



**THIRD QUARTER 2008**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED**

**DECEMBER 31, 2007**

**ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.**  
**Interim Consolidated Balance Sheets**  
**(unaudited)**

	December 31, 2007	March 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash	\$ 201,797	\$ 773,982
Accounts receivable	3,138,770	1,947,330
Receivable on sale of an agency (note 4)	124,797	30,321
Prepaid expenses	196,797	271,019
	<u>3,662,161</u>	<u>3,022,652</u>
Receivable on sale of an agency (note 4)	-	115,290
Due from director (note 9)	28,850	40,000
Future tax asset	86,489	-
Fixed assets	498,971	230,366
Customer accounts	2,580,516	2,319,986
Goodwill	15,315,632	7,324,961
Deferred financing costs	734,735	451,558
Non-competition agreements	279,213	378,794
Franchise fees	2,599,526	2,034,388
	<u>\$ 25,786,093</u>	<u>\$ 15,917,995</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,258,666	\$ 1,676,621
Current portion of long term-debt (note 5)	524,823	370,082
Current portion of obligations under capital leases (note 6)	45,499	5,188
Income taxes payable	236,099	248,641
	<u>3,065,087</u>	<u>2,300,532</u>
Obligations under capital leases (note 6)	39,074	4,547
Long-term debt (note 5)	28,598,873	16,681,684
Future income taxes	-	169,302
	<u>31,703,034</u>	<u>19,156,065</u>
Commitments (note 10)		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 7)	10,197,279	10,197,279
Contributed surplus	1,552,599	1,552,599
Cumulative translation adjustment	384,270	(14,876)
Deficit	(18,051,089)	(14,973,072)
	<u>(5,916,941)</u>	<u>(3,238,070)</u>
	<u>\$ 25,786,093</u>	<u>\$ 15,917,995</u>

Subsequent event (note 14)

See accompanying notes to the unaudited interim consolidated financial statements.

**ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.**  
**Interim Consolidated Statements of Operations and Deficit**  
**(unaudited)**

	For the three months ended December 31		For the nine months ended December 31,	
	2007	2006	2007	2006
Revenue	\$ 4,010,047	\$ 2,618,780	\$ 10,544,787	\$ 7,573,104
Expenses:				
Salaries and wages	2,335,820	1,507,261	6,291,998	4,515,682
Rent	281,074	176,245	725,519	515,578
General and administrative	1,088,302	629,991	2,946,357	1,774,780
Stock-based compensation	-	101,848	-	101,848
	<u>3,705,196</u>	<u>2,415,345</u>	<u>9,963,874</u>	<u>6,907,888</u>
Earnings before interest, income taxes, depreciation and amortization	304,851	203,435	580,913	665,216
Interest and financing costs (note 11)	(884,248)	(2,678,926)	(2,410,236)	(3,987,918)
Depreciation and amortization	(619,832)	(173,210)	(1,499,865)	(791,849)
Earnings (loss) before income taxes	<u>(1,199,229)</u>	<u>(2,648,701)</u>	<u>(3,329,188)</u>	<u>(4,114,551)</u>
Income taxes:				
Current	879	(81,309)	(4,620)	(156,308)
Future recovery	67,232	16,092	255,791	79,929
	<u>68,111</u>	<u>(65,217)</u>	<u>251,171</u>	<u>(76,379)</u>
Net earnings (loss) from continuing operations	(1,131,118)	(2,713,918)	(3,078,017)	(4,190,930)
Earnings (loss) from discontinued operations (note 4)	-	325,104	-	(22,053)
Net earnings (loss)	<u>(1,131,118)</u>	<u>(2,388,814)</u>	<u>(3,078,017)</u>	<u>(4,212,983)</u>
Retained earnings (deficit), beginning of period	(16,919,971)	(12,799,258)	(14,973,072)	(10,975,089)
Retained earnings (deficit), end of period	<u>\$ (18,051,089)</u>	<u>\$ (15,188,072)</u>	<u>\$ (18,051,089)</u>	<u>\$ (15,188,072)</u>
Earnings (loss) from continuing operations per share, basic and diluted	(0.13)	(0.32)	(0.36)	(0.49)
Earnings (loss) from discontinued operations per share, basic and diluted	-	0.04	-	-
Earnings (loss) per share - basic and diluted	<u>(0.13)</u>	<u>(0.28)</u>	<u>(0.36)</u>	<u>(0.49)</u>

See accompanying notes to the unaudited interim consolidated financial statements.

**ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.**  
**Interim Consolidated Statements of Cash Flow**  
**(unaudited)**

	For the three months ended December 31		For the nine months ended December 31,	
	2007	2006	2007	2006
Cash flow from (used in) operating activities:				
Net earnings (loss) for the period	\$ (1,131,118)	\$ (2,388,814)	\$ (3,078,017)	\$ (4,212,983)
Net loss (gain) from discontinued operations	-	(325,104)	-	22,053
Net loss from continuing operations	(1,131,118)	(2,713,918)	(3,078,017)	(4,190,930)
Adjustments to reconcile net cash provided by operating activities				
Depreciation and amortization	619,832	173,210	1,499,865	791,849
Amortization and impairment of deferred financing costs and loan discount	38,847	1,873,173	86,269	2,123,661
Stock- based compensation	-	101,848	-	101,848
Future income taxes (recovery)	(67,232)	(16,092)	(255,791)	(79,929)
	(539,671)	(581,779)	(1,747,674)	(1,253,501)
Changes in non-cash working capital accounts:				
Accounts receivable	(679,722)	(1,030,740)	(1,363,727)	(1,415,682)
Prepaid expenses	178,410	67,510	52,957	141,345
Income taxes payable	(46,414)	29,322	(12,542)	88,934
Accounts payable and accrued liabilities	496,238	457,519	669,144	727,289
Cash provided by (used in) discontinued operations	-	(24,384)	-	(142,020)
	(591,159)	(1,082,552)	(2,401,842)	(1,853,635)
Cash flow from (used in) financing activities:				
Repayment of demand loan	-	(56,810)	-	(56,810)
Repayments on long-term debt	(172,017)	(8,915,737)	(472,756)	(10,006,085)
Proceeds from long-term debt	550,000	10,435,873	2,178,249	10,992,923
Share issue costs paid	-	(1,655)	-	(5,485)
Financing costs paid	(8,741)	(123,047)	(14,660)	(123,047)
	369,242	1,338,624	1,690,833	801,496
Cash flow from (used in) investing activities:				
Net business acquisition	-	-	306,157	-
Additions to fixed assets	(16,271)	(18,787)	(82,772)	(58,454)
Repayment on due from director	3,750	-	11,150	-
Proceeds on disposal of Schuneman agency (note 4)	-	16,461	-	16,461
Proceeds on disposal of John's agency (note 4)	-	-	-	1,135,807
	(12,521)	(2,326)	234,535	1,093,814
Effect of foreign exchange	(10,665)	136,488	(95,711)	65,975
Increase (decrease) in cash during the period	(245,103)	390,234	(572,185)	107,650
Cash, beginning of period	446,900	275,967	773,982	558,551
Cash, end of period	\$ 201,797	\$ 666,201	\$ 201,797	\$ 666,201

See note 13.

See accompanying notes to the unaudited interim consolidated financial statements.

# **Anthony Clark International Insurance Brokers Ltd.**

## **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the nine months ended December 31, 2007**

**(Expressed in Canadian dollars)**

**(unaudited)**

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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". Revenues are attributed to geographic areas based on the location of resources producing the revenues.

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The financial information included herein is unaudited. The interim consolidated financial statements follow the same accounting policies and methods of application as the most recent audited annual consolidated financial statements for the year ended March 31, 2007. As the interim consolidated financial statements do not contain all the disclosures required in annual financial statements, they should be read in conjunction with the Company's March 31, 2007 audited annual consolidated financial statements.

### **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 US 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 US locations and will pay ongoing franchise fees based on commissions processed by the franchisor.

### **2. ADOPTION OF NEW ACCOUNTING STANDARD**

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 cost. Accounts payable and accrued liabilities, long term debt and other liabilities are classified as other financial liabilities, which are also accounted for at amortized cost. 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.

### 3. BUSINESS ACQUISITION

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 proceeds from 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. The purchase price is subject to adjustment based on commission retention.

Customer accounts	\$ 1,739,867
Fixed assets	265,675
Goodwill	<u>9,468,458</u>
	<u>\$ 11,474,000</u>
Consideration paid:	
Capital lease assumed	\$ 43,357
Net cash received	(306,157)
Fair value of notes payable	<u>11,736,800</u>
	<u>\$ 11,474,000</u>

### 4. DISCONTINUED OPERATIONS

On June 29, 2006, the Company sold Johns Insurance Agency (the “Agency”), its Los Angeles, California location, in order to better focus its resources in other US 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 disposal. 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 quarter ending December 31, 2006, the Company recognized a \$112,740 adjustment to the sales 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 \$ 344,026, which includes the loss on disposal of \$302,350 (U.S. \$268,184) from the sale.

