SARATOGA ELECTRONIC SOLUTIONS INC.

Management's Discussion and Analysis

For the three months and year ended March 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of Saratoga Electronic Solutions Inc. ("Saratoga" or the "Company") was prepared in accordance with Regulation 51-102 "Respecting Continuous Disclosure Obligations" and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the years ended March 31, 2011 and 2010. The Company files its consolidated financial statements, press releases and other required disclosure documents on the SEDAR database at www.sedar.com.

The Company prepares its audited consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise indicated, all dollar amounts referred to in this Management's Discussion and Analysis ("MD&A") are in Canadian dollars.

This MD&A may contain information and declarations on the future performance of the Company that are by nature forward looking. These declarations reflect management's expectations regarding future events based on assumptions and uncertainties that are subject to the risk factors identified in the "Risks and Uncertainties" section of this MD&A. Readers are hereby cautioned.

The consolidated audited financial statements and MD&A of the Company in respect of the years ended March 31, 2011 and 2010 were reviewed by the Audit Committee and approved by the Board of Directors of the Company on August 11, 2011.

OVERVIEW

The Company is incorporated under the *Canada Business Corporations Act* and is listed on the TSX Venture Exchange under the symbol "SAR". The Company is headquartered in Montreal, Quebec, Canada.

Business Overview

As at March 31, 2011, the Company had two significant business units which are described in more detail below: Automated Teller Machines ("ATMs") and prepaid products.

All of the Company's business units operate solely in Canada. 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.

ATMs

The Company, through its subsidiary Saratoga ATM Corporation Inc. ("Saratoga ATM"), is in the business of placing and operating ATMs in Eastern Canada.

An ATM allows a bank customer to withdraw cash in convenient locations. The Company enters into placement agreements with merchants that host the ATMs. Depending on the terms of the placement agreement, the Company can earn both a surcharge and a network fee for transactions taking place at the ATM. Saratoga carries various models of ATMs that suit the diverse needs of the hosting merchants.

The Company’s network consisted of approximately 445 ATMs as of March 31, 2011, compared to approximately 390 as of March 31, 2010, a year to year increase of 55 ATMs. Approximately 20 ATMs were added under the Company’s contract with Ultramar and another 35 machines were added to the Company’s traditional ATM network.

The size of the Company’s network of ATMs currently stands at approximately 460 ATMs, including those ATMs which the Company is under contract to provide to Ultramar. In addition, the Company has relocated approximately 15 ATMs from non-performing locations to locations that the Company believes show more promise in terms of transaction volume. The increase of the size of the Company’s network has been achieved through the addition during the year of five new locations to the Ultramar network and 10 new locations to the Company’s traditional ATM network. The acquisition cost of such ATMs has been financed through the Saratoga Leasing Inc. The Company anticipates adding an additional 10 ATMs to the Ultramar network within the next two financial quarters, with the acquisition cost of such ATMs being financed through the Company’s existing capital leasing arrangements.

Prepaid products

The Company, through its subsidiary Car-Tel Distributions Inc. ("Car-Tel"), is in the business of distributing to consumers point-of-sale (POS) activated prepaid cellular telephone PINs and long distance calling cards, as well as offering retailers a variety of electronic gift card solutions. All of Car-Tel’s electronic devices are connected to its proprietary server and database software through wireless or land-line wide area networks or through host-to-host connectivity.

Car-Tel offers a complete electronic gift card program to major product distributors across Canada. Customers are provided with the option of entering into a closed-loop distribution agreement, whereby the electronic gift cards are distributed to the customer’s existing client base, or an open loop distribution agreement, whereby, in addition, the electronic gift cards are also distributed to Car-Tel’s entire network of users of its various products.

Car-Tel maintains approximately 2,670 POS locations. The Company believes that POS location offerings in its traditional market have reached market maturity status. Therefore, during the year ended March 31, 2011, Car-Tel reduced its selling expenses in the form of selling salaries and benefits, as well as reducing its travel costs and the costs associated with publicity and promotions, thereby achieving a cost savings of approximately $156,600. Moreover, Car-Tel is in the process of consolidating the number of POS machines in its network. As part of this process, merchants not meeting a minimum sales volume are being required to pay a weekly fee in order to cover Car-Tel's fixed costs. As well, approximately 220 non-performing merchants have retired their POS machines over the last year.

A recent trend has developed whereby major service providers are reducing the margins of resellers of cellular phone cards and long distance cards. With the expiration, on March 31, 2011, of Car-Tel's exclusivity with Bell for the resale of long distance cards, Car-Tel's margin on this product has been reduced by 3%. Furthermore, as of August 1, 2011, Rogers and Fido have reduced the margins available on the sale of their cellular phone cards by 3%. These decreases are expected to negatively impact Car-Tel's operating profits.

Due to deteriorating sales, current and anticipated future losses and negative cash flows, management determined during the year that the fair value of the Car-Tel pre-paid business unit does not exceed its carrying amount. Consequently, the balance of $888,636 of goodwill has been considered to be impaired and was charged against income. The goodwill relates entirely to the prepaid products business unit. Furthermore, management determined that a write-off in the amount of $400,294 in future income tax assets was appropriate, principally due to the fact that Car-Tel's budgeted future taxable income does not meet the criteria for future use against non-capital loss carry forwards.

On July 29, 2011, the Corporation announced a proposed management buyout of Car-Tel. Please see "Overview - Subsequent Event".

Money remittance

On October 26, 2006, the Company entered into a Memorandum of Agreement (the "MOA") with Union Bank of the Philippines in order to commercialize and distribute Saratoga's money remittance platform and to provide Saratoga with the exclusive Canadian rights to the money remittance business of Union Bank of the Philippines for a period of five years.

Pursuant to the MOA, Saratoga assumed the ultimate responsibility for the development of an electronic infrastructure that will permit Automated Clearing House remittance of funds designed to enable persons residing in Canada to electronically transfer funds to persons residing in the Philippines. This service targeted the needs of the Canadian Filipino community to send funds to the Philippines in an economical, secure and efficient manner.

On July 6, 2009, the Company announced its decision to abandon its money remittance business after determining there to be limited prospects of generating sufficient operating revenue in order to offset the costs associated with completing the launch of this platform. Since the time of such announcement, Union Bank of the Philippines has contributed the sum of $50,000 towards the project in order that the business may continue to operate. However, on March 17, 2010, the Company ceased its money remittance operations. Subsequently, in May 2010, at the request of Union Bank of the Philippines, the Company agreed to resume its money remittance operations until such time as the parties are able to transfer the operations to a third party. Union Bank of the Philippines has agreed to pay to the Company the sum of $125,000 upon the successful transfer of such operations. The closing of this transaction is expected to occur in the second quarter of fiscal 2012.

Going concern

The 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 10 of the consolidated financial statements). At March 31, 2011, the lender has not yet 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 balance sheet because the lender can now demand payment. The Company's 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 flow. Management is focusing on strategic changes in its prepaid business segment and is closely monitoring its discretionary expenses. In its ATM business segment, the Company will need to obtain new forms of long-term debt to replace existing credit facilities that are in breach of its current bank covenants.

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

Normal course issuer bid

The TSX Venture Exchange ("TSX-V") accepted the Company's Notice of Intention to make a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, the Company could, from time to time, purchase through the facilities of the TSX-V up to an aggregate of 932,415 of its common shares, being approximately 5% of the Company's issued and outstanding common shares as of May 12, 2010. 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 NCIB were suspended in December 2010.

During the year, the Company repurchased for cancellation 187,000 of its shares for a total consideration of $24,550 under a NCIB. At March 31, 2011, these shares are held as treasury shares and the capital stock was reduced by their repurchase price. These shares were cancelled on May 27, 2011.

