



2009 ANNUAL REPORT

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To Our Shareholders**Changes in Accounting Policies and Estimates**

The major changes to Glenbriar's financial statements implemented in fiscal 2008 continued to be reflected in the 2009 results. Canadian GAAP is being harmonized with International Financial Reporting Standards (IFRS) in stages leading up to full IFRS implementation in 2011. In fiscal 2008, Glenbriar early adopted the harmonized standard for research and development, and wrote off its goodwill and future tax assets. These changes created a loss of \$2.5 million in 2008 and a cumulative non-cash reduction in assets of approximately \$3.3 million, and a loss of \$649,544 in 2009. See Changes in Accounting Policies and Estimates under Financial Review below for details.

Operating Results

Revenue decreased 11% in fiscal 2009 from 2008, comprised of a 4% drop in services and a 20% drop in equipment and software. By comparison, industry leaders Microsoft, HP and Dell recorded year over year reductions in product sales for their most recently reported quarter of 14%, 21% and 17%, respectively. These reductions reflect decreased capital expenditures by clients resulting from the global recession. Net loss improved by 74%, reflecting changes in accounting policies and estimates adopted in fiscal 2008, which included retrospective adjustments. Glenbriar has implemented a number of measures to return to positive EBITAS in fiscal 2010.

Marketing and Sales

Glenbriar is updating its sales and marketing strategy, which is expected to include expansion into updated product offerings from Microsoft, including AX, XRM and SharePoint. The new website for Peartree's Dealership product, which includes self-guided online demos, can be viewed at www.peartreedealetership.com.

New Software Release

Peartree issued the final release of a new version of its Dealership and SME modules at the end of fiscal 2009. This new version includes over 80 software enhancements, bug fixes and updates. The focus of this new release is enhanced reporting, with 20 to 30 new reports that will improve the dashboard interface to identifying trends, rankings and other management reports. Future releases are planned to include integration with vendor online parts catalogues, online payment processing and e-commerce functionality, and enhanced business reporting. In addition, development workflow is being enhanced to include automated testing for quality assurance to make product release and issue response times significantly faster.

Robert Matheson, President & CEO

MANAGEMENT DISCUSSION AND ANALYSIS (Form 51-102F1)

This information is given as of December 18, 2009. As of the date of this report: (a) there are 38,408,402 Glenbriar voting common shares issued and outstanding; and (b) there is no other class or series of shares issued, and no warrants or options or other rights to acquire additional common shares outstanding, other than contributions to the employee share purchase plan (see note 9 of Notes to Consolidated Financial Statements).

Description of Business

Glenbriar Technologies Inc. (CNSX:GTI) has supported the IT needs of some of Canada's largest manufacturing and distribution companies for over 20 years. From its offices in Calgary, Vancouver and Waterloo, Glenbriar's staff of IT professionals manage and support the IT needs of over 350 companies. From its early roots in developing and supporting ERP systems, Glenbriar has branched out to support all things technical under a client's roof, from complete infrastructure and business applications to telephony solutions.

In November 2008, the CNQ changed its name to CNSX (Canadian National Stock Exchange) to reflect a number of recent changes to the underlying trading platform. As part of those changes, Glenbriar changed its trading symbol on CNSX from GBRT to GTI in September 2008. The new trading platform is X-Stream, used under licence from Nasdaq OMX. This new system adds new functionality to the CNSX listed market, such as anonymous broker, program trades, short exempt marker and specialty crosses, and improves the availability of trading and quotes for both brokerage firms and online trading in CNSX stocks.

Glenbriar held its 2009 Annual General Meeting on March 5, 2009 in Calgary. Jean-Sebastien Leroux elected not to stand for reelection to the board. All other members were returned to the board. Craig Henderson was added as a new independent board member in October 2009.

Products

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

IT Services

Glenbriar has taken advantage of recent advances in technology to increase scalability by "productizing" the delivery of IT services: (i) a Glenbriar branded network appliance that improves the efficiency of delivering Managed Services; (ii) Enterprise-in-a-Box hardware platform that marries new virtualization, SAN (storage array network) and advanced blade technologies; and (iii) Managed Perimeter Defence Service that permits managed security protection. Initial deployments have been in the oil and gas industry and non-profit sector, where Glenbriar has specialized expertise. Glenbriar has a base of 200 active managed services clients.

Many of Glenbriar's clients elected to upgrade existing systems during the recession to allow deferral of capital investments. This resulted in a larger decrease in equipment sales than in services.

Glenbriar implemented several new managed services contracts with nonprofit sector and commercial clients in fiscal 2009. Glenbriar continued the implementation of a number of Enterprise-in-a-Box installations, rolled out a virtual Web server infrastructure for a diamond mining services firm in

Vancouver, and implemented new Managed Services installations to new clients in all branches. Glenbriar implemented new security servers for a major office complex in Calgary, conducted a network review for a logistics software provider in BC, and replaced and virtualized the main server for a mining industry service provider. Glenbriar updated its Managed Services tracking and automation processes to improve efficiencies during the third quarter.

Glenbriar implemented a WAN rollout and network upgrade for a technology education institute in BC in the third quarter, including replacement of Linux routers with Cisco equipment. Glenbriar recabled a food lab testing facility for a BC client, and commenced a network design project for a human resources firm and an Enterprise-in-a-Box network upgrade for Alberta clients in the third quarter.

Glenbriar upgraded networks for several clients in fiscal 2009, including site assessments, server virtualizations, upgrades, backup solutions and WAN hardenings, for such clients as law firms, food processing plant, shared office complex, and a box manufacturer. Glenbriar also commenced the development, rollout and support for a Microsoft CRM and SharePoint project for a non-profit organization in September 2009. Glenbriar implemented an installation and support strategy for Scan Source point of sale hardware and its interaction with Peartree's Dealership and POS software during September 2009, as well as upgrading its peripheral security offerings.

Glenbriar deploys a Glenbriar branded network appliance which significantly enhances the monitoring, reporting and remote management capabilities of its Managed Services offering. Glenbriar continued the implementation of its Enterprise-in-a-Box business platform that marries Windows Server 2008 virtualization with SAN (storage array network) and quad-core processor blade technology in an affordable package for small and medium enterprises (SMEs). This platform delivers improved performance, reliability and failover at lower cost than traditional server deployments.

Glenbriar completed the acquisition of Micro-Aid Computer Services of Cambridge, Ontario in December 2008. Micro-Aid's operations have been consolidated into Glenbriar's Waterloo office.

Glenbriar purchased Allnet Computing, a small IT consultancy in Calgary, in December 2008, for Glenbriar common shares. Allnet's operations have been consolidated into the Calgary office.

Communications

Glenbriar integrates third party applications and databases with the best available business phone and conferencing systems, using both wireless and fixed line technologies. These systems use a unique distributed architecture, best in class system management, ease of use and award winning devices. Glenbriar has also developed proprietary software which permits virtual call attendants to work for multiple business units across the globe. Glenbriar has a base of 60 active unified communications clients.

Glenbriar's IP Communications solutions combine ShoreTel phones, switches and software with Cisco networking equipment, Blackberry Enterprise Servers and Glenbriar's enhancements to produce a truly superior deployment.

Glenbriar set up 7 new Blackberry Enterprise Servers in fiscal 2009, bringing the number of supported BES installations close to 30. In addition to integrating ShoreTel switches with Blackberry servers and devices, ShoreWare Mobile Call Manager also supports Nokia, Motorola and Microsoft Windows mobile devices. This integration is deployed without additional hardware or servers, and improves mobile device users' productivity with seamless remote access to corporate voicemail, corporate directories and address books, call history, extension assignment, and call handling mode settings.

