

Condensed Consolidated Interim Financial Statements of

**SARATOGA ELECTRONIC
SOLUTIONS INC.**

June 30, 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 condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the Management Discussion and Analysis (MD&A) is consistent with the condensed consolidated interim 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 condensed consolidated interim financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of condensed consolidated interim 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 interim report. The Committee has the responsibility of meeting with management to discuss the internal controls over the financial reporting process and financial reporting issues.

Management recognizes its responsibility for conducting the company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) "GEORGES A. DURST" Director

(Signed) "DONALD W. SEAL" Director

NOTICE TO READER

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an auditor.

SARATOGA ELECTRONIC SOLUTIONS INC.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited and Unreviewed by Company's Independent Auditors)

As at	Note	June 30, 2014	March 31, 2014
		\$	\$
ASSETS			
Current assets:			
Cash		15,654	6,254
Funds held in trust	4	580,000	1,200,000
Trade and other receivables	5	12,353	15,313
Trade receivables from related parties	14	52,976	52,976
Income taxes recoverable		17,585	17,585
Total assets		678,568	1,292,128

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 21, 2014:

(Signed) "GEORGES A. DURST" Director

(Signed) "DONALD W. SEAL" Director

SARATOGA ELECTRONIC SOLUTIONS INC.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited and Unreviewed by Company's Independent Auditors)

As at	Note	June 30, 2014	March 31, 2014
		\$	\$
LIABILITIES			
Current liabilities			
Trade payables		52,841	50,603
Trade payables to related parties	14	5,516	5,516
Sales taxes payable	13	495,804	494,668
		554,161	550,787
Shareholders' equity			
Common shares	10	1,793,803	1,793,803
Contributed surplus		182,650	182,650
Deficit		(2,397,046)	(2,380,112)
Equity (deficiency) attributable to shareholders		(420,593)	(403,659)
Non-controlling interest	8	545,000	1,145,000
Total equity		124,407	741,341
Total equity and liabilities		678,568	1,292,128

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

Subsequent event (Note 17)

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 21, 2014:

(Signed) "GEORGES A. DURST" Director

(Signed) "DONALD W. SEAL" Director

SARATOGA ELECTRONIC SOLUTIONS INC.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited and Unreviewed by Company's Independent Auditors)

For the Periods Ended

	Note	Three-months ended June 30, 2014	Three-months ended June 30, 2013
		\$	\$
Revenue		-	4,767
Expenses			
Selling and administrative	9	16,526	57,676
Depreciation of property, plant and equipment	7	-	8,959
Money remittance, net		-	630
		16,526	67,265
Loss before net finance costs and income taxes		(16,526)	(62,498)
Finance expense		408	1,440
Loss before income taxes		(16,934)	(63,938)
Income tax recovery		-	-
Total comprehensive income (loss) for the period		(16,934)	(63,938)
Earnings (loss) per share for the period (Note 12):			
Basic and diluted		(0.00092)	(0.00346)
Weighted average number of common shares (Note 12)			
Basic and diluted		18,461,300	18,461,300

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

SARATOGA ELECTRONIC SOLUTIONS INC.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited and Unreviewed by Company's Independent Auditors)

For the Three-month Period Ended June 30, 2014 and 2013

	Share capital		Contributed surplus	Deficit	Non-controlling interest	Total equity
	Number	Amount				
	#	\$	\$	\$	\$	\$
Balance at March 31, 2013	18,461,300	1,793,803	182,650	(1,834,781)	1,270,000	1,411,672
Redemption of preferred shares held by non- controlling interest (Note 8)	-	-	-	-	-	-
Total comprehensive income	-	-	-	(63,938)	-	(63,938)
Balance at June 30, 2013	18,461,300	1,793,803	182,650	(1,898,719)	1,270,000	1,347,734
Balance at March 31, 2014	18,461,300	1,793,803	182,650	(2,380,112)	1,145,000	741,341
Redemption of preferred shares held by non- controlling interest (Note 8)	-	-	-	-	(600,000)	(600,000)
Total comprehensive income	-	-	-	(16,934)	-	(16,934)
Balance at June 30, 2014	18,461,300	1,793,803	182,650	(2,397,046)	545,000	124,407

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

SARATOGA ELECTRONIC SOLUTIONS INC.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited and Unreviewed by Company's Independent Auditors)

