



SECOND QUARTER 2010

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

SEPTEMBER 30, 2009

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

	September 30, 2009	March 31, 2009
ASSETS		
Current assets:		
Cash	\$ 2,988,260	\$ 2,875,053
Accounts receivable	2,408,937	3,077,205
Trust cash	278,748	212,848
Prepaid expenses	405,114	412,527
Income taxes receivable	-	179,189
	<u>6,081,059</u>	<u>6,756,822</u>
Fixed assets	475,719	514,871
Customer accounts	5,178,778	5,930,302
Goodwill	<u>20,794,412</u>	<u>23,156,507</u>
	<u>\$ 32,529,968</u>	<u>\$ 36,358,502</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,464,282	\$ 3,439,107
Income taxes payable	615,500	-
Current portion of long term-debt (note 3)	1,918,128	3,105,395
Current portion of obligations under capital leases (note 4)	<u>34,395</u>	<u>18,099</u>
	5,032,305	6,562,601
Obligations under capital leases (note 4)	40,930	16,806
Long-term debt (note 3)	26,383,481	34,878,690
Future income taxes	<u>271,347</u>	<u>312,267</u>
	31,728,063	41,770,364
Non-controlling interest in consolidated subsidiary (note 5)	1,135,373	118,432
Commitments (note 11)		
SHAREHOLDERS' EQUITY		
Share capital (note 6)	10,325,459	10,431,189
Accumulated other comprehensive income (loss)	(883,990)	112,097
Contributed surplus	1,800,387	1,668,884
Deficit	<u>(11,575,324)</u>	<u>(17,742,464)</u>
	<u>(333,468)</u>	<u>(5,530,294)</u>
	<u>\$ 32,529,968</u>	<u>\$ 36,358,502</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,	
	2009	2008	2009	2008
Revenue	\$ 4,347,356	\$ 3,644,716	\$ 9,088,770	\$ 7,560,179
Expenses				
Salaries and wages	2,308,888	1,953,601	4,598,373	4,044,982
General and administrative	918,703	1,012,191	2,083,852	1,997,301
Rent	270,478	281,808	557,483	566,256
Stock-based compensation	27,391	23,526	66,543	47,052
	<u>3,525,460</u>	<u>3,271,126</u>	<u>7,306,251</u>	<u>6,655,591</u>
Earnings before interest, income taxes, depreciation and amortization and other	821,896	373,590	1,782,519	904,588
Other income (note 5)	621,139	(17,480)	4,519,209	1,147,727
Discount on loan (note 3)	-	-	2,842,237	-
Interest and financing costs (note 12)	(539,495)	(680,953)	(1,116,496)	(1,548,216)
Depreciation and amortization	(330,420)	(298,902)	(690,576)	(1,263,161)
Earnings (loss) before income taxes	<u>573,120</u>	<u>(623,745)</u>	<u>7,336,893</u>	<u>(759,062)</u>
Income taxes:				
Current	(124,975)	46,347	(794,689)	(154,410)
Future recovery	17,894	76,688	40,920	108,395
	<u>(107,081)</u>	<u>123,035</u>	<u>(753,769)</u>	<u>(46,015)</u>
	466,039	(500,710)	6,583,124	(805,077)
Non-controlling interest	<u>(376,278)</u>	<u>3,520</u>	<u>(415,984)</u>	<u>1,872</u>
Net earnings (loss) for the period	89,761	(497,190)	6,167,140	(803,205)
Other Comprehensive Income (loss)				
Unrecognized gain (loss) on translation of financial statements of self-sustaining foreign operations	<u>(537,258)</u>	<u>(35,736)</u>	<u>(996,087)</u>	<u>(44,406)</u>
Comprehensive Income (loss)	<u>\$ (447,497)</u>	<u>\$ (532,926)</u>	<u>\$ 5,171,053</u>	<u>\$ (847,611)</u>
Earnings (loss) per share - basic and diluted	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ 0.65</u>	<u>\$ (0.09)</u>

See accompanying notes to the unaudited interim consolidated financial statements.

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.

