Condensed Consolidated
Interim Financial Statements of

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

SARATOGA ELECTRONIC SOLUTIONS INC.

Periods ended December 31, 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	December 31, 2011	March 31, 2011
		$	$
ASSETS			
Current assets:			
Cash in circulation		**44,512**	-
Cash – in circulation in automated teller machines		**907,920**	1,007,260
Trade and other receivables	*5, 16 (a)*	**143,229**	1,806,936
Trade receivables from related parties	*15*	**10,982**	6,869
Inventories		**-**	1,009,823
Prepaid expenses		**16,223**	46,858
		1,122,866	3,877,746
Non-current assets			
Property and equipment	*7*	**1,217,519**	2,536,414
Deferred tax assets		**160,130**	189,367
		2,500,515	6,603,527
Assets classified as held for sale	*7, 9*	**926,243**	-
Total assets		**3,426,758**	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 February 23, 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	December 31, 2011	March 31, 2011
		$	$
LIABILITIES			
Current liabilities			
Bank indebtedness		**-**	606,394
Short-term loans	*16 (b)*	**1,596,565**	1,618,160
Trade and other payables		**268,358**	4,096,787
Payables to related parties	*15*	**8,114**	11,376
Provisions	*8*	**35,000**	30,000
Income taxes payable		**40,850**	25,384
Loans payable		**-**	175,000
Current long-term loans		**14,888**	1,036,209
		1,963,775	7,599,310
Non-current liabilities			
Long-term loans		**-**	981,661
Deferred tax liabilities		**208,017**	183,622
		2,171,792	8,764,593
Liabilities directly associated with assets classified as held for sale	*7, 9*	**551,124**	-
Total liabilities		**2,722,916**	8,764,593
Shareholders' equity			
Common shares	*10*	**1,781,043**	1,787,423
Contributed surplus		**189,030**	182,650
Deficit		**(2,536,231)**	(5,401,139)
Equity attributable to shareholders'		**(566,158)**	(3,431,066)
Non-controlling interest		**1,270,000**	1,270,000
Total equity		**703,842**	(2,161,066)
Total equity and liabilities		**3,426,758**	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 February 23, 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 December 31,		**Nine-months ended December 31,**	
	2011	**2010**	**2011**	2010
			$	$
Revenues	**14,277**	14,277	**42,832**	42,832
Direct costs	**-**	-	-	-
Selling and administrative	**135,856**	69,254	**272,302**	254,682
Depreciation of property, equipment and equipment held under capital leases	**10,013**	11,056	**30,924**	33,168
Strategic revision process costs	**195,000**	94,599	**221,653**	94,598
Loss on disposition of business unit	**482,687**	-	**482,687**	-
Forgiveness of debt	**(165,180)**	-	**(165,180)**	-
Insurance claim	**2,160**	-	**(34,995)**	-
Money remittance costs	**(97,220)**	896	**(92,557)**	12,717
	563,316	175,527	**714,834**	395,165
Profit before net finance costs and income taxes	**(549,039)**	(161,527)	**(672,002)**	(352,333)
Finance expense	**20,177**	28,510	**68,398**	89,756
Income (loss) before income taxes and profit from discontinued operations	**(569,216)**	(190,037)	**(740,400)**	(442,089)
Income taxes expense (recovery):				
Net income taxes	**34,530**	18,556	**41,732**	18,556
Deferred taxes	**77,596**	112,895	**53,632**	112,895
Income (loss) before discontinued operations	**(681,342)**	(321,488)	**(835,764)**	(573,540)
Profit from discontinued operations	**(3,133)**	(56,849)	**313,819**	268,667
Profit and comprehensive income for the period	**(684,475)**	(378,337)	**(521,945)**	(304,873)
Earnings per share:				
Basic and diluted	**(0.03708)**	(0.02049)	**(0.02827)**	(0.01651)
Weighted average number of common shares				
Basic and diluted	**18,461,300**	18,461,300	**18,461,300**	18,461,300

