Condensed Consolidated Interim Financial Statements of

POLLARD BANKNOTE LIMITED

(unaudited)

Three months ended March 31, 2015

These condensed consolidated interim financial statements have not been audited or reviewed by the Company's independent external auditors, KPMG LLP.

Pollard Banknote Limited
Condensed Consolidated Statements of Financial Position
(*In thousands of Canadian dollars*)
(unaudited)

		March 31, 2015		December 31, 2014
Assets				
Current assets				
Cash	$	6,928	$	6,287
Accounts receivable		21,829		21,930
Inventories (note 5)		21,963		24,908
Prepaid expenses and deposits		3,893		3,275
Total current assets		54,613		56,400
Non-current assets				
Property, plant and equipment		44,541		40,723
Goodwill		37,124		36,600
Intangible assets		13,165		13,292
Deferred income taxes		314		2,304
Total non-current assets		95,144		92,919
Total assets	$	149,757	$	149,319
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	20,667	$	21,225
Dividends payable		706		706
Income taxes payable		1,070		2,871
Foreign currency contracts (note 15)		403		483
Current portion long-term debt (note 6)		1,203		902
Total current liabilities		24,049		26,187
Non-current liabilities				
Long-term debt (note 6)		70,084		68,242
Subordinated debt (note 7)		6,813		6,813
Other non-current liabilities		322		375
Pension liability		12,533		11,942
Deferred income taxes		51		1,845
Total non-current liabilities		89,803		89,217
Shareholders' equity				
Share capital		73,209		73,209
Reserves		2,746		1,456
Deficit		(40,050)		(40,750)
Total shareholders' equity		35,905		33,915
Total liabilities and shareholders' equity	$	149,757	$	149,319

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited

Condensed Consolidated Statements of Income

(*In thousands of Canadian dollars, except for share amounts*)

(unaudited)

		Three months ended March 31, 2015		Three months ended March 31, 2014
Sales	$	54,431	$	50,693
Cost of sales		44,381		41,244
Gross profit		10,050		9,449
Administration		4,242		3,813
Selling		1,712		1,654
Other income (note 8)		(148)		(38)
Income from operations		4,244		4,020
Finance costs (note 9)		1,940		1,784
Finance income (note 9)		(80)		-
Income before income taxes		2,384		2,236
Income taxes (note 10)		987		1,121
Net income	$	1,397	$	1,115
Net income per share (basic) (note 11)	$	0.06	$	0.05
Net income per share (diluted) (note 11)	$	0.06	$	0.05

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited
Condensed Consolidated Statements of Comprehensive Income
(*In thousands of Canadian dollars*)
(unaudited)

		Three months ended March 31, 2015		Three months ended March 31, 2014
Net income	**$**	**1,397**	$	1,115
Other comprehensive income				
Items that are or may be reclassified to profit and loss				
Foreign currency translation differences – foreign operations		**1,290**		541
Other comprehensive income		**1,290**		541
Comprehensive income	**$**	**2,687**	$	1,656

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited
Condensed Consolidated Statements of Changes in Equity
(*In thousands of Canadian dollars*)
(unaudited)

For the three months ended March 31, 2015

		Attributable to equity holders of Pollard Banknote Limited			
		Share capital	**Translation reserve**	**Deficit**	**Total equity**
Balance at January 1, 2015	$	73,209	1,456	(40,750)	33,915
Net income		-	-	1,397	1,397
Other comprehensive income					
Foreign currency translation differences – foreign operations		-	1,290	-	1,290
Total other comprehensive income	$	-	1,290	-	1,290
Total comprehensive income	$	-	1,290	1,397	2,687
Share based compensation	$	-	-	9	9
Dividends to owners of Pollard Banknote Limited (note 13)		-	-	(706)	(706)
Balance at March 31, 2015	$	73,209	2,746	(40,050)	35,905

For the three months ended March 31, 2014

		Attributable to equity holders of Pollard Banknote Limited			
		Share capital	**Translation reserve**	**Deficit**	**Total equity**
Balance at January 1, 2014	$	73,209	219	(39,788)	33,640
Net income		-	-	1,115	1,115
Other comprehensive income					
Foreign currency translation differences – foreign operations		-	541	-	541
Total other comprehensive income	$	-	541	-	541
Total comprehensive income	$	-	541	1,115	1,656
Share based compensation	$	-	-	3	3
Dividends to owners of Pollard Banknote Limited (note 13)		-	-	(706)	(706)
Balance at March 31, 2014	$	73,209	760	(39,376)	34,593