**Interim Consolidated Statements of Cash Flow
(unaudited)**

	For the three months ended September 30,		For the six months ended September 30,	
	2009	2008	2009	2008
Cash flow from (used in) operating activities				
Net earnings (loss) for the period	\$ 89,761	\$ (497,190)	\$ 6,167,140	\$ (803,205)
Adjustments to reconcile net cash provided by operating activities				
Depreciation and amortization	330,420	298,902	690,576	898,684
Future income taxes (recovery)	(17,894)	(76,688)	(40,920)	(108,395)
Amortization of deferred financing costs and loan discounts	14,201	28,591	43,255	53,537
Impairment of deferred financing costs	-	-	140,131	164,833
Stock- based compensation	27,391	23,526	66,543	47,052
Impairment of non-competition agreements	-	-	-	215,418
Impairment of franchise fees	-	-	-	149,059
Non-controlling interest	376,278	(3,520)	415,984	(1,872)
Gain on sale of interest in consolidated subsidiary	(621,139)	17,480	(4,519,209)	(1,147,727)
Discount realized on U.S. loan	-	-	(2,842,237)	-
	<u>199,018</u>	<u>(208,899)</u>	<u>121,263</u>	<u>(532,616)</u>
Changes in non-cash working capital accounts				
Accounts receivable	207,755	(1,262,608)	470,198	(1,392,376)
Prepaid expenses	(9,677)	(25,669)	(35,938)	(90,242)
Accounts payable and accrued liabilities	(346,614)	251,691	(858,763)	575,432
Income taxes	124,975	(76,347)	794,689	114,410
	<u>175,457</u>	<u>(1,321,832)</u>	<u>491,449</u>	<u>(1,325,392)</u>
Cash flow from (used in) financing activities				
Repayments on long-term debt	(717,448)	(279,557)	(3,908,356)	(507,635)
Proceeds from long-term debt	213,990	800,000	1,251,111	1,029,097
Repurchase of shares under issuer bid	(34,035)	-	(46,140)	-
Proceeds on issue of common shares	-	1,110	-	1,110
Deferred financing costs	-	(17,714)	-	(127,179)
	<u>(537,493)</u>	<u>503,839</u>	<u>(2,703,385)</u>	<u>395,393</u>
Cash flow from (used in) investing activities				
Additions to fixed assets	(516)	(1,195)	(15,244)	(4,282)
Business acquisition	-	(19,914)	-	(19,914)
Repayment on due from director	-	3,750	-	7,500
Settlement of note receivable	-	105,440	-	105,440
Proceeds on sale of an interest in a consolidated subsidiary	-	(17,480)	2,397,330	1,382,520
	<u>(516)</u>	<u>70,601</u>	<u>2,382,086</u>	<u>1,471,264</u>
Effect of foreign exchange	<u>50,532</u>	<u>(3,963)</u>	<u>(56,943)</u>	<u>(23,694)</u>
Increase (decrease) in cash during the period	(312,020)	(751,355)	113,207	517,571
Cash, beginning of period	<u>3,300,280</u>	<u>1,672,480</u>	<u>2,875,053</u>	<u>403,554</u>
Cash, end of period	<u>\$ 2,988,260</u>	<u>\$ 921,125</u>	<u>\$ 2,988,260</u>	<u>\$ 921,125</u>

See note 14.

See accompanying notes to the unaudited interim consolidated financial statements.

Anthony Clark International Insurance Brokers Ltd.
Interim Consolidated Statement of Shareholders' Equity
For the six months ended September 30, 2009
(unaudited)

	Share capital		Accumulated other comprehensive (loss)	Contributed surplus	Deficit
	Shares	Amount			
Balance, March 31, 2009	9,524,978	\$ 10,431,189	\$ 112,097	\$ 1,668,884	\$ (17,742,464)
Stock-based compensation	-	-	-	39,152	-
Excess of share stated amount over share redemption amount	-	-	-	17,772	-
Unrealized loss on translation of financial statements of self-sustaining foreign operations	-	-	(458,829)	-	-
Net earnings (loss) for the period	-	-	-	-	6,077,379
Charge to capital on repurchase of shares through issuer bid	(27,500)	(29,975)	-	-	-
Balance, June 30, 2009	<u>9,497,478</u>	<u>\$ 10,401,214</u>	<u>\$ (346,732)</u>	<u>\$ 1,725,808</u>	<u>\$ (11,665,085)</u>
Stock-based compensation	-	-	-	27,391	-
Excess of share stated amount over share redemption amount	-	-	-	47,188	-
Unrealized loss on translation of financial statements of self-sustaining foreign operations	-	-	(537,258)	-	-
Net earnings (loss) for the period	-	-	-	-	89,761
Charge to capital on repurchase of shares through issuer bid	(69,500)	(75,755)	-	-	-
Balance, September 30, 2009	<u>9,427,978</u>	<u>\$ 10,325,459</u>	<u>\$ (883,990)</u>	<u>\$ 1,800,387</u>	<u>\$ (11,575,324)</u>

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, 2009

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, 2009. 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, 2009 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". Revenues are attributed to geographic areas based on the location of resources producing the revenues.