Subsequent event

Car-Tel Management Buyout

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

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

As the consolidated financial statements have not been adjusted for this subsequent event and due to the pervasive effect of this transaction on the future activities of the Company, the following pro-forma statement incorporates the effect of the event as if it had occurred at March 31, 2011.

	March 31, 2011 (audited)
	$ (except for share information)
***Effect on Balance sheet*:**	
Assets	
Current	

Cash	**367,972**
Cash – in circulation in automated teller machines	**1,007,260**
Accounts receivable	**44,065**
Prepaid expenses and sundry receivables	**15,031**
Sales taxes receivable	**33,469**
Current portion of loan receivable-private company	**3,168**
Future income taxes	**51,976**
	1,522,941
Property and equipment	**2,081,768**
Future income taxes	**137,391**
	3,742,100
Liabilities	
Current	
Bank loans	**1,618,160**
Accounts payable and accrued liabilities	**510,586**
Income taxes payable	**25,384**
Loan payable and long term debt	**335,994**
Future income tax	**52,210**
	2,542,334
Long-term debt	**447,205**
Future income tax	**131,412**
	3,120,951
Non-controlling interest	**1,270,000**
Shareholders' equity	
Capital stock	**1,787,423**
Contributed surplus	**182,650**
Deficit	**(2,618,924)**
	(648,851)
	3,742,100
***Effect on Statement of Deficit*:**	
Deficit – beginning of period	**(3,568,052)**
Net income	**949,128**
Deficit - end of period	**(2,618,924)**
Effect on Statement of income and comprehensive income:	
Revenues	**54,893,864**
Direct costs	**52,127,076**
Gross margin	**2,766,788**

Operating expenses	**1,714,583**
Undernoted items	**2,381,539**
Loss before income taxes	**(1,329,334)**
Income taxes	**503,753**
Gain on sale of subsidiary, Car-Tel	**2,782,215**
Net income	**949,128**
Income per share (basic)	**0.05127**
Income per share (diluted)	**0.05051**
Weighted average number of outstanding common shares (basic)	**18,511,455**
Weighted average number of outstanding common shares (diluted)	**18,791,455**

As a result of losses carry forward from prior years, there will be no corporate taxes paid on the gain from this transaction.

Quarterly results

Quarter	**Revenues**	**Net earnings (loss)**	**Net earnings(loss) per share - basic and diluted**
	$	**$**	**$**
Year ended March 31, 2011			
Fourth Quarter	11,405,385	(1,528,214)	(0.08255)
Third Quarter	13,345,085	(378,337)	(0.02042)
Second Quarter	15,082,148	(4,718)	(0.00025)
First Quarter	15,061,246	78,182	0.00420
Year ended March 31, 2010			
Fourth Quarter	13,266,982	(604,498)	(0.03241)
Third Quarter	13,596,561	(226,021)	(0.01212)
Second Quarter	14,323,183	(144,480)	(0.00775)
First Quarter	13,728,423	(236,851)	(0.01270)

The following table summarizes certain financial data related to the Company and should be read in conjunction with the Company's audited consolidated financial statements for the years ended March 31, 2011 and 2010.

	For the three-month period ended			**For the year ended**		
	March 31, 2011 (unaudited)	**March 31, 2010 (unaudited)**	**March 31, 2009 (unaudited)**	**March 31, 2011 (audited)**	**March 31, 2010 (audited)**	**March 31, 2009 (audited)**
	$ (except for share information)	**$** (except for share information)	**$** (except for share information)	**$ (except for share information)**	$ (except for share information)	**$** (except for share information)
Revenues	**11,405,385**	13,266,982	11,948,410	**54,893,864**	54,915,149	51,383,888
Direct costs	**10,876,597**	12,761,021	11,304,716	**52,127,076**	52,284,178	48,263,824
Gross margin	**528,788**	505,961	643,694	**2,766,788**	2,630,971	3,120,064
Operating expenses	**444,759**	524,280	795,555	**1,714,583**	2,132,645	2,647,505
Undernoted items	**1,239,941**	366,755	470,853	**2,381,539**	1,501,034	1,802,730
Non-controlling interest	**-**	113,600	113,600	**-**	113,600	113,600
Income taxes	**372,302**	105,823	313,502	**503,753**	95,542	313,502
Net (loss)	**(1,528,214)**	(604,497)	(1,049,816)	**(1,833,087)**	(1,211,850)	(1,757,273)
Loss per share	**(0.08255)**	(0.03242)	(0.05630)	**(0.09902)**	(0.06498)	(0.09423)
Weighted average number of outstanding shares	**18,511,455**	18,648,300	18,648,300	**18,511,455**	18,648,300	18,648,300

Revenues

Revenues from the prepaid products business are generated primarily from sales in two categories: sales as principal and sales as agent. Revenues from the sale of cellular prepaid cards, PINs and debit cards are recognized on a gross basis, net of trade discounts and allowances, when the Company determines that it is the primary obligor to its customer, the retail merchant, and thus incurs an inventory risk. Revenues are recognized

at the date of sale or, in the case of PINs, on the date on which the PIN is transferred via the Company's platform to the merchants' terminal and subsequently sold to the end user. Revenues from the sale of Bell long distance cards, gift cards and debit cards are recognized when the product is sold to the end user.

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

Revenues for the three-month period ended March 31, 2011 decreased to $11,405,385 from $13,266,982 for the three-month period ended March 31, 2010, representing a year-over-year decrease of $1,861,597 (14.03%). The decrease in revenues was a direct result of the decrease of $1,511,601 (12.61%) in prepaid products segment revenues and of $355,062 (27.96%) in ATM segment revenues, offset by an increase of $5,066 (50.09%) in corporate items.

Total revenues from the ATM business (Saratoga ATM) were $1,270,065 for the three-month period ended March 31, 2010, compared to $915,003 for the three-month period ended March 31, 2011. The year-over-year decrease in the ATM segment is $355,062 (38.80%), mostly attributable to decreased revenues of $342,885 (34.65%) generated from the Company's agreement with Ultramar and in revenues of $12,177 (4.34%) generated from other ATM locations. The decrease in revenues of $342,885 generated from the Company's agreement with Ultramar is mainly explained by an increase of $15,069 (2.38%) in generated revenues for the three-month period ended March 31, 2011, offset by a decrease in surcharge revenues of $357,954 for the period from September to December 2009 being accounted for in the fourth quarter ended March 31, 2010. There were no price changes in this three-month period.

Total revenues from the prepaid products business were $10,475,203 for the three-month period ended March 31, 2011, compared to $11,986,804 for the three-month period ended March 31, 2010. The year-over-year decrease in the prepaid products segment is $1,511,601 (12.61%). Revenues from product sales as principal for the three-month period ended March 31, 2011 were $10,364,825, compared to $11,947,472 for the three-month period ended March 31, 2010, representing a decrease of $1,582,647 (13.25%). The decrease in revenues from product sales as principal is mainly explained by a decrease in sales volume as a result of a lesser number of POS machines being comprised in the Car-Tel network, as opposed to by any significant pricing changes. Car-Tel's network decreased from approximately 3,065 POS machines as of March 31, 2010 to approximately 2,845 POS machines as of March 31, 2011. This year over year decrease of approximately 220 POS machines is the result of the elimination of approximately 105 POS machines that were placed with a major client which generated high volumes of low gross margin transactions. A further approximately 115 POS machines were eliminated as a result of various independent corner stores deciding to abandon the sale of prepaid cards. The total number of transactions were approximately 695,000 for the three-month

period ended March 31, 2011, compared to approximately 815,000 for the three-month period ended March 31, 2010, representing a year-to-year decrease of approximately 120,000 (14.72%) transactions.

