



ANTHONY CLARK INTERNATIONAL
INSURANCE BROKERS LTD.

ANNUAL FINANCIAL REPORT

MARCH 31, 2008

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.
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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.

The Company is a General Insurance Brokerage and has been in the General Insurance business since 1989. The Company has expanded through internal growth and acquisitions. The Company carries on operations in Alberta, Canada and the States of California, Virginia and Arizona, USA. The Company operates out of twenty-two locations: four in Alberta, six in California, eleven in Virginia and one in Arizona.

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.

2008 HIGHLIGHTS

Year Ended March 31	2008	2007
Revenue	\$ 15,288,962	11,171,529
Earnings from operations (EBITDA) (1)	\$ 1,596,646	1,818,607
Total Assets	\$ 25,245,939	15,917,995
Total Liabilities and Shareholders' Equity	\$ 25,245,939	15,917,995
Cash, end of year	\$ 403,554	773,982
Common Shares Outstanding at year end	8,551,978	8,551,978

(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 MESSAGE

FOCUS CHANGE PERFORMANCE

Following a major change at the Senior Executive level, we have refocused our energies to the bottom line objective of improving both our financial position and shareholder value. The Senior Executive team is working closely, aggressively and competently towards the achievement of these objectives. We are focused and on target to demonstrate significant improvements in our business operations.

Over the past year, the industry performed well where consumers enjoyed enhanced products and lower premiums, and insurers enjoyed another year of profitability.

Now, however, the industry is entering a year of change and challenge after establishing two years of record profits. The Alberta insurance market, I predict, will experience an increase in Personal lines insurance rates and Commercial lines insurance should start to stabilize after two years of a "soft market". In California, the Personal lines insurance rates continue to decline and the Commercial lines sector has finally stabilized, and may increase several percentage points this year.

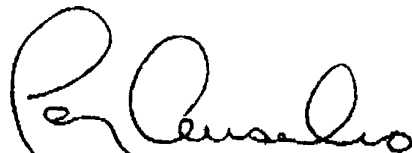
This past year, the Company faced a challenging business environment resulting from, among other issues, a slow down in the US economy and the subprime mortgage crises. The Company's Senior Executive strategically reviewed all business locations and operations leading to decisive action designed to restore financial performance. Continued marketing campaigns, payroll cost reduction and other proactive measures have improved and will continue to improve our performance. These aggressive steps have strengthened our business and our prospects for the future.

The Company has replaced certain debt instruments with an ING Term Loan, benefiting the Company with better terms including reduced interest charges, thereby assisting the Company's cash flow. In addition, a new Acquisition Facility loan has been structured with ING allowing the Company to purchase Canadian insurance brokerages which will result in increased cash flow and contribution to earnings.

In November 2007, former President and Chief Executive Officer Primo Podorieszach resigned and I accepted the position of President and Chief Executive Officer. Our primary objective is to reposition our operating model for future success, generating a significant improvement to shareholder value.

I wish to acknowledge the hard work of our Board of Directors, Senior Executive and employees who have faced the many challenges of this past year. Finally, I thank the shareholders for their continued support.

Sincerely,



Tony Consalvo

President and CEO
Anthony Clark International Insurance Brokers Ltd.
June 27, 2008

June 23, 2008

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 TSX Venture Exchange under the symbol "ACL". 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 audited consolidated financial statements and the related notes to those audited consolidated financial statements for the year ended March 31, 2008, which are prepared in accordance with Canadian GAAP.

All amounts are in Canadian Dollars unless otherwise indicated.

2008 HIGHLIGHTS

- June 2007: Acquisition of a California agency and closing of the related Aleritas loan facility
- June 2008: Closing of CDN\$10 million ING term loan facility to refinance existing loans, CDN\$1.5 million line of credit facility, and sale of a minority interest of the Canadian operations

While continuing to look for quality acquisitions, the Company's focus this past year was to seek capital injection, reduce the debt cost and negotiate longer term debt, streamline costs, review divestiture of underperforming assets and increase organic growth by cross-selling products.



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:

Years ended March 31,	2008	2007	2006
Revenue	\$ 15,288,962	\$ 11,171,529	\$ 11,426,938
Net earnings (loss) before discontinued operations	(3,502,409)	(3,975,379)	(2,416,186)
Net earnings (loss)	(3,529,556)	(3,997,983)	(2,850,451)
Total assets	25,245,939	15,917,995	18,801,003
Total long-term liabilities	\$ 28,811,970	\$ 16,686,231	\$ 14,985,102
Earnings (loss) before discontinued operations per share -basic and diluted	(0.41)	(0.47)	(0.30)
Earnings (loss) per share -basic and diluted	(0.41)	(0.47)	(0.35)

The Company's revenue, total assets and total long-term liabilities have increased primarily due to the acquisition of an agency in California during the year ended March 31, 2008.

The net loss for the year ended March 31, 2008 of \$3,529,556 included \$2,145,811 of net non-cash expenses consisting of amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, depreciation and amortization, stock-based compensation and the net loss from discontinued operations of \$27,147.

CHANGE IN PRESIDENT AND C.E.O

Effective as of November 23, 2007, Mr. Primo Podorieszach for personal and family reasons, resigned as President and C.E.O and a director of Anthony Clark and all of its subsidiary entities. Mr. Tony Consalvo, formerly the chief operating officer of Anthony Clark, replaced Mr. Podorieszach as the President and C.E.O of Anthony Clark and all of its subsidiary entities. With this change, the Board of Directors along with Management is exploring strategic options to enhance shareholder value.

RESULTS OF OPERATIONS

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective on April 1, 2007, the Company adopted Section 3855 "Financial instruments – Recognition and measurement" issued by the Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants.

Section 3855 sets out criteria for the recognition and measurement of financial instruments and requires all financial instruments within its scope, including derivatives, to be accounted for either at fair value, or in circumstances where fair value may not be considered the most relevant information, at cost or amortized cost. All financial instruments are classified into one of five categories, with each category possessing specific requirements for initial and subsequent recognition and measurement.

Upon adoption of Section 3855, the Company designated its cash as a held-for-trading, which

is accounted for at fair value. Accounts and other amounts receivable are classified as loans and receivables, which are accounted for at amortized costs. Accounts payable and accrued liabilities, long-term debt and other liabilities are classified as other financial liabilities, which are also accounted for at amortized costs. The Company elected to continue to capitalize transactions costs incurred upon the issue of financial liabilities. Amounts paid to lenders and transaction costs are considered in the calculation of the effective interest rate of financial liabilities and are amortized to interest expense using the effective interest method.

The adoption of Section 3855 had no effect on the Company's financial position as at April 1, 2007.

Effective on April 1, 2007 the Company also adopted Section 1530 "Comprehensive income" issued by the AcSB. Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. Section 1530 requires certain gains and losses that would otherwise be recognized as part of net income (loss) to be presented in "other comprehensive income" until it is considered appropriate to be recognized in net income (loss). Section 1530 also requires the presentation of accumulated other comprehensive income (loss) and its components. Accordingly, the Company now includes comprehensive income (loss) within its consolidated statements of operations and comprehensive income (loss), and a statement of shareholders' equity as a separate financial statement.

NEW ACCOUNTING STANDARDS

Effective on April 1, 2008, the Company will be required to adopt the following new accounting standards issued by the Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants:

Section 3862 "Financial instruments – Disclosures" replaces the disclosure requirements of Section 3861 "Financial instruments – Presentation and disclosure". Section 3862 will require additional disclosure of the risks associated with financial instruments and of how those risks are managed.

Section 1535 "Capital disclosures" will require disclosure of information to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Also, the AcSB has adopted a strategic plan under which Canadian accounting standards for publicly-listed companies will converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company understands there to be material differences between Canadian GAAP and IFRS, and is therefore monitoring this project with a view to understanding the possible future effects of the transition to IFRS.

