



**YOUR WIRELESS SOLUTION**

**09**  
QUARTERLY REPORT

# Letter To Our Shareholders

I am pleased to report a strong performance for the 2nd quarter of 2009 in both sales and profits. The recent weakness in the Canadian economy continues to negatively affect many businesses; however, the need for commerce and people to communicate and remain in touch has provided opportunity for GLENTEL to grow.

Sales in the Retail Division grew 14% compared to 2008. Smartphones have become a growing and profitable product segment within our stores. During the 2nd, quarter, Apple introduced the new 3GS iPhone, and a new Android phone powered by Google was also introduced, with both products experiencing brisk sales. We have placed a concentrated focus on a data activation coupled with a voice activation with each smartphone sold. Growth of same-store activations of mobile phones and wireless devices grew 10% compared to the same period in 2008, while profits grew as well.

GLENTEL has expanded its retail distribution during the quarter by opening two new stores while refreshing others. The company has its focus on maintaining its leading position in the mall marketplace. In spite of the economic uncertainty, our operating results are in line with our operating goals. We anticipate opening five stores in Saskatchewan in the second half of the year. We are excited to announce that SaskTel has agreed to allow GLENTEL to activate subscribers on its network in Saskatchewan. SaskTel is the leading carrier in Saskatchewan.

New wireless products and services by incumbent Canadian carriers and new carrier entrants promise to bring renewed interest to the wireless segment in Canada. Our company is well positioned to offer a strong retail distribution channel to capitalize on this unprecedented activity.

Our Business Division continues to control its costs while developing a strong national sales and service force to serve its existing customer base and to cater to the increasing needs of the three levels of government, public security, and the oil, gas, energy and transportation sectors. The division has been reliant in the past on the continued growth and health of the oil and gas exploration and service business customers; however, the lessened activity and aborted projects in these areas have taken their toll on results. Recently, there has been an increase in service maintenance agreements to customers in oil and gas, hospitals and governments. Our management has been encouraged by the recent award of significant system sales, however the majority of the revenue from these sales will not be recognized until the last half of 2009 and 2010. We remain confident that as the economy continues to recover, the profitability of the division is expected to strengthen.

GLENTEL has a strong balance sheet with considerable cash on hand while generating cash from its operations. We continue to explore new opportunities that will allow the company to expand its distribution channel and leverage its wireless carrier agreements. Our directors are pleased that our financial health has allowed for a consistent declaration of quarterly dividends.

As we look into the future, our management and directors are encouraged by our unique position in the mall marketplace and high traffic districts. We are very pleased with the strength of our 2nd quarter financial results and we anticipate that this will continue for the balance of the year. We know there are new entrants, with unprecedented disruption occurring within our wireless sector; however, we do expect the incumbents to appropriately respond to any new offering while placing GLENTEL to capitalize on its strategic distribution channel investment.

Thank you for your continued confidence in the leadership of our management, team members and directors.

On behalf of the Board of Directors,



Thomas E. Skidmore  
*Chairman, President and Chief Executive officer*

# Interim Management's Discussion and Analysis

July 29, 2009

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 three and six month periods ended June 30, 2009 and 2008, and the Company's audited annual consolidated financial statements, accompanying notes included therein, and management's discussion and analysis included in the 2008 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](http://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 carrier, to consumers through retail stores in major shopping malls, retail locations, and Costco Wholesale 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 12% to \$67,849,000 for the 2nd quarter compared to \$60,494,000 in 2008. Highlights of the 2nd quarter are as follows:

- The Retail Division sales grew 14% in the 2nd quarter over the same period last year.
- Same-store activations of mobile phones and other wireless devices sold in the Retail Division grew 10% in the 2nd quarter of 2009 in stores that were open in the same period in 2008. During the quarter, the Retail Division opened two new stores: one in Tbooth / la cabine T and one in WIRELESS etc.
- Retail sales of higher-end multimedia devices and smartphone technology continue to drive activations. This fact, combined with the Retail Division's commitment to data activations, has provided increased revenue and profitability.
- The Business Division sales increased 2% in the 2nd quarter over the same period last year; however, gross margin on sales fell by four percentage points during this same period.

Consolidated net income and basic earnings per share for the 2nd quarter increased to \$2,644,000, \$0.24 per share, compared to \$1,819,000, \$0.17 per share, for the 2nd quarter in 2008. This is due to the following:

- The Retail Division's operating income before interest and taxes for the quarter grew 30% to \$7,178,000 compared to \$5,517,000 the previous year.

# Interim Management's Discussion and Analysis

- The Business Division's operating income before interest and taxes was a loss of \$247,000 for the quarter compared to a loss of \$1,000 in 2008.
- Administrative and marketing expenses increased 5% during the 2nd quarter to \$2,880,000 compared to \$2,747,000 in 2008.
- The Company continued to repurchase common shares, which it had commenced in March 2009, pursuant to a normal course issuer bid filed with the Toronto Stock Exchange ("TSX"). The Company believes that, from time to time, the market price of its common shares does not fully reflect the value of the business or future business prospects and that, at such times, outstanding common shares are an attractive, appropriate, and desirable use of available Company funds.

## Summary of Consolidated Quarterly Results

(In thousands of dollars, except per share amounts)

	Years Ended December 31							
	2009		2008				2007	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
	\$	\$	\$	\$	\$	\$	\$	\$
Sales (1)	<b>67,849</b>	67,444	87,507	90,614	60,494	50,718	68,918	61,336
Operating income before impairment of goodwill, interest and taxes	<b>5,408</b>	3,513	7,867	9,685	2,640	397	8,007	7,038
Impairment of goodwill (2)	–	–	(4,625)	–	–	–	–	–
Operating income before interest and taxes	<b>3,897</b>	3,513	3,242	9,685	2,640	397	8,007	7,038
Net income	<b>2,644</b>	2,416	897	6,550	1,819	257	4,798	4,430
Net income per share (2)								
Basic	<b>0.24</b>	0.22	0.08	0.61	0.17	0.02	0.46	0.42
Diluted	<b>0.24</b>	0.22	0.08	0.61	0.16	0.02	0.46	0.42

- 1) 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.
- 2) During the 4th quarter of 2008, the Company performed its normal course annual impairment test of goodwill and determined that goodwill related to its Business Division was impaired and recorded a charge of \$4,625,000, which reduced basic earnings per share by \$0.42 in the 4th quarter of 2008.