Revenues from product sales as agent for the three-month period ended March 31, 2011 were $110,378, compared to $39,332 for the three-month period ended March 31, 2010, representing an increase of $71,046 (180.63%). This increase of $71,046 in revenues from product sales as agent can be attributed to: (i) an increase of $16,970 (22.24%) in Bell long distance cards; (ii) an increase of $3,095 (100.00%) in other gift card offerings; and (iii) an increase of $50,981 (138.01%) in MasterCard gift card.

Revenues for the year ended March 31, 2011 decreased to $54,893,864 from $54,915,149 for the year ended March 31, 2010, representing a year-over-year decrease of $21,285 (0.04%). The decrease in revenues was a direct result of an increase of $1,733,160 (74.91%) in ATM segment revenues, offset by a decrease of $1,756,743 (3.34%) in prepaid products segment revenues and an increase of $2,298 (4.12%) in corporate items.

Total revenues from the ATM business (Saratoga ATM) were $4,046,954 for the year ended March 31, 2011, compared to $2,313,794 for the year ended March 31, 2010. The year-over-year increase in the ATM segment is $1,733,160 (74.91%), mostly attributable to increased revenues of $1,787,599 (163.08%) generated from the ATM locations under the Company's agreement with Ultramar, offset by a decrease in revenues of $54,439 (4.47%) generated from other ATM locations.

Total revenues from the prepaid products business were $50,788,899 for the year ended March 31, 2011, compared to $52,545,642 for the year ended March 31, 2010. The year-over-year decrease in the prepaid products segment is $1,756,743 (3.34%). Revenues from product sales as principal for the year ended March 31, 2011 were $50,304,892, compared to $52,212,396 for the year ended March 31, 2010, representing a decrease of $1,907,504 (3.65%). The decrease in revenues from product sales as principal is mainly explained by a decrease in sales volume as a result of a lesser number of POS machines being comprised in the Car-Tel network, as opposed to by any significant pricing changes. Car-Tel's network decreased from approximately 3,065 POS machines as of year ended March 31, 2010 to approximately 2,845 POS machines as of year ended March 31, 2011. This decrease of approximately 220 (7.18%) POS machines is the result of the elimination of approximately 105 POS machines that were placed with a major client which generated high volumes of low margin transactions. A further approximately 115 POS machines were eliminated as a result of various independent corner stores deciding to abandon the sale of prepaid cards. The total number of transactions was approximately 3,278,000 for the year ended March 31, 2011, compared to approximately 3,534,000 for the year ended March 31, 2010, representing a year to year decrease of approximately 256,000 (7.25%) transactions.

Revenues from product sales as agent for the year ended March 31, 2011 were $484,007, compared to $333,246 for the year ended March 31, 2010, representing an increase of $150,761 (45.24%). This increase of $150,761 in revenues from product sales as agent

can be attributed to: (i) an increase of $89,438 (24.42%) in Bell long distance cards; (ii) an increase of $8,375 (613.55%) in other gift card offerings; and (iii) an increase of $52,948 (154.28%) in MasterCard gift card.

Gross margin

Gross margin for the three-month period ended March 31, 2011 was $528,788 (4.64%), compared to gross margin for the three-month period ended March 31, 2010 of $505,961(3.81%), representing an increase of $22,827 (4.51%) or 0.82% in gross margin. This increase of $22,827 (4.51%) or 0.82% in gross margin is explained by the increase in ATM segment gross margin of $53,242 (54.48%), or 8.80% in gross margin and in corporate items of $5,066 (50.09%), offset by a decrease in the prepaid products segment of $35,481 (8.91%) or a 0.14% decrease in gross margin.

The gross margin of the prepaid products segment increased to 3.46% for the three-month period ended March 31, 2011 from 3.32% for the three-month period ended March 31, 2010 representing a 0.14% increase in gross margin. This represents a real dollar increase in gross margin in the prepaid products segment of approximately $14,700. This increase can be explained as follows: (i) a 0.44% decrease in the pure gross profit (from 3.47% in 2010 to 3.03% in 2011) relating to the gross margins from PIN service providers, the level achieved being consistent with the gross profit of the prior year which together resulted in a net cash decrease of approximately $45,600; and (ii) an increase in net gross margins in sales as agent of $71,000 (180.63%) and increases in costs related to commissions and to the maintenance of the POS network as a whole of approximately $10,700.

The year-over-year gross margin for the three-month period ended March 31, 2011 of the ATM segment increased 8.80% to 16.50% in 2011 compared to 7.70% in 2010. This represents a real dollar increase in the margin on the ATM segment of approximately $80,600. This increase can be explained as follows: (i) a 11.94% increase in the pure gross profit (from 17.28% in 2010 to 29.22% in 2011) relating to traditional ATM location costs along with a decrease in revenues from traditional ATM locations, which together resulted in a net cash increase of approximately $32,100; (ii) the achieved gross margin on the Ultramar agreement was 11.22% (2010 – 4.98%) whereas had the margins under the Ultramar agreement achieved a level consistent with the gross profit of the prior year for rest of the network of 17.77%, then the additional cash generated would have amounted to approximately $52,200. Finally, there were decreases in other costs related to the maintenance of the network as a whole of approximately $3,700.

Gross margin for the year ended March 31, 2011 was $2,766,788 (5.04%), compared to gross margin for the year ended March 31, 2010 of $2,630,971 (4.79%), representing an increase of $135,817 (5.16%), or 0.25% in gross margin. This increase of $135,817 in gross margin is explained by the increase in ATM segment gross margin of $226,361

(55.05%) and in corporate items of $2,298 (4.12%), offset by a decrease in prepaid products segment gross margin of $92,842 (4.29%).

The gross margin of the prepaid products segment decreased from 4.12% for the year ended March 31, 2010 to 4.08% for the year ended March 31, 2011. This represents a real dollar decrease in the margin on the prepaid products segment of approximately $20,500 or 0.04%. This decrease can be explained as follows: (i) a 0.39% decrease in the pure gross profit (from 4.03% in 2010 to 3.64% in 2011) relating to the gross margins from PIN service providers, the level achieved being consistent with the gross profit of the prior year which together resulted in a net cash decrease of approximately $196,200; and (ii) an increase in net gross margins in sales as agent of $150,800 (45.24%). Finally, there were decreases in costs related to commissions and to the maintenance of the POS network as a whole of approximately $24,900.

The gross margin of the ATM segment decreased from 17.77% in 2010 to 15.75% in 2011. This represents a real dollar decrease in the margin on the ATM segment of approximately $81,600. This decrease can be explained as follows:
(i) a 1.71% increase in the pure gross profit (from 2010 - 26.38% to 2011 – 28.09%) along with a decrease in revenues from traditional ATM locations which together resulted in a net cash increase of approximately $19,900; (ii) the achieved gross margin on the Ultramar agreement was 10.78% (2010 – 8.21%) whereas had the margins under the Ultramar agreement achieved a level consistent with the gross profit of the prior year for rest of the network of 17.77%, then the additional cash generated would have amounted to approximately $76,723. Finally, there were increases in other costs related to the maintenance of the network as a whole of $24,797.

Selling and administrative expenses

Selling and administrative expenses for the three-month period ended March 31, 2011 were $437,566, compared to $500,823 for the three-month period ended March 31, 2010. Selling and administrative expenses decreased year-over-year by $63,257 (12.63%). This year-over-year decrease of $63,257 is explained by an increase in bad debt of $2,450 (52.53%), in insurance expense of $3,270 (37.38%), in professional fees of $9,541 (8.36%), in rent expenses of $2,767 (100.00%), in telecommunications expense of $4,014 (42.26%) and in utilities expense of $19,157 (121.49%), offset by a decrease in office expenses of $23,523 (45.27%), in office salaries and benefits of $17,098 (10.66%), in sales taxes expense of $46,779 (100.00%), in selling expenses of $13,455 (17.33%) and in taxes and licenses of $3,601 (25.62%).