On December 7, 2006, the Company sold Schuneman Insurance Agency (the “Schuneman Agency”), its Illinois location. 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 \$321,973, which includes the gain on disposal of \$467,593 (U.S. \$414,754) from the sale.

The gain (loss) from discontinued operations for the three months and nine months ending December 31, 2007 and 2006 is summarized below:

	<u>Three months ended December 31, 2007</u>			<u>Three months ended December 31, 2006</u>		
	<u>Johns</u>	<u>Schuneman</u>	<u>Total</u>	<u>Johns</u>	<u>Schuneman</u>	<u>Total</u>
Revenue from discontinued operations	\$ -	\$ -	\$ -	\$ -	\$ 117,852	\$ 117,852
Earnings (loss) from discontinued operations	\$ -	\$ -	\$ -	\$ (222)	\$ (29,527)	\$ (29,749)
Gain (loss) on sale of discontinued operations	-	-	-	(112,740)	467,593	354,853
Gain (loss) from discontinued operations	\$ -	\$ -	\$ -	\$ (112,962)	\$ 438,066	\$ 325,104

	<u>Nine months ended December 31, 2007</u>			<u>Nine months ended December 31, 2006</u>		
	<u>Johns</u>	<u>Schuneman</u>	<u>Total</u>	<u>Johns</u>	<u>Schuneman</u>	<u>Total</u>
Revenue from discontinued operations	\$ -	\$ -	\$ -	\$ 209,612	\$ 461,659	\$ 671,271
Earnings (loss) from discontinued operations	\$ -	\$ -	\$ -	\$ (41,676)	\$ (145,620)	\$ (187,296)
Gain (loss) on sale of discontinued operations	-	-	-	(302,350)	467,593	165,243
Gain (loss) from discontinued operations	\$ -	\$ -	\$ -	\$ (344,026)	\$ 321,973	\$ (22,053)

<b>5. LONG-TERM DEBT</b>	<u>December 31, 2007</u>	<u>March 31, 2007</u>
Term loans (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 \$ 106,664. The loans mature on October 15, 2021 and are collateralized by a pledge of all assets of the Company, with all other debt subordinated to the Lender.	\$ <u>9,122,371</u>	\$ <u>10,859,161</u>
Term loan (U.S. \$10,335,359) with interest at Wall Street Journal's prime rate plus 3.5% per annum with monthly principal and interest payments of \$114,363. 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.	<u>10,043,829</u>	<u>-</u>
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 below.	<u>6,442,674</u>	<u>2,043,690</u>
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.	<u>3,211,325</u>	<u>3,746,925</u>
Note payable (U.S.\$ 100,000) bearing no interest with repayment in three equal annual installments beginning August 31, 2008.	98,810	115,290
Less: Unamortized discount	<u>(18,936)</u>	<u>(26,130)</u>
	<u>79,874</u>	<u>89,160</u>

Note payable (U.S.\$ 10,631) with interest at 7% per annum and repayable in one payment of \$ 12,329 including principal and interest.	-	<u>12,256</u>
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.	258,630	347,088
Less: Unamortized discount	<u>(35,007)</u>	<u>(46,514)</u>
	<u>223,623</u>	<u>300,574</u>
	29,123,696	17,051,766
Current portion	<u>(524,823)</u>	<u>(370,082)</u>
	<u>\$ 28,598,873</u>	<u>\$ 16,681,684</u>

On October 15, 2007, Brooke Canada Funding Inc. amended the operating line of credit facility 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 working capital line that was outstanding prior to the Low Cost acquisition and any additional amounts drawn subsequent to this amendment, the loan will be extended for a further 15 years, with a fifteen year amortization, requiring principle and interest payments.

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

2008	\$ 524,823
2009	655,102
2010	7,176,670
2011	714,860
2012	3,975,676
Thereafter	<u>16,076,565</u>
	<u>\$ 29,123,696</u>

## 6. OBLIGATIONS UNDER CAPITAL LEASES

	<u>December 31,</u> <u>2007</u>	<u>March 31,</u> <u>2007</u>
Obligations under capital leases, collateralized by the assets under lease	\$ 84,573	\$ 9,735
Current portion	<u>(45,499)</u>	<u>(5,188)</u>
	<u>\$ 39,074</u>	<u>\$ 4,547</u>

## 7. SHARE CAPITAL

### Common Shares

- a) Authorized  
Unlimited common shares without par value

	<u>Shares</u>	<u>Amount</u>
Issued March 31, 2007 and December 31, 2007	8,551,978	\$ 10,197,279

- b) Warrants

During the nine months ended December 31, 2007, there were no changes in the warrants outstanding.