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 Nine-Month Periods Ended December 31, 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	-	-	-
Sale of discontinued business unit	-	-	-	3,386,853	-	3,386,853
Net profit and comprehensive income	-	-	-	(521,945)	-	(521,945)
Balance at December 31, 2011	18,461,300	1,781,043	189,030	(2,536,231)	1,270,000	703,842

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 Periods Ended,

		Three-months ended December 31,		**Nine-months ended December 31,**	
	Note	**2011**	2010	**2011**	2010
		$			$
Cash flows (used in) from operating activities					
Net income (loss) from continuing operations		**(681,342)**	(378,337)	**(835,764)**	(304,873)
Items not involving cash:					
Depreciation of property and equipment	**7**	**10,013**	106,840	**30,924**	309,671
Amortization of intangible assets	**6**	**-**	142,083	**-**	434,583
Loss on disposal of Group entity		**482,687**	-	**482,687**	-
Forgiveness of debt		**(165,180)**		**(165,180)**	
Deferred income taxes		**77,596**	112,895	**53,632**	112,895
		(276,226)	(16,519)	**(433,701)**	552,276
Changes in non-cash working capital					
Trade receivables		**79,976**	168,401	**79,758**	33,736
Trade receivables from related parties		**5,629**	2,237	**4,113**	(4,907)
Inventories		**-**	304,933	**-**	(116,903)
Prepaid expenses		**5,525**	18,304	**1,193**	32,271
Trade payables and accrued liabilities		**(242,518)**	(504,540)	**(228,865)**	(587,481)
Trade payables and accrued liabilities related parties		**(4,070)**	(469)	**(3,262)**	(2,328)
Income taxes payable		**19,789**	5,535	**15,466**	5,535
Provisions		**-**	-	**35,000**	-
Cash flows (used in) from operating activities of continuing operations		**(135,669)**	(5,599)	**(96,597)**	(640,077)
Cash flows (used in) from operating activities of discontinued operations	**13**	**359,004**	-	**318,293**	-
Cash flows used in investing activities					
Acquisition of property and equipment		-	(1,915)	-	(29,204)
Proceeds from disposition of business unit		**1,193,788**	-	**1,193,788**	-
Cash flows (used in) investing activities of continuing operations		**1,193,788**	(1,915)	**1,193,788**	(29,204)

Cash flows (used in) investing activities of discontinued operations	**13**	**-**	-	**(36,747)**	-
Cash flows (used in) financing activities					
Net change in bank loans		**120,020**	14,014	**(21,595)**	(49,146)
Net change in loans payable		**-**	25,000	**-**	(225,000))
Redemption of preferred shares held by non-controlling interest		**-**	(37,500)	**-**	(112,500)
Redemption of common shares		**-**	(150)	**-**	(24,550)
Repayment of long-term debt		**48,361**	(151,563)	**(105,063)**	(353,837)
Proceeds from new long-term debt		**-**	-	**-**	55,852
Cash flows (used in) from financing activities of continuing operations		**168,381**	(150,199)	**(126,658)**	(709,181)
Cash flows (used in) from financing activities of discontinued operations	**13**	**(1,182,882)**	-	**(266,812)**	-
Net increase(decrease) in cash and cash equivalents		**126,396**	(174,232)	**551,566**	(826,186)
Cash and cash equivalents - beginning of period		**826,036**	693,561	**400,866**	1,345,515
Cash and cash equivalents - end of period		**952,432**	519,329	**952,432**	519,329
Supplemental information					
Interest paid in cash				**216,023**	300,959
Income taxes paid in cash				**25,384**	17,591
Items not affecting cash:					
Long term debt of sold business unit				**318,252**	-

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 December 31, 2011 comprise the Company and its subsidiary, Corporation Saratoga ATM Inc. (together referred to as the ''Group'' and individually as ''Group entity''). The Group specializes in namely the operation of a network of automated teller machines ("ATM's") throughout eastern Canada.