## Results of Operations - Analysis of Second Quarter and Six Months Operating Results

(Comparison of 2nd quarter and six months ended June 30, 2009 versus June 30, 2008)

Sales for the 2nd quarter ended June 30, 2009 grew 12% to \$67,849,000 compared to \$60,494,000 in 2008. Operating income before interest and taxes for the 2nd quarter increased to \$3,897,000 compared to \$2,640,000 in 2008.

Sales for the six months ended June 30, 2009 grew 22% to \$135,293,000 compared to \$111,212,000 in 2008. Operating income before interest and taxes for the six months increased to \$7,410,000 compared to \$3,037,000 in 2008.

# Interim Management's Discussion and Analysis

## Retail Division

For the 2nd quarter ended June 30, 2009, sales of mobile phone products and services in the Retail Division grew 14% to \$57,662,000 compared to \$50,506,000 in 2008. Growth in sales was driven by consumers' adoption of smartphone technology and manufacturers' introduction of new competing products. During the 2nd quarter, Apple introduced the new 3GS iPhone, while HTC introduced its new Android phone powered by Google. Combined with a professional staff that focused on the opportunity of data plan activations, this resulted in the growth of same-store activations of mobile phones and other wireless devices sold in the Retail Division, which grew 10% in the 2nd quarter of 2009 over the corresponding period in 2008 for stores that were open throughout both periods. In addition, growth in sales was also due to the division operating 254 stores during the 2nd quarter in 2009 (8% growth over the prior year) compared to 236 stores in the same period of 2008.

For the six months ended June 30, 2009, sales of mobile phone products and services in the Retail Division grew 26% to \$115,485,000 compared to \$91,871,000 in 2008. The success of smartphone technology combined with a focus on voice and data activation plans has aligned the division's goals to that of the network carriers' goals; as a result, enhanced compensation benefits were achieved. Industry trends have pointed to the fact that higher-end multimedia devices have become drivers for post-paid activations. As a result, same-store activations of mobile phones and other wireless devices sold in the Retail Division grew 17% in the six months ended June 30, 2009 over the corresponding period in 2008 for stores that were open throughout both periods.

During the 2nd quarter, the Retail Division expanded its distribution base by opening two new stores: one in Tbooth / la cabine T and one in WIRELESS etc. As at June 30, 2009, the division operates 111 WirelessWave mall-based stores and retail locations, 70 Tbooth / la cabine T mall-based stores, and 73 WIRELESS etc. stores in Costco Wholesale in Canada. In addition, in the six months ended June 30, 2009, the division started and/or completed renovations to refresh eleven WirelessWave stores in order to maintain the leading-edge appearance customers have learned to expect from their shopping experience in these stores.

Operating income before interest and taxes in the Retail Division for the 2nd quarter increased to \$7,178,000 compared to \$5,517,000 in the previous year. For the six months ended June 30, 2009, operating income before interest and taxes increased to \$14,204,000 compared to \$8,367,000 in 2008.

Amortization expense of property, equipment, and intangible assets for the quarter increased to \$796,000 compared to \$759,000 last year. This increase was due to the additional new stores operating in 2009 compared to the same period the previous year. For the six months ended June 30, 2009, amortization expense of property, equipment, and intangible assets decreased to \$1,567,000 compared to \$1,573,000 last year.

In spite of the economic uncertainty, these operating results are in line with the Retail Division's goals. It is also expected that the next two quarters will be exciting, with a number of new opportunities and challenges for the division. In the 3rd quarter, the Retail Division plans to open five new stores in Saskatchewan of which two will be in Costco Wholesale stores. In the 4th quarter, it is anticipated that Bell will launch their new High Speed Packet Access ("HSPA") data network, which will allow Bell to bring a new perspective to the competitive landscape. The recent purchase of Virgin Mobile by Bell will strengthen this brand in the marketplace, while aggressive marketing of the FIDO brand by Rogers will also serve to heighten consumer awareness of all mobile phone products and services. It is also anticipated that new network entrants that had bid in the spectrum auction in 2008 will enter the marketplace in the 4th quarter of 2009. With a Retail Division that specializes in providing a "customer choice" of mobile phone network carrier, the division is well positioned to capitalize on these opportunities.

# Interim Management's Discussion and Analysis

## Business Division

For the 2nd quarter ended June 30, 2009, sales of terrestrial narrowband and broadband radio systems, satellite network services, and implementation services in the Business Division increased 2% to \$10,187,000 compared to \$9,988,000 in 2008. In the 2nd quarter, the division has been successful in winning new communication solution contracts; however, competitive pressure has resulted in a reduction of gross margin on sales by four percentage points, which has negatively impacted the performance of the division. Cost containment has been an emphasis of the division as it navigates through these economic times and, as a result, operating expenses for the 2nd quarter remained flat at \$2,908,000 compared to \$2,912,000 in 2008.

For the six months ended June 30, 2009, sales of terrestrial narrowband and broadband radio systems, satellite network services, and implementation services in the Business Division increased 2% to \$19,808,000 compared to \$19,341,000 in 2008. However, the economic slowdown has significantly impacted the overall performance of the division as gross margin on sales has been eroded by five percentage points during the first six months. Operating expenses for the six months ended June 30, 2009 were contained at \$5,657,000 compared to \$5,623,000 in 2008.

As a result, operating income before interest and taxes for the 2nd quarter in the Business Division was a loss of \$247,000 compared to a loss of \$1,000 in 2008. For the six months ended June 30, 2009, operating income before interest and taxes was a loss of \$340,000 compared to income of \$220,000 in 2008.

