



Q2 Quarterly Report 2008

LETTER TO OUR SHAREHOLDERS

I am pleased to report that Glentel has completed the 2nd quarter of 2008 with increased earnings and growth.

Our Retail Division, with its banners WirelessWave, Tbooth / la cabine T, and WIRELESS etc, is enjoying stellar results from the continued brisk activity within the mall marketplace. The store count to the end of the 2nd quarter is 236 stores, compared to 178 stores in the same period of 2007. We have experienced solid growth in same-store mobile phones and other wireless devices sold, growing in this quarter by 7% over the corresponding period in 2007 for stores that were open throughout both periods. The mobile phone category remains vibrant in Canada, and the product line-up is extensive. The addition of new mobile phones by Apple, Samsung, LG and RIM should significantly strengthen device sales for the balance of the year. We continue to expand our three banners as opportunity allows. WirelessWave will open stores in New Brunswick and Nova Scotia, while Tbooth will open stores in British Columbia prior to the end of the year. In addition, five WIRELESS etc stores remain to be opened within Costco Wholesale Canada. We also enjoy a very special relationship with our network carriers, and endeavour to closely align our mutual corporate goals in order to maximize profitability and growth.

The recent wireless auction in Canada has closed. Glentel is well-positioned to commercially benefit from its market positioning and distribution capabilities from existing carrier partners and potential new entrants. We have made valued investments in our distribution channel with multiple retail banners, and we look forward to yielding dividends in the future from this strategy.

Our Business Division remains on course with a focus on an enhanced value for its customers, a focus that management believes should yield higher earnings potential. We continue to refine operations to enhance our enterprise sales and service offering to our customers. The current hardware two-way (walkie-talkie) radio business has limited growth potential at reasonable margins, and management has identified that an engineered wireless solution strategy will provide for positioning the company in a higher tier of wireless expertise, with a greater potential of business shared with fewer competent competitors.

The company has taken time to evaluate its operations in preparation for this transitional shift in strategy. Wireless manufacturers are also repositioning their product and expertise to provide corporate customers with a more robust solution to their communication requirements. The transition has taken our team longer than anticipated to execute. However, sales with greater profitability are achievable, and this is the end goal of this division. There have been some very important wireless system sales that have been awarded to the company. The sales process requires considerable review and consulting with our customers, taking up to a year or longer. We look forward to the delivery and installation of some of these systems prior to year end. The strengths of this division continue to be its national presence, its people, and its wireless and service expertise, which will open new opportunities to serve the evolving communication needs of its customers.

The company has the financial capacity and stability to seize opportunities that are strategic to growth. Operations continue to generate cash beyond current operational requirements. The company has made additional investments in administration, finance, information technology, marketing, and training resources. We have also completed a recent expansion of our head office to facilitate the ongoing growth of the company.

We do see opportunities to invest in new stores to further expand our footprint in Canada while we refresh our current stores. The company is currently focusing on its branding and corporate awareness in the public domain. We have made a concerted effort to make public relations and promotion of the company a priority for the future. We look forward to reporting to you in future quarters of our success in this initiative.

We are pleased with the operating progress of both divisions. Management remains positive that the balance of the year will be consistent in growth and earnings in comparison to last year.

Thank you to our team members and various stakeholders for their continued contribution to the success of Glentel.

On behalf of our Board of Directors,



Thomas E. Skidmore
Chairman, President and Chief Executive Officer

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

JULY 30, 2008

The following management's discussion and analysis ("MD&A") of Glentel Inc. ("Glentel" or "the Company") describes our business, the business environment as we see it today, our vision and strategy, as well as the critical accounting policies used in our Company that will help you understand our interim consolidated financial statements. This report should be read together with the Company's unaudited interim consolidated financial statements and the accompanying notes included therein for the six-month periods ended June 30, 2008 and 2007, and the Company's audited annual consolidated financial statements, accompanying notes included therein, and management's discussion and analysis included in the 2007 Annual Report. All of Glentel's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All financial amounts are expressed in Canadian dollars. Additional information including full disclosure of the Company's Risk Factors can be found in the Company's Annual Information Form ("AIF"), which can be obtained from the System for Electronic Document Analysis and Retrieval ("SEDAR") on the Internet at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Included herein is a "Caution Concerning Forward-Looking Statements" section which should be read in conjunction with this report.

OVERVIEW

Glentel operates two distinct divisions. The Retail Division, doing business as ("dba") WirelessWave, The Telephone Booth ("Tbooth / la cabine T") and WIRELESS etc., provides personal wireless and wired communications products and services, and choice of mobile phone network to consumers through retail stores in major shopping malls and Costco Wholesale ("Costco") stores in Canada. The Business Division provides its public and private sector customers with engineered wireless solutions – designing and commissioning wireless networks for applications in the core technical areas of terrestrial radio systems and satellite network services.

OVERALL PERFORMANCE

Consolidated sales grew 25% to \$60,494,000 for the 2nd quarter compared to \$48,571,000 in 2007. Highlights of the 2nd quarter are as follows:

- The Retail Division sales grew 29% in the 2nd quarter over the same period last year.
- Same-store mobile phones and other wireless devices sold in the Retail Division grew 7% in the 2nd quarter of 2008 in stores that were open in the same period in 2007.
- During the quarter, the Retail Division opened nine new stores: three in Tbooth / la cabine T and six WIRELESS etc stores in Costco.
- The Business Division sales were up 8% in the 2nd quarter over the same period last year.

Net income and basic earnings per share for the 2nd quarter were \$1,819,000, \$0.17 per share, compared to \$1,128,000, \$0.11 per share, for the 2nd quarter in 2007. This is due to the following:

- The Retail Division's growth in sales and earnings for the quarter was due to the increase in same-store sales and the increase in the number of stores operating in the 2nd quarter of 2008 (236 stores) compared to the same period of 2007 (178 stores).
- The Business Division's earnings continue to be flat in the 2nd quarter of 2008, as the division focuses on transitioning to a communications solutions provider from a communications products reseller, which will provide a greater value proposition to its customers.
- During the quarter, significant marketing expenses have been incurred related to fees to the new communications agency relationships that began at the start of the 2008 fiscal year.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

(In thousands of dollars, except per share amounts)

	YEARS ENDED DECEMBER 31							
	2008		2007				2006	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Sales	\$ 60,494	\$ 50,718	\$ 68,918	\$ 61,336	\$ 48,571	\$ 42,768	\$ 55,061	\$ 46,386
Operating income	2,640	397	8,007	7,038	1,822	430	4,637	2,944
Net income	\$ 1,819	\$ 257	\$ 4,798	\$ 4,430	\$ 1,128	\$ 221	\$ 3,246	\$ 1,972
Net income per share								
Basic	\$ 0.17	\$ 0.02	\$ 0.46	\$ 0.42	\$ 0.11	\$ 0.02	\$ 0.32	\$ 0.19
Diluted	\$ 0.17	\$ 0.02	\$ 0.46	\$ 0.42	\$ 0.11	\$ 0.02	\$ 0.32	\$ 0.19

Historically, the Company's business is stronger during its 3rd and 4th quarters, while the 1st quarter is generally the weakest quarter of the year. This seasonal pattern is tied closely to traditional cycles in consumer spending.

