



GLENTEL

Q3 QUARTERLY REPORT 2010

LETTER TO OUR SHAREHOLDERS

We are pleased to report a strong quarter of growing sales and profitability.

Our Retail Canada Division contributed strong sales that included the back to school period. Retail sales grew 19% in the 3rd quarter and same-store activations and upgrades of mobile phones grew 11% in this quarter over the same period last year. Our sales of Smartphones continued to drive activations and upgrades which resulted in increased revenue and profitability. Smartphone manufacturers continue to introduce new and exciting wireless products to the market. Such products include the BlackBerry Torch, Apple iPhone 4, Samsung Galaxy as well as the Android software-based Smartphones, which our consumers have embraced. We are looking forward to increased sales activity as we enter our 4th quarter and Christmas and Boxing week period. This division has also opened an additional six stores during this quarter; one WIRELESSWAVE, four Tbooth wireless/la cabine T sans fil and one WIRELESS etc. As we approached October, we opened our first WAVE SANS FIL store in Québec and plan to open an additional four stores by the end of the year. This is the first entry into the Québec market since its sister brand WIRELESSWAVE opened its first store in 1997.

We are excited about our expansion into the United States with our acquisition of Diamond Wireless, which operates 132 stores in 11 western States. This has created our Retail U.S. Division. We see great opportunity next year and beyond, in expanding the Diamond brand as a premium retailer of Verizon Wireless throughout the United States. Management is confident in our company's ability to manage its new debt while growing both retail divisions and providing dividend distributions to our shareholders. The growth of sales with profitability is very similar to the performance of our Retail Canada Division, and therefore, provides a degree of comfort to management, in its ability to deliver a consistent performance in the future. We will report segmented financial information for both retail divisions in future quarters.

Our management is pleased with the progress of our Business Division. With the investment in refined processes and centralized sales, including our people, we have gained significant interest from our current and prospective clients. There is considerable project sales activity that is anticipated to be delivered in the coming quarters. We continue to invest in new equipment, rental stock, and tower site enhancements. Our recurring revenue base continues to be a strong source of revenue. We look forward to this division delivering a profitable level of customer technical service and project management excellence that to-date has not been available to government, public safety and business enterprise from any other wireless solutions provider in Canada. Management is confident that this division will become a reliable earnings contributor in the coming quarters.

Thank you for your continued support and confidence in our leadership team. We look forward to a great 4th quarter 2010.

On behalf of the Board of Directors,



THOMAS E. SKIDMORE

Chairman, President and Chief Executive Officer



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the nine months ended
September 30, 2010 and 2009

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

October 27, 2010

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 nine-month periods ended September 30, 2010 and 2009, and the Company's audited annual consolidated financial statements, accompanying notes included therein, and management's discussion and analysis included in the 2009 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 (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 three operating divisions – Retail Canada, Retail U.S. and Business – that service thousands of consumers and commercial communications customers. The company operates more than 280 stores across Canada located primarily in retail malls and Costco Wholesale, as well as 132 mall stores in the United States. To its business and government customers, GLENTEL offers wireless service, rental equipment, satellite and terrestrial network systems, tower sites, and wireless asset monitoring. As the largest multi-carrier mobile phone retailer in Canada, it offers a choice of network carrier and wireless device or phone to Canadian consumers. GLENTEL operates its business under the trading names Glentel Wireless, WIRELESSWAVE, WAVE SANS FIL, Tbooth wireless, la cabine T sans fil, WIRELESS etc. and SANS FIL etc., and Diamond Wireless – Verizon Premium Retailer in the U.S.

OVERALL PERFORMANCE

Consolidated sales grew 18% to \$96,880,000 for the 3rd quarter compared to \$81,905,000 in 2009. Highlights of the 3rd quarter are as follows:

- The Retail Canada Division sales grew 19% in the 3rd quarter over the same period last year.
- Same-store activations and upgrades of mobile phones and other wireless devices sold in the Retail Canada Division grew 11% in the 3rd quarter of 2010 in stores that were open in the same period in 2009.
- During the quarter, the Retail Canada Division opened six new stores: one in WIRELESSWAVE, four in Tbooth wireless / la cabine T sans fil and one in WIRELESS etc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

- Retail Canada sales of Smartphones continue to drive activations, providing for increased revenue and profitability.
- The Business Division sales increased 7% in the 3rd quarter over the same period last year; however, income before taxes was a loss for the quarter.
- On October 1, 2010, the Company acquired 81.5% of Diamond Wireless, LLC, a Verizon Premium Retailer operating 132 stores in 11 U.S. states stretching from Washington to Texas, primarily in malls, for \$50,450,000 USD.

