Condensed Consolidated
Interim Financial Statements of

(Unaudited and Unreviewed by
the Company's Independent Auditors)

SARATOGA ELECTRONIC SOLUTIONS INC.

Periods ended June 30, 2011 and 2010

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim condensed consolidated financial statements of Saratoga Electronic Solutions Inc. were prepared by management in accordance with International Financial Standards (‘‘IFRS’’). The significant accounting policies have been set out in the notes of the June 30, 2011 unaudited and unreviewed by the Company’s external auditors interim condensed consolidated financial statements. The Company was required to adapt to IFRS effective April 1, 2010 due to changes mandated by the Canadian Institute of Chartered Accountants that affects all publically accountable enterprises. Management acknowledges responsibility for the preparation and presentation of the unaudited interim condensed consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting policies and methods that are appropriate to the Company’s circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim condensed consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as the date of and for the periods presented by the interim condensed consolidated financial statements and (ii) the interim condensed consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

The Board of Directors is responsible for reviewing and approving the interim condensed consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assist the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the interim condensed consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(*Signed*) **"GEORGES A. DURST"** Director

(*Signed*) **"DONALD W. SEAL"** Director

NOTICE TO READER

The accompanying interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim condensed consolidated financial statements by an auditor.

SARATOGA ELECTRONIC SOLUTIONS INC.
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SARATOGA ELECTRONIC SOLUTIONS INC.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited and Unreviewed by Company's Independent Auditors)
As at

	Note	June 30, 2011	March 31, 2011	April 1, 2010
		$	$	$
ASSETS				
Current assets:				
Cash in circulation		**-**	-	283,075
Cash – in circulation in automated teller machines		**1,037,740**	1,007,260	1,062,440
Trade and other receivables	*5, 16 (a)*	**101,736**	1,806,936	2,227,132
Trade receivables from related parties	*15*	**4,810**	6,869	1,523
Inventories		**-**	1,009,823	889,199
Prepaid expenses		**45,651**	46,858	70,105
		1,189,937	3,877,746	4,533,474
Non-current assets				
Property and equipment	*7*	**1,240,938**	2,536,414	2,815,314
Goodwill		**-**	-	888,636
Intangible assets	*6*	**-**	-	574,583
Deferred tax assets		**243,623**	189,367	700,937
		1,484,561	6,603,527	4,979,470
Assets classified as held for sale	*7, 9*	**5,035,814**	-	-
Total assets		**7,710,312**	6,603,527	9,512,944

See accompanying notes to the condensed consolidated interim financial statements.

These financial statements were approved and authorized for issue by the Board of Directors on October 5, 2011:

(*Signed*) **"GEORGES A. DURST"** Director

(*Signed*) **"DONALD W. SEAL"** Director

SARATOGA ELECTRONIC SOLUTIONS INC.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited and Unreviewed by Company's Independent Auditors)
As at

	Note	June 30, 2011	March 31, 2011	April 1, 2010
		$	$	$
LIABILITIES				
Current liabilities				
Bank indebtedness		**80,156**	606,394	-
Short-term loans	*16 (b)*	**1,604,080**	1,618,160	1,813,580
Trade and other payables		**473,401**	4,096,787	4,938,477
Payables to related parties	*15*	**26,872**	11,376	15,748
Provisions	*8*	**35,000**	30,000	40,000
Income taxes payable		**25,384**	25,384	18,265
Loans payable		-	175,000	400,000
Current long-term loans		**712,541**	1,036,209	631,374
		2,957,434	7,599,310	7,857,444
Non-current liabilities				
Long-term loans		-	981,661	1,636,550
Deferred tax liabilities		**213,715**	183,622	209,879
		213,715	1,165,283	1,846,429
Liabilities directly associated with assets classified as held for sale	*7, 9*	**6,581,638**	-	-
Total liabilities		**9,752,787**	8,764,593	9,703,873
Shareholders' equity				
Common shares	*10*	**1,781,043**	1,787,423	1,811,973
Contributed surplus		**189,030**	182,650	182,650
Deficit		**(5,282,548)**	(5,401,139)	(3,568,052)
Equity attributable to shareholders'		**(3,312,475)**	(3,431,066)	(1,573,429)
Non-controlling interest		**1,270,000**	1,270,000	1,382,500
Total equity		**(2,042,475)**	(2,161,066)	(190,929)
Total equity and liabilities		**7,710,312**	6,603,527	9,512,944

See accompanying notes to the condensed consolidated interim financial statements.

These financial statements were approved and authorized for issue by the Board of Directors on October 5, 2011:

(*Signed*) **"GEORGES A. DURST"** Director

(*Signed*) **"DONALD W. SEAL"** Director

SARATOGA ELECTRONIC SOLUTIONS INC.
Condensed Consolidated Interim Statements of Comprehensive Income
(Unaudited and Unreviewed by Company's Independent Auditors)
For the Three-Month Periods Ended

	Note	June 30, 2011	June 30, 2010
		$	$
Revenues		**14,278**	15,061,646
Direct costs		**25,237**	14,252,587
Selling and administrative		**87,229**	369,221
Depreciation of property, equipment and equipment held under capital leases		**10,455**	99,853
Amortization of intangible assets		**-**	146,250
Strategic revision process costs		**13,825**	-
Insurance claim		**(37,155)**	-
Money remittance costs		**1,300**	7,726
		100,891	14,875,637
Profit before net finance costs and income taxes		**(86,613)**	186,009
Finance expense		**2,047**	107,827
Income (loss) before income taxes and profit from discontinued operations		**(88,660)**	78,182
Income taxes expense (recovery):			
Net income taxes		**-**	-
Deferred taxes		**(24,163)**	-
Income (loss) before discontinued operations and income taxes		**(64,497)**	-
Profit from discontinued operations	*9*	**183,088**	-
Profit and comprehensive income for the period		**118,591**	78,182
Earnings per share:			
Basic	*12*	**0.00642**	0.00421
Diluted	*12*	**0.00633**	0.00415
Weighted average number of common shares			
Basic		**18,461,300**	18,572,300
Diluted		**18,741,300**	18,852,300

See accompanying notes to the condensed consolidated interim financial statements.

