Consolidated Financial Statements of

SARATOGA ELECTRONIC SOLUTIONS INC.

March 31, 2014 and 2013

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

To the Shareholders of Saratoga Electronic Solutions Inc.:

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

In discharging its responsibilities for the integrity and fairness of the 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 consolidated financial statements.

The Board of Directors ("Board") and Audit Committee ("Committee") are composed of some Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the 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, 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 meet periodically and separately with, both the Committee and management to discuss their audit findings.

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

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

Independent Auditors' Report

To the Shareholders of Saratoga Electronic Solutions Inc.:

We have audited the accompanying consolidated financial statements of Saratoga Electronic Solutions Inc. and its subsidiary (the "Group"), which comprise the consolidated statements of financial position as at March 31, 2014 and March 31, 2013, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saratoga Electronic Solutions Inc. and its subsidiary as at March 31, 2014 and March 31, 2013, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP SENCRL, srl [1]

Montréal, Québec
July 28, 2014

[1] CPA auditor, CA permit No. A119507

SARATOGA ELECTRONIC SOLUTIONS INC.

Consolidated Statements of Financial Position

As at	Note	March 31, 2014	March 31, 2013
		$	$
ASSETS			
Current assets:			
Cash		**6,254**	144,028
Funds held in trust	*4*	**1,200,000**	-
Trade and other receivables	*5*	**15,313**	8,347
Trade receivables from related parties	*16*	**52,976**	36,533
Income taxes recoverable		**17,585**	-
Prepaid expenses		**-**	14,496
Loan receivable from a private company	*6*	**-**	50,000
		1,292,128	253,404
Non-current assets			
Property, plant and equipment	*7*	**-**	1,168,804
Total assets		**1,292,128**	1,422,208

The accompanying notes form an integral part of the consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 28, 2014:

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

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

SARATOGA ELECTRONIC SOLUTIONS INC.
Consolidated Statements of Financial Position

As at	Note	**March 31, 2014**	March 31, 2013
		$	$
LIABILITIES			
Current liabilities			
Trade payables		**50,603**	86,506
Trade payables to related parties	*16*	**5,516**	5,864
Sales taxes payable	*15*	**494,668**	-
Income taxes payable		**-**	43,166
		550,787	135,536
Shareholders' equity			
Common shares	*11*	**1,793,803**	1,793,803
Contributed surplus		**182,650**	182,650
Deficit		**(2,380,112)**	(1,834,781)
Equity (deficiency) attributable to shareholders		**(403,659)**	141,672
Non-controlling interest	*8*	**1,145,000**	1,145,000
Total equity		**741,341**	1,286,672
Total equity and liabilities		**1,292,128**	1,422,208

The accompanying notes form an integral part of the consolidated financial statements.

Subsequent event (Note 19)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 28, 2014:

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

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

SARATOGA ELECTRONIC SOLUTIONS INC.
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended

	Note	**March 31, 2014**	March 31, 2013
		$	$
Revenue		**14,302**	42,259
Expenses			
Selling and administrative	*9*	**158,347**	341,824
Depreciation of property, plant and equipment	*7*	**35,811**	38,406
Recovery of strategic revision process costs		**-**	(129,873)
Write-off of loan receivable from a private company	*6*	**50,000**	-
Money remittance, net		**(8,014)**	(3,861)
Gain on disposal of property, plant and equipment		**(67,007)**	-
		169,137	246,496
Loss before net finance costs, income taxes and discontinued operations		**(154,835)**	(204,237)
Finance expense		**38,361**	3,492
Loss before income taxes and discontinued operations		**(193,196)**	(207,729)
Income tax recovery	*10 (a)*	**(60,428)**	(60,671)
Loss from continuing operations		**(132,768)**	(147,058)
Income (loss) from discontinued operations	*15*	**(412,563)**	292,012
Total comprehensive income (loss) for the year		**(545,331)**	144,954
Loss per share from continuing operations (Note 13):			
Basic and diluted		**(0.00719)**	(0.00797)
Earnings (loss) per share for the year (Note 13):			
Basic and diluted		**(0.02954)**	0.00785
Weighted average number of common shares (Note 13)			
Basic and diluted		**18,461,300**	18,461,300

The accompanying notes form an integral part of the consolidated financial statements.

SARATOGA ELECTRONIC SOLUTIONS INC.