The decrease in office salaries and benefits of $17,098 is explained by the decrease in Saratoga ATM's office salaries and benefits of $67,308 (75.23%) and of $10,934 (147.88%) in the office salaries that are included in the corporate items and eliminations segment, offset by the increase in Car-Tel's office salaries and benefits of $61,144 (96.31%). Saratoga ATM's decrease in office salaries and benefits of $67,308 is mainly due to the transfer of management salaries from Car-Tel to Saratoga ATM in total for the

full year ended March 31, 2010 being reflected in the fourth quarter of 2010. The decrease of $10,934 in office salaries and benefits that are included in the corporate items and eliminations segment is explained by the President and Chief Executive Officer's forgiveness of salary in the amount of $7,934 and a decrease in director's fees of $3,000 (66.67%). Car-Tel's office salaries and benefits increase of $61,144 is explained by the transfer of full year $67,308 in salaries and benefits to Saratoga ATM's operations in the fourth quarter of 2010, offset by the decrease in general operations salaries of approximately $6,164.

The decrease in selling expenses of $13,455 (17.33%) is mainly explained by Car-Tel's efforts to reduce overhead costs given its view that the POS market has reached maturity in the Province of Quebec. In reaction to the saturation of the POS market in the Province of Quebec, Car-Tel decreased its selling expenses by $8,271 (11.59%). In addition, the ATM segment decreased its selling expenses by $1,985 (65.08%) and corporate items selling expenses by $3,199 (100.00%). The decrease in Car-Tel's selling expenses by $8,271 is in the form of decreases in selling salaries and benefits in the amount of $9,925 (29.09%) and in publicity and promotion of $1,068 (14.89%), offset by an increase in travel costs of $2,722 (9.05%).

Selling and administrative expenses for the year ended March 31, 2011 were $1,689,476, compared to $2,067,511 for the year ended March 31, 2010. Selling and administrative expenses decreased year-over-year by $378,035 (18.28%). This year-over-year decrease of $378,035 is explained by an increase in bad debt of 3,088 (83.10%), in insurance expense of $4,782 (11.96%), in taxes and licenses of $8,591 (24.78%) and in utilities expense of $16,246 (27.43%), offset by a decrease in office expenses of $34,202 (17.96%), in professional fees of $23,012 (6.07%), in office salaries and benefits of $145,044 (17.72%), in sales taxes expense of $46,779 (100.00%), in selling expenses of $156,596 (35.70%) and in telecommunications expense of $5,109 (9.08%).

The decrease in office salaries and benefits of $145,044 is explained by the decrease of $134,573 (88.18%) in the office salaries and benefits that are included in the corporate items and eliminations segment, in Car-Tel's office salaries and benefits of $7,059 (1.24%) and in Saratoga ATM's office salaries and benefits of $3,412 (3.60%). The decrease of $134,573 in office salaries and benefits that are included in the corporate items and eliminations segment is explained by the President and Chief Executive Officer's forgiveness of salary in the amount of $130,073 (96.63%) and a decrease in director's fees of $4,500 (25.00%). Car-Tel's office salaries and benefits decrease of $7,059 is explained by a decrease in general operations salaries of approximately $63,159, offset by Car-Tel's president retroactive salary of approximately $37,500 due to his signing a three-year employment contract and a provision for bonus of approximately $18,600 for the Chief Information Officer.

The decrease in selling expenses of $156,596 (35.70%) is mainly explained by Car-Tel's efforts to reduce overhead costs given its view that the POS market has reached maturity in the Province of Quebec. In reaction to the saturation of the POS market in the Province of Quebec, Car-Tel decreased its selling expenses by $145,378 (35.92%) in the form of

decreases in selling salaries and benefits in the amount of $73,722 (40.51%), in travel costs of $44,918 (27.07%) and in publicity and promotion of $26,738 (47.03%). In addition, the ATM segment decreased its selling expenses by $14,583 (50.78%), which was offset by an increase in corporate items selling expenses of $3,365 (64.89%).

Financial expenses

Financial expenses for the three-month period ended March 31, 2011 were $7,193, compared to $5,940 for the three-month period ended March 31, 2010, representing an increase of $1,253 (21.09%).

Financial expenses for the year ended March 31, 2011 were $25,107, compared to $25,501 for the year ended March 31, 2010, representing a decrease of $394 (1.55%).

Stock-based compensation

Stock-based compensation for the three-month period ended March 31, 2011 was Nil, compared to $17,517 for the three-month period ended March 31, 2010, representing a year-over-year decrease of $17,517 (100.00%).

Stock-based compensation for the year ended March 31, 2011 was Nil, compared to $30,862 for the year ended March 31, 2010, representing a year-over-year decrease of $30,862 (100.00%).

Operating income before undernoted items, non-controlling interest and income taxes

The Company realized an operating income of $84,029 for the three-month period ended March 31, 2011, compared to a loss of $18,319 for the three-month period ended March 31, 2010. On a segmented business basis, this increase of $102,348 in operating income is a result of a year-over-year increase in operating income in the ATM segment of $84,256 (905.88%) and in corporate items and eliminations of $87,640 (42.29%), offset by a decrease of $69,548 (38.72%) in operating income in the prepaid products segment.

The Company realized an operating income of $1,052,205 for the year ended March 31, 2011, compared to an operating income of $498,326 for the year ended March 31, 2010. On a segmented business basis, this $553,879 (111.15%) increase in operating income is a result of a year-over-year increase of $205,723 (91.63%) in operating income in the ATM segment, of $91,098 (10.52%) in operating income in the prepaid products segment and of $257,058 (43.39%) in corporate items and eliminations.

Undernoted items

The net expense in undernoted items totaled $1,239,941 for the three-month period ended March 31, 2011, compared to $366,755 for the three-month period ended March 31, 2010, representing an increase of $873,186 (238.08%).

This three-month year-to-year increase of $873,186 is explained by a decrease in amortization of intangible assets of $6,250 (4.27%), in money remittance recovery costs commitment of $14,243 (113.13%), in interest on loans payable and long-term debt of $7,826 (8.68%) and in loss on disposition of property and equipment of $2,889 (215.92%), offset by an increase in amortization of property and equipment of $5,212 (5.09%), in interest on bank loans of $2,677 (18.97%), in strategic revision process costs of $7,869 (100.00%) and in impairment of goodwill of $888,636 (100.00%).

The decrease of $6,250 in amortization of intangible assets is mainly explained by the decrease in amortization in Car-Tel’s licensing platform agreement which expired on December 31, 2010.

The increase in interest on bank loans of $2,677 is explained by a year-to-year increase in the Company’s average revolving operating lines of credit.

The decrease of $7,826 in the interest expense on loans payable and long-term debt is mainly explained by the reimbursement of long-term debt.

The net expense in undernoted items totaled $2,381,539 for the year ended March 31, 2011, compared to $1,501,034 for the year ended March 31, 2011, representing an increase of $880,505 (58.66%). This year-to-year increase of $880,505 is explained by a decrease in amortization of intangible assets of $147,084 (20.38%), in interest on loans payable and long-term debt of $13,980 (4.15%) and in loss on disposition of property and equipment of $16,297 (110.52%), offset by an increase in amortization of property and equipment of $19,757 (4.97%), in interest on bank loans of $13,083 (24.80%), in money remittance recovery costs commitment of $33,922 (148.40%), in strategic revision process costs of $102,468 (100.00%) and in impairment of goodwill of $888,636 (100.00%).

