Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended September 30, 2013

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.

Condensed Interim Consolidated Balance Sheets

Unaudited (Expressed in Canadian dollars)

As at	Note	September 30, 2013	March 31, 2013
Assets			
Current assets			
Cash		$ 1,158,279	$ 1,148,674
Trade receivables		2,028,113	2,062,758
Trust cash		63,125	62,052
Prepaid expenses		169,056	206,489
		3,418,573	3,479,973
Property and equipment		483,666	510,809
Customer accounts		1,252,260	1,373,408
Goodwill		12,455,739	12,391,291
		$ 17,610,238	$ 17,755,481
Liabilities			
Current liabilities			
Trade payables and accrued liabilities		$ 1,833,698	$ 1,715,994
Income taxes payable		693,660	442,281
Current portion of leasehold inducement		72,850	72,850
Current portion of long-term debt	6	1,367,094	1,309,448
		3,967,302	3,540,573
Long-term debt	6	15,974,153	16,436,706
Leasehold inducement		176,054	212,479
Deferred income tax		67,586	73,121
		20,185,095	20,262,879
Equity			
Share capital	7	9,473,447	9,561,719
Accumulated other comprehensive income (loss)		(14,471)	(61,913)
Contributed surplus		2,780,994	2,703,024
Deficit		(15,737,064)	(15,760,394)
Equity attributable to owners of the Company		(3,497,094)	(3,557,564)
Non-controlling interest in consolidated subsidiary	8	922,237	1,050,166
		(2,574,857)	(2,507,398)
		$ 17,610,238	$ 17,755,481

	Note
Going Concern	1
Commitments	11
Contingencies	15

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.
Condensed Interim Consolidated Statements of Operations and Comprehensive Income
Unaudited (Expressed in Canadian dollars)

	Note	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the six months ended September 30, 2013	For the six months ended September 30, 2012
Revenue		$ 3,374,012	$ 3,201,397	$ 6,704,649	$ 6,558,629
Expenses					
Salaries and wages		1,530,871	1,462,708	3,126,737	2,947,073
General and administrative		633,970	695,619	1,185,223	1,437,215
Rent		128,735	126,006	258,300	241,468
		2,293,576	2,284,333	4,570,260	4,625,756
Earnings before interest, income taxes, depreciation and amortization		1,080,436	917,064	2,134,389	1,932,873
Interest and financing costs	12	(301,945)	(278,781)	(594,824)	(547,893)
Depreciation and amortization		(178,377)	(185,165)	(352,043)	(395,734)
Earnings before income taxes		600,114	453,118	1,187,522	989,246
Income taxes					
Current		(218,949)	(191,051)	(485,953)	(461,397)
Deferred recovery		5,192	596	5,535	(437)
		(213,757)	(190,455)	(480,418)	(461,834)
Net earnings from continuing operations		386,357	262,663	707,104	527,412
Gain (loss) from discontinued operations	5	-	(33,286)	-	299,520
Net earnings for the period		386,357	229,377	707,104	826,932
Other Comprehensive Income (loss)					
Reclassification adjustment relating to discontinued operations		(42,377)	(56,325)	24,005	(56,325)
Exchange differences on translating foreign operations		(40,210)	(82,003)	23,437	(31,170)
Comprehensive Income for the period		$ 303,770	$ 91,049	$ 754,546	$ 739,437
Earnings (loss) attributable to:					
Common shareholders		$ 92,279	$ (23,741)	$ 47,335	$ 216,738
Non-controlling interest in consolidated subsidiary		294,078	253,118	659,769	610,194
		$ 386,357	$ 229,377	$ 707,104	$ 826,932
Comprehensive income (loss) attributable to:					
Common shareholders		$ 9,692	$ (162,069)	$ 94,777	$ 129,243
Non-controlling interest in consolidated subsidiary		294,078	253,118	659,769	610,194
		$ 303,770	$ 91,049	$ 754,546	$ 739,437
Earnings (loss) per share					
From continuing and discontinued operations					
Basic		$ -	$ -	$ -	$ 0.02
Diluted		$ -	$ -	$ -	$ 0.02
From continuing operations					
Basic		$ -	$ -	$ -	$ (0.01)
Diluted		$ -	$ -	$ -	$ (0.01)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.
Condensed Interim Consolidated Statements of Cash Flows
Unaudited (Expressed in Canadian dollars)