BUSINESS ACQUISITIONS

Year ended March 31, 2008

On June 28, 2007, the Company acquired the fixed assets and book of business ("the Assets") of Low Cost Insurance Services Inc. ("Low Cost") located in California and Arizona for purchase consideration of \$11,736,800. To finance the purchase of the assets, franchise fees (\$1,052,072), loan fees (\$415,241) and to provide additional working capital (\$1,062,699), the Company arranged additional secured debt financing with Brooke Credit Corporation (\$10,983,378) and Brooke Canada Funding Inc. (\$3,283,434). Additional legal and other costs related to the acquisition were \$64,352. As part of the purchase agreement, net cash received relating to operations prior to the closing date of the transaction of approximately \$370,509 (US\$348,649) were deducted from the cost of net assets acquired. Under the terms of the purchase agreement

for the Low Cost acquisition, there was a provision for the adjustment of the purchase price based on actual commission revenue in the first six months after purchase, as defined in the agreement. During the year, the purchase price was recalculated resulting in an adjustment to reduce goodwill in the amount of \$ 305,032 (U.S. \$ 296,753) with a corresponding reduction to the note payable to the vendor in the amount of \$ 305,032 (U.S. \$ 296,753).

The results of operations and cash flows of the acquired business are included in these financial statements from the closing date of the acquisition, which was June 28, 2007.

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

Assets acquired:

Customer accounts	\$ 1,739,867
Fixed assets	265,675
Goodwill	9,163,426
	\$ 11,168,968

Consideration paid:

Capital lease assumed	\$ 43,357
Net cash received	(306,157)
Fair value of notes payable	11,431,768
	\$ 11,168,968

Under the terms of the purchase agreement for the acquisition of the customer accounts of a Calgary-based general insurance brokerage, there was a provision for the adjustment of the purchase price based on actual commission revenue in the first year after purchase, as defined in the agreement. During the 2008 fiscal year, the purchase price was recalculated resulting in an adjustment to reduce customer accounts in the amount of \$ 22,959 with a corresponding reduction to the note payable to the vendor in the amount of \$ 22,959.

YEAR ENDED MARCH 31, 2007

Under the terms of the purchase agreement for the Vinciguerra acquisition, there was a provision for the adjustment of the purchase price based on actual commission revenue in the second year after purchase, as defined in the agreement. During the 2007 fiscal year, the purchase price was recalculated resulting in an adjustment to reduce goodwill in the amount of \$ 502,338 (U.S. \$ 431,081) with a corresponding reduction to the note payable to the vendor in the amount of \$ 502,338 (U.S. \$ 431,081).

On January 11, 2007, the Company purchased the customer accounts of a Calgary-based general insurance brokerage, for \$468,000, financed with cash and seller financing.

DISCONTINUED OPERATIONS

During the 2007 fiscal year, the Company sold Johns Insurance Agency (the "Agency"), in order to better focus its resources in other U.S. locations. The "Agency" was sold for U.S. \$ 1,330,752 with cash proceeds of U.S. \$ 1,104,452 received on closing with the remainder of U.S. \$ 226,300 to be received over the next two years. In addition, costs of U.S. \$ 85,790 was incurred in relation to the sale. Cash proceeds of U.S. \$ 750,000 was used to pay down the Bridge credit facility with the balance going to working capital. During the 2008 and 2007 fiscal years, the Company recognized a \$27,149 and an \$113,860, respectively, decrease in the sale proceeds based upon a retention

formula in the sales agreement with a corresponding reduction in the note receivable. The Company realized a loss from discontinued operations of \$ 346,870, which included the loss on disposal of \$ 305,354 (U.S. \$ 268,184) from the sale.

Also during the 2007 fiscal year, the Company sold Schuneman Insurance Agency (the “Schuneman Agency”). The Schuneman Agency was sold for U.S. \$ 1,345,715 in exchange for debt settlement of U.S. \$ 1,345,715. The Company realized a gain on discontinued operations of \$ 324,266, which included the gain on disposal of \$ 470,096 (U.S. \$ 412,873) from the sale.

The loss from discontinued operations for the years ended March 31, 2008 and 2007 is summarized below:

	Year ended March 31, 2008			Year ended March 31, 2007		
	Johns	Schuneman	Total	Johns	Schuneman	Total
Revenue from discontinued operations	\$ —	\$ —	\$ —	\$ 209,108	\$ 466,244	\$ 675,352
Earnings (loss) from discontinued operations	\$ —	\$ —	\$ —	\$ (41,516)	\$ (145,830)	\$ (187,346)
Gain (loss) on sale of discontinued operations	(27,147)	—	(27,147)	(305,354)	470,096	164,742
Gain (loss) from discontinued operations	\$ (27,147)	\$ —	\$ (27,147)	\$ (346,870)	\$ 324,266	\$ (22,604)

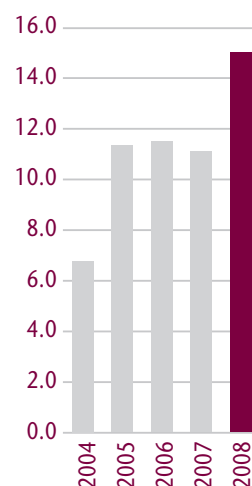
REVENUE

The Company’s revenue increased to \$15,288,962 for the year ended March 31, 2008 from \$11,171,529 for the year ended March 31, 2007, an increase of 37%, primarily due to the effect of the California acquisition in June 2007 and increased commission revenue in the Canadian operation, partially offset by lower contingency income, decrease in premiums in the US divisions and the adverse effect of the change in the US to Canadian exchange rate (approx. \$980,000). The revenues decreased mainly due to continuing decline in premiums (soft market) and general competition.

The Company’s revenue decreased to \$11,171,529 for the year ended March 31, 2007 from \$11,426,938 for the year ended March 31, 2006 primarily due to lower revenues in the US divisions combined with the adverse effect of the strengthening of the Canadian dollar. The revenues decreased mainly due to the decline in premiums (soft market) and general competition. The lower revenue in the US divisions was partially offset by higher revenue in Canada.

REVENUE

\$ millions



EXPENSES

Salaries and wages have increased to \$8,513,562 for the year ending March 31, 2008 from \$6,087,990 for the year ending March 31, 2007 primarily due to the effect of the California

acquisition in the first quarter, increased salary costs in Canada due to market competitiveness and increased volume and severance payable to the former President of the Company, partially offset by cost savings resulting from the reduction in the number of employees to address the decrease in premiums in one US division and the effect of the exchange rate.

Salaries and wages have decreased to \$6,087,990 for the year ending March 31, 2007 from \$6,578,328 for the year ending March 31, 2006 mainly due to the streamlining of costs in the US operations and the effect of the strengthening Canadian dollar.

Rent increased to \$1,014,199 for the year ending March 31, 2008 from \$694,098 for the year ending March 31, 2007 primarily due to the California acquisition in June 2007.

Rent decreased to \$694,098 for the year ending March 31, 2007 from \$830,265 for the year ending March 31, 2006 primarily due to relocation to a smaller space in one US division and the consolidation of operating locations in Canada.

General and administrative expenses increased to \$4,152,792 for the year ending March 31, 2008 from \$2,468,986 for the year ending March 31, 2007 primarily due to the California acquisition in June 2007 partially offset by cost savings due to streamlining of costs in the U.S. operations and the effect of the exchange rate. The California acquisition had significant advertising commitments which were assumed at acquisition and have since been reviewed and reduced substantially upon renewal. The impact of this reduction will be reflected over the next fiscal year.

General and administrative expenses increased to \$2,468,986 for the year ending March 31, 2007 from \$2,297,285 for the year ending March 31, 2006 primarily due to higher insurance expenses, moving expenses and due diligence costs incurred on two potential acquisitions which were abandoned.

During the year ended March 31, 2008, the Company awarded 937,348 stock options which were accounted for in accordance with 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 of \$141,158 over the period the options vest of eighteen months.

During the year ended March 31, 2007, the Company awarded 485,400 stock options which were accounted for in accordance with 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 of \$101,848.

