Glenbriar Technologies Inc.

# 2012 ANNUAL REPORT



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integrated technology solutions

# 2012 ANNUAL REPORT

## Table of Contents



## *To Our Shareholders*

**Change in Accounting Standards**
On October 1, 2011, Glenbriar converted from Canadian GAAP to International Financial Reporting Standards (IFRS). Glenbriar experienced limited impact change because of incremental harmonization of the standards and estimates used by management over the last 4 years. See notes 2 and 17 of the notes to the financial statements for details.

**Corporate Reorganization**
In September and October 2011, Glenbriar relocated its Calgary head office, absorbed Peartree Software Inc. by short form vertical amalgamation, sold its limited partnership interests, reduced its board of directors by one member, and added a new Vice-President of Human Resources and Software Services. In June 2012, Glenbriar reorganized its Calgary office, including replacement of the officer in charge with a new Vice-President of Information Technology. These changes are still ongoing, and will allow Glenbriar management to improve operations and take advantage of new opportunities.

**Operating Results**
Net income rose from a $229,860 loss in fiscal 2011 to income of $48,610 in fiscal 2012.

Bank debt has been reduced from $411,000 in April 2009 to $Nil as of March 31, 2012. An additional $135,811 of third party loans were repaid in fiscal 2012. While these repayments have kept Glenbriar in a tight cash position for fiscal 2012, it has allowed for an improvement in the balance sheet. Accordingly, the going concern note seen in previous periods has been removed.

**Marketing and Sales**
Glenbriar experienced a 10% increase in sales in 2012 over 2011 due to global recovery and the implementation of marketing initiatives.

*Robert Matheson, President & CEO*

**NOTICE TO READER**
*The management discussion and analysis were prepared by management and approved by the board of directors. They have not been reviewed by Glenbriar's external auditors.*

# MANAGEMENT DISCUSSION AND ANALYSIS

This information is given as of December 14, 2012 under NI Form 51-102F1. As of the date of this report, there are 47,986,510 Glenbriar voting common shares issued and outstanding. There is no other class or series of shares issued, and no warrants or options or other rights to acquire additional common shares outstanding, except contributions to the employee share purchase plan (see note 10(d) of Notes to the Financial Statements).

## Description of Business

**Glenbriar Technologies Inc.** (CNSX: GTI) has supported the IT needs of some of Canada's largest manufacturing and distribution companies for over 20 years. From its offices in Calgary, Vancouver and Waterloo, Glenbriar's staff of IT professionals manage and support the IT needs of over 300 companies. From its early roots in developing and supporting ERP systems, Glenbriar has branched out to support all things technical under a client's roof, from complete infrastructure and business applications to telephony solutions.

**Corporate Reorganization**
Glenbriar revamped its Ontario operations in 2011, including relocation of its Waterloo office in February 2011 and absorption of Peartree Software Inc. into Glenbriar by vertical short form amalgamation on October 1, 2011. Peartree is now used as a brand name for Glenbriar's software products. The two former officers of Peartree became part-time contractors, and Christine Padaric was promoted to Vice-President, Human Resources and Software Services, with responsibility for Ontario operations. The former Peartree officer who was also a Glenbriar director resigned that position on the amalgamation. These changes are designed to provide the energy and initiative to drive forward our many enterprise software opportunities.

The Calgary head office was relocated in September 2011 to larger premises to accommodate its growing business demand as it increases its focus on the enterprise space. Effective October 1, 2011, Glenbriar also disposed of its interest in the Glenbriar Limited Partnership and Glenbriar Solutions Inc. to third parties. These dispositions were in response to changes to Canadian tax law in March 2011, which substantially reduced the feasibility of that structure for providing funding for marketing and product commercialization. Glenbriar no longer has any active subsidiaries or partnership interests.

On June 28, 2012, Warren Berg was appointed as Vice-President, Information Technology. Mr. Berg has been with Glenbriar since 2000, and previously held the position of Manager, IT Services. This appointment forms part of a general reorganization of Glenbriar's Calgary operations. Mr. Berg's new duties and responsibilities include those formerly provided by Jamie Skawski, who resigned as Vice-President, Enterprise Services. Mr. Skawski had been with Glenbriar since 1998.

## Products

Glenbriar provides full service technology solutions to commercial and nonprofit enterprises: IT Services, Communications and Software. Glenbriar has created, acquired, or licensed the appropriate human and intellectual property resources necessary to deliver the optimal integrated IT solution suite for its clients.

**IT Services**

Glenbriar continued to implement new and updated infrastructure projects in the first half of fiscal 2012. Glenbriar hardened its security solutions during the period to combat increasing levels of attempted intrusions from overseas sources. These solutions tie in to disaster recovery and internal infrastructure planning processes, which are often done in conjunction with office moves and reorganizations. Glenbriar has seen a growing demand for SharePoint services at all levels of clients, and is growing that portion of its business in response.

**Communications**

Glenbriar was recognized by ShoreTel for its outstanding achievement in customer satisfaction in calendar 2011. Glenbriar's exceptional score reflects an industry recognized world class level of professionalism and customer care in all aspects of the customer experience as reflected in ShoreTel customer experience surveys administered by an impartial third party during that period.

Glenbriar continued to rollout a number of new IP telephony projects in the first half of fiscal 2012. Most of these are multisite, single image redeployments for clients with operations in Western Canada, Northwest Territories and the US. A number of additional projects are currently in the design phase. Glenbriar is increasing the level and depth of its IP telephony certifications across all of its branches in order to keep up with the growing demand in this area. Glenbriar continued to expand its telephony and wireless integration solutions during the quarter, and is seeing increased demand for the newly designed ShoreTel Conference Bridge.

**Software Services**

Glenbriar revamped its Dealership and SMB divisional goals during the first quarter to implement a continuous product improvement cycle involving direct user input and feedback to determine the path of updates and introduce new functionality for future releases. These goals include high levels of customer satisfaction, browser independence, smartphone capabilities, Spader compatibility and enhanced middleware.

Glenbriar added three new RV dealership clients in Canada and the US in the fiscal 2012. Glenbriar rolled out its latest software release for its Web based enterprise software in the first quarter of fiscal 2012 using its automated release mechanism. This release includes a major part sale report, integration with an electronic credit and debit card processing facility, and bug fixes. The next release is scheduled for the first quarter of fiscal 2013.

Glenbriar continues to expand its base of opportunities for multivalue application database consulting. Glenbriar has developed specialized expertise using numerous tools common to both its MMS ERP manufacturing and distribution product and its Web based Dealership/SMB product, such as Harvest Reports for customized output and Web based middleware for providing graphical user interfaces. These tools can be leveraged to enhance the functionality of third party multivalue applications.

Glenbriar has a number of customization projects underway for its ERP customers, including moving preprinted forms to Harvest Reports (a Glenbriar report writer), addition of new capacity in Mexico, and enhancement of the Web Order Entry module.

Glenbriar has moved into the second phase of its Lineside Labelling project, which involves the design and deployment of online storyboards to deliver real-time shipping and production status. EDI, Shipping History and Production storyboard applications have been the first to go live. Next in line are the Vanning Loads templates, which ensure that material is loaded on trailers in a precise sequence predetermined by the manufacturer. These changes will initially meet Honda order and processing specifications, and will soon be expanded to include Toyota and other OEMs.

## Financial Review

Canadian generally accepted accounting principles (GAAP) changed to International Financial Reporting Standards (IFRS) for public companies in Canada for fiscal years starting on or after January 1, 2011. Glenbriar adopted IFRS on October 1, 2011.

This is Glenbriar's first annual report using IFRS. Harmonization of Canadian GAAP with IFRS over the last few years resulted in substantial changes to Glenbriar's financial statements for 2008 through 2011. Because of these revisions, Glenbriar experienced only a minor impact when it adopted IFRS, in that most of the effects of the transition had already been incorporated into the statements. See notes 2 and 17 of Notes to the Financial Statements.

### Glenbriar Limited Partnership

Glenbriar disposed of its interest in the Glenbriar Limited Partnership (GLP) at the end of fiscal 2011. The General Partner of GLP was Glenbriar Solutions Inc. (GSI), a Glenbriar subsidiary which exercised control over GLP's operations. Glenbriar disposed of its shares in GSI at the end of fiscal 2011. During fiscal 2011, the Limited Partners of GLP were Glenbriar, and from time to time, private investors who provided capital to GLP by purchasing limited partnership units ("LP Units"). In December 2010, GLP issued 26 LP Units at a price of $5,000 each for gross proceeds of $130,000. On February 11, 2011, the Corporation purchased all of the outstanding LP Units in exchange for 100,000 common shares of the Corporation per Unit. Management, directors and employees purchased 21 LP Units. A selling concession of $2,500 was paid on the 5 LP Units not sold to management and employees.

