Glenbriar
Technologies Inc.

2013 ANNUAL REPORT

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Glenbriar Technologies Inc.

integrated technology solutions

2013 ANNUAL REPORT

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To Our Shareholders

Operating Results
Net income declined to a $145,050 loss in fiscal 2013 from income of $48,610 in fiscal 2012. Revenue from sales and services decreased 10% in 2013 over 2012, made up of a 3% increase in services and a 29% decrease in equipment sales. The reduction in equipment sales reflects lower cost of technology, simpler and less costly end user devices, movement to hosted and cloud based computing models, longevity of newer infrastructure at the network and server level, and the shift to application driven computing networks. See "Changes in Business Technology Market" below for a discussion of some of these trends.

Replacement of Chief Financial Officer
Brian Tijman stepped down as CFO in December 2013. Brian has held the role of CFO continuously since 1995, so his contribution as CFO is missed by all of us. As one of the three original founders of Glenbriar, Mr. Tijman is the largest shareholder and will remain a director. We wish Brian the best of luck in his new endeavours.

Sherri Saunders of our Waterloo office has been appointed as Acting CFO until further notice. Sherri has over 20 years of experience in various aspects of accounting management, financial reporting, auditing procedures and accounting technology support.

Sale of Peartree Dealership Software
Effective December 31, 2013, Glenbriar sold its Peartree Dealership product and client base to Blue Skies Business Solutions Inc. of Waterloo, Ontario. Blue Skies is wholly owned by Roy Clarke, who was the principal architect of the software product. This product represented less than 4% of Glenbriar's total revenue, and was determined to no longer represent a strategic asset by the board of directors. The sale provides for a seamless transition for users, and allows for more product development going forward. Glenbriar will keep its information technology consulting relationships with those clients.

Sale of Marketable Securities
Glenbriar disposed of the balance of its marketable securities in the first quarter of fiscal 2014. The 2014 Q1 Report will show a gain on disposition from the sale of these securities. See notes 5 and 15 of Notes to Financial Statements below for a description of the securities sold.

Employee Share Purchase Plan
Glenbriar is in the process of winding down its Employee Share Purchase Plan. Tax changes implemented by the federal government in March 2011 significantly reduced the participation rate in the plan, leading to it no longer being considered worthwhile to maintain. Formal windup of the plan is expected to be completed by the end of the second quarter of fiscal 2014.

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 January 23, 2014 under NI Form 51-102F1. As of the date of this report, there are 48,331,510 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 8(c) of Notes to the Financial Statements).

Description of Business

Glenbriar Technologies Inc. (CSE: GTI) is a leading provider of business technology solutions for successful enterprises in manufacturing, distribution, retail, energy, health, education, dealership, professional services and real estate. From its offices in Calgary, Vancouver and Waterloo, Glenbriar's staff of IT professionals and software developers design, manage and support solutions that include IT Services, Cloud Services, Portals & Collaboration, Unified Communications and Software Services.

Glenbriar released updated versions of its websites in the first quarter of fiscal 2013, with additional revisions being added throughout the year.

Glenbriar was recognized in the September 2013 issue of Software Magazine as one of the 500 Largest Software and Services Providers in the World. This publication can be viewed at http://rcppubs.com/3D/SWM/2013/sep-13/index.html.

Products & Services

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

Changes in Business Technology Market

The business technology market is shifting from the traditional on-premises client-server model to incorporate structural changes in how employees and customers use new technology and communications. These changes reflect 4 main pillars:

a) **Big Data** represents the rapid expansion of the number of devices connected to the Internet and providing explosive growth in both the amount and type of data that can be collected, analyzed, and used to drive new sources of revenue and efficiency for businesses. This pillar incorporates the Internet of Things, which refers to a wide variety of devices constantly gathering and dispensing data without any human interaction.

b) **The Cloud** represents the movement of processing capacity away from desktops to centralized servers so that apps and data are accessible from anywhere. Clouds can be hosted in public, private or hybrid environments.

c) **Mobility** represents the shift in end user devices to smartphones, tablets, notebooks and other devices accessing the Cloud on a wide variety of operating systems. This pillar incorporates the trends of consumerization of data consumption and BYOD (bring your own device).

d) **Security** reflects the need for enhanced security requirements resulting from device and data proliferation and accessibility inherent in Mobility, Big Data and the Cloud, which has driven an exponential increase in cybercrime, with the consequent loss of privacy, theft and misuse of identity and intellectual property.