Glenbriar started upgrading its clients to Shoreware 8.1 in the third quarter of fiscal 2009. Shoreware 8.1 includes the latest security enhancements that build security into the communications network right from the start without having to separately address how to protect the customer's system. Additional enhancements include Blackberry clients, new mobile call manager, fully integrated high resolution video conferencing, instant message integration, new switches with higher capacities, integration of voicemail onto switches as part of distributed architecture, and enhanced mobility integration. Glenbriar will be further upgrading clients to Shoreware 9.1 in the first half of fiscal 2010.

Glenbriar completed a SIP trunk integration between ShoreTel and FirstClass, a unified communications tool developed by Open Text for the educational market, for a BC school district in July 2009. Glenbriar has been awarded additional IP telephony installation contracts, which will be implemented in the next 2 months.

Glenbriar installed a 30 phone system for a restoration and construction firm, and a 20 phone installation for a multisite flooring company in BC in the third quarter. One of these locations included a WiFi mesh network to accommodate wireless IP phones.

Glenbriar completed the design and installation of a 2 location phone network using a managed WiFi network to connect WiFi SIP phones to a ShoreTel IP telephony system in September 2009. The WiFi SIP phones work directly as SIP extensions of the ShoreTel system, feature remote firmware and device management through a centrally managed Web based interface, and save up to 80% of the capital and maintenance cost of a comparable competitive solution.

Glenbriar participated in the Municipal Information Systems Association trade show in Kamloops in September 2009.

Glenbriar installed a 36 phone ShoreTel solution on gigabit phones and network for a BC client, which included resolution of network and cabling deficiencies, and relocated phones and cabling for another client.

Glenbriar rolled out a custom telephony application to track sales calls for sales agents for a client in Western Canada. This is being deployed in a series of new installs scheduled over the next 18 to 24 months in the US and Canada.

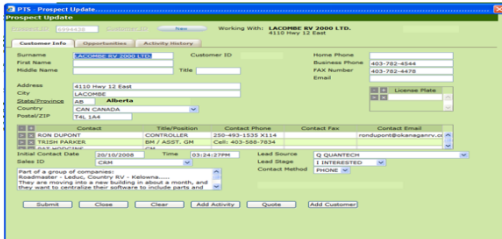
The City of Chilliwack needed to set up a Community Resilience Centre (CRC) for disaster recovery due to the flooding and mudslides in their municipality in January 2009. Their existing phone system couldn't be connected to the new office that was created in the affected area. The IT Manager for the City of Chilliwack called Glenbriar Technologies to help set up a phone system quickly. Within a day, Glenbriar installed a ShoreTel Pure IP Telephony system to provide stability and enhanced functionality to service the important and immediate needs of the Chilliwack CRC.

Glenbriar installed 3 sites for a school district in BC in the second quarter. Glenbriar also connected remote offices in the US for Canadian based clients using site to site SIP trunking on ShoreTel switches. Glenbriar installed an IP telephony solution for the head office and Toronto office of a Vancouver based specialty advertising company, added a new site for a school district on Vancouver Island, completed a major upgrade of an IP call centre in Atlanta for an international secure hosting company, and rolled out a paging system for clients in the third quarter.

Glenbriar installed a \$200,000 IP telephony solution for an Alberta based client in June 2009, and implemented a network cleanup for a client with an IP call centre with offices in Canada, the US and the Philippines.

Software

Glenbriar's software division, Peartree Software, has leveraged its solid ERP software knowledge into a simpler Web-based interface which can be economically customized to different vertical niche markets, without any limit on scalability or delivery method. Peartree's Dealership module is now up to 30 clients, with POS, light manufacturing and professional services modules under development.



All of these modules can be delivered using Software as a Service (SaaS), hosted or on the client's server. The latest release extended the rich functionality of prior releases to include full support for multi-location and multi-company clients, and includes a new mechanism which automates the procedure for delivering future updates.

Peartree has rewritten and repositioned its software product line to make it state-of-the-art, Web-based and easy and intuitive to use. Despite a simplified interface, the products retain all of the experience and integration gained over the last two decades. With core modules now complete, Peartree's research and development requirements were substantially reduced in fiscal 2009.

Peartree Software, Glenbriar's software subsidiary, launched a new website for its Dealership product at www.peartreedealetship.com, which includes self-guided online demos. Peartree added five new clients to its Dealership software, including dealers in Newfoundland, Alberta and Ontario, and a client for its light manufacturing facility in Ontario, in fiscal 2009. Peartree is developing a Dealership Customer Guide, and provided demos in conjunction with the annual RV dealers' trade show in Louisville, Kentucky in December 2009.

Peartree's beta Professional Services module was rolled out for its internal operations and for Glenbriar's Waterloo operations in December 2008. Glenbriar's Vancouver office implementing this module in June 2009, with the Calgary office following in November 2009. This module includes time entry, CRM, ticket entry and service desk, accounting, order processing, inventory, quoting system and financial statements, all of which can be accessed from a single Web page.

Peartree added an additional MMS customer with EDI (Honda) capabilities in April 2009.

Peartree issued the final release of a new version of its Dealership and SME modules in the fourth quarter. This new version includes substantial improvements and additional features. The new version will be rolled out to all of Peartree's Dealership and SME customers. The focus of this new release is enhanced reporting, with 20 to 30 new reports that will improve the dashboard interface to identifying trends, rankings and other management reports. For RV dealers, the new release will focus on outputting reports in a format compatible with Spader reports, a standard for determining industry metrics. Future releases are planned to include integration with vendor online parts catalogues, online payment processing and e-commerce functionality, and enhanced business reporting. This new release includes over 80 software enhancements as well as bug fixes. The next phase of development will include some or all of the following features:

- a. Automated payment processing and support for e-commerce
- b. Parts catalogue for power sports dealers
- c. North American Dealer Association reference guides used to value used units
- d. Automated purchase order submissions and tracking
- e. E-commerce ready websites for customers with real-time updates to inventory
- f. Automated warranty processing and tracking

In addition, development workflow is being enhanced to include automated testing for quality assurance to make product release and issue response times significantly faster.

Intellectual Property

Glenbriar has outright ownership of all intellectual property related to its software products, which deploy third party database licences. The Glenbriar branded network appliance is obtained directly from the manufacturer in Toronto. The Enterprise-in-a-Box is provided using reseller relationships with Microsoft and HP. The Managed Perimeter Defence Service is delivered using products licensed from a third party. Glenbriar's IP Communications solutions are delivered through channel partner relationships, but often include customized proprietary enhancements owned by Glenbriar.

All of Glenbriar's sales are arm's length sales to third parties outside the consolidated entity. Software licences are renewable annually, and renewal is required for the software to continue to function. Peartree's initial products were developed in the 1980s. Peartree owns the copyright to its source code, and has a number of employees with two decades of experience with its products. Glenbriar is a registered trade mark in Canada for the lines of business in which it operates. In addition, Glenbriar and Peartree resell third party products and licences which include intellectual property aspects, and rely upon the third party's representations as to the validity of any patents, copyrights or other intellectual property rights. Glenbriar is not aware of any issues relating to any of the intellectual property rights described above.

Sales Methodology

Glenbriar develops and implements sound business strategies for its clients that respond to the sudden impact and resulting turbulence created from new and constantly changing technologies. Glenbriar focuses on *delivering solutions* rather than selling hardware and project work.

Hardware and project work requires a constant turnover of new accounts. Sales are based on meeting quotas and competing for requests for proposals (RFP) from large companies or government agencies. Turnover rates are high for customers and sales people, with high volume and low margins.

Delivering solutions brings more value to customers by solving their business problems through the right combination and balance of technology, services and support. Glenbriar deeply understands its clients' problems and challenges, and continually delivers the right mix of product, services and support. This client-focused strategy, performed by talented professionals within a reliable operational infrastructure builds strong client/partner relationships that grow and flourish, producing increasing revenues over the long term.

Glenbriar has a dedicated business philosophy that places a paramount value on growing *with* its existing clients, as well as developing new accounts. Since inception, Glenbriar has implemented a solution-focused approach with great success by offering the right combination and balance of technology, services and support solutions to its clients.

