



ANTHONY CLARK INTERNATIONAL
INSURANCE BROKERS LTD.

ANNUAL FINANCIAL REPORT

MARCH 31, 2007

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-three locations: five in Alberta, seven in California, ten 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. To date, the Company has purchased 23 General Insurance Brokerages and has plans to acquire additional brokerages in both Canada and the United States.

2007 HIGHLIGHTS

Year Ended March 31	2007	2006
Revenue	\$ 11,171,529	11,426,938
Earnings from operations (EBITDA) (1)	\$ 1,818,607	1,721,060
Total Assets	\$ 15,917,995	18,801,003
Total Liabilities and Shareholders' Equity	\$ 15,917,995	18,801,003
Cash, end of year	\$ 773,982	558,551
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 REPORT

To Our Shareholders:

REVIEW OF OPERATIONS

The Company generated earnings of \$ 1,920,455 (2006 - \$ 1,721,060) before non-cash stock-based compensation expense of \$ 101,848, from operations before interest, income taxes and depreciation and amortization (non-cash expense) (EBITDA), which represents an 11.6% increase over last year. EBITDA is discussed and presented here as a non-Generally Accepted Accounting Principle measure as it is management's major performance indicator. EBITDA is reconciled to Net Earnings (Loss) on the Five Year Summary page at the end of the annual report. The Company incurred a net loss from operations during the past fiscal year of \$ 3,997,983, primarily related to \$ 3,245,538 of non-cash expenses of depreciation and amortization and impairment of deferred financing costs. The cash expense portion of the loss amounted to approximately \$ 730,000, primarily related to the industry decreases in insurance premiums levels, with corresponding decreases in commission revenue levels and exit fees of \$ 284,000, associated with the refinancing of the Bridge credit facilities.

MAJOR ACCOMPLISHMENTS IN THE PAST YEAR

- Obtained new 15 year Brooke Financing (U.S.\$ 9.5 Million) to refinance shorter term Bridge credit facility (maturing 2010), at a significantly lower interest cost. Brooke specializes in both the franchising and financing of insurance brokerage acquisitions
- Franchised US operations with Brooke Franchise Corporation and will benefit from Brooke's national brand recognition, carrier representation and advertising economies of scale
- Obtained new Brooke working capital facility of \$ 3.35 Million, where no working capital line previously existed
- Negotiated extension to Emmett Lescroart U.S.\$ 3.25 Million financing, from August 31, 2008 to April 30, 2012
- Continued to streamline US operations in the face of industry premium decreases and related commission revenue decreases to insurance brokerages
- Sold underperforming Johns and Schuneman agencies, in light of commission rate decreases and cost issues
- Acquired the book of business of Universal Insurance Brokers – approx. \$ 250,000 commission revenue
- Improved the corporate governance structure, with the set up of a new corporate governance committee, and strengthened the audit committee
- Subsequent to year-end, acquired the assets of Low Cost Insurance Services Inc., a major California agency, expected to generate approximately U.S.\$ 7.5 Million in revenues, which will increase Company overall revenues by approximately 70%.

BUSINESS ACQUISITION ACTIVITY

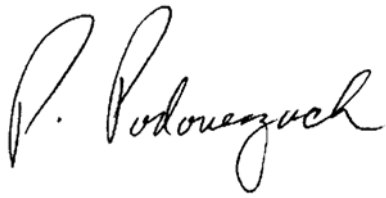
In conjunction with the integration of the latest significant Low Cost Insurance acquisition, the Company will continue to look for quality brokerage acquisition targets.

OUTLOOK

The Company is looking forward to a year of increasing revenues from new acquisitions and internal growth, together with the benefits from the continued streamlining of costs to improve its overall performance. Based on market indicators, the Company expects the premium rate decreases of the past couple of years will begin to stabilize and improve over the next 18-24 months, resulting in increased revenues from our customer base and accordingly, increasing the value of the Company.

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

On behalf of the directors, we are grateful for the patience and support of our shareholders and we will continue to work on your behalf as we work together to build a strong and successful Company. We look forward to your continued confidence and support.



Primo Podorieszch
President and CEO
Anthony Clark International Insurance Brokers Ltd.
July 5, 2007



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. 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.

Shares of the Company trade on the Toronto Stock Exchange ("TSX") under the symbol "ACL". The common shares of the Company will be delisted at the close on June 22, 2007, for failure to meet the continued listing requirements of the TSX which relates to the current market capitalization level of the Company. However, the Company has received conditional approval of its application to list on Tier 2 of the TSX Venture Exchange as an Industrial Issuer, to be effected concurrently with the delisting from the Toronto Stock Exchange. The Company will continue under its current trading symbol "ACL". The Company voluntarily delisted from Nasdaq OTC. The decision to delist was made, as the low trading volume on the bulletin board did not justify the costs of this listing.

The following discussion should be read in conjunction with the consolidated financial statements and the related notes to those consolidated financial statements for the year ended March 31, 2007, which are prepared in accordance with Canadian GAAP.

All amounts are in Canadian Dollars unless otherwise indicated.

2007 HIGHLIGHTS

- June 2006 - Sale of one California agency
- October 2006 - Closing of U.S.\$ 9.57 million Brooke financing at reduced interest rate
- October 2006 - Closing of CDN\$ 3.35 million working capital loan
- October 2006 - Repayment of Bridge credit facility
- December 2006 - Sale of Illinois agency
- March 2007 - Extension of the U.S.\$ 3.25 million debt from August 31, 2008 to April 30, 2012

While continuing to look for quality acquisitions, the Company's focus this past fiscal year was to streamline costs, sell underperforming assets, increase organic growth by cross-selling products, reduce the debt cost and negotiate a longer term debt. In addition, the Company looks forward to the potential to tap into Brooke Credit Corporation's financing capabilities to fund future acquisitions, as it offers the opportunity to finance new acquisitions on significantly more attractive terms to the sellers of brokerages than have been available in the past.

FRANCHISING OF US OPERATIONS

On October 31, 2006, the Company entered into debt financing arrangements with United States lender Brooke Credit Corporation ("BCC") and Canadian lender, Brooke Canada Funding Inc. ("BCF") (collectively, the "Lenders") whereby the Lenders have provided a U.S.\$ 9,570,000 fifteen year term loan facility and a \$ 3,350,000 three year revolving loan facility respectively. In conjunction with the 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 believes that this US franchise strategy can improve revenues through Brooke's brand recognition and marketing assistance developed over the years. The franchise agreements provide for an initial five year term, with further renewal to be not unreasonably withheld. The Company paid an initial franchise fee of \$ 2,092,513 (U.S.\$ 1,815,000) for all its existing locations, which is being amortized over the term of the debt of 15 years. In addition, the Company is required to pay franchise service fees of 15% of sales commissions under the terms of its franchise agreements. During the year ended March 31, 2007, these fees were fully offset by certain reimbursements. Under the terms of the franchise agreements, future contingent commissions for the US franchised locations are to be paid to Brooke Franchise Corporation.