Amortization expense of property, equipment, and intangible assets for the 2nd quarter decreased to \$561,000 compared to \$664,000 last year. For the six months ended June 30, 2009, amortization expense of property, equipment, and intangible assets decreased to \$1,130,000 compared to \$1,304,000 last year.

In the 2nd quarter, the division was awarded some significant system sales; however, the majority of the revenue from these sales will not be recognized until the last half of the fiscal year and/or early 2010. In addition, during the quarter and throughout this period of economic slowdown, one of the areas of focus has been to maintain close contact with customers to ensure that their wireless communications needs were being discussed and met. One key outcome was that of providing ongoing service maintenance support for new and existing customers. As a result, there has been an increase in service maintenance agreements to customers in oil and gas, hospitals, and government.

While the Business Division navigates through this economic period, its focus is to maintain strong customer and supplier relations, provide service and technical support through its professional service staff, respond to new communication solution initiatives when the opportunity presents itself, and maintain an economically sound organization cost structure to serve these needs.

## Corporate Division

Operating expenses for the 2nd quarter increased to \$2,880,000 (4.2% of sales) compared to \$2,747,000 (4.5% of sales) last year. This increase was due to the cost of additional administrative resources required to support the Retail Division's growth. Included in general and administrative expenses is the stock-based compensation expense of \$12,000 (2008 - \$26,000).

Operating expenses for the six months ended June 30, 2009 increased to \$6,147,000 (4.5% of sales) compared to \$5,278,000 (4.7% of sales) last year. The majority of this increase was for incremental professional services fees (approximately \$475,000) incurred in the 1st quarter, related to corporate development activities with a focus on a potential acquisition and expansion of the Company's retail footprint and presence in Canada. Such incremental service fees will occur from time to time, as the Company continues to consider corporate development opportunities. Included in general and administrative expenses for the six months ended June 30, 2009 is the stock-based compensation expense of \$32,000 (2008 - \$87,000).

In December 2008, the Company filed a Notice of Intention to make a Normal Course Issuer Bid with the Toronto Stock Exchange ("TSX") pursuant to which GLENTEL indicated that, for the period from December 15, 2008 to December 14, 2009, it intends to acquire up to 250,000 Common Shares of the Company. The Company believes that, from time to time, the market price of its common shares does not fully reflect the value of the

# Interim Management's Discussion and Analysis

business or future business prospects and that, at such times, outstanding common shares are an attractive, appropriate, and desirable use of available Company funds. In March 2009, the Company began to repurchase common shares pursuant to the normal course issuer bid. As at June 30, 2009, a total of 10,600 common shares were repurchased at an average price of \$7.90 per share, for an aggregate price of \$84,000.

## Liquidity

### Cash and Cash Equivalents

The Company's cash and cash equivalents, and short-term investments balance was \$27,371,000 at June 30, 2009 compared to \$23,228,000 at December 31, 2008. Working capital improved to \$42,697,000 at June 30, 2009 compared to \$39,837,000 at December 31, 2008.

### Operating Activities

For the three months ended June 30, 2009, cash generated by operating activities after adjusting for net change in non-cash working capital was \$6,120,000 compared to \$3,748,000 for the same period last year. The Company generated \$1,604,000 from operations, before net change in non-cash working capital, compared to \$959,000 generated from operations in 2008. Cash generated by the net change in non-cash working capital was \$4,516,000 for the 2nd quarter in 2009 compared to \$2,789,000 for the same period the previous year. The cash generated by the net change in non-cash working capital was primarily the result of the receipt of deferred revenue and vendor contributions in advance of revenue recognition, and the reduction in accounts receivable and inventory balances in 2009. This was offset by a decrease in accounts payable and accrued liabilities and a decrease in income taxes payable during the 2nd quarter.

For the six months ended June 30, 2009, cash generated by operating activities after adjusting for net change in non-cash working capital was \$9,163,000 compared to \$9,733,000 for the same period last year. The Company generated \$3,110,000 from operations, before net change in non-cash working capital, compared to \$796,000 generated from operations in 2008. Cash generated by the net change in non-cash working capital was \$6,053,000 for the six months in 2009 compared to \$8,937,000 for the same period the previous year. The cash generated by the net change in non-cash working capital was the result of the receipt of deferred revenue and vendor contributions in advance of revenue recognition, and the reduction in accounts payable and inventory balances in 2009. This was offset by a decrease in accounts payable and accrued liabilities and a decrease in income taxes payable during the six months ended June 30, 2009.

### Financing Activities

During the three months ended June 30, 2009, \$1,543,000 cash was used for financing activities, compared to \$1,691,000 during the same period last year. During the 2nd quarter, the Company received \$315,000 (\$31,000 in 2008) on the exercise of stock options. As well, \$46,000 was used to repurchase shares under a normal course issuer bid. During the three months ended June 30, 2009, \$838,000 was used for the repayment of long-term debt, compared to \$838,000 the prior year. On April 2, 2009, the Company paid a quarterly dividend of \$0.09 per common share, for a total of \$974,000 (\$884,000 in 2008).

During the six months ended June 30, 2009, \$2,755,000 cash was used for financing activities, compared to \$3,201,000 during the same period last year. During the six months, the Company received \$460,000 (\$240,000 in 2008) on the exercise of stock options. As well, \$78,000 was used to repurchase shares under a normal course issuer bid. During the six months ended June 30, 2009, \$1,274,000 was used for the repayment of long-term debt, compared to \$1,677,000 the prior year. On January 31, 2009 and April 30, 2009 the Company paid quarterly dividends totaling \$1,863,000 (\$1,764,000 in 2008).

On July 2, 2009, the Company declared a quarterly dividend of \$0.09 per common share with a record date of July 17, 2009, payable July 31, 2009, for a total of approximately \$982,000.