Consolidated net income and basic earnings per share for the 3rd quarter increased to \$6,551,000, \$0.59 per share, compared to \$5,834,000, \$0.53 per share, for the 3rd quarter in 2009. This is due to the following:

- The Retail Canada Division's operating income before interest and taxes for the quarter grew 6% to \$13,354,000 compared to \$12,840,000 the previous year.
- The Business Division's operating income before interest and taxes was a loss of \$428,000 for the 3rd quarter compared to a loss of \$684,000 in 2009.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

(In thousands of dollars, except per share amounts)

	Years Ended December 31							
	2010			2009				2008
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
	\$	\$	\$	\$	\$	\$	\$	\$
Sales (1)	96,880	78,970	74,785	90,895	81,905	67,849	67,444	87,507
Operating income before goodwill impairment, interest and taxes	9,227	5,747	3,411	8,238	8,856	3,897	3,513	7,867
Goodwill impairment (2)	—	—	—	—	—	—	—	(4,625)
Operating income before interest and taxes	9,227	5,747	3,411	8,238	8,856	3,897	3,513	3,242
Net income	6,551	3,761	2,327	5,058	5,834	2,644	2,416	897
Net income per common share (2)								
Basic	0.59	0.34	0.21	0.46	0.53	0.24	0.22	0.08
Diluted	0.58	0.34	0.21	0.45	0.52	0.24	0.22	0.08

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 THIRD QUARTER AND NINE MONTHS OPERATING RESULTS

(Comparison of 3rd quarter and nine months ended September 30, 2010 versus September 30, 2009)

Sales for the 3rd quarter ended September 30, 2010 grew 18% to \$96,880,000 compared to \$81,905,000 in 2009. Operating income before interest and taxes for the 3rd quarter increased to \$9,227,000 compared to \$8,856,000 in 2009.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Sales for the nine months ended September 30, 2010 grew by 15% to \$250,635,000 compared to \$217,198,000 in 2009. Operating income before interest and taxes for the nine months increased to \$18,385,000 compared to \$16,266,000 in 2009.

The increase in operating income before interest and taxes resulted from increased same-store activations and upgrades of mobile phones and services and from the opening of 11 new retail stores in 2010. Further details are discussed in the following segmented analysis.

RETAIL CANADA DIVISION

For the 3rd quarter ended September 30, 2010, sales of mobile phone products and services in the Retail Canada Division grew 19% to \$88,973,000 compared to \$74,512,000 in 2009. The Retail Canada Division's focus on the sale of Smartphone devices continued to drive sales growth in the 3rd quarter. The iPhone 4 launched in the 3rd quarter and sold very well in spite of supply not keeping up with demand. Both Blackberry and Android devices continued to be very popular and sell extremely well. This resulted in the growth of same-store activations and upgrades of mobile phones and other wireless devices sold in the Retail Canada Division, which grew 11% in the 3rd quarter of 2010 over the corresponding period in 2009 for stores that were open throughout both periods. In addition, growth in sales was also due to the division operating 279 stores during the 3rd quarter in 2010 (7% growth over the prior year) compared to 262 stores in the same period of 2009.

For the nine months ended September 30, 2010, sales of mobile phone products and services in the Retail Canada Division grew 17% to \$221,513,000 compared to \$189,997,000 in 2009. Blackberry, iPhone and the Android devices continue to increase sales growth and profitability as they continue to penetrate the mix of handsets sold. Bell and Virgin launched their new networks in 2009, bringing more Smartphones to their product offering, which has translated into success for the Retail Canada Division. The network carriers continue to provide attractive sales and marketing programs. Same-store activations and upgrades of mobile phones and other wireless devices sold in the Retail Canada Division grew 9% in the nine months ended September 30, 2010 over the corresponding period in 2009 for stores that were open throughout both periods.

During the 3rd quarter, the Retail Canada Division expanded its distribution base by opening six new stores: one in WIRELESSWAVE, four in Tbooth wireless / la cabine T sans fil and one in WIRELESS etc. As at September 30, 2010, the division operates 119 WIRELESSWAVE mall-based stores and retail locations, 82 Tbooth wireless / la cabine T sans fil mall-based stores, and 78 WIRELESS etc. stores in Costco Wholesale in Canada. In addition, in the nine months ended September 30, 2010, the division started and/or completed renovations to refresh 22 WIRELESSWAVE and Tbooth wireless / la cabine T sans fil stores. The company operated 279 retail locations at the end of September 30, 2010, compared to 268 retail locations at December 31, 2009.

Operating income before interest and taxes in the Retail Canada Division for the 3rd quarter increased to \$13,354,000 compared to \$12,840,000 in the previous year. For the nine months ended September 30, 2010, operating income before interest and taxes increased to \$28,597,000 compared to \$27,044,000 in 2009.

Amortization expense of property, equipment, and intangible assets for the quarter increased to \$1,110,000 compared to \$819,000 last year. This increase was due to the additional new stores operating in 2010 and the refreshed stores when compared to the same period in the previous year. For the nine months ended September 30, 2010, amortization expense of property, equipment, and intangible assets increased to \$3,209,000 compared to \$2,386,000 last year.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

The Retail Canada Division continues to invest in the training and development of our sales teams through our Glentel University. The various programs we teach (both on-line and in classroom) have continued to prepare our teams to embrace all new wireless technologies, maintain our strong sales culture, and adapt to changing markets. This commitment has enabled us to take full advantage of the Smartphone technologies, leverage all new devices upon launch, and continue our pursuit of quality activations. Blackberry introduced the Torch in September, which will carry over into the 4th quarter along with the continued demand for the iPhone 4 and Samsung Galaxy. In the 3rd quarter, the division launched Chatr with Rogers, a new all you can talk prepaid program. The division also launched Solo Unlimited Prepaid with Bell and Virgin SuperTab postpaid. All of these new launches will continue to gain momentum in the Canadian marketplace. The division will continue to look at operational costs and invest in staff and technology to maintain a strong infrastructure for growth. The division continues to look for opportunities for channel growth, to grow organically in all three retail banners, and to refresh existing stores.