All of these have to be made to work together in new and exciting ways in order to get both the functionality and security that are needed as a result of these changes. Glenbriar's solutions lead business into this new world.

Cloud Services

Information technology is moving from the on premise client-server model to the cloud. Glenbriar has been delivering cloud solutions to our clients for more than a decade. Cloud is a simple, reliable and affordable way to capitalize on high levels of service and uptime while enabling instantaneous business growth requirements.

Glenbriar offers Cloud Services to help to unlock an organization's full potential, focusing on efficiency, flexibility and of course, cost savings. Glenbriar Cloud Services provide hosted solutions for critical business applications while reducing many of the expenses required for a conventional internal infrastructure. Cloud computing can be custom designed to the client's needs using any of the following methodologies:

- A **hybrid cloud** keeps critical business applications on the client's premises and leverages cloud services to manage non-critical business systems. A hybrid cloud delivers the scalability and cost savings while keeping critical data on premise and under strict controls.
- A **public cloud** provides for off-site delivery of virtually any application over the Internet. While offering the maximum level of scalability, mobility and cost flexibility, a public cloud solution is often not appropriate for organizations with critical data and security obligations, which may be subject to legal restrictions regarding location of and access to the data.
- A **private cloud** allows an organization to exploit many of the advantages of a public or hybrid cloud solution, but with a keen eye to the levels of security and control you need to manage and retain exclusive access to your data and applications. Private clouds are most appropriate in areas where data integrity, privacy, secrecy or location is paramount, such as health care, defence, legal, energy, regulatory, financial and intellectual property.

Mobility

Glenbriar's mobility solutions work over a fixed, wireless or satellite Internet connection, with all major brands of smartphone and wireless devices, and with all national cellphone carriers, making it available virtually anywhere. When travelling, users' cell phones can function over any Wi-Fi connection, eliminating cell and long distance charges when out of the country or roaming, and will automatically switch to an available cellular network when leaving the Wi-Fi coverage area without dropping the call. Phone presence and charges are the same as being in any major city. Typical payout is less than one year for a huge increase in functionality.

Portals & Collaboration

Glenbriar experienced increased interest in collaboration projects in fiscal 2013, with several new projects committed to proceeding or taken further toward implementation. Glenbriar is currently implementing comprehensive SharePoint solutions for clients in energy regulation, energy and health care.

Microsoft's SharePoint is one of the world's leading web-based business collaboration platforms. SharePoint is changing the way that businesses operate, eliminating the reduced productivity and higher costs that result from organizations not having the technological capacity or staffing resources to efficiently and cost-effectively streamline their business processes.

This interactive, customizable and accessible information and networking source works to increase connectivity and make collaboration easier. When organizational teams, regardless of individual roles or location, can readily share calendars, templates, documents, databases, contacts, and sales and inventory reports, tactical successes are guaranteed without any loss of the big picture view.

Glenbriar's Portals and Collaboration solutions deliver high levels of functionality to organizations through ease of access, empowered site owners, extensive alerts on any changes that occur, and easy location of documents through the use of custom columns, metadata and views that can be configured to any device, including smart phones, tablets and PCs. This improves organizational efficiency, cuts training and maintenance costs, and facilitates group working, information sharing and electronic document organization.

Security

Cloud deployments, mobility functionality, managed services and print services bring with them the need for increased emphasis on security. Glenbriar is actively seeking upgraded technologies to meet these new requirements.

Flood Response

Glenbriar responded to increased demands from the flooding in Calgary during the latter part of June 2013. This resulted in certain projects being postponed as alternatives were put in place to deal with mandatory office evacuations, forced power outages, and damage to infrastructure. Most of these systems had resumed normal operations in early July 2013, with a few being extended into mid-July. Execution of predetermined procedures, contingency plans, and rapid responses minimized downtime for Glenbriar's client base. Communications were reconfigured and rerouted in minutes without the loss of e-mails or data.