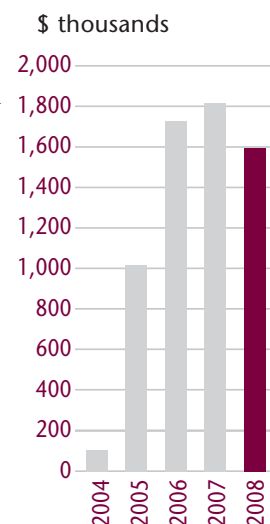
EARNINGS FROM OPERATIONS BEFORE INTEREST, INCOME TAXES AND DEPRECIATION AND AMORTIZATION (EBITDA)

The Company's EBITDA decreased to \$1,596,646 for the year ended March 31, 2008 from \$1,818,607 for the year ended March 31, 2007, which represents a decrease of 12% from the prior year, including the stock-based compensation expense (non-cash expense). EBITDA as a percentage of revenue has decreased from 16.3% for the year ended March 31, 2007 to 10.4% for the year ended March 31, 2008. The overall decrease in EBITDA resulted primarily from the results of the new California acquisition being more than offset by the results of one other U.S. operation. The ongoing operating costs of the new California acquisition have been significantly reduced, primarily salaries and wages and advertising costs, over the months following the acquisition. The benefit of these reductions will be fully reflected in the 2009 fiscal year.

The Company's EBITDA increased to \$ 1,818,607 for the year ended March 31, 2007 from \$1,721,060 for the year ended March 31, 2006, which represents an increase of 11.6% over the prior year, excluding the stock-based compensation expense (non-cash expense). EBITDA as a percentage of revenue has increased from 15.1% for the year ended March 31, 2006 to 16.3% for the year ended March 31, 2007. The decrease in revenue was more than offset by a decrease in expenses resulting from the continuation of streamlining of costs in line with changing market conditions.

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.

EARNINGS FROM OPERATIONS (EBITDA)



RECONCILIATION OF EBITDA TO NET LOSS

Years ending	March 31, 2008	March 31, 2007
Revenue	\$ 15,288,962	\$ 11,171,529
Earnings before the following (EBITDA)	1,596,646	1,818,607
Interest and Financing Costs	(3,222,288)	(4,648,749)
Depreciation and amortization	(2,125,110)	(994,455)
Income taxes (expense) recovery	248,343	(150,782)
Net loss from continuing operations	(3,502,409)	(3,975,379)
Earnings (loss) from discontinued operations	(27,147)	(22,604)
Net loss	\$ (3,529,556)	\$ (3,997,983)

The net loss for the year ended March 31, 2008 of \$3,529,556 included \$2,145,811 of net non-cash expenses consisting of amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, depreciation and amortization, stock-based compensation and the net loss from discontinued operations of \$27,147.

The net loss for the year ended March 31, 2007 of \$3,997,983 included \$3,245,538 of net non-cash expenses consisting of amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, depreciation and amortization, stock-based compensation and the net loss from discontinued operations of \$22,604.

INTEREST AND FINANCING COSTS

	2008	2007
CANADIAN OPERATIONS		
Interest on long-term debt	\$ 14,902	\$ 4,512
Interest on operating line of credit	641,078	95,975
Other	36,372	19,569
Amortization of deferred financing costs and loan discount	42,978	8,289
Impairment of deferred financing costs	17,544	—
Interest on obligations under capital lease	5,382	323
	758,256	128,668
U.S. OPERATIONS		
Interest and loan fees on long-term debt	\$ 2,407,205	\$ 2,278,761
Amortization of deferred financing costs and loan discount	53,951	308,492
Impairment of deferred financing costs	—	1,931,621
Interest on obligations under capital lease	2,876	1,207
	2,464,032	4,520,081
	\$ 3,222,288	\$ 4,648,749

- Early payment fees of \$284,650 paid to Bridge on October 31, 2006 are included in interest and loan fees on long-term debt for 2007.
- Impairment of deferred financing costs relates to the write-off of the deferred financing costs of the Bridge facility and extension of note.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased to \$2,125,110 for the year ended March 31, 2008 from \$994,455 for the year ended March 31, 2007. The increase was due mainly to the amortization of the customer accounts related to the new California acquisition in June 2007, where the customer accounts are being amortized over 1 year, partially offset by the reduction in amortization related to the Virginia operation as the customer accounts were fully amortized during the quarter ended September 30, 2006.

Depreciation and amortization decreased to \$994,455 for the year ended March 31, 2007 from \$1,430,982 for the year ended March 31, 2006. The decrease was due mainly to the lower amortization of the customer accounts related to the Virginia operation where the customer accounts were being amortized over 2 years.

SUMMARY QUARTERLY INFORMATION

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

- All quarters have been adjusted to reflect the sale of one of the California divisions and the Illinois division.
- 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.
- Net earnings (loss) in the December 2006 quarter was primarily related to the impairment of deferred financing costs of \$1,825,433 and stock-based compensation (non-cash expense).
- The September 2007 quarter reflects the operations of the California acquisition completed June 28, 2007 along with the related interest costs and depreciation and amortization of the acquired assets.

	Mar 2008	Dec 2007	Sept 2007	June 2007	Mar 2007	Dec 2006	Sept 2006	June 2006
Revenues	4,744,175	4,010,047	4,152,740	2,382,000	3,598,425	2,618,780	2,460,066	2,494,258
EBITDA	1,015,733	304,851	198,296	77,766	1,153,391	203,435	227,441	234,340
Earnings (loss) from continuing operations	(424,392)	(1,131,118)	(1,320,217)	(626,682)	215,551	(2,713,918)	(679,831)	(797,181)
Net earnings (loss)	(451,539)	(1,131,118)	(1,320,217)	(626,682)	215,000	(2,388,814)	(766,852)	(1,057,317)
Earnings (loss) per share – Basic and Diluted	(0.05)	(0.13)	(0.15)	(0.08)	0.02	(0.28)	(0.09)	(0.12)

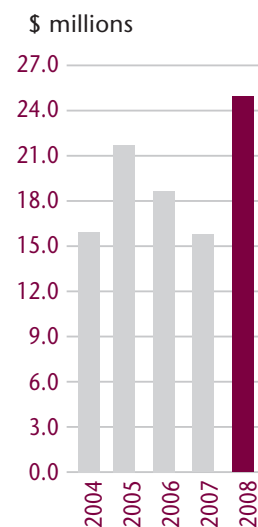
FOURTH QUARTER 2008 RESULTS

Compared to the March 2007 quarter, revenue was higher due mainly to the June 2007 California acquisition, partially offset primarily by lower contingency income and decline in premiums in one U.S. division. EBITDA in the March 2008 quarter was lower compared to the March 2007 quarter primarily due to the lower contingency income, decline in premiums in one U.S. division partially offset by the June 2007 California acquisition. The net earnings for the March 2008 quarter, compared to the March 2007 quarter, decreased by \$666,539 due primarily to the higher interest and financing costs and depreciation and amortization related to the June 2007 acquisition.

FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION

The Company's balance sheet as at March 31, 2008 as compared to March 31, 2007 reflects a net decrease in working capital of \$165,819. Other major changes include a net decrease in customer accounts of \$208,259, a net increase in goodwill of \$8,239,109 due to the June 2007 California acquisition, and a net decrease in non-competition agreements of \$104,089. A net increase in deferred financing costs of \$288,151 is mainly related to the financing related to the June 2007 California acquisition. A net increase in franchise fees of \$621,791 primarily relates to fees paid for the franchising fees of the June 2007 California acquisition. A net decrease in shareholder's equity of \$3,216,436 was primarily due to a net loss of \$3,529,556 which included \$2,145,811 of net non-cash expenses consisting of amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, depreciation and amortization, stock-based compensation and the net loss from discontinued operations of \$27,147.

TOTAL ASSETS



FINANCIAL RESOURCES AND LIQUIDITY

At March 31, 2008, the Company had working capital of \$556,301, obligations under capital leases of \$34,431 and long-term debt of \$28,777,539.