Consolidated Statements of Changes in Equity

For the Years Ended March 31, 2014 and 2013

	Share capital					
	Number	**Amount**	**Contributed surplus**	**Deficit**	**Non-controlling interest**	**Total equity**
	#	**$**	**$**	**$**	**$**	**$**
Balance at March 31, 2012	18,461,300	1,793,803	182,650	(1,979,735)	1,270,000	1,266,718
Redemption of preferred shares held by non-controlling interest (Note 8)	-	-	-	-	(125,000)	(125,000)
Total comprehensive income	-	-	-	144,954	-	144,954
Balance at March 31, 2013	18,461,300	1,793,803	182,650	(1,834,781)	1,145,000	1,286,672
Total comprehensive loss	**-**	**-**	**-**	**(545,331)**	**-**	**(545,331)**
Balance at March 31, 2014	**18,461,300**	**1,793,803**	**182,650**	**(2,380,112)**	**1,145,000**	**741,341**

The accompanying notes from an integral part of the consolidated financial statements.

SARATOGA ELECTRONIC SOLUTIONS INC.

Consolidated Statements of Cash Flows

For the Years Ended

	Note	**March 31, 2014**	March 31, 2013
Cash flows from (used in) operating activities			
Loss from continuing operations		**(132,768)**	(147,058)
Items not involving cash:			
Depreciation of property, plant and equipment	*7*	**35,811**	38,406
Write-off of loan receivable from a private company	*6*	**50,000**	-
Gain on disposal of property, plant and equipment		**(67,007)**	-
Deferred tax expense	*10 (a)*	-	10,800
		(113,964)	(97,852)
Changes in non-cash working capital			
Funds held in trust		**(1,200,000)**	51,767
Trade and other receivables		**(6,966)**	156,720
Trade receivables from related parties		**(16,443)**	(21,576)
Income taxes recoverable		**(17,585)**	-
Prepaid expenses		**14,496**	(133)
Trade payables		**(35,903)**	(364,151)
Trade payables to related parties		**(348)**	2,050
Sales taxes payable		**494,668**	-
Income taxes payable		**(43,166)**	43,166
Cash flows used in operating activities of continuing operations		**(925,211)**	(230,009)
Cash flows from (used in) operating activities of discontinued operations	*14*	**(412,563)**	292,012
Cash flows used in investing activities			
Loan receivable from a private company		**-**	(50,000)
Proceeds on disposal of property, plant and equipment		**1,200,000**	-
Cash flows from (used in) investing activities of continuing operations		**1,200,000**	(50,000)
Cash flows used in financing activities			
Decrease in short-term loans		-	(590,000)
Decrease in bank indebtedness		-	(40,955)
Redemption of preferred shares held by non-controlling interest		-	(125,000)
Cash flows used in financing activities of continuing operations		-	(755,955)
Net decrease in cash		**(137,774)**	(743,952)
Cash - beginning of year		**144,028**	887,980
Cash - end of year		**6,254**	144,028
Supplemental information (Note 14)			
Interest paid		**2,717**	85,310
Income taxes recovered		**-**	(7,180)

The accompanying notes form an integral part of the consolidated financial statements.

1. Reporting entity

Saratoga Electronic Solutions Inc. (the "Company") is incorporated under the *Canada Business Corporations Act* and is listed on the TSX Venture Exchange. These consolidated financial statements of the Company as at and for the years ended March 31, 2014 and March 31, 2013 comprise the results of the Company and its subsidiary 9261-5277 Québec Inc. ("Québec Inc") (together referred to as the ''Group'' and individually as ''Group entity''). The Company, through its subsidiary 9261-5277 Québec Inc., earned rental income on the leasing of some office space in its property at 2975 Hochelaga, Montreal, QC, H1W 1G1. This property was sold at year end and the Company no longer has any operations.

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

2. Basis of presentation

Statement of compliance

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

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis.

Functional and presentation currency

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

Critical accounting estimates, judgements and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities at the date of the consolidated financial statements and reported amount of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events or actions that are believed to be reasonable under the circumstances. The actual results may differ from these estimates, judgments and assumptions.

2. Basis of presentation (cont'd.)

The key sources of information about judgments, estimates and assumptions uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of (a) its fair value less costs to sell and (b) its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generated unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Group reviews the adequacy of these provisions at the end of the reporting year. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the year in which such determination is made.

Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the years over which the assets are expected to be available for use. The estimated useful lives of equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any year would be affected by

2. Basis of presentation (cont'd.)

changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

Share-based payments transaction

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option.