SARATOGA ELECTRONIC SOLUTIONS INC.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited and Unreviewed by Company's Independent Auditors)

For the Three-Month Periods Ended June 30, 2011 and 2010

	Share capital					
	Number	**Amount**	**Contributed surplus**	**Retained earnings**	**Non-controlling interest**	**Total equity**
	#	$	S	$	$	$
Balance at April 1, 2010	18,648,300	1,811,973	182,650	(3,568,052)	1,382,500	(190,929)
Redemption of common shares	(76,000)	(10,650)	-	-	-	(10,650)
Net profit and comprehensive income	-	-	-	78,182	-	78,182
Balance at June 30, 2010	18,572,300	1,801,323	182,650	(3,489,870)	1,345,000	(160,897)
Redemption of common shares	(111,000)	(13,900)	-	-	-	(13,900)
Net profit and comprehensive income	-	-	-	(1,833,087)	-	(1,833,087)
Balance at March 31, 2011	18,461,300	1,787,423	182,650	(5,401,139)	1,270,000	(2,161,066)
Cancellation of redeemed common shares	-	(6,380)	6,380	-	-	-
Net profit and comprehensive income	-	-	-	118,951	-	118,951
Balance at June 30, 2011	18,461,300	1,781,043	189,030	(5,282,548)	1,270,000	(2,042,475)

See accompanying notes to condensed consolidated interim financial statements.

SARATOGA ELECTRONIC SOLUTIONS INC.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited and Unreviewed by Company's Independent Auditors)
For the Three-Month Periods Ended June 30

	Note	2011	2010
		$	$
Cash flows (used in) from operating activities			
Net income (loss) from continuing operations		**(64,497)**	78,182
Items not involving cash:			
Depreciation of property and equipment	**7**	**10,455**	99,853
Amortization of intangible assets	**6**	**-**	146,250
Loss on disposal of property and equipment		**-**	-
Provisions	**8**	**35,000**	(10,000)
Deferred income taxes		**(24,163)**	-
		(43,205)	314,285
Changes in non-cash working capital			
Trade receivables		**(38,265)**	(607,180)
Trade receivables from related parties		**2,059**	(6,779)
Inventories		**-**	165,144
Prepaid expenses		**(30,621)**	19,459
Trade payables and accrued liabilities		**(24,467)**	108,085
Trade payables and accrued liabilities related parties		**16,141**	11,662
Provisions		**35,000**	(10,000)
Cash flows (used in) from operating activities of continuing operations		**(118,358)**	4,676
Cash flows (used in) from operating activities of discontinued operations	**13**	**(288,712)**	-
Cash flows used in investing activities			
Acquisition of property and equipment		**-**	(5,553)
Cash flows (used in) investing activities of continuing operations		**-**	(5,553)
Cash flows (used in) investing activities of discontinued operations	**13**	**(31,248)**	-
Cash flows (used in) financing activities			
Net change in bank loans		**(14,080)**	(36,980)
Net change in loans payable		**-**	(200,000)
Redemption of preferred shares held by non-controlling interest		**-**	(37,500)
Redemption of common shares		**-**	(10,650)
Repayment of long-term debt		**(70,658)**	(101,737)
Proceeds from new long-term debt		**-**	55,852
Cash flows (used in) from financing activities of continuing operations		**(84,738)**	(331,015)
Cash flows (used in) from financing activities of discontinued operations	**13**	**1,079,774**	-
Net increase(decrease) in cash and cash equivalents		**556,718**	(331,892)
Cash and cash equivalents - beginning of period		**400,866**	1,345,515
Cash and cash equivalents - end of period		**957,584**	1,013,623
Supplemental information			
Interest paid in cash		**76,486**	72,477

Income taxes paid in cash	-	-

See accompanying notes to condensed consolidated interim financial statements

1. Reporting entity

Saratoga Electronic Solutions Inc. (the "Company") is a publicly traded corporation and is incorporated and domiciled in Canada. Saratoga's head and registered office is located at 2975 Hochelaga, Montreal, Quebec, H1W 1G1. The condensed consolidated interim financial statements of the Company as at and for the period ended June 30, 2011 comprise the Company and its subsidiaries, Corporation Saratoga ATM Inc. and Distributions Car-Tel Inc. (together referred to as the ''Group'' and individually as ''Group entities''). The Group specializes in two distinct entities, namely the operation of a network of automated teller machines ("ATM's") throughout eastern Canada and wholesale distribution of prepaid cards, point-of-sale activated prepaid phone PINs (P.O.S.A.) and prepaid debit cards. The distribution network is comprised of freestanding intelligent machines, P.O.S.A. terminals and traditional merchants.

The address of the registered office is 2975 Hochelaga, Montreal, QC, H1W 1G1.

2. Going concern

The condensed consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

A number of unfavourable conditions and events have left some doubt as to the appropriateness of this assumption. The Company incurred continued operating losses resulting in its non-compliance with certain financial debt covenants required by the financial institution relating to the bank advances and term loans (see Note 16). At June 30, 2011, the lender has waived these violations and, while the lender has not called its bank advances and the term loans, these term loans have been classified as a current liability in the accompanying consolidated statement of financial position because the lender can now demand payment. The Company's condensed consolidated working capital and equity are deficient.

The Company's ability to continue as a going concern is dependent upon its ability to restore itself to profitability and positive cash flows. Management is focusing on strategic changes in its prepaid business segment and is closely monitoring its discretionary expenses. In its ATM business segment, the Company will need to obtain new forms of long-term debt to replace existing credit facilities that are in breach of its current bank covenants. The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement.

2. Going concern (cont'd.

The carrying amounts of assets, liabilities, revenues and expenses presented in the condensed consolidated financial statements and the statements of financial position classification have not been adjusted as would be required if the going concern assumption was not appropriate.

3. Basis of presentation

Statement of compliance

The condensed consolidated interim financial statements for the period ended June 30, 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These are the Company's first condensed consolidated interim financial statements for part of the period covered by the first International Financial Reporting Standards ("IFRS") annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. The condensed consolidated interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended March 31, 2011.

Note 18 discloses the impact of transition to IFRS on the Company's reported financial position, financial performance and cash flows including the nature and effect of significant changes in accounting policies, from those used in the Company's consolidated financial statements for the year ended March 31, 2011. Subject to certain transition elections disclosed in note 4, The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of October 5, 2011, the date on which the Board of Directors approved the condensed consolidated interim financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended March, 31, 2012 could result in a restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on transition IFRS.

3. Basis of presentation (cont'd.)

Review of interim financial statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by Saratoga Electronic Solutions Inc. management.

The Company's independent auditor has not performed a review of the accompanying unaudited interim consolidated financial statements in accordance with standards established by the CICA for a review of interim financial statements by an entity's auditor

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a going concern basis, under the historical cost convention.