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited

Condensed Consolidated Statements of Cash Flows

(*In thousands of Canadian dollars*)

(unaudited)

	Three months ended March 31, 2015	Three months ended March 31, 2014
Cash increase (decrease)		
Operating activities:		
Net income	**$ 1,397**	$ 1,115
Adjustments		
Income taxes	**987**	1,121
Amortization and depreciation	**1,991**	1,918
Interest expense	**655**	798
Unrealized foreign exchange loss	**1,770**	812
Loss on equity investment	**-**	29
Pension expense	**948**	670
Mark-to-market loss on foreign currency contracts	**(80)**	567
Interest paid	**(625)**	(814)
Income tax paid	**(2,552)**	(162)
Pension contribution	**(586)**	(1,428)
Change in non-cash operating working capital (note 12)	**2,188**	(3,266)
	6,093	1,360
Investing activities		
Additions to property, plant and equipment	**(5,169)**	(758)
Additions to intangible assets	**(251)**	(394)
	(5,420)	(1,152)
Financing activities		
Net proceeds from (repayments of) long-term debt	**650**	(167)
Change in other non-current liabilities	**(84)**	(53)
Additions to deferred financing charges	**(111)**	-
Dividends paid	**(706)**	(706)
	(251)	(926)
Foreign exchange gain on cash held in foreign currency	**219**	13
Change in cash position	**641**	(705)
Cash position, beginning of period	**6,287**	7,774
Cash position, end of period	**$ 6,928**	$ 7,069

See accompanying notes to condensed consolidated interim financial statements.

1. Reporting entity:

Pollard Banknote Limited ("Pollard") was incorporated under the laws of Canada on March 26, 2010. The address of Pollard's registered office is 1499 Buffalo Place, Winnipeg, Manitoba, Canada, R3T 1L7.

The condensed consolidated interim financial statements of Pollard as at and for the three months ended March 31, 2014, comprise Pollard, Pollard's subsidiaries and its interest in other entities. Pollard is primarily involved in the manufacture and sale of lottery and gaming products.

The controlling entity of Pollard is Pollard Equities Limited ("Equities"), a privately held company. Equities owns approximately 73.5% of Pollard's outstanding shares.

Pollard's consolidated financial statements as at and for the year ended December 31, 2014, are available at www.sedar.com.

The overall impact of seasonality does not have a significant impact on the operations of Pollard.

On January 1, 2015, Pollard completed an amalgamation of all its Canadian based subsidiaries, including Pollard Holdings Limited Partnership and Pollard Banknote Limited Partnership.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all of the information required for full annual consolidated financial statements.

On May 5, 2015, Pollard's Board of Directors approved these condensed consolidated interim financial statements.

(b) Use of estimates and judgments:

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying Pollard's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2014.

3. Significant accounting policies:

These condensed consolidated interim financial statements follow the same significant accounting policies as described and used in Pollard's consolidated financial statements for the year ended December 31, 2014 and should be read in conjunction with those reports.

4. Future accounting standards:

In November 2009, the IASB issued International Financial Reporting Standards ("IFRS") 9 *Financial Instruments* ("IFRS 9 (2009)") and in October 2010, the IASB published amendments to IFRS 9 ("IFRS 9 (2010)"). In December 2011, the IASB issued an amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015. IFRS 9 (2009) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classifications options in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 (2010) added guidance to IFRS 9 (2009) on the classification and measurement of financial liabilities. In November 2013, a new general hedge accounting standard was issued, forming part of IFRS 9 (2013). It will more closely align with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness, however it will allow more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Another revised version of IFRS 9 (2014) was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing fair value through other comprehensive income measurement category for certain simple debt instruments. IFRS 9 (2014) is required for fiscal years beginning on or after January 1, 2018 with early adoption available. Pollard is currently assessing the impact of the new standard on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard specifies the steps and timing for recognizing revenue, as well as requiring more informative, relevant disclosures. IFRS 15 supersedes IAS 11 *Construction Contracts* and IAS 18 *Revenue*. IFRS 15 is required for fiscal years beginning on or after January 1, 2017 with early adoption available. Pollard is currently assessing the impact of the new standard on its consolidated financial statements.

In May 2014, the IASB issued amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. The amendments prohibit the use of revenue based depreciation for property, plant and equipment and significantly limit the use of revenue based amortization for intangibles. These amendments are effective for fiscal years beginning on or after January 1, 2016. Pollard does not expect these amendments to have a material impact on its consolidated financial statements.

