974,156)	(1,057,215)	(358,857)
Loss per share								
Basic and Diluted	(0.03)	(0.07)	(0.12)	(0.13)	(0.26)	(0.12)	(0.13)	(0.05)

Fourth quarter 2006 results

Compared to the March 2005 quarter, revenues in the March 2006 quarter were lower due to the US divisions, primarily the decreased contingency income, decline in premiums, the loss of an independent producer's revenue and the effect of the higher Canadian dollar. EBITDA decreased due to decline in revenues, which was partially offset by cost reduction initiatives in certain US divisions. The net loss for the March 2006 quarter, compared to the March 2005 quarter, is lower due to the impairment of the deferred financing costs and unamortized loan discounts included in the March 2005 quarter.

CHANGE IN ACCOUNTING POLICY

Stock-based Compensation

Effective on April 1, 2004 the Company adopted the guidance in Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" of the CICA Handbook. As permitted, the Company adopted Section 3870 on a retroactive basis but adjusted opening retained earnings of the 2005 fiscal year for the cumulative effect of adoption on prior years. The comparative figures for the 2004 fiscal year were therefore not restated to reflect the change in accounting policy.

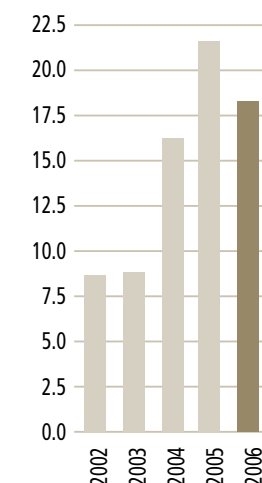
FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION

The Company's balance sheet as at March 31, 2006 as compared to March 31, 2005 reflects a net increase in working capital of \$16,534,672 as in the prior year all senior and seller's debt were reclassified to current liabilities as demand loans in accordance with Canadian accounting standards (EIC-59 Long-term debt with covenant violations). The funds received from the new financing were used primarily to repay credit facilities. Other major changes include a net decrease in customer accounts (\$2,075,882), decrease in goodwill (\$3,065,944), an increase in net deferred financing costs (\$2,193,805) and an increase in long-term debt (\$14,975,323). Shareholders' equity has decreased by \$1,735,440, primarily due to the current year operating loss of \$2,850,451, partially offset by an increase in the contributed surplus due to the accounting for warrants issued for new debt financing and the warrant repricing.

The Company's balance sheet as at March 31, 2005 as compared to March 31, 2004 reflects a net decrease in working capital of \$18,838,168 primarily due to the reclassification of all senior and seller's debt to current liabilities as demand loans in accordance with Canadian accounting standards (EIC-59 Long-term debt with covenant violations). Subsequent to the March 31, 2005 year end, new financing was obtained which resulted in the repayment of the existing senior debt that was in default and the reclassification of the seller's debt to long-term debt. Other major changes included a net increase in customer accounts (\$651,098), increase in goodwill (\$7,066,149), financing costs paid (\$832,998) and long-term debt (\$9,720,813) related to financing US acquisitions of customer accounts and goodwill. Shareholders' equity has decreased by \$4,089,128, primarily due to the current year operating loss of \$4,470,154, partially offset by an increase in the contributed surplus due to the accounting for stock-based compensation.

TOTAL ASSETS

\$ millions



FINANCIAL RESOURCES AND LIQUIDITY

At March 31, 2006, the Company had a working capital deficiency of \$(250,823), long-term debt of \$14,975,323 and obligations under capital leases of \$9,779. During the year ended March 31, 2006, new financing was obtained which resulted in the repayment of the existing senior debt and the reclassification of the seller's debt to long-term debt.

At March 31, 2005, the Company had a working capital deficiency of \$(16,785,495) and obligations under capital leases of \$19,231. The working capital deficiency was primarily due to the reclassification of the long-term debt to demand loans in current liabilities in accordance with Canadian accounting standards (EIC-59 Long-term debt with covenant violations).

On June 15, 2005, the Company closed a U.S.\$ 25,000,000 (\$ 30,750,000) secured debt financing arrangement with United States lenders, Bridge Healthcare Finance, LLC and Bridge Opportunity Finance, LLC (collectively, the "Lenders") whereby the Lenders provided a U.S.\$ 25,000,000 (\$ 30,750,000) five year term loan facility (the "Facility") to the Company.

The Company can borrow an aggregate amount, not to exceed at any time outstanding a multiple of between 4.05 and 3.25 times the trailing twelve month adjusted Earnings before Interest, Income Taxes, Depreciation and Amortization (EBITDA.) The multiple becomes 3.25 on and after March 31, 2007. The Facility will mature on June 15, 2010. Principal repayments are based upon an excess cash flow availability formula. Interest is payable monthly calculated at the rate of prime plus 6.25% per annum, but at no time less than 12% per annum, with an effective rate reduction of 1.5% and 2.5% for new equity raised of U.S.\$ 3.0 million and U.S.\$ 5.0 million respectively. As additional consideration for providing the Facility, the Company issued the Lenders 1,439,128 share purchase warrants exercisable at \$ 0.80 per share until June 15 2010. The estimated fair value of the share purchase warrants of \$ 666,118 has been determined using the Black-Scholes options pricing model. The amount has been accounted for as a deferred financing cost with a offsetting amount recorded as contributed surplus.

The Facility has been fully guaranteed by, and collateralized by all the assets of, the Company.

The initial term loan proceeds of U.S. \$ 7,527,105 were used to repay the credit facilities that were in default as of March 31, 2005 (see below) in the amount of U.S. \$ 6,458,460, and to pay costs of U.S. \$ 1,515,000 incurred in relation to the Facility. Additional legal costs of U.S.\$ 181,223 have been incurred in relation to the Facility. On June 30, 2005, the Company was advanced an additional U.S.\$ 500,000 under the Facility for working capital. The balance of the Facility may only be used to fund approved acquisitions within the United States.

At March 31, 2005 the Company was in default of certain of its credit facilities. As is required by Canadian generally accepted accounting principles, the Company reclassified its long-term debt as current liabilities as a result of the default. All unamortized deferred financing costs and unamortized debt discounts were also charged to earnings.

Shareholders' equity has decreased from \$2,408,969 as at March 31, 2005 to \$673,529 as at March 31, 2006 due primarily to the operating loss for the year ended March 31, 2006 of \$2,850,451 including net non-cash expenses amounting to \$1,989,845, which mainly related to depreciation and amortization, future income taxes, amortization of deferred financing costs, loss on disposition of computer equipment and gain on Kabaker settlement, partially offset by an increase in the contributed surplus due to the accounting for warrants issued to the senior lender and warrant repricing.

Shareholders' equity has decreased from \$6,498,097 as at March 31, 2004 to \$2,408,969 as at March 31, 2005 due primarily to the operating loss for the year ended March 31, 2005 of \$4,470,154 primarily due to non-cash based items of stock-based compensation (\$411,275), the

impairment of discount on reclassified long-term debt (\$1,428,664), impairment of deferred financing costs on reclassified long-term debt (\$1,111,033) and depreciation and amortization (\$1,303,867), partially offset by an increase in the contributed surplus due to the accounting for stock-based compensation.

The following table sets forth the Company's future contractual and long-term obligations as at March 31, 2006:

Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years
Capital Lease Obligations	20,746	10,967	9,779	—	—
Operating Lease Obligations	1,344,511	620,975	705,710	17,826	—
Long-term debt					
Kabaker Family Trust	489,015	173,898	315,117	—	—
Schuneman Insurance Agency Inc.	1,348,001	—	228,401	515,250	604,350
Bridge Healthcare	8,901,609	—	—	8,901,609	—
Canadian Risk Management	62,596	60,000	2,596	—	—
Emmett Lescroart	3,793,075	—	—	3,793,075	—
Al Vinciguerra Ltd.	840,551	225,626	501,370	113,555	—

SHARE CAPITAL

a) Authorized

	2006		2005	
	Shares	Amount	Shares	Amount
Issued				
Beginning of year	7,955,153	\$ 9,895,142	7,955,153	\$ 9,897,116
Common shares issued for private placement	213,500	128,100	—	—
Fair value of stock purchase warrants	—	(38,722)	—	—
Fair value of warrant re- pricing and extension	—	(78,326)	—	—
Common shares issued for debt settlement	383,325	306,660	—	—
Share issue costs	—	(10,090)	—	(1,974)
	8,551,978	\$ 10,202,764	7,955,153	\$ 9,895,142

On August 18, 2005, a debt of \$ 306,660 (U.S. \$ 250,000) was settled by the issuance of 383,325 common shares.