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,	2007	2006	2005
Revenue	\$ 11,171,529	\$ 11,426,938	\$ 11,307,044
Net earnings (loss) before discontinued operations	(3,975,379)	(2,416,186)	(4,464,378)
Net earnings (loss)	(3,997,983)	(2,850,451)	(4,470,154)
Total assets	15,917,995	18,801,003	21,862,339
Total long-term liabilities	\$ 16,686,231	\$ 14,985,102	\$ 19,231
Earnings (loss) before discontinued operations per share -basic and diluted	(0.47)	(0.30)	(0.56)
Earnings (loss) per share -basic and diluted	(0.47)	(0.35)	(0.56)

The Company's revenue and total assets have decreased primarily due to the sale of underperforming assets during the year ended March 31, 2007.

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.

RESULTS OF OPERATIONS

ACCOUNTING POLICY

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.

BUSINESS ACQUISITIONS

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 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.

Year ended March 31, 2006

The Vista acquisition agreement provided for contingent adjustment to the purchase price in the second and fifth years after closing. During the 2006 fiscal year, the second year adjustment was determined and the purchase price was reduced by \$ 3,105,202. This adjustment reduced the note payable to the vendor by \$ 3,105,202, goodwill by \$ 2,665,146 and customer accounts by \$ 440,056. Further, the Company and the vendors came to a settlement of ongoing disputes. The settlement resulted in the elimination of the fifth year adjustment from the agreement, the settlement of the note due from the vendors and withdrawal of all outstanding legal proceedings initiated by the vendors and the Company. The Company realized a gain of \$ 251,377 resulting from the settlement.

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 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 year, the Company recognized a \$ 113,860 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 includes the loss on disposal of \$ 305,354 (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 \$ 324,266, which includes the gain on disposal of \$ 470,096 (U.S.\$ 412,873) from the sale.

The carrying amounts of assets related to the discontinued operations included in the March 31, 2006 balance sheet were as follows:

Balance Sheet – March 31, 2006

Non-Current assets	Johns	Schuneman	Total
Fixed assets	\$ 36,612	\$ 23,021	\$ 59,633
Customer accounts	772,052	189,945	961,997
Non-competition agreements	95,932	28,966	124,898
Goodwill	776,103	784,388	1,560,491
Total non-current assets	\$ 1,680,699	\$ 1,026,320	\$ 2,707,019
Current liabilities			
Accounts payable	\$ —	\$ 141,277	\$ 141,277
Non-current liabilities			
Long-term debt	\$ —	\$ 1,348,000	\$ 1,348,000

The loss from discontinued operations for the year ending March 31, 2007 and 2006 is summarized below:

	Year ended March 31, 2007			Year ended March 31, 2006		
	Johns	Schuneman	Total	Johns	Schuneman	Total
Revenue from discontinued operations	\$ 209,108	\$ 466,244	\$ 675,352	\$ 986,188	\$ 885,049	\$ 1,871,237
Earnings (loss) from discontinued operations	\$ (41,516)	\$ (145,830)	\$ (187,346)	\$ (360,907)	\$ (73,358)	\$ (434,265)
Gain (loss) on sale of discontinued operations	(305,354)	470,096	164,742	—	—	—
Gain (loss) from discontinued operations	\$(346,870)	\$ 324,266	\$ (22,604)	\$ (360,907)	\$ (73,358)	\$ (434,265)

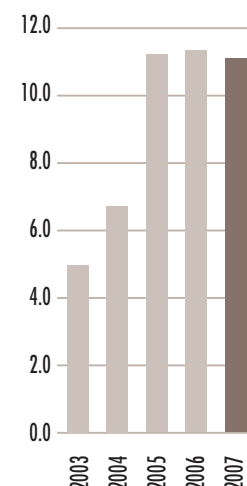
REVENUE

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.

The Company's revenue increased to \$ 11,426,938 for the year ended March 31, 2006 from \$ 11,307,044 for the year ended March 31, 2005 primarily due to the impact of the 2005 US acquisition being fully reflected in the current year's revenue, partially offset by the adverse effect (approximately \$ 600,000) of the strengthening Canadian dollar, reduced contingency income, decline in premiums and general competition.

REVENUE

\$ millions



EXPENSES

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.

Salaries and wages have decreased to \$ 6,578,328 for the year ending March 31, 2006 from \$ 6,903,559 for the year ending March 31, 2005 mainly due to the streamlining of costs in the US operations and the effect of the high Canadian dollar which reduced the impact of higher salaries and wages due to 2005 US acquisition.

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.

Rent increased to \$ 830,265 for the year ending March 31, 2006 from \$ 766,818 for the year ending March 31, 2005 primarily due to rent related to the 2005 US acquisition.

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.

General and administrative expenses increased to \$ 2,297,285 for the year ending March 31, 2006 from \$ 2,078,457 for the year ending March 31, 2005 primarily due to the 2005 US acquisition and legal costs related to Kabaker litigation (net of gain on Kabaker settlement), partially offset due to company wide cost reductions and the effect of the exchange rate.

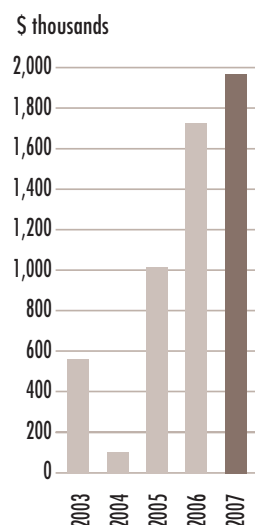
During the year ended March 31, 2007, the Company awarded 485,400 stock options which were accounted for in accordance with Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" of the CICA Handbook which requires the expensing of the fair value of the options of \$ 101,848. There were no stock options issued during the previous year ended March 31, 2006.

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

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. Management will continue to take steps to streamline the costs and expects further EBITDA improvements in upcoming quarters from these adjustments together with the effect of any new acquisitions.

The Company's EBITDA increased to \$ 1,721,060 for the year ended March 31, 2006 from \$ 1,146,937 for the year ended March 31, 2005, primarily due to streamlining of costs during the year and having the results of the US acquisition for the 2005 fiscal year reflected for a full year. EBITDA as a percentage of revenue has increased from 10.1% for the year ended March 31, 2005 to 15.1% for the year ended March 31, 2006.