The increase of $19,757 in amortization expenses is mainly explained by the increase in amortization expenses in the ATM segment of $15,259 (7.59%) and in amortization expenses of $40,750 in connection with corporate items and eliminations offset by the decrease in amortization expenses in the prepaid products segment of $36,252 (18.79%). The ATM segment increase of $15,259 in amortization expenses is mainly explained by an increase in the amortization expense of assets under capital lease.

The decrease of $147,084 in amortization of intangible assets is mainly explained by the decrease in amortization in the prepaid products segment in the amount of $136,667 of the non-competition agreement which expired on September 30, 2009 and of Car-Tel’s platform licensing fee in the amount of $10,417 which expired on December 31, 2010.

The increase in interest on bank loans of $13,083 is explained by a year-to-year increase in the Company's average revolving operating lines of credit.

The decrease of $13,980 in the interest expense on loans payable and long-term debt is mainly explained by the reimbursement of debt, which represents a decrease in the interest expense on long-term debt of $70,494 (23.57%), offset by an increase in interest obligations under capital leases of $46,602 (128.60%) and under a bank loan of $9,912 (526.89%).

The increase in strategic revision process costs of $102,468 is explained by the costs incurred by the special committee of the Board of Directors, being consulting fees of $47,542 paid to an outside advisor and $30,528 paid to the Company's Chief Financial Officer; legal fees of $15,914; special committee members' fees of $5,200 and other general expenses of $3,284.

The goodwill relates entirely to the prepaid products business unit. The impairment of goodwill of $888,636 is mainly due to deteriorating sales, current and expected future losses and negative cash flows, which led management to determine during the year that the fair value of the business unit does not exceed its carrying amount.

Income taxes

The income taxes expense of $503,753 for the year ended March 31, 2011, compared to the $95,542 for the year ended March 31, 2010, represents an increase in net income taxes expense of $408,211. The increase of $408,211 in the income tax expense is mainly explained by the increase of $15,893 in the provision for current income taxes offset by a decrease of $24,106 in the provision for future income taxes in the ATM segment unit and an increase of $416,424 in the provision for future income taxes expenses in the prepaid segment unit.

The net future income taxes expense of $485,313 for the year ended March 31, 2011 is explained by the combination of the future income taxes expense of $490,970 in Car-Tel, offset by Saratoga ATM increasing future income taxes liabilities by $5,657 for differences in asset and liabilities of obligations under capital leases. The future income taxes expense of $490,970 in Car-Tel is mainly explained by the use of taxable income for the year ended March 31, 2011 of approximately $292,000 against non-capital loss carry forwards in order to reduce its future income taxes assets by the amount of $90,676. Furthermore, a write-off in the amount of $400,294 in future income tax assets is mainly explained by Car-Tel's future budgeted taxable income not meeting the criteria for future use against non-capital loss carry forwards.

Net loss and comprehensive loss

The Company realized a net loss for the three-month period ended March 31, 2011 of $1,528,214, compared to a net loss for the three-month period ended March 31, 2010 of $604,498, representing an increase in net loss of $923,716 (152.81%).

The Company realized a net loss for the year ended March 31, 2011 of $1,833,087, compared to a net loss for the year ended March 31, 2010 of $1,211,850, representing an increase in net loss of $621,237 (51.26%).

Loss per share

The loss per share - basic and diluted for the three-month period ended March 31, 2011 was $0.08255, compared to a loss per share - basic and diluted for the three-month period ended March 31, 2010 of $0.03241, calculated on a weighted average number of 18,511,455 outstanding common shares at March 31, 2011 (2010 - 18,648,300).

The loss per share - basic and diluted for the year ended March 31, 2011 was $0.09902, compared to a loss per share - basic and diluted for the year ended March 31, 2010 of $0.06498, calculated on a weighted average number of 18,511,455 outstanding common shares at March 31, 2011 (2010 - 18,648,300).

CHANGE IN FINANCIAL POSITION

The following table summarizes certain financial data related to the Company and should be read in conjunction with the Company's audited consolidated financial statements for the years ended March 31, 2011 and 2010.

	For the three-month period ended		**For the year ended**	
	March 31, 2011 (unaudited)	**March 31, 2010 (unaudited)**	**March 31, 2011 (audited)**	**March 31, 2010 (audited)**
	$	**$**	**$**	**$**
Cash flow from operating activities	86,679	1,123,247	81,432	613,067
Cash flow from (used in) investing activities	1,881	(14,906)	(24,677)	(104,137)
Cash flow used in financing activities	(207,023)	(271,495)	(1,001,404)	(30,212)
Net increase (decrease) in cash and cash equivalents	(118,463)	836,846	(944,649)	478,718

Operating activities

Cash flows generated in operating activities were $86,679 for the three-month period ended March 31, 2011, compared to cash flows generated of $1,123,247 for the three-month period ended March 31, 2010. The decrease of $1,036,568 (92.28%) in cash flows generated from operating activities is primarily attributable to an increase of net loss of $923,716 (152.81%) and a decrease in non-cash working capital items of $1,145,866 (91.40%), offset by an increase in generated cash flow from non-working capital adjustments of $1,033,014 (217. 91%).

Cash flows generated in operating activities were $81,432 for the year ended March 31, 2011, compared to cash flows generated of $613,067 for the year ended March 31, 2010. The decrease of $531,635 (86.72%) in cash flows generated in operating activities is primarily attributable to an increase of net loss of $621,237 (51.26%) and a decrease in non-cash working capital items of $903,266 (199.14%), offset by an increase in generated cash flow from non-working capital adjustments of $992,868 (72.40%).

The decrease in generated non-cash working capital items of $449,692 for the year ended March 31, 2011 is mainly explained by the inclusion of one additional sales day in the twelve-month period ended March 31, 2011, as compared to the twelve-month period ended March 31, 2010. As a result, inventories increased by $120,624 (13.57%) as the Company did not postpone some suppliers purchases by one day as it did in the year ended March 31, 2010, sales taxes decreased by $66,543 (22.69%) as sales taxes recovery were faster and accounts payable and accrued liabilities decreased by $770,862 (15.70%) as they are paid on Fridays, offset by a decrease in accounts receivable of $344,885 (17.88%) a decrease in prepaid expenses of $23,247 (33.16%) and an increase in income taxes payable of $7,119 (38.98%). The accounts receivable decrease is mainly explained by a change in invoicing and collecting method for independent merchants that represent approximately 38% of overall invoicing of Car-Tel business unit, whereby these merchants are invoiced and collected twice weekly.

Investing activities

Cash flows generated in investing activities were $1,881 for the three-month period ended March 31, 2011, compared to cash flows used in investing activities for the three-month period ended March 31, 2010 in the amount of $14,906. The increase of $16,787 (112.62%) in cash flows generated from investing activities is primarily attributable to an increase in the collection of loan from private company of $9 (1.17%), a decrease in the acquisition of property and equipment of $64,278 (97.88%), an increase in proceeds from disposition of property and equipment of $2,500 (100.00%) and a decrease in proceeds from temporary investment of $50,000 (100.00%).

Cash flows used in investing activities were $24,677 for the year ended March 31, 2011, compared to cash flows used in investing activities for the year ended March 31, 2010 in

the amount of $104,137. The decrease of $79,460 (76.30%) in cash flows used in investing activities is primarily attributable to an increase in the collection of loan from private company of $21 (0.62%), an increase in proceeds on disposal of property and equipment of $1,500 (150.00%), a decrease in the acquisition of property and equipment of $127,939 (80.70%) and a decrease in proceeds from temporary investment of $50,000 (100.00%).