BUSINESS DIVISION

For the 3rd quarter ended September 30, 2010, sales of terrestrial narrowband and broadband radio systems, satellite network services, and implementation services in the Business Division increased 7% to \$7,907,000 compared to \$7,393,000 in 2009. In the 3rd quarter, the Business Division had increases in revenues and gross profit; however, this was offset by increases in operating expenses. The division did not recognize any significant project revenue in the 3rd quarter. The division invested in sales staff, technical presales, centralized field service management and project management, which lead to the increase in operating expenses. However, this investment will help to secure additional significant projects.

For the nine months ended September 30, 2010, sales of terrestrial narrowband and broadband radio systems, satellite network services, and implementation services in the Business Division increased 7% to \$29,122,000 compared to \$27,201,000 in 2009. Over the last nine months, the division has installed a number of significant revenue projects that were awarded in 2009 that have helped increase sales in 2010 versus 2009, resulting in an increase in gross margin. The significant revenue projects have longer sales cycles and lead time to recognizing revenue than traditional sales. In the past nine months the division continued to evolve into a single co-ordinated national entity, while continuing to build on the strengths of the past and embracing processes and policy changes through investment in sales, technical presales, centralized field services, and project management to focus on delivering excellence in the overall customer experience.

As a result, operating income before interest and taxes for the 3rd quarter in the Business Division was a loss of \$428,000 compared to a loss of \$684,000 in 2009. For the nine months ended September 30, 2010, operating income before interest and taxes was a loss of \$301,000 compared to a loss of \$1,024,000 in 2009.

Amortization expense of property, equipment, and intangible assets for the 3rd quarter increased to \$677,000 compared to \$571,000 last year. For the nine months ended September 30, 2010, amortization expense of property, equipment, and intangible assets increased to \$2,049,000 compared to \$1,701,000 the previous year.

On September 1, 2010, the Company entered into a strategic partnership with a regional dealer to manage the Hanover location. The Company will receive a minimum of \$216,000 over three years plus other incentives subject to certain terms and conditions.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

CORPORATE DIVISION

Operating expenses for the 3rd quarter increased to \$3,518,000 (3.6% of sales) compared to \$3,142,000 (3.8% of sales) last year. Included in general and administrative expenses is the stock-based compensation expense of \$564 (2009 - \$35,000). The majority of the increase was for corporate development.

Operating expenses for the nine months ended September 30, 2010 increased to \$9,392,000 (3.7% of sales) compared to \$9,289,000 (4.3% of sales) last year. For 2010, the company incurred incremental corporate development costs. In 2009, the Company incurred professional services fees (approximately \$475,000) 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 nine months ended September 30, 2010 is the stock-based compensation expense of \$1,564 (2009 - \$67,000).

In December 2009, the Company filed a Notice of Intention to renew its Normal Course Issuer Bid with the TSX pursuant to which GLENTEL indicated that, for the period from December 29, 2009 to December 28, 2010, it intends to acquire up to 250,000 Common Shares of the Company. For the period from January 1, 2010 to September 30, 2010, a total of 189,000 common shares were repurchased at an average price of \$15.29 per share, for an aggregate price of \$2,890,000.

LIQUIDITY

CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents, and short-term investments balance was \$75,988,000 at September 30, 2010 compared to \$16,146,000 at December 31, 2009. Working capital increased to \$80,660,000 at September 30, 2010 compared to \$46,241,000 at December 31, 2009.

OPERATING ACTIVITIES

For the three months ended September 30, 2010, cash generated by operating activities after adjusting for net change in non-cash working capital was \$11,676,000 compared to \$10,209,000 for the same period last year. The Company generated \$4,432,000 from operations, before net change in non-cash working capital, compared to \$3,335,000 generated from operations in 2009. Cash generated by the net change in non-cash working capital was \$7,244,000 for the 3rd quarter in 2010 compared to \$6,874,000 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 increases in accounts payable and deferred revenues and vendor contributions in 2010. This was offset by an increase in accounts receivables from the increased sales during the 3rd quarter of 2010 and an increase in inventory to support those sales.

For the nine months ended September 30, 2010, cash generated by operating activities after adjusting for net change in non-cash working capital was \$36,349,000 compared to \$19,372,000 for the same period last year. The Company generated \$9,350,000 from operations, before net change in non-cash working capital, compared to \$6,445,000 generated from operations in 2009. Cash generated by the net change in non-cash working capital was \$26,999,000 for the nine months in 2010 compared to \$12,927,000 for the same period the previous year. The cash generated by the net change in non-cash working capital was the result of the reduction in inventory balances as management proactively reduced inventory levels in 2010 and of an increase in accounts payable and deferred revenues and vendor contributions for the nine months ended September 30, 2010.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCING ACTIVITIES

During the three months ended September 30, 2010, \$35,568,000 cash was generated from financing activities, compared to \$1,781,000 used during the same period last year. During the 3rd quarter, the Company received \$23,000 (\$557,000 in 2009) on the exercise of stock options. During the three months ended September 30, 2010, \$129,000 was used for the repayment of long-term debt, compared to \$1,346,000 the prior year. The company borrowed \$36,750,000 via a fixed-term loan to prepare for the closing of the Diamond Wireless, LLC acquisition. On July 30, 2010, the Company paid a quarterly dividend of \$0.0975 per common share, for a total of \$1,076,000 (\$982,000 in 2009).