	Note	For the six months ended September 30, 2013	2012
Cash flow from (used in) operating activities			
Net earnings for the period		$ 707,104	$ 826,932
(Gain) loss from discontinued operations		-	(299,520)
Net earnings from continuing operations		707,104	527,412
Adjustments to reconcile net cash provided by operating activities			
Depreciation and amortization		352,043	395,734
Deferred income taxes (recovery)		(5,535)	437
Amortization of deferred financing costs and loan discounts		12,284	6,432
		1,065,896	930,015
Changes in non-cash working capital accounts			
Trade receivables		19,798	(407,918)
Prepaid expenses		38,233	44,485
Trade payables and accrued liabilities		110,843	(58,808)
Income taxes payable		251,379	22,368
Leasehold inducement liability		(36,425)	(30,354)
Changes in non-cash working capital accounts from discontinued operations		23,700	(172,969)
		1,473,424	326,819
Cash flow from (used in) financing activities			
Repayments on long-term debt		(662,291)	(820,137)
Repurchase of shares under issuer bid		(10,302)	(7,630)
Distribution to non-controlling interest		(787,698)	(737,257)
		(1,460,291)	(1,565,024)
Cash flow from (used in) investing activities			
Additions to property and equipment		(5,147)	(10,471)
Proceeds on sale of discontinued operations		-	711,518
		(5,147)	701,047
Effect of foreign exchange		1,619	(17,672)
Increase (decrease) in cash during the period		9,605	(554,830)
Cash, beginning of the period		1,148,674	1,387,251
Cash, end of the period		$ 1,158,279	$ 832,421

Supplemental cash flow information - See Note 14.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Anthony Clark International Insurance Brokers Ltd.

Condensed Interim Consolidated Statements of Shareholders' Equity

Unaudited (Expressed in Canadian dollars)

	Attributable to equity holders of the Company							
	Share capital							
	Number of shares	Amount	Accumulated other comprehensive income (loss)	Contributed surplus	Deficit	Equity attributable to owners of the Company	Non-controlling interest in consolidated subsidiary	Total equity
Balance as at April 1, 2013	9,694,684	$ 9,561,719	$ (61,913)	$ 2,703,024	$ (15,760,394)	$ (3,557,564)	$ 1,050,166	$ (2,507,398)
Distributions to non-controlling interest	-	-	-	-	-	-	(787,698)	(787,698)
Charge to capital on repurchase of shares through issuer bid	(89,500)	(88,272)	-	-	-	(88,272)	-	(88,272)
Excess of share stated amount over share redemption amount	-	-	-	77,970	-	77,970	-	77,970
Reclassification adjustment relating to discontinued operations	-	-	24,005	-	(24,005)	-	-	-
Exchange difference on translating foreign operations	-	-	23,437	-	-	23,437	-	23,437
Net earnings for the period	-	-	-	-	47,335	47,335	659,769	707,104
Balance, September 30, 2013	9,605,184	$ 9,473,447	$ (14,471)	$ 2,780,994	$ (15,737,064)	$ (3,497,094)	$ 922,237	$ (2,574,857)
Balance as at April 1, 2012	9,913,184	$ 9,777,222	$ (94,756)	$ 2,524,100	$ (15,827,691)	$ (3,621,125)	$ 1,080,016	$ (2,541,109)
Distributions to non-controlling interest	-	-	-	-	-	-	(737,257)	(737,257)
Charge to capital on repurchase of shares through issuer bid	(32,500)	(32,054)	-	-	-	(32,054)	-	(32,054)
Excess of share stated amount over share redemption amount	-	-	-	24,425	-	24,425	-	24,425
Reclassification adjustment relating to discontinued operations	-	-	(56,325)	-	56,325	-	-	-
Exchange difference on translating foreign operations	-	-	(31,170)	-	-	(31,170)	-	(31,170)
Net earnings for the period	-	-	-	-	216,738	216,738	610,194	826,932
Balance, September 30, 2012	9,880,684	$ 9,745,168	$ (182,251)	$ 2,548,525	$ (15,554,628)	$ (3,443,186)	$ 952,953	$ (2,490,233)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION AND GOING CONCERN

Anthony Clark International Insurance Brokers Ltd. (the "Company") is an Alberta, Canada Corporation with common shares listed on the TSX Venture Exchange under the trading symbol "ACL" and the OTCQX International under the trading symbol "ACKBF". The Company's principal office is located at 102, 7909 Flint Road SE, Calgary, Alberta, Canada, T2H 1G3.