Financing activities

Cash flows used in financing activities were $207,023 for the three-month period ended March 31, 2011, compared to cash flows used of $271,495 for the three-month period ended March 31, 2010. This decrease of $64,472 (23.75%) used in financing activities is mostly a result of a decrease in net generated bank loans of $218,694 (301.98%), a decrease in the redemption of preferred shares held by non-controlling interest in the amount of $37,500 (100.00%), a decrease in repayment of loans payable to private companies of $150,000 (100.00%), a decrease in the repayment of long-term debt of $16,522 (8.91%), an increase in proceeds from new long-term debt of $50,744 (88.53%) and a decrease in dividends paid of $28,400 (100.00%).

Cash flows used in financing activities were $1,001,404 for the year ended March 31, 2011, compared to cash flows used of $30,212 for the year ended March 31, 2010. This increase of $971,192 (3,214.59%) used in financing activities is mostly a result of a decrease in net generated bank loans of $656,385 (142.39%), an increase in the redemption of preferred shares held by non-controlling interest in the amount of $75,000 (200.00%), an decrease due to repayment in the generated loans payable to private companies of $425,000 (212.50%), an increase in new long-term debt of $106,596 (185.97%), a decrease in the repayment of long-term debt of $74,747 (12.51%), an increase in the redemption of common shares in the amount of $24,550 (2010 – Nil) and a decrease in dividends paid of $28,400 (25.00%).

BALANCE SHEET

The following table summarizes certain financial data related to the Company and should be read in conjunction with the Company's audited consolidated financial statements for the years ended March 31, 2011, 2010 and 2009.

	March 31, 2011 (audited)	**March 31, 2010 (audited)**	**March 31, 2009 (audited)**
	$	$	$
Total assets	6,603,527	9,512,944	9,217,573
Bank loans	1,618,160	1,813,580	1,352,615
Loans payable	175,000	400,000	200,000

	March 31, 2011 (audited)	March 31, 2010 (audited)	March 31, 2009 (audited)
Long-term debt	2,017,870	2,267,924	2,210,261
Non-controlling interest	1,270,000	1,467,700	1,505,200
Shareholders' deficiency	(3,431,066)	(1,573,429)	(292,441)

The total assets of the Company amounted to $6,603,527 as at March 31, 2011, compared to $9,512,944 as at March 31, 2010, representing a decrease of $2,909,417 (30.58%). This decrease is mainly explained by the decrease in cash of $283,075 (100.00%), in cash in circulation in automated teller machines of $55,180 (5.19%), in account receivables of $344,885 (17.88%), in prepaid expenses of $23,247 (33.16%), in recoverable sales taxes of $66,543 (22.69%), in loans receivable – private companies of $3,422 (51.93%), in property and equipment of $278,900 (9.91%), in goodwill $888,636 (100.00%), in intangible assets of $574,583 (100.00%) and in future income taxes of $511,570 (73.00%), offset by an increase in inventories of $120,624 (13.57%).

The Company's current liabilities decreased by $143,025 (1.83%) as at March 31, 2011 to $7,651,520, compared to $7,794,545 as at March 31, 2010. The decrease in current liabilities is mainly explained by the increase in bank indebtedness of $606,394 (2010 – Nil), in the current portion of long-term debt of $404,835 (64.12%), in income taxes payable of $7,119 (38.98%) and in future income taxes of $29,909 (134.12%), offset by a decrease in bank loans of $195,420 (10.78%), in accounts payable and accrued liabilities of $770,862 (15.70%), in the current portion of loans payable of $225,000 (56.25%).

Long-term liabilities decreased to $1,113,073 as at March 31, 2011, compared to $1,824,128 as at March 31, 2010. The decrease of $711,055 (38.98%) in long-term liabilities results from a decrease in long-term debt of $654,889 (40.02%) and in future income taxes of $56,166 (29.94%).

Total long-term debt decreased to $2,017,870 as at March 31, 2011, compared to $2,267,924 as at March 31, 2010. The decrease of $250,054 (11.03%) in long-term debt is mainly explained by the net increase in obligations under capital leases of $12,276 (2.19%), comprised of new obligations under capital leases of $108,680, offset by reimbursements of obligations under capital leases of $96,404, by the net increase in bank loan of $12,196 (15.80%), mainly explained by new bank loans of $55,852, offset by bank loan reimbursements of $43,656, by the decrease in a loan to a company under the control of a former director of $247,676 (38.70%), by the net decrease in a loan from a company under common control of $83,570 (16.56%), is mainly explained by new loan from a company under common control of $25,000, offset by reimbursements of loan to a company under common control of $108,570, by the net increase in a loan from majority shareholder and Chief Executive Officer Georges Durst of $58,463, mainly explained by new loan from majority shareholder of $83,063, offset by reimbursements of loan to majority shareholder of $24,600, as well by the decrease in various other loans of approximately $1,743.

Non-controlling interest

Non-controlling interest decreased to $1,270,000 as at March 31, 2011, compared to $1,467,700 as at March 31, 2010. The decrease of $197,700 (13.47%) in non-controlling interest is mainly explained by the redemption of non-controlling interest preferred shares of $112,500 and by dividends paid of $85,200.

Shareholders' deficiency

Shareholders' deficiency decreased to ($3,431,066) as at March 31, 2011, from ($1,573,429) as at March 31, 2010.

Issued and outstanding capital

As of August 11, 2011, the Company has a weighted average of 18,511,455 issued and outstanding voting participating common shares. In accordance with the Normal Course Issuer Bid, the Company has cancelled 187,000 issued and outstanding shares in its share capital.

Furthermore, the Company had previously granted stock options under the Company's stock option plan to the Company's officers, directors and employees. The number of exercisable stock options outstanding as of August 11, 2011 is 280,000, at a weighted average exercise price of $0.26.

The Company has two series of preferred shares and is authorized to issue an unlimited number of these shares.

As of August 11, 2011, the Company has not issued any preferred shares.

RELATED PARTY TRANSACTIONS

The Company has entered into the following transactions with related parties:

Company under common control

Until August 1, 2008, the Company leased POS machines from Saratoga Leasing Inc., a company owned by the Company's principal shareholder and Chief Executive Officer Georges Durst (leasing contracts were terminated as of July 31, 2008). As at March 31, 2011, the Company had loans payable to Saratoga Leasing Inc. in connection with the purchase from Saratoga Leasing Inc. of 1,271 POS machines. These loans generated accounts payable and accrued liabilities of $5,943 (2010 - $7,572) and an interest

expense and financing fee of $85,232 for the year ended March 31, 2011 (2010 - $107,050).

Companies with common directors

The Company leases office space to Saratoga Multi-Média Inc., a company related to the Company's principal shareholder and Chief Executive Officer Georges Durst, pursuant to a ten year lease. During the year period ended March 31, 2011, the Company realized rental income of $9,971 (2010 - $9,456) from such lease, and, as at March 31, 2011, the Company had a related account receivable of $2,079 (2010 - Nil).

The Company leases office space to Maison du Jazz Inc., a company related to the Company's principal shareholder and Chief Executive Officer Georges Durst, pursuant to a ten year lease. During the year ended March 31, 2011, the Company realized rental income of $9,480 (2010 - $8,993) from this lease, and, as at March 31, 2011, the Company had a related account receivable of $4,790 (2010 - $1,523).

As at March 31, 2011, the Company had loans payable to Saratoga Multi-Média Inc., a company related to the Company's principal shareholder and Chief Executive Officer Georges Durst, resulting in accounts payable and accrued liabilities in the amount of $4,461 (2010 – $4,461), and an interest expense of $53,532 for the year ended March 31, 2011 (2010 - $62,016).