During the nine months ended September 30, 2010, \$30,731,000 cash was generated from financing activities, compared to \$4,536,000 used during the same period last year. During the nine months, the Company received \$417,000 (\$1,017,000 in 2009) on the exercise of stock options. As well, \$2,890,000 (\$88,000 in 2009) was used to repurchase shares under a normal course issuer bid. In the 3rd quarter, the company borrowed \$36,750,000 via a fixed-term loan to prepare for the closing of the Diamond Wireless, LLC acquisition. During the nine months ended September 30, 2010, \$306,000 was used for the repayment of long-term debt, compared to \$2,620,000 the prior year. On January 29, 2010, April 30, 2010, and July 30, 2010, the Company paid quarterly dividends totaling \$3,240,000 (\$2,845,000 in 2009).

On October 1, 2010, the Company declared a quarterly dividend of \$0.0975 per common share with a record date of October 15, 2010, payable October 29, 2010, for a total of approximately \$1,077,000.

INVESTING ACTIVITIES

During the three months ended September 30, 2010, \$1,919,000 cash was used for investing activities, compared to \$7,525,000 used for investing activities during the same period last year. The Company invested \$57,000 in excess cash in short-term investments in the 3rd quarter, compared to \$4,639,000 of excess cash that was invested in short-term investments in the same period in 2009. Short-term investments are highly secure and liquid money market instruments with maturities greater than three months from the date of acquisition. During the 3rd quarter, \$1,932,000 (\$2,899,000 in 2009) was used to acquire property and equipment. The Retail Canada Division used \$1,505,000 for store renovations and six new store openings in the 3rd quarter of 2010. The Business Division used \$167,000 for system upgrades and rental equipment. The Corporate Division used \$260,000 for continued enhancements of its computer system infrastructure.

During the nine months ended September 30, 2010, cash used for investing activities totaled \$7,392,000, compared to \$12,430,000 for the same period last year. During the nine months, the Company set aside \$154,000 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 nine months, \$7,336,000 was used to acquire property and equipment. The Retail Canada Division used \$4,006,000 for 22 store renovations and 11 new store openings in 2010. The Business Division used \$2,029,000 for system upgrades and rental equipment. The Corporate Division used \$1,301,000 for continued enhancement of its computer systems infrastructure.

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.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF CONTRACTUAL OBLIGATIONS

As at September 30, 2010 (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	40,408	8,121	31,748	141	398
Capital lease obligations, including interest	698	269	351	78	–
Operating leases	53,038	12,688	20,418	12,156	7,776
Other long-term obligations	667	169	239	73	186
Total contractual obligations	94,811	21,247	52,756	12,448	8,360

CAPITAL RESOURCES

The Company has a \$10,000,000 revolving operating facility with a major Canadian chartered bank. At September 30, 2010, the operating bank indebtedness was \$nil.

The Company has outstanding a \$36,750,000 fixed-term loan, which is repayable in monthly principal and interest payments of \$671,000 at the rate of 3.65% per annum and is secured by a general security agreement over the Company's assets.

The Company has outstanding a further arrangement with the same Canadian chartered bank, a \$556,000 fixed-term mortgage, secured by the building in Fort St. John, which is repayable in monthly principal and interest installments of \$5,925 at the rate of 6.02% per annum.

At September 30, 2010, the Company had a liability of \$638,000 in respect of vehicles under capital leases for terms ranging from 48 months to 60 months, which are repayable in monthly principal and interest installments of approximately \$26,000 at rates ranging from 5.75% to 9.35%.

The Company's borrowing facilities contain certain restrictive covenants, which the Company was in compliance with as at September 30, 2010.

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, 2009 - \$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 were required for a certain customer contract.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

TRANSACTIONS WITH RELATED PARTY

The Company had the following transactions with a related party shareholder:

(In thousands of dollars)

	Nine Months Ended Sep 30	
	2010	2009
	\$	\$
Administrative services fee	167	158
Construction services and marketing materials	1,851	1,891

During the nine-month period, the company paid a fee to TCGI International ("TCGI"), for certain operating and administrative services provided to the Company by TCGI, which resulted in an administrative services fee of \$167,000 as approved by the Board of Directors. In addition, the Company paid \$1,851,000 for store construction and marketing materials provided by a subsidiary of TCGI during the year. 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 4.7% of the outstanding shares of the Company. Messrs Thomas, Allan and Arthur Skidmore are directors of GLENTEL.

PROPOSED TRANSACTIONS

On October 1, 2010, the Company acquired 81.5% of Diamond Wireless, LLC, a Verizon Premium Retailer operating 132 stores in 11 U.S. states stretching from Washington to Texas, primarily in malls. The total purchase price is \$50,450,000 USD, which is subject to closing adjustments. The purchase price was funded by GLENTEL's cash, short-term investments, and a committed bank facility of \$36,750,000. The company has also agreed to purchase the remaining 18.5% minority interest in the future under certain terms and conditions.

OUTSTANDING SHARE DATA

As at September 30, 2010, GLENTEL had 11,041,570 common shares issued and outstanding. As at October 27, 2010, the Company had not issued any additional common shares and had 11,041,570 common shares issued and outstanding. There are also 247,800 options outstanding that 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 National Instrument 52-109 of the Canadian Securities Administrators) as at September 30, 2010. Management has concluded that as at September 30, 2010, 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.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

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 September 30, 2010 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 and that there were no material weaknesses in the Company's internal control over financial reporting as at September 30, 2010.

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 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

The Company did not adopt any new accounting policies.