One area where Glenbriar's solutions shone was with clients who had deployed Glenbriar's ShoreTel Unified Communications solutions. Those clients were able to redirect calls to other offices and locations so their employees could carry on business, look after themselves or help others during the crisis. Consulting clients quickly and easily forwarded their phone lines and operations to their other branches. Health care networks were able to shift calls and inquiries to alternate locations instantaneously. A flooded municipality set up a flood relief call centre in minutes manned by volunteer staff with no need for training. All of these examples took just minutes to implement using Glenbriar's Unified Communications solutions.

Unified Communications

Glenbriar completed the installation of an IP communications installation for a securities firm in May 2013. This reflects an increase in the number of enterprises that are seeking to replace their end of life and outdated Nortel equipment with what Gartner rates as the leading unified communications solution, ShoreTel. There is growing interest in Glenbriar's enhanced WiFi solutions, which extend the functionality, security and strength of signal in difficult to reach areas.

Managed Services

Glenbriar commenced a number of IT audits for new and potential clients in the third quarter. New projects are in the design phase for rolling out over the next 2 quarters. Cloud deployments, mobility functionality, managed services and print services will continue to grow in enterprise environments, and bring with them the need for increased emphasis on security. Glenbriar is actively seeking upgraded technologies to meet these new requirements.

Software Services

Glenbriar disposed of its Peartree Dealership product effective December 31, 2013 for total proceeds of $107,000 to Blue Skies Business Solutions Inc. of Waterloo. Blue Skies is wholly owned by Roy Clarke of Waterloo, who was the principal architect of the software product. This product represented less than 4% of Glenbriar's total revenue, and was determined to no longer represent a strategic asset by the board of directors. The terms of the agreement provide for a seamless transition for users, and allow for more product development going forward than would have occurred if Glenbriar had retained the product. Glenbriar will keep its information technology consulting relationships with Peartree Dealership clients who currently use those services.

Glenbriar's MMS is currently being updated to incorporate industry mandated EDI changes, and the Plant Products module has been extended to incorporate additional functionality resulting from a client's corporate acquisition. A number of MMS clients are implementing server upgrades to provide enhanced performance and functionality.

Glenbriar continues to develop its multivalue application database consulting and production line control products for manufacturers.

Financial Review

Selected Financial Information

Selected Annual Financial Information ($)	Year ended September 30		
	2013	2012	2011
Revenue	6,006,154	6,664,487	6,051,730
Gross profit	1,346,362	1,565,943	1,598,447
Net income (loss) before tax	(145,050)	48,610	(229,860)
Net income (loss)	(145,050)	48,610	(229,860)
-per share (basic and diluted)	0.00	0.00	(0.01)
Total assets	740,796	878,890	940,313
Long term liabilities (excl. deferred rent)	395,000	330,000	330,000
Dividends	-	-	-

Revenue decreased 10% in 2013, made up of a 3% increase in services revenue and a 29% decrease in equipment and software sales, after a 10% overall increase in 2012. These numbers reflect changes in the marketplace. Hardware costs continue to fall, and clients are shifting away from on-premises to hosted solutions. At the same time, the nature of the services being provided are moving away from the desktop and into data analytics, unified communications, mobility and big data. These trends are expected to continue in future periods. Gross margin fell to 22.4% in 2013 from 23.5% in 2012 and 26.2% in 2011, reflecting the need to redeploy corporate resources into these new areas. Net income declined to a loss of $145,050 from the 2012 profit of $48,610, but is an improvement from the 2011 loss of $229,860. The 2012 net income included $45,933 of gain on sale of related entities and unrealized gain on securities, which do not reflect ongoing operations. This mainly reflects reduced contributions from lower equipment sales.

Selected Quarterly Financial Information ($)	Quarter ended							
	2013			2012				2011
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	1,395,535	1,472,250	1,644,830	1,493,538	1,538,236	1,779,384	1,677,134	1,669,734
Income from continuing operations	(150,688)	(22,409)	11,105	59,984	(124,703)	84,828	44,083	84,680
-per share (basic and diluted)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	(173,196)	(29,553)	3,243	54,456	(146,096)	76,163	39,049	79,494
-per share (basic and diluted)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Overall revenue decreased 9% for the quarter ended September 30, 2013 from the prior year period, made up of a 6% rise in services and a 34% decrease in equipment and software sales. These differences reflect changing market conditions described in the previous paragraph.