On October 31, 2006, the Company entered into debt financing arrangements whereby the lenders provided a U.S. \$ 9,570,000 fifteen year term loan facility and a \$3,350,000 three year revolving loan facility. The fifteen year term loan of U.S.\$9,570,000 and \$1,122,712 of the revolving loan facility were used to primarily repay the five year Bridge Healthcare Finance, LLC and Bridge Opportunity Finance, LLC facility of U.S.\$7,472,187 and other Bridge costs of U.S.\$314,039, franchise fees to Brooke Franchise Corporation of U.S.\$1,815,000, note payable reduction of U.S.\$ 328,000 and other fees associated with the new financings of approximately U.S.\$280,000, with the remainder going to working capital. Additional legal costs of U.S.\$68,654 were incurred in relation to the financing. The Company drew a further \$920,978 on the revolving loan facility to March 31, 2007.

On June 27, 2007, an amendment to the revolving loan facility increased the facility to \$6,675,000. The Company drew a further \$3,283,434 in relation to the Low Cost acquisition and \$565,550 prior to October 15, 2007.

On October 15, 2007, the revolving loan facility was amended to provide for an extended maturity to October 31, 2010, a reduction in the interest rate to Bank of Canada prime rate plus 6% from Bank of Canada prime rate plus 7%, and subject to the repayment of the revolving loan facility that was outstanding prior to the Low Cost acquisition and any additional amounts drawn before October 15, 2007, excluding the Low Cost acquisition, and repayment of all amounts drawn on the

amended operating line of credit facility of \$1,000,000, the loan would be extended for a further 15 years, with a fifteen year amortization, requiring principle and interest payments. The Company drew a further \$550,000 subsequent to October 15, 2007 to March 31, 2008 on the amended operating line of credit.

On June 28, 2007, the lenders provided a U.S.\$10,335,359 fifteen year term loan facility in relation to the Low Cost acquisition, with interest at the Wall Street Journal's prime rate plus 3.5% per annum, with monthly principal and interest payments. The loan matures on June 15, 2022 and is collateralized by a pledge of all assets of the Company.

On June 12, 2008, the Company closed secured debt financing arrangements with ING Insurance Company of Canada ("ING") whereby ING provided a \$10,000,000 ten-year term loan facility (the "Repayment Facility") along with a facility of \$1,500,000 which is available for working capital purposes (the "Working Capital Facility").

An amount of \$8,962,878 was drawn from the Repayment Facility to repay the operating line of credit in full and to reduce the amount outstanding under a term loan. Payments on the \$8,962,878 will be interest only, at the Royal Bank of Canada's prime rate of interest plus 2% at the time of advance (6.75%), until June 1, 2009 and then monthly blended payments of principal and interest payments are required over the remaining 9 years.

The remaining \$1,037,122 available under the Repayment Facility has not yet been used and will, when drawn, be repayable in blended monthly principal and interest payments, with interest at the Royal Bank of Canada's prime rate of interest at the date of advance plus 2%, over a 10 year period.

Amounts drawn under the Working Capital Facility will be repayable in blended monthly principal and interest payments, with interest at the Royal Bank of Canada's prime rate of interest at the date of each advance plus 2%, over a period of 10 years from each advance.

In addition, ING and the Company have closed an equity financing wherein ING purchased a minority interest in Anthony Clark Insurance Brokers Ltd., a recently incorporated subsidiary of the Company.

The facilities have been fully guaranteed and secured by the Canadian assets of the Company and Anthony Clark Insurance Brokers Ltd.

Shareholders' equity has decreased from \$(3,238,070) as at March 31, 2007 to \$(6,454,506) as at March 31, 2008 primarily due to the net loss of \$3,529,556. The net loss for the year ended March 31, 2008 of \$3,529,556 included \$2,145,811 of net non-cash expenses consisting of amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, depreciation and amortization and stock-based compensation and the net loss from discontinued operations of \$27,147.

The following table on the next page sets forth the Company's future contractual and long-term obligations as at March 31, 2008:

CONTRACTUAL OBLIGATIONS	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years
Capital Lease Obligations	74,288	39,857	34,431	—	—
Operating Lease Obligations	2,499,359	1,560,429	827,249	111,681	—

LONG-TERM DEBT

Aleritas Corporation	19,472,486	690,879	1,618,263	1,992,026	15,171,318
Brooke Canada Funding Inc.	6,442,674	—	6,442,674	—	—
Emmett Lescroart	3,424,903	30,059	59,209	3,335,635	—
Universal Insurance Brokers	207,737	49,323	158,414	—	—

SHARE CAPITAL

a) Authorized

Unlimited common shares without par value

	2008		2007	
	Shares	Amount	Shares	Amount
Issued				
Beginning of year	8,551,978	\$ 10,197,279	8,551,978	\$ 10,202,764
Share issue costs	—	—	—	(5,485)
	8,551,978	\$ 10,197,279	8,551,978	\$ 10,197,279

b) Changes in warrants during the years ended March 31, 2008 and 2007 are as follows:

	2008		2007	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	1,439,128	\$ 0.80	1,915,726	\$ 0.80
Expired	—	—	(476,598)	(0.80)
Outstanding, end of year	1,439,128	\$ 0.80	1,439,128	\$ 0.80

The warrants expire on June 15, 2010 and are exercisable at \$ 0.80 per share.

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 1,601,395 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.

Changes in stock options during the years ended March 31, 2008 and 2007 are as follows:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,268,571	\$ 0.76	1,275,411	\$ 0.99
Awarded	937,348	0.30	485,400	0.37
Cancelled	(604,524)	(0.90)	(61,240)	(0.93)
Expired	—	—	(431,000)	(1.00)
Outstanding, end of year	1,601,395	0.43	1,268,571	\$ 0.76
Exercisable, end of year	664,047	\$ 0.62	1,268,571	\$ 0.76

The following table sets forth information relating to stock options outstanding as at March 31, 2008:

Expiry	Range of exercise prices	Number outstanding at March 31, 2008	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2008	Weighted average exercise price
08/29/08	\$ 0.81	144,334	0.42	\$ 0.81	144,334	\$ 0.81
12/31/08	0.37	383,550	0.75	0.37	383,550	0.37
08/05/09	1.10	121,163	1.33	1.10	121,163	1.10
08/16/09	1.25	15,000	1.33	1.25	15,000	1.25
02/28/10	0.30	937,348	1.92	0.30	—	—
	\$ 0.30 to \$ 1.25	1,601,395	1.45	\$ 0.43	664,047	\$ 0.62

On February 15, 2008, the Company granted 937,348 options to purchase common shares at a price of \$ 0.30 per share to certain employees, directors, and consultants. The options vest over a period of eighteen months from the date of grant and expire on February 28, 2010.

The fair value of stock options awarded to employees, directors and consultants of \$141,158 will be recorded to stock-based compensation expense and contributed surplus over the vesting period and was estimated on the dates of awards using the Black-Scholes option pricing model with the following assumptions:

	2008	2007
Risk-free interest rate	3.25%	3.85%
Estimated volatility	91%	105%
Expected lives	2.04 years	2.07 years

The average fair value of stock options awarded during the 2008 and 2007 fiscal years, as calculated using the Black-Scholes option pricing model, were, \$ 0.15 and \$ 0.21 respectively, 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 established and agreed to between the related parties, unless otherwise noted.

During the year ended March 31, 2008 the Company incurred \$ 82,104 (2007 - \$ 139,744) of legal fees with law partnerships in which two partners were also directors at the time the fees were incurred.

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 2009 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, and stock-based compensation, franchise fees 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 one 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.

FRANCHISE FEES

Franchise fees are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over estimated useful lives of fifteen years.

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 carry-forwards only to the extent their realization is considered more likely than not.

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 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 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 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 and franchise agreements. 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. Tony Consalvo, the Chief Executive Officer, Mr. Mahesh 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 of its senior management or other personnel.

The Company maintains keyman life insurance policies of \$100,000 on Mr. Consalvo and \$175,000 on 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 OR REDUCTION IN COMMISSION RATES 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 IN 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 a 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.

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).

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.

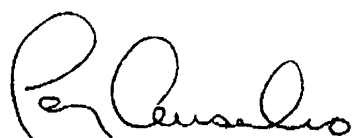
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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.



Tony Consalvo

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, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, shareholders' equity 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, 2008 and 2007 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles

Vancouver, B.C.