In May 2014, the IASB issued amendments to IAS 11 *Interests in Joint Operations*. The amendments require business combination accounting to be applied to acquisition of interest in a joint operation that constitute a business. These amendments are effective for fiscal years beginning on or after January 1, 2016, with early adoption available. Pollard is currently assessing the impact of the amendments on its consolidated financial statements.

(In thousands of Canadian dollars, except for share amounts)

4. Future accounting standards (continued):

In September 2014, the IASB issued amendments to IFRS 10 Consolidated Financial Statements and IAS 28 *Investments in Associates and Joint Ventures* (2011). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective for fiscal years beginning on or after January 1, 2016, with early adoption available. Pollard is currently assessing the impact of the amendments on its consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements.* The amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. These amendments are effective for fiscal years beginning on or after January 1, 2016, with early adoption available. Pollard is currently assessing the impact of the amendments on its consolidated financial statements.

5. Inventories:

		March 31, 2015		December 31, 2014
Raw materials	**$**	**7,484**	$	7,602
Work-in-process		**799**		641
Finished goods		**13,680**		16,665
	$	**21,963**	$	24,908

During the first quarter of 2015, Pollard recorded inventory write-downs of $137 representing an increase in obsolescence reserves, and write-downs of $49 due to changes in foreign exchange rates.

During the first quarter of 2014, Pollard recorded inventory write-downs of $61 representing an increase in obsolescence reserves, and write-downs of $18 due to changes in foreign exchange rates.

The cost of sales reflects the costs of inventory including direct material, direct labour and manufacturing overheads.

(In thousands of Canadian dollars, except for share amounts)

6. Long-term debt:

		March 31, 2015		December 31, 2014
Credit facility, interest of 2.7% to 3.9%, payable monthly, maturing 2016	$	**71,516**	$	69,316
Deferred financing charges, net of amortization		**(229)**		(172)
		71,287		69,144
Less current portion		**(1,203)**		(902)
	$	**70,084**	$	68,242

Included in the total credit facility balance is a U.S. dollar loan balance of US$13,600 (December 31, 2014 – US$13,600).

On January 1, 2015, the credit facility was amended to replace Pollard Holding Limited Partnership with Pollard Banknote Limited as the Canadian borrower as a result of the amalgamation. See note 1 regarding the amalgamation.

The credit facility provides loans of up to $71,827 for its Canadian operations, $4,812 for a term facility, and up to US$10,000 for its U.S. subsidiaries. Borrowings under the credit facility bear interest at fixed and floating rates based on Canadian and U.S. prime bank rates, banker's acceptances or LIBOR. At March 31, 2014, the outstanding letters of guarantee drawn under the credit facility were $1,157 (December 31, 2014 - $1,106).

Under the terms and conditions of the credit facility agreement Pollard is required to maintain certain financial covenants including working capital ratios, debt to income before interest, income taxes, amortization and depreciation ("Adjusted EBITDA") ratios and certain debt service coverage ratios. As at March 31, 2015, Pollard is in compliance with all financial covenants.

As at March 31, 2015, $4,812 of the term facility had been drawn. Repayment of the term facility will commence on the earlier of the completion of the installation of the new printing press or June 30, 2015, in the form of quarterly principal repayments of $301 plus interest. Repayments will permanently reduce the term facility commitment available.

Under the terms of the credit facility the amount of the facility, excluding the term facility, will be reduced on a quarterly basis by an amount calculated as 50% of the prior quarter's Excess Cash

(In thousands of Canadian dollars, except for share amounts)

6. Long-term debt (continued):

Flow. Excess Cash Flow is defined as Adjusted EBITDA less scheduled principal indebtedness payments (if any) including, without limitation, scheduled principal payments on the term facility and the subordinated debt, maintenance capital expenditures (to a maximum of $3,500 per year), interest and cash income taxes paid. The reduction in the available facility is not required when the debt to Adjusted EBITDA ratio reaches certain target levels. For the quarter ending March 31, 2015, the target level was reached therefore no reduction is required. As of March 31, 2015, Pollard has unused credit facility available of $16,616 (December 31, 2014 - $17,816) and the term facility is fully drawn.

Pollard's credit facility, including the term facility, is secured by a first security interest in all of the present and after acquired property of Pollard. The facility can be prepaid without penalties. Under the terms of the agreement the facility was committed for a period, renewable June 30, 2015 ("Facility Expiry Date"). If the facility is not renewed, the loans are repayable one year after the Facility Expiry Date, except for the scheduled principal repayments on the term facility. As such, the credit facility effectively has a two year term expiring June 30, 2016.