2. ACCOUNTING POLICIES

Adoption of new accounting standards

Effective on April 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets" which provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. The adoption of Section 3064 did not have an impact on the Company's results of operations or financial condition.

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 has started the initial planning and assessment phase to ensure a timely transition to IFRS.

3. LONG-TERM DEBT

	September 30, <u>2009</u>	March 31, <u>2009</u>
U.S. Senior note – paid out April 3, 2009	\$ -	\$ 1,386,220
U.S. Senior note – paid out April 23, 2009	-	4,707,656
U.S. Senior note – 7% due September 2011	5,897,100	6,931,100
Senior notes – 5% – 6.75%, due between June 2018 and June 2019	18,787,372	20,616,642
U.S. Note payable – 14% due April 2012	3,484,650	4,095,650
U.S. Note payable – non-interest bearing due in August 2010, net of unamortized discount of \$ 12,248 (March 31, 2009 – \$ 17,184)	23,492	66,830
Note payable – 5% due December 2010, net of unamortized discount of \$6,931 (March 31, 2009 – \$ 12,746)	89,710	131,629
Notes payable – without interest, due July 2010, net of unamortized discount of \$ 10,881 (March 31, 2009 – \$ 32,903)	<u>163,215</u>	<u>355,182</u>
	<u>28,445,539</u>	<u>38,290,909</u>
Deferred financing costs	(331,689)	(1,104,383)
Accumulated amortization	47,627	164,234
Impairment of deferred financing costs	<u>140,132</u>	<u>633,325</u>
	<u>(143,930)</u>	<u>(306,824)</u>
	28,301,609	37,984,085
Current portion	<u>(1,918,128)</u>	<u>(3,105,395)</u>
	\$ <u>26,383,481</u>	\$ <u>34,878,690</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 Operating Line of Credit in full and to reduce the amount outstanding under a U.S. senior note. The deferred financing costs related to the operating line of credit and term loan were written off in the year ended March 31, 2009.

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 million.

The Company is also subject to certain covenants on an ongoing basis which came into effect in the quarter ended September 30, 2008, 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 refinancing, the U.S. denominated debt is now secured by the U.S. assets only with a guarantee provided by the Company.

The November 15, 2008 and subsequent payments due on the U.S. senior notes were not made due to the insolvency of Brooke Capital Corporation, the franchisor of the Company's U.S. operations. The Company continued in discussions regarding the transition, ongoing servicing and assignment of the U.S. senior notes.

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.

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 deferred financing costs and accrued interest were recognized in the year ended March 31, 2009.

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 first quarter along with the related deferred financing costs and accrued interest being written off.

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. The Company recognized a gain on sale which is reflected as other income in the first quarter. An additional gain of \$621,139 resulted from an adjustment to the sale proceeds provided for in the agreement and is reflected in the current quarter as other income with the sum applied to the reduction of outstanding senior debt.

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

2010	\$	1,918,128
2011		7,639,328
2012		5,313,909
2013		1,940,899
2014		2,059,509
Thereafter		<u>9,573,766</u>
	\$	<u>28,445,539</u>

4. OBLIGATIONS UNDER CAPITAL LEASES

	September 30, <u>2009</u>	March 31, <u>2009</u>
Obligations under capital leases, collateralized by the assets under lease	\$ 75,325	\$ 34,905
Current portion	<u>(34,395)</u>	<u>(18,099)</u>
	\$ <u><u>40,930</u></u>	\$ <u><u>16,806</u></u>

5. NON-CONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY

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. The Company recognized a gain on sale which is reflected as other income in the first quarter. An additional gain resulted from an adjustment to the sale proceeds provided for in the agreement and is reflected in the current quarter. Under certain terms and conditions of the agreement, the Company may be required to repurchase the non-controlling interest.

6. SHARE CAPITAL

- a) Authorized
Unlimited common shares without par value
- 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 represents approximately 10% of the common shares issued and outstanding. The bid commenced May 14, 2009 and will terminate on May 13, 2010. The Company has repurchased 171,000 common shares under the bid to November 12, 2009. The 69,500 shares repurchased in the second quarter under the bid, were not yet cancelled as at September 30, 2009.