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 December 31, 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. The Company has sold its prepaid business segment on December 15, 2011. 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 December 31, 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 February 23, 2012, 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	**December 31, 2011**	March 31, 2011
	$	$
Trade receivables	**57,014**	1,576,980
Sales taxes receivable	**86,215**	226,788
Other receivables	**-**	3,168
Total trade receivables	**143,229**	1,806,936

Aging analysis	**December 31, 2011**	March 31, 2011
	$	$
Current	**82,155**	1,599,962
30 – 90 days	**30,675**	199,488
Over 90 days	**30,399**	8,486
	143,229	1,807,936
Allowance for doubtful debt	**-**	1,000
Total trade receivables	**143,229**	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 December 31, 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	-	-	(2,441)	(14,700)	-	-	-	(17,141)
Sale of Car-Tel	-	-	-	(1,210,583)	(113,999)	(20,054)	-	(1,344,636)
Held for sale	-	-	(1,237,859)	-	(80,847)	(5,000)	(706,420)	(2,030,126)
At December 31, 2011	**585,300**	**834,700**	**-**	**-**	**27,699**	**-**	**-**	**1,447,699**
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	-	29,325	-	-	1,599	-	-	30,924
Disposals	-	-	(55)	(9,768)	-	-	-	(9,823)
Sale of Car-Tel	-	-	-	(855,557)	(86,708)	(7,713)	-	(949,978)
Held for sale	-	-	(862,561)	-	(56,776)	(4,500)	(180,046)	(1,103,883)
At December 31, 2011	**-**	**212,334**	**-**	**-**	**17,846**	**-**	**-**	**230,180**
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 December 31, 2011	**585,300**	**622,366**	**-**	**-**	**9,853**	**-**	**-**	**1,217,519**

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 December 31, 2011	-

Provision for water incident in 2975 Hochelaga building	
Balance March 31, 2011	-
Addition	35,000
Balance December 31, 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 December 15, 2011. The lawsuit is still pending as at February 23, 2011 and a counter claim has been taken against the plaintiffs. This claim is included in the sale of Car-Tel and the full responsibility of this claim is solely Car-Tel's.

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 December 31, 2011 as a discontinued operation. Revenues and expenses are recognized and reported as of December 15, 2011, date of the sale of Car-Tel.

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 December 31, 2011 as a discontinued operation.

For the Nine-months Periods ending December 31,

	December 15, 2011 Car-Tel	**December 31, 2011 ATM**	**December 31, 2011 Total**	**December 31, 2010 Total**
	$	**$**	**$**	**$**
Revenues	30,457,269	3,159,233	33,616,502	43,445,647
Direct costs	29,532,812	2,669,026	32,201,838	41,250,479
Selling and administrative	755,446	148,019	903,465	997,228
Amortization of equipment	-	-	-	276,503
Amortization of intangible assets	-	-	-	434,583
Loss (gain) on disposition of property and equipment	4,902	(1,114)	3,788	-
Profit before net finance income	164,109	343,302	507,411	486,854
Net finance expenses	92,111	101,481	193,592	218,187
Income (loss) of discontinued operations before income taxes	71,998	241,821	313,819	268,667
Income taxes expense (recovery)				
Net income taxes	-	-	-	-
Deferred income taxes	-	-	-	-

Net profit and comprehensive income for the period	71,998	241,821	313,819	268,667

9. Discontinued operations (cont'd.)

For the Three-month Periods ending December 31,

	December 15, 2011 Car-Tel	**December 31, 2011 ATM**	**December 31, 2011 Total**	**December 31, 2010 Total**
	$	**$**	**$**	**$**
Revenues	7,877,061	1,007,004	8,884,065	13,330,808
Direct costs	7,665,785	869,986	8,535,771	12,756,857
Selling and administrative	234,162	37,453	271,615	320,633
Amortization of equipment	-	-	-	95,784
Amortization of intangible assets	-	-	-	142,083
Loss (gain) on disposition of property and equipment	-	-		-
Profit before net finance income	(22,886)	99,565	76,679	15,451
Net finance expenses	47,318	32,494	79,812	72,300
Income (loss) of discontinued operations before income taxes	(70,204)	67,071	(3,133)	(56,849)
Income taxes expense (recovery)				
Net income taxes	-	-	-	-
Deferred income taxes	-	-	-	-
Net profit and comprehensive income for the period	(70,204)	67,071	(3,133)	(56,849)