7. Subordinated debt:

	March 31, 2015	December 31, 2014
Subordinated debt, interest of 9.00% payable quarterly, maturing 2021	$ 6,813	$ 6,813
	$ 6,813	$ 6,813

On April 2, 2014, Pollard's subsidiary, Pollard Holdings Limited Partnership, entered into a loan agreement with Equities for a subordinated term loan facility with a seven year term in the amount of $6,813 to assist in the purchase of the new printing press. Principal payments on the subordinated loan facility will commence the month following the later of: twenty-four months from the date of the first advance, completed on April 4, 2014, or the date of repayment in full of the additional secured term facility of $4,812. Interest on the subordinated term loan facility commences with the first draw at a rate of 9%. The loan is fully subordinated to the secured credit facility.. Effective January 1, 2015, Pollard Banknote Limited assumed the subordinated debt on completion of the amalgamation of the Canadian entities.

(In thousands of Canadian dollars, except for share amounts)

8. Other (income) expense:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Loss on equity investment	**$ -**	$ 29
Other income	**(148)**	(67)
	$ (148)	$ (38)

9. Finance costs and finance income:

Finance costs	**Three months ended March 31, 2015**	Three months ended March 31, 2014
Interest	**$ 655**	$ 798
Foreign exchange loss	**1,230**	371
Mark-to-market loss on foreign currency contracts (note 15)	**-**	567
Amortization of deferred financing costs	**55**	48
	$ 1,940	$ 1,784

Finance income	**Three months ended March 31, 2015**	Three months ended March 31, 2014
Mark-to-market gain on foreign currency contracts (note 15)	**$ 80**	$ -
	$ 80	$ -

10. Income taxes:

Income tax expense	**Three months ended March 31, 2015**	Three months ended March 31, 2014
Current income tax	**$ 751**	$ 370
Deferred income tax	**236**	751
	$ 987	$ 1,121

(In thousands of Canadian dollars, except for share amounts)

10. Income taxes (continued):

Reconciliation of effective tax rate			**Three months ended March 31, 2015**			Three months ended March 31, 2014
Net income for the period		**$**	**1,397**		$	1,115
Total income taxes			**987**			1,121
Income before income taxes		**$**	**2,384**		$	2,236
Income tax using Pollard's domestic tax rate	**26.7%**	**$**	**637**	26.7%	$	597
Changes in expected tax rates and other non-deductible amounts	**(4.0%)**		**(95)**	7.9%		177
Effect of non-taxable items related to foreign exchange	**18.7%**		**445**	15.5%		347
	41.4%	**$**	**987**	50.1%	$	1,121

11. Net income per share:

		Three months ended March 31, 2015		Three months ended March 31, 2014
Net income attributable to shareholders for basic and diluted net income per share	**$**	**1,397**	$	1,115
Weighted average number of shares (basic)		**23,543,158**		23,543,158
Weighted average impact of share options on issue		**100,000**		24,444
Weighted average number of shares (diluted)		**23,643,158**		23,567,602
Net income per share (basic)	**$**	**0.06**	$	0.05
Net income per share (diluted)	**$**	**0.06**	$	0.05

(In thousands of Canadian dollars, except for share amounts)

12. Supplementary cash flow information:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Change in non-cash operating working capital:		
Accounts receivable	**$ 484**	$ (1,766)
Inventories	**3,213**	1,273
Prepaid expenses and deposits	**(469)**	(2,047)
Accounts payable and accrued liabilities	**(1,040)**	(726)
	$ 2,188	$ (3,266)

13. Dividends:

Dividends are paid on the common shares within 15 days of the end of each quarter and are fully discretionary, as determined by the Board of Directors of Pollard, subject to restrictions imposed under its credit facility.

On March 10, 2015, a dividend of $0.03 per share was declared, payable on April 15, 2015, to the shareholders of record on March 31, 2015.

14. Related party transactions:

During the quarter ended March 31, 2015, Pollard paid property rent of $770 (2014 - $758) and $67 (2014 - $61) in plane charter costs to affiliates of Pollard Equities Limited ("Equities"). In addition, during the quarter, Pollard paid Equities $151 (2014 – nil) of interest on Pollard's subordinated debt.

During the quarter, Equities paid Pollard $18 (2014 - $18) for accounting and administration fees.

At March 31, 2015, included in accounts payable and accrued liabilities is an amount owing to Equities and its affiliates for rent and other expenses of $534 (December 31, 2014 - $1,155). Also included in accounts payable and accrued liabilities is an amount owing to Pollard's joint operation partner for its portion of iLottery capital and operating costs of $110.