Market Conditions

- Information & Communications Technology (ICT) sector in Canada generated \$58.6 billion in revenue in 2009, 87% of which was services (StatsCan)
- Global market for enterprise software was US\$22.4 billion in 2008, and is forecast to grow at 8% per year until 2012 (Gartner Group)

2007	Computer Design and Services				Software Publishing	
Region	BC	AB	ON	Canada	ON	Canada
Sales	\$2.5b	\$2.8b	\$13.5b	\$25.3b	\$3.4b	\$6.9b
Establishments	6,746	6,562	28,772	53,893	949	2,156
Sales/Est.	\$371k	\$427k	\$469k	\$469k	\$3.5m	\$3.2m

Internet use 2007 (%)	Business	Govt
Use e-mail	81.1	100.0
Have Website	41.4	93.2
Buy on Internet	48.5	82.1
Sell on Internet	8.1	15.9
<i>Shows low penetration in SMEs.</i>		

University enrolment	2002	2008	Change
Math/computers/IT	46,035	32,442	↓30%
All others	840,570	1,033,911	↑23%
Demand: 35,000 new ICT jobs annually (Canada)			
Graduates: 7,000 – Globe & Mail, Jan 2008			

The IT services, enterprise software and enterprise communications markets are large and highly competitive. These markets have generally been subject to a great deal of consolidation and business failures during the technology market downturn in the first half of the decade. Glenbriar has grown and survived during this difficult market period despite inadequate capitalization. Glenbriar believes the current market provides good opportunities for growth through acquisitions and development of niche products and services.

In its report *US and Global IT Market Outlook: Q3 2009*, Forrester Research, Inc. (NASDAQ: FORR), an independent research firm focusing on business and technology, lowered its projections for 2009 global IT spending across all sectors even further than in its prior quarterly outlook. The global financial crisis lingered on to hurt IT capital investments in the second quarter of 2009, particularly in computer equipment, network equipment and licensed software, as companies held back on investing and conserved cash. Forrester states that the worst of the tech decline is over, and predicts that year-over-year growth will start to recover in the fourth quarter of 2009, with a strong tech recovery expected in 2010 as companies look beyond the downturn. Forrester predicts that the Canadian IT market will lag the US recovery in 2009, but outperform it in 2010.

In its December 2009 update, the Conference Board of Canada expressed the view that in accordance with its earlier forecasts, the Canadian economy was out of recession and experiencing economic growth, including early signs of job growth. Coupled with more manageable debt and deficit levels at both provincial and federal levels than in most Western economies, the Conference Board predicts that Canadian GDP will grow 2.9% in 2010, more than offsetting a 2.1% decline in 2009. Strongest growth is forecast for the Western Provinces and Ontario, which are Glenbriar's core areas.

In the last decade, companies have been more careful with their IT spending, leaving most technology budgets with little excess capacity or overspending. In addition, companies rely ever more heavily on their IT infrastructure to facilitate or leverage their cost cutting regimens. Services have fared better in the global recession than hardware sales as companies seek to stretch out the useful life of their hardware, or defer projects which usually include a large hardware component. Technologies that provide fast paybacks, such as IP communications, virtualization software, inexpensive enterprise software, flat rated managed services, Software as a Service (SaaS), and now even Hardware as a Service (HaaS) become preferred solutions in a cost centric environment. Glenbriar has focused on these technologies. Due to rapid technological advancements, to the extent that IT investments have been delayed or deferred during the economic downturn, they are expected to pick up relatively quickly as conditions improve.

Financial Review

The Accounting Standards Board is requiring a shift from Canadian generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS) for public companies in Canada for fiscal years starting on or after January 1, 2011. IFRS is already the standard in Australia, New Zealand, Japan and the European Union. The US Securities and Exchange Commission has allowed foreign issuers to use IFRS in their US filings without US GAAP reconciliation for financial years ending after November 15, 2007. Although the US is considering adopting IFRS, it is expected that any shift will take place several years later than in Canada.

Canadian GAAP is being harmonized with IFRS in stages in the ensuing period. This harmonization was applied retrospectively in certain cases, which resulted in substantial changes to Glenbriar's financial statements starting in 2008, including restatement of 2007 statements to conform to the new standards. These changes are reflected in the financial statements included in this Annual Report for both 2009 and 2008, and caused large losses to be recorded in order to bring the statements into line with the new standards. Because of these revisions, Glenbriar expects the impact of the change to IFRS to be relatively minor, in that most of the effects of the transition have already been incorporated into the statements.

Changes in Accounting Policies and Estimates

Glenbriar implemented major changes to its financial statements for the year ended September 30, 2008, which required restatement of 2007 results for comparative purposes. The effect of these changes contributed to a loss of \$2.5 million for 2008 and a cumulative noncash reduction in assets on the balance sheet of approximately \$3.3 million. These changes have and will continue to be reflected in the accelerated amortization of the proprietary software asset in 2009 through 2011. The income statement presentation has been rearranged to more clearly show the effect of these changes.

Research and development. Glenbriar early adopted the new CICA section 3064, Goodwill and Intangible Assets, on October 1, 2007. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Section 3064 results in substantial changes in what research and development costs should be capitalized and amortized. Glenbriar's proprietary software asset is now scheduled to be fully amortized by fiscal 2011, resulting in continued high rates of amortization in fiscal 2010 and 2011.

Goodwill and future tax. Goodwill and future tax assets were written down to nil in fiscal 2008 in response to the uncertainty from the current global economic crisis. Glenbriar's tax pools are not affected by this writedown, and continue to be available to shelter future earnings.

Comparing results before and after the changes. To compare operating results before and after these changes, Glenbriar compares earnings before interest, taxes, amortization and other noncash items (EBITAS) before research and development expenses (R&D) with EBITAS after deducting both operating and capitalized portions of R&D expenses. EBITAS is not recognized under GAAP, and may be applied differently by different issuers. Glenbriar's use refers to earnings before interest, taxes, amortization and other noncash items.

(\$000's)	Audited				
	2005	2006	2007	2008	2009
Revenue	4,752	5,110	5,510	6,374	5,685
Expenses	4,516	4,821	5,295	6,127	5,757
EBITAS (pre-R&D)	236	289	215	247	(72)
R&D (operating & capitalized)	484	481	348	303	120
EBITAS (after R&D)	(248)	(192)	(133)	(56)	(192)

While Glenbriar has benefitted from reduced overall spending on R&D over the past years due to the completion of the core modules for Peartree's Web-based enterprise software, operating results were down in 2009 due to the effects of the global recession. It is expected that results from operations will recover in the latter half of fiscal 2010.

Selected Financial Information

Selected Annual Financial Information (\$)	Year ended September 30			
	2009	2008	2007 restated	2007 original
Revenue	5,685,365	6,374,011	5,509,868	5,509,868
Income (loss) before tax	(649,544)	(1,342,658)	(416,620)	53,789
Net loss	(649,544)	(2,529,538)	(461,095)	(19,211)
-per share (basic and diluted)	(0.019)	(0.081)	(0.015)	(0.001)
Total assets	1,224,658	1,945,431	4,005,408	5,033,528
Long term liabilities (excl. leasehold allowances)	285,000	260,000	125,000	125,000
Dividends	-	-	-	-

See "Changes in Accounting Policies and Estimates" above relating to changes in financial reporting standards. Revenue from managed services decreased 4% in 2009 following a 12% increase in 2008 from the prior year period, while equipment and software sales decreased 20% in 2009 following a 20% increase in 2008. Gross margin decreased to 22.2% in 2009 from 23.3% in 2008. Earnings were too broadly impacted by changes in accounting policies and estimates to be of useful comparative value for results from operations. For this reason, Glenbriar management uses the EBITAS analysis set forth above to compare operating results. That analysis shows a decline in operating results of \$136,000 in 2009 after an improvement of \$77,000 in 2008, reflecting reduced capital expenditures during the global downturn.