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

Liquidity and Capital Resources

As of September 30, 2013, Glenbriar had a working capital deficiency of $133,082 ($36,196 deficiency excluding deferred revenue, which does not require a direct cash outlay), a decline from working capital deficiency of $53,047 at September 30, 2012. This decline reflects lower receivables and deferred revenue. 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 $65,478 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 has implemented cost reductions in the first quarter of fiscal 2014 which, with its ongoing cash flow from operating activities, it believes 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 $395,000 loan payable as of September 30, 2013 is payable to Glenbriar's management. These advances are repayable 12 months after a written request for payment, with no such requests received to January 23, 2014, and may be repaid at any time without penalty. See note 7 of Notes to the Financial Statements. Glenbriar has no off-balance sheet arrangements.

During fiscal 2012, Glenbriar repaid all external debt amounts previously outstanding. Subsequent to September 30, 2013, Glenbriar received additional funds through the sale of assets (see note 15 of Notes to Financial Statements). Glenbriar will 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.

Management believes that its ongoing cash flow from operating activities, based on current internal operating forecasts, will be sufficient to satisfy its current and future obligations as they become due and to fund ongoing operations.

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. Glenbriar management is seeking to restructure its engagement with certain products and solutions to eliminate the ongoing need for research and development activities.

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, 2013:

	$
2014	275,147
2015	260,070
2016	204,107
2017	189,240
2018	191,302
Subsequent years	637,673
Total	1,757,539

Results from Operations

Net income declined to $(145,050) for fiscal 2013 from $48,610 for fiscal 2012. Most of the decline reflects lower contributions from equipment and software sales, which have been reduced by changes in the information technology market, and with respect to 2012, the 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 sales 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. Sales and services revenue decreased 10% in fiscal 2013 over 2012, made up of a 3% rise in services and a 29% decline in equipment and software sales. These shifts reflect the shift in the information technology market to hosted from on-premises solutions, as well as declines in the cost of hardware.

Expense. Margins on managed services decreased marginally to 15.9% in fiscal 2013 from 16.1% in fiscal 2012, reflecting the added costs of reorganizing to deliver a different mix of higher end services required to meet the changes in the information technology marketplace. Margins on equipment and software sales were flat at 33.5% from 33.4% over the same periods, but on a smaller sales base. General and administrative expense was relatively flat at 15.5% of sales in fiscal 2013 from 15.0% in fiscal 2012, as were sales and marketing expenses at 6.9% of sales in 2013 from 6.6% in 2012.

Accounts receivable. The balance for September 30, 2013 reflects 34 days of sales, which is down from 37 days of sales for the year end fiscal 2012.

Accounts payable and accrued liabilities. The total balance was relatively flat at $715,851 at September 30, 2013 from $714,639 at the end of fiscal 2012.

Deferred revenue. The balance of $96,886 as of September 30, 2013 is for periodic software maintenance and services, which are brought into revenue monthly as services are performed.

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

Glenbriar is in the information technology business, which is a rapidly changing and competitive environment. Glenbriar must stay abreast of several new technologies and be ready to quickly and effectively deploy them for its customers. Glenbriar serves the automotive, recreational, energy and mining sectors, all of which were challenged by the global recession and the effects of globalization on their business cycles. See "Changes in Business Technology Market" above for a description of the many changes underway in the IT sector, all of which will have a major effect on the way many of Glenbriar's clients conduct their business over the coming years. The pace of change keeps quickening, and Glenbriar and its clients must adapt promptly, but carefully, to choose the right technologies and strategies to optimize their business technology processes and infrastructure. The consumerization of end user devices, increased mobility, and changing workplaces will continue to place a heavy burden on businesses to remain secure and to keep their data safe but accessible. Glenbriar will have to continue to reliably identify, evaluate, optimize and support these new technologies for its clients in order to remain successful in the coming periods.