The financial results of GLP were included in Glenbriar's financial statements during fiscal 2011, since GSI had full control over GLP's operations and it was a wholly owned subsidiary of the Corporation. In addition, the Corporation had the right to acquire all the LP Units not held by it directly. See note 4 of Notes to the Financial Statements.

### Selected Financial Information

| **Selected Annual Financial Information** ($) | Year ended September 30 | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| *Basis of preparation* | *IFRS* | *IFRS* | *GAAP* |
| Revenue | 6,664,487 | 6,051,730 | 5,080,988 |
| Gross profit | 1,565,943 | 1,598,447 | 1,325,400 |
| Net income (loss) before tax | 48,610 | (229,860) | (423,868) |
| Net income (loss) | 48,610 | (229,860) | (423,868) |
| -per share (basic and diluted) | 0.00 | (0.01) | (0.01) |
| Total assets | 878,890 | 940,313 | 1,037,826 |
| Long term liabilities (excl. deferred rent) | 330,000 | 330,000 | 356,500 |
| Dividends | - | - | - |

See the start of the Financial Review section above relating to changes in financial reporting standards. Revenue increased 10% in 2012 in both managed services and equipment and software sales. Gross margin fell to 23.5%

in 2012 from 26.2% in 2011 and 2010, reflecting corporate reorganizations in Calgary and Waterloo. Net income showed substantial improvement over the 3 years, rising $275,470 in 2012 over 2011, and a further $194,008 in 2011 over 2010.

| **Selected Quarterly Financial Information** ($) | Quarter ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | | | 2010 |
| | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 |
| Revenue | 1,538,236 | 1,779,384 | 1,677,134 | 1,669,734 | 1,312,812 | 1,542,013 | 1,891,946 | 1,304,959 |
| Income from continuing operations | (146,096) | 76,163 | 39,049 | 79,494 | (419,009) | 1,802 | 179,476 | 7,871 |
| -per share (basic and diluted) | (0.003) | 0.002 | 0.001 | 0.002 | (0.01) | - | 0.004 | - |
| Net income | (146,096) | 76,163 | 39,049 | 79,494 | (419,009) | 1,802 | 179,476 | 7,871 |
| -per share (basic and diluted) | (0.003) | 0.002 | 0.001 | 0.002 | (0.01) | - | 0.004 | - |

All quarters were prepared using IFRS.

Overall revenue increased 17% for the quarter ended September 30, 2012 from the prior year period, made up of a 6% rise in services and a 32% increase in equipment and software sales. These differences reflect increased capital investments by clients due to economic recovery and greater emphasis on marketing.

Glenbriar has not paid dividends and has no current intention of doing so.

**Liquidity and Capital Resources**

As of September 30, 2012, Glenbriar had working capital of $(53,047) a substantial improvement from the working capital of $(172,156) at September 30, 2011. This improvement reflects higher receivables and pay down of loan obligations. Marketable securities reflect the fair value of the shares. Inventory changes reflect normal business fluctuations. Inventory is principally made up of items purchased for clients which are in transit from the distributor to client sites, but which remain in Glenbriar's possession pending configuration or an implementation date. Accordingly, inventory is considered relatively liquid and is fairly valued at cost. Deferred revenue was down by $38,061 from the prior year end, and is made up principally of software maintenance and service fees, which are brought into income over the term of the licence renewal. Management believes that its ongoing cash flow from operating activities will be sufficient to satisfy its obligations as they become due and to fund ongoing operations.

Lease payments under office leases are expensed on a straight-line basis over the life of the lease. Incentives under an operating lease, such as rent-free periods, are recognized as a reduction in rental payments over the lease term. Deferred rent reflects rent free allowances on the new office lease in Calgary. The Calgary lease term is 124 months including the rent free period.

The demand credit facility was paid out on March 31, 2012. This facility had been termed out in April 2009 with an initial balance of $411,372. See note 8 of Notes to the Financial Statements. This repayment schedule strained cash resources during a difficult business cycle. Glenbriar management made cash advances to Glenbriar, improved collection of accounts receivable, increased limits and maximized participation in the employee and director share purchase plan, redirected employee contributions from open market purchases to treasury purchases under the plan, extended payables, and raised funds through the issue of LP Units in order to preserve cash resources and meet its repayment obligations.

The $330,000 loan payable as of September 30, 2012 is payable to Glenbriar's management. See note 9 of Notes to the Financial Statements. Glenbriar has no off-balance sheet arrangements.

Glenbriar may be required to seek additional equity or debt financing, reduce its operations or to limit its growth in order to maintain liquidity. In addition, Glenbriar does not have adequate surplus capital on hand to pursue its research and development activities at an optimal rate, to establish and implement a robust marketing and sales program, and to make strategic acquisitions. Accordingly, Glenbriar may reasonably be expected to issue additional equity or take on more debt in order to obtain the additional resources which it believes are necessary to enable it to seek to achieve the growth rates which are sought by investors and shareholders. If additional equity is issued, existing shareholders may experience dilution of their shareholdings. If additional debt is taken on, the business could be put at greater risk of not being able to survive downturns in business cycles, the loss of major accounts, or other negative events. Glenbriar will continue to take steps to improve its working capital position, which may include injection of capital, loans or renegotiation of credit facilities, but there is no assurance that these efforts will be successful.

To date, Glenbriar has funded its research and development from internal sources, including cash flow and disposition of non-core assets. With some products and solutions now ready, and others expected to be completed in the coming months, additional funds will be required to engage in product rollouts, marketing and sales, and make strategic acquisitions.

In February 2011, Glenbriar entered into a 5 year lease for new premises for its Waterloo office. In August 2011, Glenbriar entered into a 10 year lease for new premises for its head office in Calgary. Glenbriar's long term financial commitments for a delivery vehicle, office equipment and office leases were as follows as of September 30, 2012:

| | $ |
|---|---|
| 2013 | 265,051 |
| 2014 | 237,835 |
| 2015 | 226,175 |
| 2016 | 201,782 |
| 2017 | 189,240 |
| Subsequent years | 828,975 |
| Total | 1,949,058 |

**Results from Operations**

Net income rose to $48,610 for fiscal 2012 from $(229,860) for fiscal 2011. Most of the improvement reflects better performance in the fourth quarter compared to the prior year. The results reflect increased project spending by clients, reduced amortization of intangibles, gain on sale of related entities, and unrealized gain on marketable securities.

Managed services revenue includes all professional services and consulting revenue. Direct salaries and benefits include the salaries of those employees who directly earn managed services revenue. Margins on managed services are based on a comparison of managed services revenue to direct salaries and benefits. Salaries for administrative and support staff are included in general and administrative expenses, while salaries for sales and marketing staff are included in sales and marketing expense.

Equipment and software revenue includes all revenue from the sale of those items, and cost of goods sold is made up of the cost of equipment and software sales. Both accounts include shipping, but exclude any allocation of salaries or overhead. Margins on equipment and software sales are based on a comparison of equipment and software revenue to cost of goods sold.

**Revenue**. Revenue increased 10% in fiscal 2012 over 2011, made up of an even rise in services and equipment and software sales. This improvement reflects increased project spending by clients as the economy recovers from the global recession and the benefits of the marketing initiative.

**Expense**. Margins on managed services dropped to 16.1% in fiscal 2012 from 23.4% in fiscal 2011, reflecting the added costs of reorganizing the service delivery model in that area. Margins on equipment and software sales rose to 33.4% from 30.2% on equipment and software sales over the same periods due to an increase in the proportion of telephony sales, which carry higher margins than other equipment sales. General and administrative expense decreased to 15.0% of sales in fiscal 2012 from 18.1% in fiscal 2011, and sales and marketing expenses rose to 6.6% of sales in 2012 from 5.8% in 2011.

**Accounts receivable.** The balance for September 30, 2012 reflects 37 days of sales, which is down from 38 days of sales for the year end fiscal 2011.

**Accounts payable and accrued liabilities**. The increase in this account to $714,639 at September 30, 2012 from $713,346 at the end of fiscal 2011 reflects marginally decreased liquidity.

**Deferred revenue**. The balance of $162,364 as of September 30, 2012 is for periodic software maintenance and services, which are brought into revenue monthly as services are performed. This is a noncash item.

**Forward Looking Statements**

This MD&A may contain forward-looking statements. These forward-looking statements do not guarantee future events or performance and should not be relied upon. Actual outcomes may differ materially due to any number of factors and uncertainties, many of which are beyond Glenbriar's control. Some of these risks and uncertainties may be described in Glenbriar's corporate filings (posted at www.sedar.com). Glenbriar has no intention or obligation to update or revise any forward looking statements due to new information or events, except as required by securities legislation.

**Risk Factors**

The recovery from the global recession continues at a slow pace. Glenbriar serves the automotive, recreational, energy and mining sectors, all of which continue to exhibit recovery from the global recession. Business investment in new infrastructure has been steady thus far in fiscal 2012, as businesses ratchet up capital purchases and investments.

