Glenbriar Technologies Inc.

2014 ANNUAL REPORT

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Glenbriar Technologies Inc.

integrated technology solutions

2014 ANNUAL REPORT

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To Our Shareholders

Operating Results
Net income rose to $271,122 in fiscal 2014 from a $145,050 loss in fiscal 2013. Revenue decreased less than 1% in 2014 from 2013 in both services and equipment and software sales, despite a reduction in revenue that resulted from the sale of the Peartree Dealership product.

New CFO
Sherri Saunders took over as Acting CFO after Brian Tijman stepped down in December 2013. Mr. Tijman remains as a director. Ms. Saunders has over 20 years of experience in accounting management, financial reporting, auditing procedures and accounting technology support.

Sale of Peartree Dealership Software
Glenbriar sold its Peartree Dealership product and client base in fiscal 2014, resulting in a $107,000 gain on sale. This product represented less than 4% of Glenbriar's total revenue, and was determined to no longer represent a strategic asset by the board of directors. Glenbriar has retained its information technology consulting relationships with most of those clients. This sale results in the elimination of research and development expenses in future periods.

Sale of Marketable Securities
Glenbriar disposed of the balance of its marketable securities in fiscal 2014 for net proceeds of $33,958, resulting in a loss on disposal of $1,466.

Employee Share Purchase Plan
Glenbriar wound up its Employee Share Purchase Plan in fiscal 2014. 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. This results in elimination of stock-based compensation expense and costs of maintaining the plan in future periods, and reduces dilution to other shareholders.

New Cloud Infrastructure
Glenbriar is currently installing a new Cloud infrastructure, which will become available in early 2015. This is the latest generation of converged Cloud technology, and will allow delivery of a suite of new Cloud services.

Cyber-security
Glenbriar entered into an exclusive Canadian licence with a world class cyber-security firm in fiscal 2014. Training, demos and marketing structure are currently being finalized to allow their products to be offered to the Canadian market in 2015.

Robert Matheson, President & CEO

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MANAGEMENT DISCUSSION AND ANALYSIS

This information is given as of January 20, 2015 under NI Form 51-102F1. As of the date of this report, there are 48,421,510 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.

Description of Business

Glenbriar Technologies Inc. (CSE: GTI) is a leading provider of Cloud-enabled business technology solutions. From its offices in Calgary, Vancouver and Waterloo, Glenbriar's IT professionals and software developers design, manage and support solutions that include IT Services, Cloud Services, Portals & Collaboration, Unified Communications and Software Services.

Glenbriar sold its Peartree Dealership product effective December 31, 2013 for total proceeds of $107,000. 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 if Glenbriar had retained the product. Glenbriar retained its information technology consulting relationships with Peartree Dealership clients who used those services.

Social Media

Glenbriar's social media reach evolved in fiscal 2014 to include a more defined strategy over a variety of platforms. Leveraging our social reach helps to keep in touch with clients, market Glenbriar's services to a wider audience and improve overall awareness of the Glenbriar brand. By encouraging interaction with our audience, and by promoting our client's own social media accounts, Glenbriar seeks to foster loyalty with its clients and increase awareness of their brands and businesses.

Glenbriar Technologies can be found on Twitter (*@Glenbriar*), Facebook (*Glenbriar Technologies page*), LinkedIn, Google+ and on our blog page www.glenbriar.com/corporate/blog.

Human Resources

In fiscal 2014, Glenbriar implemented a multi-faceted recruitment platform which provides automatic job posting to several sites nationally, applicant tracking, and scientifically validated screening and assessment tools. Additional enhancements are scheduled for fiscal 2015 to develop processes and procedures for training hiring managers and improving orientation and onboarding experiences.

Brian Tijman stepped down as CFO in the first quarter, but remains a director. Sherri Saunders of Glenbriar's Waterloo office took over as Acting CFO. Ms. Saunders has extensive experience in accounting and financial management.