Functional and presentation

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or action, actual results ultimately may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Basis of presentation (cont'd.)

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated interim financial statements are:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of (a) its fair value less costs to sell and (b) its value in use. The fair value les costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generated unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of equipment would increase the recorded expenses and decrease the non-current assets.

3. **Basis of presentation** (cont'd.)

Share-based payment transaction

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

A. Basis of consolidation

Segment reporting

In accordance with IFRS 8, Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. In this regard, the Company conducts its business in three operating segments being ATM machines, prepaid products and corporate items and eliminations.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power (directly or indirectly) to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

4. Significant accounting policies (cont'd.)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the condensed consolidated interim financial statements.

B. Revenue recognition

Revenues from the ATM group entity are derived from a fee-based transaction model as well as a percentage of the amount of money passing through the ATM network on a daily basis. Revenues are recognized once the day's transactions are settled, and collection is reasonably assured.

Revenues from the sale of cellular prepaid cards, PINs and debit cards are recognized on a gross basis, net of trade discounts and allowances, when the Company determines that it is the primary obligor to its customer, the retail merchant, and incurs inventory risk. Revenues for PINs are recognized when the PIN is transferred by the Company's platform to the merchants' terminal and subsequently sold to the end user. Revenues from the sale of prepaid Bell long distance cards, gift cards and debit cards are recognized when the product is sold to the end user.

In cases where the Company has determined that it is not the primary obligor, such as where the Company earns commissions on products or services sold and does not incur inventory risk, revenue is recognized at the date of sale as the Company's continued obligation effectively ended on that date. Accordingly, these sales are recorded on a net revenue basis.

Cash discounts and volume rebates granted to customers in the prepaid product group entity are accrued when earned and are recorded as a reduction of sales.

C. Finance income and finance cost

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

4. Significant accounting policies (cont'd.)

Finance costs comprise interest expense on borrowing from credit facilities, stamping fees, facility fees, accruals of differences between amounts advanced and the principal repayable, distributions on exchangeable partnerships units classified as liabilities and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

D. Cash and cash equivalents

Cash and cash equivalents are comprised of cash, cash in circulation in ATM machines and restricted cash.

E. Financial instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments and are classified in one of the following categories depending on the purpose for which the instruments were acquired:

Financial assets at fair value through profit or loss

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in profit or loss. Assets in this category include cash and cash equivalents.

Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest recognized on an effective yield basis. Assets in this category include trade and other receivables and trade receivables from related parties.

4. Significant accounting policies (cont'd.)

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include trade and other payables, bank debt and due to related parties.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

F. Inventories

Inventories consist primarily of prepaid telecommunications PIN's. Inventories are measured at the lower of cost and net realized value. The cost of inventories is based on weighted average and includes expenditures incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

G. Property and Equipment

Initial recognition and measurement

Property, Plant and Equipment are measured at costs less accumulated depreciation and accumulated impairment losses.

The cost of equipment includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent measurement

The cost of replacing part of an item of equipment is recognized as part of the carrying amount of such item, if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in the statement of comprehensive income as an expense as incurred.

4. Significant accounting policies (cont'd.)

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value and is provided on a declining balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparatives period are as follows:

ATM equipment	20 %
POS terminal equipment	10% to 30%
Building	6%
Computer hardware and software	30%
Furniture and fixtures	20%
Automobile	30%

The residual values, useful lives and methods of depreciation are reviewed annually and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item.

H. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and measured at cost less accumulated impairment losses. For measurement of goodwill at initial recognition, see note 3 (a) Business Combinations. Impairment losses on goodwill are not reversed.

Other intangible assets

Other intangible assets are primarily comprised of software license agreement.

4. Significant accounting policies (cont'd.)

Intangible assets are carried at historical cost, less accumulated amortization and any impairment losses recognized. Amortization is calculated over the cost of the asset, or other amount substituted for cost, less the residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Contractual customer relationships	3 years
Software license agreement	5 years

I. Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's intangible assets and temporary investments are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

4. Significant accounting policies (cont'd.)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the ‘‘cash-generating unit, or CGU’’).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are asses at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

J. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. Significant accounting policies (cont'd.)

K. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the expense relating to any provision is presented in the consolidated statement of comprehensive loss net of the reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of comprehensive loss

L. Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

4. Significant accounting policies (cont'd.)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the tax benefit will be realized.

M. Earnings per share

The Group presents basic earnings per share ''EPS'' data for its common shares. Basic EPS are computed by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Diluted EPS are computed similarly to basic earnings per share, except that the weighted average shares outstanding are increased to include shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding share options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the period.

N. Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

O. Share-based payment

The Company operates an equity-settled compensation plan (see note 10) under which it receives services from employees, directors and consultants as consideration for equity instruments of the Company.

The Company uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

4. Significant accounting policies (cont'd.)

When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

P. Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2010 or later periods. The standards impacted that are applicable to the Company are as follows:

(i) IFRS 9 Financial Instruments:

Effective for annual periods beginning on or after January 1, 2013 (extended tentatively to January 1, 2015), with earlier adoption permitted.

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standards:

- Deals with classification and measurement of financial assets;
- Establishes two primary measurement categories for financial assets: amortized cost and fair value;
- Prescribes that classification depends in entity's business model and the contractual cash flow characteristics of the financial asset;
- Eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

4. **Significant accounting policies** (cont'd.)

The extent of the impact of adoption of this new standard has not been determined.

(ii) IFRS 10 Consolidated Financial Statements:

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this standard earlier, it shall also apply IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.

IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities.* IAS 27 (2008) survives as IAS 27 (2011) *Separate Financial Statements*, only to carry forward the existing accounting requirements for separate requirements for separate financial statements.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPE's in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.

(iii) IFRS 12 Disclosure of interest in Other Entities;

In May 2011, the IASB issued IFRS 12 *Disclosure of Interest in Other Entities*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this standard earlier, it needs not to apply IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) at the same time.

IFRS 12 contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structure entities.

The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company's interest in other entities.

4. Significant accounting policies (cont'd.)

(iv) IFRS 13 Fair value Measurement:

In May 2011, the IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurement and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

IFRS 13 explains how to measure fair value when it is required or permitted by other IFRS. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

(v) IAS 12 – Income Taxes:

IAS 12 was amended on December 20, 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company is currently evaluating the impact of this amendment to its financial statements.

