Condensed Consolidated
Interim Financial Statements of

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

SARATOGA ELECTRONIC SOLUTIONS INC.

Periods ended September 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.

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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	September 30, 2011	March 31, 2011
		$	$
ASSETS			
Current assets:			
Cash in circulation		-	-
Cash – in circulation in automated teller machines		**897,900**	1,007,260
Trade and other receivables	*5, 16 (a)*	**63,689**	1,806,936
Trade receivables from related parties	*15*	**8,385**	6,869
Inventories		**-**	1,009,823
Prepaid expenses		**19,362**	46,858
		989,336	3,877,746
Non-current assets			
Property and equipment	*7*	**1,230,482**	2,536,414
Deferred tax assets		**240,361**	189,367
		2,460,179	6,603,527
Assets classified as held for sale	*7, 9*	**4,050,233**	-
Total assets		**6,510,412**	6,603,527

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 November 28, 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	September 30, 2011	March 31, 2011
		$	$
LIABILITIES			
Current liabilities			
Bank indebtedness		**71,864**	606,394
Short-term loans	*16 (b)*	**1,476,545**	1,618,160
Trade and other payables		**510,875**	4,096,787
Payables to related parties	*15*	**12,184**	11,376
Provisions	*8*	**35,000**	30,000
Income taxes payable		**21,061**	25,384
Loans payable		-	175,000
Current long-term loans		**629,775**	1,036,209
		2,757,304	7,599,310
Non-current liabilities			
Long-term loans		-	981,661
Deferred tax liabilities		**210,652**	183,622
		2,967,956	8,764,593
Liabilities directly associated with assets classified as held for sale	*7, 9*	**5,540,992**	-
Total liabilities		**8,508,948**	8,764,593
Shareholders' equity			
Common shares	*10*	**1,781,043**	1,787,423
Contributed surplus		**189,030**	182,650
Deficit		**(5,238,609)**	(5,401,139)
Equity attributable to shareholders'		**(3,268,536)**	(3,431,066)
Non-controlling interest		**1,270,000**	1,270,000
Total equity		**(1,998,536)**	(2,161,066)
Total equity and liabilities		**6,510,412**	6,603,527

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 November 28, 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)
Periods Ended

	Three-months ended September 30,		Six-months ended September 30,	
	2011	**2010**	**2011**	2010
			$	$
Revenues	**14,277**	15,082,148	**28,555**	30,143,394
Direct costs	**-**	14,241,034	-	28,493,621
Selling and administrative	**50,453**	493,202	**137,682**	862,024
Depreciation of property, equipment and equipment held under capital leases	**10,455**	102,979	**20,911**	202,831
Amortization of intangible assets	**-**	146,250	**-**	292,500
Strategic revision process costs	**12,828**	-	**26,653**	-
Insurance claim	-	-	**(37,155)**	-
Money remittance costs	**3,362**	4,095	**4,662**	11,821
	77,098	14,987,560	**152,753**	29,862,797
Profit before net finance costs and income taxes	**(62,821)**	94,588	**(124,198)**	280,597
Finance expense	**20,939**	99,306	**48,222**	207,133
Income (loss) before income taxes and profit from discontinued operations	**(83,760)**	(4,718)	**(172,420)**	73,464
Income taxes expense (recovery):				
Net income taxes	**7,202**	-	**7,202**	-
Deferred taxes	**199**	-	**(23,964)**	-
Income (loss) before discontinued operations and income taxes	**(91,161)**	**-**	**(155,658)**	-
Profit from discontinued operations	**135,102**	-	**318,188**	-
Profit and comprehensive income for the period	**43,941**	(4,718)	**162,530**	73,464
Earnings per share:				
Basic	**0.00238**	(0.00026)	**0.00880**	0.00398
Diluted	**0.00237**	(0.00026)	**0.00876**	0.00392
Weighted average number of common shares				
Basic	**18,461,300**	18,472,300	**18,461,300**	18,472,300
Diluted	**18,551,300**	18,472,300	**18,551,300**	18,752,300

