Consolidated financial statements of

(unaudited, Prepared by management)

SARATOGA ELECTRONIC SOLUTIONS INC.

December 31, 2010 and 2009

SARATOGA ELECTRONIC SOLUTIONS INC.
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SARATOGA ELECTRONIC SOLUTIONS INC.
Interim Consolidated Balance Sheets
As at

	December 31, 2010	March 31, 2010
	$	$
	(unaudited)	(audited)
Assets		
Current		
Cash	**-**	283,075
Cash in circulation in automated teller machines	**1,037,800**	1,062,440
Accounts receivable (notes 5 and 13(b))	**2,012,981**	1,928,734
Inventories (note 4)	**1,006,102**	889,199
Prepaid expenses	**37,834**	70,105
Sales tax receivable	**182,901**	293,331
Loans receivable, private companies - current	**3,400**	3,400
Future income taxes - current	**277,028**	335,684
	4,558,046	4,865,968
Loans receivable, private companies	**544**	3,190
Property, equipment and assets under capital leases	**2,643,527**	2,815,314
Goodwill	**888,636**	888,636
Intangible assets	**140,000**	574,583
Future income taxes	**332,240**	365,253
	8,562,993	9,512,944

See accompanying notes to consolidated financial statements.

Approved on Behalf of the Board:

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

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

SARATOGA ELECTRONIC SOLUTIONS INC.
Interim Consolidated Balance Sheets
As at

	December 31, 2010	March 31, 2010
	$ (unaudited)	$ (audited)
Liabilities		
Current		
Bank indebtedness	**518,471**	-
Bank loans (note 5)	**1,764,434**	1,813,580
Accounts payable and accrued liabilities	**4,404,416**	4,909,025
Income taxes payable	**23,800**	18,265
Loans payable	**175,000**	400,000
Current portion of long-term debt	**960,852**	631,374
Future income taxes	**18,519**	22,301
	7,865,492	7,794,545
Long-term debt	**1,117,767**	1,636,550
Future income taxes	**212,586**	187,578
	9,195,845	9,618,673
Non-controlling interest (note 6)	**1,270,000**	1,467,700
Shareholders' equity		
Capital stock (note 7)	**1,787,423**	1,811,973
Contributed surplus	**182,650**	182,650
Deficit	**(3,872,925)**	(3,568,052)
	(1,902,852)	(1,573,429)
	8,562,993	9,512,944

See accompanying notes to consolidated financial statements.

Approved on Behalf of the Board:

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

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

SARATOGA ELECTRONIC SOLUTIONS INC.
Interim Consolidated Statements of Deficit
For the Periods Ended

	December 31, 2010		December 31, 2009	
	Three-Month	**Nine -Month**	Three-Month	Nine-Month
	$	**$**	$	$
	(unaudited)	**(unaudited)**	(unaudited)	(unaudited)
Deficit - beginning of period	**(3,494,588)**	**(3,568,052)**	(2,338,874)	(1,957,543)
Net earnings (loss)	**(378,337)**	**(304,873)**	(226,021)	(607,352)
Deficit - end of period	**(3,872,925)**	**(3,872,925)**	(2,564,895)	(2,564,895)

See accompanying notes to consolidated financial statements.

SARATOGA ELECTRONIC SOLUTIONS INC.

Interim Consolidated Statements of Operations and Comprehensive Income (loss)