The Company's principal business activities involve the operation of general insurance brokerages through its various subsidiaries in Canada and the United States. The Company's significant subsidiaries are: Anthony Clark Insurance Brokers Ltd., Addison York Insurance Brokers Ltd. and American Edge Insurance Services Ltd.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34- Interim Financial Reporting. These condensed interim consolidated financial statements have been prepared following the same accounting policies and method of computation as the annual audited consolidated financial statements for the year ended March 31, 2013 with the exception of the adoption of the new standards as outlined in Note 2.

The disclosure provided below are incremental to those included with the annual consolidated financial statements. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended March 31, 2013.

The consolidated financial statements of the Company include the accounts of all of its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. Assets, liabilities, revenues and expenses of the subsidiaries are recognized in accordance with the Company's accounting policies. Inter-company transactions and balances are eliminated upon consolidation. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Gains or losses on disposals to non-controlling interests are computed and recorded in equity.

These condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) which contemplates the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at September 30, 2013, the Company has a working capital deficiency of $548,729. The Company requires capital in order to fund its operations including debt service requirements. To address its capital requirements, the Company has initiated a process to explore and evaluate potential strategic alternatives with a view to enhancing shareholder value. There are no assurances that the Company will be able to identify a suitable transaction or that if the Company does identify a transaction, it will be able to successfully complete the transaction. Completion of a suitable transaction will be subject to a number of conditions including potentially shareholder and regulatory approval. The Company does not have a potential transaction contemplated at this time.

The Company's ability to successfully complete a transaction indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Financial assets and liabilities are offset and the net amount is reported on the condensed interim consolidated balance sheets only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

These condensed interim consolidated financial statements and the accompanying notes were authorized for issuance in accordance with a resolution of the Board of Directors on November 27, 2013.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective April 1, 2013, the Company adopted the following new accounting standards:

IFRS 10- *Consolidated financial statements*

IFRS 10 replaces IAS 27- *Consolidated and separate financial statements* and SIC-12- *Consolidation- special purpose entities.* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The adoption of IFRS 10 did not result in any change in the Company's scope of consolidation or on the Company's financial statements.

IFRS 12- *Disclosure of interests in other entities*

IFRS 12 replaces the disclosure requirements of IAS 27- *Consolidated and separate financial statements*, IAS 28- *Investments in associates*, and IAS 31- *Interests in joint ventures*. IFRS 12 establishes disclosure objectives according to which an entity discloses information regarding consolidated entities, associates, joint arrangements, unconsolidated structured entities and non-controlling interests. The adoption of IFRS 12 did not result in any change in the Company's financial statements.

IFRS 13- *Fair value measurement*

IFRS 13 establishes a single framework for fair value measurement and disclosures when fair value is required or permitted under IFRS. The adoption of IFRS 13 did not require adjustments to the Company's fair value measurement methods, which remained unchanged. The adoption of IFRS 13 did not result in any change in the Company's financial statements.

3. FINANCIAL INSTRUMENTS

a) **Overview**
The Company's activities expose it to a variety of financial risks that arise as a result of its operating and financing activities such as credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure.

b) **Fair value of financial instruments**
The Company's financial instruments as at September 30, 2013 included cash, trust cash, trade receivables, trade payables and accrued liabilities, and long-term debt. The carrying amounts for short term financial assets and liabilities, which includes trade receivables and trade payables and accrued liabilities approximate fair values due to the immediate or short-term maturities of these financial instruments. Cash and trust cash are classified as fair value through profit and loss and therefore are recorded at fair value.

Management estimated the fair value of its long-term debt taking into account market rates of interest, the condition of any related collateral and the current conditions in credit markets applicable to the Company based on recent transactions. The estimated fair value of long-term debt approximates its carrying value.

For financial instruments measured at fair value, disclosure about the inputs to fair value measurements are required, including their classification within a fair value hierarchy that prioritizes the significance of inputs used in making fair value measurements.

Level 1 Fair Value Measurements – quoted prices in active markets for identical assets or liabilities;

Level 2 Fair Value Measurements – inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 Fair Value Measurements– inputs for the asset or liability that are not based upon observable market data.