5. Trade and other receivables:

Continuing and discontinued activities	**June 30, 2011**	March 31, 2011	April 1, 2010
	$	$	$
Trade receivables	**2,313,237**	1,576,980	1,927,211
Sales taxes receivable	**449,240**	226,788	293,331
Other receivables	**-**	3,168	6,590
Total trade receivables	**2,762,477**	1,806,936	2,227,132

Aging analysis	**June 30, 2011**	March 31, 2011	April 1, 2010
	$	$	$
Current	**2,443,034**	1,599,962	2,043,896
30 – 90 days	**315,633**	199,488	178,672
Over 90 days	**4,810**	8,486	8,361
	2,763,477	1,807,936	2,230,929
Allowance for doubtful debt	**1,000**	1,000	3,797
Total trade receivables	**2,762,477**	1,806,936	2,227,132

6. Intangible assets

	Contractual Customer relationships	**Licences**
	$	**$**
Cost or deemed cost:	1,680,000	64,583
Accumulated amortization	1,120,000	50,000
Balance at April 1,2010	560,000	14,583
Amortization	560,000	14,583
Balance at March 31, 2011	-	-
Carrying amounts:		
At April 1, 2010	560,000	14,583
At June 30, 2011	-	-

7. Property and equipment

	Land	Building	Automated teller machines	Scanners and other equipment	Furniture and computer equipment	Rolling stock	Assets under capital leases	Total
	$	$	$	$		$	$	$
Cost								
At April 1, 2010	585,300	834,700	1,209,314	1,202,123	216,079	18,219	597,740	4,663,475
Additions	-	-	9,973	14,160	6,646	-	108,680	139,279
Disposal	-	-	(3,400)	-	-	-	-	(3,400)
At March 31, 2011	585,300	834,700	1,215,887	1,216,283	222,545	18,219	706,420	4,799,354
Additions	-	-	24,413	-	-	6,835	-	31,248
Disposal	-	-	-	-	-	-	-	-
Held for sale	-	-	(1,212,601)	(1,216,283)	(213,441)	(25,054)	(706,420)	(3,373,799)
At June 30, 2011	**585,300**	**834,700**	**27,699**	**-**	**9,104**	**-**	**-**	**1,456,803**
Depreciation								
At April 1, 2010	-	141,411	775,925	691,928	140,665	9,639	59,774	1,819,342
Depreciation expense	-	41,598	89,143	173,397	19,066	2,574	120,272	446,050
Disposals	-	-	(2,452)	-	-	-	-	(2,452)
At March 31, 2011	-	183,009	862,616	865,325	159,731	12,213	180,046	2,262,940
Depreciation expense	-	9,775	-	-	680	-	-	10,455
Disposals	-	-	-	-	-	-	-	-
Held for sale	-	-	(845,836)	(865,325)	(154,110)	(12,213)	(180,046)	(2,057,530)
At June 30, 2011	**-**	**192,784**	**16,780**	**-**	**6,301**	**-**	**-**	**215,865**
Net book value								
At March 31, 2011	585,300	651,691	353,271	350,958	62,814	6,006	526,374	2,536,414
At June 30, 2011	**585,300**	**641,916**	**10,919**	**-**	**2,803**	**-**	**-**	**1,240,938**

8. Provisions

Provision for lawsuit	$
Balance April 1, June 30 and March 31, 2011	30,000
Held for sale liability included in discontinued operations	(30,000)
Balance at June 30, 2011	-
	35,000
Provision for water incident in 2975 Hochelaga building	
Balance March 31, 2011	-
Addition	35,000
Balance June 30, 2011	35,000

The provision recognized at April 1 2010, relates to an amount of $30,000 that relates to a lawsuit initiated by former associates of Car-Tel's director. Management, on the advice of counsel, does not expect the outcome of the lawsuit will give rise to any significant loss beyond the amounts recognized at June 30, 2011. The actual lawsuit is related to an alleged improper use of proprietary technology used to deliver prepaid PINs for phone products and business contracts. The lawsuit is still pending as at October 5 28, and a counter claim has been taken against the plaintiffs.

The provision recognized at June 30, 2011, relates to an amount of $35,000 for repairs to 2975 Hochelaga building, in the aftermath of a springtime water incident.

9. Discontinued operations

On July 29, 2011, the Company engaged in an agreement its intention to sell its wholly owned subsidiary Distribution Car-Tel Inc. Car-Tel was sold subject to shareholder and regulatory approvals with the effect from July 28, 2011. The subsidiary disposed of was reported in the financial statements for the period ended June 30, 2011 as a discontinued operation.

On June 30, 2011, the Company classified as held for sale its ATM business segment long-lived assets. The Company's Special Committee has engaged in to negotiations in view of the sale of ATM business segment network. Closing of the transaction is contemplated within six months. The ATM network to be disposed of was reported in the financial statements for the period ended June 30, 2011 as a discontinued operation.

9. Discontinued operations (cont'd.)

For the three-months ending June 30

	June 30, 2011 Car-Tel	June 30, 2011 ATM	June 30, 2011 Total
	$	$	$
Revenues	11,353,847	1,032,887	12,386,734
Direct costs	10,981,839	837,177	11,819,016
Selling and administrative	257,809	45,160	302,969
Profit before net finance income	114,199	150,550	264,749
Net finance expenses	46,476	35,185	81,661
Income (loss) of discontinued operations before income taxes	67,723	115,365	183,088
Income taxes expense (recovery)			
Net income taxes	-	-	-
Deferred income taxes	-	-	-
Net profit and comprehensive income for the period	67,723	115,365	183,088

Assets held for sale related to discontinued operations

	June 30, 2011 Car-Tel	June 30, 2011 ATM	June 30, 2011 Total
	$	$	$
Trade receivables	2,655,964	-	2,655,964
Inventories	1,020,706	-	1,020,706
Prepaid expenses	42,875	-	42,875
Equipment	390,590	925,679	1,240,938
Assets held for sale	4,410,135	925,679	5,035,814

9. Discontinued operations (cont'd.)

	June 30, 2011 Car-Tel	June 30, 2011 ATM	June 30, 2011 Total
	$	$	$
Bank indebtedness	1,320,725	-	1,320,725
Trade payable and accrued liabilities	4,062,193	-	4,062,193
Provisions	30,000	-	30,000
Loans payable	100,000	-	100,000
Long-term debt	1,068,720	-	1,068,720
Liabilities held for sale	6,581,638	-	6,581,638

10. Share capital

Share capital authorized:

An unlimited number of the following classes of shares:

Common, voting participating shares

Series I preferred shares issuable in series, non-voting, 6% non-cumulative dividend, redeemable at the option of the Company, convertible into common shares at the option of the holder at a conversion price equal to the volume weighted average trading price of the common shares during the five days preceding the date of notice of conversion is given.