New Back Office

Glenbriar is in the process of upgrading its back office applications and infrastructure to improve efficiencies and allow easier interoperability between branches, clients and service delivery. This new infrastructure will replace a number of proprietary systems that Glenbriar had developed over the years with state of the art industry standard applications. It is expected that this upgrade will be completed in fiscal 2015, and will have a positive effect on all aspects of operations going forward.

Products & Services

Cyber-security

In June 2014, Glenbriar entered into an exclusive Canadian licence with Deep-Secure Ltd., a world-class cyber security firm headquartered in the United Kingdom. The licence will allow Glenbriar to market and distribute Deep Secure products across Canada, either on a stand-alone basis, or incorporated within Glenbriar's existing products and services.

The acquisition of this licence fits into Glenbriar's broader strategic vision of repositioning its product and service offerings to better meet growing client demand for enhanced cyber-security.

The principal focus of Deep-Secure is the securing of information sharing activities among computer networks, applications and the people who operate them. From the secure handling of supply chain documentation to the protection of process controls managing critical infrastructure, Deep-Secure provides high assurance solutions that are now being used across a wide range of industries, as well as by criminal justice, defence and intelligence agencies.

Cloud Services

Glenbriar commenced the configuration and initial installation of its new Cloud hosting infrastructure in November 2014, with commercial availability scheduled for early 2015. The new data centre infrastructure is located in Alberta. By focusing on keeping the data in Canada, new hosting opportunities arise in industries that are sensitive to the location and storage of their data and intellectual property, such as health care, financial services, technology innovation and natural resources.

The new Cloud infrastructure deploys the latest generation converged Cloud platform specifically designed for Cloud hosting environments, which delivers substantially reduced data centre complexity and management and process automation to ensure fast, repeatable provisioning of hosted offerings to new and existing clients. This system will allow Glenbriar to publish and deliver its Cloud offerings online. The new infrastructure is designed to be very scalable and manageable.

This new hosting infrastructure will allow Glenbriar to deliver "XaaS", meaning Software as a Service (SaaS), Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Hardware as a Service (HaaS) to meet the growing and expanding needs of Glenbriar's Cloud offerings, including hosted SharePoint and, in conjunction with another Microsoft partner, hosted Microsoft Dynamics.

Business technology is moving from in house infrastructure to the Cloud, using public, private or hybrid models. Glenbriar works with its clients to optimize their Cloud strategy to fit their business growth, needs and outcomes using the right mix of Cloud, on premise and hybrid solutions that fulfills their objectives.

Portals & Collaboration

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.

Glenbriar has implemented and is currently developing comprehensive SharePoint solutions for clients in energy regulation, energy and health care. Microsoft's SharePoint is the world's leading web-based business collaboration platform. SharePoint is changing the way that businesses operate, reducing lost productivity and escalating costs that result from organizations not having the technological capacity or staffing resources to efficiently and cost-effectively streamline their business processes.

Glenbriar completed the design and implementation of a content management system (CMS) for the Independent Electricity System Operator (IESO) in the second quarter. IESO oversees the safe, sustainable and reliable operation of Ontario's power system, and manages Ontario's wholesale electricity market to balance the supply and demand for electricity and set the Hourly Ontario Energy Price. The CMS manages IESO's website content and files using Microsoft's public cloud offering SharePoint Online Public Site Template as a web platform. IESO's CMS solution manages the online public web presence of IESO's corporate website, provides an easy to use online interface for editing page content and page layouts, and handles comprehensive audit controls and workflows for document postings through role based access controls.

Glenbriar has developed a Health and Safety Management system with a reporting module for the oil and gas industry that includes these modules: a) standard and ad hoc reporting; b) asset management system with audit functionality and workflow process; c) document repository with version control and shared collaboration. These modules can be installed separately or together as an on premise solution, a hosted solution or with SharePoint Online. All the modules are mobile centric, are available for remote users, can be encrypted and offer single sign on for Active Directory users. Enhanced security is provided using with RBAC (Roles Based Access Control). This product has been installed at one client, and is being rolled out at additional locations. Glenbriar is reviewing alternatives to make it available as a multi-tenant application in a private cloud.

