



ACL INTERNATIONAL LTD.

**(formerly Anthony Clark International
Insurance Brokers Ltd.)**

Condensed Interim Consolidated Financial Statements (unaudited)

For the quarter ended June 30, 2014

**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.

ACL INTERNATIONAL LTD.
Formerly ANTHONY CLARK INTERNATIONAL INSURANCE BROKERS LTD.
Condensed Interim Consolidated Balance Sheets
Unaudited (Expressed in Canadian dollars)

As at	Note	June 30, 2014	March 31, 2014
Assets			
Current assets			
Cash		\$ 476,644	\$ 1,005,850
Trade receivables		606	1,162,656
Receivable on sale of Canadian operations	13	2,008,240	-
Prepaid expenses		15,295	182,998
		<u>2,500,785</u>	<u>2,351,504</u>
Property and equipment		4,533	389,481
Customer accounts		-	1,097,379
Goodwill		-	7,317,360
		<u>\$ 2,505,318</u>	<u>\$ 11,155,724</u>
Liabilities			
Current liabilities			
Trade payables and accrued liabilities		\$ 360,256	\$ 1,859,837
Income taxes payable		-	700,521
Current portion of leasehold inducement		-	72,850
Current portion of long-term debt	6	-	1,310,953
		<u>360,256</u>	<u>3,944,161</u>
Long-term debt	6	688,602	12,556,018
Leasehold inducement		-	139,629
Deferred income tax		-	56,336
		<u>1,048,858</u>	<u>16,696,144</u>
Equity			
Share capital	7	6,783,995	9,473,447
Contributed surplus		2,780,994	2,780,994
Deficit		<u>(8,108,529)</u>	<u>(18,582,336)</u>
Equity attributable to shareholders of the Company		1,456,460	(6,327,895)
Non-controlling interest in consolidated subsidiary	8	-	787,475
		<u>1,456,460</u>	<u>(5,540,420)</u>
		<u>\$ 2,505,318</u>	<u>\$ 11,155,724</u>
Contingencies	12		
Subsequent Event	13		

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

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

For the three months ended June 30,

	Note	2014	2013
Revenue		\$ -	\$ -
Expenses			
Salaries and wages		1,432,114	166,604
General and administrative		149,335	36,961
		<u>1,581,449</u>	<u>203,565</u>
Earnings before interest, income taxes, depreciation and amortization		(1,581,449)	(203,565)
Interest and financing costs	5	(96,589)	(109,875)
Depreciation and amortization		(57)	-
Earnings before income taxes		<u>(1,678,095)</u>	<u>(313,440)</u>
Income taxes			
Deferred recovery		12,570	746
		<u>12,570</u>	<u>746</u>
Net earnings (loss) from continuing operations		(1,665,525)	(312,694)
Gain (loss) from discontinued operations	4	12,113,028	633,441
Net earnings (loss) for the period		<u>10,447,503</u>	<u>320,747</u>
Other Comprehensive Income (loss)			
Reclassification adjustment relating to discontinued operations		(26,304)	66,382
Exchange differences on translating foreign operations		26,304	63,647
Comprehensive Income (loss) for the period		<u>\$ 10,447,503</u>	<u>\$ 450,776</u>
Earnings (loss) attributable to:			
Common shareholders		\$ 10,447,503	\$ (44,944)
Non-controlling interest in consolidated subsidiary		-	365,691
		<u>\$ 10,447,503</u>	<u>\$ 320,747</u>
Comprehensive income (loss) attributable to:			
Common shareholders		\$ 10,447,503	\$ 85,085
Non-controlling interest in consolidated subsidiary		-	365,691
		<u>\$ 10,447,503</u>	<u>\$ 450,776</u>
Earnings (loss) per share			
From continuing and discontinued operations			
Basic and diluted		<u>\$ 1.09</u>	<u>\$ -</u>
From continuing operations			
Basic and diluted		<u>\$ 1.09</u>	<u>\$ -</u>

