Condensed Consolidated
Interim Financial Statements of

SARATOGA ELECTRONIC SOLUTIONS INC.

Periods Ended September 30, 2012 and 2011

SARATOGA ELECTRONIC SOLUTIONS INC.
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Saratoga Electronic Solutions Inc.:

Management is responsible for the preparation and presentation of the accompanying condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the Management Discussions and Analysis (MD&A) is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the condensed consolidated interim financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors ("Board") and Audit Committee ("Committee") are composed of some Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the condensed consolidated interim report. The Committee has the responsibility of meeting with management to discuss the internal controls over the financial reporting process and financial reporting issues. The Committee reports to the Board of Directors for its consideration in approving the condensed consolidated interim report for issuance to 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 condensed consolidated interim 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 condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an auditor.

SARATOGA ELECTRONIC SOLUTIONS INC.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited and Unreviewed by company's Independent Auditors)

	Note	September 30, 2012	March 31, 2012
		$	**$**
ASSETS			
Current assets:			
Cash		**147,359**	887,980
Trade and other receivables	*6, 20 (a)*	**59,160**	165,067
Trade receivables from related parties	*19*	**25,570**	14,957
Balance of sale receivable	*5*	-	51,767
Prepaid expenses		**10,210**	14,363
		242,299	1,134,134
Non-current assets			
Property, plant and equipment	*7*	**1,188,007**	1,207,210
Deferred tax assets		**10,800**	10,800
Total assets		**1,441,106**	2,352,144

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 27, 2012:

(*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)

	Note	September 30, 2012	March 31, 2012
		$	$
LIABILITIES			
Current liabilities			
Bank indebtedness		-	40,955
Short-term loans	*9, 20 (b)*	-	590,000
Trade and other payables	*8*	**280,878**	450,657
Trade payables to related parties	*19*	**546**	3,814
Total liabilities		**281,424**	1,085,426
Shareholders' equity (deficiency)			
Common shares	*14*	**1,793,803**	1,793,803
Contributed surplus		**182,650**	182,650
Deficit		**(2,086,771)**	(1,979,735)
Equity (deficiency) attributable to shareholders'		**(110,318)**	(3,282)
Non-controlling interest		**1,270,000**	1,270,000
Total equity (deficiency)		**1,159,682**	1,266,718
Total equity (deficiency) and liabilities		**1,441,106**	2,352,144

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 27, 2012:

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

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

SARATOGA ELECTRONIC SOLUTIONS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Unaudited and Unreviewed by company's Independent Auditors)

Periods Ended

	Three-months ended September 30		Six-months ended September 30	
	2012	2011	2012	2011
	$	**$**	**$**	$
Revenues	**14,278**	14,277	**28,555**	28,555
Administrative	**146,741**	50,453	**259,777**	137,682
Depreciation of property, plant and equipment	**9,602**	10,455	**19,203**	20,911
Strategic revision process costs	**(140,333)**	12,828	**(140,293)**	26,653
Insurance claim	**-**	-	**-**	(37,155)
Money remittance	**(2,150)**	3,362	**(6,132)**	4,662
	13,860	77,098	**132,555**	152,753
Income (loss) before net finance costs and income taxes	**418**	(62,821)	**(104,000)**	(124,198)
Finance expense	**974**	20,939	**3,036**	48,222
Income (loss) before income taxes and income from discontinued operations	**(556)**	(83,760)	**(107,036)**	(172,420)
Income tax expense (recovery):				
Current taxes	**-**	7,202	**-**	7,202
Deferred taxes	**-**	199	**-**	(23,964)
Income (loss) before discontinued operations	**(556)**	(91,161)	**(107,036)**	(155,658)
Income (loss) from discontinued operations Note 13 (c)	**-**	135,102	**-**	318,188
Total comprehensive income (loss) for the year	**(556)**	43,941	**(107,036)**	162,530
Earnings (loss) per share for the Three-month period: Note 16				
Basic	**(0.00003)**	0.00238	**(0.00580)**	0.00880
Diluted	**(0.00003)**	0.00237	**(0.00580)**	0.00876
Weighted average number of common shares	**#**	#	**#**	#
Basic	**18,461,300**	18,461,300	**18,461,300**	18,461,300
Diluted	**18,461,300**	18,551,300	**18,461,300**	18,551,300

See accompanying notes to the consolidated financial statements.