The following table summarizes information about the warrants outstanding and exercisable at December 31, 2007:

<u>Expiry date</u>	<u>Number</u>	<u>Exercise price</u>
June 15, 2010	<u>1,439,128</u>	\$ <u>0.80</u>

## 8. 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.

On September 10, 2007, the Company amended its Incentive Share Option Plan (the "Plan") to increase the number of options issuable under the Plan from 1,418,811 options to 1,710,395 options. 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 nine month period ended December 31, 2007:

	December 31, 2007		March 31, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,268,571	\$ 0.76	1,275,411	\$ 0.99
Awarded	-	-	485,400	0.37
Cancelled	(604,524)	(0.90)	(61,240)	(0.93)
Expired	-	-	(431,000)	(1.00)
Outstanding, end of period	664,047	\$ 0.62	1,268,571	\$ 0.76
Exercisable, end of period	664,047	\$ 0.62	1,268,571	\$ 0.76

The following table sets forth information relating to stock options outstanding as at December 31, 2007:

Expiry	Range of exercise prices	Number outstanding at December 31, 2007	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31, 2007	Weighted average exercise price
8/29/2008	\$ 0.81	144,334	0.67	\$0.81	144,334	\$0.81
12/31/2008	0.37	383,550	1.00	0.37	383,550	0.37
8/5/2009	1.10	121,163	1.58	1.10	121,163	1.10
8/16/2009	<u>1.25</u>	<u>15,000</u>	<u>1.58</u>	<u>1.25</u>	<u>15,000</u>	<u>1.25</u>
	<u>\$0.37 to \$1.25</u>	<u>664,047</u>	<u>1.05</u>	<u>\$ 0.62</u>	<u>664,047</u>	<u>\$0.62</u>

See note 14.

## 9. 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 nine months ended December 31, 2007 the Company incurred \$ 66,546 (2006 - \$ 101,707) of legal fees with law partnerships, in which two partners were also Company 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 2008 fiscal year.

## 10. COMMITMENTS

The Company leases office premises under operating leases that expire at various dates during the 2007 through 2011 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:

2008	\$ 1,593,332
2009	567,550
2010	259,297
2011	<u>141,442</u>
	\$ <u>2,561,621</u>

## 11. INTEREST AND FINANCING COSTS

	Three months ending December 31, 2007	Three months ending December 31, 2006	Nine months ending December 31, 2007	Nine months ending December 31, 2006
<b>Canadian operations</b>				
Interest on long-term debt	\$ 3,619	\$ -	\$ 11,855	\$ -
Interest on operating line of credit	193,884	30,880	452,489	30,880
Other	4,465	18,014	32,838	18,014
Amortization of deferred financing costs and loan discount	24,452	675	46,913	675
Interest on obligations under capital lease	<u>1,345</u>	<u>58</u>	<u>4,626</u>	<u>301</u>
	\$ <u>227,765</u>	\$ <u>49,627</u>	\$ <u>548,721</u>	\$ <u>49,870</u>
<b>U.S. operations</b>				
Interest and loan fees on long-term debt	\$ 641,722	\$ 756,249	\$ 1,820,674	\$ 1,814,071
Amortization of deferred financing costs and loan discount	14,395	47,065	39,356	297,553
Impairment of deferred financing costs on long-term debt	-	1,825,433	-	1,825,433
Interest on obligations under capital lease	<u>366</u>	<u>552</u>	<u>1,485</u>	<u>991</u>
	<u>656,483</u>	<u>2,629,299</u>	<u>1,861,515</u>	<u>3,938,048</u>
	\$ <u>884,248</u>	\$ <u>2,678,926</u>	\$ <u>2,410,236</u>	\$ <u>3,987,918</u>