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

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

	Note	For the three months ended June 30,	
		2014	2013
Cash flow from (used in) operating activities			
Net earnings for the period		\$ 10,447,503	\$ 320,747
(Gain) loss from discontinued operations		(12,113,028)	(633,441)
Net earnings from continuing operations		<u>(1,665,525)</u>	<u>(312,694)</u>
Adjustments to reconcile net cash provided by operating activities			
Depreciation and amortization		57	-
Deferred income taxes (recovery)		(12,570)	(746)
Amortization of deferred financing costs and loan discounts		50,281	2,987
		<u>(1,627,756)</u>	<u>(310,453)</u>
Changes in non-cash working capital accounts			
Trade receivables		56,218	124,318
Receivable on sale of Canadian operations		(2,008,240)	-
Prepaid expenses		(3,465)	(27,845)
Trade payables and accrued liabilities		(532,594)	654
Income taxes payable		(700,521)	(442,281)
Leasehold inducement liability		(212,479)	(285,329)
Changes in discontinued operations non-cash working capital		2,400,559	198,422
		<u>(2,628,278)</u>	<u>(742,514)</u>
Cash flow from (used in) financing activities			
Repayments on long-term debt		(6,067,347)	(130,806)
Repurchase of shares under issuer bid		-	(5,350)
Distribution to non-controlling interest		-	-
Capital distribution to Shareholders		(2,689,452)	-
		<u>(8,756,799)</u>	<u>(136,156)</u>
Cash flow from (used in) investing activities			
Additions to property and equipment		(4,591)	-
Proceeds on sale of discontinued operations		10,834,158	-
		<u>10,829,567</u>	<u>-</u>
Effect of foreign exchange		<u>26,304</u>	<u>7,298</u>
Increase (decrease) in cash during the period		(529,206)	(871,372)
Cash, beginning of the period		<u>1,005,850</u>	<u>1,148,674</u>
Cash, end of the period		<u>\$ 476,644</u>	<u>\$ 277,302</u>

Supplemental cash flow information - See Note 11.

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

ACL INTERNATIONAL LTD.
Formerly 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		Accumulated other comprehensive income (loss)	Contributed surplus	Deficit	Equity attributable to owners of the Company	Non-controlling interest in consolidated subsidiary	Total equity
	Number of shares	Amount						
Balance as at April 1, 2014	9,605,184	\$ 9,473,447	\$ -	\$ 2,780,994	\$ (18,582,336)	\$ (6,327,895)	\$ 787,475	\$ (5,540,420)
Capital distribution to Shareholders	-	(2,689,452)	-	-	-	(2,689,452)	-	(2,689,452)
Reclassification adjustment relating to discontinued operations	-	-	(26,304)	-	26,304	-	-	-
Exchange difference on translating foreign operations	-	-	26,304	-	-	26,304	-	26,304
Net earnings (loss) for the period	-	-	-	-	10,447,503	10,447,503	-	10,447,503
Elimination on sale of Canadian subsidiary	-	-	-	-	-	-	(787,475)	(787,475)
Balance, June 30, 2014	9,605,184	\$ 6,783,995	\$ -	\$ 2,780,994	\$ (8,108,529)	\$ 1,456,460	-	\$ 1,456,460
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	-	-	-	-	-	-	(527,921)	(527,921)
Charge to capital on repurchase of shares through issuer bid	(42,000)	(41,424)	-	-	-	(41,424)	-	(41,424)
Excess of share stated amount over share redemption amount	-	-	-	36,074	-	36,074	-	36,074
Reclassification adjustment relating to discontinued operations	-	-	66,382	-	(66,382)	-	-	-
Exchange difference on translating foreign operations	-	-	63,647	-	-	63,647	-	63,647
Net earnings for the period	-	-	-	-	(44,944)	(44,944)	365,691	320,748
Balance, June 30, 2013	9,652,684	\$ 9,520,295	\$ 68,116	\$ 2,739,098	\$ (15,871,720)	\$ (3,544,211)	\$ 887,936	\$ (2,656,275)

ACL INTERNATIONAL LTD.
(formerly Anthony Clark International Insurance Brokers Ltd.)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
For the three months ended June 30, 2014 and 2013
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

ACL International Ltd. (the "Company") is an Alberta, Canada Corporation with common shares listed on the TSX Venture Exchange under the trading symbol "ACL". The Company's principal office is located at Suite 500, 5940 Macleod Trail SW, Calgary, AB T2H 2G4.

The Company's principal business activities involved the operation of a general insurance brokerage, which was sold subsequent to year end.

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. 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, 2014.

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.

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 August 27, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied during the three month period ended June 30, 2014 are the same as those described and disclosed in Note 2 of the March 31, 2014 audited Consolidated 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 June 30, 2014 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 June 30, 2014, the Company's maximum exposure to credit risk is through the following assets:

Receivables	\$	<u>2,008,846</u>
Net credit risk	\$	<u>2,008,846</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.

At June 30, 2014, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

Cash	\$	140,777
Trade receivables		595
Trade payables and accrued liabilities		(169,829)
Long-term debt		<u>(688,602)</u>
Net exposure	\$	<u>(717,059)</u>

Based on the above net exposure at June 30, 2014, 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 \$ 71,706 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.