As at March 31, 2011, the Company had invoices payable in the normal course of business to Saratoga Multi-Média Inc., a company related to the Company's principal shareholder and Chief Executive Officer Georges Durst, resulting in accounts payable and accrued liabilities in the amount of nil (2010 – $359)

Until December 19, 2007, the Company leased office space from Saratoga Multi-Média Inc., a company related to the Company's principal shareholder and Chief Executive Officer Georges Durst, generating accounts payable and accrued liabilities of nil as at March 31, 2011 (2010 - $1,856).

Each of the transactions described above was entered into in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties. The balances above are subject to normal terms of trade.

Directors

The Company paid professional fees to the law firm of Seal Seidman S.E.N.C., a firm of which Donald Seal, a director of the Company, is a partner, in the amount of $45,694 for the year ended March 31, 2011 (2010 – $50,890).

The Company had loans payable to Don Seal, a director of the Company, as at March 31,

2011 of nil, compared to loans payable as at March 31, 2010 of $150,000, resulting in accounts payable and accrued liabilities as at March 31, 2011 in the amount of nil (2010 – $1,500), and an interest expense for the year ended March 31, 2011 of $3,000 (2010 - $4,500).

The Company paid professional fees to 91040097 Québec Inc., a firm of which Martin Fontaine, a director of the Company, is an owner, in the amount of $27,000 for the year ended March 31, 2011 (2010 – Nil).

As at March 31, 2011, the Company had amounts owing for business expenses to Luc Charlebois, a director of the Company, in the amount of $645 (2010 – Nil).

During the year ended March 31, 2011, the Company paid director's fees in the amount of $18,700 (2010 – $18,000).

Each of these transactions was entered into in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances above are subject to normal terms of trade.

OUTLOOK

On July 29, 2011, the Company announced a proposed management buyout of its wholly-owned subsidiary Car-Tel. In regards to the Company's ATM business, the Company deployed approximately 220 ATMs to Ultramar in the last eighteen-month period, with an anticipated 15 additional ATMs to be deployed this year as Ultramar expands its number of gas station locations and affiliated merchants. Furthermore, the Company intends to reorganize its ATM selling force in order to account for the fact that it is anticipated that following the completion of the transaction for the sale of Car-Tel, Car-Tel will manage the ATM business for a three-month period. The full impact of this agreement with Ultramar and Car-Tel's management buyout on the Company's revenues is expected to be reflected by mid-year.

IFRS TRANSITION

The Canadian Accounting Standards Board has confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The changeover date is effective for interim and annual financial reporting for fiscal year ends beginning on or after January 1, 2011, which for the Company will be April 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures which the Company must address.

IFRS 1 – Mandatory exceptions and optional exemptions relevant to the Company

Use of estimates

Retrospective adjustments to accounting judgements or estimates are not allowed as part of the transition to IFRS, unless there is objective evidence that those estimates were in error.

Business combinations

Three choices are provided for retrospective application to past business combinations: (i) apply the standard to all past business combinations; (ii) apply the standard to all past business combinations after a particular date prior to the transition date; or (iii) apply the standard prospectively to all business combinations after the transition date. The Company expects to elect to apply the standard to all business combinations occurring after the transition date.

Fair value of property, plant and equipment as deemed cost

Property and equipment at the transition date can be recorded at either fair value or carrying value. This option can be applied separately to each asset or class of assets. The Company currently expects to use the carrying value at the transition date.

Expected IFRS accounting policies

Property, plant and equipment

After the transition date, the Company is required, under IAS 16, to choose for each class of asset whether to use the cost model or the revaluation model. The Company currently expects to use the cost model for each class of asset. In addition, the standard also requires that the Company evaluate, identify and separately record and amortize each component of an asset that is significant to its overall cost based on the expected life of each individual component.

Intangible assets

IAS 38 has been substantially converged with CICA Handbook Section 3064 – Goodwill and Intangible Assets, and as such, the Company does not expect any significant impact upon transition to this standard.

Impairment of assets

IAS 36 states that assets should be tested separately for impairment and where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a cash-generating unit. The Company expects its cash generating units under IFRS to be the same as those under Canadian GAAP. IFRS uses a one-step process for testing and measuring impairment of long-lived assets, rather than the two-step method under Canadian GAAP. IFRS also requires reversal of impairments of long-lived assets where the adverse circumstances have reversed, with the exception of goodwill, where impairment cannot be reversed. The Company expects the effects of these changes to be minimal.

Business combinations

IFRS 3 will generally result in measuring business combinations at the fair value of the acquired business and a prospectively applied shift from a parent company conceptual view of consolidation (which results in the parent company recording book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording fair values attributable to non-controlling interests). Measuring business acquisitions at fair value will result in (i) acquisition costs being expensed; (ii) acquisition created restructuring costs being expensed; (iii) contingent consideration, which is accounted for as a financial liability, being measured at fair value at the time of the acquisition with subsequent changes in its fair value being included in determining the results of operations; and (iv) changes in non-controlling ownership interests subsequent to the parent company's acquisition of control, and not resulting in the parent company's loss of control, being accounted for as a capital transaction.

Consolidated and separate financial statements

The adoption of IAS 27 will result in a change in the presentation and disclosure of non-controlling interests on the Company's consolidated financial statements. The consolidated statements of financial position (referred to as balance sheets under Canadian GAAP) will recognize non-controlling interest as a separate component of equity. Furthermore, the consolidated statements of loss and comprehensive loss will present an attribution of the net loss and comprehensive loss between the Company's shareholders and non-controlling interests rather than reflecting the non-controlling interests in the results of operations as a deduction at arriving at net loss and comprehensive loss.

IFRS changeover plan

The Company has developed a plan to convert its consolidated financial statements to IFRS by establishing a cross-functional implementation team led by the Chief Executive Officer and Chief Financial Officer, which will consist of internal resources composed by Company's management team in accounting, internal controls and processes, planning, investor relations, IT and data systems. The plan includes the use of external consultants in accounting, taxation and legal. A changeover plan is being established to convert to the new standards within the allotted timeline and is expected to consist of the following three key project phases:

1. Raise awareness and assessment phase
2. Design phase
3. Implementation phase

Phase 1: Raise awareness and assessment phase

The first phase of the conversion project has two stages: firstly, raising awareness within the Company and providing an initial assessment of the IFRS conversion and secondly, carrying out a detailed assessment of the impact of the conversion to IFRS. The Company will thoroughly review and analyze accounting or disclosure differences between Canadian GAAP and IFRS. During this phase, external consultants will assist the project team. Once differences have been identified they will be reviewed for potential impacts on existing accounting policies, information systems and business processes. An action plan will be developed for each impact area.

Phase 2: Design phase

The design phase will build the tools required for the conversion based on management's and the audit committee's decisions about accounting options and related disclosures. During this phase, external consultants will assist the project team in designing the changes to the implemented tools relating to accounting and consolidation processes.

The design phase will also involve revisiting the communication and training strategies to be carried out during the implementation of IFRS and updating the operational and milestone plans, and maintaining an issues log for the finalization of actions to be taken during the implementation phase.

Phase 3: Implementation phase

The implementation stage is about execution. The roll-out of the designed changes takes place during this phase. This phase assures:

- Development of new accounting policies, guidelines and consolidation templates;

- Preparation of the IFRS financial statements and related disclosures.

All phases are expected to be completed by the end of the first quarter of 2012.

With regard to IFRS transition, the Company has thoroughly analyzed the optional exemptions available under IFRS 1 First-time Adoption of International Financial Reporting Standards. The decisions about the optional exemptions available under IFRS 1 are preliminary at this time. The decisions about accounting policy choices available under IFRS 1 and other individual IFRS standards will be applied and disclosed in the first quarter 2012 as they are reviewed by the audit committee and finalized by management.

The following table summarizes the Company's activities in connection with the transition to IFRS.