## 12. SEGMENT DISCLOSURES

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

### SEGMENT DISCLOSURES

Operating Segments	Three months ended December 31, 2007			Three months ended December 31, 2006		
	Canada	U.S	Consolidated	Canada	U.S	Consolidated
Revenue	1,506,190	2,503,857	4,010,047	1,408,553	1,210,227	2,618,780
Net earnings (loss)	(41,285)	(1,089,833)	(1,131,118)	(17,395)	(2,371,419)	(2,388,814)
Identifiable assets	4,543,285	21,242,808	25,786,093	4,949,721	11,707,668	16,657,389
Depreciation and amortization	89,787	530,045	619,832	73,580	99,630	173,210
Interest and financing costs	227,765	656,483	884,248	49,627	2,629,299	2,678,926
Fixed assets, intangibles and goodwill	2,639,920	18,633,938	21,273,858	2,517,617	9,639,006	12,156,623
Operating Segments	Nine months ended December 31, 2007			Nine months ended December 31, 2006		
	Canada	U.S	Consolidated	Canada	U.S	Consolidated
Revenue	4,132,238	6,412,549	10,544,787	3,854,507	3,718,597	7,573,104
Net earnings (loss)	(196,253)	(2,881,764)	(3,078,017)	84,604	(4,297,587)	(4,212,983)
Identifiable assets	4,543,285	21,242,808	25,786,093	4,949,721	11,707,668	16,657,389
Depreciation and amortization	293,266	1,206,599	1,499,865	219,243	572,606	791,849
Interest and financing costs	548,721	1,861,515	2,410,236	49,870	3,938,048	3,987,918
Fixed assets, intangibles and goodwill	2,639,920	18,633,938	21,273,858	2,517,617	9,639,006	12,156,623

### 13. SUPPLEMENTAL CASH FLOW

During the nine month period ended December 31, 2007, the Company paid interest of \$ 2,228,298 (2006- \$ 1,531,834). During the three month period ended December 31, 2007, the Company paid interest of \$ 845,360 (2006- \$ 644,836).

During the nine month period ended December 31, 2007, the Company paid income taxes of \$ 50,000 (2006- \$85,387). During the three month period ended December 31, 2007, the Company paid income taxes of \$ 50,000 (2006- \$70,000).

During the nine and three months ended December 31, 2007 and 2006, the Company had non-cash transactions as follows:

	Three months ended December 31, 2007	Three months ended December 31, 2006	Nine months ended December 31, 2007	Nine months ended December 31, 2006
<b>Financing activities</b>				
Reduction in long-term debt due to customer account acquisition price adjustment	\$ (22,959)	\$ -	\$ (22,959)	\$ -
Reduction in long-term debt due to Vinciguerra acquisition price adjustment	-	(502,338)	-	(502,338)
Debt proceeds used for financing costs and franchise fees incurred	-	2,352,056	-	2,352,056
Financing costs paid	-	(314,356)	-	(314,356)
Capital lease for financing fixed asset purchase	-	-	62,983	-
Capital lease assumed on asset purchase	28,672	-	41,905	-
Debt incurred for costs of acquisition and debt	-	-	13,204,113	-
	<u>\$ 5,713</u>	<u>\$ 1,535,362</u>	<u>\$ 13,286,042</u>	<u>\$ 1,535,362</u>
<b>Investing activities</b>				
Reduction of Vinciguerra goodwill	\$ -	\$ 502,338	\$ -	\$ 502,338
Purchase of customer accounts for note payable	-	-	(1,739,867)	-
Adjustment to goodwill for assumption of capital lease	(28,672)	-	(41,905)	-
Purchase of goodwill for note payable	-	-	(9,731,258)	-
Purchase of fixed assets for note payable	-	-	(265,675)	-
Franchise fees and financing costs paid with debt incurred	-	(2,037,700)	(1,467,313)	(2,037,700)
Fixed asset additions financed by capital lease	-	-	(62,983)	-
Reduction of customer accounts due to purchase price adjustment	22,959	-	22,959	-
Note receivable on disposal of an Agency	-	-	-	(252,326)
Non-cash component of proceeds of disposal of an Agency	-	-	-	252,326
	<u>\$ (5,713)</u>	<u>\$ ( 1,535,362)</u>	<u>\$ (13,286,042)</u>	<u>\$ (1,535,362)</u>

#### 14. SUBSEQUENT EVENT

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 the stock options awarded to employees, directors and consultants of \$141,158 will be recorded to stock compensation expense and contributed surplus over the vesting periods, and was estimated on the date of award using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.25%
Estimated volatility	91%
Expected lives	2.04

The average fair value of stock options awarded, as calculated using the Black-Scholes option pricing model, was \$ 0.15 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. 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.