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, 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.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

During the period ended September 30, 2010, 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 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, 2008, the Company recognized a goodwill impairment loss of \$4,625,000 related to the Business Division.

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 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.

NEW ACCOUNTING PRONOUNCEMENTS

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

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises for interim and annual financial statements effective January 1, 2011.

The Company has developed a project conversion plan to ensure that differences between Canadian GAAP and IFRS as they relate to the business are identified and that any required changes to accounting processes and controls are made in a timely manner to ensure a smooth transition to IFRS.

The Company has established an IFRS project team, led by finance management, to execute elements of the conversion plan. Initial training has been provided to key employees, and further investment in training and resources will be made throughout the transition to facilitate a timely and efficient changeover to IFRS. Regular progress reporting to the Audit Committee on the status of the IFRS implementation has been instituted.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Our IFRS conversion project consists of four phases:

IFRS CONVERSION PHASES	CHARACTERISTICS	STATUS
SCOPING PHASE	<ul style="list-style-type: none"> Establish project governance structure Designate resources to the project Raise awareness across the Company Perform high-level diagnostic assessments of accounting differences 	Complete
DETAILED ASSESSMENT PHASE	<ul style="list-style-type: none"> Perform systematic and detailed gap analysis between Canadian GAAP and IFRS Assess impact on systems and processes, business activities, and people Select IFRS accounting policies and election of IFRS1 exemptions 	Complete
DESIGN AND IMPLEMENTATION PHASE	<ul style="list-style-type: none"> Develop implementation requirements and building processes Prepare pro-forma IFRS financial statement and notes Communication and training 	Ongoing through 2010
POST-IMPLEMENTATION PHASE	<ul style="list-style-type: none"> Production of IFRS results (including dual reporting during fiscal 2010) Monitor transition progress and issue resolution 	Ongoing through 2010

The Company has completed the scoping phase and management is currently evaluating the available exemptions under IFRS 1, First-Time adoptions of IFRS, and their impact on the future financial position of the Company. Significant efforts are being invested by senior management in evaluating the effects on recognition, measurement, presentation and disclosures of IFRS that may create material differences with existing Canadian GAAP, such as: Presentation of Financial Statements (IAS 1); Property, Plant and Equipment (IAS 16); Impairment of Assets (IAS 36); Income taxes (IAS 12); Employee Benefits (IAS 19); and Share-Based payments (IFRS 2). This should not be regarded as an exhaustive list of changes expected on transition to IFRS. At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. Management intends to complete this assessment in time to compile parallel IFRS financial information to report in 2011.

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.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

In December 2009, the CICA issued EIC 175, "Multiple Deliverable Revenue Arrangements," replacing EIC 142, "Revenue Arrangements with Multiple Deliverables." This abstract was amended to (1) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with Financial Accounting Standards Board Statement (FASB) Statement of Position (SOP) 97-2, Software Revenue Recognition as amended by Accounting Standards Update (ASU) 2009-14; (2) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company is currently assessing the future impact of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

FINANCIAL INSTRUMENTS

During the two most recent years, the Company did not use derivative financial instruments. The Company's financial instruments, their fair values, and the financial risks to which the Company is exposed are disclosed in Note 16 of the Company's audited consolidated financial statements for the year ended December 31, 2009.

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 September 30, 2010 and 2009.

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.



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended
September 30, 2010 and 2009
(Unaudited)

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

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

	Three months ended Sep 30		Nine months ended Sep 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Sales	96,880	81,905	250,635	217,198
Cost of sales	56,073	46,847	143,990	125,942
Operating and administrative expenses	29,612	24,654	82,483	70,438
Income before amortization, interest and taxes	11,195	10,404	24,162	20,818
Amortization of property and equipment, and intangible assets	1,968	1,548	5,777	4,552
Operating income before undernoted items	9,227	8,856	18,385	16,266
Interest income	31	51	158	285
Interest expense - long-term	(37)	(67)	(69)	(159)
Income before taxes	9,221	8,840	18,474	16,392
Income tax expense	2,670	3,006	5,835	5,498
Net income	6,551	5,834	12,639	10,894
Comprehensive income	6,551	5,834	12,639	10,894
Basic net income per common share	0.59	0.53	1.14	1.01
Diluted net income per common share	0.58	0.52	1.13	0.99

INTERIM CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited) In thousands of dollars

	Sep 30, 2010	Sep 30, 2009
	\$	\$
Retained earnings, beginning of year	39,834	31,282
Net income	12,639	10,894
Dividends	(3,240)	(2,845)
Excess on repurchase of common shares under normal course issuer bid (Note 7(b))	(2,355)	(58)
Retained earnings, end of period	46,878	39,273

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited) In thousands of dollars

	Sep 30, 2010	Dec 31, 2009
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	60,256	568
Short-term investments	15,732	15,578
Accounts receivable (Note 10(b))	44,524	44,103
Income taxes receivable	465	1,191
Inventory (Note 5)	21,718	35,870
Prepaid expenses	2,773	1,840
Current portion of future income tax benefits	4,555	4,745
	150,023	103,895
Property and equipment	26,595	24,726
Deferred pension costs	473	473
Intangible assets	4,320	4,697
Goodwill	6,646	6,646
Future income tax benefits	2,501	2,858
	190,558	143,295
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	46,036	41,666
Current portion of deferred revenue and vendor contributions	16,224	15,673
Current portion of long-term debt	7,103	315
	69,363	57,654
Asset retirement obligation	843	818
Deferred revenue and vendor contributions	10,455	11,716
Long-term debt	30,841	979
	111,502	71,167
Shareholders' Equity		
Share capital	31,627	31,611
Contributed surplus	551	683
Retained earnings	46,878	39,834
	79,056	72,128
	190,558	143,295