RESULTS OF OPERATIONS - ANALYSIS OF SECOND QUARTER OPERATING RESULTS

(Comparison of 2nd Quarter ended June 30, 2008 versus June 30, 2007)

Sales for the 2nd quarter ended June 30, 2008 increased 25% to \$60,494,000 compared to \$48,571,000 in 2007. Operating income before interest and taxes was \$2,640,000 for the 2nd quarter compared to \$1,822,000 in 2007.

Retail Division

Sales of mobile phone products and services in the Retail Division grew 28% to \$50,506,000 for the 2nd quarter compared to \$39,317,000 in 2007. The growth in sales was primarily due to the division operating 236 stores during the 2nd quarter in 2008 compared to 178 stores in the same period of 2007. In addition, same-store mobile phones and other wireless devices sold in the Retail Division grew 7% in the 2nd quarter of 2008 over the corresponding period in 2007 for stores that were open throughout both periods.

Sales were strengthened by a number of factors: i) the launch of Virgin Mobile post-paid mobile phones was very successful, providing customers with more choice to their mobile phone buying decision; ii) strong carrier competition has resulted in excellent pricing for consumers as the networks try to maintain market share in light of the current spectrum auction; and iii) new legislation in Québec requiring hands-free calling while driving in a vehicle resulted in record accessory sales in this region.

During the quarter, the Retail Division continued its expansion plans and opened nine new stores: three Tbooth / la cabine T, and six WIRELESS etc stores in Costco. The division currently operates 102 WirelessWave and 65 Tbooth / la cabine T mall-based stores, and 69 WIRELESS etc. stores in Costco Wholesale in Canada. The division's expansion plans are to continue with opportunities in established markets, and to open WirelessWave stores in Atlantic Canada, Tbooth / la cabine T in British Columbia, and WIRELESS etc in the remaining Costco locations, primarily in Atlantic Canada and the Prairie provinces during the balance of the year.

The Glentel Retail Academy continues to find new methods of enhancing its award-winning training programs and has signed an agreement to bring an online solution to supplement their programs.

Operating income before interest and taxes in the Retail Division increased 39% to \$5,517,000 in the 2nd quarter compared to \$3,976,000 in the previous year.

Amortization expense of property and equipment and intangible assets for the quarter increased marginally to \$759,000 compared to \$757,000 last year.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Subsequent to the end of the 2nd quarter, in July the division began selling the Apple iPhone which was launched by Rogers Communications activating on both their Rogers and FIDO networks. The division anticipates a good performance in the next two quarters, which traditionally are the strongest selling quarters of the year.

Business Division

Combined sales of terrestrial radio systems, satellite network services, and technical and engineering services in the Business Division increased 8% to \$9,988,000 for the 2nd quarter compared to \$9,254,000 in 2007. While sales and earnings remained relatively the same for the quarter, the division focused on transitioning to a communications solutions provider from a communications products reseller.

During the quarter, the division reorganized its sales and service management functions to reflect a national mandate. A new centralized 24/7 national support centre has been established to bring a higher level of customer satisfaction, which will ensure ongoing support and responsiveness to customers of major accounts for pre/post-sales service and support.

The division enhanced the engineering and implementation team to assist the sales efforts to sell system solutions. The engineering and implementations team will work closely with sales and service teams to provide both pre- and post-sales support in all product categories: terrestrial narrowband, broadband, MSAT and VSAT satellite opportunities.

The division has also successfully launched new Customer Relationship Management (CRM) software which will improve the ability to track all customer interaction and better manage the sales process of each system solution opportunity. The new CRM tool has already provided sales, service, and the engineering and implementation teams with the visibility needed to expedite projects.

During the quarter, the implementation of a national health & safety program was completed to ensure compliance of customer requirements and processes.

Operating expense for the 2nd quarter decreased to \$2,912,000 in 2008 compared to \$3,109,000 in 2007. This was due to the elimination of redundant costs as the division reorganized from a regional structure to the mandate of a national organization.

Operating income before interest and taxes for the quarter in the Business Division was a loss of \$1,000 compared to a loss of \$46,000 in 2007.

Amortization expense of property and equipment and intangible assets for the 2nd quarter increased to \$664,000 compared to \$615,000 last year. This was primarily due to additional amortization resulting from the recognition of the asset retirement obligations for certain capital assets in the division.

The Business Division does not anticipate improved operating results for the balance of the year, as it transitions to a full-service communications solutions provider. Currently, a number of sales opportunities for communications system solutions are being considered by customers; however, the longer sales cycle of these opportunities means that anticipated revenue is recognized over a longer time period.

Corporate Division

Operating expenses for the 2nd quarter increased to \$2,747,000 (4.5% of sales) compared to \$2,048,000 (4.2% of sales) last year. The majority of this increase was for administrative and marketing salaries required to support the Retail Division's growth and for marketing expenses related to communications and creative agency fees. Included in general and administrative expenses is the stock-based compensation expense of \$26,000 (2007 - \$100,000). Management and administrative services fees paid to its major shareholder were \$65,000 in the 2nd quarter of 2008 (2007 - \$230,000). Effective April 1, 2008, the Board of Directors changed the arrangement with the major shareholder and approved a compensation package that is paid directly to the President and Chief Executive Officer and which has reduced the management fee to nil.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS - ANALYSIS OF SIX MONTHS OPERATING RESULTS

(Comparison of six months ended June 30, 2008 versus June 30, 2007)

Sales for the six months ended June 30, 2008 increased 22% to \$111,212,000 compared to \$91,339,000 in 2007. Operating income before interest and taxes for the six months was \$3,037,000 compared to \$2,252,000 in 2007. Net income and basic earnings per share for the six months were \$2,076,000, \$0.19 per share, compared to \$1,349,000, \$0.13 per share, in 2007.

Retail Division

For the six months ended June 30, 2008, sales of mobile products and services in the Retail Division grew 29% to \$91,871,000 compared to \$71,079,000 in 2007. The growth in sales was primarily due to the division operating 58 more stores in the 2nd quarter of 2008 compared to 2007. In addition, same-store mobile phones and other wireless devices sold in the Retail Division grew 9% in the six months ended June 30, 2008 over the corresponding period in 2007 for stores that were open throughout both periods.

After the traditionally weak 1st quarter of the year, growth in sales for the six months was buoyed by the launch of Virgin Mobile post-paid mobile phones, which was very successful, providing customers with more choice to their mobile phone buying decision; by strong carrier competition, which resulted in excellent pricing for consumers as the networks try to maintain market share in light of the spectrum auction in Canada; and by new legislation in Québec requiring hands-free calling while driving in a vehicle, which resulted in record accessory sales in this region.