Unified Communications

Glenbriar has additional deployments underway for its inclusive Remote Facility Communications solution. This solution works over a fixed, wireless or satellite Internet connection, with all major brands of smartphones and wireless devices, and with all national cellphone carriers, making it available virtually anywhere. Typical payout for clients is less than one year for a huge increase in functionality.

Feeding into a high speed wireless Internet connection, Glenbriar configures and provides a unique wireless array and network equipment at the client's remote location, providing a truly superior Wi-Fi deployment throughout the remote site. At the client's main office, Glenbriar configures and installs a unique mobility router, which is an innovative network appliance that extends voice and unified communications capabilities to mobile devices, while supporting all leading enterprise PBXs. The client's users are then able to communicate as easily and efficiently at the remote site as in the head office. Remote users make cell calls over the wireless Internet network, without using cell time and with no long distance charges, even though they are beyond the range of their cellphone providers' networks. Desk and smartphones, tablets and PCs at the remote site become seamless parts of the same phone system and network as the main office, with no trunk or long distance charges. All communications take place without any delay, jitter or digitization.

Glenbriar continues to implement replacements of end of life and outdated telephony equipment with what Gartner rates as the leading unified communications solution, ShoreTel. These installations are often augmented with Glenbriar's enhanced Wi-Fi solutions, which extend the functionality, security and strength of signal in difficult to reach or crowded 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.

In fiscal 2014, Glenbriar has developed and implemented a Managed Backup Service, which has proven popular with our clients.

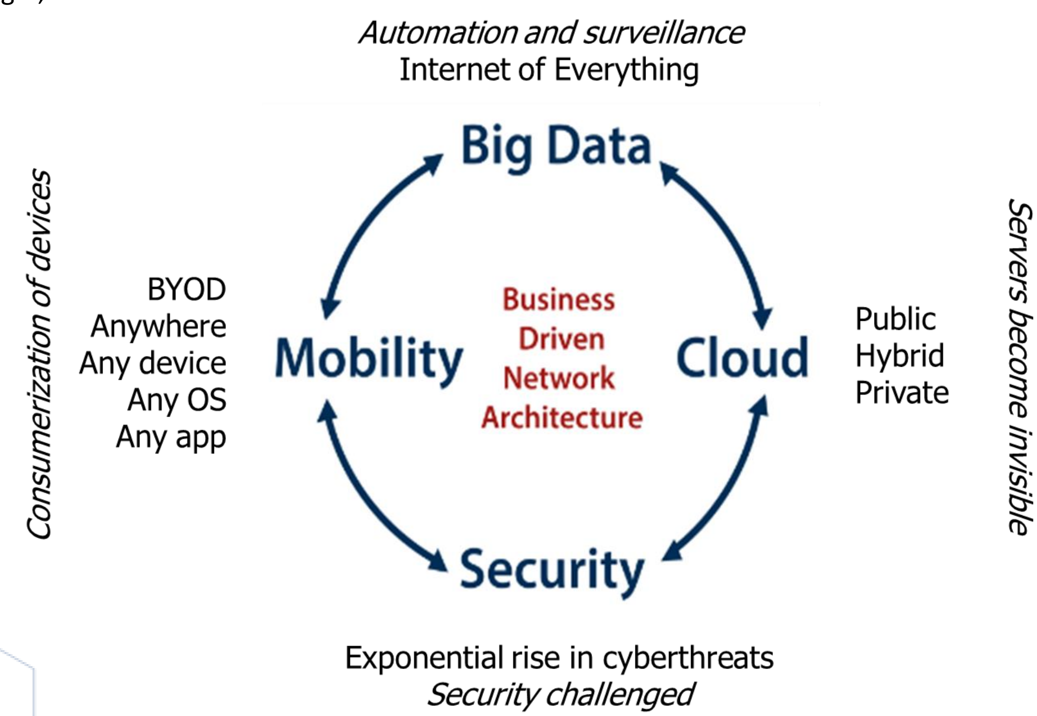
Software Services

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.