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 Six-Month Periods Ended September 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	(176,000)	(24,400)	-	-	-	(24,400)
Redemption of preferred shares held by non-controlling interest	-	-	-	-	(75,000)	(75,000)
Net profit and comprehensive income	-	-	-	73,464	-	73.464
Balance at September 30, 2010	18,472,300	1,787,573	182,650	(3,494,588)	1,307,500	(216,865)
Redemption of common shares	(11,000)	(150)	-	-	-	(150)
Redemption of preferred shares held by non-controlling interest	-	-	-	-	(37,500)	(37,500)
Net profit and comprehensive income	-	-	-	(1,906,551)	-	(1,906,551)
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	-	-	-	162,530	-	162,530
Balance at June 30, 2011	18,461,300	1,781,043	189,030	(5,238,609)	1,270,000	(1,998,536)

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

		Three-months ended September 30,		Six-months ended September 30,	
	Note	**2011**	2010	**2011**	2010
		$			$
Cash flows (used in) from operating activities					
Net income (loss) from continuing operations		**(91,161)**	(4,718)	**(155,658)**	73,464
Items not involving cash:					
Depreciation of property and equipment	**7**	**10,455**	102,979	**20,911**	202,831
Amortization of intangible assets	**6**	**-**	146,250	**-**	292,500
Deferred income taxes		**199**	-	**(23,964)**	-
		(80,507)	244,511	**(158,711)**	568,795
Changes in non-cash working capital					
Trade receivables		**38,047**	472,515	**(218)**	(134,665)
Trade receivables from related parties		**(3,578)**	(365)	**(1,516)**	(7,144)
Inventories		**-**	(586,980)	**-**	(421,836)
Prepaid expenses		**26,289**	(5,492)	**(4,332)**	13,967
Trade payables and accrued liabilities		**38,120**	(181,027)	**13,653**	(72,941)
Trade payables and accrued liabilities related parties		**(15,333)**	(13,521)	**808**	(1,859)
Income taxes payable		**(4,323)**	-	**(4,323)**	-
Provisions		**-**	-	**35,000**	(10,000)
Cash flows (used in) from operating activities of continuing operations		**(1,285)**	(70,359)	**(119,639)**	(65,683)
Cash flows (used in) from operating activities of discontinued operations	**13**	**249,241**	-	**(39,475)**	-
Cash flows used in investing activities					
Acquisition of property and equipment		**-**	(21,736)	**-**	(27,289)
Cash flows (used in) investing activities of continuing operations		**-**	(21,736)	**-**	(27,289)
Cash flows (used in) investing activities of discontinued operations	**13**	**(5,499)**	-	**(36,747)**	-
Cash flows (used in) financing					

activities					
Net change in bank loans		**(127,535)**	(26,180)	**(141,615)**	(63,160)
Net change in loans payable		**-**	(50,000)	**-**	(250,000)
Redemption of preferred shares held by non-controlling interest		**-**	(37,500)	**-**	(75,000)
Redemption of common shares		**-**	(13,750)	**-**	(24,400)
Repayment of long-term debt		**(82,766)**	(100,537)	**(153,424)**	(202,274)
Proceeds from new long-term debt		**-**	-	**-**	55,852
Cash flows (used in) from financing activities of continuing operations		**(210,301)**	(227,967)	**(295,039)**	(558,982)
Cash flows (used in) from financing activities of discontinued operations	**13**	**(163,704)**	**-**	**916,070**	**-**
Net increase(decrease) in cash and cash equivalents		**(131,548)**	(320,062)	**425,170**	(651,954)
Cash and cash equivalents - beginning of period		**957,584**	1,013,623	**400,866**	1,345,515
Cash and cash equivalents - end of period		**826,036**	693,561	**826,036**	693,561
Supplemental information					
Interest paid in cash				**155,118**	194,472
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 September 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 September 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 September 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 time adoption 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. 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 November 28, 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*- the recoverability when the carrying value of an asset or cash generating unit exceeds its recoverable amount;

- *Income taxes* – the provision for the income tax recovery and the composition of deferred tax assets;

- *Useful lives of property and equipment* – the estimated useful lives of property and equipment and the related depreciation;

- *Share-based payment transaction* – the inputs used in accounting for share-based payment expense;

4. Significant accounting policies

The condensed consolidated interim financial statements have been prepared following the same accounting policies used in the condensed consolidated interim financial statements ended June 30, 2011.

