POLLARD banknote limited

March 31, 2015

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

FOR THE THREE MONTHS ENDED MARCH 31, 2015

May 5, 2015

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the three months ended March 31, 2015, is prepared as at May 5, 2015, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements of Pollard and the notes therein as at March 31, 2015 and the audited consolidated financial statements of Pollard for the year ended December 31, 2014 and the notes therein. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

Forward-Looking Statements

Certain statements in this report may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this document, such statements include such words as "may," "will," "expect," "believe," "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this document. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

Use of Non-GAAP Financial Measures

Reference to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization, unrealized foreign exchange gains and losses, mark-to-market gains and losses on foreign currency contracts, and certain non-recurring items including start-up costs. Adjusted EBITDA is an important metric used by many investors to compare issuers on the basis of the ability to generate cash from operations and management believes that, in addition to net income, Adjusted EBITDA is a useful supplementary measure.

Adjusted EBITDA is a measure not recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, this measure may not be comparable to similar measures presented by other entities. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of Pollard's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

Basis of Presentation

The results of operations in the following discussions encompass the unaudited consolidated results of Pollard for the three months ended March 31, 2015. All figures are in millions except for per share amounts.

POLLARD BANKNOTE LIMITED

Overview

Pollard Banknote Limited ("Pollard") is one of the leading providers of products and services to lottery and charitable gaming industries throughout the world. Management believes Pollard is the largest provider of instant-win scratch tickets ("instant tickets") based in Canada and the second largest producer of instant tickets in the world.

Pollard produces and provides a comprehensive line of instant tickets and lottery services including: licensed products, distribution, retail telephone selling ("tel-sell"), marketing, iLottery, interactive gaming, Social Instants™, retail management services and instant ticket vending machines. In addition, Pollard's charitable gaming product line includes pull-tab (or break-open) tickets, bingo paper, pull-tab vending machines and ancillary products such as pull-tab counting machines. Pollard also markets products to the commercial gaming and security sector including such items as promotional scratch and win tickets, transit tickets and parking passes.

Pollard's lottery products are sold extensively throughout Canada, the United States and the rest of the world, wherever applicable laws and regulations authorize their use. Pollard serves over 50 instant ticket lotteries including a number of the largest lotteries throughout the world. Charitable gaming products are mostly sold in the United States and Canada where permitted by gaming regulatory authorities. Pollard serves a highly diversified customer base in the charitable gaming market of over 250 independent distributors with the majority of revenue generated from repeat business.

Product line breakdown of revenue

	Three months ended March 31, 2015	Three months ended March 31, 2014
Instant Tickets	89.8%	89.7%
Charitable Gaming Products	8.6%	9.0%
Vending Machines	1.6%	1.3%

Geographic breakdown of revenue

	Three months ended March 31, 2015	Three months ended March 31, 2014
United States	48%	57%
Canada	23%	18%
International	29%	25%

The following financial information should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements of Pollard and the notes therein as at and for the three months ended March 31, 2015.

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share information)

	Three months ended March 31, 2015	Three months ended March 31, 2014
Sales	$54.4	$50.7
Cost of sales	44.4	41.2
Gross profit	10.0	9.5
Gross profit as a % of sales	*18.4%*	*18.7%*
Administration expenses	4.2	3.8
Administration expenses as a % of sales	*7.7%*	*7.5%*
Selling expenses	1.7	1.7
Selling expenses as a % of sales	*3.1%*	*3.4%*
Net income	1.4	1.1
Net income as a % of sales	*2.6%*	*2.2%*
Adjusted EBITDA	6.7	6.3
Adjusted EBITDA as a % of sales	*12.3%*	*12.4%*
Net income per share (basic and diluted)	$0.06	$0.05

	March 31, 2015	December 31, 2014
Total Assets	$149.8	$149.3
Total Non-Current Liabilities	$89.8	$89.2

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

(millions of dollars)

