Condensed Consolidated Interim Financial Statements of

POLLARD BANKNOTE LIMITED

(unaudited)

Six months ended June 30, 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)

		June 30, 2015		December 31, 2014
Assets				
Current assets				
Cash	$	**7,785**	$	6,287
Accounts receivable		**23,549**		21,930
Inventories (note 4)		**22,080**		24,908
Prepaid expenses and deposits		**4,161**		3,275
Total current assets		**57,575**		56,400
Non-current assets				
Property, plant and equipment		**47,002**		40,723
Goodwill		**37,049**		36,600
Intangible assets		**12,863**		13,292
Deferred income taxes		**261**		2,304
Total non-current assets		**97,175**		92,919
Total assets	$	**154,750**	$	149,319

		June 30, 2015		December 31, 2014
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	**21,257**	$	21,225
Dividends payable		**706**		706
Income taxes payable		**2,342**		2,871
Foreign currency contracts		**-**		483
Current portion long-term debt (note 5)		**1,203**		902
Total current liabilities		**25,508**		26,187
Non-current liabilities				
Long-term debt (note 5)		**71,059**		68,242
Subordinated debt (note 6)		**6,813**		6,813
Other non-current liabilities		**393**		375
Pension liability		**12,927**		11,942
Deferred income taxes		**86**		1,845
Total non-current liabilities		**91,278**		89,217
Shareholders' equity				
Share capital		**73,209**		73,209
Reserves		**2,555**		1,456
Deficit		**(37,800)**		(40,750)
Total shareholders' equity		**37,964**		33,915
Total liabilities and shareholders' equity	$	**154,750**	$	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 June 30, 2015		Three months ended June 30, 2014		**Six months ended June 30, 2015**		Six months ended June 30, 2014
Sales	**$**	**51,467**	$	47,071	**$**	**105,898**	$	97,764
Cost of sales		**40,726**		36,337		**85,105**		77,585
Gross profit		**10,741**		10,734		**20,793**		20,179
Administration		**4,284**		4,215		**8,526**		8,027
Selling		**1,660**		1,709		**3,372**		3,363
Other income (note 7)		**(138)**		(33)		**(286)**		(73)
Income from operations		**4,935**		4,843		**9,181**		8,862
Finance costs (note 8)		**749**		778		**2,690**		2,562
Finance income (note 8)		**(411)**		(959)		**(490)**		(959)
Income before income taxes		**4,597**		5,024		**6,981**		7,259
Income taxes (note 9)		**1,645**		1,176		**2,632**		2,296
Net income	**$**	**2,952**	$	3,848	**$**	**4,349**	$	4,963
Net income per share (basic) (note 10)	**$**	**0.13**	$	0.16	**$**	**0.18**	$	0.21
Net income per share (diluted) (note 10)	**$**	**0.13**	$	0.16	**$**	**0.18**	$	0.21

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 June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Net income	**$ 2,952**	$ 3,848	**$ 4,349**	$ 4,963
Other comprehensive income (loss):				
Items that are or may be reclassified to profit and loss				
Foreign currency translation differences – foreign operations	**(191)**	(488)	**1,099**	53
Other comprehensive income (loss) – net of income tax	**(191)**	(488)	**1,099**	53
Comprehensive income	**$ 2,761**	$ 3,360	**$ 5,448**	$ 5,016

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 six months ended June 30, 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		-	-	4,349	4,349
Other comprehensive income					
Foreign currency translation differences – foreign operations		-	1,099	-	1,099
Total other comprehensive income	$	-	1,099	-	1,099
Total comprehensive income	$	-	1,099	4,349	5,448
Share based compensation		-	-	14	14
Dividends to owners of Pollard Banknote Limited (note 12)		-	-	(1,413)	(1,413)
Balance at June 30, 2015	$	73,209	2,555	(37,800)	37,964

For the six months ended June 30, 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		-	-	4,963	4,963
Other comprehensive income					
Foreign currency translation differences – foreign operations		-	53	-	53
Total other comprehensive income	$	-	53	-	53
Total comprehensive income	$	-	53	4,963	5,016
Share based compensation		-	-	13	13
Dividends to owners of Pollard Banknote Limited (note 12)		-	-	(1,413)	(1,413)
Balance at June 30, 2014	$	73,209	272	(36,225)	37,256

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited

Condensed Consolidated Statements of Cash Flows

(*In thousands of Canadian dollars*)

(unaudited)