9. Discontinued operations (cont'd.)

Assets held for sale related to discontinued operations

	December 31, 2011 ATM	December 31, 2010 Total
	$	$
Equipment	926,243	-
Assets held for sale	926,243	-

	December 31, 2011 ATM	December 31, 2011 Total
	$	$
Long-term debt	551,124	-
Liabilities held for sale	551,124	-

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, December 31, 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, December 31, 2011	-	-

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

There are no preferred shares issued and outstanding as at December 31, 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 nine-month period ended December 31, 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:

	December 31, 2011		December 31, 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 December 31, 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 December 31, 2011 and December 31, 2010 respectively.

	Three-month period ended		Nine-month period ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Profit (loss) for the period	$ (684,475)	$ (378,337)	$ (521,945)	$ (304,873)
Earnings per share:				
Basic profit per share	$ 0.03708	$ (0.02049)	$ 0.02827	$ 0.01651
Diluted profit per share	$ 0.03708	$ (0.02049)	$ 0.02827	$ 0.01651
Weighted average number of shares in circulation:				
Basic	18,461,300	18,461,300	18,461,300	18,461,300
Diluted	18,461,300	18,461,300	18,461,300	18,461,300

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Periods Ended December 31, 2011 and 2010

13. Supplemental cash flow information

	Three-month period	Nine-month period
	December 31, 2011	December 31, 2011
	$	**$**
Net income from discontinued operations	(3,133)	313,819
Items not involving cash:		
Loss (gain) on disposal of property and equipment	(170,208)	(166,420)
Changes in non-cash working capital		
Trade receivables	521,130	250,280
Inventories	519,477	845,420
Prepaid expenses	3,258	1,029
Trade payables and accrued liabilities	(511,520)	(925,835)
Cash flows (used in) from operating activities of discontinued operations	359,004	318,293
Cash flows (used in) in investing activities		
Acquisition of property and equipment	-	(40,248)
Loss (gain) on disposal of property and equipment	-	3,501
Cash flows (used in) in investing activities of discontinued operations	-	(36,747)
Cash flows used in financing activities		
Bank indebtedness	(376,912)	836,731
Loans payable	-	(75,000)
Long-term debt	(805,970)	(1,028,543)
Cash flows (used in) from operating activities of discontinued operations	(1,182,882)	(266,812)

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 Nine-month periods ended December 31, 2011 and 2010 is as follows:

	Discontinued Operation		Continuing Operation	December 31, 2011
	ATM Machines	Prepaid Products	Corporate Items and Eliminations	Condensed Consolidated Totals
	$	$	$	$
Revenues	3,159,233	30,457,269	42,832	33,659,334
Direct costs	2,669,026	29,532,812	-	32,201,838
Selling and administrative	148,019	755,446	272,302	1,175,767
Depreciation of property and equipment	-	-	30,924	30,924
Amortization of intangible assets	-	-	-	-
Money remittance costs	-	-	(92,557)	(92,557)
Strategic review process costs	-	-	221,653	221,653
Insurance claim	-	-	(34,995)	(34,995)
Forgiveness of debt	-	-	(165,180)	(165,180)
Loss on disposition of business unit	-	-	482,687	482,687
Loss (gain) on disposition of property and equipment	(1,114)	4,902	-	3,788
	2,815,931	30,293,160	714,834	33,823,925
Profit (loss) before finance costs	343,302	164,109	(672,002)	(164,591)
Net finance expenses	101,481	92,111	68,398	261,990
Income (loss) of continuing activities	-	-	(740,400)	(740,400)
Net profit from assets held for sale (1)	241,821	71,998	-	313,819
Net profit before income taxes	241,821	71,998	(740,400)	(426,581)
Additions to property, equipment and assets under capital leases	24,412	15,836	-	40,248
Goodwill	-	-	-	-
Total assets of continued operations	-	-	2,500,515	2,500,515
Total assets held for sale	926,243	-	-	926,243