During the six months, the Retail Division continued its expansion plans and opened 12 new stores: one in WirelessWave, five in Tbooth / la cabine T, and six WIRELESS etc stores in Costco. The division currently operates 102 WirelessWave and 65 Tbooth / la cabine T mall-based stores, and 69 WIRELESS etc. stores in Costco Wholesale in Canada.

Operating income before interest and taxes for the Retail Division increased 36% to \$8,367,000 for the six months ended June 30, 2008, compared to \$6,166,000 the previous year.

Amortization expense of property and equipment, and intangible assets for the six months increased to \$1,573,000 compared to \$1,481,000 last year. This was due to the increased number of stores operating in the division in the 2nd quarter of 2008 compared to 2007.

Business Division

For the six months ended June 30, 2008, combined sales of terrestrial radio systems, satellite network services, and service/engineering support in the Business Division was down 5% to \$19,341,000 compared to \$20,260,000 in 2007. During the six months, the Business Division had successes in certain solution sales categories, such as Motorola's MotoTrbo digital radio system and Mesh networking; however, overall sales in its core terrestrial narrowband product category were down 10% over the same period last year. This was primarily due to the division's focus on transitioning to a communications solutions provider from a communications products reseller.

During the transitioning period, the division reorganized its sales and service management functions to reflect a national mandate. Improvements in certain operational functions have been completed to fulfill the transition, such as: a new centralized 24/7 national support centre to ensure ongoing support and responsiveness to customers; enhancement of the engineering and implementation team to assist the sales efforts to sell system solutions; a new Customer Relationship Management (CRM) system to improve the ability to track all customer interaction and better manage the sales process; and a national health & safety program to ensure compliance of customer requirements.

Operating income before interest and taxes for the Business Division was \$220,000 for the six months ended June 30, 2008, compared to \$366,000 the previous year.

Amortization expense of property and equipment, and intangible assets for the six months increased to \$1,304,000 compared to \$1,206,000 last year. This was primarily due to additional amortization resulting from the recognition of the asset retirement obligations for certain capital assets in the division.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporate Division

Operating expenses for the six months increased to \$5,278,000 (4.7% of sales) compared to \$4,156,000 (4.6% of sales) last year. This increase was due to administrative and marketing salaries required to support the Retail Division's growth and for marketing expenses related to communications and creative agency fees. However, operating expenses were maintained at the same relative percentage of sales. Included in general and administrative expenses is the stock-based compensation expense of \$87,000 (2007 - \$198,000).

LIQUIDITY

Cash and Cash Equivalents

The Company's cash and cash equivalents balance was \$9,601,000 at June 30, 2008, compared to \$11,303,000 at December 31, 2007. Working capital was \$31,535,000 at June 30, 2008, compared to \$31,108,000 at December 31, 2007.

Operating Activities

Cash provided by operating activities after adjusting for changes in working capital for the three months ended June 30, 2008 was \$3,748,000 compared to \$5,176,000 for the same period last year. The Company generated \$959,000 from operations, before cash provided by working capital, compared to \$527,000 provided by operations in 2007. Cash provided by working capital was \$2,789,000 compared to \$4,649,000 provided by working capital last year. The cash provided by working capital was primarily the result of the receipt of deferred revenue and vendor contributions in advance of revenue recognition, and an increase in accounts payable and accrued liabilities, and income taxes which were offset by an increase in accounts receivable and inventory balances during the 2nd quarter ended June 30, 2008, compared to 2007.

For the six months ended June 30, 2008, cash provided by operating activities after adjusting for changes in working capital was \$9,733,000 compared to \$3,549,000 for the same period last year. The Company generated \$796,000 from operations, before cash provided by working capital, compared to \$682,000 in 2007. Cash provided by working capital was \$8,937,000 compared to \$2,867,000 provided by working capital last year. The cash provided by working capital was the result of the receipt of deferred revenue and vendor contributions in advance of revenue recognition and of decreases in accounts receivable and inventory balances. This was offset by the decrease in accounts payable and accrued liabilities, and income taxes during the six months ended June 30, 2008, compared to 2007.

Financing Activities

During the three months ended June 30, 2008, cash used for financing activities was \$1,691,000, compared to \$1,487,000 during the same period last year. During the 2nd quarter, the Company received \$31,000 (\$143,000 in 2007) on the exercise of stock options. During the three months ended June 30, 2008, \$838,000 was used for the repayment of long-term debt, compared to \$849,000 the prior year. On April 30, 2008, the Company paid a quarterly dividend of \$884,000 (\$781,000 in 2007).

On July 3, 2008, the Company declared a quarterly dividend of \$0.0825 per common share with a record date of July 17, 2008, payable July 31, 2008, for a total of approximately \$884,000.

During the six months ended June 30, 2008, cash used for financing activities was \$3,201,000, compared to \$2,631,000 during the same period last year. During the six months, the Company received \$240,000 (\$613,000 in 2007) on the exercise of stock options and warrants. During the six months ended June 30, 2008, \$1,677,000 was used for the repayment of long-term debt compared to \$1,685,000 the prior year. On January 31, 2008 and April 30, 2008, the Company paid quarterly dividends totaling \$1,764,000 (\$1,559,000 in 2007).

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Investing Activities

During the three months ended June 30, 2008, cash used for investing activities totaled \$3,839,000, compared to \$2,321,000 for the same period last year. During the quarter, the Company set aside \$1,437,000 of its excess cash in short-term investments that are highly liquid money market instruments with maturities greater than three months from the date of acquisition. During the 2nd quarter, \$2,402,000 was used to acquire property and equipment. The Retail Division used \$1,711,000 for renovations and new store openings for 2008. The Business Division used \$264,000 to acquire service and rental equipment. The Corporate Division used \$427,000 primarily for renovations and expansion of the corporate head office.

During the six months ended June 30, 2008, cash used for investing activities totaled \$8,234,000, compared to \$3,156,000 for the same period last year. During the six months, the Company set aside \$5,042,000 of its excess cash in short-term investments that are highly liquid money market instruments with maturities greater than three months from the date of acquisition. During the six months, \$3,192,000 was used to acquire property and equipment. The Retail Division used \$1,797,000 for renovations and new stores opened in 2008. The Business Division used \$717,000 for investing activities in 2008, which was primarily for leasehold improvements to some of its branches and to acquire service and rental equipment. The Corporate Division used \$678,000 primarily for renovations and expansion of the corporate head office.

The Company anticipates that its cash and cash equivalents, short-term investments, cash flow from operations, and credit facility will be sufficient to fund future operations, capital expenditures, and dividends. The Company's current plan is to continue to finance its planned growth through internally generated funds.

SUMMARY OF CONTRACTUAL OBLIGATIONS

As at June 30, 2008 (In thousands of dollars)

	Total	Payments Due by Period			
		Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Long-term debt, including interest	\$ 4,663	\$ 1,986	\$ 1,599	\$ 521	\$ 557
Capital lease obligations, including interest	906	357	434	81	34
Operating leases	46,909	9,957	17,394	11,714	7,844
Total contractual obligations	\$ 52,478	\$ 12,300	\$ 19,427	\$ 12,316	\$ 8,435

CAPITAL RESOURCES

The Company has a \$3,000,000 revolving operating facility with a major Canadian chartered bank. The facility bears interest at the bank's prime rate plus 0.5% and is secured by a general security agreement over the Company's assets. At June 30, 2008, the operating bank indebtedness was \$nil.