SARATOGA ELECTRONIC SOLUTIONS INC.

Consolidated Interim Statements of Changes in Equity

(Unaudited and Unreviewed by company's Independent Auditors)

For the Six-month Periods Ended September 30, 2012 and 2011

	Share capital					
	Number	**Amount**	**Contributed surplus**	**Retained earnings**	**Non-controlling interest**	**Total equity**
	#	**$**	**S**	**$**	$	$
Balance at March 31, 2011	18,461,300	1,787,423	182,650	(5,401,139)	1,270,000	(2,161,066)
Redemption of common shares	-	(6,380)	6,380	-	-	-
Total comprehensive income (loss)	-	-	-	162,530	-	162,530
Balance at September 30, 2011	18,461,300	1,781,043	189,030	(5,238,609)	1,270,000	(1,998,536)
Balance at March 31, 2012	**18,461,300**	**1,793,803**	**182,650**	**(1,979,735)**	**1,270,000**	**1,266,718**
Total comprehensive income (loss)	**-**	**-**	**-**	**(107,036)**	**-**	**(107,036)**
Balance at September 30, 2012	**18,461,300**	**1,793,803**	**182,650**	**(2,086,771)**	**1,270,000**	**1,159,682**

See accompanying notes to condensed consolidated interim financial statements.

SARATOGA ELECTRONIC SOLUTIONS INC.

Consolidated Interim Statements of Cash Flows

(Unaudited and Unreviewed by company's Independent Auditors)

Periods Ended,

		Three-months ended September 30,		Six-months ended September 30,	
	Note	**2012**	2011	**2012**	2011
		$	$	**$**	$
Cash flows (used in) from operating activities					
Net income (loss) from continuing operations		**(556)**	(91,161)	**(107,036)**	(155,658)
Items not involving cash:					
Depreciation of property, plant and equipment	*7*	**9,602**	10,455	**19,203**	20,911
Provisions					35,000
Deferred income taxes		-	199	-	(23,964)
		9,046	(80,507)	**(87,833)**	(158,711)
Changes in non-cash working capital					
Trade and other receivables		**50,987**	38,047	**105,907**	(218)
Trade receivables from related parties		**(5,481)**	(3,578)	**(10,613)**	(1,516)
Balance of sale receivable		**-**	-	**51,767**	**-**
Prepaid expenses		**(1,664)**	26,289	**4,153**	(4,332)
Trade and other payables		**(120,951)**	38,120	**(169,779)**	13,653
Trade payables from related parties		**(3,265)**	(15,333)	**(3,268)**	808
Income taxes payable		**-**	(4,323)	**-**	(4,323)
Provisions		**-**	-	**-**	35,000
Cash flows (used in) from operating activities of continuing operations		**(71,328)**	(1,285)	**(109,666)**	(119,639)
Cash flows from operating activities of discontinued operations	*17*	**-**	249,241	-	(39,475)
Cash flows used in investing activities					
Cash flows used in investing activities of continuing Operations		**-**	-	-	**-**
Cash flows used in investing activities of discontinued operations	*17*	**-**	(5,499)	-	(36,747)

SARATOGA ELECTRONIC SOLUTIONS INC.

Consolidated Interim Consolidated Statements of Cash Flows

(Unaudited and Unreviewed by company's Independent Auditors)