Selected Quarterly Financial Information (\$)	Quarter ended							
	2009			2008			2007	
	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31
Revenue	1,174,292	1,383,508	1,226,094	1,901,471	1,621,207	1,831,320	1,506,867	1,414,617
Income from continuing operations	(377,155)	(102,063)	(218,114)	48,588	(2,658,091)	(4,671)	(75,067)	(7,547)
-per share (basic and diluted)	(0.011)	(0.003)	(0.007)	0.002	(0.082)	-	(0.002)	-
Net income	(377,155)	(102,063)	(218,114)	48,588	(2,658,091)	(4,671)	(75,067)	(7,547)
-per share (basic and diluted)	(0.011)	(0.003)	(0.007)	0.002	(0.082)	-	(0.002)	-

Revenue decreased 28% for the quarter ended September 30, 2009 from the same quarter in 2008, with annual revenue declining 11% for 2009 over 2008. The loss for the quarter ended September 30, 2009 includes year end adjustments, including increased amortization of proprietary software and inventory adjustments of \$228,060. Loss for the quarter ended September 30, 2008 reflect mainly year end changes that result from changes in accounting policies and estimates including the extent to which software development costs are expensed, capitalized and amortized, as well as elimination

of goodwill and future tax asset values at the end of 2008. Declining sales in 2009 reflect the effects of the global recession, as companies cancelled, deferred or delayed capital investments to conserve cash, resulting in larger decreases in equipment and software sales than in services. By comparison, industry leaders Microsoft, HP and Dell recorded year over year reductions in product sales for their most recently reported quarter of 14%, 21% and 17%, respectively.

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

Liquidity and Capital Resources

As of September 30, 2009, Glenbriar had a working capital deficiency of \$489,786, compared to \$316,473 at September 30, 2008. This working capital deficiency for both years reflects the current portion of shareholders' loans being increased as a result of the Micro-Aid acquisition in fiscal 2008, increased deferred revenue due to a number of projects still being completed as of each year end, investment of working capital in capital assets and acquisitions, and higher working capital needs resulting from lower sales. Marketable securities reflect the fair value of the shares. Inventory changes reflect normal business fluctuations. Inventory is considered relatively liquid. The deferred revenue account of \$127,285 for 2009 is down substantially from \$314,245 in 2008 due to no managed services projects being partially completed over year end 2009 (2008 – \$170,000), with the balance being attributed to software maintenance fees received by Peartree, which are brought into revenue monthly as services are performed over the term of the licence.

Glenbriar received \$87,100 of leasehold allowances for its Calgary office in fiscal 2004, and \$43,107 for its Waterloo office in fiscal 2006, which are being amortized over the respective 5 year terms of the leases. These allowances include leasehold improvements and rent free periods. These amounts will be fully amortized in fiscal 2010.

The demand credit facilities declined to \$364,386 at September 30, 2009 from \$438,610 a year earlier partially due to a reclassification of Micro-Aid credit facility to an account payable. In April 2009, the demand credit facility was termed out over 41 months based on an initial balance of \$411,372, with additional principal payments due on November 6, 2009 of \$55,000 and on March 31, 2010 of \$50,000. These payments have been made as scheduled, resulting in a \$130,000 reduction in principal since May 2009. See note 7 of Notes to Consolidated Financial Statements. However, this repayment schedule has strained cash resources during a difficult business cycle. Glenbriar management has made cash advances to Glenbriar, improved collection of accounts receivable, increased limits and maximized participation in the employee share purchase plan, redirected employee contributions from open market purchases to treasury purchases under the plan, placed certain employees on work share programs, reduced non-strategic staff and extended payables in order to preserve cash resources. The \$285,000 loans payable as of September 30, 2009 is owed to Glenbriar's management. In October 2009, \$25,000 of loans payable were converted to common shares, reducing the balance to \$260,000. See notes 8 and 15 of Notes to Consolidated Financial Statements.

Glenbriar has no off-balance sheet arrangements.

Glenbriar may be required to seek additional equity or debt financing, reduce its operations or to limit its growth in order to maintain liquidity. In addition, Glenbriar does not have adequate surplus capital on hand to pursue its research and development activities at an optimal rate, to establish and implement a robust marketing and sales program, and to make strategic acquisitions. Accordingly, Glenbriar may reasonably be expected to issue additional equity or take on more debt in order to obtain the additional resources which it believes are necessary to enable it to seek to achieve the growth rates which are sought by investors and shareholders. If additional equity is issued, existing shareholders may experience dilution of their shareholdings. If additional debt is taken on, the

business could be put at greater risk of not being able to survive downturns in business cycles, the loss of major accounts, or other negative events. Glenbriar’s credit facility requires a modified current ratio of 1:1 as of December 31, 2009, based upon exclusion of shareholder advances and treatment of the credit facility as a term loan. Glenbriar management plans to take steps to meet this requirement, which may include injection of capital, loans or renegotiation of the banking facility, but there is no assurance that these efforts will be successful.

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

Glenbriar’s long term financial commitments for a delivery vehicle and office leases are as follows:

Fiscal period	\$
2010	196,935
2011	30,966
2012	4,759
2013	3,966

Results from Operations

Loss after taxes decreased to \$649,544 from \$2,529,538 for the year ended September 30, 2009 from 2008. The 2009 loss reflects accelerated amortization of proprietary software following the application of the change in accounting policy described above, which was retrospectively applied back to 2002 upon its implementation in fiscal 2008. The 2008 net loss reflects a number of one time and new noncash items, including i) impairment loss on goodwill of \$1,056,832; ii) increased amortization of approximately \$200,000 due to changes in accounting policy mandated by the CICA to harmonize Canadian GAAP with IFRS standards; iii) expensing of additional research and development costs; iv) establishment of the employee share purchase plan; v) elimination of the future tax asset; and vi) adjustment to the carrying value of marketable securities. See “Changes in Accounting Policies and Estimates” above for further discussion regarding these changes. Overall gross margin declined marginally to 22.2% in 2009 from 23.3% in 2008.

Revenue. Revenue declined 11% in fiscal 2009 from 2008, with managed services decreasing 4% and equipment and software sales decreasing 20%.

Expense. Margins on managed services and equipment and software sales ranged between 21.4% and 24.5% in 2008 and 2009, reflecting lower sales volumes and normal variations in the mix of items being sold. General and administrative expense rose to 19.4% of sales in 2009 from 16% in 2008, reflecting lower sales volumes. See the above discussion and “Changes in Accounting Policies and Estimates” regarding changes in amortization expense.

Accounts receivable. The balance for fiscal 2009 reflects 34 days of sales, which is down significantly from 59.5 days of sales for fiscal 2008. This reduction reflects better collection efforts and lower levels of equipment and software sales.

Accounts payable and accrued liabilities. The decrease in this account to \$617,854 at September 30, 2009 from \$645,392 at the end of fiscal 2008 reflects reduced sales and the reclassification of the \$64,850 Micro-Aid credit facility to an account payable.

Deferred revenue. In 2008, this account included \$170,000 relating to managed services projects which were not complete at year end, plus periodic software maintenance fees payable to Peartree,

which are brought into revenue monthly as services are performed. In 2009, this account was entirely made up of the Peartree software maintenance fees.

Forward Looking Statements

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

Risk Factors

The rising value of the Canadian dollar reduces revenue from US and Mexican accounts, which are priced in US dollars. With the global recession, demand in the automotive and recreational dealer sectors will be weak, and some automotive parts suppliers and dealers are expected to go out of business. Commodity price variations in energy and mining have led to the postponement or cancellation of some megaprojects. Glenbriar and its subsidiaries serve all of these sectors. Glenbriar expects equipment and software sales will be reduced significantly in the current and coming quarters as businesses postpone capital purchases and cancel capital investments. Glenbriar seeks to partially offset reduced expenditures with cost reductions and emphasizing strong cost reductions available to its clients in total cost of ownership through effective use of its Managed Services, Unified Communications and Enterprise Software.