For the Periods Ended

	December 31 30, 2010		December 31, 2009	
	Three-Month	**Nine -Month**	Three-Month	Nine-Month
	$ **(unaudited)**	**$** **(unaudited)**	$ (unaudited)	$ (unaudited)
Revenues (note 12)	**13,345,085**	**43,488,479**	13,596,561	41,648,167
Direct costs	**12,756,857**	**41,250,479**	12,969,806	39,551,458
Gross margin	**588,228**	**2,238,000**	626,755	2,096,709
Operating expenses				
Selling and administrative	**389,887**	**1,251,910**	483,222	1,566,688
Financial	**9,884**	**17,914**	11,314	19,561
Research and development, net of taxes	-	-	-	8,771
Stock-based compensation (note 8)	-	-	4,448	13,345
	399,771	**1,269,824**	498,984	1,608,365
Operating income before undernoted items	**188,457**	**968,176**	127,771	488,344
Amortization of property, equipment and assets under capital leases	**106,840**	**309,671**	120,874	295,126
Amortization of intangible assets	**142,083**	**434,583**	146,250	575,417
Money remittance development costs, net	**896**	**12,717**	3,682	(35,450)
Interest on loans payable and long-term debt	**73,301**	**240,975**	92,354	247,129
Interest on bank loans	**17,624**	**49,054**	13,624	38,648
Recovery of contingencies	-	-	(28,301)	(28,301)
Strategic revision process costs	**94,599**	**94,599**	-	-
Loss on disposition of property and equipment	-	-	5,309	13,408
	435,343	**1,141,598**	353,792	1,105,977
Income (loss) before income taxes	**(246,886)**	**(173,422)**	(226,021)	617,633)
Provision (recovery of) for income taxes	**131,451**	**131,451**	-	(10,281)
Net operating and comprehensive income (loss)	**(378,337)**	**(304,873)**	(226,021)	(607,352)
Loss per share basic and diluted	**(0.02049)**	**(0.01651)**	(0.01212)	(0.03257)
Weighted average number of common shares outstanding	**18,461,300**	**18,461,300**	18,648,300	18,648,300

See accompanying notes to consolidated financial statements.

SARATOGA ELECTRONIC SOLUTIONS INC.
Interim Consolidated Statements of Cash Flows
For the Periods Ended

	December 31, 2010		December 31, 2009	
	Three-Month	**Nine - Month**	Three-Month	Nine-Month
	$ (unaudited)	**$ (unaudited)**	$ (unaudited)	$ (unaudited)
Cash flows from operating activities				
Net income (loss)	**(378,337)**	**(304,873)**	(226,021)	(607,352)
Adjustments for:				
Stock-based compensation	**-**	**-**	4,448	13,345
Amortization of property and equipment	**106,840**	**309,671**	120,874	295,126
Amortization of intangible assets	**142,083**	**434,583**	146,250	575,417
Future income tax costs	**112,895**	**112,895**	-	-
Loss on disposal of property and equipment	**-**	**-**	5,309	13,408
	(16,519)	**552,276**	50,860	289,944
Changes in non-cash working capital items (note 9 (a))	**21,974**	**(557,523)**	(773,371)	(800,124)
	5,455	**(5,247)**	(722,511)	(510,180)
Cash flows used in investing activities				
Proceeds on collection of loans receivable, private companies	**827**	**2,646**	876	2,634
Acquisition of property and equipment	**(1,915)**	**(29,204)**	-	(92,865)
Proceeds from disposition of property and equipment	**-**	**-**	-	1,000
	(1,088)	**(26,558)**	876	(89,231)
Cash flows used in financing activities				
Net change in bank loans	**14,014**	**(49,146)**	119,360	388,545
Net change in loans payable	**25,000**	**(225,000)**	350,000	350,000
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	**(151,563)**	**(353,837)**	(171,613)	(412,062)
Proceeds from new long-term debt	**-**	**55,852**		-
Payments to non-controlling interest	**(28,400)**	**(85,200)**	(28,400)	(85,200)
	(178,599)	**(794,381)**	269,347	241,283
Net increase in cash and cash equivalents	**(174,232)**	**(826,186)**	(452,288)	(358,128)
Cash and cash equivalents - beginning of year	**693,561**	**1,345,515**	960,957	866,797
Cash and cash equivalents - end of year (note 9(b))	**519,329**	**519,329**	508,669	508,669

See accompanying notes to consolidated financial statements

1. Statutes of incorporation and nature of activities

The Company is incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange Inc. ("Exchange").

The Company operates in two different businesses, 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.

2. Summary of significant accounting policies

Basis of consolidation

These unaudited interim consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiary companies, Saratoga ATM Corporation and Distributions Car-Tel Inc. All intercompany transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of the unaudited interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and the effect on the unaudited interim consolidated financial statements of changes in such estimates in future periods may be significant.