Series II preferred shares issuable in series, non-voting, 8% non-cumulative dividend, redeemable at the option of the Company, convertible into common shares at the option of the holder at a conversion price equal to the volume weighted average trading price of the common shares during the five days preceding the date of notice of conversion is given.

10. Share capital (cont'd.)

	Number #	Amount $
Common shares		
BALANCE, APRIL 1, 2010	18,648,300	1,811,973
Treasury shares [(1)]	(187,000)	(24,550)
BALANCE, MARCH 31, 2011	**18,461,300**	**1,787,423**
Cancelled treasury shares	-	6,380
BALANCE, June 30, 2011	**18,461,300**	**1,781,043**

(1)			
	Treasury shares		
	BALANCE, MARCH 31, 2010	-	-
	Shares purchased for cancellation	187,000	24,550
	Cancelled shares	187,000	(24,550)
	BALANCE, MARCH 31, 2010	-	-

[(1)]These common shares were then cancelled on May 27, 2011.

There are no preferred shares issued and outstanding as at June 30, 2011 and 2010.

11. Share-based payments

The Company has adopted share-based payment plans under which members of the Board of Directors may award options for ordinary shares to directors, officers, employees and consultants. The maximum number of shares issuable under the plan is 855,000. The exercise price of each option is determined by the Board of Directors and cannot be less than the discounted market value of the ordinary shares at the time of the grant, and the term of the options cannot exceed five years and unexercised options are cancelled after termination of employment or directorship. The option's exercise price and vesting period is established by the Board of Directors, the options granted vest according to a graded schedule of 33.3% every six months commencing on the grant date. All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle options.

There were no options granted in 2011 or 2010.

11. **Share based payments** (cont'd.)

Total stock option compensation costs for the three-month period ended June 30, 2011 relating to options granted in prior years' amounted to NIL (2010 - NIL).

The Company's share options are as follows for the reporting periods presented:

	June 30, 2011		June 30, 2010	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
	#	**$**	#	$
Balance - beginning of period	**280,000**	**0.26**	280,000	0.26
Granted	**-**	-	-	**-**
Cancelled	**-**	-	-	**-**
Balance - end of period	**280,000**	**0.26**	280,000	0.26

The table below summarizes the information related to share options as at June 30, 2011:

Outstanding options			**Exercisable options**	
# of Options	**Weighted Average Exercise Price $**	**Expiry Date**	**# of options**	**Weighted Average Exercise Price $**
190,000	0.26	09-2011	190,000	0.26
90,000	0.27	12-2012	90,000	0.27
280,000			**280,000**	

The fair value of the granted options was determined using the Black-Scholes option pricing model.

12. Loss per share

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential ordinary shares such as share options have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options issued that could potentially dilute earnings per share in the future are given in Note 10.

Both the basic and diluted per share have been calculated using the profit (loss) as the numerator, i.e. no adjustment to the profit (loss) were necessary for the periods ended June 30, 2011 and June 30, 2010 respectively.

	June 30, 2011	June 30, 2010
Profit (loss) for the period	$ 118,591	$ 78,182
Earnings per share:		
Basic profit per share	$ 0.00642	$ 0.00421
Diluted profit per share	$ 0.00633	$ 0.00415
Weighted average number of shares in circulation:		
Basic	18,461,300	18,572,300
Diluted	18,741,300	18,852,300

13. Supplemental cash flow information

	June 30, 2011
	$
Changes in non-cash working capital	
Trade receivables	(912,499)
Inventories	(10,883)
Prepaid expenses	(11,047)
Trade payables and accrued liabilities	462,629
Cash flows (used in) from operating activities of discontinued operations	(288,712)

13. Supplementary cash flow information (cont'd.)

	June 30, 2011
	$
Cash flows (used in) in investing activities	
Acquisition of property and equipment	(31,248)
Cash flows (used in) in investing activities of discontinued operations	(31,248)
Cash flows used in financing activities	
Bank indebtedness	1,320,725
Loans payable	(75,000)
Long-term debt	(165,951)
Cash flows (used in) from operating activities of discontinued operations	1,079,774

14. Segmented information

The accounting policies used to prepare the information by business segment are the same as those used to prepare the condensed consolidated financial statements of the Company as described in Note 3.

The Company's significant business segments include:

- *ATM network segment:* Engagement ATM transactions which include a fee or percentage base costs per transaction and a fixed base surcharge per transaction for money passing though the ATM network.

- *Prepaid distribution segment:* Engaged in prepaid phone cards, phone PINs, long distance cards and gift cards.

14. **Segmented information** (cont'd.)

All of the Company's reportable segments are conducted solely in Canada. Information by reportable segment for the periods ended June 30, 2011 and 2010 is as follows:

	Discontinued Operation		Continuing Operation	June 30, 2011
	ATM Machines	Prepaid Products	Corporate Items and Eliminations	Condensed Consolidated Totals
	$	$	$	$
Revenues	1,032,887	11,353,847	14,278	12,401,012
Direct costs	837,177	10,981,839	25,237	11,844,253
Selling and administrative	45,160	257,809	87,229	390,198
Depreciation of property and equipment	-	-	10,455	10,455
Amortization of intangible assets	-	-		
Money remittance costs	-	-	1,300	1,300
Strategic review process costs	-	-	13,825	13,825
Insurance claim	-	-	(37,155)	(37,155)
	882,337	11,239,648	100,891	12,222,876
Profit (loss) before finance costs	150,550	114,199	(86,613)	178,136
Net finance expenses	35,185	46,476	2,047	83,708
Income (loss) of continuing activities	115,365	67,723	(88,660)	94,428
Net profit from assets held for sale [(1)]			-	183,088
Net profit before income taxes	115,365	67,723	(88,660)	94,428
Additions to property, equipment and assets under capital leases	24,412	6,836	-	31,248
Goodwill	-	-	-	-
Total assets of continued operations	-	-	2,674,498	2,674,498
Total assets held for sale	390,590	4,275,315	-	5,035,814

[(1)] No amortizations expenses were accounted for in net profit from assets held for sale.