During the year ended March 31, 2006, the Company issued 213,500 units, each consisting of one common share and one share purchase warrant, on a private placement basis for cash of \$126,000 (\$ 0.60 per unit) and a finder's fee, paid in respect of the private placement, of 3,500 units valued at \$ 2,100 (\$ 0.60 per unit). Costs of issue of \$ 7,990 were also paid. Each share purchase warrant is exercisable into one common share at a price of \$ 0.80 per share until March 15, 2007. The estimated fair value of the warrants of \$ 38,722 has been determined using the Black-Scholes option pricing model. The amount has been recorded to contributed surplus.

b) Warrants

During the year ended March 31, 2006, 263,098 share purchase warrants were repriced at \$ 0.80 per share and extended to February 28, 2007. The estimated fair value of the extension and repricing of the warrants was \$ 78,326 and has been determined using the Black-Scholes option pricing model. An offsetting amount has been recorded to contributed surplus.

Changes in warrants during the years ended March 31, 2006 and 2005 are as follows:

	2006		2005	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	263,098	\$ 1.60	263,098	\$ 1.60
Issued	1,652,628	0.80	—	—
Outstanding, end of year	1,915,726	\$ 0.80	263,098	\$ 1.60

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2006:

Expiry date	Number	Exercise price
February 28, 2007	263,098	\$ 0.80
March 17, 2007	213,500	0.80
June 15, 2010	1,439,128	0.80
	1,915,726	\$ 0.80

STOCK-BASED COMPENSATION

The Company has an incentive stock option plan which provides for the award of stock options to directors, officers, employees and consultants. A maximum of 1,309,811 common shares are reserved under the plan. The terms and exercise prices of all stock option awards are determined by the directors at the time of issue. Stock options awarded during the year ended March 31, 2002 vested over periods of up to five years. All stock options awarded during the years ended March 31, 2004 and 2005 vested immediately. No stock options were awarded during the year ended March 31, 2006.

Changes in stock options during the years ended March 31, 2006 and 2005 are as follows:

	2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,290,411	\$ 1.00	1,308,811	\$ 1.23
Awarded	—	—	520,000	1.10
Cancelled	(15,000)	(1.10)	(4,000)	(1.00)
Expired	—	—	(534,400)	(1.69)
Outstanding, end of year	1,275,411	\$ 0.99	1,290,411	\$ 1.00
Exercisable, end of year	1,275,411	\$ 0.99	1,277,411	\$ 1.00

The following table sets forth information relating to stock options outstanding as at March 31, 2006:

Expiry	Range of exercise prices	Number outstanding at March 31, 2006	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2006	Weighted average exercise price
10/26/06	\$ 1.00	431,000	0.58	\$ 1.00	431,000	\$ 1.00
03/18/07	1.15	5,000	0.96	1.15	5,000	1.15
08/29/08	0.81	319,411	2.42	0.81	319,411	0.81
08/29/08	1.00	15,000	2.42	1.00	15,000	1.00
08/05/09	1.10	490,000	3.33	1.10	490,000	1.10
08/16/09	1.25	15,000	3.33	1.25	15,000	1.25
	\$ 0.81 to \$ 1.25	1,275,411	2.15	\$ 0.99	1,275,411	\$ 0.99

The fair value of stock options awarded to employees, directors and consultants was estimated on the dates of awards using the Black-Scholes option pricing model with the following assumptions:

	2006	2005
Risk-free interest rate	2.6%	2.6%
Estimated volatility	67-85%	93%
Expected lives	1-5 years	5 years

The average fair value of stock options awarded during the 2005 fiscal year, as calculated using the Black-Scholes option pricing model, was \$ 0.79 per stock option.

The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options that have no vesting provisions and are fully transferable. Also, option pricing models require the use of estimates and assumptions including expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect these fair value estimates.

RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties from time to time in the normal course of business. Related party transactions are measured at the exchange amount, being the amount of consideration estimated and agreed to between the related parties, unless otherwise noted.

Two directors are also partners with law partnerships. During the year the Company incurred \$262,806 (2005 - \$ 231,601) of legal fees with these law partnerships.

During the 2006 fiscal year the Company paid \$ Nil (2005 - \$ 246,831) to a trust, of which a former officer of the Company's subsidiary is a trustee, comprised of \$ Nil (2005 - \$ 118,154) representing interest on a note payable and \$ Nil (2005 - \$ 128,677) of principal.

The Company processed certain of its insurance policy sales through facilities owned by a former officer of the subsidiary. During the 2006 fiscal year, the Company processed \$ 667,269 (2005 - \$ 2,377,971) of revenue through this arrangement, incurred payroll costs, rent and overhead of \$ 649,316 (2005 - \$ 3,053,440) and paid for the purchase of office equipment of \$ Nil (2005 - \$ 40,984). Accounts receivable includes \$ Nil (2005 - \$ 60,408) in connection with this arrangement. Effective June 24, 2005, the officer of the subsidiary is no longer employed by the Company and therefore is no longer a related party.

The note receivable was due from a corporation controlled by a former officer of the subsidiary and was due on demand, did not bear interest and was denominated in U.S. dollars (U.S.\$ 150,000). The note was settled during the 2006 fiscal year.

The amount of \$40,000 due from an officer and director bears interest at the Royal Bank of Canada's prime rate of interest and is collateralized by a pledge of marketable securities and a pledge of other personal assets. The amount is repayable on demand but the Company does not anticipate requesting full repayment during the 2007 fiscal year.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that are both very important to the portrayal of the Company's financial condition and results, and require management's most difficult, subjective or complex judgments. We are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon available information, historical information and/or forecasts. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results could differ from these estimates. The accounting policies which management believes are the most critical to aid in fully understanding and evaluating our reported financial results include those relating to business acquisitions and accounting for the resulting customer accounts, goodwill and non-competition agreements, stock-based compensation and income taxes.

Impairment of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Business combinations

Business acquisitions are accounted for using the purchase method whereby the fair value of consideration given is allocated to identifiable assets acquired and liabilities assumed. The results of operations and cash flows of an acquired business are included in the Company's financial statements from the date of acquisition. Where the consideration given is subject to contingent adjustment based on future periods' operating results, such adjustment is recognized in the period the contingency is resolved.

Customer accounts

Acquired customer accounts are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over estimated useful lives of between two and seventeen years. The carrying value of customer accounts is periodically assessed for impairment in accordance with the Company's accounting policy for impairment of long-lived assets.

Goodwill

Goodwill results from business combinations and represents the excess of the consideration given over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization but is subject to an impairment test that is performed at least annually.

Non-competition agreements

Non-competition agreements are secured at the time of business combinations and are recognized at their estimated fair value at the date of acquisition. Amortization is provided on a straight-line basis over their estimated useful lives of between five and fifteen years. Impairment is periodically assessed in accordance with the Company's policy for impairment of long-lived assets.

Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

Income taxes

Income taxes are recorded using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using substantively enacted income tax rates. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by the annual filings.

Based upon the evaluation described above, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by the annual filings, the Company's disclosure controls and procedures were effective in timely alerting them to the material information relating to the Company (or its consolidated subsidiaries) required to be included in reports that the Company files.

RISK FACTORS

The securities of the Company are highly speculative. A prospective investor or other person reviewing the Company should not consider an investment unless the investor is capable of sustaining an economic loss of the entire investment. Certain risks are associated with the Company's business including the following:

Future growth and expansion is dependent on ongoing acquisitions of General Insurance Brokerages

To a large extent, the Company's growth and expansion plans depend upon the ongoing acquisition of independent General Insurance Brokerages at reasonable prices. There can be no assurance that an adequate number of acquisition candidates will be available to the Company to

meet its expansion plans, or in the event that such independent General Insurance Brokerages are available for acquisition that they will be available at a price which would allow the Company to operate on a profitable basis. The Company competes for acquisition and expansion opportunities with entities that have substantially greater resources than the Company and these entities may be able to outbid the Company for acquisition targets. If the Company fails to execute its acquisition strategy, the Company's revenue growth is likely to suffer and the Company may be unable to remain competitive.

The Company may be unable to successfully integrate its recent or future acquisitions

There can be no assurance that the Company's recently acquired brokerages or any brokerages acquired by the Company in the future will achieve acceptable levels of revenue and profitability or otherwise perform as expected. The Company has limited experience in acquiring and integrating brokerages in other markets. The Company may be unable to successfully integrate its recently-acquired brokerages in the United States, or other brokerages that the Company may acquire in the future, due to diversion of management attention, strains on the Company's infrastructure, difficulties in integrating operations and personnel, entry into unfamiliar markets, or unanticipated legal liabilities or tax, accounting or other issues. A failure to integrate acquired brokerages may be disruptive to the Company's operations and negatively impact the Company's revenue or increase the Company's expenses.