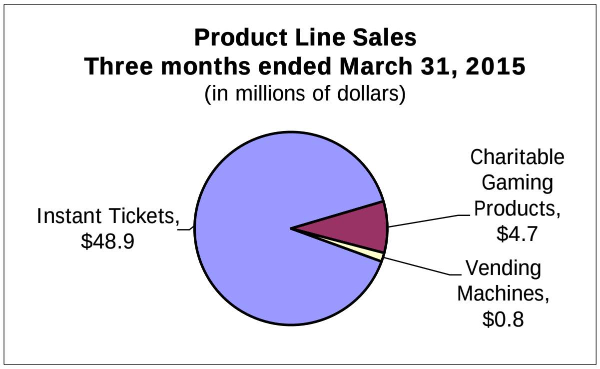
	Three months ended March 31, 2015	Three months ended March 31, 2014
Net income	$1.4	$1.1
Adjustments:		
Amortization and depreciation	2.0	1.9
Interest	0.6	0.8
Mark-to-market (gain) loss on foreign currency contracts	(0.1)	0.6
Unrealized foreign exchange loss	1.8	0.8
Income taxes	1.0	1.1
Adjusted EBITDA	$6.7	$6.3

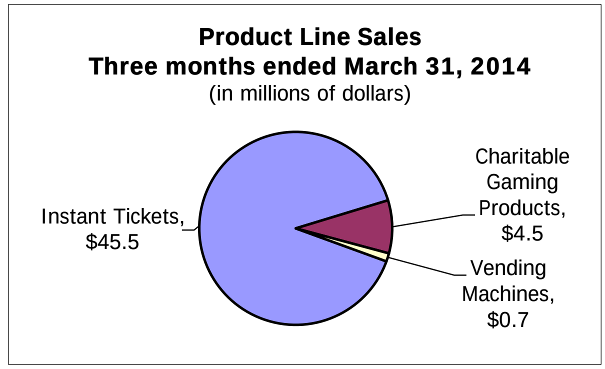
REVIEW OF OPERATIONS

Financial and operating information has been derived from, and should be read in conjunction with, the unaudited condensed consolidated interim financial statements of Pollard and the selected financial information disclosed in this MD&A.

ANALYSIS OF RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2015

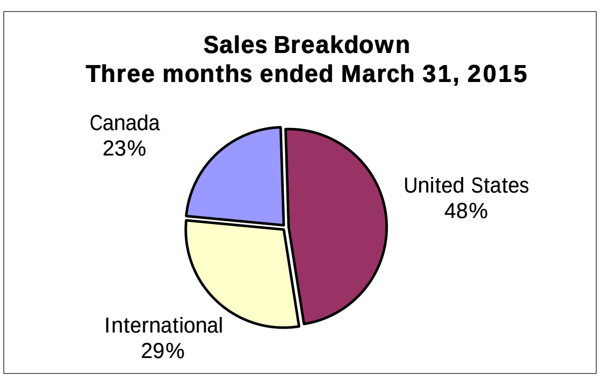
Sales

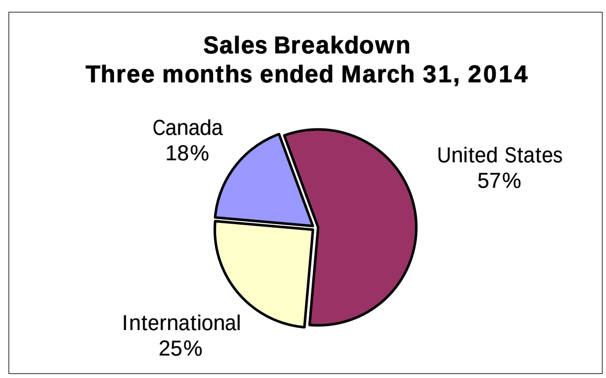




During the three months ended March 31, 2015, Pollard achieved sales of $54.4 million, compared to $50.7 million in the three months ended March 31, 2014. A number of factors resulted in the $3.7 million sales increase.

Instant ticket volumes for the first quarter of 2015 were higher than the first quarter of 2014 by 9.8% which increased sales by $4.0 million. Offsetting this increase was a decrease in sales of ancillary instant ticket products and services of $3.2 million due primarily to a large non-recurring licensed game sale in 2014. In addition, a slight decrease in average selling price compared to 2014 further decreased sales by $0.4 million. Charitable gaming volumes declined for the quarter which reduced sales by $0.4 million, which was partially offset by an increase in average selling price which increased sales by $0.1 million. A decrease in machine volumes further decreased sales by $0.1 million when compared to the first quarter of 2014.