**Critical Accounting Estimates**

IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods presented. Significant estimates include the assessment of recoverability of carrying values of Glenbriar's accounts receivable, inventory, software and other capital assets. Actual results will differ from the estimates.

Glenbriar management assesses the recoverability of accounts receivable based upon its past history of recovery. Past experience indicates that bad debt expense has been consistently less than 1% of sales. See note 16 of Notes to the Financial Statements regarding allowance for doubtful accounts.

Inventory principally represents hardware and software products that are held for delivery to clients pending configuration or an installation date. Accordingly, inventory is current and liquid, and its cost is estimated by management to equal its fair value.

Carrying value of proprietary software assets, deferred tax assets and intangible assets is nil. Glenbriar management estimates that these assets are fairly valued at the current time.

Carrying value of property, plant and equipment is estimated by management to be fairly valued at its depreciated cost.

**Related Party Transactions**

Management loan advances of $330,000 as of September 30, 2012 are the same as at September 30, 2011. See note 9(a) of Notes to the Financial Statements.

Glenbriar instituted a new employee share purchase plan in February 2008. Participants who elect to participate in the plan purchase Glenbriar common shares in the open market or from treasury. Glenbriar then matches those contributions with shares from treasury by private placement on a quarterly basis. See note 10(d) of Notes to the Financial Statements.

See “Glenbriar Limited Partnership” above and note 4 of Notes to the Financial Statements regarding the participation of employees, directors and management in the purchase of LP Units in first quarter of fiscal 2011. Glenbriar Solutions Inc., a subsidiary of Glenbriar and general partner of the partnership, was sold for $20,000 effective October 1, 2011 to a corporation controlled by an outside director of Glenbriar. Glenbriar’s interest in the Partnership was sold for $5,000 effective October 1, 2011 to a corporation whose CEO, director and minority shareholder is an outside director of Glenbriar. The Partnership structure had a carrying value of nil, and had ceased to have any economic value to Glenbriar due to changes in Canadian tax law implemented in March 2011. The proceeds of disposition are included in the statement of comprehensive income and in the statement of cash flows as a gain on sale of related entities.

**Additional Information**

Additional information about Glenbriar is available from Glenbriar’s website at www.glenbriar.com, the CNSX website at www.cnsx.ca, the Sedar website at www.sedar.com, or by request from Glenbriar’s head office at 1100, 736 – 8 Ave SW, Calgary, AB  T2P 1H4 (Phone 403-233-7300 x117).

**Subsequent Event**

On November 28, 2012, the Corporation issued 249,000 as the employer’s contribution to the employee share purchase plan. The last closing price on the CNSX prior to issuance was $0.015. See notes 10(d) and 18 of Notes to the Financial Statements.

# Independent Auditors' Report

To the Shareholders of
**Glenbriar Technologies Inc.**

We have audited the accompanying financial statements of Glenbriar Technologies Inc., which comprise the statements of financial position as at September 30, 2012, September 30, 2011, and October 1, 2010, and the statements of income (loss) and comprehensive income (loss), statements of changes in shareholders' equity and statements of cash flows for the years ended September 30, 2012 and September 30, 2011, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Glenbriar Technologies Inc. as at September 30, 2012, September 30, 2011 and October 1, 2010 and its financial performance and its cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with International Financial Reporting Standards.

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|---|---|
| Calgary, Alberta | (signed) “Collins Barrow Calgary LLP” |
| December 14, 2012 | Chartered Accountants |

**GLENBRIAR TECHNOLOGIES INC.**
**Statements of Financial Position**
**(Expressed in Canadian Dollars)**

| | September 30, | | October 1, |
|---|---|---|---|
| | **2012** | 2011 | 2010 |
| | **$** | $ | $ |
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents (note 14) | **75,345** | 118,854 | 76,832 |
| Marketable securities (note 5) | **38,645** | 17,712 | 22,543 |
| Accounts receivable (notes 13 and 16) | **677,611** | 636,740 | 643,058 |
| Inventory | **15,780** | 63,116 | 19,285 |
| Prepaid expenses | **22,653** | 41,004 | 15,982 |
| Total current assets | **830,034** | 877,426 | 777,700 |
| **Non-current** | | | |
| Proprietary software (note 7) | **-** | - | 120,981 |
| Customer lists (note 7) | **-** | - | 37,875 |
| Property and equipment (note 6) | **48,856** | 62,887 | 101,270 |
| Total assets | **878,890** | 940,313 | 1,037,826 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Demand credit facility (note 8) | **-** | 68,457 | 192,438 |
| Accounts payable and accrued liabilities (notes 13 and 16) | **714,639** | 713,346 | 647,448 |
| Deferred revenue | **162,364** | 200,425 | 159,433 |
| Loans payable – current portion (note 9) | **-** | 67,354 | 68,000 |
| Deferred rent – current portion | **6,078** | - | - |
| Total current liabilities | **883,081** | 1,049,582 | 1,067,319 |
| **Non-current** | | | |
| Loans payable (note 9) | **330,000** | 330,000 | 356,500 |
| Deferred rent | **50,645** | - | - |
| Total liabilities | **1,263,726** | 1,379,582 | 1,423,819 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital (notes 4 and 10) | **4,269,462** | 4,263,639 | 4,087,055 |
| Deficit | **(4,654,298)** | (4,702,908) | (4,473,048) |
| Total shareholders' equity | **(384,836)** | (439,269) | (385,993) |
| Total liabilities and shareholders' equity | **878,890** | 940,313 | 1,037,826 |

Commitments (note 11)
Subsequent event (note 18)

Approved by the Board,
____________________, Director
____________________, Director

The accompanying notes are an integral part of these financial statements

**GLENBRIAR TECHNOLOGIES INC.**
**Statements of Income (Loss) and Comprehensive Income (Loss)**
**Years ended September 30**
**(Expressed in Canadian Dollars)**

| | 2012 $ | 2011 $ |
|---|---|---|
| **Revenue** | | |
| Managed information services | **3,846,552** | 3,491,492 |
| Equipment and software sales | **2,807,902** | 2,546,302 |
| Other income | **10,033** | 13,936 |
| **Gross revenue** | **6,664,487** | 6,051,730 |
| Direct salaries and benefits (note 12) | **3,227,060** | 2,675,979 |
| Cost of goods sold | **1,871,484** | 1,777,304 |
| **Gross profit** | **1,565,943** | 1,598,447 |
| **Other (income) expenses** | | |
| General and administrative | **998,492** | 1,093,193 |
| Sales and marketing | **437,040** | 348,547 |
| Research and development | **60,720** | 102,000 |
| Amortization of intangible assets | - | 158,856 |
| Depreciation of property and equipment | **19,413** | 37,797 |
| Stock-based compensation (note 10(d)) | **5,307** | 27,339 |
| Gain on sale of interest in related entities (note 4) | **(25,000)** | - |
| Unrealized loss (gain) on marketable securities (note 5) | **(20,933)** | 4,831 |
| Foreign exchange loss | **2,016** | 12,676 |
| **Income (loss) from operations** | **88,888** | (186,792) |
| Finance expense | **40,278** | 43,068 |
| **Net income (loss) and comprehensive income (loss)** | **48,610** | (229,860) |
| **Net income (loss) per share** | | |
| Basic and diluted | **0.00** | (0.01) |
| **Weighted average shares outstanding** | | |
| Basic and diluted | **47,512,290** | 45,722,514 |

The accompanying notes are an integral part of these financial statements

**GLENBRIAR TECHNOLOGIES INC.**
**Statements of Changes in Shareholders' Equity**
**Years ended September 30**
**(Expressed in Canadian Dollars)**

| | **2012** | 2011 |
|---|---|---|
| | **$** | $ |
| **Common Shares** | | |
| Balance, beginning of year | **4,263,639** | 4,087,055 |
| Employee share purchase plan (note 10(d)) | **5,823** | 41,584 |
| Limited partnership units (note 4) | **-** | 130,000 |
| Issue of shares for services (note 10(c)) | **-** | 5,000 |
| **Balance, end of year** | **4,269,462** | 4,263,639 |
| | | |
| **Deficit** | | |
| Balance, beginning of year | **(4,702,908)** | (4,473,048) |
| Net income (loss) for the year | **48,610** | (229,860) |
| **Balance, end of year** | **(4,654,298)** | (4,702,908) |