Provisions and contingent liabilities

Judgements are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received and the probability of a loss being realized. Several of these factors are a source of estimation uncertainty.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated.

A. Basis of consolidation

The Company's consolidated financial statements represent those of the parent company and its subsidiary, as disclosed in Note 1, as at March 31, 2014 and March 31, 2013.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3. Significant accounting policies (cont'd.)

B. Revenue recognition

Rental income is recognized on an accrual basis.

C. Finance cost

Finance costs comprise interest expense on borrowing from credit facilities, stamping fees, facility fees, accruals of differences between amounts advanced and the principal repayable and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in income or loss using the effective interest method.

D. Cash

Cash is comprised of cash on deposit with a bank in general non-interest bearing accounts.

E. Financial instruments

Non-derivative financial instruments are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through income or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are measured at fair value and are classified in one of the following categories depending on the purpose for which the instruments were acquired:

Financial assets at fair value through profit or loss

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in income or loss. Assets in this category include loan receivable from a private company.

3. Significant accounting policies (cont'd.)

Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest recognized on an effective yield basis. Assets in this category include cash, trade and other receivables, trade receivables from related parties and funds held in trust.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include trade payables, trade payables to related parties and sales taxes payable.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share capital represents the amount received on the issue of shares, less issuance costs. Proceeds from unit placements are allocated between shares and warrants issued by: estimating the value of the warrants using the Black-Scholes options model; the fair value is allocated to warrants from the net proceeds and the balance is allocated to shares.

F. Property, Plant and Equipment

Initial recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of equipment includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. Significant accounting policies (cont'd.)

Subsequent measurement

The cost of replacing part of an item of equipment is recognized as part of the carrying amount of such item, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in the statements of comprehensive income (loss) as an expense as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value and is provided on a declining balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparatives years are as follows:

Building	6%
Computer hardware and software	30%
Furniture and fixtures	20%

The residual values, useful lives and methods of depreciation are reviewed annually and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item.

G. Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had negative effect on the estimated future cash flows of that asset that can be estimated reliably.

3. Significant accounting policies (cont'd.)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective rate. Losses are recognized in income or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The Company's non-financial assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss. An impairment loss recognized for goodwill is not reversed.

3. Significant accounting policies (cont'd.)

H. Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the tax benefit will be realized.

I. Earnings (loss) per share

The Group presents basic earnings (loss) per share ''EPS'' data for its common shares. Basic EPS are computed by dividing income or loss by the weighted average number of ordinary shares outstanding during the year. Diluted EPS are computed similarly to basic earnings per share, except that the weighted average shares outstanding are increased to include shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding share options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the year.

3. Significant accounting policies (cont'd.)

J. Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

K. Share-based payments

The Company operates an equity-settled compensation plan under which it receives services from employees, directors and consultants as consideration for equity instruments of the Company.

The Company uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

L. Fair Value Hierarchy

The Group classifies financial instruments recognised at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value as per IFRS 7 – Financial Instruments: Disclosures. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

3. Significant accounting policies (cont'd.)

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

M. Segment reporting

In accordance with IFRS 8, Operating Segments, it is mandatory for the Group to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. In this regard, the Group conducts its business in one segment relating to corporate items.

N. New standards, interpretations and amendments adopted during the year ended March 31, 2014

IFRS 13 – Fair Value Measurement

Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among specific standards requiring fair value measurements. IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. This new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between participants, at the measurement date. It also establishes disclosures about fair value measurement. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at March 31, 2014.

Amendments to IAS 1 – Financial Statement Presentation

The amendments to IAS 1 require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as remeasurements related to IAS 19 will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that chose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. There was no impact to the Company's financial statements upon adoption of this standard.

3. Significant accounting policies (cont'd.)

O. Recent accounting pronouncements and amendments not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at March 31, 2014 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 2 – Share-based payment

The amendments to IFRS 2, issued in December 2013, clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 7 – Financial instruments: disclosures and IAS 32 Financial instruments: presentation

Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

IFRS 9 – Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 – Financial Instruments: Recognition and Measurement to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial

3. Significant accounting policies (cont'd.)

assets including equity investments are measured at their fair values at the end of the subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income ("OCI"), without having to adopt the remainder of IFRS 9, and to (iii) remove the previous mandatory effective date for adoption of January 1, 2015. The standard was later amended to introduce a new mandatory effective date for adoption of January 1, 2018 with early adoption permitted.