14. Segmented information (cont'd.)

Continuing Operations				June 30, 2010
	ATM Machines	Prepaid Products	Corporate Items and Eliminations	Condensed Consolidated Totals
	$	$	$	$
Revenues	1,058,060	13,989,309	14,277	15,061,646
Direct costs	869,445	13,383,142	-	14,252,587
Selling and administrative	31,593	260,105	77,523	369,221
Depreciation of property and equipment	50,146	38,651	11,056	99,853
Amortization of intangible assets	-	146,250	-	146,250
Money remittance costs	-	-	7,726	7,726
	951,184	13,828,148	96,305	14,875,637
Profit (loss) before finance costs	106,876	161,161	(82,028)	186,009
Net finance expenses	40,422	35,876	31,529	107,827
Income (loss) before income taxes	66,454	125,285	(113,557)	78,182
Additions to property, equipment and assets under capital leases	-	5,553	-	5,553
Goodwill	-	888,636	-	888,636
Total assets	2,279,874	4,940,609	2,200,921	9,421,404

15. Related party transactions

Balances and transactions between Saratoga Electronic Solutions Inc. and its subsidiaries, which are related parties of Saratoga Electronic Solutions Inc., have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

15. **Related party transactions** (cont'd.)

	Country of incorporation	Percentage of interest	
		June 30, 2011	March 31, 2011
Saratoga ATM Corporation Inc.	Canada	100 %	100 %
Distribution Car-Tel Inc.	Canada	100 %	100 %

The Company's related parties include private companies controlled by directors as described below.

	June 30, 2011	June 30, 2010
	$	$
Trade receivables - related parties:		
Companies with common director	**4,810**	4,636
Total trade receivables – related parties	**4,810**	4,636
Trade payables - related parties:		
Company under common control	**5,073**	7,572
Companies with common director	**4,049**	4,049
Director	**17,750**	-
Total trade payables – related parties	**26,872**	12,033
Revenues:		
Rental income companies under common control	**4,768**	4,768
Total revenues	**4,768**	4,768
Selling and administrative – related parties:		
Professional fees	**11,400**	20,400
Directors fees	**1,500**	-
Total Selling and administrative – related parties	**12,900**	20,400
Net finance expenses – related parties:		
Company under common control	**16,097**	22,715
Companies with common director	**12,561**	13,838
Director	**-**	1,500
Total finance expenses – related parties	**28,658**	38,053

15. Related party transactions (cont'd.)

The Company has identified its directors and certain officers as its key management personnel. The compensation costs for key management personal for the three-month period ended June 30, 2011 and 2010 are as follows:

	2011	2010
	$	$
Salaries and benefits key management personal	**44,509**	27,755
Directors	**-**	1,500

16. Financial instruments risks

The Company is exposed to various risks in relation to financial instruments. The main types of risks are credit risk, liquidity risk and interest rate risk. The Company's risk management is coordinated in close cooperation with the Board of Directors, and focuses on actively securing the Company's short-to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial speculative purposes. The most significant financial risks to which the Company is exposed are described below. The Company is exposed to market risk through its use of financial instruments and specifically to interest risk and certain other risks, which result from both its operating and investing activities. No changes were made in the objectives, policies and processes during the reporting periods.

The carrying value of cash and cash equivalents, receivables, trade payables and accrued liabilities are considered to be reasonable approximation of fair value because of the short-term maturity of these instruments**.**

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the condensed consolidated statements of financial position in accordance with the fair value hierarchy. This hierarchy groups assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for individual assets or liabilities;

16. Financial instruments risk (cont'd.)

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial assets or liabilities is determined based on the lowest level of significant input to the fair value measurement.

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's trade receivable. The Company may also have credit risk relating to cash and cash equivalents. The carrying amount of financial assets, as disclosed above, represents the Company's maximum exposure.

The Company mitigates customer related credit risk through diversification of revenue sources resulting from an enlargement of its client base, ensuring a considerable portion of the Company's revenue is earned from national retail operators, and conducting credit assessments for all new merchants.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company reviews the individual characteristics of each customer's credit history before extending credit and monitors extensions of credit by regular reviews of customers' credit performance. Revenues are with payment terms due within 30 days on the day invoiced. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. The Company has not experienced significant credit losses in the past.

The Company is exposed to concentration of credit risk as at June 30, 2011 as approximately 96% (2010 – 96%) of the Company's revenue is derived from its prepaid products business unit. Its ability to continue as a viable operation is dependent upon 2 major customers, which account for approximately 28% (2010 – 27%) of the segment's revenues and 47% (2010 – 26%) of the segment's accounts receivables. The maximum credit risk exposure for trade receivable corresponds to the carrying value.

16. Financial instruments risk (cont'd.)

For the three-month period ended June 30,	Revenues 2011	Revenues 2010	Trade Receivable 2011	Trade Receivable 2010
	%	%	**%**	%
Concentration of main customers of the prepaid segment:				
Sobey's Inc.	**13**	12	**37**	14
Ultramar Corporation	**15**	15	**10**	12
	28	27	**47**	26

The prepaid products business unit acquires its inventories from two major suppliers, which account for approximately 60% of the segment's direct costs.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures.

As at June 30, 2011, the Company's financial liabilities include accounts payable and accrued liabilities, current portion of loans payable and long-term debt, whereby their contractual maturities are less than one year.

The Company's primary objectives when managing capital is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Company capital items are cash and cash equivalents, bank loans, current portion of long-term debt, and common shares.

The Company sets the amount of capital in proportion to risk. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or debt, or sell assets to reduce debt or fund acquisition or development activities.

16. **Financial instruments risk** (cont'd.)

The Company's strategy for capital risk management is subject to externally imposed capital requirements from one of its lenders. The ratios and requirements are monitored on an ongoing basis by management and require a subsidiary of the Company (on a standalone basis) to meet the following requirements:

- a minimum debt coverage ratio of 1.25 to 1
- a maximum debt to equity ratio of 1.5 to1
- not to redeem any preferred shares without obtaining the consent of the lender

As at June 30, 2011, the Company has not met any of these ratio requirements. However, as of February 28, 2011, in order to satisfy the requirements of the lender, the Company ceased to redeem the non-controlling interest preferred shares in its subsidiary Saratoga ATM. In addition, the Company's principal shareholder and Chief Executive Officer has agreed to injected $100,000 in Saratoga ATM for the purpose of reimbursing the line of credit owed to the lender, thereby reducing the line of credit available to the Company on a corresponding basis. The lender has agreed to waiver till September 30, 2011 and will renegotiate in the third quarter 2012 a new debt structure that would be more suitable to the Company's operations.