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 14 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.

The carrying value of proprietary software assets, deferred tax assets and intangible assets is $nil. The carrying value of property, plant and equipment is its depreciated cost. Glenbriar management estimates that these assets are fairly valued as at September 30, 2013.

Related Party Transactions

Management loan advances were $395,000 as of September 30, 2013, an increase of $65,000 from the prior year end. See note 7 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 8(c) of Notes to the Financial Statements.

Glenbriar disposed of its interest in the Glenbriar Limited Partnership and its general partner, Glenbriar Solutions Inc., for proceeds of $25,000 on 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 for the year ended September 30, 2012.

Additional Information

Additional information about Glenbriar is available from Glenbriar's website at www.glenbriar.com, the CSE website at thecse.com, 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 Events

The marketable securities referred to in note 5 of Notes to the Financial Statements were sold subsequent to September 30, 2013 for net proceeds of $33,958.

Brian Tijman stepped down as CFO in December 2013. Sherri Saunders has been appointed as Acting CFO. Ms. Saunders has over 20 years of experience in various aspects of accounting management, financial reporting, auditing procedures and accounting technology support.

Glenbriar sold its Peartree Dealership product subsequent to September 30, 2013 for total proceeds of $107,000.

Glenbriar plans to wind up its Employee Share Purchase Plan described in note 8(c) below, and has delayed the final share issuance under that Plan to coincide with that winding up.

Effective January 7, 2014, the Canadian National Stock Exchange (CNSX) changed its name to the Canadian Securities Exchange (CSE). See thecse.com for details.

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, 2013 and September 30, 2012, 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, 2013 and September 30, 2012, 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, 2013 and September 30, 2012, and its financial performance and its cash flows for the years ended September 30, 2013 and September 30, 2012 in accordance with International Financial Reporting Standards.

Calgary, Alberta
January 23, 2014

(signed) "Collins Barrow Calgary LLP"
Chartered Accountants

Glenbriar Technologies Inc.

integrated technology solutions

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

	September 30 2013 $	2012 $
ASSETS		
Current		
Cash and cash equivalents (note 12)	**81,072**	75,345
Marketable securities (note 5)	**35,424**	38,645
Accounts receivable (notes 11 and 14)	**540,837**	677,611
Inventory	**8,747**	15,780
Prepaid expenses	**22,653**	22,653
Total current assets	**688,733**	830,034
Non-current		
Property and equipment (note 6)	**52,063**	48,856
Total assets	**740,796**	878,890
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 11 and 14)	**718,851**	714,639
Deferred revenue	**96,886**	162,364
Deferred rent – current portion	**6,078**	6,078
Total current liabilities	**821,815**	883,081
Non-current		
Loans payable (note 7)	**395,000**	330,000
Deferred rent	**44,674**	50,645
Total liabilities	**1,261,489**	1,263,726
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**4,278,655**	4,269,462
Deficit	**(4,799,348)**	(4,654,298)
Total shareholders' deficiency	**(520,693)**	(384,836)
Total liabilities and shareholders' deficiency	**740,796**	878,890

Commitments (note 9)
Subsequent event (note 15)

Approved by the Board,
"Robert Matheson", Director
"Brian Tijman", 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)

	2013 **$**	2012 $
Revenue		
Managed information services	**3,961,555**	3,846,552
Equipment and software sales	**1,998,069**	2,807,902
Other income	**46,530**	10,033
Gross revenue	**6,006,154**	6,664,487
Direct salaries and benefits (note 10)	**3,330,509**	3,227,060
Cost of goods sold	**1,329,283**	1,871,484
Gross profit	**1,346,362**	1,565,943
Other (income) expenses		
General and administrative	**931,283**	998,492
Sales and marketing	**412,643**	437,040
Research and development	**60,720**	60,720
Depreciation of property and equipment	**12,000**	19,413
Stock-based compensation (note 8(c))	**9,193**	5,307
Gain on sale of interest in related entities (note 4)	-	(25,000)
Unrealized loss (gain) on marketable securities (note 5)	**3,221**	(20,933)
Foreign exchange loss	**19,310**	2,016
Income (loss) from operations	**(102,008)**	88,888
Finance expense	**43,042**	40,278
Net income (loss) and comprehensive income (loss)	**(145,050)**	48,610
Net income (loss) per share		
Basic and diluted	**0.00**	0.00
Weighted average shares outstanding		
Basic and diluted	**48,091,740**	47,512,290