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, 2009 and the year ended March 31, 2009 are as follows:

	September 30, <u>2009</u>		March 31, <u>2009</u>	
	Number of <u>options</u>	Weighted average exercise price	Number of <u>options</u>	Weighted average exercise price
Outstanding, beginning of period	1,598,000	\$ 0.38	1,601,395	\$ 0.43
Awarded	-	-	529,489	0.33
Exercised	-	-	(3,000)	(0.37)
Forfeited	-	-	(5,000)	(0.30)
Expired	<u>(136,163)</u>	<u>(1.12)</u>	<u>(524,884)</u>	<u>(0.49)</u>
Outstanding, end of period	<u>1,461,837</u>	\$ <u>0.31</u>	<u>1,598,000</u>	\$ <u>0.38</u>

The following table sets forth information relating to stock options outstanding as at September 30, 2009:

<u>Expiry</u>	<u>Range of exercise prices</u>	<u>Number outstanding at September 30, 2009</u>	<u>Weighted average remaining contractual life</u>	<u>Weighted average exercise price</u>	<u>Number exercisable at September 30, 2009</u>	<u>Weighted average exercise price</u>
2010-02-28	\$ 0.30	932,348	0.42	\$ 0.30	932,348	\$ 0.30
2011-02-28	<u>0.33</u>	<u>529,489</u>	<u>1.42</u>	<u>0.33</u>	<u>176,496</u>	<u>0.33</u>
	\$ <u>0.30 to \$ 0.33</u>	<u>1,461,837</u>	<u>0.78</u>	\$ <u>0.31</u>	<u>1,108,844</u>	\$ <u>0.30</u>

On February 3, 2009, the Company granted 529,489 options to purchase common shares at a price of \$0.33 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 February 28, 2011. The fair value of stock options awarded to directors, officers and employees of \$93,760 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	1.00%
Estimated volatility	101%
Expected lives	2.07 years

The average fair value of stock options awarded as calculated using the Black-Scholes option pricing model, was \$ 0.18 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, 2009 the Company incurred \$46,515 (2008 – \$141,075) of legal fees with a law partnership in which a partner is also a director.

A finder's fee due to a director of the Company in the amount of \$86,741 was incurred in respect of an acquisition during the year ended March 31, 2009.

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 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, 2009, 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 (long-term debt) and 6 (share capital) for description of changes in capital.

10. FINANCIAL INSTRUMENTS

a) Fair value

The fair value of financial instruments at September 30, 2009 and March 31, 2009 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, 2009		March 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Held for trading				
Cash	\$ 2,988,260	\$ 2,988,260	\$ 2,875,053	\$ 2,875,053
Trust cash	278,748	278,748	212,848	212,848
Loans and receivables				
Accounts receivable	2,408,937	2,408,937	3,077,205	3,077,205
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	2,464,282	2,464,282	3,439,107	3,439,107
Long-term debt	28,301,609	28,301,609	37,984,085	35,376,518
Obligations under capital leases	75,325	75,325	34,905	34,905

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, 2009 and March 31, 2009, the Company is exposed to credit risk through the following assets:

	September 30, 2009	March 31, 2009
Accounts receivable	\$ <u>2,408,937</u>	\$ <u>3,077,205</u>
Net credit risk	\$ <u>2,408,937</u>	\$ <u>3,077,205</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, 2009 and March 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

	September 30, 2009	March 31, 2009
Cash	\$ 483,496	\$ 1,093,667
Accounts receivable	883,118	1,322,782
Accounts payable	(740,612)	(1,261,348)
Long-term debt	<u>(9,405,241)</u>	<u>(17,187,456)</u>
Net exposure	\$ <u>(8,779,239)</u>	\$ <u>(16,032,355)</u>

Based on the above net exposures at September 30, 2009 and March 31, 2009, 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 \$877,923 and \$1,603,235, respectively, in the Company's other comprehensive income (loss).

Interest rate risk

The Company currently has no indebtedness bearing interest at floating rates, which would expose the Company to interest rate cash flow risk, but may in the future. With indebtedness that bears interest at floating rates, should the base rate of interest increase in the future, the Company's required interest payments would also increase. The Company manages its exposure to fluctuations in its interest expense, through a mix of fixed and variable interest rates.

As at September 30, 2009 and March 31, 2009, the Company is exposed to interest risk through the following liabilities:

	September 30, 2009	March 31, 2009
Variable rate	\$ -	\$ 4,707,656
Fixed rate	<u>28,445,539</u>	<u>33,583,253</u>
Total long-term debt	\$ <u>28,445,539</u>	\$ <u>38,290,909</u>

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 2010 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:

2010	\$	2,420,064
2011		837,983
2012		111,509
2013		<u>14,199</u>
	\$	<u>3,383,755</u>