Industry Trends

Business technology is experiencing structural change that alters how enterprises, employees and customers use new technologies and communications. The traditional on-premises client-server model is giving way to a new paradigm, as shown below:



This new model focuses on business processes and outcomes, not hardware. This new architecture results in a shift in the skill sets required to design and deliver the desired outcomes. The 4 pillars of this model are:

a) **Big Data** deals with the expansion in the amount and type of data that is collected, analyzed and used to drive new sources of revenue and efficiency for businesses, particularly with the rise in the number of unmanned devices connected to the Internet (giving rise to the Internet of Things).

b) **The Cloud** represents the movement of processing capacity away from desktops and on-premise servers to centralized servers, which can be housed in public, private or hybrid environments. As servers move away from being on-premise, they become invisible to consumers and businesses.

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 from virtually anywhere. 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 ways in order to improve functionality and security. Glenbriar pursues solutions that leverage new business architecture.

Financial Review

Selected Financial Information

Selected Annual Financial Information ($)	Year ended September 30		
	2014	2013	2012
Revenue	5,953,532	6,006,154	6,664,487
Gross profit	1,573,688	1,346,362	1,565,943
Net income (loss) before tax	271,122	(145,050)	48,610
Net income (loss)	271,122	(145,050)	48,610
-per share (basic and diluted)	0.01	0.00	0.00
Total assets	911,211	740,796	878,890
Long term liabilities (excl. deferred rent)	345,000	395,000	330,000
Dividends	-	-	-

Revenue decreased less than 1% in 2014, made up of less than 1% decreases in both services revenue and equipment and software sales. Software sales were reduced by the sale of the Peartree Dealership product in December 2013, but other sales more than covered that reduction. Gross margin rose to 26.8% from 22.4% in 2013 and 23.5% in 2012. Net income was $271,122 in 2014, up from a loss of $145,050 in 2013 and a profit of $48,610 in 2012. The 2014 net income includes a $107,000 gain on sale of Peartree Dealership, and 2012 net income included a $45,933 of gain on sale of related entities and unrealized gain on securities.

Selected Quarterly Financial Information ($)	Quarter ended							
	2014			2013				2012
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	1,392,609	1,460,363	1,756,829	1,343,731	1,395,535	1,472,250	1,644,830	1,493,538
Income (loss) from operations	(122,013)	77,829	125,160	238,493	(150,688)	(22,409)	11,105	59,984
-per share (basic and diluted)	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Net income (loss)	(145,564)	67,522	117,082	232,082	(173,196)	(29,553)	3,243	54,456
-per share (basic and diluted)	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00

Overall revenue increased 1% for the quarter ended September 30, 2014 from the prior year period, made up of a 1% drop in services and a 5% increase in equipment and software sales. These differences reflect normal business fluctuations.

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

Liquidity and Capital Resources

As of September 30, 2014, Glenbriar had working capital of $58,627 ($126,048 excluding deferred items, which does not require a direct cash outlay), an improvement from a working capital deficiency of $133,082 ($30,118 deficiency excluding deferred items) at September 30, 2013. This increase reflects improved cash position, higher receivables, sale of marketable securities, and lower payables and deferred revenue. Marketable securities were sold in fiscal 2014. 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. The $35,543 decline in deferred revenue reflects the sale of the Peartree Dealership software, which was billed annually and quarterly, resulting in a deferred revenue component. The balance remaining is made up of software maintenance and service fees on Glenbriar’s remaining proprietary software products. Management has implemented cost reductions and is entering into new business delivery models which 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 office lease in Calgary, which has a remaining term of 7 years.

The $345,000 loan payable as of September 30, 2014 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 20, 2015, 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.

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 aggressively pursue its new business delivery model activities, 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.