# Interim Management's Discussion and Analysis

## Investing Activities

During the three months ended June 30, 2009, \$5,546,000 cash was used for investing activities, compared to \$2,402,000 used for investing activities during the same period last year. The Company invested \$4,770,000 in excess cash in short-term investment in the 2nd quarter, compared to \$1,437,000 of excess cash that was invested in short-term investments in the same period in 2008. Short-term investments are highly secure and liquid money market instruments with maturities greater than three months from the date of acquisition. During the 2nd quarter, \$786,000 (\$2,402,000 in 2008) was used to acquire property and equipment. This was primarily due to the Retail Division, which used \$687,000 for store renovations and two new store openings in the 2nd quarter of 2009.

During the six months ended June 30, 2009, cash used for investing activities totaled \$4,905,000, compared to \$8,234,000 for the same period last year. During the six months, the Company set aside \$2,640,000 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, \$2,289,000 was used to acquire property and equipment. The Retail Division used \$1,997,000 for renovations and six new store openings in 2009, and the Business Division used \$217,000 primarily to acquire service and rental equipment.

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, normal course issuer bid, and dividends. The Company's current plan is to continue to finance its planned growth through internally generated funds. From time to time, the Company will explore potential acquisitions and incur associated due diligence costs.

## Summary of Contractual Obligations

As at June 30, 2009 (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	2,180	685	868	142	485
Capital lease obligations, including interest	943	342	457	144	-
Operating leases	53,089	11,563	19,937	12,989	8,600
Other Long-term obligations	604	604	-	-	-
Total contractual obligations	56,816	13,194	21,262	13,275	9,085

## Capital Resources

The Company has a \$5,000,000 revolving operating facility with a major Canadian chartered bank. This major Canadian chartered bank also provides a \$25,000,000 extendible term revolving committed facility to be used for business acquisitions and/or capital expenditures. The facility bears interest ranging from the bank's prime rate to prime plus 0.75% subject to certain financial ratios, and is secured by a general security agreement over the Company's assets. At June 30, 2009, the operating bank indebtedness was \$nil.

The Company has outstanding \$100,000 in a fixed-term loan with the same Canadian chartered bank, secured by a general security agreement over the Company's assets, and is repayable in monthly installments of \$50,000 plus interest at the rate of 6.88% per annum, due August 31, 2009.

The Company has outstanding a further arrangement with the same Canadian chartered bank, a \$601,000 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.

# Interim Management's Discussion and Analysis

On July 1, 2006, the Company signed, as part of the financing for the acquisition of Digital Mobile Systems Inc. ("Digital Mobile"), 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. On April 30, 2009, prior to maturity, the Company paid the note in full. The principal balance outstanding as at April 30, 2009 was \$494,000.

On November 1, 2006, the Company signed, as part of the financing for the acquisition of Time Mobile Communications Inc. ("Time MCI"), 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, 2009, the principal balance outstanding was \$1,161,000.

At June 30, 2009, the Company has a liability of \$856,000 in respect of vehicles under capital leases for terms ranging from 36 months to 60 months, which are repayable in monthly installments of approximately \$31,000 plus interest at rates ranging from 2.9% to 9.35%.

The Company's borrowing facilities contain certain restrictive covenants, which the Company was in compliance with as at June 30, 2009.

Total assets decreased to \$126,683,000 at June 30, 2009, compared to \$136,474,000 at the year end. The decrease in assets was the result of the collection of accounts receivable that were due to the significant sales activity in the 4th quarter of 2008. These funds were used to reduce the accounts payable and accrued liabilities, and long-term debt, and as a result working capital improved to \$42,697,000 during the quarter compared to \$39,837,000 at the year end.

The Company's objective when managing capital is to provide sufficient capacity to cover normal operating and capital expenditures, as well as acquisition growth, while maintaining an adequate return for shareholders. The Company defines its capital as the aggregate of long-term debt (including the current portion) and shareholders' equity. The Company manages its capital structure to maintain the flexibility to adjust to changes in economic conditions and acquisition growth and to respond to interest rate, foreign exchange, credit, and other risks. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, or raise or retire debt.

## Off-Balance Sheet Arrangements

The Company has outstanding letters of credit totaling \$40,000 (December 31, 2008 - \$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 \$2,394,000, which was required for a certain customer contract.

## Transactions with Related Party

The Company had the following transactions with its major shareholder:

(In thousands of dollars)

	Six Months Ended June 30	
	2009	2008
	\$	\$
Management fees	–	158
Administrative services fee	105	144
Construction services and marketing materials	1,288	1,220

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During the six-month period, the Company paid a fee to TCG International Inc. ("TCGI"), for certain operating and administrative services provided to the Company by TCGI. In addition, the Company paid for store construction and marketing materials provided by a subsidiary of TCGI during the six-month period. 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.

TCGI, which is directly and indirectly owned or controlled by the families of Thomas Skidmore, Allan Skidmore, and Arthur Skidmore, owns approximately 10% of the outstanding shares of the Company. Messrs Thomas, Allan and Arthur Skidmore are directors of GLENTEL.

## Proposed Transactions

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

## Outstanding Share Data

As at July 29, 2009, the Company had 10,911,070 common shares issued and outstanding. There are also 581,500 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.

## Disclosure Controls and Procedures

GLENTEL'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, 2009. Management has concluded that as at June 30, 2009, 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.

## Internal Controls over Financial Reporting

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.

GLENTEL's management, including the Chief Executive Officer and Chief Financial Officer, has performed an assessment of the effectiveness of the Company's internal control over financial reporting as at June 30, 2009 based on the provisions of Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that its internal controls over financial reporting are operating effectively as at June 30, 2009. Management determined that there were no material weaknesses in the Company's internal control over financial reporting as at June 30, 2009.

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.

## Note Regarding Control Limitations

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

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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.

## Adoption of Accounting Policies

On January 1, 2009, the Company adopted the CICA Section 3064 "Goodwill and Intangible Assets," which replaced the existing Goodwill and Intangible Asset standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no material impact on the Company's consolidated financial statements.