Key areas of estimation where management has made difficult, complex or subjective judgements, often as a result of matters that are inherently uncertain, include the allowance for doubtful accounts and certain accrued liabilities, liabilities for potential litigation claims and settlements, the ability to use income tax loss carry forwards and other future income tax assets and liabilities, useful lives of depreciable assets and intangible assets with finite useful lives, estimates of volatility for stock- based compensation as well as goodwill and intangible assets which require estimates of future cash flows. For business combinations, key areas of estimation and judgement include the allocation of the purchase price.

3. New accounting standards

Intangible assets

On April 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") handbook section 3064 - Goodwill and Intangible Assets, which replaced Section 3062 - Goodwill and Other Intangible Assets as well as Section 3450 - Research and Development costs. The new standard clarifies and enhances the recognition criteria of intangible assets and provides guidance on the recognition and measurement of internally generated assets, including assets developed from research and development activities. This new standard reinforces the principal-based approach to the recognition of assets only in accordance with the definition of an asset. The adoption of this standard did not have any effect on the financial statements of the Company.

Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the Company retrospectively adopted Emerging Issues Committee ("EIC") Abstract 173, which requires the Company to consider its own credit risk and the credit risk of the counterparty to a financial instrument to be taken into consideration in determining the fair value of its financial assets and financial liabilities. The adoption of this EIC did not have any effect of the financial statements of the Company.

Future accounting policy changes

International financial reporting standards

In February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, would be fully converged with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS-IASB"). The changeover date is effective for interim and annual financial reporting for fiscal year ends beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement, presentation and disclosures, which the Company must address. The Company is currently evaluating the effect of these new standards on its consolidated financial statements.

Consolidated financial statements and non-controlling interests

In January 2009, the AcSB released Section 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interest, which replace Section 1600 - Consolidated Financial statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination.

3.New accounting standards (cont'd.)

These sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. These sections must be applied together with Section 1582 "Business Combinations" if they are implemented for a fiscal year beginning before January 1, 2011.

The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

Business combinations

In January 2009, the AcSB released Section 1582, which replaces Section 1581 - Business Combinations. As it relates to the Company, this section applies prospectively to business combinations that take place after April 1, 2011. Earlier application is permitted. Section 1582 must be applied together with Section 1601 and Section 1602 if it is implemented for a fiscal year beginning before January 1, 2011.

The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

4.Inventories

Inventories are comprised of prepaid cards, prepaid phone PINs and prepaid debit cards. Inventories expensed during the nine-month period ended December 31, 2010 and included in direct costs amounted to $38,422,045 (2009 - $38,602,393). At December 31, 2010 total inventory carried at net realizable value amounted to $NIL.

5.Bank loans

The Company 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 $1,764,434 was used as at December 31, 2010 (2009 - $1,741,160). 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.

The terms of the credit facilities require a subsidiary company, on a standalone basis, to meet certain financial and non-financial covenants. As at December 31, 2010, these requirements have not been met. Details of the requirements are described in Note 14.

6.Non-controlling interest

The non-controlling interest consists of 1,270,000 (2009 - 1,420,000) Class 'D' preferred shares of a wholly-owned subsidiary of the Company (Saratoga ATM Corporation Inc.), non-voting, non-participating, non-convertible, non-cumulative annual dividend of 8%, and redeemable at $1 per share. Changes in non-controlling interest are summarized as follows:

	December 31, 2010	**March 31, 2010**
	$	**$**
	(unaudited)	(audited)
Balance beginning of year	**1,467,700**	1,505,200
Preferred shares repurchased [(1)]	**(112,500)**	(37,500)
Share of net income allocated to non-controlling interest	-	113,600
Payments to non-controlling interest	**(85,2000)**	(113,600)
Balance, end of period	**1,270,000**	1,467,700

[(1)] By mutual agreement starting January 1, 2010, one of the Company's subsidiaries commenced a monthly repurchase of 12,500 Class 'D' preferred shares in an amount of $12,500 for a total of 150,000 Class 'D' preferred shares redeemed at their face value for cash consideration $150,000. The agreement provides for the Company to redeem or purchase a total of 150,000 Class 'D' preferred shares in an amount of $150,000. As a result of this repurchase, the Company is in breach of one of the requirements under its' lending agreement as described in Note 14.

7.Capital stock

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.