For the Three-month Periods Ended,

		Three-months ended September 30,		Six-months ended September 30,	
	Note	**2012**	**2011**	**2012**	2011
		$	**$**	**$**	$
Cash flows used in financing activities					
Net change in short-term loans		**-**	(127,535)	**(590,000)**	(141,615)
Net change in bank indebtedness		**-**	-	**(40,955)**	-
Repayment of long-term loans		**-**	(82,766)	-	(153,424)
Cash flows used in financing activities of continuing operations		**-**	(210,301)	**(630,955)**	(295,039)
Cash flows used in financing activities of discontinued operations	*17*		(91,840)	-	381,540
Net increase (decrease) in cash		**(71,328)**	(59,684)	**(740,621)**	(109,360)
Cash - beginning of year		**218,687**	957,584	**887,980**	1,007,260
Cash - end of year		**147,359**	897,900	**147,359**	897,900
Supplemental information					
Interest paid in cash				**912**	155,118
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. The condensed consolidated interim financial statements of the Company as at and for the six-month period ended September 30, 2012 comprise the Company and its subsidiary 9261-5277 Québec Inc., formally Corporation Saratoga ATM Inc. and its former subsidiary Distributions Car-Tel Inc. (together referred to as the ''Group'' and individually as ''Group entities''). The Group specializes in two distinct industries, 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 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 closing of the transaction was held on December 16, 2011.

The Company entered into a definitive share purchase agreement (the "Purchase Agreement") pursuant to sell substantially the assets of its wholly-owned subsidiary, Saratoga ATM Corporation Inc. ("Saratoga ATM") to Access Cash General Partnership ("Access Cash"). The closing of the transaction was held on April 5, 2012.

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

2. Going concern

The condensed consolidated interim financial statements have been prepared on the basis that the Group 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 Group 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.

The Group'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 and its ATM business segment as of March 31, 2012. The Company is looking for new investing opportunities.

3. Basis of presentation

The carrying amounts of assets, liabilities, revenues and expenses presented in the 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.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

Basis of measurement

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

Functional and presentation currency

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

Critical accounting estimates, judgements and assumptions

These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group and the notes thereto. These condensed consolidated interim financial statements have not been subject of a review or an audit by the Group's auditors and have been approved by the Board of Directors on November 27, 2012.

4. Significant accounting policies:

The condensed consolidated interim financial statements have been prepared following the same accounting policies and exemptions used in the annual consolidated financial statements for the years ended March 31, 2012 and March 31, 2011.

4. Significant accounting policies (cont'd.)

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 the Group's entities.

Future accounting standards

The improvements to IFRS 2010 are the result of the International Accounting Standards Board's ("IASB") annual improvement project. This project has involved the IASB accumulating, throughout 2010, those improvements believed to be non-urgent, but necessary, and processing the amendments collectively. Effective dates, early adoption and transitional provisions are dealt with on a standard-by-standard basis with the majority of the amendments effective for the periods beginning on or after January 1, 2011, with early adoption permitted. The Company has adopted and reflected applicable amendments in its condensed consolidated financial statements.

The following new standards have been issued but are not yet applicable to the Company for fiscal 2013, have not been applied in preparing the condensed consolidated interim financial statements at September 30, 2012.

(i) IFRS 9 Financial Instruments

(ii) IFRS 10 Consolidated Financial Statements

(iii) IFRS 12 Disclosure of Interest in Other Entities

(iv) IFRS 13 Fair Value Measurement

(v) IAS 12 – Income Taxes

The Company is currently evaluating the impact of these amendments to its financial statements. More information on the future accounting changes is available in note 3 of the consolidated financial statements at March 31, 2012.

5. Balance of sale receivable

The Company entered into an agreement as of March 31, 2012 to sell substantially all of its ATM business assets as described further in (Note 21 (b)). The purchase price was held in trust by the lawyers to repay various debts owed by the Company as follows:

	September 30, 2012	March 31, 2012
Purchase price	-	**1,800,000**
Reimbursement of long-term loans	-	**(445,261)**
Reimbursement of long-term loans	-	**(66,568)**
Reimbursement of short-term loans	-	**(891,580)**
Reimbursement of trade and other payables	-	**(344,824)**
Balance of sale receivable	-	**51,767**

Closing of this transaction was held on April 5, 2012.