Cash and trust cash is based on Level 1 inputs of the fair value hierarchy.

c) **Financial risk management**

The Company's financial instruments are exposed to certain financial risks, including credit risk, foreign currency risk, interest rate risk and liquidity 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, trust cash and trade receivables from clients and insurance carriers. Cash is in place with major financial institutions. Concentrations of credit risk with respect to client and insurance carrier trade receivables are limited due to the large number of customers and insurance carriers. See Note 13. The Company has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.

As at September 30, 2013, the Company's maximum exposure to credit risk is through the following assets:

Trade receivables	$ 2,028,113
Net credit risk	$ 2,028,113

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.

At September 30, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

Cash	$	130,137
Trade receivables		476,673
Trade payables and accrued liabilities		(342,585)
Long-term debt		(3,763,370)
Net exposure	$	(3,499,145)

Based on the above net exposure at September 30, 2013, 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 $ 349,914 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 short and long-term 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 manages its liquidity risk through cash and debt management. The Company's objective in managing liquidity risk is to increase revenues, minimize operational costs and to maintain sufficient liquidity in order to meet these operational requirements at any point in time. 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 trade payables are generally due within 60 days. The current portion of long-term debt is due within 12 months.

4. CAPITAL RISK MANAGEMENT

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

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 manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, repurchase shares, issue debt, acquire or dispose of assets. The Company requires capital to repay existing obligations. There can be no certainty of the Company's ability to refinance its existing obligations. In order to facilitate the management of the Company's capital, the Company prepares annual cash flow forecasts that are updated as necessary depending on various factors and general industry conditions. There were no changes in the Company's approach to capital management.

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.

The Company is also subject to certain working capital covenants on an ongoing basis, which compliance with these covenants has the effect of restricting the availability of cash from the Canadian operations to the other operations of the Company.

See Notes 1, 6, 7, and 8 for description of changes in capital for the periods ending September 30, 2013 and 2012.

5. DISCONTINUED OPERATIONS

On May 8, 2012, the Company sold the property and equipment, customer accounts and accounts receivables of its Northern California Agency for net sales proceeds of $ 869,272 including transaction costs of $ 208,848. The Company realized a gain from discontinued operations of $ 167,973, which includes the gain on disposal of $ 358,990 from the sale.

The balance sheet related to the discontinued operations is presented below:

Northern California Agency

Balance sheet as at		**March 31, 2012**
Accounts receivable	$	255,156
Total current assets	$	255,156
Property and equipment	$	21,917
Customer accounts		248,264
Total non-current assets	$	270,181
Total Assets	$	525,337

The gain (loss) from discontinued operations for the three and six month period ended September 30, 2013 and 2012 is summarized below:

	Three months ending September 30, 2013	Three months ending September 30, 2012	Six months ending September 30, 2013	Six months ending September 30, 2012
Revenue from discontinued operations	$ -	$ -	$ -	$ 131,825
Expenses of discontinued operations	-	(1,459)	-	(187,581)
Earnings (loss) from discontinued operations	-	(1,459)	-	(55,756)
Gain (loss) on sale of discontinued operations	-	(31,827)	-	355,276
Gain (loss) from discontinued operations	$ -	$ (33,286)	$ -	$ 299,520

6. LONG-TERM DEBT

	September 30, 2013	March 31, 2013
Senior notes – 4.5% – 6.75%, due between June 2018 and July 2023 (a)	$ 13,617,511	$ 14,042,739
U.S. Note payable – 6.75% interest only, due February 2017 (b)	2,571,250	2,539,000
U.S. Note payable – 12% interest only, due June 2015 (b)	1,182,775	1,218,720
Obligations under capital leases, collateralized by the assets under lease	49,931	37,868
	17,421,467	17,838,327
Deferred financing costs	(154,361)	(154,039)
Accumulated amortization	74,141	61,866
	(80,220)	(92,173)
	17,341,247	17,746,154
Less: Current portion	(1,367,094)	(1,309,448)
	$ 15,974,153	$ 16,436,706

a) The Senior notes are secured by the Canadian assets only with a guarantee provided by the Company.

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.