IAS 24 – Related party disclosures

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IAS 36 – Impairment of assets

The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

3. Significant accounting policies (cont'd.)

The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

IAS 39 – Financial Instruments: Recognition and measurement

The amendments to IAS 39, issued in June 2013, clarify that notation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations, does not terminate hedge accounting. The amendments are effective for annual periods beginning on or after January 1, 2014.

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC 21, which is effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. Within IFRIC 21, a levy is defined as an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other standards (such as income taxes that are within the scope of IAS 12); and
- fines or other penalties that are imposed for breaches of the legislation.

'Government' refers to government, government agencies and similar bodies whether local, national or international. IFRIC 21 provides an interpretation of the requirements in IAS 37 for the recognition of liabilities for obligations to pay levies that are within the scope of IFRIC 21.

4. Funds held in trust

During the year ended March 31, 2014, the Company entered into an agreement to sell the 2975 Hochelaga building, Montréal, H1W 1G1. The purchase price is held in trust by the lawyers as of March 31, 2014.

5. Trade and other receivables

	March 31, 2014	March 31, 2013
	$	$
Trade receivables	**15,313**	2,360
Sales taxes receivable	-	5,987
Total trade and other receivables	**15,313**	8,347

Aging analysis	**March 31, 2014**	March 31, 2013
	$	$
Current	**12,953**	306
30 – 90 days	**-**	101
Over 90 days	**2,360**	7,940
Total trade and other receivables	**15,313**	8,347

No amounts are impaired at March 31, 2014 and March 31, 2013.

6. Loan receivable from a private company

	March 31, 2014	March 31, 2013
	$	$
Loan receivable from a private company, unsecured, bearing interest at 12% per annum, due on January 25, 2014. At the option of the Company, this loan may be converted, at any time during the term, to an equity position in the borrower equivalent to 10% of the outstanding equity. This loan receivable was written-off as of March 31, 2014.	**-**	50,000

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7. Property, plant and equipment

	Land	Building	Furniture and computer equipment	Total
	$	**$**	**$**	**$**
Cost				
At March 31, 2013 and March 31, 2012	585,300	834,700	27,699	1,447,699
Dispositions	**(585,300)**	**(834,700)**	**(27,699)**	**(1,447,699)**
At March 31, 2014	**-**	**-**	**-**	**-**
Accumulated Depreciation				
At March 31, 2012	-	222,111	18,378	240,489
Depreciation expense	-	36,755	1,651	38,406
At March 31, 2013	-	258,866	20,029	278,895
Depreciation expense	**-**	**34,550**	**1,261**	**35,811**
Dispositions	**-**	**(293,416)**	**(21,290)**	**(314,706)**
At March 31, 2014	-	-	-	-
Net book value				
At March 31, 2013	**585,300**	**575,834**	**7,670**	**1,168,804**
At March 31, 2014	**-**	**-**	**-**	**-**

8. Non-controlling interest

The non-controlling interest consists of 1,145,000 Class 'D' preferred shares (2013 – 1,145,000) of Québec 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:

	2014	2013
	$	$
Balance beginning of year	**1,145,000**	1,270,000
Preferred shares redeemed during the year	-	(125,000)
Balance, end of year	**1,145,000**	1,145,000

9. Selling and administrative

Selling and administrative expenses are comprised of:

	2014	2013
	$	$
Salaries	**9,197**	97,187
Professional fees	**98,951**	164,054
Office and general	**1,144**	2,507
Utilities	**13,846**	21,330
Insurance	**5,626**	13,472
Taxes and licences	**28,844**	36,517
Telecommunications	**739**	1,471
Other	**-**	5,286
	158,347	341,824

10. Income taxes

(a) *The provision for income taxes consists of:*

	2014	2013
	$	$
Current taxes	**(60,428)**	(71,471)
Deferred taxes	**-**	10,800
	(60,428)	(60,671)

10. Income taxes (cont'd.)

(b) Reconciliation of income taxes:

The impact of differences between the Group's reported income taxes on operating loss and the recovery that would otherwise result from the application of statutory rates is as follows:

	2014		2013	
	$	**%**	$	%
Income tax recovery at the combined basic Federal and Provincial tax rates on loss before income taxes and income from discontinued operations	**(51,970)**	**27**	(55,879)	27
Permanent differences	**47,403**	**(25)**	2	-
Change in deferred tax assets not recognized	**(56,184)**	**29**	(3,320)	2
Other	**323**	**-**	(1,474)	1
Income tax recovery	**(60,428)**	**31**	(60,671)	30