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

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:

4. Significant accounting policies (cont'd)

(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.

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.

4. Significant accounting policies (cont'd.)

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.

(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.

4. Significant accounting policies (cont'd.)

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	**September 30, 2011**	March 31, 2011
	$	$
Trade receivables	**1,876,118**	1,576,980
Sales taxes receivable	**201,886**	226,788
Other receivables	**-**	3,168
Total trade receivables	**2,078,004**	1,806,936

Aging analysis	**September 30, 2011**	March 31, 2011
	$	$
Current	**1,737,627**	1,599,962
30 – 90 days	**326,110**	199,488
Over 90 days	**14,267**	8,486
	2,079,004	1,807,936
Allowance for doubtful debt	**1,000**	1,000
Total trade receivables	**2,078,004**	1,806,936

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 September 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	9,000	-	6,835	-	40,248
Disposal	-	-	-	(14,700)	-	-	-	(14,700)
Held for sale	-	-	(1,212,601)	(1,210,583	(213,441)	(25,054)	(706,420)	(3,368,099)
At September 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	-	19,551	-	-	1,360	-	-	20,911
Disposals	-	-	(55)	(9,768)	-	-	-	(9,823)
Held for sale	-	-	(845,781)	(855,557)	(154,110)	(12,213)	(180,046)	(2,047,707)
At September 30, 2011	**-**	**202,560**	**16,780**	**-**	**6,981**	**-**	**-**	**226,321**
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 September 30, 2011	**585,300**	**632,140**	**10,919**	**-**	**2,123**	**-**	**-**	**1,230,482**

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 September 30, 2011	-
	35,000
Provision for water incident in 2975 Hochelaga building	
Balance March 31, 2011	-
Addition	35,000
Balance September 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 lawsuit is still pending as at November 28, 2011 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 September 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 September 30, 2011 as a discontinued operation.

For the six-months ending September 30

	September 30, 2011 Car-Tel	**September 30, 2011 ATM**	**September 30, 2011 Total**	**September 30, 2010 Total**
	$	**$**	**$**	**$**
Revenues	22,580,207	2,152,229	24,732,436	-
Direct costs	21,867,027	1,799,040	23,666,067	-
Selling and administrative	521,284	109,330	630,614	-
Loss (gain) on disposition of property and equipment	4,902	(1,114)	3,788	-
Profit before net finance income	186,994	244,973	431,967	-
Net finance expenses	44,792	68,987	113,779	-
Income (loss) of discontinued operations before income taxes	142,202	175,986	318,188	-
Income taxes expense (recovery)				
Net income taxes	-	-	-	-
Deferred income taxes	-	-	-	-
Net profit and comprehensive income for the period	142,202	175,986	318,188	-

9. Discontinued operations (cont'd.)

For the three-months ending September

	September 30, 2011 Car-Tel	September 30, 2011 ATM	September 30, 2011 Total	September 30, 2010 Total
	$	$	$	$
Revenues	11,226,360	1,119,342	12,345,702	-
Direct costs	10,885,188	936,625	11,821,813	-
Selling and administrative	263,475	64,169	327,644	-
Loss (gain) on disposition of property and equipment	4,902	(1,114)	3,788	-
Profit before net finance income	72,795	119,662	192,457	-
Net finance expenses	21,319	36,036	78,294	-
Income (loss) of discontinued operations before income taxes	51,476	83,626	114,163	-
Income taxes expense (recovery)				
Net income taxes	-	-	-	-
Deferred income taxes	-	-	-	-
Net profit and comprehensive income for the period	51,476	83,626	114,163	-