The accompanying notes are an integral part of these financial statements

**GLENBRIAR TECHNOLOGIES INC.**
**Statements of Cash Flows**
**Years ended September 30**
**(Expressed in Canadian Dollars)**

| **Cash flows related to the following activities** | **2012** **$** | 2011 $ |
|---|---|---|
| **Operating** | | |
| Net income | **48,610** | (229,860) |
| Adjustments for: | | |
| Amortization and depreciation | **19,413** | 196,653 |
| Stock-based compensation expense | **5,823** | 27,339 |
| Unrealized (gain) loss on marketable securities | **(20,933)** | 4,831 |
| Deferred rent | **56,723** | - |
| Gain on sale of interest in related entities | **(25,000)** | - |
| Write off of property and equipment | **-** | 5,892 |
| Issuance of common shares for services | **-** | 5,000 |
| Total before changes in non-cash working capital | **84,636** | 9,855 |
| Changes in non-cash working capital (note 14) | **(11,952)** | 44,355 |
| Net cash provided by operating activities | **72,684** | 54,210 |
| **Financing** | | |
| Issue of common shares | **-** | 144,245 |
| Repayment of loans and credit facility | **(135,811)** | (151,127) |
| Net cash used in financing activities | **(135,811)** | (6,882) |
| **Investing** | | |
| Capital expenditures | **(5,382)** | (5,306) |
| Proceeds on sale of related entities | **25,000** | - |
| Net cash provided by investing activities | **19,618** | (5,306) |
| Net change in cash and cash equivalents | **(43,509)** | 42,022 |
| Cash and cash equivalents, beginning of year | **118,854** | 76,832 |
| **Cash and cash equivalents, end of year** | **75,345** | 118,854 |

Supplementary cash flow information (note 14)

The accompanying notes are an integral part of these financial statements

## 1. REPORTING ENTITY

Glenbriar Technologies Inc. ("Corporation") was incorporated under the Alberta Business Companies Act on July 15, 1994. The Corporation operates primarily in the information technology sector and has only one operating segment. The Corporation's head office is located at 1100, 736 – 8 Ave SW, Calgary, Alberta, Canada, T2P 1H4. On October 1, 2011, the Corporation absorbed its wholly owned subsidiary, Peartree Software Inc. ("Peartree"), by short form vertical amalgamation. Effective October 1, 2011, the Corporation also disposed of its interests in Glenbriar Limited Partnership ("GLP") and Glenbriar Solutions Inc. ("GSI") to third parties (see note 4). The prior year comparative financial statements were consolidated and included the accounts of Peartree, GSI and GLP.

## 2. BASIS OF PRESENTATION

*Statement of compliance*

In 2010, the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and to require publicly accountable enterprises to replace Canadian generally accepted accounting principles ("GAAP") with IFRS for fiscal years beginning on or after January 1, 2011. These are the Corporation's first annual financial statements prepared using IFRS. Comparative periods have been restated to comply with the updated presentation.

The Corporation has applied IFRS 1, "First-time adoption of International Financial Reporting Standards", which provides certain exemptions for entities adopting IFRS for the first time, with the Corporation having a transition date of October 1, 2010. An opening statement of financial position as at October 1, 2010, as well as statements of financial position, loss and comprehensive loss and cash flows as at and for the year ended September 30, 2011 are included in the financial statements in note 17 to facilitate the transition to IFRS. A summary of significant changes resulting from the Corporation's transition to IFRS is also disclosed in note 17 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods. These financial statements should be read in conjunction with the Corporation's Canadian GAAP audited consolidated financial statements for the year ended September 30, 2011.

A summary of the Corporation's significant accounting policies under IFRS is presented in note 3. These policies have been consistently and retrospectively applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in note 17.

The financial statements and notes were authorized for issue by the Corporation's board of directors on December 14, 2012.

*Basis of measurement*

The financial statements have been prepared on a going concern basis using the historical cost convention, except for cash and cash equivalents and marketable securities, which are measured at fair value.

*Use of estimates and judgements*

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from the estimates.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

*Valuation of accounts receivable*
The Corporation's management regularly assesses the recoverability of accounts receivable based upon its past history of recovery and specific doubtful accounts.

*Valuation of inventory*
Inventory principally represents hardware and software products that are held for delivery to clients pending configuration or an installation date. Accordingly, inventory is current and liquid, and its cost is estimated by management to equal its fair value.

*Useful life and valuation of property and equipment and intangible assets*
Property and equipment are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could increase or decrease the amount of amortization recorded during the year. The carrying value of property, plant and equipment is estimated by management to be recoverable at its depreciated cost.

Intangible assets consisting of proprietary software and customer lists have been recorded at cost less accumulated depreciation. Depreciation is provided using the straight line method based on the estimated useful life of the acquired intangibles. The intangible assets have been fully amortized and therefore these are not subject to measurement uncertainty as at September 30, 2012 and 2011.

*Income taxes*
The measurement of income taxes requires management to make judgements in the interpretation and application of relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. The availability of tax pools is subject to audit and interpretation by taxation authorities. There is no current or deferred income taxes recognized in the financial statements as disclosed in note 15 and management estimates these items have been fairly valued at the current time.

*Functional and presentation currency*

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

## 3. SIGNIFICANT ACCOUNTING POLICIES

*Basis of consolidation*

If the Corporation has the power to direct the financial and operational policies of an entity to obtain benefit from their operations, the Corporation is deemed to have a controlling interest in that entity, and all such entities are consolidated into the financial statements. Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the financial statements.

*Revenue recognition*

Equipment and software sales relate to proprietary software and products purchased and resold to customers. The revenue from these sales is recognized upon shipment. Software licences paid in advance for proprietary software, which include ongoing support and maintenance obligations, are deferred and recognized over the period of those obligations.

Managed information services revenue is recognized as services are rendered. In cases where collectability is not reasonably assured, revenue is recognized when the cash is collected. Payments received in advance of services rendered are deferred until such time as the services are performed.

*Cash and cash equivalents*

Cash and cash equivalents are comprised of cash on deposit with banks and short-term deposits with initial maturities of three months or less.

*Inventory*

Inventory is comprised mainly of equipment and spare parts, and is carried at the lower of cost and net realizable value. Cost is measured on a first-in, first-out basis. The total amount of inventory recognized during the year as an expense, including inventory adjustments to net realizable value of $nil and $19,408 for 2012 and 2011, respectively, was $1,844,760 (2011 - $1,680,753).

*Intangible assets*

a. *Proprietary software* – Research and development costs incurred prior to the establishment of the technological and commercial feasibility of a particular software project are expensed as incurred. Software development costs which are directly attributable to these activities are capitalized when certain criteria are met, including that the technological and commercial feasibility of a project is established and the Corporation has sufficient resources to complete development. Amortization of proprietary software is recorded over the period of expected benefit on a straight line basis. No development costs were capitalized during the years ended September 30, 2012 or 2011.

b. *Customer lists* – Customer lists were acquired as part of prior years' corporate acquisitions, and were amortized over the period of the expected benefit on a straight line basis.

*Property and equipment*

Upon initial recognition computers and office equipment are recorded at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation. Subsequent measurement is at cost less accumulated amortization less any accumulated impairment losses. When parts of property and equipment have different useful lives, they are accounted for as separate components of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probably that the future economic benefit associated with the item will flow to the Corporation and the cost of the item can be measure reliably. The carrying amount of a replaced asset is derecognized after replacement. Repairs and maintenance are charged to the statement of income during the period in which they occur.

Amortization on computers and office equipment is recorded using the declining-balance method at rates of 30% and 20%, respectively. Leasehold improvements are amortized over the term of the lease. If the carrying value of an asset exceeds the projected discounted future net cash flow from its use or disposal, a reduction of the carrying value to the fair value would be recorded.

*Government assistance*

The Corporation may be entitled to investment tax credits or other incentives based on certain research and experimental development costs incurred. These amounts are netted against the related assets in expenses in the period in which they are earned and realization is considered to be probable. Investment tax credits or other incentives may be subject to assessment and approval by the applicable government authority. Adjustments, if any are required, are reflected in the year when such assessments are received. No government tax credits or incentives were earned or recorded during 2012 or 2011.

*Impairment of non-financial assets*

At each reporting date, the Corporation's non-financial assets are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of income (loss).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The recoverable amount is based on the higher of fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows to be derived from the asset in its current state are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior periods. There was no impairment of the Corporation's intangible assets or property and equipment determined during the years ended September 30, 2012 or 2011.

*Income taxes*

The Corporation uses the liability method of accounting for deferred taxes. Under this method, temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the statement of financial position are used to calculate deferred income tax liabilities or assets. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax liabilities or assets are calculated using enacted or substantively enacted, by the reporting date, tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Temporary differences arising on acquisitions result in deferred income tax liabilities or assets. Deferred tax assets are recognized to the extent they are more likely than not to be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

*Stock-based compensation*

The Corporation has a stock option plan as described in note 10(e). The Corporation records an expense for stock options issued based on the fair value at the date of grant, calculated using a Black-Scholes option pricing model with a corresponding credit to contributed surplus. No stock options were issued or outstanding under this plan as of September 30, 2012 or 2011.

Stock-based compensation expense represents the estimated fair value of the Corporation's quarterly contributions of treasury shares to the employee share purchase plan implemented in February 2008, as described in note 10(d). The estimated fair value of the shares issued is based on the market price at the date of issue. These contributions are expensed as incurred.