In prior periods, Glenbriar funded its research and development from internal sources, including cash flow and disposition of non-core assets. With the sale of the Peartree Dealership product, Glenbriar management has eliminated the need for ongoing 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, 2014:

	$
2015	364,015
2016	312,097
2017	297,230
2018	249,955
2019	197,411
Subsequent years	446,371
Total	1,867,079

Results from Operations

Net income climbed to $271,122 in fiscal 2014 from a loss of $(145,050) for fiscal 2013. Both services and equipment and software sales were relatively flat over the two periods. 2014 income includes a $107,000 gain on sale of the Peartree Dealership product.

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 0.9% in fiscal 2014 over 2013, made up of a 0.3% decline in services and a 0.6% decline in equipment and software sales.

Expense. Margins on managed services increased to 25.4% in fiscal 2014 from 15.9% in fiscal 2013, reflecting a different mix of higher end services required to meet the changes in the information technology marketplace.

Margins on equipment and software sales declined to 27.9% from 33.5% over the same periods, due to the removal of Peartree Dealership for three quarters in 2014, which had a nil cost base. General and administrative expense rose to 16.3% of sales in fiscal 2014 from 15.5% in fiscal 2013, and sales and marketing expenses declined to 5.8% of sales in 2014 from 6.9% in 2013, reflecting a change in the mix of sales and administrative staff.

Accounts receivable. The balance for September 30, 2014 reflects 36 days of sales, which is up marginally from 34 days of sales for year-end 2013.

Accounts payable and accrued liabilities. The total balance was down marginally at $708,758 at September 30, 2014 from $715,851 at the end of fiscal 2013.

Deferred revenue. This balance declined to $61,343 as of September 30, 2014 from $96,886 at the end of fiscal 2013 due to the sale of the Peartree Dealership product, which was sold on annual and quarterly subscriptions. The remaining balance is for periodic software maintenance and services on Glenbriar's remaining proprietary software products, 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, 2014.

Related Party Transactions

Management loan advances were $345,000 as of September 30, 2014, a decrease of $50,000 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 elected to participate in the plan purchase Glenbriar common shares in the open market or from treasury. Glenbriar then matched those contributions with shares from treasury by private placement on a quarterly basis. This plan was wound up effective December 31, 2013. See note 8(c) of Notes to the Financial Statements.

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).

Glenbriar Technologies Inc.

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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, 2014 and September 30, 2013, 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, 2014 and September 30, 2013, 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, 2014 and September 30, 2013, and its financial performance and its cash flows for the years ended September 30, 2014 and September 30, 2013 in accordance with International Financial Reporting Standards.

Calgary, Alberta
January 20, 2015

(signed) "Collins Barrow Calgary LLP"
Chartered Accountants

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

	September 30 2014 $	2013 $
ASSETS		
Current		
Cash and cash equivalents (note 12)	**218,496**	81,072
Marketable securities (note 5)	**-**	35,424
Accounts receivable (notes 11 and 14)	**582,096**	540,837
Inventory	**8,197**	8,747
Prepaid expenses	**26,017**	22,653
Total current assets	**834,806**	688,733
Non-current		
Property and equipment (note 6)	**76,405**	52,063
Total assets	**911,211**	740,796
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 11 and 14)	**708,758**	718,851
Deferred revenue	**61,343**	96,886
Deferred rent – current portion	**6,078**	6,078
Total current liabilities	**776,179**	821,815
Non-current		
Loans payable (note 7)	**345,000**	395,000
Deferred rent	**38,703**	44,674
Total liabilities	**1,159,882**	1,261,489
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**4,279,555**	4,278,655
Deficit	**(4,528,226)**	(4,799,348)
Total shareholders' deficiency	**(248,671)**	(520,693)
Total liabilities and shareholders' deficiency	**911,211**	740,796

Commitments (note 9)

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)