Moreover, there is no guarantee that the amount available under the line of credit will be sufficient to support the future working capital needs of the Company, or that the Company would be able, if required, to gain access to additional working capital.

The Company has also created a new class of preferred shares as described in Note 10. The primary purpose of creating these preferred shares is to provide management with greater flexibility respecting potential future financings and other corporate transactions.

(c) Foreign currency risk

All of the Company's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Company's functional and reporting currency.

16. Financial instruments risk (cont'd.)

(d) Interest rate risk

The Company is exposed to interest rate risk as interest fluctuations could have an impact on the investment income generated by the Company on its cash and cash equivalents, which, when interest bearing, bear interest at fixed rates. The Company has established guidelines whereby the objectives are to preserve capital, to keep the investment portfolio liquid and to achieve reasonable returns.

The Company is exposed to interest rate risk on its bank loans and long-term debt, bearing variable rates of interest. The Company's interest risk exposure is a function of changes in the prime rate. However, a variation of 1% in the prime rate will not have a significant effect on the net loss or financial position of the Company. As at June 30, 2011, should interest rates vary by 100 basis points and all the other parameters remain the same, the Company's net loss for the period then ended would have increased or decreased by approximately $4,200.

(e) Economic conditions

The Company is exposed to economic conditions risks. The prepaid products and the ATM business segments are consumer product offerings. Although these products may be viewed as a necessity, they nevertheless remain items for which demand is subject to fluctuations in economic conditions. Consequently, a downturn in economic conditions could reduce consumer demand for the Company's products, and could have a material adverse effect on the Company's business, revenues, financial position and operating results.

17. Contingencies

In 2006, former business associates of a director of a subsidiary company instituted proceedings in the amount of $1.6 million against the subsidiary for damages and lost profits due to an alleged improper use of proprietary technology. The lawsuit is still pending as at August 10, 2011 and a counter claim in excess of $1.0 million has been taken against the plaintiffs. In the opinion of management, the likelihood of success of the claim is unlikely and the amount recoverable pursuant to the claim, if any, is difficult to assess. Notwithstanding, the Company has submitted a settlement offer to the former business associates, and accordingly a provision of $30,000 has been reflected in the condensed consolidated financial statements of the Company.

18. Subsequent event

On July 29, 2011, the Corporation announced that it has entered into an agreement to sell its subsidiary Distributions Car-Tel Inc. ("Car-Tel") to a member of the management of Car-Tel for a purchase price of approximately $1.36 million, to be paid through a combination of cash and the assumption of certain specified liabilities. This transaction results from the previously announced strategic review undertaken by the Company.

Closing of this transaction is subject to the negotiation and execution of definitive transaction documents, as well as the receipt of all requisite regulatory approvals, and is expected to occur in the Company's third.

As the condensed consolidated financial statements have been adjusted for this subsequent event and assets and liabilities were accounted for as held for sale (Discontinued operations, Note 9).

19. First-time adoption of IFRS

These are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2010. The Company's IFRS accounting policies presented in Note 4 have been applied in preparing the condensed consolidated interim financial statements for the reporting period ended June 30, 2011, the comparative information and the opening condensed consolidated financial statements of financial position at the date of transition.

The Company has applied IFRS 1 in preparing these first IFRS condensed consolidated interim financial statements. The effects of the transition to IFRS on equity, total comprehensive loss and reported cash flows already established are represented in this section and are further explained in the notes that accompany the tables. Upon transition, IFRS 1 dictates certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Company are set out below:

Mandatory exceptions

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any differences in accounting principles, if applicable.

19. First time adoption of IFRS (cont'd.)

Optional exemptions

IFRS 3 Business Combinations ("IFRS 3")
The Company has elected to apply the exemption for retrospective application of IFRS 3 to business combinations that took place before the transition date.

IFRS 2 Share-based payments ("IFRS 2")
The Company has chosen not to apply IFRS 2, Share-base Payment, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS.

IAS 23 – Borrowing Costs
IAS 23 has not been applied retrospectively. As at the transition date, the Company did not have any qualifying assets.

IFRIC 4 - Determining whether an Arrangement contains a Lease ("IFRIC 4")
This IFRIC has not been applied retrospectively. The Company made an assessment as to whether an arrangement, existing at the Transition Date, contains a lease on the basis of the facts and circumstances existing at that date. The assessment was made in accordance with the requirements IFRIC 4. The Company did not identify any arrangements containing a lease on the transition date.

Reconciliation of equity

Certain presentation differences between pre-changeover accounting standards and IFRS have no impact on reported loss or total equity. As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-changeover accounting standards, although the assets and liabilities included in these items are unaffected.

Reconciliation of Equity at April 1, 2010

Canadian GAAP Description	Note	Canadian GAAP Balance	Effect of transition	IFRS Balance
		$	$	$
ASSETS				
Current assets:				
Cash in circulation		283,075	-	283,075
Cash – in circulation in automated teller machines		1,062,440	-	1,062,440
Trade and other receivables	*b*	2,225,609	(1,523)	2,227,132
Receivables from related parties	*b*	-	1,523	1,523
Inventories		889,199	-	889,199
Prepaid expenses		70,105	-	70,105
		4,533,474	-	4,533,474
Property and equipment		2,815,314	-	2,815,314
Goodwill		888,636	-	888,636
Intangible assets		574,583	-	574,583
Deferred tax assets		700,937	-	700,937
Total assets		9,512,944	-	9,512,944
LIABILITIES				
Current liabilities				
Short-term loans		1,813,580	-	1,813,580
Trade and other payables	*a, b, c*	4,909,025	39,452	4,938,477
Payables to related parties	*b*	-	15,748	15,748
Provisions	*a*	-	30,000	40,000
Income taxes payable		18,265	-	18,265
Loans payable		400,000	-	400,000
Current long-term loans		631,374	-	631,374
		7,772,244	85,200	7,857,444
Long-term loans		1,636,550	-	1,636,550
Deferred tax liabilities		209,879	-	209,879
Total liabilities		9,618,673	85,200	9,703,873
Non-controlling interest		1,467,700	(1,467,700)	-
Shareholders' equity				
Common shares		1,811,973	-	1,811,973
Contributed surplus		182,650	-	182,650
Deficit		(3,568,052)	-	(3,568,052)
Equity attributable to shareholders'		(1,573,429)	-	(1,573,429)
Non-controlling interest	*c*	-	1,382,500	1,382,500
Total equity		(1,573,429)	1,382,500	(190,929)
Total equity and liabilities		9,512,944	-	9,512,944