June 23, 2008



Chartered Accountants

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.

CONSOLIDATED BALANCE SHEETS

March 31, 2008 and 2007 (Expressed in Canadian dollars)

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 403,554	\$ 773,982
Accounts receivable	2,469,843	1,947,330
Receivable on sale of an agency (Note 4)	102,790	30,321
Prepaid expenses	257,394	271,019
Income taxes receivable	147,428	—
	3,381,009	3,022,652
Receivable on sale of an agency (Note 4)	—	115,290
Due from director (Note 5)	25,100	40,000
Fixed assets (Note 6)	493,440	230,366
Customer accounts (Note 7)	2,111,727	2,319,986
Deferred financing costs (Note 8)	739,709	451,558
Non-competition agreements (Note 9)	274,705	378,794
Franchise fees (Note 10)	2,656,179	2,034,388
Goodwill	15,564,070	7,324,961
	\$ 25,245,939	\$ 15,917,995

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,014,590	\$ 1,676,621
Income taxes payable	—	248,641
Current portion of long-term debt (Note 11)	770,261	370,082
Current portion of obligations under capital leases (Note 12)	39,857	5,188
	2,824,708	2,300,532
Obligations under capital leases (Note 12)	34,431	4,547
Long-term debt (Note 11)	28,777,539	16,681,684
Future income taxes (Note 17)	63,767	169,302
	31,700,445	19,156,065

Commitments (Note 18)

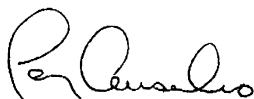
SHAREHOLDERS' EQUITY

Share capital (Note 13)	10,197,279	10,197,279
Accumulated other comprehensive income	286,481	(14,876)
Contributed surplus	1,564,362	1,552,599
Deficit	(18,502,628)	(14,973,072)
	(6,454,506)	(3,238,070)
	\$ 25,245,939	\$ 15,917,995

SUBSEQUENT EVENTS (Note 22)

See accompanying notes to the consolidated financial statements.

Approved by the Board


Tony Consalvo, Director


Thomas Milley, Director

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Years ended March 31, 2008 and 2007 (Expressed in Canadian dollars)

	2008	2007
REVENUE	\$ 15,288,962	\$ 11,171,529
EXPENSES		
Salaries and wages	8,513,562	6,087,990
General and administrative	4,152,792	2,468,986
Rent	1,014,199	694,098
Stock-based compensation (Note 14)	11,763	101,848
	13,692,316	9,352,922
Earnings before interest, income taxes, depreciation and amortization	1,596,646	1,818,607
Interest and financing costs (Note 19)	3,222,288	4,648,749
Depreciation and amortization	2,125,110	994,455
Earnings (loss) before income taxes	(3,750,752)	(3,824,597)
INCOME TAXES (Note 17)		
Current (recovery)	(142,808)	249,949
Future (recovery)	(105,535)	(99,167)
	(248,343)	150,782
Net earnings (loss) from continuing operations	(3,502,409)	(3,975,379)
Earnings (loss) from discontinued operations (Note 4)	(27,147)	(22,604)
Net earnings (loss) for the year	(3,529,556)	(3,997,983)
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrecognized gain (loss) on translation of financial statements of self-sustaining foreign operations	301,357	(9,979)
COMPREHENSIVE INCOME (LOSS)	\$ (3,228,199)	\$ (4,007,962)
Earnings (loss) from continuing operations per share, basic and diluted	\$ (0.41)	\$ (0.47)
Earnings (loss) from discontinued operations per share, basic and diluted	—	—
Earnings (loss) per share – basic and diluted	\$ (0.41)	\$ (0.47)

See accompanying notes to the consolidated financial statements.

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Years ended March 31, 2008 and 2007 (Expressed in Canadian dollars)

	Share capital		Accumulated other comprehensive income	Contributed surplus	Deficit
	Shares	Amount			
Balance, March 31, 2006	8,551,978	\$10,202,764	\$ (4,897)	\$1,450,751	\$(10,975,089)
Share issue costs paid	—	(5,485)	—	—	—
Stock-based compensation	—	—	—	101,848	—
Unrealized loss on translation of financial statements of self-sustaining foreign operations	—	—	(9,979)	—	—
Net earnings (loss) for the year	—	—	—	—	(3,997,983)
Balance, March 31, 2007	8,551,978	10,197,279	(14,876)	1,552,599	(14,973,072)
Stock-based compensation	—	—	—	11,763	—
Unrealized gain on translation of financial statements of self-sustaining foreign operations	—	—	301,357	—	—
Net earnings (loss) for the year	—	—	—	—	(3,529,556)
Balance, March 31, 2008	8,551,978	\$10,197,279	\$ 286,481	\$1,564,362	\$(18,502,628)

See accompanying notes to the consolidated financial statements.

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended March 31, 2008 and 2007 (Expressed in Canadian dollars)

	2008	2007
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		
Net earnings (loss) for the year	\$ (3,529,556)	\$ (3,997,983)
Net loss from discontinued operations	27,147	22,604
Net loss from continuing operations	(3,502,409)	(3,975,379)
Adjustments to reconcile net cash provided by operating activities		
Depreciation and amortization	2,125,110	994,455
Future income taxes (recovery)	(105,535)	(99,167)
Amortization of deferred financing costs and loan discounts	96,929	316,781
Impairment of deferred financing costs	17,544	1,931,621
Stock-based compensation	11,763	101,848
	(1,356,598)	(729,841)
Changes in non-cash working capital accounts		
Accounts receivable	(653,193)	(388,639)
Prepaid expenses	(2,504)	16,102
Accounts payable and accrued liabilities	404,088	(127,422)
Income taxes	(396,069)	(76,904)
Cash provided by (used in) discontinued operations	—	(142,020)
	(2,004,276)	(1,448,724)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		
Share issue costs paid	—	(5,485)
Repayment of demand loan	—	(56,810)
Repayments on long-term debt	(663,389)	(10,164,281)
Proceeds from long-term debt	2,178,249	10,992,923
Deferred financing costs	(16,566)	(143,041)
	1,498,294	623,306
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		
Additions to fixed assets	(92,317)	(73,754)
Business acquisitions (Note 3)	306,157	(105,295)
Repayment on due from director	14,900	—
Proceeds on sale of agencies	—	1,152,268
	228,740	973,219
EFFECT OF FOREIGN EXCHANGE	(93,186)	67,630
INCREASE (DECREASE) IN CASH DURING THE YEAR	(370,428)	215,431
CASH, beginning of year	773,982	558,551
CASH, end of year	\$ 403,554	\$ 773,982

See Note 21.

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008 and 2007 (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. On October 31, 2006, in conjunction with new debt financing, the Company's existing brokerage locations in the U.S. were required to begin operating as franchises of Brooke Franchise Corporation, a national franchise insurance brokerage organization. The Company paid initial franchise fees for all its U.S. locations and will pay ongoing franchise fees based on commissions processed by the franchisor.

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.

Cash and cash equivalents

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

Fixed assets

Fixed assets 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
Leasehold improvements		–Straight-line over the term of the related lease

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 one 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.

Franchise fees

Franchise fees are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over fifteen years.

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 8,551,978 (2007 – 8,551,978) 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 or receivable 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.

Adoption of new accounting standards

Effective on April 1, 2007, the Company adopted Section 3855 “Financial instruments – Recognition and measurement” issued by the Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants.

Section 3855 sets out criteria for the recognition and measurement of financial instruments and requires all financial instruments within its scope, including derivatives, to be accounted for either at fair value, or in circumstances where fair value may not be considered the most relevant information, at cost or amortized cost. All financial instruments are classified into one of five categories, with each category possessing specific requirements for initial and subsequent recognition and measurement.

Upon adoption of Section 3855, the Company designated its cash as held-for-trading, which is accounted for at fair value. Accounts and other amounts receivable are classified as loans and receivables, which are accounted for at amortized costs. Accounts payable and accrued liabilities, long-term debt and other liabilities are classified as other financial liabilities, which are also accounted for at amortized costs. The Company elected to continue to capitalize transaction costs incurred upon the issue of financial liabilities. Amounts paid to lenders and transaction costs are considered in the calculation of the effective interest rate of financial liabilities and are amortized to interest expense using the effective interest method.