For the Periods Ended

	Note	Three-months ended June 30, 2014	Three-months ended June 30, 2013
Cash flows from (used in) operating activities			
Loss from continuing operations		(16,934)	(63,938)
Items not involving cash:			
Depreciation of property, plant and equipment	7	-	8,959
		(16,934)	(54,979)
Changes in non-cash working capital			
Funds held in trust		620,000	-
Trade and other receivables		2,960	(1,658)
Trade receivables from related parties		-	(6,481)
Prepaid expenses		-	(5,954)
Trade payables		2,238	755
Trade payables to related parties		-	(299)
Sales taxes payable		1,136	-
Cash flows used in operating activities of continuing operations		609,400	(68,616)
Cash flows used in investing activities			
Cash flows from (used in) investing activities of continuing operations		-	-
Cash flows used in financing activities			
Redemption of preferred shares held by non-controlling interest		(600,000)	-
Cash flows used in financing activities of continuing operations		(600,000)	-
Net increase (decrease) in cash		9,400	(68,616)
Cash - beginning of year		6,254	144,028
Cash - end of year		15,654	75,412
Supplemental information			
Interest paid		289	998
Income taxes recovered		-	-

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

SARATOGA ELECTRONIC SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements

For the Three-month Periods Ended June 30, 2014 and 2013

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 condensed consolidated interim financial statements of the Company as at and for the three-month periods ended June 30, 2014 and June 30, 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 March 31, 2014 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 condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”).

Basis of measurement

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

These condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS34.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the company and the notes thereto. These condensed consolidated interim financial statements have not been subject of a review or an audit by the company’s auditors and have been approved by the Board of directors on August 21, 2014.

SARATOGA ELECTRONIC SOLUTIONS INC.
Notes to Condensed Consolidated Interim Financial Statements
For the Three-month Periods Ended June 30, 2014 and 2013

2. Basis of presentation

Functional and presentation currency

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

Critical accounting estimates, judgements and assumptions

The preparation of the condensed consolidated interim 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 condensed consolidated interim 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.

The condensed consolidated interim financial statements have been prepared following the same accounting policies and exemptions used in the annual consolidated financial statements for the years ended March 31, 2014 and March 31, 2013.

3. Significant accounting policies

The accounting policies have been applied consistently to all years presented in these condensed consolidated interim financial statements, unless otherwise indicated. More information on significant accounting policies is available in note 3 of the consolidated financial statements at March 31, 2014.

The accounting policies have been applied consistently by Group entities.

New standards and interpretations not yet adopted

The following standards which are relevant but have not been adopted within these consolidated financial statements and may or may not have an effect on the Group's future consolidated financial statements:

- *IFRS 13 – Fair Value Measurement*

SARATOGA ELECTRONIC SOLUTIONS INC.
Notes to Condensed Consolidated Interim Financial Statements
For the Three-month Periods Ended June 30, 2014 and 2013

3. Significant accounting policies (contn'd)

- *Amendments to IAS 1 – Financial Statement Presentation*
- *IFRS 2 – Share-based payment*
- *IFRS 7 – Financial instruments: disclosures and IAS 32 Financial instruments: presentation*
- *IFRS 9 – Financial instruments*
- *IAS 24 – Related party disclosures*
- *IAS 36 – Impairment of assets*
- *IAS 39 – Financial Instruments: Recognition and measurement*
- *IFRIC 21 – Levies*

More information on the future accounting changes is available in note 3 of the consolidated financial statements at March 31, 2014. The Group has not yet assessed the impact of these standards on its consolidated financial statements or determined whether they will adopt the standards early.

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 June 30, 2014.

5. Trade and other receivables

	June 30, 2014	March 31, 2014
	\$	\$
Trade receivables	12,353	15,313
Total trade and other receivables	12,353	15,313

SARATOGA ELECTRONIC SOLUTIONS INC.
Notes to Condensed Consolidated Interim Financial Statements
For the Three-month Periods Ended June 30, 2014 and 2013

6. Trade and other receivables (contn'd)

Aging analysis

	March 31, 2014	March 31, 2013
	\$	\$
Current	-	12,953
30 – 90 days	9,993	-
Over 90 days	2,360	2,360
Total trade and other receivables	12,353	15,313

No amounts are impaired at June 30, 2014 and March 31, 2014.

7. Property, plant and equipment

	Land	Building	Furniture and computer equipment	Total
	\$	\$	\$	\$
Cost				
At March 31, 2013	585,300	834,700	27,699	1,447,699
Dispositions	-	-	-	-
At June 30, 2013	585,300	834,700	27,699	1,447,699
Accumulated Depreciation				
At March 31, 2013	-	258,866	20,029	278,895
Depreciation expense	-	8,638	321	8,959
At June 30, 2013	-	267,504	20,350	287,854
Net book value				
At March 31, 2013	585,300	575,834	7,670	1,168,804
At June 30, 2013	585,300	567,196	7,349	1,159,845
At March 31 and June 30, 2014	-	-	-	-

SARATOGA ELECTRONIC SOLUTIONS INC.
Notes to Condensed Consolidated Interim Financial Statements
For the Three-month Periods Ended June 30, 2014 and 2013