EARNINGS FROM OPERATIONS (EBITDA)



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

Reconciliation of EBITDA to Net loss

Years ending	March 31, 2007	March 31, 2006
Revenue	\$ 11,171,529	\$ 11,426,938
Earnings before the following (EBITDA)	1,818,607	1,721,060
Interest and Financing Costs	(4,648,749)	(2,441,177)
Depreciation and amortization	(994,455)	(1,430,982)
Income Taxes (expense) recovery	(150,782)	(265,087)
Net loss from continuing operations	(3,975,379)	(2,416,186)
Gain (loss) from discontinued operations	(22,604)	(434,265)
Net loss	\$ (3,997,983)	\$ (2,850,451)

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 and stock-based compensation and the net loss from discontinued operations of \$ 22,604.

The net loss for the year ended March 31, 2006 of \$ 2,850,451 included \$ 1,562,557 of net non-cash expenses consisting of depreciation and amortization, future income taxes recovery, amortization of deferred financing costs and loan discounts, loss on disposition of fixed assets, gain on Kabaker settlement and the net loss from discontinued operations of \$ 434,265.

INTEREST AND FINANCING COSTS

	2007	2006
CANADIAN OPERATIONS		
Interest on long-term debt	\$ 4,512	\$ —
Interest on operating line of credit	95,975	—
Other	19,569	—
Amortization of deferred financing costs and loan discounts	8,289	—
Interest on obligations under capital lease	323	910
	128,668	910
U.S. OPERATIONS		
Interest and loan fees on long-term debt	\$ 2,278,761	\$ 2,017,674
Amortization of deferred financing costs	308,492	421,925
Impairment of deferred financing costs on long-term debt	1,931,621	—
Interest on obligations under capital lease	1,207	668
	4,520,081	2,440,267
	\$ 4,648,749	\$ 2,441,177

- Early payment fees of \$ 362,684 paid to Oak Street and FCC on June 30, 2005 are included in interest and loan fees on long-term debt for 2006.

- Early payment fees of \$ 284,650 paid to Bridge on Oct 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 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.

Depreciation and amortization increased to \$ 1,430,982 for the year ended March 31, 2006 from \$ 1,132,433 for the year ended March 31, 2005. The increase was due mainly to the amortization of increased customer accounts resulting from the US acquisition, which had a two year amortization period.

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.
- EBITDA loss for the September 2005 quarter was primarily due to lower revenues and legal expenses related to Kabaker dispute.
- EBITDA for December 2005 quarter is higher primarily due to the benefit of cost reduction initiatives in the US operations, the gain on Kabaker settlement, offset by legal expenses related to the Kabaker dispute.
- 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).

	Mar 2007	Dec 2006	Sept 2006	June 2006	Mar 2006	Dec 2005	Sept 2005	June 2005
Revenues	3,598,425	2,618,780	2,460,066	2,494,258	3,616,637	2,688,036	2,250,460	2,871,805
EBITDA	1,153,391	203,435	227,441	234,340	1,348,846	498,460	(353,066)	226,820
Earnings (loss) from continuing operations	215,551	(2,713,918)	(679,831)	(797,181)	134,184	(539,862)	(977,765)	(1,032,743)
Net earnings (loss)	215,000	(2,388,814)	(766,852)	(1,057,317)	(221,852)	(580,523)	(993,632)	(1,054,444)
Earnings (loss) per share – Basic and Diluted	0.02	(0.28)	(0.09)	(0.12)	(0.03)	(0.07)	(0.12)	(0.13)

FOURTH QUARTER 2007 RESULTS

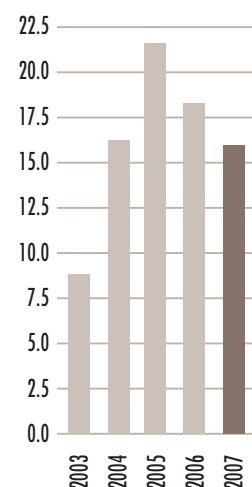
Compared to the March 2006 quarter, revenue and EBITDA in the March 2007 quarter were lower due to the US divisions, primarily the decline in premiums and the effect of the strengthening Canadian dollar. The net earnings for the March 2007 quarter, compared to the March 2006 quarter, increased by \$ 436,852 due to the lower interest and financing costs, depreciation and amortization, income tax expenses and the effect of the loss on discontinued operations in the March 2006 quarter.

FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION

The Company's balance sheet as at March 31, 2007 as compared to March 31, 2006 reflects a net increase in working capital of \$ 972,943. Other major changes include a net decrease in customer accounts of \$ 1,282,631, a net decrease in goodwill of \$ 2,134,429, and a net decrease in non-competition agreements of \$ 201,121 mainly related to the sale of two agencies in the US. A net decrease in deferred financing costs of \$ 1,742,247 is mainly related to the refinancing of long-term debt whereby the financing costs related to the old debt have been written off and the financing costs of the new debt have been deferred. A net increase in franchise fees of \$ 2,034,388 relates to fees paid for the franchising of the US divisions as a condition of the new financing. A net decrease in shareholder's equity of \$ 3,911,599 was primarily due to a net loss of \$ 3,997,983 which 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.

TOTAL ASSETS

\$ millions



FINANCIAL RESOURCES AND LIQUIDITY

At March 31, 2007, the Company had working capital of \$ 722,120, obligations under capital leases of \$ 4,547 and long-term debt of \$ 16,681,684.

On October 31, 2006, the Company entered into debt financing arrangements with United States lender Brooke Credit Corporation ("BCC") and Canadian lender, Brooke Canada Funding Inc. ("BCF") (collectively, the "Lenders") whereby the Lenders have provided a U.S.\$ 9,570,000 fifteen year term loan facility and a \$ 3,350,000 three year revolving loan facility respectively. The BCC 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 have been incurred in relation to the financing. The BCC facility requires monthly principal and interest payments, with interest based upon the Wall Street Journal's prime rate plus 3.5%. The BCF facility will be available for working capital purposes on an as-needed basis up to the facility limit of \$ 3,350,000, with interest based upon the Bank of Canada prime rate plus 7%. The facilities have been fully guaranteed and secured by the consolidated assets of the Company. The Company drew a further \$ 920,978 on the revolving loan facility to March 31, 2007 and a further \$ 265,550 subsequent to March 31, 2007.

On March 15, 2007, the note payable of U.S.\$ 3,250,000 previously due on August 31, 2008 was extended to April 30, 2012.

Shareholders' equity has decreased from \$ 673,529 as at March 31, 2006 to \$ (3,238,070) as at March 31, 2007 primarily due to the net loss of \$ 3,997,983. 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 and stock-based compensation and the net loss from discontinued operations of \$ 22,604.