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 Sep 30		Nine months ended Sep 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Operating Activities				
Net income	6,551	5,834	12,639	10,894
Items not affecting cash:				
Stock-based compensation	1	3	2	35
Accretion expense	17	9	25	27
Amortization, property and equipment, and intangible assets	1,968	1,548	5,777	4,552
Amortization, deferred revenue and vendor contributions	(3,265)	(2,866)	(9,475)	(8,244)
Gain on disposal of asset	—	—	(165)	—
Future income taxes	(840)	(1,193)	547	(819)
	4,432	3,335	9,350	6,445
Net change in non-cash working capital (Note 11)	7,244	6,874	26,999	12,927
	11,676	10,209	36,349	19,372
Financing Activities				
Issuance of share capital	23	557	417	1,017
Shares repurchased under normal course issuer bid (Note 7(b))	—	(10)	(2,890)	(88)
Increase in long-term debt	36,750	—	36,750	—
Repayment of long-term debt	(129)	(1,346)	(306)	(2,620)
Payment of dividends	(1,076)	(982)	(3,240)	(2,845)
	35,568	(1,781)	30,731	(4,536)
Investing Activities				
Changes in short-term investments	(57)	(4,639)	(154)	(7,279)
Acquisition of property and equipment	(1,932)	(2,899)	(7,336)	(5,188)
Proceeds on disposition of property and equipment	70	13	98	37
	(1,919)	(7,525)	(7,392)	(12,430)
Net cash inflow (outflow)	45,325	903	59,688	2,406
Cash and cash equivalents, beginning of period	14,931	17,523	568	16,020
Cash and cash equivalents, end of period	60,256	18,426	60,256	18,426
Supplemental Cash Flow Information:				
Interest paid	37	67	69	159
Income taxes paid	646	4,840	4,562	9,035
Supplemental Non-Cash Financing and Investing Disclosure:				
Acquisition of equipment under capital leases	28	—	206	321

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, 2009 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. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual 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)

4. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In December 2009, the CICA issued EIC 175, "Multiple Deliverable Revenue Arrangements," replacing EIC 142, "Revenue Arrangements with Multiple Deliverables." This abstract was amended to (1) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with Financial Accounting Standards Board Statement (FASB) Statement of Position (SOP) 97-2, Software Revenue Recognition as amended by Accounting Standards Update (ASU) 2009-14; (2) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company is currently assessing the future impact of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

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.

The classifications of inventory are as follows:

(In thousands of dollars)

	Sep 30, 2010	Dec 31, 2009
	\$	\$
Finished Goods		
Retail Division	19,465	31,080
Business Division	2,100	4,736
Work In Progress		
Business Division	153	54
Total Inventory	21,718	35,870

The amount of inventories included in cost of sales during the period ended September 30, 2010 and 2009 was \$133,862,000 and \$113,945,000 respectively.

The following table reflects the movement in the allowance for inventory obsolescence:

(In thousands of dollars)

	Sep 30, 2010	Dec 31, 2009
	\$	\$
Balance, beginning of year	2,026	1,476
Additional allowance	1,427	1,346
Reduction due to inventory write-off	(1,503)	(796)
Balance, end of period	1,950	2,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. LONG-TERM DEBT

The Company has an outstanding \$556,000 fixed-term mortgage with a major Canadian chartered bank, secured by the building in Fort St. John, repayable in monthly principal and interest installments of \$5,925 at the rate of 6.02% per annum.

The Company has an outstanding \$36,750,000 fixed-term loan with the same chartered bank, repayable in monthly principal and interest installments of \$671,000 at the rate of 3.65%, due September 2013 that is secured by a general security agreement on the Company's assets.

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 5.75% up to 9.35% and mature on various dates up to 2015. At September 30, 2010, the outstanding obligations under these leases were \$638,000 and are secured by the assets acquired.

7. SHARE CAPITAL

- a) During the nine months ended September 30, 2010, the Company issued 63,200 common shares on the exercise of stock options. At September 30, 2010, the Company had 247,800 (December 31, 2009 – 311,000) 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 nine months ended September 30, 2010, the Company repurchased 189,000 common shares (2009 – 11,000) for cancellation pursuant to an ongoing normal course issuer bid at a cost of \$2,890,000 (2009 – \$88,000). Of this amount, \$535,000 (2009 - \$30,000) reduced the share capital and \$2,355,000 (2009 - \$58,000) was charged to retained earnings.
- c) At September 30, 2010, the Company had 11,041,570 (December 31, 2009 – 11,167,370) 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 Sep 30		Nine months ended Sep 30	
	2010	2009	2010	2009
Weighted average number of common shares outstanding	11,039	10,912	11,088	10,829
Effect of dilutive stock options	160	273	142	187
Weighted average number of dilutive common shares outstanding	11,199	11,185	11,230	11,016

8. OFF-BALANCE SHEET ARRANGEMENTS

The Company has outstanding letters of credit totaling \$40,000 (December 31, 2009 - \$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 \$2,326,000 that were required for a certain customer contract, which cost the Company \$23,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 \$10,000,000 operating facility, which can be used to finance its net working capital and general corporate requirements, and a \$36,750,000 extendible term revolving committed facility available for acquisitions and capital expenditures. The facility contains certain restrictive covenants, which the Company was in compliance with as at September 30, 2010.