9. Discontinued operations (cont'd.)

Assets held for sale related to discontinued operations

	September 30, 2011 Car-Tel	September 30, 2011 ATM	September 30, 2011 Total
	$	$	$
Trade receivables	2,014,315	-	2,014,315
Inventories	683,881	-	683,881
Prepaid expenses	34,057	-	34,057
Equipment	394,688	923,292	1,317,980
Assets held for sale	3,126,941	923,292	4,050,233

	September 30, 2011 Car-Tel	September 30, 2011 ATM	September 30, 2011 Total
	$	$	$
Bank indebtedness	1,213,643	-	1,213,643
Trade payable and accrued liabilities	3,185,250	-	3,185,250
Provisions	30,000	-	30,000
Loans payable	100,000	-	100,000
Long-term debt	1,012,099	-	1,012,099
Liabilities held for sale	5,540,992	-	5,540,992

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.

10. Share capital (cont'd.)

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.

	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, September 30, 2011	**18,461,300**	**1,781,043**

	Number #	Amount $
(1) **Treasury shares**		
BALANCE, MARCH 31, 2010	-	-
Shares purchased for cancellation	187,000	24,550
Cancelled shares	187,000	(24,550)
BALANCE, September 30, 2011	-	-

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

There are no preferred shares issued and outstanding as at September 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.

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

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.

Total stock option compensation costs for the six-month period ended September 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:

	September 30, 2011		September 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	**-**	**-**	-	-
Expired	**190,000**	**0.26**	-	-
Balance - end of period	**90,000**	**0.27**	280,000	0.26

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

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

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 September 30, 2011 and September 30, 2010 respectively.

	Three-month period ended		Six-month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Profit (loss) for the period	$ 43,941	$ (4,718)	$ 162,530	$ 73,464
Earnings per share:				
Basic profit per share	$ 0.00238	$ (0.00026)	$ 0.00880	$ 0.00398
Diluted profit per share	$ 0.00237	$ (0.00026)	$ 0.00876	$ 0.00392
Weighted average number of shares in circulation:				
Basic	18,461,300	18,472,300	18,461,300	18,472,300
Diluted	18,551,300	18,472,300	18,551,300	18,752,300

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Periods Ended September 30, 2011 and 2010

13. Supplemental cash flow information

	Three-month period September 30, 2011	Six-month period September 30, 2011
	$	**$**
Net income from discontinued operations	135,104	318,188
Items not involving cash:		
Loss on disposal of property and equipment	3,788	3,788
Changes in non-cash working capital		
Trade receivables	641,649	(270,850)
Inventories	336,825	325,942
Prepaid expenses	8,818	(2,229)
Trade payables and accrued liabilities	(876,943)	(414,314)
Cash flows (used in) from operating activities of discontinued operations	249,241	(39,475)
Cash flows (used in) in investing activities		
Acquisition of property and equipment	(9,000)	40,248)
Loss (gain) on disposal of property and equipment	3,501	3,501
Cash flows (used in) in investing activities of discontinued operations	(5,499)	(36,747)
Cash flows used in financing activities		
Bank indebtedness	(107,082)	1,213,643
Loans payable	-	(75,000)
Long-term debt	(56,622)	(222,573)
Cash flows (used in) from operating activities of discontinued operations	(163,704)	916,070

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 six-month periods ended September 30, 2011 and 2010 is as follows:

	Discontinued Operation		Continuing Operation	September 30, 2011
	ATM Machines	Prepaid Products	Corporate Items and Eliminations	Condensed Consolidated Totals
	$	$	$	$
Revenues	2,152,229	22,580,207	28,555	24,760,991
Direct costs	1,799,040	21,867,027	-	23,666,067
Selling and administrative	109,330	521,284	137,682	768,296
Depreciation of property and equipment	-	-	20,911	20,911
Amortization of intangible assets	-	-	-	-
Money remittance costs	-	-	4,662	4,662
Strategic review process costs	-	-	26,653	26,653
Insurance claim	-	-	(37,155)	(37,155)
Loss (gain) on disposition of property and equipment	(1,114)	4,902	-	3,788
	1,907,256	22,393,213	152,753	24,453,222
Profit (loss) before finance costs	244,973	186,994	(124,198)	307,769
Net finance expenses	68,987	44,792	48,222	162,001
Income (loss) of continuing activities	-	-	(172,420)	(172,420)
Net profit from assets held for sale (1)	175,986	142,202	-	318,188
Net profit before income taxes	175,986	142,202	(172,420)	145,768
Additions to property, equipment and assets under capital leases	24,412	15,836	-	40,248
Goodwill	-	-	-	-
Total assets of continued operations	-	-	2,460,178	2,460,178
Total assets held for sale	923,293	3,126,941	-	4,050,234

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

14. Segmented information (cont'd.)

Continuing Operations				September 30, 2010
	ATM Machines	Prepaid Products	Corporate Items and Eliminations	Condensed Consolidated Totals
	$	$	$	$
Revenues	2,121,741	27,993,098	28,555	30,143,394
Direct costs	1,723,544	26,770,077	-	28,493,621
Selling and administrative	88,466	588,130	185,428	862,024
Depreciation of property and equipment	102,971	77,748	22,112	202,831
Amortization of intangible assets	-	292,500	-	292,500
Money remittance costs	-	-	11,821	11,821
	1,914,981	27,728,455	219,361	29,862,797
Profit (loss) before finance costs	206,760	264,643	(190,806)	280,597
Net finance expenses	77,968	67,919	61,246	207,133
Income (loss) before income taxes	128,792	196,724	(252,052)	73,464
Additions to property, equipment and assets under capital leases	21,800	(64)	-	21,736
Goodwill	-	888,636	-	888,636
Total assets	2,276,803	4,863,561	2,188,081	9,328,445

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	
		September 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.

	September 30, 2011	September 30, 2010
	$	$
Trade receivables - related parties:		
Companies with common director	**8,385**	8,667
Total trade receivables – related parties	**8,385**	8,667
Trade payables - related parties:		
Company under common control	**4,235**	6,317
Companies with common director	**4,774**	7,572
Director	**3,175**	-
Total trade payables – related parties	**12,184**	13,889
Revenues:		
Rental income companies under common control	**9,532**	9,534
Total revenues	**9,532**	9,534
Selling and administrative – related parties:		
Professional fees	**22,800**	40,800
Total Selling and administrative – related parties	**22,800**	40,800
Net finance expenses – related parties:		
Company under common control	**30,419**	45,430
Companies with common director	**24,286**	26,766
Director	**-**	1,500
Total finance expenses – related parties	**54,695**	73,666

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 periods ended September 30, 2011 and 2010 are as follows:

	Three-month period		Six-month period	
	2011	2010	2011	2010
	$			$
Salaries and benefits key management personal	**38,779**	34,935	**83,288**	62,690
Directors	**6,500**	8,000	**8,000**	8,000

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 September 30, 2011 as approximately 91% (2010 – 93%) 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 – 28%) of the segment’s revenues and 30% (2010 – 28%) 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 six-month period ended September 30,	**Revenues**		**Trade Receivable**	
	2011	2010	**2011**	2010
	%	%	**%**	%
Concentration of main customers of the prepaid segment:				
Sobey's Inc.	**13**	12	**17**	16
Ultramar Corporation	**15**	16	**13**	12
	28	28	**30**	28

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 September 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 September 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/or completed annual account revision. The annual account revision is in progress and should be completed in the third quarter 2012. The annual account revision includes 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 September 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 six-month period then ended would have increased or decreased by approximately $7,770.