	Key activities	**Status**
Accounting policies and implementation decisions	Identification of differences in Canadian GAAP and IFRS accounting policies; Selection of the Company's ongoing IFRS policies; Selection of the Company's IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1'') choices; Development of financial statement format; Quantification of effects of change in initial IFRS 1 disclosures on 2012 financial statements.	The Company has indentified differences between accounting policies under Canadian GAAP and accounting policy choices under IFRS, both on an ongoing basis and with respect to certain choices available on conversion, made in accordance with IFRS 1. The Company will continue to progress towards the quantification of the identified differences and choices by the end of first quarter 2012.
Infrastructure Financial reporting Expertise	Development of IFRS expertise.	The Company has provided training for key employees and stakeholders. Additional training will be ongoing until full adoption in 2012.
Infrastructure Information technology and data systems	Development of systems solution for transition period and post-convergence period.	The Company is in the process of analyzing system requirements and solutions.
Business activities Financial covenants	Identification of impact on financial covenants and business practices; Completion of any required renegotiations / changes by the first quarter of 2012.	The Company is in the process of analyzing the contractual implications of IFRS on any financing relationships and other arrangements.
Business activities Compensation arrangements	Identification of impact on compensation arrangements; Assessment of required changes by the first quarter of 2012.	The Company is in the process of analyzing any compensation policies that rely on indicators derived from the financial statements.

	Key activities	Status
Control activities Internal control over financial reporting	For all accounting policy changes identified, assessment of Internal Controls over Financial Reporting (“ICFR’’) design and effectiveness; Implementation of appropriate changes by the first quarter of 2012.	The Company is in the process of analyzing any issues with respect to ICFR.
Control activities Disclosure controls and procedures	For all accounting policy changes identified, assessment of Disclosure Controls and Procedures (“DC&P’’) design and effectiveness implications; Implementation of appropriate changes by the first quarter of 2012.	The Company is in the process of analyzing any issues with respect to DC&P.

Measurement Uncertainty

The preparation of 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of property and equipment and assets under capital leases.

Management has estimated the value of the inventory based upon their assessment of the realizable amount less selling costs.

The amounts disclosed relating to fair values of stock options issued are based on management’s estimates of expected stock price volatility, expected lives of the options, expected dividends to be paid by the Company, risk-free interest rates and certain other assumptions.

The calculation of future income tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Future income tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carryforward and of the balances in various tax pools as the corporate tax returns have not been prepared as of the date of financial statement preparation.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the consolidated financial statements from changes in such estimates in future years could be material.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

RISKS AND UNCERTAINTIES

Management determines whether or not information is material based on whether it believes a reasonable investor's decision to buy, sell or hold securities in the Company would likely be influenced or changed if the information were omitted or misstated.

The Company is subject to various risks and uncertainties as a result of its operations, most notably risks related to security and the loss of key merchants. Risks that could affect the Company's profitability are regularly identified, measured and supervised. In order to protect the Company from these various risks, the Company ensures stringent security policies and regularly reviews client contracts to ensure that merchants are content.

There is limited historical data available to the Company upon which it may base an evaluation of its business and its outlook. Its outlook must be examined based on risks and uncertainties associated with all companies and all new emerging markets. Among the risk factors at play are those related to the progressive and unchartered nature of aspects of the Company's business itself, to the Company's financial situation and to the challenges facing management to perform under sustained growth. The ATM segment generates a positive cash flow and the Company's development efforts to increase the number of ATMs in its network should not generate any significant incremental overhead costs.

There is a risk that another more attractive technology can become available and a new business model can emerge in connection with the Company's prepaid card business operated through Car-Tel. In order to mitigate against this risk, the Company continuously seeks to improve its devices and technology.

The Company's strategy for capital risk management was driven by external requirements from one of its lenders. The cash flow of the Company is supported by revolving operating lines of credit in the aggregate amount of $2,000,000 bearing interest at the Company's bank's prime rate plus 1% per annum, of which $1,618,000 was used as at March 31, 2011. The line of credit is secured by a hypothec on the universality of all property and receivables of the Company in the amount of $1,000,000 and a personal guarantee for $1,000,000 from the majority shareholder of the Company.

Under this line of credit, the Company must meet certain commitments and financial ratios. 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
- refrain from redeeming any preferred shares without obtaining the consent of the lender

As at March 31, 2011, the Company has not met all of these requirements. However, as of March 31, 2011, in order to satisfy the requirements of the lender, the Company had a verbal agreement 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 March 31, 2011, three of such instalments have been made. The lender has agreed to renegotiate in the second quarter of 2012 a new debt structure that would be more suitable to the Company's operations.

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

If the Company decides to pursue new business opportunities, it may require additional capital which may entail the issuance of shares and the sale of debt and equity securities. There can be no assurance that the Company will be able to raise the required capital to pursue such business opportunities. The failure by the Company to raise additional capital could have a material adverse effect on the Company's business, revenues, financial position and operating results. The Company's authorized capital was amended by the creation of an unlimited number of preferred shares, without par value, issuable in series, on such terms as may be determined by the Company's Board of Directors for each series. The primary purpose of creating such preferred shares is to provide management with greater flexibility for potential future financings and other corporate transactions.

The Company is exposed to a concentration of credit risk, with the maximum credit risk exposure for accounts receivable corresponding to the carrying value. As at March 31, 2011, 93.00% of the Company's income was derived from its prepaid products business unit, with approximately 29% of the revenues generated from two major customers: Sobey's Inc. (13%) and Ultramar Corporation (16%). Additionally, the prepaid products segment acquires its inventories from two major suppliers, which account for 60% of the segment's direct costs.

The Company’s prepaid products segment and ATM segment are each 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 product offerings, and could have a material adverse effect on the Company’s business, revenues, financial position and operating results.

On July 29, 2011, the Company announced that it had entered into an agreement to sell Car-Tel to a member of the management of Car-Tel for a purchase price of approximately $1.36 million, to be paid through a combination of cash and the assumption of certain specified liabilities. However, the closing of this transaction is subject to a number of conditions, including the negotiation of final documentation, and there is no guarantee that this transaction will be concluded.

CONTINGENCIES

In 2006, former business associates of Car-Tel’s director instituted proceedings in the amount of $1.6 million against Car-Tel for damages and lost profits due to an alleged improper use of proprietary technology used to deliver prepaid PINs for phone products and business contracts. The lawsuit is still pending as at August 11, 2011 and a counter claim in excess of $1.0 million has been taken against the plaintiffs. In the opinion of management, the likelihood of success of the claim is low and the amount recoverable pursuant to the claim is difficult to assess; however, the Company has submitted a settlement offer to the former business associates and, as a result, a provision of $30,000 has been reflected in the financial statements of the Company.

INFORMATION COMMUNICATION CONTROLS AND PROCEDURES

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

TSX Venture Exchange-listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and

reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX Venture Exchange-listed issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FORWARD-LOOKING STATEMENTS

This report release contains certain forward-looking statements concerning our future operations, economic performance and financial condition. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks, uncertainties and assumptions. Consequently, all of the forward-looking statements in this report are qualified by these cautionary statements. We undertake no obligation and do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law.

This MD&A was prepared on August **[11]**, 2011. Additional information about the Company is available under the Company's profile on the SEDAR website.

(signed) Georges A. Durst
Chief Executive Officer

(signed) Richard Vallée C.A., ICD.D
Chief Financial Officer

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the Management Discussion 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 responsibility for the integrity and fairness of the consolidated 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 primarily of 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 annual report. The Committee has the responsibility of meeting with management and with the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP SENCRL, srl, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

August **[11]**, 2011

(signed) Georges A. Durst	*(signed)* Richard Vallée C.A., ICD.D
Chief Executive Officer	Chief Financial Officer

8302421.2