During the three months ended March 31, 2015, Pollard generated approximately 67.9% (2014 – 70.1%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first quarter of 2015 the actual U.S. dollar value was converted to Canadian dollars at $1.214, compared to a rate of $1.093 during the first quarter of 2014. This 11.1% increase in the U.S. dollar value resulted in an approximate increase of $3.7 million in revenue relative to the first quarter of 2014.

Also during the quarter, the value of the Canadian dollar strengthened against the Euro resulting in an approximate decrease of $0.2 million in revenue relative to the first quarter of 2014.

Cost of sales and gross profit

Cost of sales was $44.4 million in the first quarter of 2015 compared to $41.2 million in the first quarter of 2014. Cost of sales was higher by $0.5 million as a result of increased instant ticket volumes. Higher exchange rates on U.S. dollar transactions in the first quarter of 2015 increased cost of sales approximately $2.7 million when compared to the first quarter of 2014.

Gross profit earned in the first quarter of 2015 was $10.0 million (18.4% of sales) as compared to $9.5 million (18.7% of sales) earned in the first quarter of 2014. This increase was due mainly to the increase in instant ticket volumes, as well as the weakening of the Canadian dollar relative to the U.S. dollar.

Administration expenses

Administration expenses increased to $4.2 million in the first quarter of 2015 from $3.8 million in the first quarter of 2014 due primarily to increased compensation costs.

Selling expenses

Selling expenses were $1.7 million in the first quarter of 2015 which was similar to $1.7 million in the first quarter of 2014.

Interest expense

Interest expense decreased to $0.6 million in the first quarter of 2015 from $0.8 million in the first quarter of 2014 primarily as a result of lower interest rates.

Foreign exchange loss

The net foreign exchange loss was $1.2 million in the first quarter of 2015 compared to a loss of $0.4 million in the first quarter of 2014. Within the 2015 net foreign exchange loss was an unrealized foreign exchange loss of $1.8 million predominately a result of unrealized loss on U.S. dollar denominated debt (caused by the weakening of the value of the Canadian dollar versus the U.S. dollar) in addition to an unrealized loss on other U.S. dollar denominated accounts payable. Partially offsetting the unrealized loss was a realized gain of $0.6 million primarily relating to the increased value of U.S. dollar denominated accounts receivable.

Within the 2014 net foreign exchange loss was an unrealized foreign exchange loss of $0.8 million comprised of a $0.6 million unrealized loss on U.S. dollar denominated debt (caused by the weakening of the value of the Canadian dollar versus the U.S. dollar) in addition to an unrealized loss of $0.2 million on other U.S. dollar denominated assets. Partially offsetting the unrealized loss was a realized gain of $0.4 million primarily relating to the increased value of U.S. dollar denominated accounts receivable.

Adjusted EBITDA

Adjusted EBITDA was $6.7 million in the first quarter of 2015 compared to $6.3 million in the first quarter of 2014. The primary reason for the increase in Adjusted EBITDA was the increased gross profit and realized foreign exchange gains, partially offset by increased administration expenses.

Income taxes

Income tax expense was $1.0 million in the first quarter of 2015, an effective rate of 41.4%, higher than our expected effective rate of 26.7% due primarily to differences relating to the foreign exchange impact of Canadian dollar denominated debt in its U.S. subsidiaries. Pollard has capitalized its U.S. operations using intercompany Canadian dollar debt. The weakening of the Canadian dollar versus the U.S. dollar results in a future gain on debt repayment for U.S. tax purposes in the subsidiary, creating a deferred tax expense with no related income (as the gain is eliminated on consolidation). This increased the effective tax rate by about 34 percentage points. Other differences relating to changes in the expected income tax rate, including permanent difference relating to the foreign exchange translation of property, plant and equipment, decreased the effective tax rate by approximately 19 percentage points on a net basis.