The Company has outstanding \$600,000 and \$700,000 in fixed-term loans with the same Canadian chartered bank, secured by a general security agreement over the Company's assets, and repayable in monthly installments of \$150,000 and \$50,000 respectively plus interest at the rate of 5.77% and 6.88% per annum respectively.

The Company has outstanding a further arrangement with the same Canadian chartered bank, a \$635,000 fixed-term loan, secured by the building in Fort St. John, which is repayable in monthly installments of \$5,925 including interest at the rate of 6.02% per annum.

On July 1, 2006, the Company signed, as part of the financing for the acquisition of Digital Mobile Systems Inc., an unsecured vendor take-back note payable to Digital Mobile's former shareholder in the amount of \$850,000, which is repayable in 72 monthly installments of \$13,788 including interest at the rate of 5.25% per annum. At June 30, 2008 the principal balance outstanding was \$596,000.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

On November 1, 2006, the Company signed, as part of the financing for the acquisition of Time Mobile Communications Inc., unsecured vendor take-back notes payable to Time MCI's former shareholders in the amount of \$2,250,000, which are repayable in 60 monthly installments of \$42,719 including interest at the rate of 5.25% per annum. At June 30, 2008, the principal balance outstanding was \$1,600,000.

At June 30, 2008, the Company has a liability of \$822,000 in respect of vehicles under capital leases for terms ranging from 36 months to 66 months, which are repayable in monthly installments of approximately \$29,000 plus interest at rates ranging from 2.9% to 9.35%.

The company monitors its Debt to Tangible Net Worth ratio which is defined as Total Debt divided by Adjusted Equity (Total Equity less Goodwill, Intangible assets, Leasehold improvements and Future income taxes). The Debt to Tangible Net Worth ratio is not to be greater than 3.50 and at June 30, 2008 the ratio was 1.83 (December 31, 2007 - 2.27). The decrease in the Debt to Tangible Net Worth ratio was primarily the result of the reduction in debt from payments and a reduction in accounts payable during the period.

Total assets decreased to \$109,766,000 at June 30, 2008, compared to \$122,215,000 at the year end. The decrease in assets was the result of a draw down in inventory and accounts receivable that built up in the 4th quarter of 2007 due to the significant sales activity occurring in that quarter.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has outstanding letters of credit totaling \$40,000 (December 31, 2007 - \$40,000) that have been issued as security for the Company's obligations under a contract.

The Company has Performance/Labour and material payment bonds with a major Canadian Surety Company totaling \$3,498,000 that were required for certain customer contracts and cost the Company \$42,000.

TRANSACTIONS WITH RELATED PARTY

The Company had the following transactions with its major shareholder:

(In thousands of dollars)

	Six months ended Jun 30	
	2008	2007
Management fees	\$ 158	\$ 316
Administrative services fee	144	144
Construction services and marketing materials	1,220	598

During the six-month period, the Company paid a fee to TCG International Inc. ("TCGI"), for the managerial services of the President and Chief Executive Officer, which was approved by the Board of Directors. Effective April 1, 2008, the Board of Directors changed this arrangement and approved a compensation package that is paid directly to the President and Chief Executive Officer. Approximately 39% of the outstanding shares of the Company are owned by TCGI, which is directly and indirectly owned or controlled by the families of Thomas Skidmore, Allan Skidmore, and Arthur Skidmore. Certain other operating and administrative services provided to the Company by TCGI resulted in an administrative services fee as agreed to by the Board of Directors. In addition, the Company paid for store construction and marketing materials provided by a subsidiary of TCGI during the quarter. These related-party transactions were recorded at the exchange amount, which is the amount of consideration paid as established and agreed to by the related parties.

PROPOSED TRANSACTIONS

There are no proposed asset or business acquisitions or dispositions that require discussion at this time.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

OUTSTANDING SHARE DATA

As at July 30, 2008, the Company has not issued any additional common shares and had 10,719,820 common shares issued and outstanding. There are also 819,150 options outstanding, which entitle the holder to purchase one common share per share option of Gentel at prices ranging from \$0.95 to \$7.25.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Gentel's management, including the Chief Executive Officer and Chief Financial Officer, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as at June 30, 2008. Management has concluded that as at June 30, 2008, the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this report was being prepared.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that the Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

As disclosed in the December 31, 2007 annual consolidated financial statements, on January 1, 2008, the Company adopted the following standards: CICA Sections 1535 "*Capital Disclosures*," 3862 "*Financial Instruments – Disclosures*" and Section 3863 "*Financial Instruments – Presentation*," and 3031 "*Inventories*."

CICA Handbook Section 1535 "*Capital Disclosures*." This Section establishes standards for disclosing information about an entity's capital and how it is managed (see Note 9).

CICA Handbook Section 3862 "*Financial Instruments – Disclosures*" and Section 3863 "*Financial Instruments – Presentation*," which will replace Section 3861 "*Financial Instruments – Disclosure and Presentation*." The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed (see Note 10). The new presentation standards carry forward the former presentation requirements.

CICA Handbook Section 3031 "*Inventories*," replaced Section 3030 with the same title. This Section prescribes the measurement of inventory at the lower of cost and net realizable value. The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The adoption of this standard has had no material impact on the Company's consolidated financial statements.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Glentel prepares its consolidated financial statements in accordance with Canadian GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates are based on historical experience, anticipated results and trends, and on various other assumptions that are believed by management to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, adequacy of allowance for doubtful accounts, adequacy of inventory reserve, impairment of goodwill, and future income tax assets. By their nature, estimates are subject to an inherent degree of uncertainty, and actual results may differ from the estimates.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements:

Accounts Receivable

The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to make required payments. Management follows conservative practices in granting trade credit and diligently practices several credit risk minimizing techniques. Management specifically analyzes the age of outstanding customer balances, historical bad debt experience, and changes in customer payment patterns when making estimates of the Company's uncollectible accounts receivable balances. These amounts form the basis of the Company's allowance for doubtful accounts.

Inventory

The Company values its inventory at the lower of cost and net realizable value. Cost is determined to be third-party delivered costs. Net realizable value reflects the current estimated net selling price of the items in inventory in the ordinary course of business. Due to the high rate of technological change, management closely monitors the quality and profile of inventories to identify items that may present a risk. Once such risk is identified, various strategies are developed to maximize the realizable value, such as return to the manufacturer, promotional activity (advertising, markdowns, etc), and finally, liquidation. Management reviews inventory item profiles on an ongoing basis, which minimizes overall risk, and updates its estimates of the amount required for inventory write-downs to reflect such risk. Estimated unrecoverable amounts are charged to earnings in the period in which the condition is identified.

