



ANTHONY CLARK INTERNATIONAL  
INSURANCE BROKERS LTD.

**SECOND QUARTER 2011**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED**

**SEPTEMBER 30, 2010**

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

	September 30, 2010	March 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,572,592	\$ 2,638,036
Accounts receivable	2,460,727	2,315,394
Trust cash	144,780	235,503
Prepaid expenses	362,246	504,185
	<u>4,540,345</u>	<u>5,693,118</u>
Property and equipment	454,988	458,900
Customer accounts	3,903,137	4,525,778
Goodwill	17,944,414	17,797,876
	<u>\$ 26,842,884</u>	<u>\$ 28,475,672</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 2,028,668	\$ 2,104,318
Distribution payable to non-controlling interest	-	952,052
Income taxes payable	54,451	175,738
Current portion of long term-debt <i>(Note 3)</i>	7,370,968	1,912,880
Current portion of obligations under capital leases <i>(Note 4)</i>	33,333	35,141
	<u>9,487,420</u>	<u>5,180,129</u>
Obligations under capital leases <i>(Note 4)</i>	30,334	23,538
Long-term debt <i>(Note 3)</i>	18,488,740	25,048,063
Future income taxes	184,788	235,859
	<u>28,191,282</u>	<u>30,487,589</u>
Non-controlling interest in consolidated subsidiary <i>(Note 5)</i>	745,615	655,835
Commitments <i>(Note 11)</i>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>(Note 6)</i>	10,108,487	10,266,512
Accumulated other comprehensive income (loss)	(1,163,037)	(1,214,318)
Contributed surplus	2,201,537	2,001,435
Deficit	(13,241,000)	(13,721,381)
	<u>(2,094,013)</u>	<u>(2,667,752)</u>
	<u>\$ 26,842,884</u>	<u>\$ 28,475,672</u>

See accompanying notes to the unaudited interim consolidated financial statements.

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

	For the three months ended September 30,		For the six months ended September 30,	
	2010	2009	2010	2009
Revenue	\$ 3,710,501	\$ 4,390,676	\$ 8,042,141	\$ 9,132,090
Expenses				
Salaries and wages	1,959,795	2,308,888	3,967,900	4,598,373
General and administrative	1,045,389	962,023	2,072,320	2,127,172
Rent	252,899	270,478	511,830	557,483
Stock-based compensation <i>(Note 7)</i>	30,680	27,391	89,337	66,543
	<u>3,288,763</u>	<u>3,568,780</u>	<u>6,641,387</u>	<u>7,349,571</u>
Earnings before interest, income taxes, depreciation and amortization and other	421,738	821,896	1,400,754	1,782,519
Gain on sale of interest in consolidated subsidiary <i>(Note 5)</i>	1,421,370	621,139	1,421,370	4,519,209
Gain on settlement of debt <i>(Note 3)</i>	-	-	-	2,842,237
Interest and financing costs <i>(Note 12)</i>	(488,703)	(539,495)	(983,106)	(1,116,496)
Depreciation and amortization	(340,868)	(330,420)	(680,045)	(690,576)
Earnings (loss) before income taxes	<u>1,013,537</u>	<u>573,120</u>	<u>1,158,973</u>	<u>7,336,893</u>
Income taxes:				
Current - (expense)	(232,274)	(124,975)	(398,316)	(794,689)
Future - recovery	27,094	17,894	51,071	40,920
	<u>(205,180)</u>	<u>(107,081)</u>	<u>(347,245)</u>	<u>(753,769)</u>
Non-controlling interest	<u>(66,930)</u>	<u>(376,278)</u>	<u>(331,347)</u>	<u>(415,984)</u>
Net earnings for the period	741,427	89,761	480,381	6,167,140
Other Comprehensive Income (loss)				
Unrecognized gain (loss) on translation of financial statements of self-sustaining foreign operations	<u>(102,230)</u>	<u>(537,258)</u>	<u>51,281</u>	<u>(996,087)</u>
Comprehensive Income (loss)	<u>\$ 639,197</u>	<u>\$ (447,497)</u>	<u>\$ 531,662</u>	<u>\$ 5,171,053</u>
Earnings (loss) per share - basic	<u>\$ 0.08</u>	<u>\$ 0.01</u>	<u>\$ 0.05</u>	<u>\$ 0.65</u>
Earnings (loss) per share - diluted	<u>\$ 0.08</u>	<u>\$ 0.01</u>	<u>\$ 0.05</u>	<u>\$ 0.65</u>

See accompanying notes to the unaudited interim consolidated financial statements.

**ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.**

**Interim Consolidated Statements of Cash Flows**

**(unaudited)**

	For the three months ended September 30,		For the six months ended September 30,	
	2010	2009	2010	2009
Cash flows from (used in) operating activities				
Net earnings for the period	\$ 741,427	\$ 89,761	\$ 480,381	\$ 6,167,140
Adjustments to reconcile net cash provided by operating activities				
Depreciation and amortization	340,868	330,420	680,045	690,576
Future income taxes (recovery)	(27,094)	(17,894)	(51,071)	(40,920)
Amortization of deferred financing costs and loan discounts	16,302	14,201	28,535	43,255
Impairment of deferred financing costs	-	-	-	140,131
Interest on U.S. note payable settled with common shares	33,761	-	67,145	-
Stock-based compensation	30,680	27,391	89,337	66,543
Non-controlling interest	66,930	376,278	331,347	415,984
Gain on sale of interest in consolidated subsidiary	(1,421,370)	(621,139)	(1,421,370)	(4,519,209)
Gain on settlement of debt	-	-	-	(2,842,237)
	<u>(218,496)</u>	<u>199,018</u>	<u>204,349</u>	<u>121,263</u>
Changes in non-cash working capital accounts				
Accounts receivable	(138,069)	207,755	(122,775)	470,198
Prepaid expenses	99,365	(9,677)	146,489	(35,938)
Accounts payable and accrued liabilities	47,659	(346,614)	(1,691)	(858,763)
Income taxes	31,085	124,975	(121,287)	794,689
	<u>(178,456)</u>	<u>175,457</u>	<u>105,085</u>	<u>491,449</u>
Cash flows from (used in) financing activities				
Repayments on long-term debt	(994,410)	(717,448)	(1,437,103)	(3,908,356)
Proceeds from long-term debt	174,096	213,990	174,096	1,251,111
Repurchase of shares under issuer bid	(12,375)	(34,035)	(47,260)	(46,140)
Distribution to non-controlling interest	(384,319)	-	(1,336,371)	-
	<u>(1,217,008)</u>	<u>(537,493)</u>	<u>(2,646,638)</u>	<u>(2,703,385)</u>
Cash flows from (used in) investing activities				
Additions to property and equipment	(20,793)	(516)	(28,991)	(15,244)
Proceeds on sale of an interest in a consolidated subsidiary	1,564,122	-	1,564,122	2,397,330
	<u>1,543,329</u>	<u>(516)</u>	<u>1,535,131</u>	<u>2,382,086</u>
Effect of foreign exchange	<u>(75,404)</u>	<u>50,532</u>	<u>(59,022)</u>	<u>(56,943)</u>
Increase (decrease) in cash during the period	72,461	(312,020)	(1,065,444)	113,207
Cash, beginning of the period	<u>1,500,131</u>	<u>3,300,280</u>	<u>2,638,036</u>	<u>2,875,053</u>
Cash, end of the period	<u>\$ 1,572,592</u>	<u>\$ 2,988,260</u>	<u>\$ 1,572,592</u>	<u>\$ 2,988,260</u>

See Note 14.

See accompanying notes to the unaudited interim consolidated financial statements.

Anthony Clark International Insurance Brokers Ltd.  
Interim Consolidated Statements of Shareholders' Equity  
For the six months ended September 30, 2010  
(unaudited)

	Share capital		Accumulated other comprehensive (loss)	Contributed surplus	Deficit
	Shares	Amount			
Balance, March 31, 2010	9,773,851	\$ 10,266,512	\$ (1,214,318)	\$ 2,001,435	\$ (13,721,381)
Stock-based compensation	-	-	-	58,657	-
Excess of share stated amount over share redemption amount	-	-	-	71,690	-
Unrealized (gain) loss on translation of financial statements of self-sustaining foreign operations	-	-	153,511	-	-
Net earnings (loss) for the period	-	-	-	-	(261,046)
Charge to capital on repurchase of shares through issuer bid	(101,500)	(106,575)	-	-	-
Balance, June 30, 2010	9,672,351	\$ 10,159,937	\$ (1,060,807)	\$ 2,131,782	\$ (13,982,427)
Stock-based compensation	-	-	-	30,680	-
Excess of share stated amount over share redemption amount	-	-	-	39,075	-
Unrealized (gain) loss on translation of financial statements of self-sustaining foreign operations	-	-	(102,230)	-	-
Net earnings (loss) for the period	-	-	-	-	741,427
Charge to capital on repurchase of shares through issuer bid	(49,000)	(51,450)	-	-	-
Balance, September 30, 2010	9,623,351	\$ 10,108,487	\$ (1,163,037)	\$ 2,201,537	\$ (13,241,000)

See accompanying notes to the unaudited interim consolidated financial statements.