On August 1, 2013, the Company acquired customer accounts from an independent insurance broker in Calgary, Alberta for $176,707 which was funded through an expansion of the Company's existing acquisition facility (Senior note).

b) Year ended March 31, 2012
From January 2011 until February 2012, the Company withheld interest payments on the U.S.$ 3,250,000 note payable resulting in a default of the U.S. note payable and the U.S. note payable becoming due on demand. As a result of the default, the interest rate was increased from 14% to 19% resulting in $ 169,816 in additional interest payments and a penalty charge of $ 59,126.

On February 21, 2012, the Company and the U.S. lender reached a memorandum of understanding of the terms for the settlement and restructuring of the U.S. $3,250,000 note, outstanding interest and penalties, whereby the existing note will be cancelled and restructured for cash and a new note. A formal agreement has not been completed. Under the terms of the memorandum of understanding, the Company paid principal payments of U.S. $50,000 on acceptance of the amended terms and U.S. $250,000 on April 15, 2012. The

Company is required to pay U.S. $1,200,000 by August 21, 2012. In addition, a new note will be issued for the remaining U.S. $2,500,000 maturing in five years with interest only payments at 6.75% per annum. See note 7c.

Year ended March 31, 2013
On August 21, 2012, the formal agreement was finalized with the lender according to the memorandum of understanding and in addition also provided for 30 day extensions on the U.S. $1,200,000 note payable. New notes were issued for U.S. $2,500,000 maturing in five years with interest only payments at 6.75% per annum and U.S. $1,200,000 bearing interest at 0.5625% for the month ending September 21, 2012 and then subject to interest at 1% per month for each 30 day extension beginning September 21, 2012.

On March 18, 2013, the Company and the U.S. lender agreed to the terms for restructuring the U.S. $1,200,000 note payable whereby the existing note was cancelled and restructured for cash and a new note. Under the new promissory note, the Company will make six principal payments of U.S. $25,000; on April 15, 2013, September 1, 2013, January 2, 2014, June 1, 2014, September 1, 2014, and January 2, 2015, with the remaining balance maturing on June 1, 2015. Interest only payments at 12% per annum continue on the unpaid balance until maturity of the loan. In addition, the Company paid a U.S. $25,000 fee to the lender related to this restructuring.

The U.S. denominated debt is secured by the U.S. assets only with a guarantee provided by the Company.

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

2014	$	1,367,094
2015		2,471,081
2016		1,433,067
2017		4,084,076
2018		2,285,463
2019		5,702,802
Thereafter		77,884
	$	17,421,467

7. SHARE CAPITAL

a) Authorized

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

Issued

All common shares issued are fully paid, carry one vote per share and carry a right to dividends.

b) Normal Course Issuer Bid

The Company receives 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 10% of its common shares issued and outstanding at the time of the bid.

- 2014 - The bid commenced May 20, 2013 and will terminate on May 19, 2014 and pursuant to the bid, the Company has approval to purchase up to 969,168 of its common shares. The Company has repurchased 85,000 common shares under the bid.

- 2013 - The bid commenced May 19, 2012 and terminated on May 18, 2013 and pursuant to the bid, the Company had approval to purchase up to 1,022,447 of its common shares. The Company repurchased 220,000 common shares under the bid.

- 2012 - The bid commenced May 19, 2011 and terminated on May 18, 2012 and pursuant to the bid, the Company had approval to purchase up to 954,063 of its common shares. The Company repurchased 24,000 common shares under the bid. As at March 31, 2012, 7,500 of the repurchased shares were cancelled subsequent to the year end on April 13, 2012.

c) Common Shares Issued for Settlement of Interest on U.S. Note Payable

Beginning January 1, 2010, 4% of the annual interest payments due on the U.S. Note payable were to be paid in common shares of the Company until maturity of the loan on April 30, 2012. The pricing of the common shares issued was determined based on the current trading price of the common shares of the Company as at the close of business on the first trading day after January 1st each year. With the required regulatory approvals received, the Company issued common shares for 4% of interest payable as follows: 2011- 314,287 common shares at $0.41 per share and 2010- 272,061 common shares at $0.50 per share.

As part of the formal agreement for the settlement and restructuring of the U.S. Note payable finalized with the U.S. lender on August 21, 2012, the 2011 outstanding and future interest payments of 4% on the U.S. Note payable will be payable in cash not common shares. In accordance with the formal agreement, the 314,287 common shares issued in 2011 were cancelled. See note 6(b).