	2014 $	2013 $
Revenue		
Managed information services	**3,951,359**	3,961,555
Equipment and software sales	**1,987,465**	1,998,069
Other income	**14,708**	46,530
Gross revenue	**5,953,532**	6,006,154
Direct salaries and benefits (note 10)	**2,946,824**	3,330,509
Cost of goods sold	**1,433,020**	1,329,283
Gross profit	**1,573,688**	1,346,362
Other (income) expenses		
General and administrative (note 10)	**972,033**	931,283
Sales and marketing (note 10)	**345,548**	412,643
Research and development	**20,240**	60,720
Depreciation of property and equipment	**21,032**	12,000
Stock-based compensation (note 8(c))	**900**	9,193
Gain on sale of software asset (note 4)	**(107,000)**	-
Realized/unrealized loss on marketable securities (note 5)	**1,466**	3,221
Foreign exchange loss	-	19,310
Income (loss) from operations	**319,469**	(102,008)
Finance expense	**48,347**	43,042
Net income (loss) and comprehensive income (loss)	**271,122**	(145,050)
Net income (loss) per share		
Basic and diluted (note 8)	**0.01**	0.00
Weighted average shares outstanding		
Basic and diluted	**48,398,825**	48,091,740

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)

	2014	2013
	$	$
Common Shares (note 8)		
Balance, beginning of year	**4,278,665**	4,269,462
Employee share purchase plan	**900**	9,193
Balance, end of year	**4,279,555**	4,278,665
Deficit		
Balance, beginning of year	**(4,799,348)**	(4,654,298)
Net income (loss) for the year	**271,122**	(145,050)
Balance, end of year	**(4,528,226)**	(4,799,348)

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

	2014	2013
Cash flows related to the following activities	**$**	$
Operating		
Net income (loss)	**271,122**	(145,050)
Adjustments for:		
Depreciation of property and equipment	**21,032**	12,000
Stock-based compensation expense	**900**	9,193
Realized/unrealized loss on marketable securities	**1,466**	3,221
Deferred rent	**(5,971)**	(5,971)
Gain on sale of software asset	**(107,000)**	-
Total before changes in non-cash working capital	**181,549**	(126,607)
Changes in non-cash working capital (note 12)	**(103,709)**	82,541
Net cash provided by (used in) operating activities	**77,840**	(44,066)
Financing		
Change in loans payable and credit facility	**(36,000)**	65,000
Net cash provided by (used in) financing activities	**(36,000)**	65,000
Investing		
Capital expenditures	**(45,374)**	(15,207)
Proceeds on sale of marketable securities	**33,958**	-
Proceeds on sale of software asset	**107,000**	-
Net cash provided by (used in) investing activities	**95,584**	(15,207)
Net change in cash and cash equivalents	**137,424**	5,727
Cash and cash equivalents, beginning of year	**81,072**	75,345
Cash and cash equivalents, end of year	**218,496**	81,072

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.

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 20, 2015.

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 carrying value is estimated by management to equal its fair value.

Useful life and valuation of property and equipment
Property and equipment are depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could increase or decrease the amount of depreciation 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 are 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

Revenue recognition

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.

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.

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 $1,432,170 (2013 - $1,327,193).

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 depreciation 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.

Depreciation 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 2014 or 2013.

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, 2014 or 2013.

Income taxes

The Corporation uses the liability method of accounting for income 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

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 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 on the statement of financial position 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, 2014 and 2013.

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.

Accounting standards changes

The Corporation adopted the following new and amended standards, along with any consequential amendments, effective October 1, 2013:

- 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. The adoption of IFRS 7 had no impact on the Corporation's financial statements.

- IFRS 10, "Consolidated Financial Statements", provides a single model to be applied in control analysis for all investees including special purpose entities. The adoption of IFRS 10 had no impact on the Corporation's financial statements.

- 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. The adoption of IFRS 11 had no impact on the Corporation's financial statements.

- 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. The adoption of IFRS 12 had no impact on the Corporation's financial statements.

- IFRS 13, "Fair Value Measurement", defines 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. The adoption of IFRS 13 did not require any adjustment to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments at October 1, 2013. The Corporation has complied with the new disclosure requirements of IFRS 13 in note 11.