The following table sets forth the Company's future contractual and long-term obligations as at March 31, 2007:

CONTRACTUAL OBLIGATIONS	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years
Capital Lease Obligations	9,735	5,188	4,547	—	—
Operating Lease Obligations	1,188,104	609,744	493,232	85,128	—
LONG-TERM DEBT					
Brooke Credit Corporation	10,859,161	291,335	720,506	900,838	8,946,482
Brooke Canada Funding Inc.	2,043,690	—	2,043,690	—	—
Emmett Lescroart	3,836,085	—	61,182	27,979	3,746,924
Universal Insurance Brokers	300,574	66,491	161,784	72,299	—
Al Vinciguerra Ltd.	12,256	12,256	—	—	—

SHARE CAPITAL

a) Authorized

Unlimited common shares without par value

	2007		2006	
	Shares	Amount	Shares	Amount
Issued				
Beginning of year	8,551,978	\$ 10,202,764	7,955,153	\$ 9,895,142
Common shares issued for private placement	—	—	213,500	128,100
Fair value of stock purchase warrants	—	—	—	(38,722)
Fair value of warrant repricing and extension	—	—	—	(78,326)
Common shares issued for debt settlement	—	—	383,325	306,660
Share issue costs	—	(5,485)	—	(10,090)
	8,551,978	\$ 10,197,279	8,551,978	\$ 10,202,764

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

During the year ended March 31, 2006, the Company issued 213,500 units, each consisting of one common share and one share purchase warrant, on a private placement basis for cash of \$ 126,000 (\$ 0.60 per unit) and a finder's fee, paid in respect of the private placement, of 3,500 units valued at \$ 2,100 (\$ 0.60 per unit). Costs of issue of \$ 13,475 were also paid. Each share purchase warrant was

exercisable into one common share at a price of \$ 0.80 per share until March 15, 2007. The estimated fair value of the warrants of \$ 38,722 was determined using the Black Scholes option pricing model. The amount was recorded to contributed surplus.

b) Warrants

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

Changes in warrants during the years ended March 31, 2007 and 2006 are as follows:

	2007		2006	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	1,915,726	\$ 0.80	263,098	\$ 1.60
Issued	—	—	1,652,628	0.80
Expired	(476,598)	(0.80)	—	—
Outstanding, end of year	1,439,128	\$ 0.80	1,915,726	\$ 0.80

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

Expiry date	Number	Exercise price
June 15, 2010	1,439,128	0.80

STOCK-BASED COMPENSATION

The Company has an incentive stock option plan which provides for the award of stock options to directors, officers, employees and consultants. A maximum of 1,309,811 common shares are reserved under the plan. The terms and exercise prices of all stock option awards are determined by the directors at the time of issue.

Changes in stock options during the years ended March 31, 2007 and 2006 are as follows:

	2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,275,411	\$ 0.99	1,290,411	\$ 1.00
Awarded	485,400	0.37	—	—
Cancelled	(61,240)	(0.93)	(15,000)	(1.10)
Expired	(431,000)	(1.00)	—	—
Outstanding, end of year	1,268,571	\$ 0.76	1,275,411	\$ 0.99
Exercisable, end of year	1,268,571	\$ 0.76	1,275,411	\$ 0.99

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

Expiry	Range of exercise prices	Number outstanding at March 31, 2007	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2007	Weighted average exercise price
08/29/08	0.81	288,171	1.42	0.81	288,171	0.81
12/31/08	0.37	485,400	1.75	0.37	485,400	0.37
08/05/09	1.10	480,000	2.33	1.10	480,000	1.10
08/16/09	1.25	15,000	2.33	1.25	15,000	1.25
	\$ 0.37 to \$ 1.25	1,268,571	1.90	\$ 0.76	1,268,571	\$ 0.76

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

	2007	2006
Risk-free interest rate	3.85%	2.6%
Estimated volatility	105%	67-85%
Expected lives	2.07 years	1-5 years

The average fair value of stock options awarded during the 2007 fiscal year, as calculated using the Black-Scholes option pricing model, was \$0.21 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, 2007 the Company incurred \$ 139,744 (2006 - \$ 262,806) 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.

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, income taxes and franchise fees.

IMPAIRMENT OF LONG-LIVED ASSETS

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

BUSINESS COMBINATIONS

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

CUSTOMER ACCOUNTS

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

GOODWILL

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

NON-COMPETITION AGREEMENTS

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

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 carryforwards only to the extent their realization is considered more likely than not.

DISCLOSURE CONTROLS AND PROCEDURES

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

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design of the Company's disclosure controls and procedures were effective as of the end of the period covered by the annual filings to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities, particularly during the period in which the annual filings are being prepared. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining internal control over financial reporting for the Company and have designed such internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 recent acquisitions in the United States. The Company will require additional funds to make future acquisitions of General Insurance Brokerages and may require additional funds to market and sell its products into the marketplace. The 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. Podorieszach, the Chief Executive Officer, Mr. Consalvo, the Chief Operating Officer, Mr. Bhatia, the Chief Financial Officer and the Corporate Controller, Ms. Shelley Samec could be detrimental to the future operations of the Company.

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

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

THE COMPANY FACES INTENSE COMPETITION IN THE INSURANCE INDUSTRY

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

INCURSION OF GOVERNMENT, BANKS OR OTHER FINANCIAL INSTITUTIONS

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

THE COMPANY CANNOT ACCURATELY FORECAST COMMISSION REVENUE BECAUSE COMMISSIONS DEPEND ON PREMIUM RATES CHARGED BY INSURANCE COMPANIES, WHICH HISTORICALLY HAVE VARIED AND ARE DIFFICULT TO PREDICT. ANY DECLINES IN PREMIUMS 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). Normand Cournoyer, who is a director of the Company, owns a 24% interest in the common shares of a general insurance agency. This position is not considered a concern to the Company.

INVESTORS MAY NOT BE ABLE TO SECURE FOREIGN ENFORCEMENT OF CIVIL LIABILITIES AGAINST THE COMPANY'S MANAGEMENT

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


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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



P. Podoriesz

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, 2007 and 2006 and the consolidated statements of operations and deficit and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and 2006 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 12, 2007



Chartered Accountants

Anthony Clark International Insurance Brokers Ltd.