8. NON-CONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY

On June 10, 2008, April 23, 2009 and July 14, 2010, the Company closed equity financings under which a non-controlling interest, totaling 49% of a consolidated subsidiary of the Company which operates the Canadian operations, was sold. Under IFRS, transactions with non-controlling interests are treated as transactions with equity owners of the Company. Gains or losses on disposals to non-controlling interests are computed and recorded in equity.

Within the unanimous shareholder agreement, there is a contingent put option with the non-controlling shareholder. See note 15.

Distributions from the Canadian operations to the parent and non-controlling shareholder are paid as and when approved by the Board of Directors of the Canadian subsidiary. The distributions are based on a formula in the unanimous shareholder agreement.

The non-controlling shareholder is the lender on the Senior notes. See note 6.

9. SHARE-BASED COMPENSATION

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

Changes in share options during the six month period ended September 30, 2013 and the year ended March 31, 2013 are as follows:

	September 30, 2013		March 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	450,000	$ 0.36	450,000	$ 0.36
Awarded	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	(450,000)	(0.36)	-	-
Outstanding, end of period	-	$ -	450,000	$ 0.36

10. RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties from time to time in the normal course of business, as well as key management personnel.

During the six month period ended September 30, 2013, the Company incurred $ nil (2012- $ 1,105) of consulting fees charged by a director.

11. COMMITMENTS

The Company leases office premises under operating leases that expire at various dates during the 2014 through 2019 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:

Year	Amount
2014	$ 852,204
2015	355,903
2016	257,788
2017	187,276
2018	186,114
2019	46,529
	$ 1,885,814

12. INTEREST AND FINANCING COSTS

	Three months ending September 30, 2013	Three months ending September 30, 2012	Six months ending September 30, 2013	Six months ending September 30, 2012
Canadian operations				
Interest on long-term debt	$ 213,103	$ 222,646	$ 418,385	$ 445,341
Amortization of deferred financing costs and loan discount	3,216	3,216	6,432	6,432
Interest on obligations under capital lease	1,396	-	2,410	40
	217,715	225,862	427,227	451,813
U.S. operations				
Interest on long-term debt	$ 80,677	$ 52,219	$ 159,888	$ 94,835
Amortization of deferred financing costs and loan discount	2,948	-	5,852	-
Interest on obligations under capital lease	605	700	1,857	1,245
	84,230	52,919	167,597	96,080
	$ 301,945	$ 278,781	$ 594,824	$ 547,893

13. SEGMENTED INFORMATION

The Company operates in two different geographic regions, Canada and the United States. Each geographic region is subject to different regulatory environments.

Three month period ended September 30, 2013				
Operating Segments	**Canada**	**U.S.**	**Corporate and other (1)**	**Consolidated**
Revenue	$ 2,585,021	$ 788,991	$ -	$ 3,374,012
Operating expenses	1,490,725	623,353	179,498	2,293,576
Earnings before interest, income taxes, depreciation and amortization	1,094,296	165,638	(179,498)	1,080,436
Depreciation and amortization	175,149	3,228	-	178,377
Interest and financing costs	217,715	84,230	-	301,945
Income tax expense (recovery)	214,504	-	(747)	213,757
Net earnings (loss) from continuing operations	486,928	78,180	(178,751)	386,357
Total assets (2)	11,542,051	5,913,161	155,026	17,610,238
Total liabilities	15,594,536	4,028,253	562,306	20,185,095
Non-current assets	9,006,233	5,185,432	-	14,191,665

Three month period ended September 30, 2012				
Operating Segments	**Canada**	**U.S.**	**Corporate and other (1)**	**Consolidated**
Revenue	$ 2,416,558	$ 784,839	$ -	$ 3,201,397
Operating expenses	1,424,848	695,852	163,633	2,284,333
Earnings before interest, income taxes, depreciation and amortization	991,710	88,987	(163,633)	917,064
Depreciation and amortization	181,506	3,659	-	185,165
Interest and financing costs	225,862	52,919	-	278,781
Income tax expense (recovery)	189,708	-	747	190,455
Net earnings (loss) from continuing operations	394,634	32,409	(164,380)	262,663
Gain (loss) from discontinued operations	-	(33,286)	-	(33,286)
Total assets (2)	11,735,966	6,195,968	167,038	18,098,972
Total liabilities	16,235,669	3,861,120	492,416	20,589,205
Non-current assets	9,510,790	4,967,396	-	14,478,186