Goodwill, Long-lived and Intangible Assets

The Company assesses the impairment of goodwill and intangible assets with an indefinite life on an annual basis, and assesses long-lived assets whenever events or changes in circumstances indicate that the asset might be impaired. Factors that the Company considers could trigger an impairment review include significant underperformance relative to plan, a change in the Company's business strategy, or significant negative industry or economic trends. When the Company believes that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of potential impairment, the Company determines what impairment, if any, exists based on the fair value of the long-lived asset. The Company designated December 31 as the date for annual impairment reviews. At December 31, 2007, and December 31, 2006, no impairment write-down was required.

Future Income Tax Assets

The Company evaluates its future income tax assets to assess whether their realization is more likely than not. If their realization is not considered more likely than not, a valuation allowance is provided. The ultimate realization of the future income tax asset is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers projected future income and tax planning strategies in making its assessment. If it is determined that the Company would not be able to realize the future tax assets, an adjustment is made to the future tax assets that would be charged to operations.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue Recognition

The Company includes in revenue all amounts related to the sale of products and services. Revenue from the sale of personal wireless and wired communications products is recognized at the point of sale when the services are performed and the risk and reward has transferred to the customer. Revenue includes activation service fees, enhancements fees, and subsidies relating to the activation services that are received from cellular service providers. In addition, periodic bonus contributions are received from cellular service providers related to activation services provided and are recognized in the period the services are performed. Where periodic incentive and service activation enhancement arrangements exist, the Company considers such payments to represent separate units of accounting and recognizes such amounts in accordance with EIC-144 Accounting by a Customer for Certain Consideration Received from a Vendor, when conditions relating to receipt are met and the amounts are fixed or determinable. Additional amounts are received for cooperative advertising, facility upgrades, and similar market development activities. Receipts of this nature are used to offset the related program expenditures.

Revenue from sales of prepaid calling cards is recognized on a net basis (see Note 2 in the audited annual consolidated financial statements) as the company is not the primary obligor of the related phone service, has no significant continuing obligation with respect to service, the price to the consumer is fixed or determinable, and collection is reasonably assured.

The Company recognizes revenue from business communications product sales when title transfers, the risk and rewards of ownership have been transferred to the customer, the fee is fixed and determinable, and collection of the receivable is reasonably assured, which is generally at the time of shipment. Revenue from contracts for communication system solution sales are deferred until technological feasibility is established, customer acceptance is obtained, and other contract-specific terms have been completed. Revenue for services is recognized ratably over the contract term or as services are being performed.

Rental revenue from rental of equipment is recognized over the term of the rental agreement. Premium protection plan revenues are deferred and amortized to sales in the statement of operations on a straight-line basis over the term of the contract.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting in 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly.

On January 1, 2009, the Company will be required to adopt the CICA Section 3064 *"Goodwill and Intangible Assets,"* which will replace the existing Goodwill and Intangible Asset standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The Company is evaluating the implications of this standard but expects no material impact on the consolidated financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors were not requested to review the unaudited interim financial statements for the period ended June 30, 2008 and 2007.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in the Management's Discussion and Analysis, other than statements of historical fact, are forward-looking in nature and involve various risks and uncertainties. These can include, without limitations, statements concerning possible or assumed future results of operations of the Company preceded by, followed by, or that include words and phrases such as "will," "believes," "plans," "intends," "expects," "anticipates," "estimates" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties, and assumptions related to all aspects of the wireless communications industry and the global economy. As a result, the Company's actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate.

You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement (and such risks, uncertainties, and other factors) speak only as of the date on which it was originally made, and Glentel expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this document to reflect any change in expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based, except as required by law. New factors emerge from time to time, and it is not possible for Glentel to predict what factors will arise or when. In addition, Glentel cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited) In thousands of dollars (except per share amounts)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Sales	\$ 60,494	\$ 48,571	\$ 111,212	\$ 91,339
Cost of sales	33,992	27,301	62,542	51,767
Operating and administrative expenses	22,310	18,016	42,484	34,509
Income before interest, taxes and amortization	4,192	3,254	6,186	5,063
Amortization, property and equipment, and intangible assets	1,552	1,432	3,149	2,811
Operating income before under-noted items	2,640	1,822	3,037	2,252
Interest income	148	145	262	272
Interest expense - long-term	(83)	(125)	(174)	(265)
Income before taxes	2,705	1,842	3,125	2,259
Income tax expense	886	714	1,049	910
Net income and comprehensive income	\$ 1,819	\$ 1,128	\$ 2,076	\$ 1,349
Basic net income per share	\$ 0.17	\$ 0.11	\$ 0.19	\$ 0.13
Diluted net income per share	\$ 0.17	\$ 0.11	\$ 0.19	\$ 0.12

INTERIM CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited) In thousands of dollars

	June 30, 2008	June 30, 2007
Retained earnings, beginning of year	\$ 27,664	\$ 19,445
Net income	2,076	1,349
Dividends	(1,764)	(789)
Retained earnings, end of period	\$ 27,976	\$ 20,005

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited) In thousands of dollars

	Jun 30, 2008	Dec 31, 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 9,601	\$ 11,303
Short-term investments	5,042	-
Accounts receivable (Note 10(b))	27,669	37,289
Income taxes receivable	1,489	-
Inventory (Note 5)	21,755	30,601
Prepaid expenses	1,319	781
Current portion of future income tax benefits	3,163	2,933
	70,038	82,907
Property and equipment	21,035	20,430
Deferred pension costs	115	115
Intangible assets	5,201	5,502
Goodwill	11,271	11,271
Future income tax benefits	2,106	1,990
	\$ 109,766	\$ 122,215
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 26,478	\$ 38,199
Income taxes payable	-	1,782
Current portion of deferred revenue and vendor contributions	9,914	8,771
Current portion of long-term debt	2,111	3,047
	38,503	51,799
Asset retirement obligation	772	754
Deferred revenue and vendor contributions	9,395	8,726
Long-term debt	2,841	3,320
	51,511	64,599
Shareholders' Equity		
Share capital	29,144	28,825
Contributed surplus	1,135	1,127
Retained earnings	27,976	27,664
	58,255	57,616
	\$ 109,766	\$ 122,215