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

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

### **For the six months ended September 30, 2010**

(Expressed in Canadian dollars)

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The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The financial information included herein is unaudited. The interim consolidated financial statements follow the same accounting policies and methods of application as the most recent audited annual consolidated financial statements for the year ended March 31, 2010. As the interim consolidated financial statements do not contain all the disclosures required in annual financial statements, they should be read in conjunction with the Company's March 31, 2010 audited annual consolidated financial statements.

#### **1. NATURE OF OPERATIONS**

Anthony Clark International Insurance Brokers Ltd. (the "Company"), through its various subsidiaries, operates general insurance brokerages in Canada and the United States. Shares of the Company trade on the TSX Venture Exchange under the symbol "ACL" and the OTCQX under the symbol "ACKBF". Revenues are attributed to geographic areas based on the location of resources producing the revenues.

#### **2. ACCOUNTING POLICIES**

##### **Future accounting standards**

The following is an overview of accounting standard changes that the Company will be required to adopt in future years:

##### *Business combinations, consolidated financial statements and non-controlling interests*

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling interest". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – "Business Combinations". This section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace 1600 – "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standards IAS 27 – "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

##### **International Financial Reporting Standards (IFRS)**

The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of its 2012 fiscal year when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The

Company is currently identifying differences in Canadian GAAP and IFRS accounting policies, selecting ongoing IFRS policies and reviewing IFRS 1 transition choices.

### 3. LONG-TERM DEBT

	September 30, <u>2010</u>	March 31, <u>2010</u>
Senior notes – 4.5% – 6.75%, due between June 2018 and January 2019 (a)	\$ 16,966,979	\$ 17,964,792
U.S. Senior note – 7% due September 2011 (b (iii))	5,663,900	5,585,800
U.S. Note payable – 14% due April 2012 (a)	3,346,850	3,300,700
U.S. Note payable – non-interest bearing	-	24,497
Note payable – 5%	-	44,983
Notes payable – non-interest bearing	<u>-</u>	<u>170,181</u>
	<u>25,977,729</u>	<u>27,090,953</u>
Deferred financing costs	(189,068)	(304,036)
Accumulated amortization	71,047	58,227
Impairment of deferred financing costs	<u>-</u>	<u>115,799</u>
	<u>(118,021)</u>	<u>(130,010)</u>
	25,859,708	26,960,943
Current portion	<u>(7,370,968)</u>	<u>(1,912,880)</u>
	<u>\$ 18,488,740</u>	<u>\$ 25,048,063</u>

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

An amount of \$ 8,962,878 was drawn under the Repayment Facility to repay the existing Operating Line of Credit in full and to reduce the amount outstanding under a U.S. senior note. On June 20, 2008, the Company closed a \$ 4,500,000 Intact loan facility (the “Acquisition Facility”) to its subsidiary Anthony Clark Insurance Brokers Ltd. The Acquisition Facility is available to finance potential future Canadian expansion projects and purchases of Canadian insurance brokerages. On January 29, 2009, an amendment was made to the loan agreement to increase the Acquisition Facility by \$ 9,500,000.

On April 23, 2009, the Company closed another equity financing under which an additional interest in the consolidated subsidiary of the Company which operates the Canadian operations, was sold. Part of the proceeds of the sale were applied to payout a term loan used to facilitate the extinguishment of a loan at a discount, partially pay down the balance remaining on the Working Capital Facility, and payout and settle a US loan at a discount. The Company recognized a gain on sale with an additional adjustment to the sales proceeds applied to the reduction of outstanding senior debt including the Repayment Facility.

On July 14, 2010, the Company closed another equity financing under which an additional interest in the consolidated subsidiary of the Company which operates the Canadian operations, was sold. Part of the proceeds of the sale were applied to pay down the Repayment Facility.