Critical Accounting Estimates

Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated 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, software and other capital assets. Actual results will differ from the estimates.

Related Party Transactions

Management loan advances of \$285,000 as of September 30, 2009 are up \$25,000 from the September 30, 2008 balance. In October 2009, \$25,000 of loans payable were converted to common shares, reducing the balance to \$260,000. See note 15 of Notes to Consolidated Financial Statements. A \$50,000 shareholders' loan is carried forward from the Micro-Aid acquisition, and is shown as a current liability.

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 notes 9 and 15 of Notes to Consolidated Financial Statements and Subsequent Events below for details of these share issuances and the acquisition of Allnet Computing, the former owner of which became an employee as part of the transaction.

Additional Information

Additional information about Glenbriar is available from Glenbriar's website at www.glenbriar.com, the CNSX website at www.cnsx.ca, the Sedar website at www.sedar.com, or by request from Glenbriar's head office at 301, 401 – 9 Ave SW, Calgary, AB T2P 3C5 (Phone 403-233-7300 x117).

Subsequent Events

Glenbriar issued 1,504,980 common shares from treasury on October 21, 2009, and a further 1,841,441 on December 2, 2009 at \$0.05 per share under the employee share purchase plan (note 9), of which 500,000 were issued as repayment of long-term loans payable in lieu of employee cash contributions. The last closing price on the CNSX prior to each issuance was \$0.02 and \$0.03 per share, respectively.

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Auditors' Report

To the Shareholders of
Glenbriar Technologies Inc.:

We have audited the consolidated balance sheets of **Glenbriar Technologies Inc.** as at September 30, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
November 23, 2009

(signed) "Collins Barrow Calgary LLP"
Chartered Accountants

GLENBRIAR TECHNOLOGIES INC.

Consolidated Balance Sheets

September 30, 2009 and 2008

	2009	2008
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	83,953	-
Accounts receivable	531,844	1,038,557
Inventory	22,996	33,266
Marketable securities (note 4)	13,669	31,243
Prepaid expenses	17,277	28,708
	669,739	1,131,774
Proprietary software (note 5)	300,981	483,981
Customer lists (note 5)	97,932	123,990
Property and equipment (note 5)	156,006	205,686
	1,224,658	1,945,431
LIABILITIES		
CURRENT		
Demand credit facilities (note 7)	364,386	438,610
Accounts payable and accrued liabilities	617,854	645,392
Deferred revenue	127,285	314,245
Loans payable – current portion (note 8)	50,000	50,000
	1,159,525	1,448,247
Deferred leasehold allowances (note 5)	8,000	21,600
Loans payable (note 8)	285,000	260,000
	1,452,525	1,729,847
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (note 9)	3,756,518	3,550,425
Deficit	(3,984,385)	(3,334,841)
	(227,867)	215,584
	1,224,658	1,945,431

Basis of presentation (note 1)

Commitments and contingencies (note 12)

APPROVED BY THE BOARD

(signed)..... Director

(signed)..... Director

GLENBRIAR TECHNOLOGIES INC.
Consolidated Statements of Loss, Comprehensive Loss and Deficit
Years Ended September 30, 2009 and 2008

	2009 \$	2008 \$
REVENUE		
Managed information services	3,361,728	3,491,441
Equipment and software sales	2,303,275	2,871,217
Interest and other income	20,362	11,353
	<u>5,685,365</u>	<u>6,374,011</u>
EXPENSES		
Managed information services	2,640,918	2,633,996
Cost of goods sold	1,767,466	2,246,617
General and administrative	1,101,599	1,041,646
Sales and marketing	247,500	204,695
	<u>5,757,483</u>	<u>6,126,954</u>
Earnings (loss) before the following items	(72,118)	247,057
Research and development	120,000	96,000
Amortization	300,734	292,584
Interest and bank charges	51,243	47,433
Stock-based compensation (note 9)	87,875	46,096
Unrealized loss on marketable securities	17,574	50,770
Impairment loss on goodwill (note 2)	-	1,056,832
	<u>(649,544)</u>	<u>(1,342,658)</u>
Loss before income taxes	(649,544)	(1,342,658)
Provision for future income taxes (note 11)	-	1,186,880
	<u>(649,544)</u>	<u>(2,529,538)</u>
NET LOSS AND COMPREHENSIVE LOSS		
RETAINED EARNINGS (DEFICIT) , BEGINNING OF YEAR		
As previously reported	(3,334,841)	222,817
Change in accounting policy (note 3)	-	(1,028,120)
Deficit as restated	(3,334,841)	(805,303)
DEFICIT, END OF YEAR	<u>(3,984,385)</u>	<u>(3,334,841)</u>
LOSS PER SHARE		
Basic and diluted	<u>(0.019)</u>	<u>(0.081)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic and diluted	<u>33,447,586</u>	<u>31,196,224</u>

GLENBRIAR TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	2009	2008
	\$	\$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	(649,544)	(2,529,538)
Adjustments for:		
Provision for future income taxes	-	1,186,880
Impairment of goodwill	-	1,056,832
Amortization	300,734	292,584
Amortization of deferred leasehold allowance	(13,600)	(20,300)
Stock-based compensation	87,875	46,096
Unrealized loss on marketable securities	17,574	50,770
	(256,961)	83,324
Changes in non-cash working capital (note 14)	334,916	185,347
	77,955	268,671
FINANCING		
Issuance of common shares	76,834	-
Repayment of demand credit facilities	(74,224)	(143,017)
Loan proceeds	25,000	175,000
	27,610	31,983
INVESTING		
Acquisition of property and equipment	(10,612)	(260,654)
Acquisition of Micro-Aid (note 6)	(11,000)	(40,000)
	(21,612)	(300,654)
Increase in cash and cash equivalents	83,953	-
Cash and cash equivalents, beginning of year	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	83,953	-
Comprised of:		
Cash on deposit	83,953	-
Short-term deposits	-	-
	83,953	-

Supplementary cash flow information (note 14)

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION

Glenbriar Technologies Inc. (“Corporation”) was incorporated under the Business Corporations Act (Alberta) on July 15, 1994. The consolidated financial statements for the years ended September 30, 2009 and 2008 include the accounts of its two active subsidiaries, Peartree Software Inc. (“Peartree”) for the full periods, and Kingdom Computer Services Inc. (operating as Micro-Aid Computer Services) (“Micro-Aid”) from the date of acquisition on April 10, 2008. During the years ended September 30, 2009 and 2008, the Corporation operated primarily in the information technology sector and had only one reportable operating segment.

The consolidated financial statements have been prepared on a going concern basis, which presumes the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended September 30, 2009, the Corporation had a net loss of \$649,544 (2008 – \$2,529,538) and negative cash flow from operating activities before changes in non-cash working capital of \$256,961 (2008 – (\$83,324)), and had a working capital deficiency in the amount of \$489,786 as at September 30, 2009 (2008 - \$316,473). The Corporation is also required to meet certain conditions with respect to its primary demand credit facility (see note 7). The Corporation’s continuing operations are dependent on its ability to take appropriate measures, including one or more of managing cash on hand, increasing sales, reducing expenses, obtaining alternate financing, or raising additional equity or debt financing to meet its obligations and repay its liabilities in the normal course. See also notes 10 and 13. There is no assurance that management will be successful in implementing appropriate measures.

2. SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty

The preparation of the Corporation’s consolidated financial statements in conformity with Canadian generally accepted accounting policies (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated 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 the Corporation’s accounts receivable, proprietary software, customer lists, property and equipment, and future income tax assets. Actual results could differ from the estimates.