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) In thousands of dollars

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Operating Activities				
Net income	\$ 1,819	\$ 1,128	\$ 2,076	\$ 1,349
Items not affecting cash:				
Stock-based compensation	26	100	87	198
Accretion expense	8	-	17	-
Amortization, property and equipment, and intangible assets	1,552	1,440	3,149	2,819
Amortization, deferred revenue and vendor contributions	(2,110)	(1,646)	(4,187)	(3,189)
Future income taxes	(336)	(495)	(346)	(495)
	959	527	796	682
Cash provided by working capital (Note 11)	2,789	4,649	8,937	2,867
	3,748	5,176	9,733	3,549
Financing Activities				
Issuance of share capital	31	143	240	613
Repayment of long-term debt	(838)	(849)	(1,677)	(1,685)
Payment of dividends	(884)	(781)	(1,764)	(1,559)
	(1,691)	(1,487)	(3,201)	(2,631)
Investing Activities				
Changes in short-term investments	(1,437)	-	(5,042)	-
Acquisition of property and equipment	(2,402)	(2,306)	(3,192)	(3,141)
Acquisition of goodwill and intangible assets	-	(15)	-	(15)
	(3,839)	(2,321)	(8,234)	(3,156)
Net cash inflow (outflow)	(1,782)	1,368	(1,702)	(2,238)
Cash and cash equivalents, beginning of period	11,383	11,989	11,303	15,595
Cash and cash equivalents, end of period	\$ 9,601	\$ 13,357	\$ 9,601	\$ 13,357
Supplemental Cash Flow Information:				
Interest paid	\$ 83	\$ 125	\$ 174	\$ 265
Income taxes paid	\$ 1,443	\$ 2,477	\$ 4,320	\$ 3,479
Supplemental Non-Cash Financing and Investing Disclosure:				
Acquisition of equipment under capital leases	\$ 176	\$ 118	\$ 262	\$ 234

Note: Cash and cash equivalents consist of cash on deposit and highly liquid cash equivalents.

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). These accounting policies are consistent with those outlined in the annual audited financial statements, except as noted below. The disclosures provided below are incremental to those included with the annual audited consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the Company's audited financial statements, accompanying notes, and management discussion and analysis for the year ended December 31, 2007 included in the Company's Annual Report as they do not include all information and note disclosures required by GAAP for annual financial statements. In management's opinion, the unaudited financial information includes all adjustments necessary to present fairly such information.

2. SEASONAL NATURE OF OPERATIONS

The Company's business follows a seasonal pattern, whereby revenues are traditionally higher in the third and fourth quarters due to seasonal demand for the Company's products. Consequently, operating results for interim periods are not necessarily indicative of operating results for the full fiscal year.

3. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

As disclosed in the December 31, 2007 annual consolidated financial statements, on January 1, 2008, the Company adopted the following standards: CICA Sections 1535 "*Capital Disclosures*," 3862 "*Financial Instruments – Disclosures*" and Section 3863 "*Financial Instruments – Presentation*," and 3031 "*Inventories*."

CICA Handbook Section 1535 "*Capital Disclosures*." This Section establishes standards for disclosing information about an entity's capital and how it is managed (see Note 9).

CICA Handbook Section 3862 "*Financial Instruments – Disclosures*" and Section 3863 "*Financial Instruments – Presentation*," which will replace Section 3861 "*Financial Instruments – Disclosure and Presentation*." The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed (see Note 10). The new presentation standards carry forward the former presentation requirements.

CICA Handbook Section 3031 "*Inventories*," replaced Section 3030 with the same title. This Section prescribes the measurement of inventory at the lower of cost and net realizable value. The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The adoption of this standard has had no material impact on the Company's consolidated financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting in 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly.

On January 1, 2009, the Company will be required to adopt the CICA Section 3064 "*Goodwill and Intangible Assets*," which will replace the existing Goodwill and Intangible Asset standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The Company is evaluating the implications of this standard but expects no material impact on the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

5. INVENTORY

Inventories consisting primarily of goods purchased for resale are valued at the lower of cost or net realizable value. Cost is determined to be third-party delivered costs. Net realizable value reflects the current estimated net selling price of the items in inventory in the ordinary course of business. Inventory obsolescence expense of \$628,000 (2007 - \$499,000) was recognized in the period ending June 30, 2008. In addition, the Company provided for a write-down against the inventory reserve of \$1,295,000 (2007 - \$297,000). As at June 30, 2008 and December 31, 2007, the Company had recorded reserves for inventory obsolescence of \$1,211,000 and \$1,879,000 respectively. During the period ended June 30, 2008 the Company recognized \$55,252,000 (2007 - \$45,161,000) of inventories as an expense in the cost of sales.

The classifications of inventory are as follows:

(In thousands of dollars)	Jun 30 2008	Dec 31 2007
Finished Goods		
Retail Division	\$ 17,738	\$ 26,883
Business Division	4,017	3,718
Total Finished Goods	\$ 21,755	\$ 30,601

Inventories in the amount of \$1,000,000 are pledged as security for bank debt.

6. LONG-TERM DEBT

The Company has outstanding a \$600,000 and \$700,000 fixed-term loan with a major Canadian chartered bank, secured by a general security agreement over the Company's assets. The loans are repayable in monthly installments of \$150,000 and \$50,000 respectively plus interest at the rate of 5.77% and 6.88% per annum, due October 31, 2008 and August 31, 2009. The fixed-term loans were utilized for the acquisition of Cabtel Corporation in 2005 and the acquisition of the assets of Quasar in 2006.

The Company has outstanding a further arrangement with the same Canadian chartered bank, a \$635,000 fixed-term loan, secured by the building in Fort St. John, repayable in monthly installments of \$5,925 including interest at the rate of 6.02% per annum, due April 30, 2013.

The Company has outstanding unsecured vendor take-back notes to former shareholders of Digital Mobile Systems Inc. and Time Mobile Communications Inc. At June 30, 2008, the outstanding note issued to the former shareholder of Digital Mobile was \$596,000 and is repayable in monthly installments of \$13,788 including interest at the rate of 5.25% and maturing in 2012. At June 30, 2008, the outstanding notes issued to the former shareholders of Time MCI were \$1,600,000 and are repayable in total monthly installments of \$42,719 including interest at the rate of 5.25% and maturing in 2011.

In the normal course of business, the Company enters into capital lease arrangements to finance the purchase of vehicles and other equipment used for operations. These capital leases are with multiple vendors and are issued at interest rates varying from 2.9% up to 9.35% and mature on various dates up to 2011. At June 30, 2008, the outstanding obligations under these leases were \$822,000 and are secured by the assets acquired.

CONSOLIDATED FINANCIAL STATEMENTS

7. SHARE CAPITAL

- During the six months ended June 30, 2008, the Company issued 48,125 common shares on the exercise of stock options. At June 30, 2008, the Company had 819,150 (December 31, 2007 – 871,650) stock options outstanding, which entitle the holder to purchase one common share per share option of Glentel at prices ranging from \$0.95 to \$7.25. There were no additional options granted during the quarter and 4,375 stock options were cancelled.
- At June 30, 2008, the Company had 10,719,820 (December 31, 2007 – 10,671,695) common shares issued and outstanding.
- The following table provides a reconciliation of weighted average number of shares outstanding used to calculate basic and fully diluted income per share.

(Numbers in thousands)	Three months ended Jun 30		Six months ended Jun 30	
	2008	2007	2008	2007
Weighted average number of common shares outstanding	10,716	10,420	10,685	10,335
Effect of dilutive stock options	(7)	(39)	399	488
Weighted average number of dilutive common shares outstanding	10,709	10,381	11,084	10,823

8. OFF-BALANCE SHEET ARRANGEMENTS

The Company has outstanding letters of credit totaling \$40,000 (December 31, 2007 - \$40,000) that have been issued as security for the Company's obligations under certain contracts.