The Company is also subject to certain covenants on an ongoing basis, with failure to maintain compliance resulting in the loans becoming due on demand. The Company is in compliance with the covenants.

The above Intact facilities have been fully guaranteed and secured by the Canadian assets of the Company. Also, in conjunction with the Intact refinancing, the U.S. denominated debt is now secured by the U.S. assets only with a guarantee provided by the Company.

- (b) (i) On April 3, 2009, an amount of U.S. \$ 3,037,002 originally advanced on October 31, 2006 by the U.S. senior lender and later assigned, was paid out and settled for U.S. \$ 1,100,000. A gain of U.S. \$ 5,787,717 (CDN \$ 7,293,681) resulting from the extinguishment and amendment of the U.S. senior notes at a discount and the write-off of related unamortized deferred financing costs and accrued interest were recognized in the year ended March 31, 2009.
- (ii) On April 23, 2009, an amount of U.S. \$ 4,000,000 originally advanced by the U.S. senior lender on October 31, 2006 and later assigned, was paid out and settled for U.S. \$ 1,423,000 with proceeds received from the sale of the additional interest in the consolidated subsidiary. A gain resulting from the extinguishment of the loan at a discount in the amount of U.S. \$ 2,312,642 (CDN \$ 2,842,237) was recognized in the year ended March 31, 2010, along with the related unamortized deferred financing costs and accrued interest being written off.
- (iii) On March 31, 2009, an amendment was made to the U.S. senior note representing U.S. \$ 10,335,359 originally advanced on June 28, 2007 and later assigned, whereby the outstanding principal balance on the note was adjusted to U.S. \$ 5,500,000. Certain terms of the loan agreement were amended, including monthly interest only payments at 7% per annum accruing from February 1, 2009 and the due date amended to September 1, 2011 with an extension to April 1, 2012 if mutually agreed to, replacing the previous maturity on June 15, 2022. Should the Company materially default on its obligations, the principal balance due on the senior note will revert to U.S. \$ 7,500,000 if a material default occurs on or before March 31, 2011.
- (c) The Company is obligated to make the following principal payments in each of the next five fiscal years:

2011	\$ 7,370,968
2012	5,157,379
2013	1,920,409
2014	2,037,116
2015	2,161,084
Thereafter	<u>7,330,773</u>
	\$ <u>25,977,729</u>

#### 4. OBLIGATIONS UNDER CAPITAL LEASES

	September 30, <u>2010</u>	March 31, <u>2010</u>
Obligations under capital leases, collateralized by the assets under lease	\$ 63,667	\$ 58,679
Current portion	<u>(33,333)</u>	<u>(35,141)</u>
	\$ <u>30,334</u>	\$ <u>23,538</u>

## 5. NON-CONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY

On June 10, 2008, April 23, 2009 and July 14, 2010, the Company closed equity financings under which non-controlling interests in a consolidated subsidiary of the Company which operates the Canadian operations, were sold. The Company recognized gains on these sales.

Under certain terms and conditions of the agreement with the non-controlling shareholder, the Company may be required to repurchase the non-controlling interest.

## 6. SHARE CAPITAL

### a) Authorized

Unlimited common shares without par value  
Unlimited class B voting preferred shares  
Unlimited class C non-voting preferred shares

- b) The Company received regulatory approval from the TSX Venture Exchange (the "Exchange") to make a normal course issuer bid. Pursuant to the bid, the Company could purchase up to 815,159 of its common shares which represented approximately 10% of the common shares issued and outstanding. The bid commenced May 14, 2009 and terminated on May 13, 2010. The Company repurchased 475,800 common shares under the bid.

The Company received regulatory approval from the TSX Venture Exchange (the "Exchange") to make another normal course issuer bid. Pursuant to the bid, the Company can purchase up to 967,235 of its common shares which represents approximately 10% of the common shares issued and outstanding. The bid commenced May 14, 2010 and will terminate on May 13, 2011. The Company has repurchased 49,000 common shares under the bid.

- c) The Company finalized an Amending Agreement, effective January 1, 2010, with one of its U.S. lenders, whereby the U.S. lender has agreed to receive a portion of the interest owed to it in common shares of the Company.