CONSOLIDATED BALANCE SHEETS

March 31, 2007 and 2006

(Expressed in Canadian dollars)

	2007	2006
		(Note 2)
ASSETS		
CURRENT ASSETS		
Cash	\$ 773,982	\$ 558,551
Accounts receivable	1,947,330	1,497,950
Receivable on sale of an agency (Note 4)	30,321	—
Trust cash	—	277,262
Prepaid expenses	271,019	289,317
	3,022,652	2,623,080
Receivable on sale of an agency (Note 4)	115,290	—
Due from director (Note 5)	40,000	40,000
Fixed assets (Note 6)	230,366	302,196
Customer accounts (Note 7)	2,319,986	3,602,617
Deferred financing costs (Notes 8 and 11)	451,558	2,193,805
Non-competition agreements (Note 9)	378,794	579,915
Franchise fees (Note 10)	2,034,388	-
Goodwill	7,324,961	9,459,390
	\$ 15,917,995	\$ 18,801,003
LIABILITIES		
CURRENT LIABILITIES		
Demand loan	\$ —	\$ 58,355
Accounts payable and accrued liabilities	1,676,621	2,019,512
Income taxes payable	248,641	325,545
Current portion of long-term debt (Note 11)	370,082	459,524
Current portion of obligations under capital leases (Note 12)	5,188	10,967
	2,300,532	2,873,903
Obligations under capital leases (Note 12)	4,547	9,779
Long-term debt (Note 11)	16,681,684	14,975,323
Future income taxes (Note 17)	169,302	268,469
	19,156,065	18,127,474
Commitments (Note 18)		
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	10,197,279	10,202,764
Contributed surplus (Note 21)	1,552,599	1,450,751
Cumulative translation adjustment	(14,876)	(4,897)
Deficit	(14,973,072)	(10,975,089)
	(3,238,070)	673,529
	\$ 15,917,995	\$ 18,801,003

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 DEFICIT

Years ended March 31, 2007 and 2006
(Expressed in Canadian dollars)

	2007	2006
REVENUE	\$ 11,171,529	\$ 11,426,938
EXPENSES		
Salaries and wages	6,087,990	6,578,328
General and administrative	2,468,986	2,297,285
Rent	694,098	830,265
Stock-based compensation (Note 14)	101,848	—
	9,352,922	9,705,878
Earnings before interest, income taxes, depreciation and amortization	1,818,607	1,721,060
Interest and financing costs (Note 19)	4,648,749	2,441,177
Depreciation and amortization	994,455	1,430,982
Earnings (loss) before income taxes	(3,824,597)	(2,151,099)
INCOME TAXES (Note 17)		
Current	249,949	313,528
Future (recovery)	(99,167)	(48,441)
	150,782	265,087
Net earnings (loss) from continuing operations	(3,975,379)	(2,416,186)
Earnings (loss) from discontinued operations (Note 4)	(22,604)	(434,265)
Net earnings (loss) for the year	(3,997,983)	(2,850,451)
RETAINED EARNINGS (DEFICIT), beginning of year	(10,975,089)	(8,124,638)
RETAINED EARNINGS (DEFICIT), end of year	\$ (14,973,072)	\$ (10,975,089)
Earnings (loss) from continuing operations per share, basic and diluted	(0.47)	(0.30)
Earnings (loss) from discontinued operations per share, basic and diluted	—	(0.05)
Earnings (loss) per share – basic and diluted	\$ (0.47)	\$ (0.35)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended March 31, 2007 and 2006
(Expressed in Canadian dollars)

	2007	2006
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		
Net earnings (loss) for the year	\$ (3,997,983)	\$ (2,850,451)
Net loss from discontinued operations	22,604	434,265
Net loss from continuing operations	(3,975,379)	(2,416,186)
Adjustments to reconcile net cash provided by operating activities		
Depreciation and amortization	994,455	1,430,982
Future income taxes (recovery)	(99,167)	(48,441)
Amortization of deferred financing costs and loan discounts	316,781	421,925
Impairment of deferred financing costs	1,931,621	—
Loss on disposition of fixed assets	—	9,468
Stock-based compensation	101,848	—
Gain on vendor settlement	—	(251,377)
	(729,841)	(853,629)
Changes in non-cash working capital accounts		
Accounts receivable	(388,639)	184,393
Prepaid expenses	16,102	(73,740)
Accounts payable and accrued liabilities	(127,422)	253,939
Income taxes payable	(76,904)	261,668
Cash provided by (used in) discontinued operations	(142,020)	(6,977)
	(1,448,724)	(234,346)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		
Proceeds on issue of common shares	—	126,000
Share issue costs paid	(5,485)	(7,990)
Proceeds from demand loan	(56,810)	57,600
Repayments on long-term debt	(10,164,281)	(8,541,712)
Proceeds from long-term debt	10,992,923	10,419,561
Financing costs paid	(143,041)	(1,792,689)
	623,306	260,770
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		
Additions to fixed assets	(73,754)	(20,694)
Business acquisitions	(105,295)	(76,404)
Proceeds from note receivable	—	174,150
Cash paid on vendor settlement	—	(13,074)
Proceeds on sale of agencies	1,152,268	—
	973,219	63,978
EFFECT OF FOREIGN EXCHANGE	67,630	66,205
INCREASE IN CASH DURING THE YEAR	215,431	156,607
CASH, beginning of year	558,551	401,944
CASH, end of year	\$ 773,982	\$ 558,551

See Note 22.

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2007 and 2006
(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 the new debt financing (see note 11b), 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 an initial franchise fee of \$ 2,092,513 (U.S\$ 1,815,000) for all its existing 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.

Trust cash

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

Cash and cash equivalents

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

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.

Notes to the consolidated financial statements continued

Business combinations

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

Customer accounts

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

Goodwill

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

Non-competition agreements

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

Deferred financing costs and debt discounts

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

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 (2006 – 8,176,414) common shares. Diluted earnings (loss) per share is calculated using the treasury stock method, which assumes proceeds from the exercise of stock options and warrants would be used to purchase common shares at the average market price for the year. Diluted earnings (loss) per share has not been presented separately as the effect of common shares issuable on exercise of issued stock options would be anti-dilutive.

Stock-based compensation

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

Income taxes

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

Comparative figures

Certain 2006 figures have been reclassified to conform to the presentation used in the current year.

3. BUSINESS ACQUISITIONS

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 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.

Year ended March 31, 2006

The Vista acquisition agreement provided for contingent adjustment to the purchase price in the second and fifth years after closing. During the 2006 fiscal year, the second year adjustment was determined and the purchase price was reduced by \$ 3,105,202. This adjustment reduced the note payable to the vendor by \$ 3,105,202, goodwill by \$ 2,665,146 and customer accounts by \$ 440,056. Further, the Company and the vendors came to a settlement of ongoing disputes. The settlement resulted in the elimination of the fifth year adjustment from the agreement, the settlement of the note due from the vendors and withdrawal of all outstanding legal proceedings initiated by the vendors and the Company. The Company realized a gain of \$ 251,377 resulting from the settlement.

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 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 year, the Company recognized a \$ 113,860 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 includes the loss on disposal of \$ 305,354 (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 \$ 324,266, which includes the gain on disposal of \$ 470,096 (U.S.\$ 412,873) from the sale.