The adoption of Section 3855 had no effect on the Company’s financial position as at April 1, 2007.

Effective on April 1, 2007 the Company also adopted Section 1530 “Comprehensive income” issued by the AcSB. Comprehensive income is the change in shareholders’ equity during a period from transactions and other events from non-owner sources. Section 1530 requires certain gains and losses that would otherwise be recognized as part of net income (loss) to be presented in “other comprehensive income” until it is considered appropriate to be recognized in net income (loss). Section 1530 also requires the presentation of accumulated other comprehensive income (loss), and its components. Accordingly, the Company now includes comprehensive income (loss) within its consolidated statements of operations and comprehensive income (loss), and a statement of shareholders’ equity as a separate financial statement.

New accounting standards

Effective on April 1, 2008, the Company will be required to adopt the following new accounting standards issued by the Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants:

Section 3862 “Financial instruments – Disclosures” replaces the disclosure requirements of Section 3861 “Financial instruments – Presentation and disclosure”. Section 3862 will require additional disclosure of the risks associated with financial instruments and of how those risks are managed.

Section 1535 “Capital disclosures” will require disclosure of information to enable users of the financial statements to evaluate the Company’s objectives, policies and processes for managing capital.

Also, the AcSB has adopted a strategic plan under which Canadian accounting standards for publicly-listed companies will converge with International Financial Reporting Standards (“IFRS”) by the end of 2011. The Company understands there to be material differences between Canadian GAAP and IFRS, and is therefore monitoring this project with a view to understanding the possible future effects of the transition to IFRS.

3. BUSINESS ACQUISITIONS

Year ended March 31, 2008

On June 28, 2007, the Company acquired the fixed assets and book of business (the "Assets") of Low Cost Insurance Services Inc. ("Low Cost") located in California and Arizona for purchase consideration of \$ 11,736,800. To finance the purchase of the assets, franchise fees (\$ 1,052,072), loan fees (\$ 415,241) and to provide additional working capital (\$ 1,062,699), the Company arranged additional secured debt financing with Brooke Credit Corporation (\$ 10,983,378) and Brooke Canada Funding Inc. (\$ 3,283,434). Additional legal and other costs related to the acquisition were \$ 64,352. As part of the purchase agreement, net cash received relating to operations prior to the closing date of the transaction of approximately \$ 370,509 (U.S. \$ 348,649) were deducted from the cost of net assets acquired. Under the terms of the purchase agreement for the Low Cost acquisition, there was a provision for the adjustment of the purchase price based on actual commission revenue in the first six months after purchase, as defined in the agreement. During the year, the purchase price was recalculated resulting in an adjustment to reduce goodwill in the amount of \$ 305,032 (U.S. \$ 296,753) with a corresponding reduction to the note payable to the vendor in the amount of \$ 305,032 (U.S. \$ 296,753).

The results of operations and cash flows of the acquired business are included in these financial statements from the closing date of the acquisition, which was June 28, 2007.

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

Assets acquired:		
Customer accounts	\$	1,739,867
Fixed assets		265,675
Goodwill		9,163,426
		<hr/>
	\$	11,168,968
Consideration paid:		
Capital lease assumed	\$	43,357
Net cash received		(306,157)
Fair value of notes payable		11,431,768
		<hr/>
	\$	11,168,968

Under the terms of the purchase agreement for the acquisition of the customer accounts of a Calgary-based general insurance brokerage, there was a provision for the adjustment of the purchase price based on actual commission revenue in the first year after purchase, as defined in the agreement. During the 2008 fiscal year, the purchase price was recalculated resulting in an adjustment to reduce customer accounts in the amount of \$ 22,959 with a corresponding reduction to the note payable to the vendor in the amount of \$ 22,959.

Year ended March 31, 2007

Under the terms of the purchase agreement for the Vinciguerra acquisition, there was a provision for the adjustment of the purchase price based on actual commission revenue in the second year after purchase, as defined in the agreement. During the 2007 fiscal year, the purchase price was recalculated resulting in an adjustment to reduce goodwill in the amount of \$ 502,338 (U.S. \$ 431,081) with a corresponding reduction to the note payable to the vendor in the amount of \$ 502,338 (U.S. \$ 431,081).

On January 11, 2007, the Company purchased the customer accounts of a Calgary-based general insurance brokerage for \$ 468,000, financed with cash and seller financing.

4. DISCONTINUED OPERATIONS

During the 2007 fiscal year, the Company sold Johns Insurance Agency (the “Agency”) in order to better focus its resources in other U.S. locations. The Agency was sold for U.S.\$ 1,330,752 with cash proceeds of U.S.\$ 1,104,452 received on closing with the remainder of U.S.\$ 226,300 to be received over the next two years. In addition, costs of U.S.\$ 85,790 were incurred in relation to the sale. Cash proceeds of U.S.\$ 750,000 were used to pay down the Bridge credit facility with the balance going to working capital. During the 2008 and 2007 fiscal years, the Company recognized a \$ 27,147 and a \$ 113,860, respectively, decrease in the sale proceeds based upon a retention formula in the sales agreement, with corresponding reductions in the note receivable. The Company realized a loss from discontinued operations of \$ 346,870, which included the loss on disposal of \$ 305,354 (U.S.\$ 268,184) from the sale.

Also during the 2007 fiscal year, the Company sold Schuneman Insurance Agency (the “Schuneman Agency”). The Schuneman Agency was sold for U.S.\$ 1,345,715 in exchange for debt settlement of U.S.\$ 1,345,715. The Company realized a gain on discontinued operations of \$ 324,266, which included the gain on disposal of \$ 470,096 (U.S.\$ 412,873) from the sale.

The loss from discontinued operations for the years ended March 31, 2008 and 2007 is summarized below:

	Year ended March 31, 2008			Year ended March 31, 2007		
	Johns	Schuneman	Total	Johns	Schuneman	Total
Revenue from discontinued operations	\$ —	\$ —	\$ —	\$ 209,108	\$ 466,244	\$ 675,352
Earnings (loss) from discontinued operations	\$ —	\$ —	\$ —	\$ (41,516)	\$ (145,830)	\$ (187,346)
Gain (loss) on sale of discontinued operations	\$ (27,147)	\$ —	\$ (27,147)	(305,354)	470,096	164,742
Gain (loss) from discontinued operations	\$ (27,147)	\$ —	\$ (27,147)	\$ (346,870)	\$ 324,266	\$ (22,604)

5. 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 other personal assets. The amount is repayable on demand but the Company does not anticipate requesting full repayment during the 2009 fiscal year.

6. FIXED ASSETS

	2008		
	Cost	Accumulated depreciation	Net
Computer equipment and software	\$ 536,083	\$ 313,457	\$ 222,626
Furniture and equipment	517,969	266,838	251,131
Leasehold improvements	56,799	37,116	19,683
	<u>\$ 1,110,851</u>	<u>\$ 617,411</u>	<u>\$ 493,440</u>

	2007		
	Cost	Accumulated depreciation	Net
Computer equipment and software	\$ 729,010	\$ 639,872	\$ 89,138
Furniture and equipment	343,538	234,543	108,995
Leasehold improvements	42,825	10,592	32,233
	<u>\$ 1,115,373</u>	<u>\$ 885,007</u>	<u>\$ 230,366</u>

Included in fixed assets are assets under capital lease with a cost of \$ 119,338 (2007 - \$ 47,273) and accumulated depreciation of \$ 21,913 (2007 - \$ 28,351).

7. CUSTOMER ACCOUNTS

	2008	2007
Cost	\$ 6,504,376	\$ 4,979,220
Accumulated amortization	(4,392,649)	(2,659,234)
	<u>\$ 2,111,727</u>	<u>\$ 2,319,986</u>

8. DEFERRED FINANCING COSTS

	2008	2007
Cost	\$ 815,464	\$ 466,232
Accumulated amortization	(75,755)	(14,674)
	<u>\$ 739,709</u>	<u>\$ 451,558</u>

During the 2007 fiscal year, the Company charged all unamortized deferred financing costs relating to the Bridge facility to earnings as the Bridge facility was extinguished.