Pursuant to the terms of the Amending Agreement, the U.S. lender has agreed to accept 4% of the annual interest payments due on a U.S. \$ 3,250,000 loan (the "Loan") in common shares of the Company, effectively reducing the cash interest payment by U.S. \$ 130,000 annually. This Amending Agreement is in effect until the maturity of the Loan on April 30, 2012. With the required regulatory approvals received, the Company issued U.S. \$ 130,000 worth of common shares priced at CDN \$ 0.50 per common share to the U.S. lender or 272,061 common shares. The price of CDN \$ 0.50 per common share represented a 2% discount from the closing price of CDN \$ 0.51 per common share on January 15, 2010. The pricing of the common shares to be issued during the subsequent years of the Loan will be determined at the then current trading price of the common shares of the Company as at the close of business on the first trading day after January 1<sup>st</sup> in each year until the maturity date of the Loan.

The issuance of any common shares of the Company pursuant to the Amending Agreement is subject to any and all required regulatory approvals and the acceptance of the TSX Venture Exchange.

## 7. STOCK-BASED COMPENSATION

The Company has an incentive stock option plan which provides for the award of stock options to directors, officers, employees and consultants. A maximum of 1,601,395 common shares are reserved under the plan. The terms and exercise prices of all stock option awards are determined by the directors at the time of issue.

Changes in stock options during the period ended September 30, 2010 and the year ended March 31, 2010, are as follows:

	September 30, 2010		March 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	529,489	\$ 0.33	1,598,000	\$ 0.38
Awarded	525,000	0.36	—	—
Exercised	—	—	(351,112)	(0.30)
Forfeited	(26,250)	(0.36)	—	—
Expired	<u>(104,434)</u>	<u>(0.34)</u>	<u>(717,399)</u>	<u>(0.45)</u>
Outstanding, end of year	<u>923,805</u>	\$ <u>0.34</u>	<u>529,489</u>	\$ <u>0.33</u>

The following table sets forth information relating to stock options outstanding as at September 30, 2010:

Expiry	Exercise price	Number outstanding at September 30, 2010	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at September 30, 2010	Weighted average exercise price
February 28, 2011	\$ 0.33	473,805	0.42	\$ 0.33	473,805	\$ 0.33
April 1, 2013	\$ 0.36	<u>450,000</u>	<u>2.50</u>	\$ <u>0.36</u>	<u>292,500</u>	\$ <u>0.36</u>
	\$ <u>0.33-0.36</u>	<u>923,805</u>	<u>1.43</u>	\$ <u>0.34</u>	<u>766,305</u>	\$ <u>0.34</u>

On April 8, 2010, the Company granted 525,000 options to purchase common shares at a price of \$ 0.36 per share to certain directors, officers and employees. The options vest over a period of eighteen months from the date of grant and expire on April 1, 2013. The fair value of stock options awarded to directors, officers and employees of \$ 105,382 is being recorded to stock-based compensation expense and contributed surplus as services are provided and the awards vest and was estimated on the date of award using the Black-Scholes option pricing model with the assumptions below:

Risk-free interest rate	0.25%
Estimated volatility	93%
Expected lives	2.98 years

The average fair value of stock options awarded as calculated using the Black-Scholes option pricing model, was \$ 0.20, 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.

## 8. 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 six months ended September 30, 2010, the Company incurred \$ 66,295 (2009 – \$ 46,515) of legal fees with a law partnership in which a partner was also a director until September 6, 2010.

## 9. CAPITAL MANAGEMENT

The Company considers the capital it manages to be the amounts it has in cash, debt (long-term and short-term borrowings) and shareholders' equity.

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern
- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans
- optimize the cost of its capital at an acceptable level in light of current and future industry, market and economic risks and conditions
- utilize the long-term funding sources to manage its working capital and restructure debt to minimize the cost of its capital
- acquire assets and dispose of non-performing assets

The Company's debt contains general security restrictions and debt covenants. The Company's debt covenants came into effect September 30, 2008. At September 30, 2010, the Company is in compliance with these general security restrictions and debt covenants.

The declaration and payment of dividends and the amount thereof are at the discretion of the Board. In order to maintain and maximize growth, maintain sufficient liquidity to support its financial obligations and optimize the cost of capital, the Company currently does not pay out dividends.

Refer to Notes 3 and 6 for description of changes in capital.