7. Capital stock (cont'd.)

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

Issued:

	December 31, 2010		March 31, 2010	
	#	**$**	#	$
	(unaudited)		(audited)	
Common shares	**18,461,300**	**1,787,423**	18,648,300	1,811,973

The Company has purchased and cancelled 187,000 of the issued and outstanding common shares for the nine-month period ended December 31, 2010 and nil in 2009, and there were no shares held in escrow at December 31, 2010 or 2009. Given the initiation by the Company of a process to explore and consider possible strategic alternatives for enhancing shareholder value, purchases of shares pursuant to the Normal Course Issuer Bid have been suspended.

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

8.Stock-based compensation

The Company maintains an incentive stock option plan (the "Plan") which provides that the Board of Directors of the Company may, from time to time at its discretion, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, in such numbers, for such terms and at such exercise prices as may be determined by the Board of Directors.

The Plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance shall be equal to 855,000 shares. The option's maximum term is five years from grant date and unexercised options are cancelled after termination of employment or directorship. The option exercise price and vesting period is established by the Board of Directors, and the option price may not be lower than the discounted market price at the time of grant. The options granted vest according to a graded schedule of 33.3% every six months commencing on the grant date.

The Company has accounted for options granted using the fair value method. There were no options granted in 2010 or 2009

Total stock option compensation costs for the nine-month period ended December 31, 2010 relating to options granted in prior years' amounted to nil (2009 - $13,345).

A summary of the changes in the Company's common share purchase options is presented below:

	December 31, 2010		March 31, 2010	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
	#	**$**	#	$
			(audited)	
Balance - beginning of year	**280,000**	**0.26**	**450,000**	**0.26**
Granted	**-**	**-**	**-**	**-**
Cancelled	**-**	**-**	**(170,000)**	**0.26**
Balance - end of period	**280,000**	**0.26**	**280,000**	**0.26**
Total exercisable - end of period	**280,000**	**0.26**	**280,000**	**0.26**

During the nine-month period ended December 31, 2010, the Company cancelled nil (2009 - 110,000) fully vested stock options.

Common share purchase options outstanding and granted to officers, directors and employees as at December 31, 2010 are summarized as follows:

Number of Options Outstanding	**Weighted Average Exercise Price**	**Remaining Contractual Life**	**Expiry Date**	**Number of Options Exercisable**
#	**$**			**#**
190,000	0.26	9 months	09-2011	190,000
90,000	0.27	23 months	12-2012	90,000
280,000				**280,000**

9.Statement of cash flows

(a) *Changes in non-cash working capital items:*

	December 31, 2010	December 31, 2009
	$	$
Accounts receivable	**84,247**	22,157
Investment tax credits receivable	**-**	16,825
Inventories	**(116,903)**	(804,048)
Prepaid expenses	**32,271**	(21,618)
Sales tax receivable	**110,430**	(105,151)
Accounts payable and accrued liabilities	**(504,609)**	154,362
Income taxes payable	**5,535**	(62,651)
	(557,523)	(800,124)

(b) *Cash and cash equivalents on the statement of cash flows comprise the following balance sheet amounts:*

	December 31, 2010	December 31, 2009
	$	$
Cash – (overdrafts) - operations	**(518,471)**	(477,851)
Cash - in circulation in automated teller machines	**1,037,800**	986,520
	519,329	508,669

(c) *Items not affecting cash:*

	December 31, 2010	December 31, 2009
	$	$
Capital assets acquired by way of a capital lease	**108,640**	597,740
	108,640	597,740

9.0 Statement of cash flows

(d) *Interest and income taxes:*

	December 31, 2010	December 31, 2009
	$	$
Interest paid	**315,056**	292,209
Income taxes paid	**18,265**	62,651

10. Related party transactions

During the year, the Company had transactions and balances with related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances are subject to normal terms of trade. The related party transactions and balances are summarized as follows:

		December 31, 2010	December 31, 2009
		$	$
(i)	***Company under common control*:**		
	• Interest expense included in interest on loans payable and long-term debt	**53,010**	72,831
	• Accounts payable and accrued liabilities	**6,776**	14,301
(ii)	***Companies with common directors***		
	• Accounts receivable	**6,430**	2,660
	• Accounts payable and accrued liabilities	**6,644**	6,717
	• Interest expense included in interest on loans payable and long-term debt	**40,149**	48,230
	• Rental income	**14,301**	14,301
(iii)	***Directors***		
	• Accounts payable and accrued liabilities	-	18,286
	• Professional fees included in selling and administrative	**55,200**	49,500