*Net income (loss) per common share*

The Corporation follows the treasury stock method to determine the dilutive effect of stock options or other potentially dilutive instruments. Under this method, basic net income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted income per share is calculated on the basis of the weighted average number of common shares outstanding during the period plus the additional incremental common shares that would have been outstanding for any potentially dilutive stock options or other instruments were exercised for common shares using the treasury stock method.

*Deferred rent*

Incentives such as rent-free periods are initially recognized as a deferred rent liability and amortized as a reduction in rental payments over the lease term. Deferred rent reflects rent free allowances on the new office lease in Calgary. The lease term is 124 months commencing October 1, 2011 including the rent free period.

*Foreign currency translation*

Foreign currency transactions are translated into the functional currency using the average rate of exchange in effect at the transaction dates. Monetary assets and liabilities relating to foreign currency transactions are recorded at rates of exchange in effect at the statement of financial position date and any resulting gains or losses recorded in income for the period.

*Provisions and contingencies*

A provision is recognized in the balance sheet when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. No such provisions were required as at September 30, 2012 and 2011.

*Financial instruments*

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized cost".

Financial assets are classified as loans and receivables, held-to-maturity, held-for-trading, designated at fair value through profit or loss and available-for-sale. Loans and receivables include all loans and receivables except debt securities, and are accounted for at amortized cost using the effective interest rate method and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Held-to-maturity classification is restricted to fixed maturity non-derivative instruments that the Corporation intends and is able to hold to maturity, and is accounted for at amortized cost using the effective interest rate method. Held-for-trading and designated at fair value through profit or loss instruments are measured at fair value on the statement of financial position, with realized and unrealized gains and losses reported in net income and transactions costs are expensed when incurred. The remaining non-derivative financial assets are classified as available-for-sale. These are recorded at fair value, with gains or losses being recognized in other comprehensive income. Derecognition of a financial asset and other than temporary impairment losses are recognized in the statement of comprehensive income.

Financial liabilities are classified as held-for-trading, designated at fair value through profit and loss or financial liabilities measured at amortized cost. Held-for-trading and designated at fair value through profit and loss instruments are recorded at fair value with realized and unrealized gains and losses reported in income, and transaction costs being expensed when incurred. Financial liabilities measured at amortized cost and non-derivative instruments are accounted for at amortized cost using the effective interest rate and represent all financial liabilities not classified as held-for-trading or designated at fair value through profit and loss.

Derivative instruments (“derivatives”) are classified as held-for-trading unless designated as hedging instruments. All derivatives are recorded at fair value on the statement of financial position. For derivatives that hedge the changes in fair value of an asset or liability, changes in the derivatives’ fair value are reported in the statement of comprehensive income and are substantially offset by changes in the fair value of the hedged asset or liability attributable to the risk being hedged. For derivatives that hedge variability in cash flows, the effective portion of the changes in the derivatives’ fair values are initially recognized in other comprehensive income (“OCI”), and the ineffective portion is recorded in the statement of comprehensive income. Amounts temporarily recorded in accumulated OCI will subsequently be reclassified to the statement of comprehensive income (loss) in the periods when the net income (loss) is affected by the variability in the cash flows of the hedged item.

The Corporation has designated accounts receivable as loans and receivables; and accounts payable and accrued liabilities, loans payable and demand credit facilities as financial liabilities measured at amortized cost, all of which are carried at amortized cost. The Corporation’s cash and cash equivalents and marketable securities are classified as held-for-trading and are carried at fair value on the statement of financial position, with any changes in the fair value recognized in net income (loss). Fair value is determined by reference to published price quotations. The Corporation does not have any derivative financial instruments.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects.

The Corporation assesses at each reporting date, whether there is objective evidence that financial assets, other than those designated as fair value through profit or loss are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of income (loss). For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an "available-for-sale" financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of income (loss) in the period. Impairment losses may be reversed in subsequent periods.

*Finance income and expenses*

Finance income is comprised of interest earned on cash and cash equivalents held at financial institutions and is recognized as it accrues in the statement of income (loss) using the effective interest method.

Finance expense is comprised of interest expense on borrowings, and impairment losses recognized on financial assets. For the years ended September 30, 2012 and 2011, finance expense consists of interest on the Corporation’s demand credit facility, loans payable and accounts payable.

Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. All other borrowing costs are recognized in the statement of income (loss) using the effective interest method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Corporation's outstanding borrowings during the year.

*Business combinations*

Business combinations are accounted for using the acquisition method. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, any goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded in earnings as a gain. Associated transaction costs are expensed when incurred.

***Future accounting policies***

*Financial Instruments*

The IASB intends to replace IAS 39, "Financial Instruments: Recognition and Measurement", with IFRS 9, "Financial Instruments". For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the approach to the fair value option may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk. Transitional disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. IFRS 9 is effective for fiscal years beginning on or after January 1, 2015, with early adoption permitted.

Amendments to IFRS 7, "Financial Instruments: Disclosures", require the disclosure of information that will enable users of an entity's financial statements to evaluate the effect, or potential effect, of offsetting financial assets and financial liabilities, to the entity's financial position. Amendments to IFRS 7 are applicable to annual periods beginning on or after January 1, 2013, with retrospective application required.

Amendments to IAS 32, "Financial Instruments: Presentation", clarify the criteria that should be considered in determining whether an entity has a legally enforceable right to set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. Early adoption is permitted.

No significant impact to the Corporation's financial statements is anticipated upon implementation of the published standards.

*Fair Value Measurements*

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement", which provides a consistent and less complex definition of fair value, establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. Prospective application of this standard is effective for fiscal years beginning on or after January 1, 2013, with early adoption permitted. The Corporation is currently assessing the impact of this standard.

*Reporting Entity*

In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosures of Interest in Other Entities" and amendments to both IAS 27, "Consolidated and Separate Financial Statements" and IAS 28, "Investments in Associates". IFRS 10 creates a single consolidation model by revising the definition of control in order to apply the same control criteria to all types of entities, including joint arrangements, associates and special purpose vehicles. IFRS 11 establishes a principle-based approach to the accounting for joint arrangements by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation to arrangements that meet the definition of a joint operation. IFRS 12 is a comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles.

Retrospective application of these standards with relief for certain transactions is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted if all of the standards are collectively adopted. The Corporation is currently assessing the impact of these standards.

*Employee Benefits*

In June 2011, the IASB issued amendments to IAS 19, "Employee Benefits", which revises the recognition, presentation and disclosure requirements for defined benefit plans. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted. No significant impact to the Corporation's financial statements is anticipated upon implementation of the amended standard.

*Presentation of Items of Other Comprehensive Income*

In June 2011, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements", requiring corporations to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. Retrospective application of this amendment is effective for fiscal years beginning on or after July 1, 2012, with earlier adoption permitted. No significant impact to the Corporation's financial statements is anticipated upon implementation of the amended standard.

## 4. GLENBRIAR LIMITED PARTNERSHIP

Glenbriar Limited Partnership ("GLP") was an Alberta limited partnership that carried on the business of developing and extending the market for information technology solutions created or supported by the Corporation until the Corporation disposed of its interest GLP effective October 1, 2011 for $5,000. An independent director of the Corporation is CEO, a director and a minority shareholder of the purchaser of Corporation's interest in GLP. The General Partner of GLP was Glenbriar Solutions Inc. ("GSI"), which exercised control over GLP's operations. The Corporation disposed of its shares in GSI effective October 1, 2011 for $20,000. An independent director of the Corporation controls the purchaser of GSI. With nil cost, these dispositions make up the gain on sale of related entities in the statement of income. During fiscal 2011, the Limited Partners of GLP were the Corporation and private investors who purchased limited partnership units ("LP Units") for $5,000 per LP Unit.

In December 2010, GLP issued 26 LP Units at a price of $5,000 each for gross proceeds of $130,000. On February 11, 2011, the Corporation purchased all of the outstanding LP Units in exchange for 100,000 common shares of the Corporation per Unit. Management, directors and employees purchased 21 LP Units. A selling concession of $2,500 was paid on the 5 LP Units not sold to management and employees.

The financial results of GLP were included in the Corporation's financial statements during fiscal 2011, since GSI had full control over GLP's operations and it was a wholly owned subsidiary of the Corporation. In addition, the Corporation had the right to acquire all the LP Units not held by it directly.

For tax purposes, the Limited Partners were entitled to deduct their share of operating losses of GLP on December 31, 2010 to a maximum of $5,000 for each LP Unit held. As a result, the Limited Partner's share of operating losses was not available to the Corporation to offset future taxable income.

## 5. MARKETABLE SECURITIES

Marketable securities are comprised of 322,038 common shares of Platinum Communications Corporation, a public company traded on the TSX Venture Exchange.