(c) Deferred tax assets:

The tax effects of significant items comprising the Group's net deferred tax assets and liabilities are as follows:

	2014	2013
	$	$
Loss carry forwards and other deductible amounts	**776,919**	713,401
Property, plant and equipment	**-**	8,723
Deferred tax assets not recognized	**(776,919)**	(722,124)
	-	-

(d) Tax loss carry forwards:

The Group has losses available for income tax purposes that can be used to reduce taxable income of future years. These approximate losses expire as follows:

10. Income taxes (cont'd.)

	Federal	Quebec
	$	$
2027	-	21,000
2028	822,000	848,000
2029	454,000	443,000
2030	576,000	571,000
2031	78,000	74,000
2033	126,000	123,000
2034	258,000	244,000
	2,314,000	2,324,000

(e) Other deductible amounts

The Company has available approximately $259,000 (Quebec $262,000) of cumulative eligible capital which may be carried forward indefinitely to be deducted against taxable income.

The Company has available approximately $335,000 (Quebec $193,000) of capital losses which may be carried forward indefinitely to be deducted against capital gains.

11. Share capital

Share capital authorized:

An unlimited number of the following classes of shares:

Common, voting participating shares without par value.

Series I preferred shares issuable in series, non-voting, 6% non-cumulative dividend, redeemable at the option of the Company, convertible into common shares at the option of the holder at a conversion price equal to the volume weighted average trading price of the common shares during the five days preceding the date of notice of conversion is given.

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

11. Share capital (cont'd.)

	Number #	Amount $
Common shares		
Balance, March 31, 2014 and March 31, 2013	**18,461,300**	**1,793,803**

There are no preferred shares issued and outstanding as at March 31, 2014 and 2013.

12. Share-based payments

The Company has adopted share-based payment plans under which members of the Board of Directors may award options for ordinary shares to directors, officers, employees and consultants. The maximum number of shares issuable under the plan is 855,000. The exercise price of each option is determined by the Board of Directors and cannot be less than the discounted market value of the ordinary shares at the time of the grant, and the term of the options cannot exceed five years and unexercised options are cancelled after termination of employment or directorship. The option's exercise price and vesting period is established by the Board of Directors, the options granted vest according to a graded schedule of 33.3% every six months commencing on the grant date.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle options.

There were no options granted and no stock option compensation costs incurred for the years ended March 31, 2014 and March 31, 2013.

The Company's share options are as follows for the reporting years presented:

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

	March 31, 2014		March 31, 2013	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
	#	**$**	#	$
Balance - beginning of year	-	-	90,000	0.26
Expired	-	-	90,000	0.26
Balance - end of year	-	-	-	-

There were no options outstanding at March 31, 2013 and March 31, 2014.

13. Earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the net income (loss) for the year divided by the weighted average number of shares in circulation during the year. In calculating the diluted earnings (loss) per share, potential ordinary shares such as share options have been included as they would have the effect of decreasing the earnings (loss) per share. Details of share options issued that could potentially dilute loss per share in the future are given in Note 12.

Both the basic and diluted earnings (loss) per share have been calculated using the net income (loss) as the numerator, i.e. no adjustment to the income were necessary for the years ended March 31, 2014 and March 31, 2013 respectively.

13. Earnings (loss) per share (cont'd.)

	Year ended	
	March 31, 2014	March 31, 2013
	$	$
Net loss from continuing operations	**(132,768)**	(147,058)
Loss per share:		
Basic and diluted loss per share	**(0.00719)**	(0.00797)
Net income (loss) from discontinued operations	**(412,563)**	292,012
Earning (loss) per share:		
Basic and diluted earnings per share	**(0.02235)**	0.01582
Net income (loss) from the year	**(545,331)**	144,954
Earnings (loss) per share:		
Basic and diluted earnings per share	**(0.02954)**	0.00785
Weighted average number of common shares outstanding:	**#**	#
Basic and diluted	**18,461,300**	18,461,300

14. Supplemental cash flow information

For the year ended	**March 31, 2014**	March 31, 2013
	$	$
Net income (loss) from discontinued operations	**(412,563)**	292,012
Cash flows from (used in) operating activities of discontinued operations	**(412,563)**	292,012

15. Sales taxes

In December 2012, Quebec Inc. claimed ITCs, for the three prior years, on fees charged to it by a supplier for the housing fees related to automated banking machines. Quebec Inc. took the position that it was eligible to make this claim following a recent court ruling that clarified the current legislation defining "financial service" in the Income Tax Act in a situation where an intermediary provides on-premises space allowing a third party to render financial services to its clients. The tax authorities audited the Company in the current year and denied the Company’s position and requested that the ITCs be refunded. The amount recoverable last year and payable this year were recorded as discontinued operations net of tax in the statements of comprehensive income as it related to the former ATM network segment that was disposed of in the year ended March 31, 2012.