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

14. Segmented information (cont'd.)

Continuing Operations — December 31, 2010

	ATM Machines	Prepaid Products	Corporate Items and Eliminations	Condensed Consolidated Totals
	$	$	$	$
Revenues	3,131,951	40,313,696	42,832	43,488,479
Direct costs	2,645,378	38,605,101	-	41,250,479
Selling and administrative	145,775	851,453	254,682	1,251,910
Depreciation of property and equipment	159,625	116,878	33,168	309,671
Amortization of intangible assets	-	434,583	-	434,583
Strategic review process costs	-	-	94,598	94,598
Money remittance costs	-	-	12,717	12,717
	2,950,778	40,008,015	395,165	43,353,958
Profit (loss) before finance costs	181,173	305,681	(352,333)	134,521
Net finance expenses	119,590	98,597	89,756	307,943
Income (loss) before income taxes	61,583	207,084	(442,089)	(173,422)
Additions to property, equipment and assets under capital leases	22,745	6,459	-	29,204
Goodwill	-	888,636	-	888,636
Total assets	2,299,540	4,110,688	2,152,765	8,562,993

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.

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

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

	December 31, 2011	December 31, 2010
	$	$
Trade receivables - related parties:		
Companies with common director	**10,982**	6,430
Total trade receivables – related parties	**10,982**	6,430
Trade payables - related parties:		
Company under common control	-	6,776
Companies with common director	-	6,317
Directors	**8,114**	-
Total trade payables – related parties	**8,114**	13,420
Revenues:		
Rental income companies under common control	**14,301**	14,301
Total revenues	**14,301**	14,301
Selling and administrative – related parties:		
Professional fees	**44,200**	55,200
Total Selling and administrative – related parties	**44,200**	55,200
Net finance expenses – related parties:		
Company under common control	**47,127**	53,010
Companies with common director	**33,991**	40,149
Director	**-**	1,500
Total finance expenses – related parties	**81,118**	94,659

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 December 31, 2011 and 2010 are as follows:

	Three-month period		Nine-month period	
	2011	2010	2011	2010
	$			$
Salaries and benefits key management personal	**34,931**	71,793	**118,219**	134,483
Directors	**11,700**	4,000	**19,700**	12,000

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.

16. Financial instruments risk (cont'd.)

(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 December 31, 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.

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

16. Financial instruments risk (cont'd.)

As at December 31, 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 and/or the completion of the sale of ATM assets held for sale. The annual account revision is in progress and should be completed in the fourth 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 December 31, 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 $12,520.

(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. 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 nine-month period ending December 31, 2011, with information comparing to the consolidated interim financial statements for the three-month and nine-month period ending December 31, 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.

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

Reconciliation of Equity at December 31, 2010

Canadian GAAP Description	Note	Canadian GAAP Balance	Effect of transition	IFRS Balance
		$	$	$
ASSETS				
Current assets:				
Cash – in circulation in automated teller machines		1,037,800	-	1,037,800
Trade and other receivables	*b*	2,199,826	(6,430)	2,193,396
Receivables from related parties	*b*	-	6,430	6,430
Inventories		1,006,102	-	1,006,102
Prepaid expenses		37,834	-	37,834
		4,281,562	-	4,281,562
Property and equipment		2,643,527	-	2,643,527
Goodwill		888,636	-	888,636
Intangible assets		140,000	-	140,000
Deferred tax assets		609,268	-	609,268
Total assets		8,562,993	-	8,562,993
LIABILITIES				
Current liabilities				
Bank indebtedness		518,471	-	518,471
Short-term loans		1,764,434	-	1,764,434
Trade and other payables	*a, b, c*	4,404,416	(43,420)	4,360,996
Payables to related parties	*b*	-	13,420	13,420
Provisions	*a*	-	30,000	30,000
Income taxes payable		23,800	-	23,800
Loans payable		175,000	-	175,000
Current long-term loans		960,852	-	960,852
		7,846,973	-	7,846,973
Long-term loans		1,117,767	-	1,117,767
Deferred tax liabilities		231,105	-	231,105
Total liabilities		9,195,845	-	9,195,845
Non-controlling interest		1,270,000	(1,270,000)	-
Shareholders' equity				
Common shares		1,787,573	-	1,787,573
Contributed surplus		182,650	-	182,650
Deficit		(3,872,925)	-	(3,872,925)
Equity attributable to shareholders'		(1,902,852)	-	(1,902,852)
Non-controlling interest	*c*	-	1,270,000	1,270,000
Total equity		(1,902,852)	1,270,000	(632,852)
Total equity and liabilities		8,562,993	-	8,562,993

17. 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.