Revenue recognition

Equipment and software sales relate to proprietary software and products purchased and resold to customers. The revenue from these sales is recognized upon shipment. Software licences paid in advance for proprietary software, which include ongoing support and maintenance obligations, are deferred and recognized over the period of those obligations. Managed information services revenue is recognized as services are rendered. In cases where collectability is not reasonably assured, revenue is recognized when the cash is collected. Payments received in advance of services rendered are deferred until such time as the services are performed.

Cash and cash equivalents

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

Inventory

Inventory is comprised mainly of equipment and spare parts, and is carried at the lower of cost and net realizable value. Cost is measured on a first-in, first-out basis. The total amount of inventory recognized during the year as an expense, including inventory written down to net realizable value, was \$1,611,741 (2008 - \$2,231,359).

Proprietary software

Research and development costs incurred prior to the establishment of the technological and financial feasibility of a particular software project are expensed as incurred. Software development costs which are directly attributable to these activities are capitalized when certain criteria are met, including that the technological and financial feasibility of a project is

established. Amortization of proprietary software is recorded over the period of expected benefit of five years on a straight line basis.

If the carrying value is determined to be unrecoverable based on future estimated undiscounted cash flows, the carrying value of the proprietary software is written down to fair value and the excess is charged to earnings. The fair value is based on management's estimate of discounted future cash flows from the related software asset. There was no impairment of proprietary software recorded during the years ended September 30, 2009 or 2008.

Customer lists

Customer lists were acquired as part of the Micro-Aid and Allnet Computing acquisitions (see notes 6 and 9). Customer lists are amortized over the period of the expected benefit on a straight line basis over 36 months. If the carrying value is determined to be unrecoverable based on the future estimated undiscounted cash flows, the carrying value of the customer lists is written down to fair value and the excess is charged to earnings. The fair value is based on management's estimate of discounted future cash flows from the related customer lists. There was no impairment of customer lists recorded during the years ended September 30, 2009 or 2008.

Property and equipment

Computers and office equipment are recorded at cost. Amortization is recorded using the declining-balance method at rates ranging from 20% - 30% per year. Leasehold improvements are amortized over the term of the lease (5 years). If the carrying value of an asset exceeds the projected undiscounted future net cash flow from its use and disposal, a reduction of the carrying value to the fair value would be recorded.

Goodwill

Goodwill represents the excess of the purchase price over the value attributed to net tangible and intangible assets acquired. Goodwill is assessed for impairment in value on an annual basis (or such earlier time as circumstances indicate a possible impairment) by comparing the carrying value of the applicable reporting unit (including goodwill) to its estimated fair value. Fair value is determined based on management's estimates of discounted future cash flows. If the carrying value of the reporting unit (including goodwill) exceeds the estimated fair value, the implied fair value of the goodwill is compared to the carrying value to determine the amount of impairment loss recorded.

During 2008, the global economic crisis resulted in significant uncertainty as to whether the Corporation's budgeted discounted future cash flows could be achieved. In view of this uncertainty, management determined that it was appropriate to realize an impairment loss on goodwill in the amount of \$1,056,832 as of September 30, 2008.

Foreign currency transactions

Revenue and expenses are recorded at the average rate of exchange in effect at the transaction dates. Monetary assets and liabilities relating to foreign exchange transactions are recorded at rates of exchange in effect at the balance sheet date and any resulting gains or losses recorded in income for the period.

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 balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Temporary differences arising on acquisitions result in future income tax liabilities or assets.

Stock-based compensation

The Corporation has a stock option plan as described in note 9. The Corporation records an expense for stock options issued based on the fair value at the date of grant, calculated using the Black-Scholes option pricing model with a corresponding credit to contributed surplus. No stock options were granted under this plan during the years ended September 30, 2009 or 2008.

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 9(iv). 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.

Earnings (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 earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings 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 if potentially dilutive stock options or other instruments were exercised for common shares using the treasury stock method.

Comprehensive income, equity, financial instruments and hedges

Financial assets are classified as loans and receivables, held-to-maturity, held-for-trading and available-for-sale. Loans and receivables include all loans and receivables except debt securities, and are accounted for at amortized cost. Held-to-maturity classification is restricted to fixed maturity instruments that the Corporation intends and is able to hold to maturity, and is accounted for at amortized cost. Held-for-trading instruments are recorded at fair value on the balance sheet, with realized and unrealized gains and losses reported in net income (loss). The remaining 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 earnings (loss).

Financial liabilities are classified as either held-for-trading or other financial liabilities. Held-for-trading instruments are recorded at fair value with realized and unrealized gains and losses reported in the statement of earnings (loss). Other financial liabilities instruments are accounted for at amortized cost, with gains and losses reported in the statement of earnings (loss) in the period that the liability recognition is derecognized or impaired.

Derivative instruments ("derivatives") are classified as held-for-trading unless designated as hedging instruments. All derivatives are recorded at fair value on the balance sheet. 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 earnings (loss) 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 earnings (loss). Amounts temporarily recorded in accumulated OCI will subsequently be reclassified to the statement of earnings (loss) in the periods when the net earnings (loss) is affected by the variability in the cash flows of the hedged item.

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

Recently adopted new accounting standards

Goodwill and intangible assets

On October 1, 2007, the Corporation adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook section 3064, "Goodwill and Intangible Assets", as described in note 3.

Capital disclosures

On October 1, 2007, the Corporation adopted CICA section 1535, "Capital Disclosures" (see note 10). This section establishes standards for disclosing information about an entity's capital and how it is managed.

Financial instruments

On October 1, 2007, the Corporation adopted CICA section 3862, “Financial Instruments – Disclosures”, which replaced section 3861, “Financial Instruments – Disclosure and Presentation”, and provides expanded disclosure requirements that provide additional detail by financial instrument and liability categories (see note 13). This section places increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

On October 1, 2007, the Corporation adopted CICA issued section 3863, “Financial Instruments – Presentation”, which replaced section 3861, to enhance financial statement readers’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Inventories

On October 1, 2008, the Corporation adopted CICA section 3031, “Inventories”. This Section provides more extensive guidance in these areas: the determination of cost, including allocation of overhead; narrowing of permitted cost formulas; requirements for impairment testing; and expansion of disclosure requirements to increase transparency. The adoption of this section did not have a material impact on the Corporation’s financial statements.

Financial statement presentation

On October 1, 2008, the Corporation adopted CICA section 1400, “General Standards of Financial Statement Presentation”, which has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern, as disclosed in note 1.

Credit risk and the fair value of financial assets and liabilities

On January 20, 2009, the Emerging Issues Committee (“EIC”) of the CICA approved an abstract EIC 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”, which provides further information on the determination of the fair value of financial assets and financial liabilities under section 3855, “Financial Instruments – Recognition and Measurement”. This abstract states that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC 173 is to be applied retroactively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and financial statements for periods ending on or after the date of issuance of the abstract. The Corporation has adopted the recommendations of EIC 173, which did not have an impact on the Corporation’s financial statements.

*Future accounting pronouncements**International Financial Reporting Standards (“IFRS”)*

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada for public companies will converge with IFRS by the end of 2011. In February 2008, the AcSB confirmed that publicly traded companies will be required to change over to IFRS (replacing Canadian GAAP) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. This makes the effective transition date for the Corporation October 1, 2011, with the first reporting period under IFRS being the three months ended December 31, 2011, including restatement of comparative periods.

The Corporation is in the process of developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS, as well as potential IFRS 1 exemptions. The Corporation plans to complete its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities, over the 2010 fiscal year.

Business combinations

As of October 1, 2011, the Corporation will be required to adopt changes in CICA section 1582, “Business Combinations”, which will replace section 1581, “Business Combinations”, and harmonizes Canadian standards related to business combinations with IFRS. This new section establishes revised standards on the recognition and measurement of identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, as well as recognition and measurement guidance for goodwill acquired in the business combination or the gain from a bargain purchase option. The new standard also provides guidance on identifying the acquirer and the acquisition date (being the date at which control is acquired), and on the presentation and disclosure to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The adoption of the new standard is not expected to have a significant impact on the Corporation’s current financial statements, but will result in changes to the accounting and disclosures for future business acquisitions.