## Critical Accounting Policies and Estimates

GLNTEL 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, particularly the recoverability of accounts receivable, inventory, property and equipment, intangible assets, and liabilities at the date of the financial statements, the disclosure of contingent assets, and carrying amount of asset retirement obligation, and the reported amounts of revenues and expenses during the reporting period. By their nature, estimates are subject to an inherent degree of uncertainty, and actual results could differ from the estimates.

During the period ended June 30, 2009, except as described in Note 3 of the consolidated financial statements ("Adoption of Accounting Policies"), no changes to existing accounting policies were made and no new accounting policies were adopted that have a material impact on the consolidated financial statements. Significant accounting policies are described in Note 2 in the Company's audited annual consolidated financial statements.

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. Net realizable value reflects the current estimated net selling price of the items in inventory in a non-forced sale. Due to the high rate of technological change, management closely monitors the quality and profile of inventories to identify items which 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 which the Company considers could trigger an impairment review include significant underperformance relative to plan, a change in the Company's business

# Interim Management's Discussion and Analysis

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, 2008, the Company recognized a goodwill impairment loss of \$4,625,000.

*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.

*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 mobile phone service providers. In addition, periodic bonus contributions are received from mobile phone 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 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.

*Pension plan:* When accounting for defined benefit pension plans, assumptions are made in determining the valuation of benefit obligations and the future performance of plan assets. Delayed recognition of differences between actual results and expected or estimated results is a guiding principle of pension accounting. This principle results in recognition of changes in benefit obligations and plan performance over the working lives of the employees receiving benefits under the plan. The primary assumptions and estimates include the discount rate, the expected return on plan assets, and the rate of compensation increase. Changes to these primary assumptions and estimates would impact pension expense and the deferred pension asset. The current economic conditions may also have an impact on the pension plan of the Company as there is no assurance that the plan will be able to earn the assumed rate of return. As well, market-driven changes may result in changes in the discount rates and other variables, which would result in the Company being required to make contributions in the future that differ significantly from the current contributions and assumptions incorporated into the actuarial valuation process.

# Interim Management's Discussion and Analysis

## New Accounting Pronouncements

The Canadian Institute of Chartered Accountants (CICA) has published the following new accounting standards.

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 has created a project team, is assessing the potential impacts of this changeover, and is developing its plan accordingly.

CICA Handbook Section 1582 "*Business Combinations*" will replace Section 1581 "*Business Combinations*." This Section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The Section outlines a variety of changes including, but not limited to, the following: an expanded definition of a business, a requirement to measure all business combinations and non-controlling interests at fair value, and a requirement to recognize future income tax assets and liabilities and acquisition and related costs as expenses of the period. The Section applies to annual and interim financial statements for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The Company has not yet reviewed the impact adopting this section will have on its consolidated financial statements.

CICA Handbook Section 1601 "*Consolidated Financial Statements*" in combination with Section 1602 "*Non-controlling interests*" will replace Section 1600 "*Consolidated Financial Statements*." Section 1601 establishes standards for the preparation of consolidated financial statements and specifically addresses consolidation accounting following a business combination that involves the purchase of an equity interest in one company by another. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The sections apply to annual and interim financial statements for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The Company has not yet reviewed the impact adopting this section will have on its 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, 2009 and 2008.

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## 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) speaks 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 and Comprehensive Income

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

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Sales	67,849	60,494	135,293	111,212
Cost of sales	39,376	33,992	79,095	62,542
Operating and administrative expenses	23,065	22,310	45,784	42,484
Income before amortization, interest and taxes	5,408	4,192	10,414	6,186
Amortization of property and equipment, and intangible assets	1,511	1,552	3,004	3,149
Operating income before undernoted items	3,897	2,640	7,410	3,037
Interest income	88	148	234	262
Interest expense - long-term	(40)	(83)	(92)	(174)
Income before taxes	3,945	2,705	7,552	3,125
Income tax expense	1,301	886	2,492	1,049
Net income	2,644	1,819	5,060	2,076
Comprehensive income	2,644	1,819	5,060	2,076
Basic net income per share	0.24	0.17	0.47	0.19
Diluted net income per share	0.24	0.16	0.46	0.19

## Interim Consolidated Statements of Retained Earnings

(Unaudited) In thousands of dollars

	Jun 30, 2009	Jun 30, 2008
	\$	\$
Retained earnings, beginning of year	31,282	27,664
Net income	5,060	2,076
Dividends	(1,863)	(1,764)
Shares repurchased under normal course issuer bid (Note 7(b))	(55)	-
Retained earnings, end of period	34,424	27,976

See accompanying notes to the interim consolidated financial statements.

# Consolidated Financial Statements

## Interim Consolidated Balance Sheets

(Unaudited) In thousands of dollars

	Jun 30, 2009	Dec 31, 2008
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	17,523	16,020
Short-term investments	9,848	7,208
Accounts receivable (Note 10(b))	28,213	43,981
Income taxes receivable	3,450	-
Inventory (Note 5)	25,996	27,201
Prepaid expenses	1,641	1,261
Current portion of future income tax benefits	3,792	4,133
	<b>90,463</b>	99,804
Property and equipment	21,365	21,630
Deferred pension costs	286	286
Intangible assets	4,848	5,000
Goodwill	6,646	6,646
Future income tax benefits	3,075	3,108
	<b>126,683</b>	136,474
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	34,059	44,425
Income taxes payable	-	1,119
Current portion of deferred revenue and vendor contributions	12,539	13,116
Current portion of long-term debt	1,168	1,307
	<b>47,766</b>	59,967
Asset retirement obligation	807	789
Deferred revenue and vendor contributions	11,098	11,503
Long-term debt	1,550	2,364
	<b>61,221</b>	74,623
<b>Shareholders' Equity</b>		
Share capital	30,034	29,477
Contributed surplus	1,004	1,092
Retained earnings	34,424	31,282
	<b>65,462</b>	61,851
	<b>126,683</b>	136,474