In addition to the adoption 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, 2017, the Corporation will be required to adopt:

- IFRS 15, "Revenue from Contracts with Customers", provides a comprehensive new standard on revenue recognition. It specifies how and when to recognize revenue as well as requiring entities to provide more informative and relevant disclosure.

For annual periods beginning on or after January 1, 2018, the Corporation will be required to adopt:

- IFRS 9, "Financial Instruments", provides a comprehensive new standard for accounting for all aspects of financial instruments. It includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting.

The Corporation has not yet completed its assessment and evaluation of the effects of adopting the new and amended standards and the impact they may have on its financial statements.

4. SALE OF DEALERSHIP SOFTWARE

Effective December 31, 2013, the Corporation sold its interest in the Peartree Dealership product for net proceeds of $107,000. As this asset had a carrying cost of $nil, the entire proceeds have been shown as a gain on sale.

5. MARKETABLE SECURITIES

Marketable securities as of September 30, 2013 comprised 312,038 common shares of Platinum Communications Corporation, a public company traded on the TSX Venture Exchange. These securities were sold in fiscal 2014 for net proceeds of $33,958, resulting in a loss on sale of $1,466.

6. PROPERTY AND EQUIPMENT

	Computers $	Office Equipment $	Total $
Cost			
September 30, 2012	542,835	108,397	651,232
Net additions	15,207	-	15,207
September 30, 2013	558,042	108,397	666,439
Net additions	45,374	-	45,374
September 30, 2014	**603,416**	**108,397**	**711,813**
Accumulated depreciation			
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
Depreciation	16,976	4,056	21,032
September 30, 2014	**535,870**	**99,538**	**635,408**

	Computers $	Office Equipment $	Total $
<u>Net book value</u>			
September 30, 2012	33,941	14,915	48,856
September 30, 2013	39,148	12,915	52,063
September 30, 2014	**67,546**	**8,859**	**76,405**

7. LOANS PAYABLE

Loans payable of $345,000 at September 30, 2014 (September 30, 2013 - $395,000) from directors, officers and managers of the Corporation 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, 2014, the officers had not requested payment, and consequently, the advances have been classified as non-current liabilities, and related accrued interest of $34,036 is included in accounts payable (2013 - $39,078). Finance expense includes $16,786 of interest on the advances in fiscal 2014 (2013 - $13,683), which corresponds to an average interest rate of 4% for 2014 (2013 – 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, 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**
Employee share purchase plan	90,000	**900**
Balance, September 30, 2014	48,421,510	**4,279,555**

c) *Employee share purchase plan*
In February 2008, the Corporation implemented a share purchase plan, under which participants made 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. These contributions were 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, 2014, the Corporation recorded $900 (2013 - $9,193) of stock-based compensation expense. The plan was wound up effective December 31, 2013.

d) *Earnings (loss) per share*
There are no equity instruments that could potentially dilute basic earnings (loss) per share outstanding at September 30, 2014.

9. COMMITMENTS

As of September 30, 2014, 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:

	$
2015	364,015
2016	312,097
2017	297,230
2018	249,955
2019	197,411
Subsequent years	446,371
Total	1,867,079

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 2014, remuneration of $539,496, including $538,896 of salaries, benefits and cash-based compensation, and $600 of stock-based compensation (2013 - $501,918, $500,718 and $1,200, respectively) was incurred to key management personnel. Total salaries and benefits, including amounts included in direct, general and administrative, and sales and marketing, were $3,305,466 in 2014 (2013 - $3,679,354).

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.

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, 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 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. Accounts receivable are normally collected 30 days after invoicing. Default rates on unsecured credit have traditionally been below 1% of annual sales. The Corporation's customer accounts are aged as follows: current – $415,000 (2013 - $300,000); 30-60 days – $64,000 (2013 - $95,000); 61-90 days – $38,000 (2013 - $44,000); 91 days or older – $65,000 (2013 - $102,000). The Corporation has reviewed the past due accounts on a customer by customer basis and has provided an allowance for doubtful accounts of $28,247 (2013 - $22,499), 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, 2014, the Corporation had net income of $271,122, cash flow from operating activities before changes in non-cash working capital of $181,549, and working capital of $58,627 as at September 30, 2014. The Corporation's financial liabilities, comprised of accounts payable and accrued liabilities of $708,758, are due and payable within less than one year. Loans payable of $345,000 are due in more than a year (see note 7). Deferred revenue of $61,343 is a non-cash item, which does not directly 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.