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)

	2013 $	2012 $
Common Shares (note 8)		
Balance, beginning of year	**4,269,462**	4,263,639
Employee share purchase plan	**9,193**	5,823
Balance, end of year	**4,278,665**	4,269,462
Deficit		
Balance, beginning of year	**(4,654,298)**	(4,702,908)
Net income (loss) for the year	**(145,040)**	48,610
Balance, end of year	**(4,799,348)**	(4,654,298)

Statements of Cash Flows
Years ended September 30
(Expressed in Canadian Dollars)

Cash flows related to the following activities	2013 $	2012 $
Operating		
Net income (loss)	**(145,050)**	48,610
Adjustments for:		
Depreciation	**12,000**	19,413
Stock-based compensation expense	**9,193**	5,823
Unrealized (gain) loss on marketable securities	**3,221**	(20,933)
Deferred rent	**(5,971)**	56,723
Gain on sale of interest in related entities	**-**	(25,000)
Total before changes in non-cash working capital	**(126,608)**	84,636
Changes in non-cash working capital (note 12)	**82,541**	(11,952)
Net cash provided by (used in) operating activities	**(44,066)**	72,684
Financing		
Change in loans payable and credit facility	**65,000**	(135,811)
Net cash provided by (used in) financing activities	**65,000**	(135,811)
Investing		
Capital expenditures	**(15,207)**	(5,382)
Proceeds on sale of related entities	**-**	25,000
Net cash provided by (used in) investing activities	**(15,207)**	19,618
Net change in cash and cash equivalents	**5,727**	(43,509)
Cash and cash equivalents, beginning of year	**75,345**	118,854
Cash and cash equivalents, end of year	**81,072**	75,345

Supplementary cash flow information (note 12)

The accompanying notes are an integral part of these financial statements

1. REPORTING ENTITY

Glenbriar Technologies Inc. ("Corporation") was incorporated under the Alberta Business Corporations 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., by short form vertical amalgamation, and disposed of its interests in Glenbriar Limited Partnership and Glenbriar Solutions Inc. (see note 4).

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

A summary of the Corporation's significant accounting policies under IFRS is presented in note 3. These policies have been consistently applied.

The financial statements and notes were authorized for issue by the Corporation's board of directors on January 23, 2014.

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
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 and equipment is estimated by management to be recoverable at its depreciated cost.

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 13 and management estimates these items have been fairly valued.

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.

Other income relates to miscellaneous income amounts and is recognized in the period earned or when determined to be receivable.

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 was $1,327,193 (2012 - $1,844,760).

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. 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 2013 or 2012.

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 property and equipment determined during the years ended September 30, 2013 or 2012.

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 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

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 8(c). 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.

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, 2013 and 2012.

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.

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 and loans payable 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, 2013 and 2012, 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 standards changes

The Corporation has reviewed new and revised accounting standards that have been issued but are not yet effective, and determined that the following may have an impact on the Corporation:

For annual periods beginning on or after January 1, 2013, the Corporation will be required to adopt:

- IFRS 7, "Financial Instruments" provides additional information about offsetting of financial assets and liabilities. Additional disclosures will be required to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position.

- IFRS 10, "Consolidated Financial Statements" provides a single model to be applied in control analysis for all investees including special purpose entities.

- IFRS 11, "Joint Arrangements" redefines joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint operations will need to be proportionately consolidated and joint ventures to be equity accounted.

- IFRS 12, "Disclosure of Interests in Other Entities" combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities.

- IFRS 13, "Fair Value Measurement" defines the fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition to the issuance of new standards as detailed above, there have also been amendments to existing standards:

For annual periods beginning on or after January 1, 2014, the Corporation will be required to adopt:

- IAS 32 "Financial Instruments: Presentation", amended to clarify the criteria that should be considered in determining whether an entity has a legally enforceable right to offset in respect of its financial instruments and clarifying the treatment of income taxes related to distributions and transaction costs.