## 6. PROPERTY AND EQUIPMENT

| | Computers $ | Office Equipment $ | Leasehold improvements $ | Total $ |
|---|---|---|---|---|
| **Cost** | | | | |
| October 1, 2010 | 525,452 | 120,985 | 116,115 | 762,552 |
| Net additions (disposals) | 17,384 | (17,971) | - | (587) |
| September 30, 2011 | 542,836 | 103,014 | 116,115 | 761,965 |
| Net additions (disposals) | (1) | 5,383 | (43,107) | (37,725) |
| **September 30, 2012** | **542,835** | **108,397** | **73,008** | **724,240** |
| **Accumulated depreciation** | | | | |
| October 1, 2010 | 442,067 | 108,483 | 110,731 | 661,281 |
| Depreciation | 54,327 | 3,858 | 5,384 | 63,569 |
| Disposals | (3,585) | (22,187) | - | (25,772) |
| September 30, 2011 | 492,809 | 90,154 | 116,115 | 699,078 |
| Depreciation | 16,085 | 3,328 | - | 19,413 |
| Disposals | - | - | (43,107) | (43,107) |
| **September 30, 2012** | **508,894** | **93,482** | **73,008** | **675,384** |
| **Net book value** | | | | |
| October 1, 2010 | 83,385 | 12,502 | 5,384 | 101,270 |
| September 30, 2011 | 50,027 | 12,860 | - | 62,887 |
| **September 30, 2012** | **33,941** | **14,915** | **-** | **48,856** |

## 7. INTANGIBLE ASSETS

| | Proprietary software $ | Customer lists $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| October 1, 2010 and September 30, 2011 and 2012 | 998,669 | 180,172 | 1,178,841 |
| **Accumulated amortization** | | | |
| October 1, 2010 | 877,688 | 142,297 | 1,019,985 |
| Amortization | 120,981 | 37,875 | 158,856 |
| September 30, 2011 and 2012 | 998,669 | 180,172 | 1,178,841 |
| **Net book value** | | | |
| October 1, 2010 | 120,981 | 37,875 | 158,856 |
| September 30, 2011 | - | - | - |
| **September 30, 2012** | **-** | **-** | **-** |

## 8. DEMAND CREDIT FACILITY

In April 2009, the Corporation's revolving credit facility with a chartered bank was termed out based on an initial balance of $411,372, with blended monthly payments of $11,085 including interest at the greater of 6% per annum or 3.5% above the bank's prime lending rate. The credit facility was amended on March 22, 2011 removing covenants relating to current and debt to equity ratios and periodic reporting. The balance as at September 30, 2012 was $nil (September 30, 2011 – $68,457). The facility was cancelled and all related security released effective March 31, 2012.

## 9. LOANS PAYABLE

Loans payable at September 30, 2012 in the amount of $330,000 (September 30, 2011 - $397,354) consist of:

a) Net advances of $330,000 (September 30, 2011 - $330,000) from officers of the Corporation secured by a general security agreement which bear interest at the rate of interest charged from time to time by the Bank of Montreal to its personal line of credit customers plus any insurance premium which may be payable. The advances are repayable 12 months after the officers provide written request for payment. As at September 30, 2012, the officers had not requested payment, and consequently, the advances have been classified as non-current liabilities, and related accrued interest of $25,395 is included in accounts payable (2011 - $12,195). Finance expense included $13,200 of interest on the advances in fiscal 2012 (2011 - $12,195), which averaged 4% for 2012 (2011 – 4%).

b) As of September 30, 2012, loans payable of $nil (September 30, 2011 - $67,354) were outstanding relating to a previous corporate acquisition that was settled in fiscal 2011, all of which had been classified as a current liability. Of the outstanding balance at September 30, 2011, $33,209 bore interest at prime plus 1.5% per annum and $34,145 was non-interest bearing.

## 10. SHARE CAPITAL

a) *Authorized*
Unlimited number of common shares
Unlimited number of preferred shares of one or more series

b) *Common shares issued and outstanding*

| | Number of shares | **Amount $** |
|---|---|---|
| Balance, October 1, 2010 | 43,550,509 | **4,087,055** |
| Private placement | 100,000 | **5,000** |
| Exchange of limited partnership units (note 4) | 2,600,000 | **130,000** |
| Employee share purchase plan | 1,030,201 | **41,584** |
| Balance, September 30, 2011 | 47,280,710 | **4,263,639** |
| Employee share purchase plan | 456,800 | **5,823** |
| Balance, September 30, 2012 | 47,737,510 | **4,269,462** |

c) *Private placements*
The 2011 private placement consisted of the issuance of 100,000 shares from treasury at $0.05 per share to a securities dealer as part payment for arranging to update the Corporation's listing and acting as its official sponsor under new regulations on the Frankfurt Stock Exchange. The last closing price on CNSX prior to this issuance was $0.05 per share. The fees paid were recorded as general and administrative expense in fiscal 2011.

d) *Employee share purchase plan*
In February 2008, the Corporation implemented a share purchase plan, under which participants make contributions to purchase common shares on the open market or from treasury (subject to the number of shares being calculated and issued based on a minimum of $0.05 per share) through a designated trust facility, subject to a maximum of $20,000 per participant per plan year. These contributions are matched quarterly by the Corporation issuing shares from treasury at the market price at the date of issue (subject to the number of shares being calculated and issued based on a minimum of $0.05 per share). During the year ended September 30, 2012, the Corporation recorded $5,823 (2011 - $27,339) of stock-based compensation expense.

e) *Stock option plan*
The Corporation is authorized to grant stock options to directors, officers and employees for up to 10% of the number of common shares outstanding. Options may be granted for periods up to 5 years at prices based upon the Corporation's trading price on the date of issue. No stock options were granted, exercised or outstanding in 2011 or 2012.

## 11. COMMITMENTS

As of September 30, 2012, the Corporation is committed to the following minimum annual payments and estimated operating costs payable to lessors for vehicle, office equipment and office leases, which expire at various dates through January 2022:

| | **$** |
|---|---|
| 2013 | 265,051 |
| 2014 | 237,835 |
| 2015 | 226,175 |
| 2016 | 201,782 |
| 2017 | 189,240 |
| Subsequent years | 828,975 |
| Total | 1,949,058 |

## 12. RELATED PARTY TRANSACTIONS

General and administrative expense includes remuneration of the key management personnel, which includes directors and officers of the Corporation. For fiscal 2012, remuneration of $464,074 included $462,834 of salaries, benefits and cash-based compensation and $1,240 of stock-based compensation (2011 - $573,516, $568,276 and $5,240, respectively). Total salaries and benefits, including direct, general and administrative, and sales and marketing, were $3,594,714 in 2012 (2011 - $3,287,525).

See note 9(a) regarding loan advances to the Corporation by management.

See note 10(d) regarding participation by employees in the employee share purchase plan.

See note 4 regarding participation of employees, directors and management in GLP.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements. The Corporation employs risk management strategies and polices to ensure that any exposure to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks.

*Fair value of financial instruments*

The Corporation's financial instruments are comprised of cash and cash equivalents, accounts receivable, marketable securities, accounts payable and accrued liabilities, demand credit facilities, and loans payable. The carrying values of the Corporation's accounts receivable and accounts payable and accrued liabilities approximate their respective fair values due to their short term maturity. As the Corporation's demand credit facility and loans payable bear interest at floating market rates, the respective carrying values approximate fair value. The Corporation's cash and cash equivalents and marketable securities are adjusted to market value on a quarterly basis.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The financial instruments in the Corporation's financial statements, measured at Level 1 fair value, are cash and cash equivalents and marketable securities.

*Credit risk*

The Corporation is exposed to normal credit risk from customers. Accounts receivable are generally unsecured, subject to the Corporation's ability to file security interest under certain conditions. Default rates on unsecured credit have traditionally been below 1% of annual sales. The Corporation's customer accounts are past due as follows: 30-60 days – $85,000 (2011 - $60,000); 61-90 days – $95,000 (2011 - $92,000); 91 days or older – $52,000 (2011 - $60,000). The Corporation has reviewed the past due accounts on a customer by customer basis and has provided an allowance for doubtful accounts of $23,406 (2011 - $26,480), all relating to past due accounts 90 days or older. Licences for proprietary software cease to function if payments are not kept current. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries. Additional sales and services may be withheld if a customer falls to pay its obligations in a timely manner.

The Corporation is also subject to credit risk through its cash on deposit. As cash is held in a reputable financial institution, concentration of credit risk is considered minimal.

*Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. For the year ended September 30, 2012, the Corporation had net income of $48,610 (2011 – $(229,860)), cash flow from operating activities before changes in non-cash working capital of $84,636 (2011 – $9,855), and working capital of $(53,047) as at September 30, 2012 (September 30, 2011 – $(172,156)). The Corporation's financial liabilities, comprised of amounts drawn on the demand credit facilities of $nil (September 30, 2011 - $68,457), and accounts payable and accrued liabilities of $714,639 (September 30, 2011 - $713,346), are due and payable within less than one year. Of the total loans payable of $330,000 (September 30, 2011 - $397,354), $330,000 (September 30, 2011 - $330,000) is due in more than one year, and $nil (September 30, 2011 - $67,354) is current. Deferred revenue of $162,364 (September 30, 2011 - $200,425) is a non-cash items, which does not affect cash working capital used to maintain operations. The Corporation will also continue to seek additional investment to improve its working capital position, but there is no certainty that it will be able to achieve that objective under current market conditions.

During the year ended September 30, 2012, the Corporation repaid its short-term credit facility and current portion of its loans payable, and improved its current working capital position. Management believes that its ongoing cash flow from operating activities will be sufficient to satisfy its obligations as they become due and to fund ongoing operations.

*Market risk*

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates or availability of capital. The Corporation is exposed to interest rate risk on any outstanding drawings on its demand credit facilities and loans payable. An increase or decrease in the interest rate of 1% would result in approximately a $3,300 (2011 - $4,700) adjustment to the 2012 net income reported based upon the outstanding balances as of September 30, 2012.

*Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. During fiscal 2012, 1% (2011 – 1%) of total revenue was denominated in US dollars. At September 30, 2012, approximately $11,250 (2011 - $8,200), $13,250 (2011 - $19,000) and $78,200 (2011 - $59,000) of the Corporation's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities were denominated in US dollars, respectively. An increase in value of the Canadian dollar relative to the US dollar will decrease the equivalent Canadian amounts, while an increase in the value of the Canadian dollar will decrease the amounts. Exchange rate fluctuations have increased in volatility under current economic conditions, and this risk cannot be accurately quantified. A 1% change in the Canadian-US exchange rate on the net assets held in US$ would increase or decrease the reported loss by approximately $550 (2011 - $320). The Corporation has no contracts in place to mitigate this exposure.

*Capital management*

The Corporation's goal is to develop a strong capital base to meet its growth objectives, while maintaining the ability to fulfill its financial obligations, finance internal growth and fund potential acquisitions. The Corporation may be required to seek additional equity or debt financing, reduce its operations or to limit its growth in order to maintain liquidity. The Corporation does not have adequate surplus capital on hand to pursue its research and development activities at an optimal rate, to establish and implement a robust marketing and sales program, or to make strategic acquisitions. Accordingly, the Corporation may reasonably be expected to issue additional equity or take on more debt in order to obtain the additional resources which it believes are necessary to enable it to seek to achieve the growth rates which are sought by investors and shareholders. If additional equity is issued, existing shareholders may experience dilution of their share holdings. If additional debt is taken on, the business could be put at greater risk of not being able to survive downturns in business cycles, the loss of major accounts, or other negative future events.

The Corporation's capital structure includes working capital (deficiency). The Corporation's capital management objectives, evaluation measures and targets have remained unchanged over the periods presented. The Corporation's capital is not subject to any external restrictions.

## 14. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents at September 30, 3012 and 2011 were entirely comprised of cash on deposit.

| Changes in non-cash working capital: | **2012** | 2011 |
|---|---|---|
| | **$** | $ |
| Accounts receivable | **(40,871)** | 6,318 |
| Inventory | **47,336** | (43,831) |
| Prepaid expenses | **18,351** | (25,022) |
| Accounts payable and accrued liabilities | **1,293** | 65,898 |
| Deferred revenue | **(38,061)** | 40,992 |
| Total | **(11,952)** | 44,355 |
| Cash interest paid | **38,984** | 43,068 |

## 15. INCOME TAXES

The components of the deferred income tax asset amounts as at September 30, 2012 and 2011 are as follows:

| | **2012** | 2011 |
|---|---|---|
| | **$** | $ |
| Excess of tax basis over carrying value on long-term assets | **263,171** | 265,540 |
| Deferred benefit of current and prior years' losses | **920,967** | 939,428 |
| Investment tax credits | **91,000** | 91,000 |
| | **1,275,138** | 1,295,968 |
| Valuation allowance | **(1,275,138)** | (1,295,968) |
| | **-** | - |

Management has assessed the net deferred tax asset using the criteria of whether it is probable that the deferred tax assets can be realized. Based on the uncertainty of future taxable income, management has recorded an offsetting valuation allowance for the full amount of the deferred tax asset as at September 30, 2012 and 2011.

As at September 30, 2012, the Corporation had investment tax credits of approximately $91,000 available to reduce taxes otherwise payable, and non-capital losses of approximately $3.7 million available to be carried forward to reduce future taxable income. The benefit of these credits and losses has not been recognized in the financial statements. These credits and losses expire as follows:

| | **Non-capital losses** | **Investment tax credits** |
|---|---|---|
| | **$** | **$** |
| 2014 | 95,000 | 67,000 |
| 2015 | 396,000 | 24,000 |
| 2026 | 359,000 | - |
| 2027 | 267,000 | - |
| 2028 | 751,000 | - |
| 2029 | 698,000 | - |
| 2030 | 1,119,000 | - |

In addition, the Corporation has approximately $439,000 of deductible research and development expenditures with no expiry.

Income tax expense (recovery) differs from the amounts which would be obtained by applying the combined federal and provincial statutory income tax rate to the respective years' loss before income taxes. The following schedule explains the differences between the expected and actual tax expense (recovery):

| | **2012** | 2011 |
|---|---|---|
| | **$** | $ |
| Income (loss) before income taxes | **48,610** | (229,860) |
| Expected income taxes – statutory rate of 25.8% (2011 - 28.5%) | **12,541** | (65,510) |
| Effect of tax rate changes | **25,580** | 50,721 |
| Unrealized (gain) loss on marketable securities | **(5,401)** | 688 |
| Non-deductible portion of GLP operating losses (note 3) | **-** | 37,050 |
| Adjustments to tax pools and other | **(11,890)** | 29,499 |
| Provision for deferred income taxes before valuation allowance | **20,830** | 52,448 |
| Change in valuation allowance | **(20,830)** | (52,448) |
| | **-** | - |

## 16. SUPPLEMENTARY ACCOUNTS RECEIVABLE AND PAYABLE INFORMATION

| | **2012** | 2011 |
|---|---|---|
| | **$** | $ |
| Accounts receivable components: | | |
| Trade receivables | **699,117** | 662,320 |
| Allowance for doubtful accounts | **(23,406)** | (26,480) |
| Other receivables | **1,900** | 900 |
| Total | **677,611** | 636,740 |

Bad debt expense of $3,789 was recorded in fiscal 2012 (2011 - $7,790).

| | **2012** | 2011 |
|---|---|---|
| | **$** | $ |
| Accounts payable and accrued liabilities components: | | |
| Trade payables | **390,311** | 381,107 |
| Accrued salaries and wages | **219,022** | 228,555 |
| Sales tax payable | **96,781** | 85,168 |
| Other payables | **8,525** | 18,516 |
| Total | **714,639** | 713,346 |

## 17. RECONCILIATIONS OF GAAP TO IFRS

The following reconciliations compare the Corporation’s previous Canadian GAAP and restated IFRS financial results of operations and financial position to comply with IFRS 1. A summary of the changes, primarily relating to presentation, are discussed following each reconciliation. Reconciliations include the Corporation’s statements of financial position as at October 1, 2010 and September 30, 2011, and the statement of loss and comprehensive loss, statement of cash flows and statement of deficit for the year ended September 30, 2011.