The Company has acquired and may continue to acquire brokerages prior to receipt of all regulatory licenses and carrier appointments, and in such circumstances the Company is dependent upon the vendor to continue to hold and to comply with the requirements of such licenses and appointments

The Company has in the past, and may in the future, purchase the assets of General Insurance Brokerages located in jurisdictions where the Company has not yet obtained the necessary licenses to operate as a General Insurance Brokerage. Without possessing such licenses, the Company cannot obtain carrier appointments from Insurance Companies which would enable it to market and sell General Insurance products in those jurisdictions. As such, the Company has in the past, and may in the future, enter into agency agreements with the vendors of these General Insurance Brokerages whereby the vendors of those agencies agree, for the sole and exclusive benefit of the Company, to market, sell, distribute, place and write General Insurance products to the clients of the Company and to any and all other potential customers who may wish to purchase General Insurance products from the Company. If the Company is unable to secure the required licenses in the various different states in which it operates or if the Company cannot obtain Insurance Company representation then this will have a negative impact on its ability to service its customers and provide alternative competitive insurance products. In addition, these agency agreements create a reliance by the Company on third parties in that the Company must rely upon the respective vendors to comply with applicable laws, to perform on the agency agreements and to process the Company's General Insurance business in the United States. If the vendors fail to properly perform on the agency agreements then this will have a negative impact on the Company's ability to service its customers.

The Company anticipates the need for additional financing, which it may not be successful in arranging

The Company has relied principally on debt financing to fund its recent acquisitions in the United States. The Company will require additional funds to make future acquisitions of General Insurance Brokerages and may require additional funds to market and sell its products into the marketplace. The Company has a history of losses and does not, therefore, anticipate that it will generate sufficient cash flow from operations in order to meet its financing needs. The ability of the Company to arrange such financing in the future, and to repay its existing debt, will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. In addition, the Company is subject to certain financial and other covenants under its financing arrangements. If the Company is unable to or does not comply with these covenants, the Company's financing needs may be accelerated. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, when needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If additional financing is not available on terms favorable to the Company, the Company may be unable to grow or may be required to limit or halt its expansion plans. In addition, the Company's existing creditors, some of whom have security interests in the Company's assets, may exercise their rights to acquire or dispose of the Company's assets.

Planned future growth is likely to place significant strains on the Company's management, administrative, operational and financial resources

Since its inception, the Company has experienced steady growth in revenue, number and complexity of products, personnel, and customer base. The Company's planned future growth is likely to place significant strains on the Company's management, administrative, operational and financial resources. Increased growth will require the Company to continue to add additional management personnel, improve its financial and management controls, reporting systems and procedures on a timely basis, to implement new systems as necessary, to expand, train, motivate and manage its sales and other personnel and to service the Company's customers effectively. There can be no assurance that the Company will be able to attract qualified personnel or improve its financial and management controls or implement new systems as necessary and the failure to do so may result in increased costs or a decline in revenue or both.

The Company's performance and future operating results and success are dependent on the effectiveness of the Company's management team and key personnel

The Company's performance and future operating results and success are substantially dependent on how effective the management team and key personnel are at organizing and implementing the Company's growth strategy and integrating acquired General Insurance Brokerages into the Company's overall organization. Shareholders will be relying on the judgment and expertise of the management of the Company.

The senior management and some key personnel are employed under employment contracts, while other key personnel of the Company are employed on a month to month basis and are not under an employment contract with the Company. Although the Company is in an industry in which there is not high employee turnover, the unexpected loss or departure of any of the Company's key management personnel, Mr. Podorieszach, the Chief Executive Officer, Mr. Consalvo, the Chief Operating Officer, Mr. Bhatia, the Chief Financial Officer and the Corporate Controller, Ms. Shelley Samec could be detrimental to the future operations of the Company.

There can be no assurance that the Company can retain its key personnel and managerial employees or that it will be able to attract or retain highly qualified personnel in the future. The Company believes that the compensation to its key management personnel is competitive with what other companies pay its key management personnel in the insurance brokerage industry. Although the Company plans to compensate its senior management and other key personnel at compensation levels that are competitive within the industry, there is no assurance that it will continue to be able to do so in the future and this may result in a departure of some if its senior management or other personnel.

The Company maintains keyman life insurance policies of \$100,000 on Mr. Consalvo and \$175,000 each on Mr. Podorieszch and Mr. Bhatia and has no other keyman life insurance on any other senior management or other personnel. The loss of the services of any of the Company's senior management or other key personnel or the inability to attract and retain the necessary technical, sales and managerial personnel could have a material adverse effect upon the Company's business, operating results and financial condition

The Company faces intense competition in the insurance industry

The Company is in an industry in which intense competition exists. The Company competes with other General Insurance Brokerages, as well as Insurance Companies that sell insurance directly to consumers and do not pay commissions to agents and brokers. Some competitors have substantially more financial resources and other assets available than the Company does and are larger and better established than the Company. Such competitors have existing distribution facilities and channels, customer recognition, customer lists, and greater research and development capabilities and sales marketing staff than does the Company. There can be no assurance that the Company will be able to compete successfully against current and future competitors, or that competitive pressure faced by the Company will not have a material adverse effect on its business, financial condition and results of operation.

Incursion of government, banks or other financial institutions

The Company is susceptible to an incursion in the general insurance industry by government or banks or other financial institutions. A government takeover of the general insurance business (or parts thereof) could affect the profitability of the Company. In addition, banks with greater financial resources and a larger customer base than the Company may enter (or are currently entering) the general insurance business. While management believes that the Company's representation of a large and diverse number of Insurance Companies will allow it to remain competitive against any such incursion by the banks, there is a possibility that their entrance into this market could affect the profitability of the Company.

The Company cannot accurately forecast commission revenue because commissions depend on premium rates charged by Insurance Companies, which historically have varied and are difficult to predict. Any declines in premiums may adversely impact profitability

Revenue from commissions fluctuates with premiums charged by insurers, as commissions typically are determined as a percentage of premiums. When premiums decline, the Company experiences downward pressure on revenue and earnings. Historically, property and casualty premiums have been cyclical in nature and have varied widely based on market conditions. Because we cannot determine the timing and extent of premium pricing changes, we cannot accurately forecast our commission revenue, including whether it will significantly decline. If premiums decline or commission rates are reduced, our revenue, earnings and cash flow could

decline. In addition, our budgets for future acquisitions, capital expenditures, dividend payments, loan repayments and other expenditures may have to be adjusted to account for unexpected changes in revenue.

Insurance Company contingent commissions and volume overrides are less predictable than normal commissions, which impairs the Company's ability to forecast the amount of such revenue that will be received and may negatively impact our operating results

A portion of the Company's revenue is derived from contingent commissions and volume overrides. The aggregate of these sources of revenue generally has accounted for approximately 6% of our total revenue. Contingent commissions may be paid by an Insurance Company based on the profit it makes on the overall volume of business that we place with it. Volume overrides and contingent commissions are typically calculated in the first or second quarter of the following calendar year by the Insurance Companies and are paid once calculated. Further, we have no control over the process by which Insurance Companies estimate their own loss reserves, which affects our ability to forecast contingent commissions. Because these contingent commissions affect our revenue, any decrease in their payment to us could adversely affect our results of operations. Recently, legal proceedings challenging the appropriateness of revenue sharing arrangements between Insurance Companies and brokerages, including contingent profit and volume override arrangements, have been commenced against certain insurance brokerages. These proceedings allege that such revenue sharing arrangements conflict with a broker's duty to its clients. While we have not been named as a defendant in any such proceeding, and disagree with the underlying premise that these revenue sharing arrangements create a conflict of interest, we could be the subject of a similar action in the future. A finding that such arrangements conflict with a broker's duty to its clients could have a material adverse affect on our revenue and profitability.

Proposed tort reform legislation on the United States, if enacted, could decrease demand for liability insurance, thereby reducing commission revenue

Legislation concerning tort reform is currently being considered in the United States Congress and in several states. Among the provisions being considered for inclusion on such legislation are limitations on damage awards, including punitive damages, and various restrictions applicable to class action lawsuits, including lawsuits asserting professional liability of the kind of which insurance is offered under certain policies we sell. Enactment of these or similar provision by Congress, or by states or countries in which we sell insurance, could result in reduction in the demand for liability insurance policies or a decrease in policy limits of such policies sold, thereby reducing our commission revenue.