Income tax expense was $1.1 million in the first quarter of 2014, an effective rate of 50.1%, higher than our expected effective rate of 26.7% due primarily to differences relating to the foreign exchange impact of Canadian dollar denominated debt in its U.S. subsidiaries. Pollard has capitalized its U.S. operations using intercompany Canadian dollar debt. The weakening of the Canadian dollar versus the U.S. dollar results in a future gain on debt repayment for U.S. tax purposes in the subsidiary, creating a deferred tax expense with no related income (as the gain is eliminated on consolidation). This increased the effective tax rate by about 16 percentage points. Other differences relating to changes in the expected income tax rate increased the effective tax rate by approximately 8 percentage points.

Amortization and depreciation

Amortization and depreciation, including amortization of deferred financing costs and intangible assets and depreciation of property and equipment, totaled $2.0 million during the first quarter of 2015 which was similar to $1.9 million during the first quarter of 2014.

Net income

Net income increased to $1.4 million in the first quarter of 2015 from $1.1 million in the first quarter of 2014. The primary reasons were the $0.5 million increase in gross profit and the $0.7 million increase in the non-cash mark-to-market gain on foreign currency contracts. These increases were partially offset by the increase in the foreign exchange loss of $0.8 million.

Net income per share (basic and diluted) increased to $0.06 per share in the first quarter of 2015 from $0.05 per share in the first quarter of 2014.

Liquidity and Capital Resources

Cash provided by operating activities

For the three months ended March 31, 2015, cash flow provided by operating activities was $6.1 million compared to $1.4 million provided in 2014. Improved operating results in the first quarter of 2015 contributed to the increase in cash provided by operating activities compared to 2014. For the three months ended March 31, 2015, changes in the non-cash component of working capital increased cash flow from operations by $2.2 million. The increase was due primarily to decreases in accounts receivable and inventory, partially offset by an increase in prepaid expenses and a decrease in accounts payable and accrued liabilities. For the three months ended March 31, 2014, changes in the non-cash component of working capital decreased cash flow from operations by $3.3 million. The decrease was due primarily to an increase in accounts receivable and prepaid expenses and a decrease in accounts payable and accrued liabilities, partially offset by a decrease in inventories.

Cash used for interest decreased to $0.6 million in 2015 as compared to $0.8 million in 2014, as well cash used for pension plan contributions decreased to $0.6 million in 2015 as compared to $1.4 million in 2014 due to the elimination of special payment requirements in late 2014. Cash used for income tax payments increased to $2.6 million in 2015 from $0.2 million in 2014. Taxable income in Canada increased in 2014 due to improved operating results. Pollard was not required to make installments during 2014, therefore the income taxes due for 2014 were payable at the end of February 2015.

Cash used for investing activities

In the three months ended March 31, 2015, cash used for investing activities was $5.4 million compared to $1.2 million used in the first quarter of 2014. In the three months ending March 31, 2015, capital expenditures were $5.2 million, including $4.7 million in payments relating to the new printing press project. In addition, Pollard also expended $0.2 million on additions to intangible assets, primarily related to implementation costs, including capitalized internal costs, for ERP software.

In the three months ending March 31, 2014, capital expenditures were $0.8 million. In addition, Pollard expended $0.4 million on additions to intangible assets, primarily related to implementation costs, including capitalized internal costs, for ERP software.

Cash used for financing activities

Cash used for financing activities was $0.3 million in the three months ended March 31, 2015, compared to $0.9 million used in the three months ended March 31, 2014.

During the first quarter of 2015 proceeds from long-term debt of $0.6 million were offset by $0.1 million of financing costs and dividends paid of $0.7 million.

During the first quarter of 2014 Pollard repaid $0.2 million of long-term debt and also paid dividends of $0.7 million.

As at March 31, 2015, Pollard had unused committed debt facility of $16.6 million. This amount is available to be used for future working capital requirements, contractual obligations, capital expenditures and dividends.