Consolidated Financial Statements and Non-controlling Interests

As of October 1, 2011, the Corporation will be required to adopt changes to CICA section 1601, “Consolidated Financial Statements” and section 1602, “Non-Controlling Interests”, which together replace section 1600, “Consolidated Financial Statements”. These sections establish revised standards for the preparation of consolidated financial statements and specifically discuss the consolidated accounting following a business combination involving the purchase of an equity interest of one company by another. These sections also provide guidance in situations involving a combination or consolidation other than through the purchase of an equity interest or involving an incorporated business. The adoption of the new standard is not expected to have an impact on the Corporation’s current financial statements, but will result in changes to the accounting and disclosures for future business acquisitions for which the Corporation does not acquire 100% of the issued and outstanding common shares.

3. CHANGE IN ACCOUNTING POLICY*Proprietary software*

In 2008, the CICA issued section 3064, “Goodwill and Intangible Assets”, which replaced section 3062, “Goodwill and Intangible Assets”, and section 3450, “Research and Development Costs”. CICA section 3064 established standards for the recognition, measurement and disclosure of goodwill and intangible assets. While this change was required for fiscal years commencing on or after October 1, 2008, the Corporation elected to early adopt it effective October 1, 2007. CICA section 3064 resulted in substantial changes in determining which research and development costs qualify for capitalization.

The Corporation reviewed the costs it had incurred during 2007 and previous years (which previously met the requirements for capitalization and expense under CICA section 3450), and determined that certain costs previously capitalized no longer met the requirements for capitalization under CICA section 3064. These costs are now accounted for as period costs. In addition, the Corporation commenced amortizing its software assets at 20% per year on a straight line basis. The Corporation previously amortized its software assets using a percentage of actual sales to total future expected sales.

The adoption of section 3064 was applied retrospectively. The impact of the changes on the opening 2008 balance sheet was to reduce the carrying value of the software asset by \$1,470,539 and increase the future income tax asset by \$442,419, with a corresponding charge to retained earnings of \$1,028,120.

The impact of adopting the new CICA sections on the 2008 financial statements was to decrease the amount capitalized to software assets by \$274,734, increase general and administrative expense by \$96,000 and increase amortization expense by \$178,734.

4. MARKETABLE SECURITIES

Marketable securities are comprised of 390,538 common shares of Platinum Communications Corporation (“Platinum”), a public company traded on the TSX Venture Exchange, which were acquired by the Corporation in July 2007 pursuant to a debt settlement agreement.

5. LONG-TERM ASSETS

	2009		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Proprietary software	998,669	(697,688)	300,981
Customer lists	180,172	(82,240)	97,932
Computers and office equipment	641,572	(514,300)	127,272
Leasehold improvements	116,115	(87,381)	28,734
Property and equipment	757,687	(601,681)	156,006
	2008		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Proprietary software	998,669	(514,688)	483,981
Customer lists	148,788	(24,798)	123,990
Computers and office equipment	630,960	(467,250)	163,710
Leasehold improvements	116,115	(74,139)	41,976
Property and equipment	747,075	(541,389)	205,686

Leasehold allowances received during 2006 of \$43,107 and during 2004 of \$87,100 have been deferred and are being amortized over the 5 year lease term. Amortization of software assets and customer lists during the year was \$183,000 and \$57,442 (2008 – \$199,734 and \$24,798), respectively.

6. BUSINESS COMBINATION

Micro-Aid Computer Services

On April 10, 2008, the Corporation acquired all of the issued shares of Kingdom Computer Services Inc. (operating as Micro-Aid Computer Services). Micro-Aid provides business technology services and equipment. The total consideration for the shares, net of closing adjustments, was \$102,000, payable \$51,000 in cash and \$51,000 in new common shares based on the market price of the shares at the date of issuance. Cash payments were made of \$20,000 on April 10, 2008, \$20,000 on July 1, 2008 and the \$11,000 on December 2, 2008. Common share payments valued at \$15,000 were made on April 10, 2008, \$15,000 on July 1, 2008 and \$21,000 on December 2, 2008, representing share issuances of 125,000, 150,000 and 210,000, respectively. No interest was due on amounts payable subsequent to closing. Repayment of the shareholders' loan of \$50,000 has been deferred pending final resolution of an outstanding item dating prior to the acquisition (see note 8). The acquisition was accounted for using the purchase method, and accordingly, the results of operations are included in the consolidated financial statements from the closing date of April 10, 2008. The following summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

<u>Assets</u>			
Accounts receivable	\$223,206		
Equipment	5,892		
Customer lists	148,788		
Goodwill	33,076		
			\$410,962
<u>Liabilities</u>			
Revolving credit facility	\$149,894		
Accounts payable & accrued liabilities	75,992		
Shareholders' loan	50,000		
Future tax liabilities	33,076	308,962	
Net assets acquired			<u>\$102,000</u>

Consideration comprised of

Cash payments	\$ 51,000
Issuance of common shares	51,000
	<u>\$102,000</u>

Included in accounts payable and accrued liabilities as at September 30, 2008 is \$32,000 relating to the final amounts due for the acquisition (\$11,000 and \$21,000 payable in cash and shares of the Corporation, respectively), and \$50,000 included in the current portion of loans payable relating to purchase of shareholders' loan. As at September 30, 2009, the cash and share portions had been paid.

7. DEMAND CREDIT FACILITIES

The Corporation had a demand line of credit facility available to a maximum of \$500,000 prior to May 1, 2009, subject to quarterly and monthly margining thresholds and annual review. Drawings bore interest at 2% above the bank's prime lending rate with interest payable monthly. In April 2009, and as further amended in October 2009, the revolving credit facility was termed out over 41 months (subject to demand) commencing May 1, 2009 based on an initial balance of \$411,372, with blended monthly payments of \$11,085 including interest at the greater of 6% per annum or 3.5% above the bank's prime lending rate. An additional payment of \$55,097 was due and paid on November 6, 2009 to reduce the outstanding principal balance to \$300,000, with an additional \$50,000 payment due on March 31, 2010. The credit facility also requires that the Corporation maintain a current ratio of a minimum of 1:1, to be tested annually commencing with the 2010 annual review, based upon the credit facility being treated as a term loan and excluding any shareholder advances in calculating this ratio. Management is reviewing options with respect to bringing the ratio into compliance by December 31, 2009. Security is provided by a first charge over all of the Corporation's assets, including a full liability guarantee by Peartree, and a limited guarantee by specific officers of the Corporation in the amount of \$250,000. The balance as at September 30, 2009 was \$364,386 (September 30, 2008 – \$356,270).

Micro-Aid previously had a demand line of credit facility available to a maximum of \$160,000. Drawings bore interest at 1.5% above the bank's prime lending rate, with interest payable monthly. Security was provided by a first charge over Micro-Aid's assets and a guarantee by former officer of Micro-Aid. As at September 30, 2008, there was \$82,340 drawn under the facility. In conjunction with the acquisition of Micro-Aid by the Corporation in 2008, the credit facility is no longer available. The remaining outstanding balance of \$64,850 was transferred to a bank overdraft account, and is included in accounts payable and accrued liabilities at September 30, 2009. Management is currently in negotiations with the various parties to term out the overdraft amount.

8. LOANS PAYABLE

The long-term loans payable in the amount of \$285,000 (2008 - \$260,000) consists of advances received from officers of the Corporation 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 plus any insurance premium which may be payable. The advances are repayable 12 months after the officers provide written request for payment. As at September 30, 2009, the officers had not requested payment, and consequently, the loans have been classified as non-current liabilities. Included in interest and insurance expense is \$9,449 (2008 - \$6,913) paid to the officers of the Corporation. Subsequent to year-end, \$25,000 of the loans payable were repaid through the issuance of 500,000 common shares under the employee share purchase plan (note 15).