## 10. FINANCIAL INSTRUMENTS

### a) Fair value

The fair value of financial instruments at September 30, 2010 and March 31, 2010 is summarized in the following table. Fair value estimates are made at the balance sheet date, based on relevant quoted market and other information about the financial instruments.

	September 30, 2010		March 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
<i>Held for trading</i>				
Cash	\$ 1,572,592	\$ 1,572,592	\$ 2,638,036	\$ 2,638,036
Trust cash	144,780	144,780	235,503	235,503
<i>Loans and receivables</i>				
Accounts receivable	2,460,727	2,460,727	2,315,394	2,315,394
Financial liabilities				
<i>Other financial liabilities</i>				
Accounts payable and accrued liabilities	2,028,668	2,028,668	2,104,318	2,104,318
Distribution payable to non-controlling interest	-	-	952,052	952,052

Long-term debt	25,859,708	25,859,708	26,960,943	26,960,943
Obligations under capital leases	63,667	63,667	58,679	58,679

b) **Financial risk management**

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

*Credit risk*

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations, or if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to cash and accounts receivable from clients and insurance carriers. Cash is in place with major financial institutions. Concentrations of credit risk with respect to client and carrier accounts receivable are limited due to the large number of customers and carriers. The Company has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.

As at September 30, 2010 and March 31, 2010, the Company is exposed to credit risk through the following assets:

	<u>September 30, 2010</u>	<u>March 31, 2010</u>
Accounts receivable	\$ <u>2,460,727</u>	\$ <u>2,315,394</u>
Net credit risk	\$ <u>2,460,727</u>	\$ <u>2,315,394</u>

*Foreign currency risk*

The Company is exposed to the financial risk related to fluctuations of foreign exchange rates. 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. A significant change in the currency exchange rate of the Canadian dollar relative to the U.S. dollar could have a material effect on the Company's results of operations, financial position and cash flows. The Company does not engage in hedging activities or use financial instruments to reduce its risk exposure.

As at September 30, 2010 and March 31, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

	<u>September 30, 2010</u>	<u>March 31, 2010</u>
Cash	\$ 342,758	\$ 615,653
Accounts receivable	982,279	993,009
Accounts payable	(777,276)	(813,908)
Obligations under capital leases	(22,600)	-
Long-term debt	<u>(9,010,750)</u>	<u>(8,910,997)</u>
Net exposure	\$ <u>(8,485,589)</u>	\$ <u>(8,116,243)</u>

Based on the above net exposure at September 30, 2010 and March 31, 2010, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or increase of \$ 848,558 and \$ 811,624 in the Company's other comprehensive income (loss).

### *Interest rate risk*

All of the Company's indebtedness bears interest at fixed rates and as a result the Company is not exposed to significant interest rate risk arising from long-term debt.

### *Liquidity risk*

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company meets liquidity requirements by managing cash flows and being in an industry where its assets are fairly reasonably readily convertible into cash in the short-term.

The Company's ability to obtain funding from external sources may be restricted if the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short-term and long-term debt requirements. The Company mitigates these risks by actively monitoring market conditions and diversifying its sources of funding and debt maturity.

The Company's accounts payable and accrued liabilities are generally due within 60 days. The current portion of obligations under capital leases and long term debt are due within 12 months.

## 11. COMMITMENTS

The Company leases office premises under operating leases that expire at various dates during the 2011 through 2013 fiscal years. In addition, the Company has current obligations under certain advertising contracts. The Company's minimum lease and other payments under the agreements are as follows:

2011	\$	1,802,622
2012		244,989
2013		<u>40,726</u>
	\$	<u>2,088,337</u>

## 12. INTEREST AND FINANCING COSTS

	Three months ending September 30, 2010	Three months ending September 30, 2009	Six months ending September 30, 2010	Six months ending September 30, 2009
<b>Canadian operations</b>				
Interest on long-term debt	\$ 251,665	\$ 292,201	\$ 515,985	\$ 592,826
Amortization of deferred financing costs and loan discounts	4,906	9,848	13,063	34,271
Interest on obligations under capital lease	1,368	1,997	2,985	4,650
	<u>257,939</u>	<u>304,046</u>	<u>532,033</u>	<u>631,747</u>
<b>U.S. operations</b>				
Interest on long-term debt	\$ 184,667	\$ 230,819	\$ 367,516	\$ 335,048
Interest on U.S. note payable settled with common shares	33,761	-	67,145	-
Amortization of deferred financing costs and loan discount	11,396	4,353	15,472	8,984
Impairment of deferred financing costs	-	-	-	140,131
Interest on obligations under capital lease	940	277	940	586
	<u>230,764</u>	<u>235,449</u>	<u>451,073</u>	<u>484,749</u>
	<u>\$ 488,703</u>	<u>\$ 539,495</u>	<u>\$ 983,106</u>	<u>\$ 1,116,496</u>

Impairment of deferred financing costs relates to the write-off of deferred financing costs related to the U.S. loans. See Note 3.