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 Jun 30		Six Months Ended Jun 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net income	2,644	1,819	5,060	2,076
Items not affecting cash:				
Stock-based compensation	12	26	32	87
Accretion expense	9	8	18	17
Amortization, property and equipment, and intangible assets	1,511	1,552	3,004	3,149
Amortization, deferred revenue and vendor contributions	(2,753)	(2,110)	(5,378)	(4,187)
Future income taxes	181	(336)	374	(346)
	1,604	959	3,110	796
Net change in non-cash working capital (Note 11)	4,516	2,789	6,053	8,937
	6,120	3,748	9,163	9,733
<b>Financing Activities</b>				
Issuance of share capital	315	31	460	240
Shares repurchased under normal course issuer bid (Note 7(b))	(46)	–	(78)	–
Repayment of long-term debt	(838)	(838)	(1,274)	(1,677)
Payment of dividends	(974)	(884)	(1,863)	(1,764)
	(1,543)	(1,691)	(2,755)	(3,201)
<b>Investing Activities</b>				
Changes in short-term investments	(4,770)	(1,437)	(2,640)	(5,042)
Acquisition of property and equipment	(786)	(2,402)	(2,289)	(3,192)
Proceeds on disposition of property and equipment	10	–	24	–
	(5,546)	(2,402)	(4,905)	(8,234)
Net cash inflow	(969)	(345)	1,503	(1,702)
Cash and cash equivalents, beginning of period	18,492	11,383	16,020	11,303
<b>Cash and cash equivalents, end of period</b>	<b>17,523</b>	<b>11,038</b>	<b>17,523</b>	<b>9,601</b>
<b>Supplemental Cash Flow Information:</b>				
Interest paid	40	83	92	174
Income taxes paid	1,166	1,443	4,195	4,320
<b>Supplemental Non-Cash Financing and Investing Disclosure:</b>				
Acquisition of equipment under capital leases	76	176	321	262

Note: Cash and cash equivalents consist of cash on deposit and short-term investments with a maturity less than three months.

See accompanying notes to the interim consolidated financial statements.

# Notes to the 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, 2008 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 3rd and 4th 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. Adoption Of Accounting Policies

As disclosed in the December 31, 2008 annual consolidated financial statements, on January 1, 2009, the Company adopted the CICA Section 3064 "*Goodwill and Intangible Assets*," which replaced the existing Goodwill and Intangible Asset standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no material impact on the Company's consolidated financial statements.

## 4. New 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 has created a project team, is assessing the potential impacts of this changeover, and is developing its plan accordingly.

CICA Handbook Section 1582 "*Business Combinations*," which replaces Section 1581 "*Business Combinations*." This section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. This section outlines a variety of changes, including, but not limited to the following: an expanded definition of a business, a requirement to measure all business combinations and non-controlling interests at fair value, and a requirement to recognize future income tax assets and liabilities and acquisition and related costs as expenses of the period. The section applies to annual and interim financial statements for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The Company has not yet reviewed the impact adopting this section will have on its consolidated financial statements.

CICA Handbook Section 1601 "*Consolidated Financial Statements*" in combination with Section 1602 "*Non-controlling interests*," will replace Section 1600 "*Consolidated Financial Statements*." Section 1601 establishes standards for the preparation of consolidated financial statements and specifically addresses consolidation accounting following a business combination that involves the purchase of an equity interest in one company by another. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The sections apply to annual and interim financial statements for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The Company has not yet reviewed the impact adopting this section will have on its consolidated financial statements.

# Notes to the Consolidated Financial Statements

(Unaudited)

## 5. Inventory

Inventories consisting primarily of goods purchased for resale are valued at the lower of cost or net realizable value, on a first-in, first-out basis. Net realizable value reflects the current estimated net selling price of the items in inventory in the ordinary course of business. As at June 30, 2009 and December 31, 2008, the Company had a provision for inventory obsolescence of \$1,526,000 and \$1,477,000 respectively. Inventory obsolescence expense of \$748,000 (2008 - \$628,000) was recognized in the period ending June 30, 2009. In addition, the Company provided for a write-down against the inventory provision of \$699,000 (2008 - \$1,295,000). During the period ended June 30, 2009 the Company recognized \$71,322,000 (2008 - \$55,252,000) of inventories as an expense in the cost of sales.

The classifications of inventory are as follows:

(In thousands of dollars)

	Jun 30 2009	Dec 31 2008
	\$	\$
Finished Goods		
Retail Division	21,850	23,284
Business Division	4,065	3,760
Work In Progress		
Business Division	81	157
Total Inventory	25,996	27,201

## 6. Long-Term Debt

The Company has an outstanding \$250,000 fixed-term loan with a major Canadian chartered bank, secured by a general security agreement over the Company's assets. The loan is repayable in monthly installments of \$50,000 plus interest at the rate of 6.88% per annum, due August 31, 2009.

The Company has outstanding a further arrangement with the same Canadian chartered bank, a \$609,000 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 Time Mobile Communications Inc. ("Time MCI"). At June 30, 2009, the outstanding notes issued to the former shareholders of Time MCI were \$1,161,000 and are repayable in total monthly installments of \$42,719 including interest at the rate of 5.25% and maturing in 2011.

The Company had issued an unsecured vendor take-back note to the former shareholder of Digital Mobile Systems Inc. ("Digital Mobile") which was repayable in 72 monthly installments of \$13,788 including interest at the rate of 5.25% per annum. On April 30, 2009, prior to maturity, the Company paid the note in full. The principal balance outstanding as at April 30, 2009 was \$494,000.

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 2013. At June 30, 2009, the outstanding obligations under these leases were \$863,000 and are secured by the assets acquired.