(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. First-time adoption of IFRS

The Company adopted IFRS effective April 1, 2010, (''the transition date'') and has prepared its opening statements as at that date. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's consolidated financial statements for the year ending March 31, 2012, will be the first annual financial statements that comply with IFRS. The Company will ultimately prepare its opening IFRS statement of financial position by applying existing IFRS with an effective date of March 31, 2012. Accordingly, the IFRS statement of financial position and the March 31, 2011, comparative statement of financial position presented in the consolidated financial statements for the year ending March 31, 2012, may differ from those presented at this time.

IFRS accounting policies have been applied after establishing the condensed consolidated interim financial statements for the three-month and six-month period ending September 30, 2011, with information comparing to the consolidated interim financial statements for the three-month and six-month period ending September 30, 2010.

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.

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

Reconciliation of Equity at September 30, 2010

Canadian GAAP Description	**Note**	**Canadian GAAP Balance**	**Effect of transition**	**IFRS Balance**
		$	**$**	**$**
ASSETS				
Current assets:				
Cash – in circulation in automated teller machines		1,022,040	-	1,022,040
Trade and other receivables	*b*	2,370,464	(8,667)	2,361,797
Receivables from related parties	*b*	-	8,667	8,667
Inventories		1,311,035	-	1,311,035
Prepaid expenses		56,138	-	56,138
		4,759,677	-	4,759,677
Property and equipment		2,694,112	-	2,694,112
Goodwill		888,636	-	888,636
Intangible assets		282,083	-	282,083
Deferred tax assets		700,937	-	700,937
Total assets		9,325,445	-	9,325,445
LIABILITIES				
Current liabilities				
Bank indebtedness		328,479	-	328,479
Short-term loans		1,750,420	-	1,750,420
Trade and other payables	*a, b, c*	4,881,025	(15,489)	4,865,536
Payables to related parties	*b*	-	13,889	13,889
Provisions	*a*	-	30,000	30,000
Income taxes payable		18,265	-	18,265
Loans payable		150,000	-	150,000
Current long-term loans		887,547	-	887,547
		8,015,736	28,400	8,044,136
Long-term loans		1,288,295	-	1,288,295
Deferred tax liabilities		209,879	-	209,879
Total liabilities		9,513,910	28,400	9,542,310
Non-controlling interest		1,335,900	(1,335,900)	-
Shareholders' equity				
Common shares		1,787,573	-	1,787,573
Contributed surplus		182,650	-	182,650
Deficit		(3,494,588)	-	(3,494,588)
Equity attributable to shareholders'		(1,524,365)	-	(1,524,365)
Non-controlling interest	*c*	-	1,307,500	1,307,500
Total equity		(1,524,365)	1,307,500	(216,865)
Total equity and liabilities		9,325,445	-	9,325,445

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

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.

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

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

	Three months ended September 30, 2010			Six months ended September 30, 2010		
Canadian GAAP Description	**Canadian GAAP Balance**	**Effect of transition**	**IFRS Balance**	**Canadian GAAP Balance**	**Effect of transition**	**IFRS Balance**
	$	**$**	**$**	**$**	**$**	**$**
Revenues	15,082,148	-	15,082,148	30,143,394	-	30,143,394
		-				
Direct costs	14,241,034	-	14,241,034	28,493,621	-	28,493,621
Selling and administrative	493,202	-	493,202	862,024	-	862,024
Depreciation of property, equipment and equipment held under capital leases	102,979	-	102,979	202,831	-	202,831
Amortization of intangible assets	146,250	-	146,250	292,500	-	292,500
Money remittance costs	4,095	-	4,095	11,821	-	11,821
	14,987,560	-	14,987,560	29,862,797	-	29,862,797
Profit before net finance costs and income taxes	94,588	-	94,588	280,597	-	280,597
Net finance expense	99,306	-	99,306	207,133	-	207,133
Income before income taxes	(4,718)	-	(4,178)	73,464	-	73,464
Income taxes expense (recovery):						
Net income taxes	-	-	-	-	-	-
Deferred taxes	-	-	-	-	-	-
Total comprehensive income for the period	(4,718)	-	(4,718)	73,464	-	73,464

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.