6. Trade and other receivables:

Continuing and discontinued activities	**September 30, 2012**	March 31, 2012
	$	**$**
Trade receivables	**6,005**	28,656
Sales taxes receivable	**53,155**	136,411
Total trade and other receivables	**59,160**	165,067

Aging analysis	**September 30, 2012**	March 31, 2012
	$	**$**
Current	**(14,589)**	115,462
30 – 90 days	**73,749**	48,444
Over 90 days (past due 0-30 days)	**-**	1,161
	59,160	165,067
Allowance for doubtful debt	**-**	-
Total trade and other receivables	**59,160**	165,067

No amounts are impaired at September 30, 2012, March 31, 2012

7. Property, plant and equipment

	Land	Building	Automated teller machines	Scanners and other equipment	Furniture and computer equipment	Rolling stock	Assets under capital leases	Total
	$	$	$	$		$	$	$
Cost								
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		40,348
Disposal	-	-	-	(14,700)	-	-	-	(14,700)
Discontinued operations	-	-	(1,212,601)	(1,210,583)	(213,441)	(25,054)	(706,420)	(3,368,199)
At September 30, 2011	585,300	834,700	27,699	**-**	9,104	**-**	**-**	1,456,803
Accumulated Depreciation								
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	-	-	-	(9,768)	-	-	-	(9,768)
Discontinued operations	-	-	(845,836)	(855,557)	(154,325)	(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	350,271	62,814	6,006	526,374	2,536,414
At September 30, 2011	585,300	632,140	10,919	-	2,123	-	-	1,230,482
Cost								
At March 31, 2012	585,300	834,700	-	-	27,699	-	-	1,447,699
Additions	-	-	-	-	-	-		-
At September 30, 2012	**585,300**	**834,700**	**-**	**-**	**27,699**	**-**	**-**	**1,447,699**
Accumulated Depreciation								
At March 31, 2012	-	222,111	-	-	18,378	-	-	240,489
Depreciation expense	-	18,377	-	-	826	-	-	19,203
At September 30, 2012	-	240,488	-	-	19,204	-	-	259,692
Net book value								
At March 31, 2012	585,300	612,589	-	-	9,321	-	-	1,207,210
At September 30, 2012	**585,300**	**594,212**	**-**	**-**	**8,495**	**-**	**-**	**1,188,007**

8. Trade and other payables:

Continuing and discontinued activities	**September 30, 2012**	March 31, 2012
	$	**$**
Trade payables	**280,878**	449,427
Accrued wages payable	**-**	1,230
Total trade and other payables	**280,878**	450,657

9. Short-term loans

The Group has revolving credit facilities subject to review on an annual basis in the aggregate amount of $2,000,000 bearing interest at the bank's prime rate plus 1% per annum, of which nil was used as at September 30, 2012 (2011 - $1,476,545). These facilities are secured by a hypothec on the universality of all property and receivables of a subsidiary company in the amount of $1,000,000 and a personal guarantee of $1,000,000 from the majority shareholder of the Company. These credit facilities were fully paid during the six-month period ended September 30, 2012.

10. Non-controlling interest

The non-controlling interest consists of 1,270,000 Class 'D' preferred shares (2011 – 1,270,000) of a wholly-owned subsidiary of the Company (9261-5277 Québec Inc.), non-voting, non-participating, non-convertible, non-cumulative annual dividend of 8%, and redeemable at $1 per share.

11. Direct costs

Direct costs per segmented information (Note 18) are comprised of:

	Three-month period ended September 30,		Six-month period ended September 30,	
	2012	2011	2012	2011
	$	**$**	**$**	$
Purchases	**-**	10,803,869	**-**	21,715,577
Commissions	**-**	882,798	**-**	1,704,434
Transport fees	**-**	83,390	**-**	165,783
Repairs and maintenance	**-**	51,756	**-**	80,526
	-	11,821,813	**-**	23,666,067

12. Selling and administrative

Selling and administrative expenses per segmented information (Note 18) are comprised of:

	Three-month period ended September 30,		Six-month period ended September 30,	
	2012	2011	**2012**	2011
	$	**$**	**$**	$
Salaries	**30,339**	153,529	**64,478**	315,982
Professional fees	**93,636**	79,800	**139,250**	162,783
Selling expenses	**-**	55,030	-	114,918
Office and general	**1,369**	32,704	**2,506**	69,228
Utilities	**5,038**	14,146	**14,350**	25,265
Insurance	**2,402**	21,162	**8,688**	37,091
Taxes and licences	**9,132**	9,043	**18,188**	17,915
Telecommunications	**249**	12,683	**946**	24,778
Bad debt	**-**	**-**	-	336
Closing sale adjustments	**4,576**	**-**	**11,371**	-
	146,741	378,097	**259,777**	768,296

13. Discontinued operations

(a) 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. This disposal was reported in the consolidated financial statements for the year ended March 31, 2012 as a discontinued operation. Revenues and expenses are recognized and reported to December 15, 2011, the date of the sale of Car-Tel.