Reconciliation of Equity at June 30, 2010

Canadian GAAP Description	Note	Canadian GAAP Balance	Effect of transition	IFRS Balance
		$	$	$
ASSETS				
Current assets:				
Cash – in circulation in automated teller machines		1,056,280	-	1,056,280
Trade and other receivables	*b*	2,842,614	(4,636)	2,837,978
Receivables from related parties	*b*	-	4,636	4,636
Inventories		724,055	-	724,055
Prepaid expenses		50,646	-	50,646
		4,673,595	-	4,673,595
Property and equipment		2,729,903	-	2,729,903
Goodwill		888,636	-	888,636
Intangible assets		428,333	-	428,333
Deferred tax assets		700,937	-	700,937
Total assets		9,421,404	-	9,421,404
LIABILITIES				
Current liabilities				
Bank indebtedness		42,657	-	42,657
Short-term loans		1,776,600	-	1,776,600
Trade and other payables	*a, b, c*	5,068,972	12,911	5,068,972
Payables to related parties	*b*	-	13,889	13,889
Provisions	*a*	-	30,000	30,000
Income taxes payable		18,265	-	18,265
Loans payable		200,000	-	200,000
Current long-term loans		774,056	-	774,056
		7,889,940	-	7,889,940
Long-term loans		1,447,983	-	1,447,983
Deferred tax liabilities		209,879	-	209,879
Total liabilities		9,525,501	56,800	9,525,501
Non-controlling interest		1,401,800	(1,401,800)	-
Shareholders' equity				
Common shares		1,801,323	-	1,801,323
Contributed surplus		182,650	-	182,650
Deficit		(3,489,870)	-	(3,489,870)
Equity attributable to shareholders'		(1,505,897)	-	(1,505,897)
Non-controlling interest	*c*	-	1,345,000	1,345,000
Total equity		(1,505,897)	1,345,000	(160,897)
Total equity and liabilities		9,421,404	-	9,421,404

Reconciliation of Equity at March 31, 2011

Canadian GAAP Description	Note	Canadian GAAP Balance	Effect of transition	IFRS Balance
		$	$	$
ASSETS				
Current assets:				
Cash – in circulation in automated teller machines	*a, b, c*	1,007,260	-	1,007,260
Trade and other receivables	*b*	1,813,805	(6,869)	1,806,936
Receivables from related parties	*b*	-	6,869	6,869
Inventories		1,009,823	-	1,009,823
Prepaid expenses		46,858	-	46,858
		3,877,746	-	3,877,746
Property and equipment		2,536,414	-	2,536,414
Deferred tax assets		189,367	-	189,367
Total assets		6,603,527	-	6,603,527
LIABILITIES				
Current liabilities				
Bank indebtedness		606,394	-	606,394
Short-term loans		1,618,160	-	1,618,160
Trade and other payables		4,138,163	(41,376)	4,096,787
Payables to related parties	*b*	-	11,376	11,376
Provisions	*a*	-	30,000	30,000
Income taxes payable		25,384	-	25,384
Loans payable		175,000	-	175,000
Current long-term loans		1,036,209	-	1,036,209
		7,599,310	-	7,599,310
Long-term loans		981,661	-	981,661
Deferred tax liabilities		183,622	-	183,622
Total liabilities		8,764,593	-	8,764,593
Non-controlling interest		1,270,000	-	1,270,000
Shareholders' equity				
Common shares		1,787,423	-	1,787,423
Contributed surplus		182,650	-	182,650
Deficit		(5,401,139)	-	(5,401,139)
Equity attributable to shareholders'		(3,431,066)	-	(3,431,066)
Non-controlling interest	*c*	-	1,270,000	1,270,000
Total equity		(2,161,066)	1,270,000	(2,161,066)
Total equity and liabilities		6,603,527	-	6,603,527

a. Provisions

A reclassification adjustment was required to the present provision as a separate line item on the condensed consolidated statement of financial position.

***b.* Receivables and liabilities - related parties**

A reclassification adjustment was required to the present provision as a separate line item on the condensed consolidated statement of financial position.

***c.* Non-controlling interest**

A reclassification adjustment was required to the present the non-controlling interest as an equity instrument. The dividend payable on non-controlling interest is discretionary and its reclassification to trade payable on the condensed consolidated statement of financial position.

Reconciliation of Total Comprehensive Income for the Period Ended June 30, 2010

Canadian GAAP Description	Note	Canadian GAAP Balance	Effect of transition	IFRS Balance
		$	$	$
Revenues		15,061,646	-	15,061,646
Direct costs		14,252,587	-	14,252,587
Selling and administrative		369,221	-	369,221
Depreciation of property, equipment and equipment held under capital leases		99,853	-	99,853
Amortization of intangible assets		146,250	-	146,250
Money remittance costs		7,726	-	7,726
		14,875,637	-	14,875,637
Profit before net finance costs and income taxes		186,009	-	186,009
Net finance expense		107,827	-	107,827
Income before income taxes		78,182	-	78,182
Income taxes expense (recovery):				
Net income taxes		-	-	-
Deferred taxes		-	-	-
Total comprehensive income for the period		78,182	-	78,182

Reconciliation of Total Comprehensive Income for the Period Ended March 31, 2011

Canadian GAAP Description	Note	Canadian GAAP Balance	Effect of transition	IFRS Balance
		$	$	$
Revenues		54,893,864	-	54,893,864
Direct costs		52,127,076	-	52,127,076
Selling and administrative		1,689,476	-	1,689,476
Depreciation of property, equipment and equipment held under capital leases		417,230	-	417,230
Amortization of intangible assets		574,583	-	574,583
Money remittance costs		11,063	-	11,063
Strategic revision process costs		102,468		102,468
		54,921,896	-	54,921,896
Loss (gain) on disposition of property and equipment		(1,551)		(1,551)
Impairment of goodwill		888,636		888,636
Profit (loss) before net finance costs and income taxes		(915,117)	-	(915,117)
Net finance expense		414,217	-	414,217
Income (loss) before income taxes		(1,329,334)	-	(1,329,334)
Income taxes expense (recovery):				
Net income taxes		18,440	-	18,440
Deferred taxes		485,313	-	485,313
Total comprehensive income (loss) for the period		(1,833,087)	-	(1,833,087)

Presentation changes

Under Canadian GAAP, paid interest and received interest were presented through the notes. Under IFRS, interests are allocated to investing and financing activities where they can be identified with transactions within those categories. There are no other material adjustments to the condensed consolidated statement of cash flows.