For the year ended	**March 31, 2014**	March 31, 2013
	$	$
Sales tax assessment (recovery) pre tax	**412,563**	(399,469)
Sales tax (recovery) net of tax reported as discontinued operations	**412,563**	(292,012)

16. Related party transactions

Balances and transactions between Saratoga Electronic Solutions Inc. and its subsidiary, which is a related party of Saratoga Electronic Solutions Inc., have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	Country of incorporation	Percentage of interest	
		March 31, 2014	March 31, 2013
9261-5277 Québec Inc.	Canada	**100 %**	100 %

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

16. Related party transactions (cont'd.)

As at	**March 31, 2014**	March 31, 2013
	$	$
Trade receivables from related parties:		
Companies with common director	**52,976**	36,533
Total trade receivables from related parties	**52,976**	36,533
Trade payables to related parties:		
Directors	**5,516**	5,864
Total trade payables to related parties	**5,516**	5,864
Revenues for the year ended:		
Rental income from companies under common control	**14,302**	19,069
Total revenues	**14,302**	19,069
Administrative – related parties:		
Professional fees	-	34,000
Utilities	-	4,963
Total Administrative – related parties	-	38,963

The Group has identified its directors and certain officers as its key management personnel. The compensation costs for key management personal for the years ended March 31, 2014 and 2013 are as follows:

	March 31, 2014	March 31, 2013
	$	$
Salaries and benefits key management personnel	**3,697**	85,735
Directors	**5,500**	5,500

17. Financial instruments risks

The Group is exposed to various risks in relation to financial instruments. The main types of risks are credit risk, liquidity risk and interest rate risk. The Group's risk management is coordinated in close cooperation with the Board of Directors, and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets. The Group does not actively engage in the trading of financial speculative purposes. The most significant financial risks to which the Group is exposed are described below. The Group is exposed to market risk through its use of financial instruments and specifically to interest risk and certain other risks, which result from both its operating and investing activities. No changes were made in the objectives, policies and processes during the reporting years.

The carrying value of cash, funds held in trust, trade and other receivables, trade receivables from related parties, loan receivable from a private company, trade payables and trade payables to related parties are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

(a) Credit risk

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages liquidity risk through the management of its capital structure and financial leverage. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Group'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.

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17. Financial instruments risk (cont'd.)

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

As at March 31, 2014			**Payments by Periods**		
	Total	**< 1 Year**	**1 - 3 Years**	**4 - 5 Years**	**After 5 Years**
	$	**$**	**$**	**$**	**$**
Trade payables	50,603	50,603	-	-	-
Trade payables to related parties	5,516	5,516	-	-	-
Sales taxes payable	494,668	494,668			

As at March 31, 2013			**Payments by Periods**		
	Total	**< 1 Year**	**1 - 3 Years**	**4 - 5 Years**	**After 5 Years**
	$	**$**	**$**	**$**	**$**
Trade payables	86,506	86,506	-	-	-
Trade payables to related parties	5,864	5,864	-	-	-

(c) Foreign currency risk

All of the Group's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Group's functional and reporting currency. Therefore, the Group is not exposed to foreign currency risk.

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18. Capital management

The Group's primary objectives when managing capital is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Group capital items are cash, funds held in trust and common shares. Capital is $3,000,057 as at March 31, 2014 (2013 – $1,937,831).

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or debt, or sell assets to reduce debt or fund acquisition or development activities. The Group does not have any externally imposed restrictions on its capital.

The Company had also created a new class of preferred shares in prior years as described in Note 11. The primary purpose of creating these preferred shares is to provide management with greater flexibility respecting potential future financings and other corporate transactions.

19. Subsequent event

Subsequent to year end, the Group redeemed 705,000 Class ''D'' preferred shares held by non-controlling interest.