Six month period ended September 30, 2013

Operating Segments	Canada	U.S.	Corporate and other (1)	Consolidated
Revenue	$ 5,367,676	$ 1,336,973	$ -	$ 6,704,649
Operating expenses	2,995,047	1,264,700	310,513	4,570,260
Earnings before interest, income taxes, depreciation and amortization	2,372,629	72,273	(310,513)	2,134,389
Depreciation and amortization	345,759	6,284	-	352,043
Interest and financing costs	427,227	167,597	-	594,824
Income tax expense (recovery)	481,911	-	(1,493)	480,418
Net earnings (loss) from continuing operations	1,117,732	(101,608)	(309,020)	707,104
Total assets (2)	11,542,051	5,913,161	155,026	17,610,238
Total liabilities	15,594,536	4,028,253	562,306	20,185,095
Non-current assets	9,006,233	5,185,432	-	14,191,665

Six month period ended September 30, 2012

Operating Segments	Canada	U.S.	Corporate and other (1)	Consolidated
Revenue	$ 5,049,110	$ 1,509,519	$ -	$ 6,558,629
Operating expenses	2,749,285	1,404,917	471,554	4,625,756
Earnings before interest, income taxes, depreciation and amortization	2,299,825	104,602	(471,554)	1,932,873
Depreciation and amortization	388,733	7,001	-	395,734
Interest and financing costs	451,813	96,080	-	547,893
Income tax expense (recovery)	459,940	-	1,894	461,834
Net earnings (loss) from continuing operations	999,339	1,521	(473,448)	527,412
Gain (loss) from discontinued operations	-	299,520	-	299,520
Total assets (2)	11,735,966	6,195,968	167,038	18,098,972
Total liabilities	16,235,669	3,861,120	492,416	20,589,205
Non-current assets	9,510,790	4,967,396	-	14,478,186

(1) Corporate and other operating profit includes corporate expenses, certain share-based compensation costs, and other operating expenditures that are not allocated.
(2) All assets are allocated to the operating segments that utilize and manage the assets.

The majority of the Company's revenues are earned by selling general insurance to more than 50,000 customers. The Company also earns certain revenues from the insurance carriers in the form of contingency income and other incentives. Contingent income is based on the insurance carrier's profitability on insurance policies placed by the Company. The Company places its customer insurance policies with a variety of insurance carriers.

Included in revenue for the six month period ended September 30, 2013 are approximately 74% of revenues which arose from placing insurance policies and earning contingent income with the Company's three largest insurance carriers (each of the three largest insurance carriers percentage of revenue is as follows: 51%, 13% and 10%) which are reflected in the Canadian operating segment.

Included in revenue for the six month period ended September 30, 2012 are approximately 64% of revenues which arose from placing insurance policies and earning contingent income with the Company's two largest insurance carriers (each of the two largest insurance carriers percentage of revenue is as follows: 53% and 11%) which are reflected in the Canadian operating segment.

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the six month periods ending September 30, 2013 and 2012, the Company had non-cash transactions as follows:

	Six months ending September 30, 2013	Six months ending September 30, 2012
Financing activities		
Debt incurred for purchase of customer accounts	$ 176,707	$ -
Capital lease for financing property and equipment purchase	20,407	38,764
	197,114	38,764
Investing activities		
Purchase of customer accounts for senior note payable	(176,707)	-
Property and equipment additions financed by capital lease	(20,407)	(38,764)
	(197,114)	(38,764)
	$ -	$ -
Additional Information:		
Interest paid	$ 585,476	$ 546,283
Income taxes paid	$ 245,000	$ 442,000

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.

As part of the unanimous shareholder agreement with the non-controlling interest, there is a contingent put option which if exercised will require the Company to purchase the non-controlling interest. The contingent put option can only be exercised, within 60 days written notice, if:

- There is an arm's length third party offer to purchase the consolidated subsidiary and the non-controlling shareholder wishes to accept, but the Company does not, then the non-controlling shareholder can exercise the put option for the price set out in the offer, or
- There is a change of control in the consolidated subsidiary or the Company, the non-controlling shareholder can exercise the put option for the higher of fair value formula in the unanimous shareholder agreement or the price set out in the change of control transaction.

There is uncertainty as to the occurrence, timing and amount of the cash outflow since the put option is contingent on a third party offer or purchase. See note 8.