Privacy legislation may impede the Company's ability to utilize the customer database as a means to generate new sales

The Company intends to utilize its extensive customer databases for marketing and sales purposes, which it believes would enhance the Company's ability to meet its organic growth targets. However, new privacy legislation, such as the Gramm-Leach-Bailey Act and the Health Insurance Portability and Accountability Act of 1996 in the United States and the Personal Information Protection and Electronic Documents Act (PIPEDA) in Canada, as well other regulatory changes, may restrict the Company's ability to utilize personal information that we have collected in the normal course of operations to generate new sales. If the Company becomes subject to new restrictions, or other regulatory restrictions, which we are not aware of, the Company's ability to grow the business may be adversely affected.

If the Company fails to comply with regulatory requirements for insurance brokerages, the Company may not be able to conduct business

The Company is subject to legal requirements and governmental regulatory supervision in the jurisdictions in which it operates. These requirements are designed to protect our clients by establishing minimum standards of conduct particularly regarding the provision of advice and product information as well as financial criteria.

Our activities in the United States and Canada are subject to regulation and supervision by state and provincial authorities. Although the scope of regulation and form of supervision by state and provincial authorities may vary from jurisdiction to jurisdiction, insurance laws in the United States and Canada are often complex and generally grant broad discretion to supervisory authorities in adopting regulations and supervising regulated activities. This supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling and investment of client funds held in fiduciary capacity. Our ability to conduct our business in the jurisdictions in which we currently operate depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions.

Our clients have the right to file complaints with the regulators about our services, and the regulators may investigate and require us to address these complaints. Our failure to satisfy the regulators that we are in compliance with their requirements or the legal requirements governing our activities can result in a disciplinary action, fines, reputation damage and financial harm.

In addition, changes in legislation or regulation and actions by regulators, including changes in administration and enforcement policies, could from time to time require operational improvements or modifications at various locations which could result in higher costs or hinder our ability to operate our business.

The Company's success is dependent on its ability to represent quality Insurance Companies

The Company's success is dependent upon its continued representation of quality Insurance Companies in order to sell insurance policies to customers. The Company's existing brokerage contracts with certain Insurance Companies do not have a set term or expiry date but may be terminated by either the Company or the Insurance Company on between 90-120 days' written notice of termination depending on the terms of the specific contract. In the event of termination on any of its contracts with Insurance Companies, there are no penalties to the Company but following termination, the Company is no longer able to represent the applicable Insurance Company as agent on the future placement or renewal of insurance policies. If the Company loses Insurance Company representation then this will have a negative impact on its ability to service its customers and provide alternative competitive insurance products.

Dilution and sales of additional Common Shares and the exercise of options and warrants

The number of outstanding Common Shares held by shareholders who are not affiliates of the Company and the number of Common Shares underlying outstanding stock options and warrants is large relative to the trading volume of the Company's Common Shares. Any substantial sale of the Common Shares, including Common Shares underlying stock options and warrants, or even the possibility of such sales occurring may have an adverse effect on the market price of the Common Shares.

Broker-Dealers may be discouraged from effecting transactions in the Common Shares because they are considered penny stocks and subject to penny stock rules

Rules 15c-1 through 15c-9 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") impose sales practice and disclosure requirements on NASD brokers-dealers who make a market in "a penny stock." A penny stock generally includes any non-Nasdaq equity security that has a market price of less than US\$5.00 per share. The Common Shares of the Company are posted for trading on the TSX and the closing price of its Common Shares on May 31, 2006 was \$0.60 per share. The Common Shares of the Company are also quoted on the OTCBB and the quoted price of its Common Shares on May 31, 2006 was US\$0.54 per share. As such, the Common Shares of the Company will be deemed penny stock for the purposes of the Exchange Act. The additional sales practices and disclosure requirements imposed upon broker-dealers may discourage broker-dealers from effecting transactions in the Common Shares of the Company, which could severely limit the market liquidity of the Common Shares and impede the sale of the Common Shares in the secondary market.

Under the penny stock regulations, a broker-dealer selling penny stock to anyone other than an established customer or "accredited investor", which is generally an individual with a net worth in excess of US\$1,000,000 or an annual income exceeding US\$200,000, or US\$300,000 together with his or her spouse, must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

The Company has significant costs and lower productivity could result in operating losses

Fixed costs including costs associated with salaries and employee benefits, depreciation and amortization, rent, and interest and financing costs account for a significant portion of the Company's costs and expenses. As a result, downtime or low productivity from its sales representatives, lower demand for insurance products, loss of the Company's customers, any significant decrease in the premium rates, volume and commission paid in the different segments of the general insurance industry, or other factors could result in operating losses and adversely impact on the Company.

No intention to declare dividends

The Company has a recent history of losses and has not declared or paid any cash dividends on its Common Shares. The Company currently intends to retain any future earnings to fund growth and operations and it is unlikely to pay any dividends in the immediate or foreseeable future. Any decision to pay dividends on its Common Shares in the future will be made by the board of directors on the basis of the Company's earnings, financial requirements and other conditions at such time.

Conflicts of directors and officers who serve as directors or officers or are significant shareholders of other companies

Directors and officers of the Company may serve as directors or officers of, or have significant shareholdings in other companies, or be or become engaged in business and activities in other fields, on their own behalf and on the behalf of other companies and entities. To the extent that such other companies or entities may participate in industries or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest. Conflicts, if any, will be subject to the procedures and remedies under the Business Companies Act (Alberta). None of the Company's directors serve as directors or officers of any competitors of the Company.

Investors may not be able to secure foreign enforcement of civil liabilities against the Company's management

The enforcement by investors of civil liabilities under the federal securities laws of the United States may be adversely affected by the fact that the Company is amalgamated under the laws of Canada, that all of its officers and directors are residents of a foreign country and a substantial portion of its assets and such person's assets are located outside of the United States. As a result, it may be difficult for holders of the Common Shares to effect service of process on such persons within the United States or to realize in the United States upon judgments rendered against them.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Anthony Clark International Insurance Brokers Ltd. and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared in accordance with accounting policies detailed in the notes to the financial statements and in accordance with Canadian generally accepted accounting principles. Where necessary, estimates of transactions that were incomplete at the year end have been made by management. Financial information throughout the Annual Report is consistent with the financial statements.

Management ensures the integrity of the financial statements by maintaining appropriate systems of internal control. Assets are safeguarded from loss or unauthorized use through established policies and procedures that reasonably ensure that transactions are appropriately approved.

D&H Group LLP, the Company's external auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards in order to express their opinion on the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This committee, comprised of directors who are not employees of the Company, meets with management and the external auditors to satisfy itself that management's responsibilities have been properly discharged and to review the consolidated financial statements before they are presented to the Board for approval. These financial statements have been approved by the Board on the recommendation of the Audit Committee.



P. Podorieszch

President and Chief Executive Officer



AUDITORS' REPORT

To the Shareholders of
Anthony Clark International Insurance Brokers Ltd.

We have audited the consolidated balance sheets of Anthony Clark International Insurance Brokers Ltd. as at March 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and 2005 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants

Vancouver, B.C.

May 12, 2006

Anthony Clark International Insurance Brokers Ltd. CONSOLIDATED BALANCE SHEETS

March 31, 2006 and 2005
(Expressed in Canadian dollars)

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 558,551	\$ 401,944
Accounts receivable	1,571,667	1,708,085
Trust cash (Note 2)	277,262	—
Prepaid expenses	289,317	221,705
	2,696,797	2,331,734
Note receivable (Note 5)	—	181,440
Due from director (Note 6)	40,000	40,000
Computer systems and office equipment (Note 7)	302,196	399,442
Customer accounts (Note 8)	3,602,617	5,678,499
Goodwill	9,459,390	12,525,334
Deferred financing costs (Notes 9 and 12)	2,193,805	—
Non-competition agreements (Note 10)	579,915	705,890
	\$ 18,874,720	\$ 21,862,339
LIABILITIES		
CURRENT LIABILITIES		
Demand loan (Note 11)	\$ 58,355	\$ —
Accounts payable and accrued liabilities	2,093,229	1,507,553
Income taxes payable	325,545	63,877
Current portion of long-term debt (Note 12)	459,524	17,525,064
Current portion of obligations under capital leases (Note 13)	10,967	20,735
	2,947,620	19,117,229
Obligations under capital leases (Note 13)	9,779	19,231
Long-term debt (Note 12)	14,975,323	—
Future income taxes (Note 18)	268,469	316,910
	18,201,191	19,453,370
Commitments (Note 19)		
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	10,202,764	9,895,142
Contributed surplus (Note 22)	1,450,751	667,585
Cumulative translation adjustment	(4,897)	(29,120)
Deficit	(10,975,089)	(8,124,638)
	673,529	2,408,969
	\$ 18,874,720	\$ 21,862,339

Nature of Operations (Note 1)

Approved by the Board

See accompanying notes to the consolidated financial statements.