12. INTEREST AND FINANCING COSTS

	Three months ending September 30, 2009	Three months ending September 30, 2008	Six months ending September 30, 2009	Six months ending September 30, 2008
Canadian operations				
Interest on long-term debt	\$ 292,201	\$ 184,689	\$ 592,826	\$ 209,303
Interest on operating line of credit	-	-	-	145,905
Amortization of deferred financing costs and loan discounts	9,848	13,761	34,271	24,574
Impairment of deferred financing costs	-	-	-	84,298
Interest on obligations under capital lease	1,997	1,072	4,650	2,233
	<u>304,046</u>	<u>199,522</u>	<u>631,747</u>	<u>466,313</u>
U.S. operations				
Interest on long-term debt	230,819	466,601	335,048	972,257
Amortization of deferred financing costs and loan discounts	4,353	14,830	8,984	28,963
Impairment of deferred financing costs	-	-	140,131	80,535
Interest on obligations under capital lease	277	-	586	148
	<u>235,449</u>	<u>481,431</u>	<u>484,749</u>	<u>1,081,903</u>
	<u>\$ 539,495</u>	<u>\$ 680,953</u>	<u>\$ 1,116,496</u>	<u>\$ 1,548,216</u>

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

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, 2009			Three months ended September 30, 2008		
	Canada	U.S	Consolidated	Canada	U.S	Consolidated
Revenue	2,459,439	1,887,917	4,347,356	1,365,970	2,278,746	3,644,716
Net earnings (loss)	372,091	(282,330)	89,761	(32,644)	(464,546)	(497,190)
Identifiable assets	16,193,602	16,336,366	32,529,968	6,569,656	21,797,062	28,366,718
Depreciation and amortization	273,078	57,342	330,420	172,246	126,656	298,902
Interest and financing costs	304,046	235,449	539,495	199,522	481,431	680,953
Fixed assets, intangibles and goodwill	12,051,725	14,397,184	26,448,909	4,501,633	18,082,922	22,584,555

Operating Segments	Six months ended September 30, 2009			Six months ended September 30, 2008		
	Canada	U.S	Consolidated	Canada	U.S	Consolidated
Revenue	5,169,691	3,919,079	9,088,770	2,921,526	4,638,653	7,560,179
Net earnings (loss)	3,854,026	2,313,114	6,167,140	986,265	(1,789,470)	(803,205)
Identifiable assets	16,193,602	16,336,366	32,529,968	6,569,656	21,797,062	28,366,718
Depreciation and amortization	570,273	120,303	690,576	252,703	1,010,458	1,263,161
Interest and financing costs	631,747	484,749	1,116,496	466,313	1,081,903	1,548,216
Fixed assets, intangibles and goodwill	12,051,725	14,397,184	26,448,909	4,501,633	18,082,922	22,584,555

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the six month period ended September 30, 2009, the Company paid interest of \$1,151,790 (2008 - \$1,309,081). During the three month period ended September 30, 2009, the Company paid interest of \$525,948 (2008 - \$614,037). During the six month period ended September 30, 2009, the Company paid income taxes of \$Nil (2008 - \$40,000). During the three month period ended September 30, 2009, the Company paid income taxes of \$Nil (2008 - \$30,000).

During the six and three months ended September 30, 2009 and 2008, the Company had non-cash transactions as follows:

	Three months ended September 30, 2009	Three months ended September 30, 2008	Six months ended September 30, 2009	Six months ended September 30, 2008
Financing activities				
Capital lease for financing fixed asset purchase	\$ -	\$ -	\$ 58,625	\$ -
Future tax liability incurred related to purchase of books of business	-	293,263	-	293,263
Debt incurred for purchase of books of business	-	1,542,984	-	1,542,984
Discounted vendor debt related to purchase of books of business	-	343,112	-	343,112
Repayment on long-term debt with proceeds on sale of an interest in a consolidated subsidiary	<u>(621,139)</u>	<u>-</u>	<u>(2,732,540)</u>	<u>-</u>
	<u>(621,139)</u>	<u>2,179,359</u>	<u>(2,673,915)</u>	<u>2,179,359</u>

Investing activities

Purchase of customer accounts for vendor and lender financing	-	(2,179,359)	-	(2,179,359)
Adjustment to goodwill for assumption of capital lease	-	-	-	-
Purchase of goodwill for note payable	-	-	-	-
Purchase of fixed assets for note payable	-	-	-	-
Franchise fees and financing costs paid with debt incurred	-	-	-	-
Proceeds on sale of an interest in a consolidated subsidiary used to repay long-term debt	621,139	-	2,732,540	-
Fixed asset additions financed by capital lease	<u>-</u>	<u>-</u>	<u>(58,625)</u>	<u>-</u>
	<u>621,139</u>	<u>(2,179,359)</u>	<u>2,673,915</u>	<u>(2,179,359)</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.