# Notes to the Consolidated Financial Statements

(Unaudited)

## 7. Share Capital

- a) During the six months ended June 30, 2009, the Company issued 142,000 common shares on the exercise of stock options. At June 30, 2009, the Company had 588,500 (December 31, 2008 – 730,500) 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 stock options granted or cancelled during the period.
- b) During the six months ended June 30, 2009, the Company repurchased 10,600 common shares (2008 – \$nil) for cancellation pursuant to an ongoing normal course issuer bid at a cost of \$84,000 (2008 – \$nil). Of this amount, \$29,000 (2008 - \$nil) reduced the share capital and \$55,000 (2008 - \$nil) was charged to retained earnings.
- c) At June 30, 2009, the Company had 10,904,070 (December 31, 2008 – 10,772,670) common shares issued and outstanding.
- d) 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	
	2009	2008	2009	2008
Weighted average number of common shares outstanding	10,829	10,716	10,788	10,685
Effect of dilutive stock options	267	400	225	399
Weighted average number of dilutive common shares outstanding	11,096	11,116	11,013	11,084

## 8. Off-Balance Sheet Arrangements

The Company has outstanding letters of credit totaling \$40,000 (December 31, 2008 - \$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 \$2,394,000 that were required for a certain customer contract, which cost the Company \$29,000.

## 9. Capital Management

The Company's primary source of capital is its shareholder's equity and cash flow from operating activities before net changes in non-cash working capital balances. The Company augments these capital sources with a \$5.0 million operating facility, which can be used to finance its net working capital and general corporate requirements, and a \$25.0 million extendible term revolving committed facility used for acquisitions and capital expenditures. The facility contains certain restrictive covenants, which the Company was in compliance with as at June 30, 2009.

The Company manages its capital structure to maintain the flexibility to adjust to changes in economic conditions and acquisition growth and to respond to interest rate, foreign exchange, credit, and other risks. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, or raise or retire debt.

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, normal course issuer bid and dividends. The company does not anticipate any restrictions, other than in the normal course of business, on its bank operating loan in 2009.

# Notes to the Consolidated Financial Statements

(Unaudited)

## 9. Capital Management (continued)

The following table provides a summary of contractual obligations:

As at June 30, 2009 (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	2,180	685	868	142	485
Capital lease obligations, including interest	943	342	457	144	–
Operating leases	53,089	11,563	19,937	12,989	8,600
Other Long-term obligations	604	604	–	–	–
Total contractual obligations	56,816	13,194	21,262	13,275	9,085

## 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, 2009, 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. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, short term investments, and accounts receivable. The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements.

The Company attempts to mitigate the risk associated with cash and cash equivalents and short term investments by dealing only with large financial institutions with good credit ratings. The Company does not invest in any asset-backed commercial paper (ABCP) and, therefore, does not consider itself to be exposed to current uncertainties in the ABCP marketplace.

At June 30, 2009, the Company's accounts receivable balances were as follows: Retail Division of 79% (December 31, 2008 – 86%) with 21% in the Business Division (December 31, 2008 – 14%). The Retail Division accounts receivable are primarily from two national mobile phone network carriers for which normal credit terms range from 30 to 45 days and receivables for cooperative advertising range from 60 to 90 days. The risk associated with the accounts receivables of the Business Division are mitigated by providing services to diverse clients in various industries and sectors of the economy. Normal terms to the Company's customers range from 30 to 60 days. Management reviews accounts receivable past due and contacts customers on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage.

In establishing, the appropriate allowance for doubtful accounts, assumptions are made with respect to the future collectability of the receivables. Assumptions are based on an individual assessment of a customer's credit quality as well as subjective factors and trends and management believes the allowance is adequate.

# Notes to the Consolidated Financial Statements

(Unaudited)

## 10. Financial Instruments and Risk Management (continued)

The following table provides the aging analysis of accounts receivable:

(In thousands of dollars)

	Jun 30 2009	Dec 31 2008
	\$	\$
Current	24,717	35,864
31 to 60 days	2,199	4,344
61 to 90 days	977	2,346
91 days +	872	1,982
Total Accounts receivable	28,765	44,536
Less: Allowance for doubtful accounts	(552)	(555)
	28,213	43,981

The following table reflects the movement in the allowance for doubtful accounts:

(In thousands of dollars)

	Jun 30 2009	Dec 31 2008
	\$	\$
Balance, beginning of year	555	291
Additional allowance	185	287
Reduction due to receivable write-off	(188)	(23)
Balance, end of period	552	555

### (c) 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.

### (d) Market risk

Market risk is 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 \$5,000,000 revolving operating facility with a major Canadian chartered bank. The facility bears interest at the bank's prime rate plus premium which ranges from 0 to 50 bps subject to certain financial ratios. At June 30, 2009, the operating bank indebtedness was \$nil. The foreign currency risk to the Company is immaterial as substantially all purchases and expenditures are in the Canadian dollars.

# Notes to the Consolidated Financial Statements

(Unaudited)

## 11. Net Change In Non-Cash Working Capital

(In thousands of dollars)

	Three Months Ended Jun 30		Six Months Ended Jun 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Accounts receivable	1,266	(5,337)	15,768	9,620
Income taxes receivable/payable	(1,347)	(404)	(4,569)	(3,271)
Inventory	3,170	(1,647)	1,205	8,846
Prepaid expenses	27	55	(380)	(538)
Accounts payable and accrued liabilities	(851)	6,808	(10,366)	(11,721)
Deferred revenue and vendor contributions	2,251	3,314	4,395	6,001
	4,516	2,789	6,053	8,937

# Notes to the Consolidated Financial Statements

(Unaudited)

## 12. Segmented Information

The Company operates 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 products and services to commercial, government and industrial customers.