Quarterly Information
(unaudited)
(millions of dollars)

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Sales	$54.4	$43.2	53.5	47.1	$50.7	$47.6	$48.1	$44.8	$44.4
Adjusted EBITDA	6.7	5.6	7.3	6.4	6.3	6.3	6.3	4.9	5.1
Net Income	1.4	2.2	1.7	3.7	1.1	0.9	2.6	1.0	0.9

Q1 2015 sales and adjusted EBITDA were higher due to higher instant ticket volumes and weaker Canadian dollar.

Q4 2014 sales and adjusted EBITDA were lower due to lower instant ticket volumes.

Q3 2014 sales were higher predominately due to higher average selling price of instant tickets. Q3 2014 adjusted EBITDA was higher due to higher gross profit.

Q2 2014 net income was higher due to higher gross profit and increased non-cash mark-to-market gains on foreign currency contracts.

Sales in Q1 2014 were higher due to increased ancillary instant ticket sales, primarily licensed games.

Adjusted EBITDA in Q4 and Q3 2013 was higher due to higher gross profit achieved through higher sales volumes.

Productive Capacity

Management has defined productive capacity as the level of operations necessary to maintain a minimum Adjusted EBITDA of $26.0 million on an annualized basis. Due to varying factors implicit in the nature of the lottery industry and the instant ticket market, productive capacity can best be measured through a financial output such as Adjusted EBITDA and cash flow. A number of factors impact the level of Adjusted EBITDA including physical plant capacity, machine capacity, nature of product and service offerings produced and mix of customers. Changes to productive capacity have occurred primarily through expenditures on fixed assets and improved processes and other internal improvement measures. Productive capacity is also impacted by changes in foreign exchange relationships. There have been no increases in productive capacity due to acquisitions since Pollard's initial public offering ("IPO") in August 2005.

On April 4, 2014, Pollard entered into a purchase agreement for a new 22 station Tresu press line, with an approximate cost of $20.0 million. When fully operational in later 2015, it is expected to provide an approximate increase in capacity of 35%.

Pollard's strategy with respect to productive capacity is to expend the required funds and resources to maintain the assets required to generate the targeted cash flow. In addition, dependent on certain market conditions and limitations on available funds, projects are incurred to increase cash inflow or decrease cash outflow. The nature of the lottery industry does not in itself lead to significant obsolescence risk with the operating assets. To grow productive capacity, ongoing investment in new technology, new fixed assets and new intangible assets is required. Pollard utilizes a number of individual strategies to maintain and grow productive capacity including a capital expenditure budget and a rigorous formal approval process, flexible individual customer management relationships and structured maintenance programs throughout all of the facilities.

An important component to managing and growing productive capacity is the management of certain intangible assets, including customer contracts and relationships, patents, computer software and goodwill. Certain of these assets are reflected in Pollard's financial statements due to the use of continuity of interest method of accounting during the transfer of the business at Pollard's IPO.

Management focuses on maintaining and growing the value of the customer relationship through winning contract renewals, pursuing and obtaining new contracts and assisting existing customers growing their instant ticket product lines. Regular commitment to research and development allows continual development of patents, software and additional technological assets that maintain and increase operating income and cash flow. Detailed cost benefit analysis is performed for any significant investment of funds or resources in order to minimize the associated risks that these assets will not be able to generate the expected level of cash flow. Where new opportunities are identified, such as a new marketing opportunity or a new machine or process able to reduce input costs, consideration is given to revise plans and take advantage of these prospects.

Certain risks are associated with projects aimed at increasing productive capacity, including increases in working capital, acquisition or development of intellectual property, development of additional products or services and purchases of fixed assets. If these investments fail to increase Adjusted EBITDA and cash flow, then productive capacity will ultimately decrease over time due to the consumption of these investment resources. The impact on productive capacity may also depend upon the completion and start-up timing of certain investment projects.

Working Capital

Net non-cash working capital varies throughout the year based on the timing of individual sales transactions and other investments. The nature of the lottery industry is few individual customers who generally order large dollar value transactions. As such, the change in timing of a few individual orders can impact significantly the amount required to be invested in inventory or receivables at a particular period end. The high value, low volume of transactions results in some significant volatility in non-cash working capital, particularly during a period of rising volumes. Similarly, the timing of the completion of the sales cycle through collection can significantly impact non-cash working capital.