The short-term loan payable in the amount of \$50,000 is due to the former shareholders of Micro-Aid, is unsecured and non-interest bearing, and is expected to be settled within the next fiscal year.

9. SHARE CAPITAL

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

ii) *Common shares issued and outstanding*

	Number of shares	Amount \$
Balance, September 30, 2007	30,892,428	3,432,174
Private placement	513,157	50,000
Employee share purchase plan	393,394	38,251
Micro-Aid acquisition (note 6)	275,000	30,000
Balance, September 30, 2008	32,073,979	3,550,425
Micro-Aid acquisition (final tranche - note 6)	210,000	21,000
AllNet Computing customer list acquisition	330,361	31,384
Employee share purchase plan	2,447,641	153,709
Balance, September 30, 2009	35,061,981	3,756,518

iii) *Stock option plan*

The Corporation is authorized to grant stock options to directors, officers and employees for up to 10% of the number of common shares outstanding. Options may be granted for periods up to 5 years at prices based upon the Corporation's trading price on the date of issue. No stock options were granted, exercised or outstanding in 2009 or 2008.

iv) *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, 2009, the Corporation recorded \$87,875 (2008 - \$46,096) of stock-based compensation expense, comprised of \$83,700 (2008 - \$38,251) in issued shares and \$4,175 (2008 - \$7,845) in accrued liabilities for estimated contributions for September 2009.

v) *Private placement*

The private placement consists of the issuance of 407,894 common shares for the repayment of \$40,000 of loans payable from officers, and the issuance of 105,263 common shares in lieu of \$10,000 of expenses incurred by an officer on behalf of the Corporation. The issue price per share was based upon the last prior closing price on the CNSX.

vi) *AllNet Computing*

On November 30, 2008, the Corporation acquired the customer list of AllNet Computing for 330,361 new common shares at \$0.095 per share, the market price on the date of issuance, representing total consideration of \$31,384. AllNet Computing was a small IT consultancy in Calgary, whose owner is now a full time employee of the Corporation. The purchase price equals the estimated fair value of the customer list acquired at the date of acquisition.

10. CAPITAL DISCLOSURES

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 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 future events.

The Corporation's capital structure includes working capital and shareholders' equity (deficit). 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 other than certain financial covenants relating to the credit facilities as disclosed in note 7.

11. INCOME TAXES

The components of the future income tax asset amounts as at September 30, 2009 and 2008 are as follows:

	2009	2008
	\$	\$
Excess of tax basis over carrying value	134,971	117,509
Future benefit of current and prior years' losses	1,034,420	898,000
Investment tax credits	91,000	91,000
	1,260,391	1,106,509
Valuation allowance	(1,260,391)	(1,106,509)
	-	-

Management has assessed the future tax assets using the criteria of whether it is more likely than not that the future tax assets can be realized. Based on the global economic downturn and the resultant uncertainty of future taxable income, management has recorded a valuation allowance of the full amount of the future tax asset as at September 30, 2009 and 2008.

As at September 30, 2009, 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 consolidated financial statements. These credits and losses expire as follows:

	Non-capital losses	Investment tax credits
	\$	\$
2010	947,000	-
2014	350,000	67,000
2015	396,000	24,000
2026	359,000	-
2027	267,000	-
2028	751,000	-
2029	855,000	-

In addition, the Corporation has approximately \$439,000 of deductible research and development expenditures with no expiry, and other net temporary deductible differences of approximately \$24,000 which expire at various dates.

Income tax 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 recovery:

	2009	2008
	\$	\$
Loss before income taxes	(649,544)	(1,342,658)
Expected income taxes – statutory rate of 30.68% (2008 - 31.71%)	(199,280)	(425,757)
Effect of tax rate changes	25,755	128,496
Impairment loss on goodwill	-	335,121
Unrealized loss on marketable securities	2,692	16,100
Adjustments to tax pools and other	16,951	26,411
Provision for future income taxes before valuation allowance	(153,882)	80,371
Change in valuation allowance	153,882	1,106,509
	-	1,186,880

12. COMMITMENTS AND CONTINGENCIES

The Corporation is committed to the following minimum annual payments for a vehicle and office leases:

	\$
2010	196,935
2011	30,966
2012	4,759
2013	3,966

During fiscal 2008, the Corporation was party to a claim for \$25,000 plus interest and costs. This claim was settled and recorded in fiscal 2009.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

The Corporation is exposed to normal credit risk from customers. Accounts receivable are generally unsecured, subject to the Corporation’s ability to file security interest under certain conditions. Default rates on unsecured credit have traditionally been below 1% of annual sales. The Corporation’s customer accounts are past due as follows: 30-60 days – \$28,000 (2008 - \$99,000); 61-90 days – \$73,000 (2008 - \$118,000); 91 days or older – \$67,000 (2008 - \$209,000). The Corporation has reviewed the past due accounts on a customer by customer basis and has provided an allowance for doubtful accounts of \$50,559 (2008 - \$56,626), all relating to past due accounts 90 days or older. Licences for proprietary software cease to function if payments are not kept current. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries. Additional sales and services may be withheld if a customer falls to pay its obligations in a timely manner.

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

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 a \$6,994 (2008 - \$6,980) adjustment to the net loss reported based upon the outstanding balances as of September 30, 2009.

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 2009, 3% (2008 – 4%) of total revenue was in US dollars. At September 30, 2009, approximately \$1,100 (2008 - \$6,500), \$53,000 (2008 - \$72,000) and \$51,000 (2008 - \$57,000) of the Corporation’s cash, accounts receivable and accounts payable and accrued liabilities were in US dollars, respectively. An increase in the value of the Canadian dollar relative to the US dollar will decrease the equivalent Canadian amounts received, while an increase in the value of the Canadian dollar will decrease the amounts received. 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/decrease income by approximately \$20 (2008 - \$200). The Corporation has no contracts in place to mitigate this exposure.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. This risk increases as revenue increases due to the need for additional working capital. The Corporation is at risk of needing to reduce operations to maintain sufficient working capital. The Corporation's financial liabilities, comprised of amounts drawn on the demand credit facilities of \$364,386 (2008 - \$438,610), and accounts payable and accrued liabilities of \$617,854 (2008 - \$645,392), are due and payable within less than one year. Of the total loans payable of \$335,000 (2008 - \$310,000), \$285,000 (2008 - \$260,000) is due in more than one year and \$50,000 (2008 - \$50,000) is current. The Corporation had a working capital deficiency of \$489,786 as of September 30, 2009. Deferred revenue of \$127,285 (2008 - \$314,245) and certain payables in the amount of \$4,175 (2008 - \$28,845) to be paid through the issuance of common shares are non-cash items, which do not affect cash working capital used to maintain operations. The Corporation is seeking 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.

14. SUPPLEMENTARY CASH FLOW INFORMATION

	2009	2008
	\$	\$
Changes in non-cash working capital:		
Accounts receivable	506,713	88,939
Prepaid expenses	11,431	1,700
Inventory	10,270	20,812
Accounts payable and accrued liabilities	(6,538)	14,566
Deferred revenue	(186,960)	59,330
	334,916	185,347
Cash interest paid	51,243	47,423

Non-cash transactions:

- (1) Refer to note 6 for issuance of common shares in 2008 and 2009 relating to the acquisition of Micro-Aid in 2008.
- (2) Refer to note 9 for issuance of common shares relating to employee share purchase plan and private placements in 2008 and 2009, and acquisition of Allnet Computing customer list in 2009.

15. SUBSEQUENT EVENTS

The Corporation issued 1,504,980 common shares from treasury on October 21, 2009 at \$0.05 per share under the employee share purchase plan (note 9), of which 500,000 were issued as repayment of long-term loans payable in lieu of employee cash contributions. The last closing price on the CNSX prior to the issuance was \$0.02 per share.