	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash increase (decrease):		
Operating activities:		
Net income	**$ 4,349**	$ 4,963
Adjustments:		
Income taxes	**2,632**	2,296
Amortization and depreciation	**4,019**	3,890
Interest expense	**1,307**	1,513
Unrealized foreign exchange loss	**1,220**	302
Loss on equity investment	**-**	167
Pension expense	**1,895**	1,364
Mark-to-market gain on foreign exchange contracts	**(483)**	(272)
Interest paid	**(1,400)**	(1,550)
Income tax paid	**(2,826)**	(1,386)
Pension contributions	**(1,118)**	(1,842)
Change in non-cash operating working capital (note 11)	**856**	(1,030)
	10,451	8,415
Investing activities:		
Additions to property, plant and equipment	**(9,069)**	(10,499)
Additions to intangible assets	**(352)**	(668)
	(9,421)	(11,167)
Financing activities:		
Net proceeds from (repayments of) long-term debt	**1,948**	(4,081)
Proceeds from long-term subordinated debt	**-**	6,813
Change in other non-current liabilities	**(11)**	13
Additions to deferred financing charges	**(329)**	(123)
Dividends paid	**(1,413)**	(1,413)
	195	1,209
Foreign exchange gain (loss) on cash held in foreign currency	**273**	(138)
Change in cash position	**1,498**	(1,681)
Cash position, beginning of period	**6,287**	7,774
Cash position, end of period	**$ 7,785**	$ 6,093

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 six months ended June 30, 2015, 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 August 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 judgments 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.

2. Basis of preparation (continued):

(c) 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.

3. 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 thousands of Canadian dollars, except for share amounts)

3. Future accounting standards (continued):

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 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.

4. Inventories:

		June 30, 2015		December 31, 2014
Raw materials	**$**	**7,476**	$	7,602
Work-in-process		**671**		641
Finished goods		**13,933**		16,665
	$	**22,080**	$	24,908

During the second quarter of 2015, Pollard recorded inventory write-downs of $97 representing an increase in the obsolescence reserves, and a reversal of previous write-downs of $21 due to changes in foreign exchange rates. During the six months ended June 30, 2015, Pollard recorded inventory write-downs of $235 representing an increase in the obsolescence reserves, and a reversal of previous write-downs of $29 due to changes in foreign exchange rates.

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

4. Inventories (continued):

During the second quarter of 2014, Pollard recorded inventory write-downs of $74 representing an increase in the obsolescence reserves, and a write-down of $81 due to changes in foreign exchange rates. During the six months ended June 30, 2014, Pollard recorded inventory write-downs of $135 representing an increase in the obsolescence reserves, and a write-down of $99 due to changes in foreign exchange rates.

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

5. Long-term debt:

		June 30, 2015		December 31, 2014
Credit facility, interest of 2.69% to 3.85% payable monthly, maturing 2017	**$**	**72,612**	$	69,316
Deferred financing charges, net of amortization		**(350)**		(172)
		72,262		69,144
Less current portion		**(1,203)**		(902)
	$	**71,059**	$	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).

Effective June 30, 2015, Pollard Banknote Limited renewed its credit facility. The credit facility provides loans of up to $71,827 for its Canadian operations, $4,511 for a term facility, and US$12,000 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 June 30, 2015, the outstanding letters of guarantee drawn under the credit facility were $1,148 (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 June 30, 2015, Pollard is in compliance with all financial covenants.

As at June 30, 2015, $4,511 of the term facility had been drawn. Repayment of the term facility commenced on June 30, 2015, in the form of quarterly principal repayments of $301 plus interest. Repayments permanently reduce the term facility commitment available.

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

5. Long-term debt (continued):

As of June 30, 2015, Pollard has unused credit facility available of $17,579 (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, 2016 ("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, 2017.

6. Subordinated debt:

		June 30, 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 a 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. 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.

7. Other (income) expense:

		Three months ended June 30, 2015		Three months ended June 30, 2014		**Six months ended June 30, 2015**		Six months ended June 30, 2014
Loss on equity investment	**$**	**-**	$	139	**$**	**-**	$	167
Other		**(138)**		(172)		**(286)**		(240)
	$	**(138)**	$	(33)	**$**	**(286)**	$	(73)

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

8. Finance costs and finance income:

Finance costs:	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Foreign exchange loss	$ -	$ -	$ 1,230	$ 371
Interest	651	715	1,307	1,513
Mark-to-market loss on foreign exchange currency contracts	-	-	-	567
Amortization of deferred financing costs	98	63	153	111
	$ 749	$ 778	$ 2,690	$ 2,562

Finance income:	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Foreign exchange gain	$ 7	$ 120	$ 7	$ 120
Mark-to-market gain on foreign exchange currency contracts	404	839	483	839
	$ 411	$ 959	$ 490	$ 959

9. Income taxes:

Income tax expense:	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Current	$ 1,507	$ 1,360	$ 2,258	$ 1,730
Deferred (recovery)	138	(184)	374	566
	$ 1,645	$ 1,176	$ 2,632	$ 2,296

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

9. Income taxes (continued):

Reconciliation of effective tax rate:		Three months ended June 30, 2015		Three months ended June 30, 2014
Net income for the period		$ 2,952		$ 3,848
Total income taxes		1,645		1,176
Income before income taxes		$ 4,597		$ 5,024
Income tax using Pollard's domestic tax rate	26.7%	$ 1,229	26.7%	$ 1,343
Changes in expected tax rates and other non-deductible amounts	0.5%	24	0.0%	-
Effect of non-taxable items related to foreign exchange	8.5%	392	(3.3%)	(167)
	35.7%	$ 1,645	23.4%	$ 1,176