Instant tickets are produced specifically for individual clients resulting in a limited investment in finished goods inventory. Customers are predominantly government agencies, which result in regular payments. There are a limited number of individual customers, and therefore net investment in working capital is managed on an individual customer by customer basis, without the need for company wide benchmarks.

The overall impact of seasonality does not have a material impact on the carrying amounts in working capital.

As at March 31, 2015, Pollard's investment in non-cash working capital decreased $2.2 million compared to December 31, 2014 primarily as a result of decreased investment in inventories as a result of increased sales in the first quarter of 2015.

	March 31, 2015	December 31, 2014
Working Capital	$30.6	$30.2
Total Assets	$149.8	$149.3
Total Non-Current Liabilities	$89.8	$89.2

Credit Facility

Pollard's credit facility consists of one credit facility including a separate term facility. 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 of Pollard's Canadian entities with Pollard Banknote Limited.

In addition to the $4.8 million term facility, the credit facility provides loans of up to $71.8 million for its Canadian operations and up to US$10.0 million 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, 2015, the outstanding letters of guarantee were $1.2 million. The remaining balance available for drawdown under the credit facility was $16.6 million.

At March 31, 2015, $4.8 million 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 $0.3 million plus interest. Repayments will permanently reduce the term facility commitment available.

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 and May 5, 2015, Pollard is in compliance with all covenants.

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 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 $3.5 million 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.

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 has effectively a two year term expiring June 30, 2016.

Pollard believes that its credit facility, including the term facility, subordinated loan from Pollard Equities Limited and ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for investment in capital expenditures, working capital and dividends at existing business levels.

Subordinated Loan

On April 2, 2014, Pollard's subsidiary, Pollard Holdings Limited Partnership, entered into a loan agreement with Pollard Equities Limited ("Equities") for a subordinated term loan facility with a seven year term in the amount of $6.8 million. Equities owns approximately 73.5% of Pollard's outstanding shares. 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 term facility of $4.8 million. 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 facilities. Effective January 1, 2015, Pollard Banknote Limited assumed the subordinated debt on completion of the amalgamation of the Canadian entities.

Outstanding Share Data

As at March 31, 2015 and May 5, 2015, outstanding share data was as follows:

Common shares	23,543,158

Share Options

Under the Pollard Banknote Limited Stock Option Plan the Board of Directors has the authority to grant options to purchase common shares to eligible persons and to determine the applicable terms. The aggregate maximum number of common shares available for issuance from Pollard's treasury under the Option Plan is 2,354,315 common shares.

On March 5, 2014, the Board of Directors approved the award of 100,000 options to purchase common shares of Pollard for certain key management personnel. The options were granted on March 10, 2014, and have a seven year term, vesting 25% per year over the first four years. The exercise price of the options was equal to the closing price of the common shares on March 7, 2014.

Contractual Obligations

There have been no material changes to Pollard's contractual obligations since December 31, 2014, that are outside the normal course of business.

Off-Balance Sheet Arrangements

There have been no material changes to Pollard's off-balance sheet arrangements since December 31, 2014, that are outside the normal course of business.

Financial Instruments

The financial instruments of Pollard remain substantially unchanged from those identified in the MD&A for Pollard for the year ended December 31, 2014.

Critical Accounting Policies and Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management of Pollard regularly reviews its estimates and assumptions based on historical experience and various other assumptions that it believes would result in reasonable estimates given the circumstances. Actual results could differ from those estimates under different assumptions. The following is a discussion of accounting policies which require significant management judgment and estimation.

Impairment of goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired of Pollard's U.S. subsidiaries and the excess purchase price over the underlying carrying amount of the portion of the net assets sold as at August 5, 2005, as part of the 26.7% of Pollard sold in conjunction with the IPO, and is not amortized. Goodwill is subject to an annual impairment review. This requires an estimation of the "value in use" or "fair value less costs to sell" of the cash-generating units ("CGUs") to which goodwill is allocated. Estimating a value in use requires Pollard to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Employee future benefits

Accounting for defined benefit plans requires Pollard to use actuarial assumptions. These assumptions include the discount rate and the rate of compensation increases. These assumptions depend on underlying factors such as economic conditions, government regulations, investment performance, employee demographics and mortality rates.