Tony Consalvo, Director


Thomas Milley, Director

Anthony Clark International Insurance Brokers Ltd.
**CONSOLIDATED STATEMENTS OF
OPERATIONS AND DEFICIT**

Years ended March 31, 2006 and 2005

(Expressed in Canadian dollars)

	2006	2005
REVENUE	\$ 13,298,175	\$ 13,060,344
EXPENSES		
General and administrative	2,644,274	2,393,711
Rent	889,658	805,937
Salaries and wages	7,766,650	7,925,260
Stock-based compensation (Note 15)	—	411,275
	11,300,582	11,536,183
Earnings before interest, income taxes, depreciation and amortization	1,997,593	1,524,161
Interest and financing costs (Note 20)	2,724,687	4,539,268
Depreciation and amortization	1,858,270	1,303,867
Earnings (loss) before income taxes	(2,585,364)	(4,318,974)
INCOME TAXES (Note 18)		
Current	313,528	63,877
Future (recovery)	(48,441)	87,303
	265,087	151,180
Net earnings (loss) for the year	(2,850,451)	(4,470,154)
RETAINED EARNINGS (DEFICIT) , beginning of year		
As previously reported	(8,124,638)	(3,502,196)
Change in accounting policy (Note 3)	—	(152,288)
As restated	(8,124,638)	(3,654,484)
RETAINED EARNINGS (DEFICIT) , end of year	\$ (10,975,089)	\$ (8,124,638)
Earnings (loss) per share – basic and diluted	\$ (0.35)	\$ (0.56)

See accompanying notes to the consolidated financial statements.

Anthony Clark International Insurance Brokers Ltd.
**CONSOLIDATED STATEMENTS OF
CASH FLOW**

Years ended March 31, 2006 and 2005

(Expressed in Canadian dollars)

	2006	2005
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		
Net earnings (loss) for the year	\$ (2,850,451)	\$ (4,470,154)
Adjustments to reconcile net cash provided by operating activities		
Depreciation and amortization	1,858,270	1,303,867
Future income taxes (recovery)	(48,441)	87,303
Amortization of deferred financing costs and loan discounts	421,925	396,688
Impairment of deferred financing costs and unamortized loan discounts	—	2,539,697
Loss on disposition of computer equipment	9,468	—
Stock-based compensation	—	411,275
Gain on vendor settlement	(251,377)	—
Changes in non—cash working capital accounts		
Accounts receivable	110,676	(370,786)
Prepaid expenses	(73,740)	(103,420)
Accounts payable and accrued liabilities	327,656	301,647
Income taxes payable	261,668	63,877
	(234,346)	159,994
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds on issue of common shares	126,000	—
Share issue costs paid	(7,990)	(1,974)
Proceeds from demand loan	57,600	—
Repayments on long—term debt	(8,541,712)	(417,340)
Proceeds from long—term debt	10,419,561	7,469,141
Financing costs paid	(1,792,689)	(832,998)
	260,770	6,216,829
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		
Additions to computer systems and office equipment	(20,694)	(66,256)
Business acquisitions	(76,404)	(8,157,225)
Proceeds from note receivable	174,150	—
Cash paid on vendor settlement	(13,074)	—
	63,978	(8,223,481)
EFFECT OF FOREIGN EXCHANGE	66,205	258,939
INCREASE (DECREASE) IN CASH DURING THE YEAR	156,607	(1,587,719)
CASH , beginning of year	401,944	1,989,663
CASH , end of year	\$ 558,551	\$ 401,944

See Note 23.

See accompanying notes to the consolidated financial statements.

Anthony Clark International Insurance Brokers Ltd.
**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

March 31, 2006 and 2005 (Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Anthony Clark International Insurance Brokers Ltd. (the "Company") operates general insurance brokerages in Canada and the United States.

The Company had a net loss for the 2006 fiscal year of \$ 2,850,451 (2005 - \$ 4,470,154) and a net cash outflow from operations of \$ 234,346 (2005 - net cash inflow of \$ 159,994). The Company is economically dependent upon the financial support of its creditors (see Note 12) and upon achieving positive operating cash flow.

2. ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

Use of estimates

Significant estimates used in the preparation of these financial statements include the collectibility of accounts receivable, the allocation of the purchase price on business acquisitions, the valuation of reporting units when testing the recoverability of goodwill and intangible assets, the estimated useful lives of tangible and intangible assets and the fair value of stock-based compensation.

Revenue recognition

Commission revenue, which is earned by the placement of insurance policies with underwriters, is recognized as of the effective date of each policy provided that collection is believed to be reasonably assured. Contingent commissions are based on the underwriters' profitability on insurance policies placed by the Company and are recognized when received.

Trust cash

Certain premiums collected, net of related commissions, but not yet remitted to insurance carriers are restricted by contract and by law in certain jurisdictions.

Cash and cash equivalents

Term deposits with an original maturity of 90 days or less, or which are highly liquid, are considered cash equivalents.

Computer systems and office equipment

Computer systems and office equipment are carried at cost less accumulated depreciation. Depreciation is provided using the following rates and methods:

Computer equipment and software	— 30% declining balance
Furniture and equipment	— 20% declining balance

Impairment of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Business combinations

Business acquisitions are accounted for using the purchase method whereby the fair value of consideration given is allocated to identifiable assets acquired and liabilities assumed. The results of operations and cash flows of an acquired business are included in the Company's financial statements from the date of acquisition. Where the

consideration given is subject to contingent adjustment based on future periods' operating results, such adjustment is recognized in the period the contingency is resolved.

Customer accounts

Acquired customer accounts are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over estimated useful lives of between two and seventeen years. The carrying value of customer accounts is periodically assessed for impairment in accordance with the Company's accounting policy for impairment of long-lived assets.

Goodwill

Goodwill results from business combinations and represents the excess of the consideration given over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization but is subject to an impairment test that is performed at least annually.

Non-competition agreements

Non-competition agreements are secured at the time of business combinations and are recognized at their estimated fair value at the date of acquisition. Amortization is provided on a straight-line basis over their estimated useful lives of between five and fifteen years. Impairment is periodically assessed in accordance with the Company's policy for impairment of long-lived assets.

Deferred financing costs and debt discounts

Deferred financing costs and debt discounts are amortized over the term of the related indebtedness using the effective interest rate method. If the related debt becomes due on demand or is settled earlier, the related balance of unamortized deferred financing costs and debt discounts are charged to earnings.

Foreign currency translation

The Company uses the current rate method under which the assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated using weighted average exchange rates for the year. Foreign currency translation gains and losses are shown as a separate component of shareholders' equity.

Earnings (loss) per share

Earnings (loss) per share is determined using the weighted average number of common shares outstanding during the year, which amounted to 8,176,414 (2005 - 7,955,153) common shares. Diluted earnings (loss) per share is calculated using the treasury stock method, which assumes proceeds from the exercise of stock options and warrants would be used to purchase common shares at the average market price for the year. Diluted earnings (loss) per share has not been presented separately as the effect of common shares issuable on exercise of issued stock options would be anti-dilutive.

Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are accounted for as awards vest, with offsetting amounts recognized as contributed surplus.

Income taxes

Income taxes are recorded using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using substantively enacted income tax rates. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

3. CHANGE IN ACCOUNTING POLICY

Stock-based compensation

Effective on April 1, 2004 the Company adopted the guidance in Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" of the CICA Handbook. As permitted, the Company adopted Section 3870 on a retroactive basis but adjusted opening retained earnings of the 2005 fiscal year for the cumulative effect of adoption on prior years. The comparative figures for the 2004 fiscal year were therefore not restated to reflect the change in accounting policy.

4. BUSINESS ACQUISITIONS**Year ended March 31, 2006**

The Vista acquisition agreement provided for contingent adjustment to the purchase price in the second and fifth years after closing. During the 2006 fiscal year, the second year adjustment was determined and the purchase price was reduced by \$ 3,105,202. This adjustment reduced the note payable to the vendor by \$ 3,105,202, goodwill by \$ 2,665,146 and customer accounts by \$ 440,056. Further, the Company and the vendors came to a settlement of ongoing disputes. The settlement resulted in the elimination of the fifth year adjustment from the agreement, the settlement of the note due from the vendors and withdrawal of all outstanding legal proceedings initiated by the vendors and the Company. The terms of the remaining note payable to the vendors were also revised to make the amount non-interest bearing and repayable over forty months, which commenced in December 2005. The Company realized a gain of \$ 251,377 resulting from the settlement.