Information by business segment is as follows:

(In thousands of dollars)

	Three Months Ended Jun 30		Six Months Ended Jun 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Sales to external customers				
Retail Division	57,662	50,506	115,485	91,871
Business Division	10,187	9,988	19,808	19,341
	<b>67,849</b>	60,494	<b>135,293</b>	111,212
Income (loss) before amortization, interest, and taxes				
Retail Division	7,974	6,276	15,771	9,940
Business Division	314	663	790	1,524
Corporate	(2,880)	(2,747)	(6,147)	(5,278)
	<b>5,408</b>	4,192	<b>10,414</b>	6,186
Amortization, other than deferred revenue				
Retail Division	796	759	1,567	1,573
Business Division	561	664	1,130	1,304
Corporate	154	129	307	272
	<b>1,511</b>	1,552	<b>3,004</b>	3,149
Operating income (loss) before interest income and long-term debt interest expense				
Retail Division	7,178	5,517	14,204	8,367
Business Division	(247)	(1)	(340)	220
Corporate	(3,034)	(2,876)	(6,454)	(5,550)
	<b>3,897</b>	2,640	<b>7,410</b>	3,037
Capital expenditures				
Retail Division			1,997	1,797
Business Division			217	717
Corporate			75	678
			<b>2,289</b>	3,192
Total long-lived assets employed			Jun 30, 2009	Dec 31, 2008
Retail Division			12,584	12,084
Business Division			10,886	11,571
Corporate			2,743	2,975
			<b>26,213</b>	26,630
Goodwill				
Retail Division			6,646	6,646

# Retail Store Locations



## British Columbia

Abbotsford	Sevenoaks Shopping Centre
Burnaby	Brentwood Town Centre Lougheed Town Centre Metropolis at Metrotown (2)
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 11th & Granville Robson Street West 4th
Vernon	Village Green Mall
Victoria	Bay Centre Hillside Shopping Centre Mayfair Shopping Centre
West Vancouver	Park Royal Shopping Centre (2)

## 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 (2)
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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## Ontario

Barrie	Georgian Mall
Belleville	Quinte Mall
Brampton	Bramalea City Centre Shoppers World Brampton
Brantford	Lynden Park Mall
Burlington	Burlington Mall Mapleview Shopping Centre

## Ontario (continued)

Cambridge	Cambridge Centre
Etobicoke	Cloverdale Mall Woodbine Centre
Guelph	Stone Road Mall
Hamilton	Jackson Square Lime Ridge Mall
Kingston	Cataragui Town Centre
Kitchener	Fairview Park Mall
London	Masonville Place White Oaks Mall
Markham	Markville Shopping Centre
Milton	Milton Mall
Mississauga	Dixie Outlet Mall Erin Mills Town Centre Square One Shopping Centre (3)
Newmarket	Upper Canada Mall
North Bay	Northgate Shopping Centre
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
Owen Sound	Heritage Place
Peterborough	Lansdowne Place
Pickering	Pickering Town Centre
Sarnia	Lambton Mall
Sault Ste Marie	Station Mall
Scarborough	Scarborough Town Centre
St Catharines	New Fairview Mall Pen Centre
Stoney Creek	Eastgate Square
Sudbury	New Sudbury Centre
Thornhill	The Promenade Shopping Centre
Toronto	BCE Place Centrepoint Mall Dufferin Mall Eglinton Square Shopping Centre Hudson's Bay Centre TD Centre Toronto Eaton Centre Yorkdale Shopping Centre
Vaughan	Vaughan Mills (2)
Waterloo	Conestoga Mall
Windsor	Devonshire Mall Tecumseh Mall

## New Brunswick

Dieppe	Champlain Place
Fredericton	Regent Mall
Saint John	McAllister Place

## Nova Scotia

Halifax	Halifax Shopping Centre
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# Retail Store Locations

## British Columbia

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Burnaby	Brentwood Town Centre Lougheed Mall
Richmond	Richmond Centre
Surrey	Guildford Town Centre
Victoria	Hillside Shopping Centre

## Alberta

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

## Ontario

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Belleville	Quinte Mall
Brampton	Bramalea City Centre
Burlington	Burlington Mall
Cambridge	Cambridge Centre
Etobicoke	Sherway Gardens Woodbine Centre
Guelph	Stone Road Mall
Hamilton	Jackson Square Lime Ridge Mall
Kingston	Cataraqi Town Centre
Kitchener	Fairview Park Mall
London	White Oaks Mall Masonville Place Westmount Shopping Centre
Markham	Markville Shopping Centre
Mississauga	Erin Mills Town Centre Square One Shopping Centre (2)
Newmarket	Upper Canada 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

## Ontario (continued)

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Toronto	Centrepont Mall Dufferin Mall Toronto Eaton Centre Yorkdale Shopping Centre
Vaughan	Vaughan Mills
North York	Fairview Mall
Windsor	Devonshire Mall

## Québec

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Anjou	Galeries d'Anjou
Lasalle	Carrefour Angrignon
Laval	Carrefour Laval
Maloney ouest	
Gatineau	Promenades de l'Outaouois
Montréal	Centre Eaton Montréal Centre Rockland
Pointe-Claire	Fairview Pointe-Claire
Québec	Galeries de la Capitale (2) Place Fleur de Lys
Repentigny	Les Galeries Rive-Nord
Rosemère	Place Rosemère
St-Bruno	Promenades St-Bruno
St-Laurent	Place Vertu
Ste-Foy	Place Laurier
Trois-Rivières	Les Rivières
Saint Jérôme	Carrefour du Nord
Sherbrooke	Carrefour de l'Estrie

## New Brunswick

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Fredericton	Regeant Mall
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# Retail Store Locations

WIRELESS etc...

## British Columbia

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

## Alberta

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

## Manitoba

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Winnipeg (3)

## Ontario

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

## Nova Scotia

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Darhmouth  
Halifax

## New Brunswick

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Moncton

## Québec

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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



## 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

## About GLENTEL

GLENTEL (TSX: GLN) is a leading provider of innovative and reliable telecommunications services and solutions in Canada and the United States. Founded in 1963 and headquartered in Burnaby, BC, GLENTEL comprises two operating divisions – Retail and Business – that service thousands of consumers and commercial telecommunications customers. Together with its divisions, the company operates more than 270 corporate locations across Canada located in retail malls and high-pedestrian-traffic street-front locations, Costco Wholesale stores, and business centers. As the largest multi-carrier mobile phone retailer in Canada, it offers a choice of network carrier and wireless device or phone. To its business and government customers, GLENTEL offers wireless service, rental equipment, satellite and terrestrial network systems, tower sites, and wireless asset monitoring. GLENTEL operates its business under the trading names Glentel Wireless, WirelessWave, The Telephone Booth (Tbooth and la cabine T) and WIRELESS etc.



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