Income taxes

Pollard is required to evaluate the recoverability of deferred income tax assets. This requires an estimate of Pollard's ability to utilize the underlying future income tax deductions against future taxable income before they expire. In order to evaluate the recoverability of these deferred income tax assets, Pollard must estimate future taxable income.

Related Party Transactions

Pollard has not entered into any significant transactions with related parties during the three months ended March 31, 2015, which are not disclosed in the unaudited condensed consolidated interim financial statements.

Industry Risks and Uncertainties

The risk factors affecting Pollard remain substantially unchanged from those identified in the MD&A for Pollard for the year ended December 31, 2014.

Outlook

Lottery industry sales data continues to show strong demand for instant tickets with consumers in jurisdictions throughout the world. The variety of different options and products marketed at retail has grown significantly and has been a key factor in the growth of the instant ticket market. Indications are there is continuing consumer interest in instant tickets and we expect these trends to continue.

We anticipate our volumes to continue at similar levels to the last few quarters leading up to the start-up of our new press. Once our new capacity comes fully on stream we will have the availability of added capacity to strategically bid for additional volumes. There have been no material changes to our current contract portfolio and we have no material contracts up for rebid in 2015 when considering renewals.

Commissioning of the new press expansion project is planned for late in the second quarter of 2015. The lottery industry does feature a relatively long selling cycle due to the long term nature of the contracts. As a result the new press line's additional capacity will take some period of time to become fully utilized and will have more of an impact on our volumes going forward in 2016 and beyond.

The Michigan iLottery operation continues to exceed early expectations and we will continue to build customer counts and revenue as the advertising and customer acquisition processes are implemented. While still small in absolute dollar amounts, the impact of this operation is positive to our bottom line and will grow going forward. The North American lottery industry itself is taking a cautious approach to iLottery expansion, however we believe over time more jurisdictions will take advantage of this new source of revenue.

The Canadian dollar weakened significantly against the U.S. dollar during the first quarter of 2015. As previously noted we sell a majority of our revenue denominated in U.S. dollars and, after our natural internal hedges relating to U.S. dollar purchases, our net exposure remains U.S. dollar cash positive. The movement of the Canadian dollar had a positive impact on our cash flow in the first quarter of 2015, which will continue if the Canadian dollar remains weak.

Anticipated capital expenditures for the remainder of 2015 are expected to be lower than the levels of expenditures incurred in 2014 and the first quarter of 2015, as the press expansion moves into the completion stage.

We anticipate our internal operating cash flow over the next year will generate sufficient funds to satisfy all of our requirements including the remaining capital expenditures required to complete our new press line expansion. Our current credit facility provides flexibility and capacity to support our various strategic initiatives and any additional excess cash inflow will be used to reduce our senior bank debt.

Disclosure Controls and Procedures

Under National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," issuers are required to document the conclusions of the Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") for the interim period regarding the design of the disclosure controls and procedures. Pollard's management, with the participation of the Certifying Officers of Pollard, has concluded that the design of the disclosure controls and procedures as defined in National Instrument 52-109 will provide reasonable assurance of achieving the disclosure objectives.

Internal Controls over Financial Reporting

Under National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," issuers are required to document the conclusions of the Certifying Officers regarding the design of the internal controls over financial reporting. Pollard's management, with the participation of the Certifying Officers of Pollard, has concluded that the design of the internal controls over financial reporting as defined in National Instrument 52-109 will provide reasonable assurance of achieving the financial reporting objectives.

No changes were made in Pollard's internal control over financial reporting during the three months ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, Pollard's internal control over financial reporting.

Additional Information

Shares of Pollard Banknote Limited are traded on the Toronto Stock Exchange under the symbol PBL.

Additional information relating to Pollard, including the Audited Consolidated Financial Statements and the Annual Information Form of Pollard for the year ended December 31, 2014, is available on SEDAR at www.sedar.com.

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