8. Non-controlling interest

The non-controlling interest consists of 545,000 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	1,145,000
Preferred shares redeemed during the year	(600,000)	-
Balance, end of period June 30,	545,000	1,145,000

9. Selling and administrative

Selling and administrative expenses are comprised of:

	Three-month period ended June 30, 2014	Three-month period ended June 30, 2013
	\$	\$
Salaries	-	3,718
Professional fees	15,973	38,493
Utilities	635	3,536
Insurance	-	2,420
Taxes and licences	-	9,256
Other	(82)	253
	16,526	57,676

SARATOGA ELECTRONIC SOLUTIONS INC.
Notes to Condensed Consolidated Interim Financial Statements
For the Three-month Periods Ended June 30, 2014 and 2013

10. 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.

	Number	Amount
	#	\$
Common shares		
Balance, March 31, 2014 and June 30, 2014	18,461,300	1,793,803

There are no preferred shares issued and outstanding as at June 30, 2014 and 2013.

11. Share-based payments

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

SARATOGA ELECTRONIC SOLUTIONS INC.
Notes to Condensed Consolidated Interim Financial Statements
For the Three-month Periods Ended June 30, 2014 and 2013

11. Share-based payments (contn'd)

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 three-month periods ended June 30, 2014 and 2013.

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

There were no options outstanding at June 30, 2013 and June 30, 2014.

12. 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 11.

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 three-month periods ended June 30, 2014 and June 30, 2013 respectively.

	Three-month period ended	
	June 30, 2014	June 30, 2013
	\$	\$
Net loss from continuing operations	(16,934)	(63,938)
Loss per share:		
Basic and diluted loss per share	(0.00092)	(0.00346)

SARATOGA ELECTRONIC SOLUTIONS INC.
Notes to Condensed Consolidated Interim Financial Statements
For the Three-month Periods Ended June 30, 2014 and 2013

12. Earnings (loss) per share (contn'd)

**Weighted average number of common shares
outstanding:**

	#	#
Basic and diluted	18,461,300	18,461,300

13. 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 year ended March 31, 2014 and denied the Company's position and requested that the ITCs be refunded.

14. 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	
		June 30, 2014	June 30, 2013
9261-5277 Québec Inc.	Canada	100 %	100 %

SARATOGA ELECTRONIC SOLUTIONS INC.
Notes to Condensed Consolidated Interim Financial Statements
For the Three-month Periods Ended June 30, 2014 and 2013

14. Related party transactions (contn'd)

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

As at	June 30, 2014	June 30, 2013
	\$	\$
Trade receivables from related parties:		
Companies with common director	52,976	42,014
Total trade receivables from related parties	52,976	42,014
Trade payables to related parties:		
Directors	5,516	7,635
Total trade payables to related parties	5,516	7,635
Revenues for the year ended:		
Rental income from companies under common control	-	4,767
Total revenues	-	4,767
Administrative – related parties:		
Professional fees	-	6,000
Total Administrative – related parties	-	6,000

The Group has identified its directors and certain officers as its key management personnel. The compensation costs for key management personal for the three-month periods ended June 30, 2014 and 2013 are as follows:

	June 30, 2014	June 30, 2013
	\$	\$
Salaries and benefits key management personnel	-	2,218
Directors	-	1,500

SARATOGA ELECTRONIC SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements

For the Three-month Periods Ended June 30, 2014 and 2013

15. 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, 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.

15. Financial instruments risk (cont'd.)

SARATOGA ELECTRONIC SOLUTIONS INC.
Notes to Condensed Consolidated Interim Financial Statements
For the Three-month Periods Ended June 30, 2014 and 2013

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

As at June 30, 2014	Payments by Periods				
	Total	< 1 Year	1 - 3	4 - 5	After 5
			Years	Years	Years
	\$	\$	\$	\$	\$
Trade payables	52,841	52,841	-	-	-
Trade payables to related parties	5,516	5,516	-	-	-
Sales taxes payable	495,804	495,804			

As at June 30, 2013	Payments by Periods				
	Total	< 1 Year	1 - 3	4 - 5	After 5
			Years	Years	Years
	\$	\$	\$	\$	\$
Trade payables	87,261	87,261	-	-	-
Trade payables to related parties	5,565	5,565	-	-	-

(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.

SARATOGA ELECTRONIC SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements

For the Three-month Periods Ended June 30, 2014 and 2013

16. 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 \$2,259,457 as at June 30, 2014 (2013 – \$1,869,215).

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 10. The primary purpose of creating these preferred shares is to provide management with greater flexibility respecting potential future financings and other corporate transactions.

17. Subsequent event

Subsequent to three-month period ended June 30, 2014, the Group redeemed 105,000 Class "D" preferred shares held by non-controlling interest.