### 13. 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	Three months ended September 30, 2010			Three months ended September 30, 2009		
	Canada	U.S	Consolidated	Canada	U.S	Consolidated
Revenue	\$2,028,730	\$1,681,771	\$3,710,501	\$2,502,759	\$1,887,917	\$4,390,676
Net earnings (loss)	999,111	(257,684)	741,427	372,091	(282,330)	89,761
Depreciation and amortization	286,494	54,374	340,868	273,078	57,342	330,420
Interest and financing costs	257,939	230,764	488,703	304,046	235,449	539,495
Identifiable assets	13,773,879	13,069,005	26,842,884	16,193,602	16,336,366	32,529,968
Property and equipment and intangibles	3,627,688	730,437	4,358,125	4,734,365	920,132	5,654,497
Goodwill	7,317,360	10,627,054	17,944,414	7,317,360	13,477,052	20,794,412
Operating Segments	Six months ended September 30, 2010			Six months ended September 30, 2009		
	Canada	U.S	Consolidated	Canada	U.S	Consolidated
Revenue	\$4,736,072	\$3,306,069	\$8,042,141	\$5,213,011	\$3,919,079	\$9,132,090
Net earnings (loss)	1,170,541	(690,160)	480,381	3,854,026	2,313,114	6,167,140
Depreciation and amortization	571,909	108,136	680,045	570,273	120,303	690,576
Interest and financing costs	532,033	451,073	983,106	631,747	484,749	1,116,496
Identifiable assets	13,773,879	13,069,005	26,842,884	16,193,602	16,336,366	32,529,968
Property and equipment and intangibles	3,627,688	730,437	4,358,125	4,734,365	920,132	5,654,497
Goodwill	7,317,360	10,627,054	17,944,414	7,317,360	13,477,052	20,794,412

#### 14. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended September 30, 2010 and 2009, the Company paid interest of \$ 864,367 and \$ 1,151,790 respectively, and paid income taxes of \$ 520,722 and \$ nil, respectively. During the three months ended September 30, 2010 and 2009, the Company paid interest of \$ 413,938 and \$ 525,948 and paid income taxes of \$ 200,722 and \$ nil, respectively.

During the six and three months ended September 30, 2010 and 2009, the Company had non-cash transactions as follows:

	Three months ended September 30, 2010	Three months ended September 30, 2009	Six months ended September 30, 2010	Six months ended September 30, 2009
<b>Financing activities</b>				
Capital lease for financing property and equipment purchase	\$ -	\$ -	\$ 24,477	\$ 58,625
Adjustment to debt incurred for adjustment to purchase price on a book of business	(10,985)	-	(10,985)	-
Repayment on long-term debt with proceeds on sale of an interest in a consolidated subsidiary	<u>-</u>	<u>(621,139)</u>	<u>-</u>	<u>(2,732,540)</u>
	<u>(10,985)</u>	<u>(621,139)</u>	<u>13,492</u>	<u>(2,673,915)</u>
<b>Investing activities</b>				
Adjustment of customer accounts for adjustment to purchase price on a book of business	10,985	-	10,985	-
Proceeds on sale of an interest in a consolidated subsidiary used to repay long-term debt	-	621,139	-	2,732,540
Property and equipment additions financed by capital lease	<u>-</u>	<u>-</u>	<u>(24,477)</u>	<u>(58,625)</u>
	<u>10,985</u>	<u>621,139</u>	<u>(13,492)</u>	<u>2,673,915</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### 15. CONTINGENCIES

The Company may, from time to time, be involved in various claims, lawsuits, disputes with third parties, actions involving allegations of discrimination, or breach of contract incidental to the operations of its business. The Company is not currently involved in any such incidental litigation which it believes could have a materially adverse effect on its financial condition or results of operations.