Reconciliation of effective tax rate:		Six months ended June 30, 2015		Six months ended June 30, 2014
Net income for the period		$ 4,349		$ 4,963
Total income taxes		2,632		2,296
Income before income taxes		$ 6,981		$ 7,259
Income tax using Pollard's domestic tax rate	26.7%	$ 1,867	26.7%	$ 1,941
Changes in expected tax rates and other non-deductible amounts	(1.0%)	(71)	2.4%	176
Effect of non-taxable items related to foreign exchange	12.0%	836	2.5%	179
	37.7%	$ 2,632	31.6%	$ 2,296

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

10. Net income per share:

	Three months ended June 30, 2015	Three months ended June 30, 2014
Net income attributable to shareholders for basic and diluted net income per share	**$ 2,952**	$ 3,848
Weighted average number of shares (basic)	**23,543,158**	23,543,158
Weighted average impact of share options on issue	**100,000**	100,000
Weighted average number of shares (diluted)	**23,643,158**	23,643,158
Net income per share (basic)	**$ 0.13**	$ 0.16
Net income per share (diluted)	**$ 0.13**	$ 0.16

	Six months ended June 30, 2015	Six months ended June 30, 2014
Net income attributable to shareholders for basic and diluted net income per share	**$ 4,349**	$ 4,963
Weighted average number of shares (basic)	**23,543,158**	23,543,158
Weighted average impact of share options on issue	**100,000**	62,431
Weighted average number of shares (diluted)	**23,643,158**	23,605,589
Net income per share (basic)	**$ 0.18**	$ 0.21
Net income per share (diluted)	**$ 0.18**	$ 0.21

11. Supplementary cash flow information:

	Six months ended June 30, 2015	Six months ended June 30, 2014
Change in non-cash operating working capital:		
Accounts receivable	**$ (1,153)**	$ 2,702
Inventories	**3,262**	(1,719)
Prepaid expenses and deposits	**(963)**	(1,730)
Accounts payable and accrued liabilities	**(290)**	(283)
	$ 856	$ (1,030)

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

12. 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. On May 5, 2015, a dividend of $0.03 per share was declared, payable on July 15, 2015, to the shareholders of record on June 30, 2015.

13. Related party transactions:

During the quarter ended June 30, 2015, Pollard paid property rent of $770 (2014 - $758) and $57 (2014 - $61) in plane charter costs to an affiliate of Pollard Equities Limited. In addition, during the quarter, Pollard paid Equities $153 (2014 – nil) of interest on Pollard's subordinated debt. During the six months ended June 30, 2015, Pollard paid property rent of $1,540 (2014 - $1,516) and $113 (2014 - $122) in plane charter costs to an affiliate of Equities. In addition, during the quarter, Pollard paid Equities $304 (2014 – nil) of interest on Pollard's subordinated debt.

During the quarter, Equities paid Pollard $18 (2014 - $18) for accounting and administration fees and $36 (2014 - $36) during the six months ended June 30, 2015.

At June 30, 2015, included in accounts payable and accrued liabilities is an amount owing to Equities and its affiliates for rent and other expenses of $468 (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 $296 (December 31, 2014 - $2).

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.

Key management personnel compensation comprised:

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
Wages, salaries and benefits	**$ 555**	$ 627	**$ 1,135**	$ 1,257
Profit share	**3**	4	**5**	7
Expenses related to defined benefit plans	**116**	98	**231**	195
	$ 674	$ 729	**$ 1,371**	$ 1,459

At June 30, 2015, the Directors and Named Executive Officers of Pollard, as a group, beneficially owned or exercised control or direction over 17,424,671 common shares of Pollard.

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

14. 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:

		June 30, 2015		December 31, 2014
Current	**$**	**19,132**	$	17,258
Past due for 1 to 60 days		**3,882**		3,887
Past due for more than 60 days		**581**		861
Less: Allowance for doubtful accounts		**(46)**		(76)
	$	**23,549**	$	21,930

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 $4,511 available to finance the new printing press, and US$12,000 for its U.S. subsidiaries. At June 30, 2015, the unused balance available for drawdown under the credit facility was $17,579, (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 and the unused credit facility. Pollard enters into contractual obligations in the normal course of business operations.

14. Financial risk management (continued):

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 $10 for the second quarter of 2015 (2014 - $26) and approximately $33 for the six months ended June 30, 2015 (2014 - $54). A 50 basis point strengthening/weakening in the foreign exchange rate between the Canadian and Euro would decrease/increase the income before income taxes due to changes in operating cashflow by approximately $9 for the second quarter of 2015 (2014 - $22) and approximately $23 for the six months ended June 30, 2015 (2014 - $39).

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. At June 30, 2015, the amount of financial liabilities denominated in U.S. dollars exceeds the amount of financial assets denominated in U.S. dollars by approximately $5,468 (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 taxes of approximately $27 for the three and six months ended June 30, 2015 (2014 - $23).

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.

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 $91 for the three months ended June 30, 2015 (2014 - $87) and approximately $182 for the six months ended June 30, 2015 (2014 - $174).