• Interest expense included in interest on loans payable and long-term debt	**1,500**	**-**
• Directors fees	**12,000**	13,500

11.Contingencies

In 2006, former business associates of a director of a subsidiary company instituted proceedings in the amount of $1.6 million against the subsidiary for damages and lost profits due to an alleged improper use of proprietary technology. The lawsuit is still pending as at December 31, 2010. In the opinion of management, the likelihood of success of the claim is unlikely and the amount recoverable pursuant to the claim, if any, is difficult to assess. Notwithstanding, the Company has submitted a settlement offer to the former business associates, and accordingly a provision of $30,000 has been reflected in the consolidated financial statements of the Company.

12.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 Company as described in Note 2.

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.

All of the Company's reportable segments operate solely in Canada. Information by reportable segment for the periods ended December 31, 2010 and 2009 is as follows:

12. Segmented information (cont'd.)

	ATM Machines	Prepaid Products	Corporate Items and Eliminations	December 31, 2010 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
Gross margin	486,573	1,708,595	42,832	2,238,000
Operating expenses				
Selling and administrative	145,775	851,453	254,682	1,251,910
Financial	6,968	9,916	1,030	17,914
	152,743	861,369	255,712	1,269,824
Operating income (loss) before undernoted items	333,830	847,226	(212,880)	968,176
Amortization of property and equipment	159,625	116,878	33,168	309,671
Amortization of intangible assets	-	434,583	-	434,583
Money remittance development costs, net	-	-	12,717	12,717
Strategic revision process costs	-	-	94,598	94,598
Interest on loans payable and long-term debt	63,568	88,681	88,726	240,975
Interest on bank loans	49,054	-	-	49,054
	272,247	640,142	229,209	1,141,598
Income (loss) before income taxes	61,583	207,084	(442,089)	(173,422)
Additions to property, equipment and net 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

12. Segmented information (cont'd.)

	ATM Machines	Prepaid Products	Corporate Items and Eliminations	December 31, 2009 Consolidated Totals
	$	$	$	$
Revenues	1,043,729	40,558,838	45,600	41,648,167
Direct costs	730,275	38,821,183	-	39,551,458
Gross margin	313,454	1,737,655	45,600	2,096,709
Operating expenses:				
Selling and administrative	88,530	1,071,419	406,739	1,566,688
Financial	9,708	7,958	1,895	19,561
Stock-based compensation	-	-	13,345	13,345
Research and development, net of tax credits	-	-	8771	8,771
	98,238	1,079,377	430,750	1,608,365
Operating income (loss) before undernoted items	215,216	658,278	(385,150)	488,344
Amortization of property and equipment	100,870	158,462	35,794	295,126
Amortization of intangible assets	-	575,417	-	575,417
Money remittance development costs, net	-	-	(35,450)	(35,450)
Interest on loans payable and long-term debt	19,762	109,937	117,430	247,129
Interest on bank loans	38,648	-	-	38,648
Recovery of contingencies	-	(28,301)	-	(28,301)
Loss on disposition of property and equipment	13,408	-	-	13,408
	172,688	815,515	117,774	1,105,977
Income (loss) before income taxes	42,528	(157,237)	(502,924)	(617,633)
Additions to property and equipment	92,865	-	-	92,865
Goodwill	-	888,636	-	888,636
Total assets	2,157,205	6,056,646	2,272,951	10,486,802

13.Financial instruments

This section provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including fair values, credit risks, liquidity risk, foreign currency risk and interest rate risk as well as how the Company manages those risks.