The carrying amounts of assets related to the discontinued operations included in the March 31, 2006 balance sheet were as follows:

Notes to the consolidated financial statements continued

Balance Sheet – March 31, 2006

Non-current assets	Johns	Schuneman	Total
Fixed assets	\$ 36,612	\$ 23,021	\$ 59,633
Customer accounts	772,052	189,945	961,997
Non-competition agreements	95,932	28,966	124,898
Goodwill	776,103	784,388	1,560,491
Total non-current assets	\$ 1,680,699	\$ 1,026,320	\$ 2,707,019
Current liabilities			
Accounts payable	\$ —	\$ 141,277	\$ 141,277
Non-current liabilities			
Long-term debt	\$ —	\$ 1,348,000	\$ 1,348,000

The loss from discontinued operations for the year ending March 31, 2007 and 2006 is summarized below:

	Year ended March 31, 2007			Year ended March 31, 2006		
	Johns	Schuneman	Total	Johns	Schuneman	Total
Revenue from discontinued operations	\$ 209,108	\$ 466,244	\$ 675,352	\$ 986,188	\$ 885,049	\$ 1,871,237
Earnings (loss) from discontinued operations	\$ (41,516)	\$ (145,830)	\$ (187,346)	\$ (360,907)	\$ (73,358)	\$ (434,265)
Gain (loss) on sale of discontinued operations	\$ (305,354)	\$ 470,096	\$ 164,742	—	—	—
Gain (loss) from discontinued operations	\$ (346,870)	\$ 324,266	\$ (22,604)	\$ (360,907)	\$ (73,358)	\$ (434,265)

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 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.

6. FIXED ASSETS

	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
	\$ 1,115,373	\$ 885,007	\$ 230,366

	2006		
	Cost	Accumulated depreciation	Net
Computer equipment and software	\$ 852,490	\$ 683,844	\$ 168,646
Furniture and equipment	395,907	262,357	133,550
	\$ 1,248,397	\$ 946,201	\$ 302,196

Included in fixed assets are assets under capital lease with a cost of \$ 47,273 (2006 - \$ 47,528) and accumulated depreciation of \$ 28,351 (2006 - \$ 22,078). See Note 4.

7. CUSTOMER ACCOUNTS

	2007	2006
Cost	\$ 4,979,220	\$ 8,230,557
Accumulated amortization	(2,659,234)	(4,352,200)
Impairment of customer accounts	—	(275,740)
	\$ 2,319,986	\$ 3,602,617

The impairment of customer accounts is included within earnings (loss) from discontinued operations in the consolidated statements of operations and deficit and was determined based on estimated fair value. See also Note 4.

8. DEFERRED FINANCING COSTS

	2007	2006
Cost	\$ 466,232	\$ 2,606,500
Accumulated amortization	(14,674)	(412,695)
	\$ 451,558	\$ 2,193,805

During the 2007 fiscal year, the Company charged all unamortized deferred financing costs relating to the Bridge facility to earnings as discussed in Note 11.

9. NON-COMPETITION AGREEMENTS

	2007	2006
Cost	\$ 462,373	\$ 801,125
Accumulated amortization	(83,579)	(221,210)
	\$ 378,794	\$ 579,915

See Note 4.

10. FRANCHISE FEES

	2007	2006
Cost	\$ 2,092,513	\$ —
Accumulated amortization	(58,125)	—
	\$ 2,034,388	\$ —

See Note 11 (b).

Notes to the consolidated financial statements continued

11. LONG-TERM DEBT

	2007	2006
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 \$ 129,877. 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 (b) below.	\$ 10,859,161	\$ —
Operating Line of Credit with interest at Bank of Canada prime plus 7% per annum with monthly interest only payments. The loan matures on October 31, 2009 and is collateralized by a pledge of all assets of the Company, with all other debt subordinated to the Lender. See (b) below.	2,043,690	—
Term loan (U.S.\$ 7,377,105) with interest at the prime rate of interest plus 6.25% per annum, but not less than 12% per annum, payable monthly. See (a) and (b) below.	—	8,901,609
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. See (c) below.	3,746,925	3,793,075
Note payable (U.S.\$ 100,000) bearing no interest with repayment in three equal annual installments beginning August 31, 2008.	115,290	—
Less: Unamortized discount	(26,130)	—
Note payable (U.S.\$ 10,631) with interest at 7% per annum and repayable in one payment of \$ 12,329 including principal and interest.	89,160	—
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.	12,256	840,551
Less: Unamortized discount	347,088	—
	(46,514)	—
	300,574	—
Note payable (U.S.\$ 1,155,000) with interest at 8% per annum was settled during the year. See Note 4.	—	1,348,001
Note payable without interest and without collateral.	—	62,596
Note payable (U.S.\$ 328,000) without interest was repaid during the year.	—	489,015
	17,051,766	15,434,847
Current portion	(370,082)	(459,524)
	\$ 16,681,684	\$ 14,975,323

- a) On June 15, 2005, the Company closed a U.S.\$ 25,000,000 secured debt financing arrangement with United States lenders, Bridge Healthcare Finance, LLC and Bridge Opportunity Finance, LLC (collectively, the

“Lenders”) whereby the Lenders provided a U.S.\$ 25,000,000 five year term loan facility (the “Facility”).

The Company issued the Lenders 1,439,128 share purchase warrants exercisable at \$ 0.80 per share until June 15, 2010. The Facility was fully guaranteed by, and collateralized by all the assets of, the Company.

The initial term loan proceeds of U.S.\$ 7,527,105 were used to repay the credit facilities that were in default as of March 31, 2005 in the amount of U.S.\$ 6,458,460, and to pay costs of U.S.\$ 1,515,000 incurred in relation to the Facility. Additional legal costs of U.S.\$ 181,223 were incurred in relation to the Facility. The Company was advanced an additional U.S.\$ 500,000 on June 30, 2005; U.S.\$ 300,000 on August 24, 2006; and U.S.\$ 200,000 on September 12, 2006 under the Facility for working capital. Principal repayments were made of U.S.\$ 400,000 on February 28, 2006, U.S.\$ 610,000 on June 28, 2006 and U.S.\$ 140,000 on June 29, 2006. The loan was fully repaid on October 31, 2006. See b) below.

- b) On October 31, 2006, the Company entered into debt financing arrangements with United States lender Brooke Credit Corporation (“BCC”) and Canadian lender, Brooke Canada Funding Inc. (“BCF”) (collectively, the “Lenders”) whereby the Lenders have provided a U.S.\$ 9,570,000 fifteen year term loan facility and a \$ 3,350,000 three year revolving loan facility respectively.