- IAS 36 "Impairment of Assets". This standard was amended to modify certain disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- IAS 39 "Financial Instruments: Recognition and Measurement". This standard was amended to allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). Similar relief will be included in IFRS 9 "Financial Instruments".

For annual periods beginning on or after January 1, 2015, the Corporation will be required to adopt:

- IFRS 9 "Financial Instruments". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

The Corporation has not yet completed its assessment and evaluation of the effect of adopting the new and amended standards.

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 in fiscal 2012.

5. MARKETABLE SECURITIES

Marketable securities are comprised of 312,038 common shares of Platinum Communications Corporation, a public company traded on the TSX Venture Exchange.

6. PROPERTY AND EQUIPMENT

	Computers $	Office Equipment $	Total $
Cost			
September 30, 2011	542,836	103,014	645,850
Net additions (disposals)	(1)	5,383	5,382
September 30, 2012	542,835	108,397	651,232
Net additions (disposals)	15,207	-	15,207
September 30, 2013	**558,042**	**108,397**	**666,439**
Accumulated depreciation			
September 30, 2011	492,809	90,154	582,963
Depreciation	16,085	3,328	19,413
September 30, 2012	508,894	93,482	602,376
Depreciation	10,000	2,000	12,000
September 30, 2013	**518,894**	**95,482**	**614,376**
Net book value			
September 30, 2011	50,027	12,860	62,887
September 30, 2012	33,941	14,915	48,856
September 30, 2013	**39,148**	**12,915**	**52,063**

7. LOANS PAYABLE

Loans payable of $395,000 at September 30, 2013 (September 30, 2012 - $330,000) from directors, officers and managers of the Corporation, of $345,000 and $50,000, respectively, which are secured by a general security agreement and bear interest at the rate of interest charged from time to time by the Bank of Montreal to its personal line of credit customers. The advances are repayable 12 months after the officers provide written request for payment. As at September 30, 2013, the officers and managers had not requested payment, and consequently, the advances have been classified as non-current liabilities, and related accrued interest of $39,078 is included in accounts payable (2012 - $25,395). Finance expense includes $13,683 of interest on the advances in fiscal 2013 (2012 - $13,200), which corresponds to an average interest rate of 4% for 2013 (2012 – 4%).

8. 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, 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**
Employee share purchase plan	594,000	**9,193**
Balance, September 30, 2013	48,331,510	**4,278,655**

c) *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, 2013, the Corporation recorded $9,193 (2012 - $5,823) of stock-based compensation expense.

9. COMMITMENTS

As of September 30, 2013, the Corporation was 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:

	$
2014	275,147
2015	260,070
2016	204,107
2017	189,240
2018	191,302
Subsequent years	637,673
Total	1,757,539

10. RELATED PARTY TRANSACTIONS

General and administrative expense includes remuneration of the key management personnel, which includes senior management, directors and officers of the Corporation. For fiscal 2013, remuneration of $501,918, including $500,718 of salaries, benefits and cash-based compensation, and $1,200 of stock-based compensation (2012 - $464,074, $462,834 and $1,240, respectively) was incurred to key management personnel. Total salaries and benefits, including amounts included in direct, general and administrative, and sales and marketing, were $3,679,354 in 2013 (2012 - $3,594,714).

See note 7 regarding loan advances to the Corporation by key management.

See note 8(c) regarding participation by employees in the employee share purchase plan.

See note 4 regarding sale of GLP and its general partner.

11. 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 aged as follows: 30-60 days – $95,000 (2012 - $85,000); 61-90 days – $44,000 (2012 - $95,000); 91 days or older – $102,000 (2012 - $52,000). The Corporation has reviewed the past due accounts on a customer by customer basis and has provided an allowance for doubtful accounts of $22,499 (2012 - $23,406), all relating to past due accounts 91 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, 2013, the Corporation had a net loss of $(145,050), negative cash flow from operating activities before changes in non-cash working capital of $(126,608), and a working capital deficiency of $(133,082) as at September 30, 2013. The Corporation's financial liabilities, comprised of accounts payable and accrued liabilities of $718,851, are due and payable within less than one year. Loans payable of $395,000 are due in more than a year (see note 7). Amortization of deferred revenue of $96,886 is a non-cash item, which does not directly affect cash working capital used to maintain operations.