9. NON-COMPETITION AGREEMENTS

	2008	2007
Cost	\$ 412,241	\$ 462,373
Accumulated amortization	(137,536)	(83,579)
	<u>\$ 274,705</u>	<u>\$ 378,794</u>

10. FRANCHISE FEES

	2008	2007
Cost	\$ 2,883,260	\$ 2,092,513
Accumulated amortization	(227,081)	(58,125)
	\$ 2,656,179	\$ 2,034,388

11. LONG-TERM DEBT

	2008	2007
Term loan (U.S.\$ 9,570,000) with interest at Wall Street Journal's prime rate plus 3.5% per annum with monthly principal and interest payments of \$ 102,789. The loan matures on October 31, 2021 and is collateralized by a pledge of all assets of the Company, with all other debt subordinated to the Lender. See (a) below.	\$ 9,407,135	\$ 10,859,161
Operating Line of Credit with interest at Bank of Canada prime plus 6% per annum with monthly interest only payments. The loan matures on October 31, 2010 and is collateralized by a pledge of all assets of the Company, with all other debt subordinated to the Lender. See (a) below.	6,442,674	2,043,690
Term loan (U.S.\$ 10,335,359) with interest at the Wall Street Journal's prime rate plus 3.5% per annum, with monthly principal and interest payments of \$ 110,844. The loan matures on June 15, 2022 and is collateralized by a pledge of all assets of the Company, with all other debt subordinated to the lender. See Note 3.	10,065,351	—
Note payable (U.S.\$ 3,250,000) with interest at 14% per annum, with monthly interest only payments, due on April 30, 2012 and collateralized by a pledge of certain assets of the Company.	3,340,675	3,746,925
Note payable (U.S.\$ 100,000) bearing no interest with repayment in three equal annual installments beginning August 31, 2008.	102,790	115,290
Less: Unamortized discount	(18,562)	(26,130)
	84,228	89,160
Note payable (U.S.\$ 10,631) with interest at 7% per annum and repayable in one payment of \$ 12,329 including principal and interest.	—	12,256
Note payable with interest at 5% per annum and repayable in monthly payments of \$ 8,475 including principal and interest, due on December 1, 2010 and collateralized by a pledge of certain assets of the Company. The amount of interest calculated on the difference between the stated interest rate (5%) and the market interest rate (13%) is amortized as incremental interest expense and is accreted to the carrying value of the note. See Note 3.	236,346	347,088
Less: Unamortized discount	(28,609)	(46,514)
	207,737	300,574
	29,547,800	17,051,766
Current portion	(770,261)	(370,082)
	\$ 28,777,539	\$ 16,681,684

a) On October 31, 2006, the Company entered into debt financing arrangements whereby the lenders provided a U.S.\$ 9,570,000 fifteen year term loan facility and a \$ 3,350,000 three year revolving loan facility. The fifteen year term loan of U.S.\$ 9,570,000 and \$ 1,122,712 of the revolving loan facility were used to primarily repay the five year Bridge Healthcare Finance, LLC and Bridge Opportunity Finance, LLC facility of U.S.\$ 7,472,187 and other Bridge costs of U.S.\$ 314,039, franchise fees to Brooke Franchise Corporation of U.S.\$ 1,815,000, note payable reduction of U.S.\$ 328,000 and other fees associated with the new financings of approximately U.S.\$ 280,000, with the remainder going to working capital. Additional legal costs of U.S.\$ 68,654 were incurred in relation to the financing. The Company drew a further \$ 920,978 on the revolving loan facility to March 31, 2007.

On June 27, 2007, an amendment to the revolving loan facility increased the facility to \$ 6,675,000. The Company drew a further \$ 3,283,434 in relation to the Low Cost acquisition (see Note 3) and \$ 565,550 prior to October 15, 2007.

On October 15, 2007, the revolving loan facility was amended to provide for an extended maturity to October 31, 2010, a reduction in the interest rate to Bank of Canada prime rate plus 6% from Bank of Canada prime rate plus 7%, and subject to the repayment of the revolving loan facility that was outstanding prior to the Low Cost acquisition and any additional amounts drawn before October 15, 2007, excluding the Low Cost acquisition, and repayment of all amounts drawn on the amended operating line of credit facility of \$ 1,000,000, the loan would be extended for a further 15 years, with a fifteen year amortization, requiring principal and interest payments. The Company drew a further \$ 550,000 subsequent to October 15, 2007 to March 31, 2008 on the amended operating line of credit.

b) On June 28, 2007, the lenders provided a U.S.\$ 10,335,359 fifteen year term loan facility in relation to the Low Cost acquisition (see Note 3), with interest at the Wall Street Journal's prime rate plus 3.5% per annum, with monthly principal and interest payments. The loan matures on June 15, 2022 and is collateralized by a pledge of all assets of the Company.

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

2009	\$	770,261
2010		882,610
2011		7,395,950
2012		938,031
2013		4,389,630
Thereafter		15,171,318
		<u>\$ 29,547,800</u>

12. OBLIGATIONS UNDER CAPITAL LEASES

	2008	2007
Obligations under capital leases, collateralized by the assets under lease	\$ 74,288	\$ 9,735
Current portion	(39,857)	(5,188)
	<u>\$ 34,431</u>	<u>\$ 4,547</u>

13. SHARE CAPITAL

- a) Authorized
Unlimited common shares without par value

- b) Changes in warrants during the years ended March 31, 2008 and 2007 are as follows:

	2008		2007	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	1,439,128	\$ 0.80	1,915,726	\$ 0.80
Expired	—	—	(476,598)	(0.80)
Outstanding, end of year	1,439,128	\$ 0.80	1,439,128	\$ 0.80

The warrants expire on June 15, 2010 and are exercisable at \$ 0.80 per share.

14. 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 1,601,395 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.

- Changes in stock options during the years ended March 31, 2008 and 2007 are as follows:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,268,571	\$ 0.76	1,275,411	\$ 0.99
Awarded	937,348	0.30	485,400	0.37
Cancelled	(604,524)	(0.90)	(61,240)	(0.93)
Expired	—	—	(431,000)	(1.00)
Outstanding, end of year	1,601,395	0.43	1,268,571	\$ 0.76
Exercisable, end of year	664,047	0.62	1,268,571	\$ 0.76

The following table sets forth information relating to stock options outstanding as at March 31, 2008:

Expiry	Range of exercise prices	Number outstanding at March 31, 2008	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2008	Weighted average exercise price
08/29/08	\$ 0.81	144,334	0.42	\$ 0.81	144,334	\$ 0.81
12/31/08	0.37	383,550	0.75	0.37	383,550	0.37
08/05/09	1.10	121,163	1.33	1.10	121,163	1.10
08/16/09	1.25	15,000	1.33	1.25	15,000	1.25
02/28/10	0.30	937,348	1.92	0.30	—	—
	\$ 0.30 to \$ 1.25	1,601,395	1.45	\$ 0.43	664,047	\$ 0.62

On February 15, 2008, the Company granted 937,348 options to purchase common shares at a price of \$ 0.30 per share to certain employees, directors, and consultants. The options vest over a period of eighteen months from the date of grant and expire on February 28, 2010.

The fair value of stock options awarded to employees, directors and consultants of \$141,158 will be recorded to stock-based compensation expense and contributed surplus over the vesting period and was estimated on the dates of awards using the Black-Scholes option pricing model with the following assumptions:

	2008	2007
Risk-free interest rate	3.25%	3.85%
Estimated volatility	91%	105%
Expected lives	2.04 years	2.07 years

The average fair value of stock options awarded during the 2008 and 2007 fiscal years, as calculated using the Black-Scholes option pricing model, were, \$ 0.15 and \$ 0.21 respectively, 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.

15. 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 established and agreed to between the related parties, unless otherwise noted.