(b) As of March 31, 2012, the Company's wholly-owned subsidiary, Saratoga ATM Corporation Inc. ("Saratoga ATM"), entered into an agreement with Access Cash General Partnership ("Access Cash") to which Saratoga ATM sold substantially all of its ATM assets to Access Cash. This disposal was reported in the financial statements for the year ended March 31, 2012 as a discontinued operation. Revenues and expenses are recognized and reported to March 31, 2012 the ATM network, the date of sale.

(c) For the six-month periods ending,

	September 30, 2012 Car-Tel	**September 30, 2012 ATM**	**September 30, 2012 Total**	September 30, 2011 Car-Tel	September 30, 2011 ATM	September 30, 2011 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
Income 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 tax expense (recovery)						
Net income taxes	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Total comprehensive income (loss) for the year	-	-	-	142,202	175,986	318,188

13. Discontinued operations (Contn'd)

(d) For the three-month periods ending,

	September 30, 2012 Car-Tel	**September 30, 2012 ATM**	**September 30, 2012 Total**	September 30, 2011 Car-Tel	September 30, 2011 ATM	September 30, 2011 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
Income before net finance income	-	-	-	72,795	119,662	192,457
Net finance expenses	-	-	-	21,319	36,036	57,355
Income (loss) of discontinued operations before income taxes	-	-	-	51,476	83,626	135,102
Income tax expense (recovery)						
Net income taxes	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Total comprehensive income (loss) for the year	-	-	-	51,476	83,626	135,102

14. 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.

14. Share capital (Contn'd)

	Number #	Amount $
Common shares		
BALANCE, APRIL 1, 2010	18,648,300	1,811,973
Treasury shares	(187,000)	(24,550)
BALANCE, MARCH 31, 2011	18,461,300	1,787,423
Cancelled treasury shares	-	6,380
BALANCE, March 31, 2012	18,461,300	1,793,803
BALANCE, September 30, 2012	**18,461,300**	**1,793,803**

There are no preferred shares issued and outstanding as at September 30, 2012.

15. Share-based payments

The Company has adopted share-based payments 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 2012 or 2011.

Total stock option compensation costs for the three-month period ended September 30, 2012 relating to options granted in prior years' amounted to NIL (2011 - NIL).

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

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

	September 30, 2012		September 30, 2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
	#	**$**	#	$
Balance - beginning of year	**90,000**	**0.27**	280,000	0.26
Granted	-	-	-	-
Expired	-	-	-	-
Balance - end of period	**90,000**	**0.27**	280,000	0.26

All options outstanding were exercisable at September 30, 2012, March 31, 2012.

The table below summarizes the information related to share options as at September 30, 2012:

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**

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

16. Earnings (loss) per share

The calculation of basic loss per share is based on the loss for the three-month periods divided by the weighted average number of shares in circulation during the year. 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 15.

Both the basic and diluted per share have been calculated using the income (loss) as the numerator, i.e. no adjustment to the income (loss) were necessary for the three-month periods ended September 30, 2012 and September 30, 2011 respectively.

	Three-month Period ended		Six-month Period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
			$	$
Net income (loss) for continued operations	(556)	(91,161)	**(107,036)**	(155,658)
Earnings per share:				
Basic earnings (loss) per share	(0.00003)	(0.00494)	**(0.00580)**	(0.00843)
Diluted earnings (loss) per share	(0.00003)	(0.00494)	**(0.00580)**	(0.00843)
Net income (loss) for discontinued operations	-	135,102	-	318,188
Earnings per share:				
Basic earnings (loss) per share	-	0.00732	-	0.01724
Diluted earnings (loss) per share	-	0.00728	-	0.01715
Total Net income (loss)	(556)	43,941	**(107,036)**	162,530
Earnings per share:				
Basic earnings (loss) per share	(0.00003)	0.00238	**(0.00580)**	0.00880
Diluted earnings (loss) per share	(0.00003)	0.00237	**(0.00580)**	0.00876
Weighted average number of shares in circulation:	#	#	#	#
Basic	**18,461,300**	18,461,300	**18,461,300**	18,461,300
Diluted	**18,461,300**	18,551,300	**18,461,300**	18,551,300