Year ended March 31, 2005

During the 2005 year the Company acquired the net assets of two insurance brokerages known as "Vinciguerra", located in Virginia, and "Schuneman" located in Illinois. Purchase consideration of \$ 10,100,831 (U.S.\$ 8,228,463) was given to effect these acquisitions. Both acquisitions are subject to contingent adjustment based on future commission revenue, though in both acquisitions the purchase consideration may only be reduced. Goodwill attributed to both acquisitions is expected to be deductible for income tax purposes.

The results of operations and cash flows of the acquired businesses are included in these financial statements from the closing dates of the acquisitions, which are September 8, 2004 for Vinciguerra and January 12, 2005 for Schuneman.

The consideration given has been allocated to acquired identifiable assets and liabilities as follows based on the foreign exchange rates in effect on the dates of closing.

	Vinciguerra	Schuneman	Total
Customer accounts	\$ 1,855,983	\$ 227,906	\$ 2,083,889
Computer systems and equipment	64,390	36,759	101,149
Non-competition agreements	160,975	34,308	195,283
Goodwill	6,978,094	823,504	7,801,598
Other	6,439	-	6,439
Liabilities assumed	(87,527)	-	(87,527)
	\$ 8,978,354	\$ 1,122,477	\$ 10,100,831
Consideration paid			
Cash	\$ 7,857,638	\$ 299,588	\$ 8,157,226
Fair values of notes payable	1,120,716	822,889	1,943,605
	\$ 8,978,354	\$ 1,122,477	\$ 10,100,831

The notes issued in connection with the Vinciguerra and Schuneman acquisitions are at rates of interest that were determined to be below the estimated market rate of interest for indebtedness with similar terms and credit quality. These notes were therefore accounted for at their discounted fair values.

5. NOTE RECEIVABLE

The amount was due from a corporation controlled by a former officer of the subsidiary and was due on demand, did not bear interest and was denominated in U.S. dollars (U.S.\$ 150,000). The note was settled during the 2006 fiscal year as discussed in Note 4.

6. DUE FROM DIRECTOR

The amount due from an officer and director bears interest at the Royal Bank of Canada's prime rate of interest and is collateralized by a pledge of marketable securities and a pledge of other personal assets. The amount is repayable on demand but the Company does not anticipate requesting full repayment during the 2007 fiscal year.

7. COMPUTER SYSTEMS AND OFFICE EQUIPMENT

	2006		
	Cost	Accumulated depreciation	Net
Computer equipment and software	\$ 852,490	\$ 683,844	\$ 168,646
Furniture and equipment	395,907	262,357	133,550
	\$ 1,248,397	\$ 946,201	\$ 302,196
	2005		
	Cost	Accumulated depreciation	Net
Computer equipment and software	\$ 885,741	\$ 654,360	\$ 231,381
Furniture and equipment	398,481	230,420	168,061
Corporate website	9,245	9,245	—
	\$ 1,293,467	\$ 894,025	\$ 399,442

Included in computer systems and office equipment are assets under capital lease with a cost of \$ 47,528 (2005 - \$ 45,693) and accumulated depreciation of \$ 22,078 (2005 - \$ 15,078).

8. CUSTOMER ACCOUNTS

	2006	2005
Cost	\$ 8,230,557	\$ 8,719,481
Accumulated amortization	(4,352,200)	(3,040,982)
Impairment of customer accounts	(275,740)	—
	\$ 3,602,617	\$ 5,678,499

The impairment of customer accounts is included within depreciation and amortization in the consolidated statements of operations and deficit and was determined based on estimated fair market value.

9. DEFERRED FINANCING COSTS

	2006	2005
Cost	\$ 2,606,500	\$ —
Accumulated amortization	(412,695)	—
	\$ 2,193,805	\$ —

During the 2005 fiscal year, the Company charged all deferred financing costs to earnings as discussed in Note 12.

10. NON—COMPETITION AGREEMENTS

	2006	2005
Cost	\$ 801,125	\$ 830,300
Accumulated amortization	(221,210)	(124,410)
	\$ 579,915	\$ 705,890

11. DEMAND LOAN

The demand loan bears interest at 10% per annum and is not collateralized.

12. LONG-TERM DEBT

	2006	2005
Term loan (U.S.\$ 7,627,117) with interest at the prime rate of interest plus 6.25% per annum, but not less than 12% per annum, payable monthly. Principal repayments are based on an excess cash availability formula. . Also, the outstanding loan in excess of a multiple of trailing twelve month adjusted EBITDA of between 4.05 and 3.25 is repayable. The multiple changes throughout the 2007 fiscal year and becomes 3.25 on and after March 31, 2007. The loan matures on June 15, 2010 and is collateralized by a pledge of all assets of the Company, with all other debt subordinated to the Lender. The Company must also satisfy certain covenants on an ongoing basis and failure to maintain compliance would result in the loan becoming due on demand. The lender may also exercise its right to make the loan due on demand under a subjective acceleration clause of the lending agreement. A principal repayment of U.S. \$ 399,988 was made on February 28, 2006. See (a) below.	\$ 8,901,609	\$ —
Due on demand (U.S.\$ 3,500,000) with interest at the prime rate of interest plus 8% per annum, with interest only payments until March 24, 2005 and then repayable in monthly payments of approximately \$ 95,000 including principal and interest, due on March 22, 2011 and collateralized by a pledge of all assets of the Company and cash held in escrow. Repaid during the 2006 fiscal year. See (a) below.	—	4,233,600
Cash held in escrow (U.S.\$ 500,000)	—	(609,306)
	—	3,624,294
Due on demand (U.S.\$ 2,901,558) with interest at the prime rate of interest plus 2% per annum, with interest only payments until June 14, 2006 and then repayable in monthly payments of \$ 103,446 including principal and interest, due on June 14, 2009 and collateralized by a pledge of all assets of the Company. Repaid during the 2006 fiscal year. See (a) below.	—	3,509,728
Note payable (U.S.\$ 3,250,000) with interest at 14% per annum, with monthly interest only payments, due on August 31, 2008 and collateralized by a pledge of certain assets of the Company.	3,793,075	3,931,200
Note payable (U.S.\$ 720,205) with interest at 7% per annum and repayable in monthly payments of \$ 23,110 including principal and interest, due on August 31, 2009 and collateralized by a pledge of certain assets of the Company.	840,551	1,089,241
Note payable (U.S.\$ 1,155,000) with interest at 8% per annum and repayable in monthly payments of \$ 28,328 including principal and interest that do not begin until January 1, 2008, due on December 31, 2012 and collateralized by a pledge of certain assets of the Company.	1,348,001	1,397,088
Note payable without interest and without collateral. Repayable in monthly principal payments of \$ 5,000	62,596	—
Note payable (U.S.\$ 419,000) without interest and repayable in twelve monthly payments of \$ 13,000 and then twenty eight monthly payments of \$ 11,250 commencing on December 31, 2005, due on March 31, 2009 and collateralized by a pledge of certain assets of the Company. See Note 4.	489,015	3,973,513
	15,434,847	17,525,064
Current portion	(459,524)	(17,525,064)
	\$ 14,975,323	\$ —

a) On June 15, 2005, the Company closed a U.S. \$ 25,000,000 (\$ 30,750,000) secured debt financing arrangement with United States lenders, Bridge Healthcare Finance, LLC and Bridge Opportunity Finance, LLC (collectively, the "Lenders") whereby the Lenders provided a U.S. \$ 25,000,000 (\$ 30,750,000) five year term loan facility (the "Facility") to the Company.

The Company can borrow an aggregate amount, not to exceed at any time outstanding a multiple of between 4.05 and 3.25 times the trailing twelve month adjusted Earnings before Interest, Income Taxes, Depreciation and Amortization (EBITDA.) The multiple becomes 3.25 on and after March 31, 2007. The Facility will mature on June 15, 2010. Principal repayments are based upon an excess cash flow availability formula. Interest is payable monthly calculated at the rate of prime plus 6.25% per annum, but at no time less than 12% per annum, with an effective rate reduction of 1.5% and 2.5% for new equity raised of U.S. \$ 3.0 million and U.S. \$ 5.0 million respectively. As additional consideration for providing the Facility, the Company issued the Lenders 1,439,128 share purchase warrants exercisable at \$ 0.80 per share until June 15, 2010. The estimated fair value of the share purchase warrants of \$ 666,118 has been determined using the Black-Scholes options pricing model using the assumptions stated in Note 15. The amount has been accounted for as a deferred financing cost with an offsetting amount recorded as contributed surplus.