The BCC 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 have been incurred in relation to the financing. The BCC facility requires monthly principal and interest payments, with interest based upon the Wall Street Journal’s prime rate plus 3.5%. The BCF facility will be available for working capital purposes on an as-needed basis up to the facility limit of \$ 3,350,000, with interest based upon the Bank of Canada prime rate plus 7%. The facilities have been fully guaranteed and secured by the consolidated assets of the Company. The Company drew a further \$ 920,978 on the revolving loan facility to March 31, 2007 and a further \$ 265,550 subsequent to March 31, 2007.

- c) On March 15, 2007, the note payable of U.S.\$ 3,250,000 previously due on August 31, 2008 was extended to April 30, 2012.

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

2008	\$	370,082
2009		445,628
2010		2,541,534
2011		530,983
2012		470,133
Thereafter		12,693,406
		<u>\$ 17,051,766</u>

12. OBLIGATIONS UNDER CAPITAL LEASES

	2007	2006
Obligations under capital leases, collateralized by the assets under lease	\$ 9,735	\$ 20,746
Current portion	(5,188)	(10,967)
	<u>\$ 4,547</u>	<u>\$ 9,779</u>

Notes to the consolidated financial statements continued

13. SHARE CAPITAL

a) **Authorized**

Unlimited common shares without par value

	2007		2006	
	Shares	Amount	Shares	Amount
Issued				
Beginning of year	8,551,978	\$ 10,202,764	7,955,153	\$ 9,895,142
Common shares issued for private placement	—	—	213,500	128,100
Fair value of stock purchase warrants	—	—	—	(38,722)
Fair value of warrant re-pricing and extension	—	—	—	(78,326)
Common shares issued for debt settlement	—	—	383,325	306,660
Share issue costs	—	(5,485)	—	(10,090)
	8,551,978	\$ 10,197,279	8,551,978	\$ 10,202,764

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

During the year ended March 31, 2006, the Company issued 213,500 units, each consisting of one common share and one share purchase warrant, on a private placement basis for cash of \$ 126,000 (\$ 0.60 per unit) and a finder's fee, paid in respect of the private placement, of 3,500 units valued at \$ 2,100 (\$ 0.60 per unit). Costs of issue of \$ 13,475 were also paid. Each share purchase warrant was exercisable into one common share at a price of \$ 0.80 per share until March 15, 2007. The estimated fair value of the warrants of \$ 38,722 was determined using the Black Scholes option pricing model using the assumptions stated in Note 14. The amount was recorded to contributed surplus.

b) **Warrants**

During the year ended March 31, 2006, 263,098 share purchase warrants were repriced at \$ 0.80 per share and extended to February 28, 2007. The estimated fair value of the extension and repricing of the warrants was \$ 78,326 and was determined using the Black Scholes option pricing model using the assumptions stated in Note 14. An offsetting amount was recorded to contributed surplus.

Changes in warrants during the years ended March 31, 2007 and 2006 are as follows:

	2007		2006	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	1,915,726	\$ 0.80	263,098	\$ 1.60
Issued	—	—	1,652,628	0.80
Expired	(476,598)	(0.80)	—	—
Outstanding, end of year	1,439,128	\$ 0.80	1,915,726	\$ 0.80

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

Expiry date	Number	Exercise price
June 15, 2010	1,439,128	\$ 0.80

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 1,309,811 common shares are reserved under the plan. The terms and exercise prices of all stock option awards are determined by the directors at the time of issue.

Changes in stock options during the years ended March 31, 2007 and 2006 are as follows:

	2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,275,411	\$ 0.99	1,290,411	\$ 1.00
Awarded	485,400	0.37	—	—
Cancelled	(61,240)	(0.93)	(15,000)	(1.10)
Expired	(431,000)	(1.00)	—	—
Outstanding, end of year	1,268,571	\$ 0.76	1,275,411	\$ 0.99
Exercisable, end of year	1,268,571	\$ 0.76	1,275,411	\$ 0.99

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

Expiry	Range of exercise prices	Number outstanding at March 31, 2007	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2007	Weighted average exercise price
08/29/08	\$ 0.81	288,171	1.42	\$ 0.81	288,171	\$ 0.81
12/31/08	0.37	485,400	1.75	0.37	485,400	0.37
08/05/09	1.10	480,000	2.33	1.10	480,000	1.10
08/16/09	1.25	15,000	2.33	1.25	15,000	1.25
	\$ 0.37 to \$ 1.25	1,268,571	1.90	\$ 0.76	1,268,571	\$ 0.76

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

	2007	2006
Risk-free interest rate	3.85%	2.6%
Estimated volatility	105%	67-85%
Expected lives	2.07 years	1-5 years

Notes to the consolidated financial statements continued

The average fair value of stock options awarded during the 2007 fiscal year, as calculated using the Black-Scholes option pricing model, was \$ 0.21 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, 2007 the Company incurred \$ 139,744 (2006 - \$ 262,806) 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 32.1% (2006 – 33.6%) to the Company's net income (loss) before income taxes. The difference results from the following items:

	2007	2006
Expected income tax expense (recovery)	\$ (1,227,000)	\$ (724,683)
Discontinued operations	(7,000)	(144,000)
Disposal of assets	(1,011,000)	—
Non-deductible impairment of deferred financing costs	620,000	—
Net non-deductible portion of financing costs	755,000	829,800
Net unrecognized benefit of loss carryforwards	1,112,000	446,600
Non-deductible stock-based compensation	33,000	—
Net effect of deductible goodwill and intangibles	50,000	(111,000)
Other	(174,218)	(31,630)
	<u>\$ 150,782</u>	<u>\$ 265,087</u>

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	2007	2006
Future income tax assets		
Customer accounts, with tax basis	\$ 577,900	\$ 725,412
Other assets	71,900	10,538
Non capital losses	2,491,000	985,330
Valuation allowance	(2,813,900)	(1,559,961)
	<u>326,900</u>	<u>161,319</u>
Future income tax liabilities		
Other intangibles	(4,602)	(99,695)
Goodwill	(303,200)	(54,242)
Customer accounts, without tax basis	(188,400)	(275,851)
	<u>(496,202)</u>	<u>(429,788)</u>
Net future income tax liability	<u>\$ (169,302)</u>	<u>\$ (268,469)</u>

As at March 31, 2007, the Company had accumulated U.S. net operating losses of approximately U.S. \$ 6,170,000 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 2008 through 2012 fiscal years. The Company's minimum lease payments under the agreements are as follows:

2008	\$ 609,744
2009	365,841
2010	127,391
2011	62,564
2012	22,564
	<u>\$ 1,188,104</u>