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 loans payable. An increase or decrease in the interest rate of 1% would result in approximately a $3,450 (2013 - $3,950) adjustment to the 2014 net income reported based upon the outstanding balances as of September 30, 2014.

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 2014, 1% (2013 – 1%) of total revenue was denominated in US dollars. At September 30, 2014, approximately $11,492 (2013 - $8,240), $39,333 (2013 - $56,940) and $23,686 (2013 - $22,730) of the Corporation's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities were denominated in US dollars, respectively. An increase in value of the Canadian dollar relative to the US dollar will decrease the equivalent Canadian amounts, while an increase in the value of the Canadian dollar will decrease the amounts. Exchange rate fluctuations have increased in volatility under current economic conditions, and this risk cannot be accurately quantified. A 1% change in the Canadian-US exchange rate on the net assets held in US$ would increase or decrease the reported income by approximately $271 (2013 - $410). 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, 2014 and 2013 were entirely comprised of cash on deposit.

Changes in non-cash working capital:	**2014**	2013
	$	$
Accounts receivable	**(41,259)**	136,774
Inventory	**550**	7,033
Prepaid expenses	**(3,364)**	-
Accounts payable and accrued liabilities	**(10,093)**	4,212
Deferred revenue	**(35,543)**	(65,478)
Total	**(89,709)**	82,541
Cash interest paid	**31,561**	29,359

During the year ended September 30, 2014, $14,000 was reclassified from loans payable to accounts payable and accrued liabilities.

13. INCOME TAXES

The components of the deferred income tax asset amounts as at September 30, 2014 and 2013 are as follows:

	2014	2013
	$	$
Excess of tax basis over carrying value on long-term assets	**261,336**	252,331
Deferred benefit of current and prior years' losses	**907,120**	970,192
Investment tax credits	**24,000**	91,000
	1,192,456	1,313,523
Valuation allowance	**(1,192,456)**	(1,313,523)
	-	-

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, 2014 and 2013.

As at September 30, 2014, the Corporation had investment tax credits of approximately $24,000 available to reduce taxes otherwise payable, and non-capital losses of approximately $3.6 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**
	$	**$**
2015	264,000	24,000
2026	359,000	-
2027	267,000	-
2028	751,000	-
2029	698,000	-
2030	1,119,000	-
2033	171,000	-

The Corporation also 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):

	2014	2013
	$	$
Income (loss) before income taxes	**271,122**	(145,050)
Expected income taxes – statutory rate of 25% (2013 - 25.2%)	**67,781**	(36,553)
Effect of tax rate changes	**(9,778)**	406
Unrealized (gain) loss on marketable securities	**-**	(811)
Expiry of investment tax credits	**65,000**	-
Adjustments to tax pools and other	**(1,936)**	(1,427)
Provision for deferred income taxes before valuation allowance	**121,067**	(38,385)
Change in valuation allowance	**(121,067)**	38,385
	-	-

14. SUPPLEMENTARY ACCOUNTS RECEIVABLE AND PAYABLE INFORMATION

	2014	2013
	$	$
Accounts receivable components:		
Trade receivables	**610,343**	562,245
Allowance for doubtful accounts	**(28,247)**	(22,499)
Other receivables	**-**	1,091
Total	**582,096**	540,837

	2014	2013
	$	$
Accounts payable and accrued liabilities components:		
Trade payables	**439,247**	427,923
Accrued salaries and wages	**150,861**	231,945
Sales tax payable	**44,854**	27,134
Other payables	**73,796**	31,849
Total	**708,758**	718,851