The Facility has been fully guaranteed by, and collateralized by all the assets of, the Company.

The initial term loan proceeds of U.S. \$ 7,527,105 were used to repay the credit facilities that were in default as of March 31, 2005 (see below) in the amount of U.S. \$ 6,458,460, and to pay costs of U.S. \$ 1,515,000 incurred in relation to the Facility. Additional legal costs of U.S. \$181,223 have been incurred in relation to the Facility. On June 30, 2005, the Company was advanced an additional U.S. \$ 500,000 under the Facility for working capital. The balance of the Facility may only be used to fund approved acquisitions within the United States.

At March 31, 2005 the Company was in default of certain of its credit facilities. As is required by Canadian generally accepted accounting principles, the Company reclassified its long-term debt as current liabilities as a result of the default. All unamortized deferred financing costs and unamortized debt discounts were also charged to earnings (See Note 20).

b) The Company is obligated to make the following principal payments in each of the next five fiscal years:

2007	\$ 459,524
2008	402,093
2009	645,390
2010	4,153,989
2011	9,169,498
Thereafter	604,353
	<u>\$ 15,434,847</u>

Principal payments related to the term loan are included in 2011 only, as the amount of earlier repayments are not determinable. See above.

13. OBLIGATIONS UNDER CAPITAL LEASES

	2006	2005
Obligations under capital leases, bearing interest at rates between 9.78% and 15% per annum and collateralized by the assets under lease	\$ 20,746	\$ 39,966
Current portion	(10,967)	(20,735)
	<u>\$ 9,779</u>	<u>\$ 19,231</u>

14. SHARE CAPITAL**a) Authorized**

Unlimited common shares without par value

	2006		2005	
	Shares	Amount	Shares	Amount
Issued				
Beginning of year	7,955,153	\$ 9,895,142	7,955,153	\$ 9,897,116
Common shares issued for private placement	213,500	128,100	—	—
Fair value of stock purchase warrants	—	(38,722)	—	—
Fair value of warrant re-pricing extension	—	(78,326)	—	—
Common shares issued for debt settlement	383,325	306,660	—	—
Share issue costs	—	(10,090)	—	(1,974)
	8,551,978	\$ 10,202,764	7,955,153	\$ 9,895,142

On August 18, 2005, a debt of \$ 306,660 (U.S. \$ 250,000) was settled by the issuance of 383,325 common shares.

During the year ended March 31, 2006, the Company issued 213,500 units, each consisting of one common share and one share purchase warrant, on a private placement basis for cash of \$ 126,000 (\$ 0.60 per unit) and a finder's fee, paid in respect of the private placement, of 3,500 units valued at \$ 2,100 (\$ 0.60 per unit). Costs of issue of \$ 7,990 were also paid. Each share purchase warrant is exercisable into one common share at a price of \$ 0.80 per share until March 15, 2007. The estimated fair value of the warrants of \$ 38,722 has been determined using the Black-Scholes option pricing model using the assumptions stated in Note 15. The amount has been recorded to contributed surplus.

b) Warrants

During the year ended March 31, 2006, 263,098 share purchase warrants were repriced at \$ 0.80 per share and extended to February 28, 2007. The estimated fair value of the extension and repricing of the warrants was \$ 78,326 and has been determined using the Black-Scholes option pricing model using the assumptions stated in Note 15. An offsetting amount has been recorded to contributed surplus.

Changes in warrants during the years ended March 31, 2006 and 2005 are as follows:

	2006		2005	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	263,098	\$ 1.60	263,098	\$ 1.60
Issued	1,652,628	0.80	—	—
Outstanding, end of year	1,915,726	\$ 0.80	263,098	\$ 1.60

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2006:

Expiry date	Number	Exercise price
February 28, 2007	263,098	\$ 0.80
March 17, 2007	213,500	0.80
June 15, 2010	1,439,128	0.80
	1,915,726	\$ 0.80

15. STOCK—BASED COMPENSATION

The Company has an incentive stock option plan which provides for the award of stock options to directors, officers, employees and consultants. A maximum of 1,309,811 common shares are reserved under the plan. The terms and exercise prices of all stock option awards are determined by the directors at the time of issue. Stock options awarded during the year ended March 31, 2002 vested over periods of up to five years. All stock options awarded during the years ended March 31, 2004 and 2005 vested immediately. No stock options were awarded during the year ended March 31, 2006.

Changes in stock options during the years ended March 31, 2006 and 2005 are as follows:

	2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,290,411	\$ 1.00	1,308,811	\$ 1.23
Awarded	—	—	520,000	1.10
Cancelled	(15,000)	(1.10)	(4,000)	(1.00)
Expired	—	—	(534,400)	(1.69)
Outstanding, end of year	1,275,411	\$ 0.99	1,290,411	\$ 1.00
Exercisable, end of year	1,275,411	\$ 0.99	1,277,411	\$ 1.00

The following table sets forth information relating to stock options outstanding as at March 31, 2006:

Expiry	Range of exercise prices	Number outstanding at March 31, 2006	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2006	Weighted average exercise price
10/26/06	\$ 1.00	431,000	0.58	\$ 1.00	431,000	\$ 1.00
03/18/07	1.15	5,000	0.96	1.15	5,000	1.15
08/29/08	0.81	319,411	2.42	0.81	319,411	0.81
08/29/08	1.00	15,000	2.42	1.00	15,000	1.00
08/05/09	1.10	490,000	3.33	1.10	490,000	1.10
08/16/09	1.25	15,000	3.33	1.25	15,000	1.25
	\$ 0.81 to \$ 1.25	1,275,411	2.15	\$ 0.99	1,275,411	\$ 0.99

The fair value of stock options awarded to employees, directors and consultants was estimated on the dates of awards using the Black-Scholes option pricing model with the following assumptions:

	2006	2005
Risk-free interest rate	2.6%	2.6%
Estimated volatility	67-85%	93%
Expected lives	1-5 years	5 years

The average fair value of stock options awarded during the 2005 fiscal year, as calculated using the Black-Scholes option pricing model, was \$ 0.79 per stock option.

The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options that have no vesting provisions and are fully transferable. Also, option pricing models require the use of estimates and assumptions including expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect these fair value estimates.

16. RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties from time to time in the normal course of business. Related party transactions are measured at the exchange amount, being the amount of consideration estimated and agreed to between the related parties, unless otherwise noted.

Two directors are also partners with law partnerships. During the year the Company incurred \$ 262,806 (2005 - \$ 231,601) of legal fees with these law partnerships.

During the 2006 fiscal year the Company paid \$ Nil (2005 - \$ 246,831) to a trust, of which a former officer of the Company's subsidiary is a trustee, comprised of \$ Nil (2005 - \$ 118,154) representing interest on a note payable and \$ Nil (2005 - \$ 128,677) of principal.

The Company processed certain of its insurance policy sales through facilities owned by a former officer of the subsidiary. During the 2006 fiscal year, the Company processed \$ 667,269 (2005 - \$ 2,377,971) of revenue through this arrangement, incurred payroll costs, rent and overhead of \$ 649,316 (2005 - \$ 3,053,440) and paid for the purchase of office equipment of \$ Nil (2005 - \$ 40,984). Accounts receivable includes \$ Nil (2005 - \$ 60,408) in connection with this arrangement. Effective June 24, 2005, the officer of the subsidiary is no longer employed by the Company and therefore is no longer a related party.

See Notes 4, 5 and 6.

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trust cash, accounts receivable, an amount due from a director, accounts payable and accrued liabilities, demand loan, long-term debt and obligations under capital leases.

Fair value

The carrying values of cash, trust cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments. The fair value of the amount due from a director, demand loan and the obligations under capital leases are approximated by their carrying values as these items bear market rates of interest. The fair value of long-term debt is approximated by their carrying amounts as the long-term debt either bears a fair market rate of interest or the carrying amount was discounted to reflect a below market rate of interest.

Credit risk

The Company financial instruments that are exposed to concentrations of credit risk consist primarily of cash, trust cash and accounts receivable. Cash and trust cash are in place with major financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers. The Company has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.

Foreign currency risk

The Company conducts business operations in the United States and has U.S. dollar denominated indebtedness and is therefore exposed to cash flow risks associated with fluctuations in the relative value of the Canadian and U.S. dollar. The Company does not engage in hedging activities or use financial instruments to reduce its risk exposure.