4. DISCONTINUED OPERATIONS

On March 3, 2014 the Company sold the property and equipment and customer accounts of its U.S. operations for net sales proceeds of \$ 3,204,664 including transaction costs of \$ 178,396. The Company realized a loss from discontinued operations of \$ 2,804,844.

On May 1, 2014, the Company completed the sale of all of its shares (51%) in the Canadian subsidiary Anthony Clark Insurance Brokers Ltd. held by the Company, to an arm's length third party for cash consideration of approximately \$13,000,000, before repayment of certain senior debt and adjustments. As the transaction contemplated the sale of all or substantially all of the Company's assets shareholder approval was obtained on April 14, 2014 and TSX Venture Exchange approval on April 22, 2014. The Company paid certain liabilities in the amount of \$7,942,971 from the sale proceeds including debt settlement \$6,101,475, legal expenses \$277,221 and severance and outstanding compensation of \$1,564,275. The transaction resulted in a gain on sale of discontinued operations of \$12,095,558

The gain (loss) from discontinued operations for the three month period ended June 30, 2014 and 2013 is summarized below:

	Three month period ended June 30, 2014			Three month period ended June 30, 2013		
	Canada	US	Total	Canada	US	Total
Revenue from discontinued operations	\$ 455,290	\$ 101,483	\$ 556,773	\$ 2,782,586	\$ 547,981	\$ 3,330,567
Expenses of discontinued operations	(425,162)	(84,013)	(509,175)	(1,935,728)	(761,398)	(2,697,126)
Earnings (loss) from discontinued operations	30,128	17,470	47,598	846,858	(213,417)	633,441
Gain (loss) on sale of discontinued operations	12,065,430	-	12,065,430	-	-	-
Gain (loss) from discontinued operations	\$ 12,095,558	\$ 17,470	\$ 12,113,028	\$ 846,858	\$ (213,417)	\$ 633,441

5. INTEREST AND FINANCING COSTS

	June 30, 2014	June 30, 2013
Canadian operations		
Interest on long-term debt	\$ 34,129	\$ 106,888
Amortization of deferred financing costs and loan discount	50,281	2,987
	<u>84,410</u>	<u>109,875</u>
U.S. operations		
Interest on long-term debt	\$ 12,179	\$ -
	<u>12,179</u>	<u>-</u>
	<u>\$ 96,589</u>	<u>\$ 109,875</u>

6. LONG-TERM DEBT

	June 30, 2014	March 31, 2014
Senior notes – 4.5% – 6.75%, due between June 2018 and January 2019 (a)	\$ -	\$ 6,067,345
U.S. Note payable – 6.75% interest only, due February 2017 (b)	688,602	712,919
	<u>688,602</u>	<u>6,780,264</u>
Deferred financing costs	-	(154,039)
Accumulated amortization	-	103,759
	<u>-</u>	<u>(50,280)</u>
	688,602	6,729,984
Less: Current portion	<u>-</u>	<u>(561,327)</u>
	<u>\$ 688,602</u>	<u>\$ 6,168,657</u>

- 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.

- b) The U.S. denominated debt is guaranteed by the Company.
- c) The Company is obligated to make the following principal payments in each of the next six fiscal years:

2014	\$	-
2015		-
2016		688,602
2017		-
2018		-
2019		-
		<hr/>
	\$	688,602

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 terminated on May 19, 2014 and pursuant to the bid, the Company had approval to purchase up to 969,168 of its common shares. The Company had repurchased 37,500 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.

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.

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.

The balance of the non-controlling interest was eliminated upon the sale of the Canadian subsidiary

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 three month periods ended June 30, 2014 and the year ended March 31, 2014 are as follows:

	<u>June 30, 2014</u>		<u>March 31, 2014</u>	
	<u>Number of Options</u>	<u>Weighted average exercise price</u>	<u>Number of Options</u>	<u>Weighted average exercise price</u>
Beginning of period	-	\$ -	450,000	\$ 0.36
Expired	-	-	(450,000)	(0.36)
End of period	-	\$ -	-	\$ -

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 three month period ended June 30, 2014, the Company incurred \$ nil (2013- \$ nil) of consulting fees charged by a director.

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the three month periods ending June 30, 2014 and 2013, the Company had non-cash transactions as follows:

	<u>June, 2014</u>		<u>June, 2013</u>	
Additional Information:				
Interest paid	\$	-	\$	107,623
Income taxes paid	\$	-	\$	-

12. 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.

13. SUBSEQUENT EVENT

On July 2, 2014, the Company received \$2,008,240 being the payment for the balance of the purchase price payable for the sale of all of the shares of Anthony Clark Insurance Brokers Ltd.