(a) Financial instruments - carrying values and fair value:

The fair values of financial assets and liabilities, together with the carrying amounts included in the consolidated balance sheet, are as follows:

	December 31, 2010		March 31, 2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	$	**$**	**$**	**$**
Financial assets:				
Held for trading:				
Cash and cash equivalents	**519,329**	**519,329**	1,345,515	1,345,515
Loans and receivables:				
Accounts receivable	**2,012,981**	**2,012,981**	1,928,734	1,928,734
Loans receivable, private companies	**3,944**	**3,944**	6,590	6,590
Sales tax receivable	**182,901**	**182,901**	293,331	293,331
Financial liabilities:				
Other financial liabilities:				
Bank loans	**1,764,434**	**1,764,434**	1,813,580	1,813,580
Accounts payable and accrued liabilities	**4,404,416**	**4,404,416**	4,909,025	4,909,025
Loans payable	**175,000**	**175,000**	400,000	400,000
Long-term debt	**2,078,619**	**2,078,619**	2,267,924	2,267,924

The fair value of financial assets classified as held for trading were determined using level 1 of the fair value hierarchy.

The Company has determined that the fair value of its short-term financial assets and liabilities not classified as held for trading approximates their respective carrying amounts as at the balance sheet dates because of the short-term maturity of those instruments.

13. Financial instruments (cont'd.)

The fair value of the long-term financial assets and liabilities was determined using Level 3 as the Company was unable to corroborate the fair values with observable market data. Valuations are based on discounted cash flow techniques using current market interest rate data for similar loans adjusted for inherent credit risk and the amount and timing of expected future cash flows.

(b) Credit risk

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

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

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

The aging of accounts receivable at the reporting date was as follows:

	December 31, 2010		March 31, 2010	
	Gross	**Allowance**	Gross	Allowance
	$	**$**	$	$
			(audited)	
Current	**1,988,079**	**-**	1,918,897	-
Past due	**28,699**	**3,797**	13,634	3,797
	2,016,778	**3,797**	1,932,531	3,797

13. Financial instruments (cont'd.)

The Company is exposed to concentration of credit risk as at December 31, 2010, the maximum credit risk exposure for accounts receivable corresponds to the carrying value. As the Company's main source of revenue is derived from its prepaid products business unit, approximately 93%, its ability to continue viable operation is dependent upon 2 major customers, which account for approximately 26% of the segment revenues and 35% of segment receivables.

	Revenues	**Accounts Receivable**
	%	**%**
Concentration of main customers of the prepaid segment:		
Sobey's Inc.	**11**	34
Ultramar Corporation	**15**	1
	26	35

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

(c) 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, 2010, 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.

(d) 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.

13. Financial instruments (cont'd.)

(e) 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, 2010, should interest rates vary by 100 basis points and all the other parameters remain the same, the Company's net income for the nine-month period then ended would have decreased by approximately $9,298.

(f) 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.

14.Capital risk management

The Company's primary objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for its shareholders; and to ensure that the Company has access to sufficient funds for acquisition or development activities.

The capital of the Company is composed of cash and cash equivalents, bank loans, current portion of long-term debt, and shareholders' equity.

14. Capital risk management (cont'd.)

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, sell assets to reduce debt or fund acquisition or development activities.

The Company's strategy for capital risk management was driven by external 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 to 1
- not to redeem any preferred shares without obtaining the consent of the lender

As at December 31, 2010, the Company has not met any of these requirements. Accordingly, as the lender under the line of credit (note 5) could demand immediate repayment of the bank loans and long-term debts, the entire debt owed to such lender has been reclassified as a current liability. However, as of February 28, 2011, in order to satisfy the requirements of the lender, the Company has arrived at an understanding with the lender to the effect that the Company shall cease 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 inject monthly instalments of $25,000 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. As of February 28, 2011, two of such instalments have been made. The lender has agreed to renegotiate in April 2011 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 7. The primary purpose of creating these preferred shares is to provide management with greater flexibility respecting potential future financings and other corporate transactions.

The Company's Board of Directors has initiated a process to explore and consider possible strategic alternatives for enhancing shareholder value, including a possible sale of the Corporation. A Special Committee of the Board of Directors has been formed in order to oversee this process and KPMG Corporate Finance Inc. has been retained as the Company's financial advisor to assists and advise in this process. There can be no assurance as to the Company's ability to enter into or consummate a transaction as a result of the exploration and consideration of possible strategic alternatives or as to the Company's ability to enhance shareholder value through this process.

15. Comparative figures

Certain figures in the 2009 consolidated financial statements have been reclassified to conform to the basis of presentation used in 2010.