Interest rate risk

Certain of the Company's indebtedness bear interest at floating rates, which exposes the Company to interest rate cash flow risk. Should the base rate of interest increase in the future, the Company's required interest payments will also increase.

18. INCOME TAXES

Income tax expense or recovery is the sum of the Company's provision for current income taxes and the difference between the opening and ending balances of its future income tax assets and liabilities.

The provision for income tax differs from the result which would have been obtained by applying the statutory income tax rate of 33.6% (2005 - 33.6%) to the Company's net income (loss) before income taxes. The difference results from the following items:

	2006	2005
Expected income tax expense (recovery)	\$ (868,683)	\$ (1,501,971)
Non-deductible impairment of debt discounts	—	480,031
Net non-deductible portion of financing costs	829,800	417,148
Net unrecognized benefit of loss carryforwards	446,600	999,558
Non-deductible stock-based compensation	—	138,188
Net effect of deductible goodwill and intangibles	(111,000)	(377,163)
Other	(31,630)	(4,611)
	<u>\$ 265,087</u>	<u>\$ 151,180</u>

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at March 31, 2006 and 2005 are as follows:

	2006	2005
Future income tax assets		
Customer accounts, with tax basis	\$ 725,412	\$ 199,478
Other assets	10,538	33,067
Non capital losses	985,330	1,326,180
Valuation allowance	(1,559,961)	(1,279,658)
	<u>161,319</u>	<u>279,067</u>
Future income tax liabilities		
Other intangibles	(99,695)	—
Goodwill	(54,242)	(255,038)
Customer accounts, without tax basis	(275,851)	(340,939)
	<u>(429,788)</u>	<u>(595,977)</u>
Net future income tax liability	<u>\$ (268,469)</u>	<u>\$ (316,910)</u>

As at March 31, 2006, the Company had accumulated U.S. net operating losses of approximately U.S. \$ 2,400,000 which can be carried forward and charged against future taxable income. A valuation allowance has been provided for these future income tax assets as there is no reasonable assurance the potential benefit of these losses will be realized. These losses expire principally in 2024 through 2026.

19. COMMITMENTS

The Company leases office premises under operating leases that expire at various dates during the 2007 through 2010 fiscal years. The Company's minimum lease payments under the agreements are as follows:

2007	\$ 620,975
2008	468,091
2009	237,619
2010	17,826
	<u>\$ 1,344,511</u>

20. INTEREST AND FINANCING COSTS

	2006	2005
Canadian operations		
Interest on obligations under capital lease	\$ 910	\$ 1,410
U.S. operations		
Amortization of discount on reclassified long-term debt	—	166,489
Interest and loan fees on long-term debt	2,301,184	1,596,851
Amortization of deferred financing costs	421,925	230,199
Impairment of discount on reclassified long-term debt	—	1,428,664
Impairment of deferred financing costs on reclassified long-term debt	—	1,111,033
Interest on obligations under capital lease	668	4,622
	<u>2,723,777</u>	<u>4,537,858</u>
	<u>\$ 2,724,687</u>	<u>\$ 4,539,268</u>

Early payment fees of \$ 362,684 paid to Oak Street and FCC on June 30, 2005 are included in interest and loan fees on long-term debt.

21. SEGMENT DISCLOSURES

The Company operates in two geographic regions, Canada and the United States. There were no inter-segment transactions during the reporting periods:

Operating Segments	Twelve months ended March 31, 2006			Twelve months ended March 31, 2005		
	Canada	U.S.	Consolidated	Canada	U.S.	Consolidated
Revenue	\$ 5,292,928	\$ 8,005,247	\$ 13,298,175	\$ 5,189,302	\$ 7,871,042	\$ 13,060,344
Net earnings	461,930	(3,312,381)	(2,850,451)	(70,047)	(4,400,107)	(4,470,154)
Identifiable assets	3,664,362	15,210,358	18,874,720	4,198,839	17,663,500	21,862,339
Additions to:						
Computer systems and office equipment	2,966	20,756	23,722	7,755	58,501	66,256
Goodwill	—	—	—	—	7,801,598	7,801,598
Depreciation and amortization	250,205	1,608,065	1,858,270	266,328	1,037,539	1,303,867
Interest and financing costs	910	2,723,777	2,724,687	1,410	4,537,858	4,539,268
Computer systems and office equipment and goodwill	1,666,160	8,095,426	9,761,586	1,705,067	11,219,709	12,924,776

22. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	2006	2005
Balance, beginning of year	\$ 667,585	\$ 104,022
Effect of change in accounting policy (Note 3)	—	152,288
Stock-based compensation expense	—	411,275
Fair value of stock purchase warrants issued for financing costs (Note 12)	666,118	—
Fair value of stock purchase warrants issued (Note 14)	38,722	—
Amount reclassified from share capital on repricing of previously issued stock purchase warrants (Note 14)	78,326	—
	<u>\$ 1,450,751</u>	<u>\$ 667,585</u>

23. SUPPLEMENTAL CASH FLOW

During the years ended March 31, 2006 and 2005 the Company paid interest of \$ 2,336,390 and \$ 1,390,222, respectively, and paid income taxes of \$ 48,874 and \$ Nil, respectively.

During the years ended March 31, 2006 and 2005, the Company had non-cash transactions as follows:

	2006	2005
Financing activities		
Reduction in long-term debt due to Vista acquisition price adjustment	\$ (3,105,202)	\$ —
Warrant issued for financing fees	666,118	—
Financing fees settled with warrants	(666,118)	—
Common shares issued for debt settlement	306,660	—
Settlement of long-term debt for common shares	(306,660)	—
Reclassification to contributed surplus from repricing of warrants	78,326	—
Share capital	(117,048)	—
Contributed surplus from issue of warrants	38,722	—
Note payable for purchase of customer accounts	68,096	1,943,605
	<u>(3,037,106)</u>	<u>1,943,605</u>
Investing activities		
Elimination of Vista goodwill	2,665,146	—
Reduction of Vista customer accounts	440,056	—
Purchase of customer accounts for note payable	(68,096)	—
Business acquisitions partially funded by notes payable	—	(1,943,605)
	<u>3,037,106</u>	<u>(1,943,605)</u>
	<u>\$ —</u>	<u>\$ —</u>

FIVE YEAR SUMMARY

Years ended March 31,	2006	2005	2004	2003	2002
OPERATIONS					
Revenue	\$ 13,298,175	13,060,344	7,469,559	5,175,072	4,449,628
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,997,593	1,524,161	258,502	552,778	445,029
Interest and financing costs	2,724,687	4,539,268	941,153	285,720	9,540
Depreciation and amortization	1,858,270	1,303,867	481,025	609,546	343,172
Income Taxes (recovery)	265,087	151,180	(112,178)	13,313	10,830
Net Earnings (Loss)	\$ (2,850,451)	(4,470,154)	(1,051,498)	(355,801)	81,487
Earnings (Loss) Per Share	\$ (0.35)	(0.56)	(0.14)	(0.05)	0.01
FINANCIAL POSITION					
Current Assets	\$ 2,696,797	2,331,734	3,971,386	4,972,921	5,059,540
Computer Systems and office equipment	302,196	399,442	376,540	212,265	522,085
Customer Accounts Cost	8,230,557	8,719,481	7,069,520	3,215,968	4,964,654
Accumulated Amortization	(4,627,940)	(3,040,982)	(2,042,119)	(1,653,901)	(1,879,645)
	3,602,617	5,678,499	5,027,401	1,562,067	3,085,009
Goodwill	9,459,390	12,525,334	5,459,185	1,574,832	–
Non-competition agreements	579,915	705,890	663,551	–	–
Deferred financing costs	2,193,805	–	474,447	340,193	–
Total Assets	\$ 18,874,720	21,862,339	16,209,085	8,662,278	8,666,634
Current Liabilities	\$ 2,947,620	19,117,229	2,122,611	1,062,058	796,074
Long Term Debt	14,975,323	–	7,318,804	17,624	118,548
Future Income Taxes	268,469	316,910	229,607	346,162	734,661
Shareholders' Equity	673,529	2,408,969	6,498,097	7,236,434	7,017,351
Total Liabilities and Shareholders' Equity	\$ 18,874,720	21,862,339	16,209,085	8,662,278	8,666,634
Cash and cash equivalents, end of year	\$ 558,551	401,944	1,989,663	3,719,408	3,777,087
SHAREHOLDER INFORMATION					
Common Shares Outstanding at year end	8,551,978	7,955,153	7,955,153	7,692,055	7,692,055

COMPANY INFORMATION

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