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 2010.

The following table provides a summary of contractual obligations:

As at September 30, 2010 (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	40,408	8,121	31,748	141	398
Capital lease obligations, including interest	698	269	351	78	–
Operating leases	53,038	12,688	20,418	12,156	7,776
Other long-term obligations	667	169	239	73	186
Total contractual obligations	94,811	21,247	52,756	12,448	8,360

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 September 30, 2010, 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 as at September 30, 2010 was \$37,678,000.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

At September 30, 2010, the Company's accounts receivable balances were as follows: Retail Division of 87% (December 31, 2009 – 83%) with 13% in the Business Division (December 31, 2009 – 17%). 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.

The following table provides the aging analysis of accounts receivable:

(In thousands of dollars)

	Sep 30, 2010	Dec 31, 2009
	\$	\$
Current	37,908	37,893
31 to 60 days	3,255	4,254
61 to 90 days	1,538	988
91 days +	2,165	1,289
Total Accounts receivable	44,866	44,424
Less: Allowance for doubtful accounts	(342)	(321)
	44,524	44,103

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

(In thousands of dollars)

	Sep 30, 2010	Dec 31, 2009
	\$	\$
Balance, beginning of year	321	555
Additional allowance (recovery)	21	(6)
Reduction due to receivable write-off	–	(228)
Balance, end of period	342	321

(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.

The Company has a \$36,750,000 fixed-rate term loan outstanding with a interest rate at 3.65% which is due September 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(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 \$10,000,000 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 September 30, 2010, 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. At September 30, 2010, the company held \$50,704,000 denominated in U.S. dollars in cash and cash equivalents for the acquisition of Diamond Wireless, LLC (see Note 12). However, due to the short-term nature of the use of the funds, there is no significant market risk arising from fluctuations in foreign currency exchange rates.

11. NET CHANGE IN NON-CASH WORKING CAPITAL

(In thousands of dollars)

	Three months ended Sep 30		Nine months ended Sep 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Accounts receivable	(12,930)	(2,996)	(44)	12,772
Income taxes receivable/payable	2,864	1,850	726	(2,719)
Inventory	(2,794)	(6,858)	14,141	(5,653)
Prepaid expenses	(82)	424	(933)	44
Accounts payable and accrued liabilities	14,003	6,809	4,344	(3,557)
Deferred revenue and vendor contributions	6,183	7,645	8,765	12,040
	7,244	6,874	26,999	12,927

12. SUBSEQUENT EVENT

On October 1, 2010, the Company acquired 81.5% of Diamond Wireless, LLC, a mall-based Verizon Wireless Premium Retailer headquartered in Salt Lake City, Utah. The company has also agreed to purchase the remaining 18.5% minority interest in the future under certain terms and conditions. The total purchase price is USD\$50,450,000, which is subject to closing adjustments. The purchase price was funded by GLENTEL's cash, short term investments and a committed bank facility of \$36,750,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

13. 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.

	Three months ended Sep 30		Nine months ended Sep 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Sales to external customers				
Retail Division	88,973	74,512	221,513	189,997
Business Division	7,907	7,393	29,122	27,201
	96,880	81,905	250,635	217,198
Income (loss) before amortization, interest, and taxes				
Retail Division	14,464	13,659	31,806	29,430
Business Division	249	(113)	1,748	677
Corporate	(3,518)	(3,142)	(9,392)	(9,289)
	11,195	10,404	24,162	20,818
Amortization, other than deferred revenue				
Retail Division	1,110	819	3,209	2,386
Business Division	677	571	2,049	1,701
Corporate	181	158	519	465
	1,968	1,548	5,777	4,552
Operating income (loss) before interest income and long-term debt interest expense and taxes				
Retail Division	13,354	12,840	28,597	27,044
Business Division	(428)	(684)	(301)	(1,024)
Corporate	(3,699)	(3,300)	(9,911)	(9,754)
	9,227	8,856	18,385	16,266
Capital expenditures				
Retail Division			4,006	4,221
Business Division			2,029	772
Corporate			1,301	195
			7,336	5,188
			Sep 30, 2010	Dec 31, 2009
Total long-lived assets employed				
Retail Division			16,658	15,861
Business Division			11,104	10,813
Corporate			3,153	2,749
			30,915	29,423
Goodwill				
Retail Division			6,646	6,646

RETAIL STORE LOCATIONS

British Columbia

11th & Granville	Aberdeen Mall	Bay Centre	Brentwood Town Centre
Cherry Lane Shopping Centre	Coquitlam Centre	Cottonwood Mall	Guildford Town Centre
Hillside Shopping Centre	Lougheed Town Centre	Mayfair Shopping Centre	Metropolis at Metrotown (2)
Oakridge Shopping Centre	Orchard Park Mall	Pacific Centre	Park Royal Shopping Centre (2)
Pine Centre	Richmond Centre	Robson Street	Sevenoaks Shopping Centre
Village Green Mall	West 4th Avenue	Willowbrook Shopping Centre	Woodgrove Centre