17. Supplemental cash flow information

	Three-month Period ended		Six-month Period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
			$	**$**
Net income from discontinued operations	-	135,102	-	318,188
Items not involving cash:				
Depreciation of property, plant and equipment			-	-
Changes in non-cash working capital				
Trade and other receivables	-	641,649	-	(270,850)
Inventories	-	336,825	-	325,942
Prepaid expenses	-	8,818	-	(2,229)
Trade and other payables	-	(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, plant and equipment	-	(9,000)	-	(40,248)
Loss on disposal of property, plant 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	-	(35,218)	-	679,113
Loans payable	-	-	-	(75,000)
Short-term loans	-		-	-
Long-term loans	-	(56.622)	-	(222,573)
Cash flows (used in) from operating activities of discontinued operations	-	(91,840)	-	381,540

18. Segmented information

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

The Group's significant business segments include:

- *ATM network segment:* 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. Revenues recorded on a net revenue basis where the Group has determined that is not the primary obligor, and included in revenues below, account for $nil for the three-month period ended September 30, 2012 (2011 - $214,783).

All of the Group's reportable segments are conducted solely in Canada. Information by reportable segment for the six-month period ended September 30, 2012 and 2011 is as follows:

	Discontinued Operations		Continuing Operation	September 30, 2012
	ATM Machines	Prepaid Products	Corporate Items and Eliminations	Consolidated Totals
	$	$	$	$
Revenues	-	-	28,555	28,555
Selling and administrative	-	-	259,777	259,777
Depreciation of property, plant and equipment	-	-	19,203	19,203
Money remittance costs	-	-	(6,132)	(6,132)
Strategic review process cost			(140,293)	(140,293)
	-	-	132,555	132,555
Income (loss) before finance costs	-	-	(104,000)	(104,000)
Net finance expenses	-	-	3,036	3,036
Income (loss) before income taxes of continuing activities	-	-	(107,036)	(107,036)
Additions to property, plant and equipment	-	-	-	-
Total assets	-	-	1,441,106	1,441,106

18. Segmented information (cont'd.)

Continuing Operations				September 30, 2011
	ATM Machines	Prepaid Products	Corporate Items and Eliminations	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, plant and equipment	-	-	20,911	20,911
Strategic review process costs	-	-	26,653	26,653
Money remittance costs	-	-	4,662	4,662
Insurance claim	-	-	(37,155)	(37,155)
Loss (gain) on disposition of assets	(1,114)	4,902	-	3,788
	1,907,256	22,393,213	152,753	24,453,222
Income (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) before income taxes continuing	-	-	(172,420)	(172,420)
Income (loss) before income taxes discontinued	175,986	142,202	-	318,188
Net income before income taxes	175,986	142,202	(172,420)	145,768
Additions to property, plant and equipment	24,412	15,836	-	40,248
Total assets	923,293	3,126,941	2,460,178	6,510,412

No depreciation expenses were accounted for in net income from discontinued operations.

19. 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.

19. Related party transactions (Contn'd)

	Country of incorporation	Percentage of interest	
		September 30, 2012	September 30, 2011
9261-5277 Québec Inc.	Canada	**100 %**	100 %
Distribution Car-Tel Inc.	Canada	**NIL**	100 %

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

	September 30, 2012	September 30, 2011
	$	$
Trade receivables from related parties:		
Companies with common director	**25,570**	8,385
Total trade receivables from related parties	**25,570**	8,385
Trade payables from related parties:		
Company under common control	-	3,908
Companies with common director	**546**	327
Directors	**2,961**	3,175
Total trade payables from related parties	**3,507**	12,184
Revenues:		
Rental income companies under common control	**9,532**	9,532
Total revenues	**9,532**	9,532
Selling and administrative – related parties:		
Professional fees	**12,000**	22,800
Total Selling and administrative – related parties	**12,000**	22,800
Net finance expenses – related parties:		
Company under common control	-	30,419
Companies with common director	-	24,286
Total finance expenses – related parties	-	54,705