The Company has Performance/Labour and material payment bonds with a major Canadian Surety Company totaling \$3,498,000 that were required for a certain customer contract, which cost the Company \$42,000.

9. CAPITAL MANAGEMENT

The Company's primary source of capital is its shareholders' equity and cash flow from operating activities before net changes in non-cash working capital balances. The Company augments these capital sources with a \$3.0 million operating facility which can be used to finance its net working capital and general corporate requirements and a term debt facility used for acquisitions. The facility contains certain restrictive covenants, which the Company was in compliance with as at June 30, 2008. The company monitors its Debt to Tangible Net Worth ratio which is defined as Total Debt divided by Adjusted Equity (Total Equity less Goodwill, Intangible assets, Leasehold improvements, and Future income taxes). The Debt to Tangible Net Worth ratio is not to be greater than 3.50 and at June 30, 2008 the ratio was 1.83 (December 31, 2007 - 2.27).

In management's opinion, the Company's available borrowing capacity under its bank operating facility and ongoing cash flow from operations are sufficient to resource its anticipated contractual obligations, future operations, capital expenditures and dividends. The company does not anticipate any restrictions, other than in the normal course of business, on its bank operating loan in 2008.

CONSOLIDATED FINANCIAL STATEMENTS

9. CAPITAL MANAGEMENT (CONTINUED)

The following table provides a summary of contractual obligations:

As at June 30, 2008 (In thousands of dollars)	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Long-term debt, including interest	\$ 4,663	\$ 1,986	\$ 1,599	\$ 521	\$ 557
Capital lease obligations, including interest	906	357	434	81	34
Operating leases	46,909	9,957	17,394	11,714	7,844
Total contractual obligations	\$ 52,478	\$ 12,300	\$ 19,427	\$ 12,316	\$ 8,435

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value

The Company's financial instruments recognized on the consolidated balance sheet consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. The fair values of these financial instruments, excluding long-term debt, approximate their carrying values due to their short-term maturity.

At June 30, 2008, the fair value of long-term debt was estimated by using market quotes, as well as discounting the remaining contractual cash flows using a rate at which the Company could issue debt with a similar remaining maturity as of the balance sheet date. The fair value of long-term debt approximates the carrying value.

(b) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company has a concentration of receivables in its Retail Division.

The following table provides the ageing analysis of accounts receivable:

(In thousands of dollars)	Jun 30 2008	Dec 31 2007
Current	\$ 20,237	\$ 28,191
31 - 60 days	3,329	3,309
61 to 90 days	1,611	3,168
91 days +	2,492	2,621
Total Accounts receivable	\$ 27,669	\$ 37,289

CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Financial risk

Financial risk is the risk to the Company's earnings that arises from fluctuations in interest rates and foreign exchange rates. The Company does not use derivative instruments to reduce its exposure to these risks, as management does not consider these risks to be material.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's principal cash requirements are for interest payments on its debt, capital expenditures, dividends and working capital needs. The Company uses its operating cash flows, operating facility, and cash balances to maintain its liquidity.

(e) Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company has minimal exposure to interest rate risk as the Company is primarily funded by fixed-rate debt obligations and equity. The Company has a \$3,000,000 revolving operating facility with a major Canadian chartered bank. The facility bears interest at the bank's prime rate plus 0.5%. At June 30, 2008, the operating bank indebtedness was \$ nil. The foreign currency risk to the Company is immaterial as substantially all purchases and expenditures are in Canadian dollars.

11. CASH PROVIDED BY (USED FOR) WORKING CAPITAL

(In thousands of dollars)	Three months ended Jun 30		Six months ended Jun 30	
	2008	2007	2008	2007
Accounts receivable	\$ (5,337)	\$ (2,411)	\$ 9,620	\$ 5,483
Income taxes receivable/payable	(404)	(1,270)	(3,271)	(2,105)
Inventory	(1,647)	460	8,846	6,460
Prepaid expenses	55	291	(538)	(638)
Accounts payable and accrued liabilities	6,808	4,280	(11,721)	(11,250)
Deferred revenue and vendor contributions	3,314	3,299	6,001	4,917
	\$ 2,789	\$ 4,649	\$ 8,937	\$ 2,867

12. SEGMENTED INFORMATION

The Company operates primarily within Canada in two distinguishable industry segments. The Retail Division provides personal communications products and services to consumers. The Business Division provides a wide range of terrestrial and satellite communications products and services to commercial, government and industrial customers.

CONSOLIDATED FINANCIAL STATEMENTS

Information by business segment is as follows:

(In thousands of dollars)	Three months ended Jun 30		Six months ended Jun 30	
	2008	2007	2008	2007
Sales to external customers				
Retail Division	\$ 50,506	\$ 39,317	\$ 91,871	\$ 71,079
Business Division	9,988	9,254	19,341	20,260
	60,494	48,571	111,212	91,339
Income before interest, taxes and amortization				
Retail Division	6,276	4,733	9,940	7,647
Business Division	663	569	1,524	1,572
Corporate	(2,747)	(2,048)	(5,278)	(4,156)
	4,192	3,254	6,186	5,063
Amortization, other than deferred revenue and vendor contributions				
Retail Division	759	757	1,573	1,481
Business Division	664	615	1,304	1,206
Corporate	129	60	272	124
	1,552	1,432	3,149	2,811
Operating income (loss) before interest and taxes				
Retail Division	5,517	3,976	8,367	6,166
Business Division	(1)	(46)	220	366
Corporate	(2,876)	(2,108)	(5,550)	(4,280)
	\$ 2,640	\$ 1,822	\$ 3,037	\$ 2,252
Capital expenditures				
Retail Division			\$ 1,797	\$ 1,740
Business Division			717	1,233
Corporate			678	168
			\$ 3,192	\$ 3,141
Total long-lived assets employed			Jun 30 2008	Dec 31 2007
Retail Division			\$ 11,439	\$ 11,140
Business Division			12,168	12,567
Corporate			2,629	2,225
			\$ 26,236	\$ 25,932
Goodwill				
Retail Division			\$ 6,646	\$ 6,646
Business Division			4,625	4,625
			\$ 11,271	\$ 11,271

RETAIL STORE LOCATIONS



102 Locations across Canada

BRITISH COLUMBIA

Abbotsford	Sevensoaks Shopping Centre
Burnaby	Brentwood Town Centre Lougheed Town Centre Metropolis at Metrotown (kiosk and in-line)
Chilliwack	Cottonwood Mall
Coquitlam	Coquitlam Centre
Kamloops	Aberdeen Mall
Kelowna	Orchard Park Mall
Langley	Willowbrook Shopping Centre
Nanaimo	Woodgrove Centre
Penticton	Cherry Lane Shopping Centre
Prince George	Pine Centre
Richmond	Richmond Centre
Surrey	Guildford Town Centre
Vancouver	Oakridge Shopping Centre Pacific Centre
Vernon	Village Green Mall
Victoria	Hillside Shopping Centre Mayfair Shopping Centre
West Vancouver	Park Royal Shopping Centre (North and South Malls)