Alberta

Calgary Eaton Centre	Chinook Centre	Cross Iron Mills	Kingsway Garden Mall
Lloyd Mall	Londonderry Mall	Market Mall	Marlborough Mall
Medicine Hat Mall	Mill Woods Town Centre	Northland Village	Park Place Mall
Parkland Mall	Peter Pond Shopping Centre	Prairie Mall	Sherwood Park Mall
Southcentre Mall	Southgate Centre	Sunridge Mall	West Edmonton Mall (2)

Saskatchewan

Cornwall Centre	Midtown Plaza	Northgate Mall
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Manitoba

Kildonan Place	Polo Park Shopping Centre	St. Vital Centre
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Ontario

Bayshore Shopping Centre	Brookfield Place	Billings Bridge Plaza	Bramalea City Centre (2)
Burlington Mall	Cambridge Centre	Carlingwood Shopping Centre	Cataraqui Town Centre
Centrepoint Mall	Cloverdale Mall	Conestoga Mall	Devonshire Mall
Dixie Outlet Mall	Dufferin Mall	Eastgate Square	Eglinton Square Shopping Centre
Erin Mills Town Centre	Fairview Mall	Fairview Park Mall	Georgian Mall
Heritage Place	Hudson's Bay Centre	Jackson Square	Lambton Mall
Lansdowne Place	Lime Ridge Mall	Lynden Park Mall	Mapleview Shopping Centre
Markville Shopping Centre	Masonville Place	Milton Mall	New Fairview Mall
New Sudbury Centre	Northgate Shopping Centre	Oakville Place Shopping Centre	Oshawa Centre
Pen Centre	Pickering Town Centre	Place d'Orleans	Quinte Mall
Rideau Centre	Scarborough Town Centre	Sherway Gardens	Shoppers World Brampton
Square One Shopping Centre (2)	St. Laurent Centre	Station Mall	Stone Road Mall
TD Centre	Toronto Eaton Centre	Tecumseh Mall	The Promenade Shopping Centre
Upper Canada Mall	Vaughan Mills (2)	Westmount Shopping Centre	White Oaks Mall
Woodbine Centre	Yorkdale Shopping Centre		

New Brunswick

ChAMPLAIN Place	McAllister Place	Regent Mall
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Nova Scotia

Halifax Shopping Centre	Mic Mac Mall
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RETAIL STORE LOCATIONS

British Columbia

Brentwood Town Centre	Guildford Town Centre	Hillside Shopping Centre	Lougheed Town Centre
Oakridge Shopping Centre	Richmond Centre	Woodgrove Centre	

Alberta

Bower Place	Chinook Centre	Kingsway Garden Mall	Londonderry Mall
Market Mall	Marlborough Mall	Medicine Hat Mall	Park Place
Southgate Centre	Sunridge Mall	TD Square	West Edmonton Mall

Manitoba

Kildonan Place	St. Vital Centre
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Ontario

Bayshore Shopping Centre	Bramalea City Centre	Burlington Mall	Cambridge Centre
Carlingwood Shopping Centre	Cataraqui Town Centre	Centrepont Mall	Conestoga Mall
Devonshire Mall	Dixie Outlet Mall	Dufferin Mall	Eastgate Square
Erin Mills Town Centre	Fairview Mall	Fairview Park Mall	Hillcrest Mall
Jackson Square	Lime Ridge Mall	Markville Shopping Centre	Mapleview Shopping Centre
Masonville Place	Pen Centre	Pickering Town Centre	Place d'Orleans
Quinte Mall	Rideau Centre	Scarborough Town Centre	Sherway Gardens
Square One Shopping Centre (2)	St. Laurent Centre	Stone Road Mall	The Promenade Shopping Centre
Toronto Eaton Centre	Upper Canada Mall	Vaughan Mills	Westmount Shopping Centre
White Oaks Mall	Woodbine Centre	Yorkdale Shopping Centre	

Québec

Carrefour Angrignon	Carrefour de l'Estrie	Carrefour du Nord	Carrefour Laval
Centre Eaton Montréal	Centre Rockland	Fairview Pointe-Claire	Galeries d'Anjou
Galeries de la Capitale (2)	Les Galeries Rive-Nord	Les Rivières	Place Fleur de Lys
Place Laurier	Place Rosemère	Place Vertu	Place du Royaume
Promenades de l'Outaouais	Promenades St-Bruno		

New Brunswick

Champlain Place	McAllister Place	Regent Mall
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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	Okotoks	Red Deer	Sherwood Park

Saskatchewan

Regina	Saskatoon
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Manitoba

Winnipeg (3)

Ontario

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	

Québec

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

Nova Scotia

Darhmouth	Halifax
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New Brunswick

Moncton	St. John
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Newfoundland

St. John's

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 Mississauga Ottawa
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 three operating divisions – Retail Canada, Retail U.S. and Business – that service thousands of consumers and commercial communications customers. The company operates more than 280 stores across Canada located primarily in retail malls and Costco Wholesale, as well as 132 mall stores in the United States. To its business and government customers, GLENTEL offers wireless service, rental equipment, satellite and terrestrial network systems, tower sites, and wireless asset monitoring. As the largest multi-carrier mobile phone retailer in Canada, it offers a choice of network carrier and wireless device or phone to Canadian consumers. GLENTEL operates its business under the trading names Glentel Wireless, WIRELESSWAVE, WAVE SANS FIL, Tbooth wireless, la cabine T sans fil, WIRELESS etc. and SANS FIL etc., and Diamond Wireless – Verizon Premium Retailer in the U.S.



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