19. Related party transactions (Contn'd)

The Group 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, 2012 and 2011 are as follows:

	Three-month Period ended September 30,		Six-month Period ended September 30,	
	2012	2011	**2012**	2011
	$	$	$	$
Salaries and benefits key management personal	**30,278**	38,779	**55,678**	83,288
Directors	**2,500**	1,500	**2,500**	8,000

20. Financial instruments risks

The Group 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 Group's risk management is coordinated in close cooperation with the Board of Directors, and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets. The Group does not actively engage in the trading of financial speculative purposes. The most significant financial risks to which the Group is exposed are described below. The Group 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 years.

The carrying value of cash, trade and other receivables, trade receivables from related parties, bank indebtedness, short-term loans, trade and other payables, trade payables from related parties, provisions and loans payable, are considered to be reasonable approximation of fair value because of the short-term maturity of these instruments**.**

The carrying value of long-term loans is considered to be reasonable approximation of fair value due to market interest rates being changed on them.

20. Financial instruments risk (cont'd.)

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the 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;
- 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 Group’s trade and other receivables. The Group may also have credit risk relating to cash and cash equivalents. The carrying amount of financial assets, as disclosed above, represents the Group’s maximum exposure.

The Group’s exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Group 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 Group has not experienced significant credit losses in the past.

20. Financial instruments risk (cont'd.)

The Group is exposed to concentration of credit risk as at September 30, 2012 as approximately nil (2011 – 91%) of the Group'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 nil (2011 – 28%) of the segment's revenues and nil (2011 – 30%) of the segment's trade and other receivables. The maximum credit risk exposure for trade and other receivable corresponds to the carrying value.

	Revenues		Accounts Receivable	
	2012	2011	**2012**	2011
	%	%	%	%
Concentration of main customers of the prepaid segment:				
Sobey's Inc.	-	13	-	17
Ultramar Corporation	-	15	-	13
	-	28	-	30

The prepaid product business unit acquires its inventories from two major suppliers, which account for approximately nil (2011 - 60%) of the segments direct costs.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group 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 Group'ss 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.

20. Financial instruments risk (cont'd.)

The following table presents the contractual maturities of the Corporation's financial liabilities:

As at September 30, 2012			Payments by Periods		
	Total	< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
	$	$	$	$	$
Trade and other payables	280,878	280,878	-	-	-
Trade payables to related parties	546	546	-	-	-

As at September 30, 2011			Payments by Periods		
	Total	< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
	$	$	$	$	$
Bank indebtedness	71,864	71,864	-	-	-
Short-term loans	1,476,545	1,476,545	-	-	-
Trade and other payables	510,875	510,875	-	-	-
Trade payables to related parties	12,184	11,376	-	-	-
Provisions	35,000	35,000	-	-	-
Income taxes	21,061	21,061	-	-	-
Long-term loans	629,775	629,775	-	-	-

The Group'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 Group capital items are cash and cash equivalents, bank loans, current portion of long-term loans, and common shares.

The Group sets the amount of capital in proportion to risk. The Group 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 Group 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.

20. Financial instruments risk (cont'd.)

The Group'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

The debts were reimbursed in the six-month period ended September 30, 2012, thus these requirements from one of its lenders are obsolete.

The Company has also created a new class of preferred shares as described in Note 14. 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 Group's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Group's functional and reporting currency. Therefore, the Group is not exposed to foreign currency risk.

(e) Economic conditions

The Group, at September 30, 2012 still owns the building in which its office is located; all office space not occupied by the Group is rented to various tenants. The main tenant, Car-Tel, moved out in January 2012 and the armored car services tenant will move out by the third quarter of 2013, thus reducing the Group's rental income in future years.

The Group's rental income is subject to economic conditions in the Montreal area. Consequently, a downturn in economic conditions could reduce office rental demand for the Group's office rental space that it does not occupy and could have a material adverse effect on the Group's office rental revenues, financial position and operating results.

21. Comparative information

Certain of the prior year's figures have been reclassified to conform to the current year's presentation