19. INTEREST AND FINANCING COSTS

	2007		2006	
Canadian operations				
Interest on long-term debt	\$	4,512	\$	—
Interest on operating line of credit		95,975		—
Other		19,569		—
Amortization of deferred financing costs and loan discounts		8,289		—
Interest on obligations under capital lease		323		910
		128,668		910
U.S. operations				
Interest and loan fees on long-term debt	\$	2,278,761	\$	2,017,674
Amortization of deferred financing costs		308,492		421,925
Impairment of deferred financing costs on long-term debt		1,931,621		—
Interest on obligations under capital lease		1,207		668
		4,520,081		2,440,267
	\$	4,648,749	\$	2,441,177

- Early payment fees of \$ 362,684 paid to Oak Street and FCC on June 30, 2005 are included in interest and loan fees on long-term debt for 2006.
- 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, 2007			Year ended March 31, 2006		
	Canada	U.S.	Consolidated	Canada	U.S.	Consolidated
Revenue	\$ 5,612,746	\$ 5,558,783	\$ 11,171,529	\$ 5,292,928	\$ 6,134,010	\$ 11,426,938
Net earnings (loss)	369,451	(4,367,434)	(3,997,983)	461,930	(3,312,381)	(2,850,451)
Identifiable assets	4,178,022	11,739,973	15,917,995	3,664,362	15,136,641	18,801,003
Depreciation and amortization	305,264	689,191	994,455	250,205	1,180,777	1,430,982
Interest and financing costs	128,668	4,520,081	4,648,749	910	2,440,267	2,441,177
Fixed assets, intangibles and goodwill	2,851,483	9,437,012	12,288,495	2,715,970	11,228,148	13,944,118

21. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	2007	2006
Balance, beginning of year	\$ 1,450,751	\$ 667,585
Stock-based compensation expense (Note 14)	101,848	—
Fair value of stock purchase warrants issued for financing costs (Note 11)	—	666,118
Fair value of stock purchase warrants issued (Note 13)	—	38,722
Amount reclassified from share capital on repricing of previously issued stock purchase warrants (Note 13)	—	78,326
	\$ 1,552,599	\$ 1,450,751

22. SUPPLEMENTAL CASH FLOW

During the years ended March 31, 2007 and 2006 the Company paid interest of \$ 2,156,323 and \$ 2,336,390 respectively, and paid income taxes of \$ 346,422 and \$ 48,874, respectively.

During the years ended March 31, 2007 and 2006, the Company had non-cash transactions as follows:

	2007	2006
Financing activities		
Reduction in long-term debt due on acquisition price adjustment	\$ (502,338)	\$ (3,105,202)
Debt incurred for franchise fees and financing costs	2,352,056	—
Warrants issued for financing fees	—	666,118
Financing fees settled with warrants	—	(666,118)
Common shares issued for debt settlement	—	306,660
Settlement of long-term debt for common shares	—	(306,660)
Reclassification to contributed surplus from repricing of warrants	—	78,326
Share capital	—	(117,048)
Contributed surplus from issue of warrants	—	38,722
Note payable for purchase of customer accounts	315,897	68,096
	2,165,615	(3,037,106)
Investing activities		
Reduction of goodwill	502,338	2,665,146
Reduction of customer accounts	—	440,056
Purchase of customer accounts for note payable	(315,897)	(68,096)
Franchise fees and financing costs paid with debt incurred	(2,352,056)	—
Note receivable on sale of an agency	(252,326)	—
Non-cash proceeds on sale of an agency	252,326	—
	(2,165,615)	3,037,106
	\$ —	\$ —

23. SUBSEQUENT EVENT

See note 11 (b).

FIVE YEAR SUMMARY

Years ended March 31,	2007	2006	2005	2004	2003
OPERATIONS					
Revenue	\$ 11,171,529	11,426,938	11,307,044	6,778,764	5,175,072
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,818,607	1,721,060	1,146,937	102,992	552,778
Interest and financing costs	4,648,749	2,441,177	4,339,254	941,153	285,720
Depreciation and amortization	994,455	1,430,982	1,132,433	481,025	609,546
Income Taxes (recovery)	150,782	265,087	151,180	(112,178)	13,313
Net earnings (loss) from continuing operations	(3,975,379)	(2,416,186)	(4,475,930)	(1,207,008)	(355,801)
Net Earnings (Loss)	\$ (3,997,983)	(2,850,451)	(4,470,154)	(1,051,498)	(355,801)
Earnings (loss) from continuing operations per share, basic and diluted	\$ (0.47)	(0.30)	(0.56)	(0.16)	(0.05)
Earnings (loss) from discontinued operations per share, basic and diluted	\$ —	(0.05)	—	0.02	—
Earnings (loss) per share, basic and diluted	\$ (0.47)	(0.35)	(0.56)	(0.14)	(0.05)
FINANCIAL POSITION					
Current Assets	\$ 3,022,652	2,623,080	2,331,734	3,971,386	4,972,921
Fixed Assets	230,366	302,196	399,442	376,540	212,265
Customer Accounts—Cost	4,979,220	8,230,557	8,719,481	7,069,520	3,215,968
Accumulated Amortization	(2,659,234)	(4,627,940)	(3,040,982)	(2,042,119)	(1,653,901)
Net Customer Accounts	2,319,986	3,602,617	5,678,499	5,027,401	1,562,067
Goodwill	7,324,961	9,459,390	12,525,334	5,459,185	1,574,832
Non-competition agreements	378,794	579,915	705,890	663,551	—
Deferred financing costs	451,558	2,193,805	—	474,447	340,193
Franchise fees	2,034,388	—	—	—	—
Total Assets	\$ 15,917,995	18,801,003	21,862,339	16,209,085	8,662,278
Current Liabilities	\$ 2,300,532	2,873,903	19,117,229	2,122,611	1,062,058
Long Term Debt	16,681,684	14,975,323	—	7,318,804	17,624
Future Income Taxes	169,302	268,469	316,910	229,607	346,162
Shareholders' Equity	(3,238,070)	673,529	2,408,969	6,498,097	7,236,434
Total Liabilities and Shareholders' Equity	\$ 15,917,995	18,801,003	21,862,339	16,209,085	8,662,278
Cash and cash equivalents, end of year	\$ 773,982	558,551	401,944	1,989,663	3,719,408
SHAREHOLDER INFORMATION					
Common Shares Outstanding, at year end	8,551,978	8,551,978	7,955,153	7,955,153	7,692,055

COMPANY INFORMATION

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WEBSITE	
<p>www.anthonyclarkinsurance.com</p>	

DIRECTORS & OFFICERS	SHAREHOLDER INFORMATION
<p>Primo Podorieszch Director, President & Chief Executive Officer</p> <p>Tony Consalvo Director & Chief Operating 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>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> <p>Investment Banker GVC Financial Services, LLC California, USA</p>