During fiscal 2012, the Corporation repaid all external debt amounts previously outstanding. Subsequent to September 30, 2013, the Corporation received additional funds through the sale of assets (see note 15). 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.

Management believes that its ongoing cash flow from operating activities, based on current internal operating forecasts, will be sufficient to satisfy its current and future 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 $3,950 (2012 - $3,300) adjustment to the 2013 net income reported based upon the outstanding balances as of September 30, 2013.

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 2013, 1% (2012 – 1%) of total revenue was denominated in US dollars. At September 30, 2013, approximately $8,240 (2012 - $11,250), $56,940 (2012 - $13,250) and $22,730 (2012 - $78,200) of the Corporation's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities were denominated in US dollars, respectively. An increase in value of the Canadian dollar relative to the US dollar will decrease the equivalent Canadian amounts, while an increase in the value of the Canadian dollar will decrease the amounts. Exchange rate fluctuations have increased in volatility under current economic conditions, and this risk cannot be accurately quantified. A 1% change in the Canadian-US exchange rate on the net assets held in US$ would increase or decrease the reported loss by approximately $410 (2012 - $550). 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.

12. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents at September 30, 2013 and 2012 were entirely comprised of cash on deposit.

Changes in non-cash working capital:	**2013**	2012
	$	$
Accounts receivable	**136,774**	(40,871)
Inventory	**7,033**	47,336
Prepaid expenses	**-**	18,351
Accounts payable and accrued liabilities	**4,212**	1,293
Deferred revenue	**(65,478)**	(38,061)
Total	**82,541**	(11,952)
Cash interest paid	**43,042**	38,984

13. INCOME TAXES

The components of the deferred income tax asset amounts as at September 30, 2013 and 2012 are as follows:

	2013	2012
	$	$
Excess of tax basis over carrying value on long-term assets	**252,331**	263,171
Deferred benefit of current and prior years' losses	**970,192**	920,967
Investment tax credits	**91,000**	91,000
	1,313,523	1,275,138
Valuation allowance	**(1,313,523)**	(1,275,138)
	-	-

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, 2013 and 2012.

As at September 30, 2013, the Corporation had investment tax credits of approximately $91,000 available to reduce taxes otherwise payable, and non-capital losses of approximately $3.9 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	181,000	67,000
2015	335,000	24,000
2026	359,000	-
2027	267,000	-
2028	751,000	-
2029	698,000	-
2030	1,119,000	-
2033	171,000	-

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

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):

	2013	2012
	$	$
Income (loss) before income taxes	**(145,050)**	48,610
Expected income taxes – statutory rate of 25.2% (2012 - 25.8%)	**(36,553)**	12,541
Effect of tax rate changes	**406**	25,580
Unrealized (gain) loss on marketable securities	**(811)**	(5,401)
Adjustments to tax pools and other	**(1,427)**	(11,890)
Provision for deferred income taxes before valuation allowance	**38,385**	20,830
Change in valuation allowance	**(38,385)**	(20,830)
	-	-

14. SUPPLEMENTARY ACCOUNTS RECEIVABLE AND PAYABLE INFORMATION

	2013	2012
	$	$
Accounts receivable components:		
Trade receivables	**562,245**	699,117
Allowance for doubtful accounts	**(22,499)**	(23,406)
Other receivables	**1,091**	1,900
Total	**540,837**	677,611

	2013	2012
	$	$
Accounts payable and accrued liabilities components:		
Trade payables	**427,923**	390,311
Accrued salaries and wages	**231,945**	219,022
Sales tax payable	**27,134**	96,781
Other payables	**31,849**	8,525
Total	**718,851**	714,639

15. SUBSEQUENT EVENTS

a) All of the marketable securities referred to in note 5 were sold subsequent to September 30, 2013 for net proceeds of $33,958.

b) Subsequent to September 30, 2013, the Corporation sold certain proprietary software assets with a carrying value of $nil for total proceeds of $107,000.