ALBERTA

Calgary	Chinook Centre Calgary Eaton Centre Southcentre Mall Marlborough Mall Market Mall Sunridge Mall
Edmonton	Kingsway Garden Mall Londonderry Mall Mill Woods Town Centre Sherwood Park Mall Southgate Centre West Edmonton Mall (Phase II) West Edmonton Mall (Phase III)
Fort McMurray	Peter Pond Shopping Centre
Grande Prairie	Prairie Mall
Lethbridge	Park Place Mall
Lloydminster	Lloyd Mall
Medicine Hat	Medicine Hat Mall
Red Deer	Parkland Mall

MANITOBA

Winnipeg	Polo Park Shopping Centre St Vital Centre Kildonan Place
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RETAIL STORE LOCATIONS



ONTARIO

Barrie	Georgian Mall		
Belleville	Quinte Mall	Owen Sound	Heritage Place
Brampton	Bramalea City Centre	Peterborough	Lansdowne Place
	Shoppers World Brampton	Pickering	Pickering Town Centre
Brantford	Lynden Park Mall	Sarnia	Lambton Mall
Burlington	Burlington Mall	Sault Ste Marie	Station Mall
	Mapleview Shopping Centre	Scarborough	Scarborough Town Centre
Cambridge	Cambridge Centre	St Catharines	New Fairview Mall
Etobicoke	Cloverdale Mall		Pen Centre
	Woodbine Centre	Stoney Creek	Eastgate Square
Guelph	Stone Road Mall	Sudbury	New Sudbury Centre
Hamilton	Jackson Square	Thornhill	The Promenade Shopping Centre
	Lime Ridge Mall	Toronto	BCE Place
Kingston	Cataquai Town Centre		Centrepoint Mall
Kitchener	Fairview Park Mall		Dufferin Mall
London	Masonville Place		Eglinton Square Shopping Centre
	White Oaks Mall		Hudson's Bay Centre
Markham	Markville Shopping Centre		TD Centre
Milton	Milton Mall		Toronto Eaton Centre
Mississauga	Dixie Outlet Mall		Yorkdale Shopping Centre
	Erin Mills Town Centre	Vaughan	Vaughan Mills
	Square One Shopping Centre		(kiosk and in-line)
	(Upper and Lower Levels)	Waterloo	Conestoga Mall
Newmarket	Upper Canada Mall	Windsor	Devonshire Mall
North Bay	Northgate Shopping Centre		Tecumseh Mall
North York	Fairview Mall		
Oakville	Oakville Place Shopping Centre		
Oshawa	Oshawa Centre		
Ottawa	Bayshore Shopping Centre		
	Billings Bridge Plaza		
	Carlingwood Shopping Centre		
	Place d'Orleans		
	Rideau Centre		
	St Laurent Centre		

RETAIL STORE LOCATIONS



65 locations across Canada

BRITISH COLUMBIA

Burnaby Brentwood Town Centre
Richmond Richmond Centre
Surrey Guildford Town Centre

ALBERTA

Calgary Chinook Centre
 Market Mall
 Marlborough Mall
 Sunridge Mall
 TD Square
Edmonton Kingsway Garden Mall
 Londonderry Mall
Medicine Hat Medicine Hat Mall
Red Deer Bower Place

ONTARIO

Belleville Quinte Mall
Brampton Bramalea City Centre
Burlington Burlington Mall
Cambridge Cambridge Centre
Etobicoke Sherway Gardens
 Woodbine Centre
Geulph Stone Road Mall
Hamilton Jackson Square
 Lime Ridge Mall
Kingston Cataraqui Town Centre
Kitchener Fairview Park Mall
London Masonville Place
 Westmount Shopping Centre
 White Oaks Mall
Markham Markville Shopping Centre
Mississauga Erin Mills Town Centre
 Square One Shopping Centre

Newmarket Upper Canada Mall
North York Fairview Mall
Ottawa Bayshore Shopping Centre
 Carlingwood Shopping Centre
 Place d'Orleans
 Rideau Centre
 St Laurent Centre
Pickering Pickering Town Centre
Richmond Hill Hillcrest Mall
Scarborough Scarborough Town Centre
St Catharines Pen Centre
Stoney Creek Eastgate Square
Thornhill The Promenade Shopping Centre
Toronto Centerpoint Mall
 Toronto Eaton Centre
 Yorkdale Shopping Centre
Vaughan Vaughan Mills
Windsor Devonshire Mall

RETAIL STORE LOCATIONS



QUÉBEC

Anjou	Galeries d'Anjou	Repentigny	Les Galeries Rive-Nord
Gatineau	Promenades de l'Outaouais	Rosemère	Place Rosemère
Lasalle	Carrefour Angrignon	Sherbrooke	Carrefour de l'Estrie
Laval	Carrefour Laval	St-Bruno	Promenades St-Bruno
Montréal	Centre Eaton Montréal	St-Jérôme	Carrefour du Nord
	Centre Rockland	St-Laurent	Place Vertu
Pointe-Claire	Fairview Pointe-Claire	Ste-Foy	Place Laurier
Québec	Galeries de la Capitale (kiosk and in-line)	Trois-Rivières	Les Rivières
	Place Fleur de Lys		

RETAIL STORE LOCATIONS

WIRELESS etc...

69 locations across Canada

BRITISH COLUMBIA

Abbotsford
Burnaby (2)
Kamloops
Kelowna
Langford
Langley
Nanaimo
Port Coquitlam
Prince George
Richmond
Vancouver

ALBERTA

Calgary (3)
Edmonton (3)
Grande Prairie
Lethbridge
Medicine Hat
Red Deer
Sherwood Park

MANITOBA

Winnipeg (3)

ONTARIO

Ajax
Ancaster
Barrie
Brampton
Burlington
Etobicoke
Gloucester
Kanata
Kingston
Kitchener
London (2)
Markham (2)
Mississauga (2)
Nepean
Newmarket
North York
Richmond Hill
Scarborough
St Catharines

Sudbury
Vaughan
Windsor

QUÉBEC

Anjou
Boisbriand
Brossard
Boucherville
Candiac
Chicoutimi
Gatineau
Laval
Marché Central
Montréal
Pointe-Claire
Québec
Sherbrooke
Ste-Foy
St-Hubert
St-Jérôme
Terrebonne
Trois-Rivières-Ouest

BUSINESS CENTRE LOCATIONS



18 locations across Canada

BRITISH COLUMBIA

Vancouver

Fort St John

ALBERTA

Athabasca

Calgary

Edmonton

Grande Prairie

Lethbridge

Medicine Hat

Red Deer

SASKATCHEWAN

Saskatoon

ONTARIO

Hamilton

Hanover

London

Mississauga

Ottawa

Perth

Sarnia

Scarborough