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the company. The Board of Directors and the Executive Committee are considered key management personnel.

(In thousands of Canadian dollars, except for share amounts)

14. Related party transactions (continued):

Key management personnel compensation comprised of:

		Three months ended March 31, 2015		Three months ended March 31, 2014
Wages, salaries and benefits	**$**	**579**	$	630
Profit share		**2**		3
Expenses related to defined benefit plans		**116**		68
	$	**697**	$	701

At March 31, 2015, the Directors and Named Executive Officers of Pollard, as a group, beneficially owned or exercised control or direction over 17,421,771 common shares of Pollard.

15. Financial risk management:

Pollard has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Currency risk
Interest rate risk

Pollard's risk management policies are established to identify and analyze the risks, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Audit Committee oversees how management monitors compliance with Pollard's risk management policies and procedures. The Audit Committee is assisted in its oversight role by Internal Audit, who undertakes regular reviews of risk management controls and utilizes the annual risk assessment process as the basis for the annual internal audit plan.

Credit risk

The following table outlines the details of the aging of Pollard's receivables and the related allowance for doubtful accounts:

		March 31, 2015		December 31, 2014
Current	**$**	**16,283**	$	17,258
Past due for 1 to 60 days		**5,004**		3,887
Past due for more than 60 days		**585**		861
Less: Allowance for doubtful accounts		**(43)**		(76)
	$	**21,829**	$	21,930

15. Financial risk management (continued):

Liquidity risk

Liquidity risk is the risk that Pollard will not be able to meet its financial obligations as they fall due. Pollard's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. In addition, Pollard maintains a committed credit facility including up to $71,827 for its Canadian operations, as well as the additional term facility of $4,812 available to finance the new printing press, and up to US$10,000 for its U.S. subsidiaries. At March 31, 2015, the unused balance available for drawdown was $16,616 (December 31, 2014 - $17,816).

The 2015 requirements for capital expenditures, working capital and dividends are expected to be financed from cash flow provided by operating activities, the unused credit facility.

Currency risk

Pollard sells a significant portion of its products and services to customers in the United States and to some international customers where sales are denominated in U.S. dollars. In addition, a significant portion of its cost inputs are denominated in U.S. dollars. Pollard also generates revenue in currencies other than the Canadian and U.S. dollar, primarily in Euros.

A 50 basis point strengthening/weakening in the foreign exchange rate between the Canadian and U.S. dollar would decrease/increase the income before income taxes due to changes in operating cashflow by approximately $23 for the three months ended March 31, 2015 (2014 - $27). A 50 basis point strengthening/weakening in the foreign exchange rate between the Canadian dollar and Euro would decrease/increase the income before income taxes due to changes in operating cashflow by $13 for three months ended March 31, 2015 (2014 - $17).

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. At March 31, 2015, the amount of financial liabilities denominated in U.S. dollars exceeds the amount of financial assets denominated in U.S. dollars by approximately $6,708 (December 31, 2014 - $7,936). A 50 basis point weakening/strengthening in the value of the Canadian dollar relative to the U.S. dollar would result in a decrease/increase in income before income taxes of approximately $34 for the three months ended March 31, 2015 (2014 - $5).

Pollard utilizes a number of strategies to mitigate its exposure to currency risk. Two manufacturing facilities are located in the U.S. and a significant amount of cost inputs for all production facilities are denominated in U.S. dollars, offsetting a large portion of the U.S. dollar revenue in a natural hedge.

15. Financial risk management (continued):

In addition, Pollard has entered into foreign currency contracts to exchange US$1,000 each month for approximately $1,065 for 18 consecutive months from December 2013 to May 2015. At March 31, 2015, the remaining open foreign currency contracts have been recognized at fair value in the statement of financial position as a $403 liability.

A 50 basis point weakening/strengthening in the value of the Canadian dollar relative to the U.S. dollar would result in a decrease/increase in income before income taxes of approximately $10 for the three months ended March 31, 2015 (2014 - $70), due to the change in value of the mark-to-market value of the U.S. foreign exchange contracts.

Interest rate risk

Pollard is exposed to interest rate risk relating to its fixed and floating rate instruments. Fluctuation in interest rates will have an effect on the valuation and repayment of these instruments.

A 50 basis point decrease/increase in interest rates would result in an increase/decrease in income before income taxes of approximately $89 for the three months ended March 31, 2015 (2014 - $92).