During the year ended March 31, 2008 the Company incurred \$ 82,104 (2007 - \$ 139,744) of legal fees with law partnerships in which two partners were also directors at the time the fees were incurred.

16. FINANCIAL INSTRUMENTS

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

Fair value

The carrying values of cash, accounts receivable, the amount due on sale of an agency, 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 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's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and accounts receivable. Cash is 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.

17. 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 31.5% (2007 – 32.1%) to the Company's net income (loss) before income taxes. The difference results from the following items:

	2008	2007
Expected income tax expense (recovery)	\$ (1,181,487)	\$ (1,227,000)
Discontinued operations	(8,551)	(7,000)
Disposal of assets	—	(1,011,000)
Non-deductible impairment of deferred financing costs	5,526	620,000
Net non-deductible portion of financing costs	—	755,000
Net unrecognized benefit of loss carryforwards	916,829	1,112,000
Non-deductible stock-based compensation	3,699	33,000
Net effect of deductible goodwill and intangibles	—	50,000
Other	15,641	(174,218)
	<u>\$ (248,343)</u>	<u>\$ 150,782</u>

The income tax effects of temporary differences that give rise to significant portions of the future income tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	2008	2007
Future income tax assets		
Customer accounts, with tax basis	\$ 946,940	\$ 577,900
Other intangibles	39,716	—
Other assets	2,632,360	71,900
Non capital losses	2,948,719	2,491,000
Valuation allowance	(5,957,430)	(2,813,900)
	<u>610,305</u>	<u>326,900</u>
Future income tax liabilities		
Other intangibles	—	(4,602)
Goodwill	(558,394)	(303,200)
Customer accounts, without tax basis	(115,678)	(188,400)
	<u>(674,072)</u>	<u>(496,202)</u>
Net future income tax liability	\$ (63,767)	\$ (169,302)

As at March 31, 2008, the Company had accumulated U.S. net operating losses of approximately U.S. \$ 7,500,000 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 2027.

18. COMMITMENTS

The Company leases office premises under operating leases that expire at various dates during the 2009 through 2012 fiscal years. In addition, the Company has current obligations under certain advertising contracts. The Company's minimum lease and other payments under the agreements are as follows:

2009	\$ 1,560,429
2010	536,118
2011	291,131
2012	111,681
	<u>\$ 2,499,359</u>

19. INTEREST AND FINANCING COSTS

	2008	2007
Canadian Operations		
Interest on long-term debt	\$ 14,902	\$ 4,512
Interest on operating line of credit	641,078	95,975
Other	36,372	19,569
Amortization of deferred financing costs and loan discount	42,978	8,289
Impairment of deferred financing costs	17,544	—
Interest on obligations under capital lease	5,382	323
	758,256	128,668
U.S. Operations		
Interest and loan fees on long-term debt	\$ 2,407,205	\$ 2,278,761
Amortization of deferred financing costs and loan discount	53,951	308,492
Impairment of deferred financing costs	—	1,931,621
Interest on obligations under capital lease	2,876	1,207
	2,464,032	4,520,081
	\$ 3,222,288	\$ 4,648,749

- Early payment fees of \$ 284,650 paid to Bridge on October 31, 2006 are included in interest and loan fees on long-term debt for 2007.
- Impairment of deferred financing costs relates to the write-off of the deferred financing costs of the Bridge facility and extension of note.

20. 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	Year ended March 31, 2008			Year ended March 31, 2007		
	Canada	U.S.	Consolidated	Canada	U.S.	Consolidated
Revenue	\$ 5,789,527	\$ 9,499,435	\$ 15,288,962	\$ 5,612,746	\$ 5,558,783	\$ 11,171,529
Net earnings (loss)	(26,199)	(3,503,357)	(3,529,556)	369,451	(4,367,434)	(3,997,983)
Identifiable assets	3,762,571	21,483,368	25,245,939	4,178,022	11,739,973	15,917,995
Depreciation and amortization	380,802	1,744,308	2,125,110	305,264	689,191	994,455
Interest and financing costs	758,256	2,464,032	3,222,288	128,668	4,520,081	4,648,749
Fixed assets, intangibles and goodwill	2,553,867	18,546,254	21,100,121	2,851,483	9,437,012	12,288,495

21. SUPPLEMENTAL CASH FLOW

During the years ended March 31, 2008 and 2007 the Company paid interest of \$ 3,070,387 and \$ 2,156,323 respectively, and paid income taxes of \$ 253,261 and \$ 346,422, respectively.

During the years ended March 31, 2008 and 2007, the Company had non-cash transactions as follows:

	2008	2007
Financing activities		
Reduction in long-term debt due on acquisition price adjustment	\$ (327,991)	\$ (502,338)
Debt incurred for franchise fees and financing costs	—	2,352,056
Capital lease for financing fixed asset purchase	62,983	—
Capital lease assumed on asset purchase	43,357	—
Debt incurred for costs of acquisition and financing	13,204,113	—
Note payable for purchase of customer accounts	—	315,897
	12,982,462	2,165,615
Investing activities		
Reduction of goodwill	305,032	502,338
Adjustment of goodwill on assumption of capital lease	(43,357)	—
Purchase of goodwill for note payable	(9,731,258)	—
Reduction of customer accounts due to purchase price adjustment	22,959	—
Fixed asset additions financed by capital lease	(62,983)	—
Purchase of fixed assets for note payable	(265,675)	—
Purchase of customer accounts for note payable	(1,739,867)	(315,897)
Franchise fees and financing costs paid with debt incurred	(1,467,313)	(2,352,056)
Note receivable on sale of an agency	—	(252,326)
Non-cash proceeds on sale of an agency	—	252,326
	(12,982,462)	(2,165,615)
	\$ —	\$ —

22. SUBSEQUENT EVENTS

On June 12, 2008, the Company closed secured debt financing arrangements with ING Insurance Company of Canada (“ING”) whereby ING provided a \$10,000,000 ten-year term loan facility (the “Repayment Facility”) along with a facility of \$1,500,000 which is available for working capital purposes (the “Working Capital Facility”).

An amount of \$8,962,878 was drawn from the Repayment Facility to repay the operating line of credit in full and to reduce the amount outstanding under a term loan. Payments on the \$8,962,878 will be interest only, at the Royal Bank of Canada’s prime rate of interest plus 2% at the time of advance (6.75%), until June 1, 2009 and then monthly blended payments of principal and interest payments are required over the remaining 9 years.

The remaining \$1,037,122 available under the Repayment Facility has not yet been used and will, when drawn, be repayable in blended monthly principal and interest payments, with interest at the Royal Bank of Canada’s prime rate of interest at the date of advance plus 2%, over a 10 year period.

Amounts drawn under the Working Capital Facility will be repayable in blended monthly principal and interest payments, with interest at the Royal Bank of Canada’s prime rate of interest at the date of each advance plus 2%, over a period of 10 years from each advance.

In addition, ING and the Company have closed an equity financing wherein ING purchased a minority interest in Anthony Clark Insurance Brokers Ltd., a recently incorporated subsidiary of the Company.

The facilities have been fully guaranteed and secured by the Canadian assets of the Company and Anthony Clark Insurance Brokers Ltd.

COMPANY INFORMATION

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DIRECTORS & OFFICERS	SHAREHOLDER INFORMATION
<p>Tony Consalvo Director, President & Chief Executive Officer</p> <p>Mahesh Bhatia Chief Financial Officer</p> <p>Thomas Milley Chairman of the Board, Corporate Secretary, & Director</p> <p>Douglas Farmer Director</p> <p>Normand Cournoyer Director</p> <p>Robert Sadleir Director</p>	<p>Exchange Listing TSX Venture Exchange: ACL</p> <p>Legal Counsel Demianschuk Milley Burke & Hoffinger Calgary, Alberta</p> <p>Auditors D&H Group LLP 10th Floor, 1333 West Broadway Vancouver, BC V6H 4C1 www.dhgroup.ca</p> <p>Registrar and Transfer Agent The CIBC Mellon Trust Company 600, 333 - 7th Avenue, S.W. Calgary, Alberta, T2P 2Z1</p>