In addition, the following first-time adoption exemptions and exception were applied:

i. *Property and equipment and intangible assets* – IFRS 1 provides a choice between measuring property and equipment and intangible assets at their fair value at the date of transition and using those amounts as deemed costs or using the historical carrying value as reported under prior Canadian GAAP. The Corporation has elected to apply the historical cost model for property and equipment and intangible assets and has not restated the respective carrying values to fair value under IFRS.

ii. *Business combinations* – IFRS 1 allows the Corporation to adopt IFRS 3, “Business Combinations”, on a prospective basis rather than retrospectively restating any prior business combinations. The Corporation has elected not to retrospectively apply IFRS 3 to any business combinations that occurred prior to January 1, 2010 and any such business combinations have not been restated.

iii. *Borrowing costs* – In accordance with the exemption in IFRS 1, IAS 23, “Borrowing Costs”, has not been applied retrospectively to any borrowing costs relating to any qualifying assets for which the commencement date for capitalization would have been prior to January 1, 2010.

iv. *Estimate exception* – The applicable mandatory exception in IFRS 1 applied in the conversion from Canadian GAAP to IFRS is “Estimates”. Under this mandatory exception, hindsight is not permitted to be used to create or revise estimates. The estimates previously made under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

**GLENBRIAR TECHNOLOGIES INC.**
**Notes to the Financial Statements**
**Years ended September 30, 2012 and 2011**

| | Statement of Deficit | | |
|---|---|---|---|
| | **Year ended September 30, 2011** | | |
| | **GAAP** | Adjustments | **IFRS** |
| | $ | $ | $ |
| **Deficit** | | | |
| Balance, beginning of year | (4,473,048) | - | (4,473,048) |
| Net loss for the year | (229,860) | - | (229,860) |
| **Balance, end of year** | (4,702,908) | - | (4,702,908) |

| | Statement of Financial Position | | |
|---|---|---|---|
| | **October 1, 2010** | | |
| | **GAAP** | Adjustment | **IFRS** |
| | $ | $ | $ |
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | 76,832 | - | 76,832 |
| Marketable securities | 22,543 | - | 22,543 |
| Accounts receivable | 643,058 | - | 643,058 |
| Inventory | 19,285 | - | 19,285 |
| Prepaid expenses | 15,982 | - | 15,982 |
| Total current assets | 777,700 | - | 777,700 |
| **Non-current** | | | |
| Proprietary software | 120,981 | - | 120,981 |
| Customer lists | 37,875 | - | 37,875 |
| Property and equipment | 101,270 | - | 101,270 |
| Total assets | 1,037,826 | - | 1,037,826 |
| | | | |
| **LIABILITIES** | | | |
| **Current** | | | |
| Demand credit facility | 192,438 | - | 192,438 |
| Accounts payable and accrued liabilities | 647,448 | - | 647,448 |
| Deferred revenue | 159,433 | - | 159,433 |
| Loans payable – current portion | 68,000 | - | 68,000 |
| Total current liabilities | 1,067,319 | - | 1,067,319 |
| **Non-current** | | | |
| Loans payable | 356,500 | - | 356,500 |
| Total liabilities | 1,423,819 | - | 1,423,819 |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 4,087,055 | - | 4,087,055 |
| Deficit | (4,473,048) | - | (4,473,048) |
| Total shareholders' equity | (385,993) | - | (385,993) |
| Total liabilities and shareholders' equity | 1,037,826 | - | 1,037,826 |

**GLENBRIAR TECHNOLOGIES INC.**
**Notes to the Financial Statements**
**Years ended September 30, 2012 and 2011**

| | Statement of Financial Position | | |
|---|---|---|---|
| | September 30, 2011 | | |
| | **GAAP** | Adjustment | **IFRS** |
| | $ | $ | $ |
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | 118,854 | - | 118,854 |
| Marketable securities | 17,712 | - | 17,712 |
| Accounts receivable | 636,740 | - | 636,740 |
| Inventory | 63,116 | - | 63,116 |
| Prepaid expenses | 41,004 | - | 41,004 |
| Total current assets | 877,426 | - | 877,426 |
| **Non-current** | | | |
| Property and equipment | 62,887 | - | 62,887 |
| Total assets | 940,313 | - | 940,313 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Demand credit facility | 68,457 | - | 68,457 |
| Accounts payable and accrued liabilities | 713,346 | - | 713,346 |
| Deferred revenue | 200,425 | - | 200,425 |
| Loans payable – current portion | 67,354 | - | 67,354 |
| Total current liabilities | 1,049,582 | - | 1,049,582 |
| **Non-current** | | | |
| Loans payable | 330,000 | - | 330,000 |
| Total liabilities | 1,379,582 | - | 1,379,582 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 4,263,639 | - | 4,263,639 |
| Deficit | (4,702,908) | - | (4,702,908) |
| Total shareholders' equity | (439,269) | - | (439,269) |
| Total liabilities and shareholders' equity | 940,313 | - | 940,313 |

**GLENBRIAR TECHNOLOGIES INC.**
**Notes to the Financial Statements**
**Years ended September 30, 2012 and 2011**

| | Note | GAAP | Adjustment | IFRS |
|---|---|---|---|---|
| | | **Statement of Loss & Comprehensive Loss** | | |
| | | **Year ended September 30, 2011** | | |
| | **Note** | $ | $ | $ |
| **Revenue** | | | | |
| Managed information services | | 3,491,492 | - | 3,491,492 |
| Equipment and software sales | | 2,546,302 | - | 2,546,302 |
| Other income | | 13,936 | - | 13,936 |
| **Gross revenue** | | 6,051,730 | - | 6,051,730 |
| **Expenses** | | | | |
| Managed information services | A | 2,675,979 | (2,675,979) | - |
| Direct salaries and benefits | A | - | 2,675,979 | 2,675,979 |
| Cost of goods sold | | 1,777,304 | - | 1,777,304 |
| **Gross profit** | B | - | 1,598,447 | 1,598,447 |
| **Expenses** | | | | |
| General and administrative | | 1,093,193 | - | 1,093,193 |
| Sales and marketing | | 348,547 | - | 348,547 |
| Research and development | | 102,000 | - | 102,000 |
| Subtotal of expenses | C | 5,997,023 | (5,997,023) | - |
| Earnings before the following items | D | 54,707 | (54,707) | - |
| Amortization | E | 196,653 | (196,653) | - |
| Amortization of intangibles | E | - | 158,856 | 158,856 |
| Depreciation of property and equipment | E | - | 37,797 | 37,797 |
| Interest and bank charges | F | 43,068 | (43,068) | - |
| Stock-based compensation | | 27,339 | - | 27,339 |
| Unrealized loss on marketable securities | | 4,831 | - | 4,831 |
| Foreign exchange loss | | 12,676 | - | 12,676 |
| **Loss from operations** | G | - | (186,792) | (186,792) |
| Finance expense | F | - | 43,068 | 43,068 |
| **Net loss and comprehensive loss** | | (229,860) | - | (229,860) |
| **Net loss per share** | | | | |
| Basic and diluted | | (0.01) | - | (0.01) |
| **Weighted average shares outstanding** | | | | |
| Basic and diluted | | 45,722,514 | - | 45,722,514 |

**Notes:**

A. "Managed information services" under GAAP reclassified as "Direct salaries and benefits" under IFRS.
B. "Gross profit" added under IFRS, representing operating margin before overhead.
C. Expenses subtotal from GAAP removed under IFRS.
D. "Earnings before the following items" from GAAP removed under IFRS.
E. "Amortization" under GAAP split into 2 categories, "Amortization of intangibles" and "Depreciation of property and equipment" under IFRS.
F. "Interest and bank charges" under GAAP renamed "Finance expense" under IFRS and moved below new subtotal "Loss from operations".
G. "Loss from operations" added as new subtotal under IFRS.

| | Notes | GAAP | Adjustment | IFRS |
|---|---|---|---|---|
| | | **Statement of Cash Flows** | | |
| | | **Year ended September 30, 2011** | | |
| | **Notes** | $ | $ | $ |
| **Cash flows related to the following activities** | | | | |
| **Operating** | | | | |
| Net loss | | (229,860) | - | (229,860) |
| Adjustments for: | | | | |
| Amortization and depreciation | | 196,653 | - | 196,653 |
| Stock-based compensation expense | | 27,339 | - | 27,339 |
| Unrealized loss on marketable securities | | 4,831 | - | 4,831 |
| Write off of property and equipment | | 5,892 | - | 5,892 |
| Issuance of common shares for services | | 5,000 | - | 5,000 |
| Total before changes in non-cash working capital | | 9,855 | - | 9,855 |
| Changes in non-cash working capital | | 44,355 | - | 44,355 |
| Net cash provided by operating activities | | 54,210 | - | 54,210 |
| **Financing** | | | | |
| Issue of common shares | | 144,245 | - | 144,245 |
| Net repayment of demand credit facility | **A** | (123,981) | 123,981 | - |
| Net decrease in loans payable | **A** | (27,146) | 27,146 | - |
| Repayment of loans and credit facility | **A** | - | (157,127) | (151,127) |
| Net cash used in financing activities | | (6,882) | - | (6,882) |
| **Investing** | | | | |
| Acquisition of property and equipment | **B** | (5,306) | 5,306 | - |
| Capital expenditures | **B** | - | (5,306) | (5,306) |
| Net cash provided by investing activities | | (5,306) | - | (5,306) |
| Net change in cash and cash equivalents | | 42,022 | - | 42,022 |
| Cash and cash equivalents, beginning of year | | 76,832 | - | 76,832 |
| **Cash and cash equivalents, end of year** | | 118,854 | - | 118,854 |

**Notes:**

A. "Net repayment of demand credit facility" and "Net decrease in loans payable" under GAAP combined into "Repayment of loans and credit facility" under IFRS.

B. "Acquisition of property and equipment" under GAAP renamed "Capital expenditures" under IFRS.

## 18. SUBSEQUENT EVENT

On November 28, 2012, the Corporation issued 249,000 common shares as the employer's contribution to the employee share purchase plan. The last closing price on the CNSX prior to issuance was $0.015 per share. See also note 10(d).