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

Reconciliation of Total Comprehensive Income for the Period Ended December 31, 2010

	Three months ended December 31, 2010			**Six months ended December 31, 2010**		
Canadian GAAP Description	**Canadian GAAP Balance**	**Effect of transition**	**IFRS Balance**	**Canadian GAAP Balance**	**Effect of transition**	**IFRS Balance**
	$	**$**	**$**	**$**	**$**	**$**
Revenues	13,345,085	-	13,345,085	43,488,479	-	43,488,479
		-				
Direct costs	12,756,857	-	12,756,857	41,250,479	-	41,250,479
Selling and administrative	389,887	-	389,887	1,251,910	-	1,251,910
Depreciation of property, equipment and equipment held under capital leases	106,840	-	106,840	309,671	-	309,671
Amortization of intangible assets	142,083	-	142,083	434,583	-	434,583
Strategic revision process costs	94,599		94,599	94,599		94,599
Money remittance costs	896	-	896	12,716	-	12,716
	13,491,162	-	13,491,162	43,353,958	-	43,353,958
Profit (loss) before net finance costs and income taxes	(146,077)	-	(146,077)	134,521	-	134,521
Net finance expense	100,809	-	100,809	307,943	-	307,943
Income before income taxes	(246,886)	-	(246,886)	(173,422)	-	(173,422)
Income taxes expense (recovery):						
Net income taxes	18,556	-	18,556	18,556	-	18,556
Deferred taxes	112,895	-	112,895	112,895	-	112,895
Total comprehensive income for the period	(378,337)	-	(378,337)	(304,873)	-	(304,873)

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.

18. Sale of Car-Tel

The Company announced that on July 29, 2011 that it had entered into an agreement to sell its Car-Tel subsidiary 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 settlement of certain specified liabilities. This transaction results from the previously announced strategic review undertaken by the Company.

Description of the transaction

The purchase price of the shares of Car-Tel will be approximately $1.36 million, which will be paid by way of a cash payment of approximately $1.2 million and the forgiveness of a debt due by Saratoga ATM to Car-Tel of approximately $0.16 million. Additionally, at closing, Car-Tel will pay its debt due to Saratoga Leasing Inc. in the amount of approximately $0.3 million.

Furthermore, in the event that an end user charge is implemented in relation to the distribution of prepaid cellular, long distance or gift cards within the next two years, the Company will be entitled to a fee equal to 9% of such charge for each prepaid cellular, long distance or gift cards distributed during the 36 month period following the implementation of such charge.

Closing the transaction

Further to its earlier announcements, the Company entered into a definitive share purchase agreement (the "Purchase Agreement") pursuant to sell all of the shares of its wholly-owned subsidiary Car-Tel Distributions Inc. ("Car-Tel") to 7999291 Canada Inc., a corporation controlled by Luc Charlebois, a shareholder and director of Saratoga and an officer of Car-Tel (the "Transaction").

The Company's annual and special meeting (the "Meeting") was held on December 15, 2011. The holders of Saratoga's common shares (the "Shareholders") were asked to approve, among other matters, the Transaction. A majority of disinterested shareholders, being shareholders other Mr. Georges A. Durst and Luc Charlebois voted in favour of the sale of the Company's wholly-owned subsidiary.

The closing of the transaction was held on December 16, 2011.

18. Sale of Car-Tel (Cont'd)

Effect on the Company

The Company used the transaction proceeds of approximately $1.2 million in cash to reduce long-term debt by approximately $0.7 million and to injected in working capital approximately $0.5 million. The Company's consolidated long-term debt was further reduced by approximately $0.3 million as a result of the repayment by Car-Tel of the debt due to Saratoga Leasing Inc.