LOTO QUÉBEC

2013 ANNUAL REPORT

lotoquebec.com

LOTO QUÉBEC

WLA
CERTIFIED – LEVEL 4
RESPONSIBLE GAMING FRAMEWORK
2012 – 2015

CERTIFIED
SECURITY CONTROL STANDARD
2011 – 2014

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MISSION

To responsibly manage games of chance
in a controlled and measured fashion,
in the interest of all Quebecers.

VISION

To become a recognized world leader
in the responsible commercialization
of games of chance.

STRATEGIC ORIENTATIONS

Channeling the gaming offer towards
regulated environments.

Creating an effective framework
for the consumption of games of chance.

Improving the Corporation's efficiency
and overall performance.

KEY FIGURES OF THE YEAR

As at March 31, 2013

(*in thousands of Canadian dollars*)	2013	2012	$ Variation	% Variation
Total revenues	**3,617,680**	3,660,577	(42,897)	(1.2%)
Lotteries	**1,792,838**	1,789,390	3,448	0.2%
Casinos	**847,984**	873,459	(25,475)	(2.9%)
Video lotteries	**972,790**	997,955	(25,165)	(2.5%)
Bingo	**36,941**	33,965	2,976	8.8%
Intersegment transactions	**(32,873)**	(34,192)	1,319	3.9%
Prizes awarded – lotteries	**943,316**	930,655	12,661	1.4%
Prizes awarded – bingo	**20,359**	18,103	2,256	12.5%
Gross margin	**2,262,417**	2,311,143	(48,726)	(2.1%)
Operational expenses	**961,169**	951,233	9,936	1.0%
Net income and comprehensive income	**1,282,436**	1,285,439	(3,003)	(0.2%)
Dividends	**1,194,457**	1,196,440	(1,983)	(0.2%)
Other amounts contributed to the Québec and Canadian governments	**249,567**	246,424	3,143	1.3%
Total assets	**1,295,469**	1,162,413	133,056	11.4%
Shareholder's equity	**90,394**	90,394	–	–

TOTAL REVENUES

As at March 31, 2013

(*in millions of Canadian dollars*)	2013	2012	2011	2010[1]	2009[1]
	3,617.7	3,660.6	3,641.0	3,722.6	3,789.6

NET INCOME AND COMPREHENSIVE INCOME

As at March 31, 2013

(*in millions of Canadian dollars*)	2013	2012	2011	2010[1]	2009[1]
	1,282.4	1,285.4	1,335.0	1,340.7	1,455.8

[1] Financial information presented for 2010 and 2009 is established by means of Canadian generally accepted accounting principles (GAAP).

ECONOMIC AND SOCIAL CONTRIBUTIONS

ECONOMIC

Dividends to the Government of Québec

$1,194.5M

Prizes awarded to lottery and bingo winners

$963.7M

Commissions to lottery, video lottery and bingo network partners

$347.5M

Purchases from companies conducting business in Québec

$347.4M

Employee benefits

$428.2M

Taxes to governments

$145.5M

Special contributions to governments

$104.0M

SOCIAL

Contributions to the fight against excessive gambling

$29.7M

Contributions to the Ministère de la Santé et des Services sociaux in aid of the elderly who have lost their autonomy

$30.0M

Contributions to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation

$6.1M

Contributions to non-profit organizations (NPOs)

$22.4M

Contributions to the Ministère de la Culture et des Communications (OSM)

$8.5M

Contributions to the Ministère des Finances (online gaming committee)

$0.3M

Sponsorships

$14.3M

Collection Loto-Québec

$0.4M

FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

Aide à l'action communautaire autonome

$15.6M

Aide à l'action humanitaire internationale

$2.9M

MESSAGE FROM THE CHAIRWOMAN OF THE BOARD OF DIRECTORS

The Board of Directors of Loto-Québec continued to ensure that this public corporation was managed efficiently and responsibly in 2012-2013. On this point, I can assure you that concern for efficiency and for incorporating societal considerations into the Corporation's activities is shared by all sectors of the business. Having paid 1.194 billion dollars in dividends to the Government of Québec for the past fiscal year, the Corporation exhibits an overall performance that is satisfactory.

HÉLÈNE F. FORTIN, FCPA, FCA, ICD.D

CHAIRWOMAN OF THE BOARD OF DIRECTORS

The end of fiscal 2012-2013 marked the conclusion of the 2010-2013 strategic planning cycle. Many major projects related to the plan's objectives were completed, while others continue to move forward as planned. The Board of Directors monitored the fulfillment of the Corporation's business plan throughout the year and observed the scrupulous management of major projects, which included making traditional lottery products available online on espacejeux.com, continuing with the modernization of the Casino de Montréal, deploying new-generation video lottery terminals and opening new Kinzo locations. The pages of this annual report clearly show the great vitality of all sectors of the business.

Responsible gaming: more integrated than ever

The Board of Directors is pleased that the World Lottery Association has renewed Loto-Québec's Level 4 Responsible Gaming certification. This major international seal of approval confirms the accuracy of the Corporation's responsible gaming practices.

In the same vein, the Board of Directors enthusiastically welcomed the creation of the Vice President's Office on Responsible Gaming within the Loto-Québec corporate structure. The Board is convinced of the relevance of adding this type of expertise, as it enables the Corporation to become better equipped to achieve the objective set out in its vision, which is to become a recognized world leader in the responsible commercialization of games of chance.

THE BOARD OF DIRECTORS ENTHUSIASTICALLY WELCOMED THE CREATION OF THE VICE PRESIDENT'S OFFICE ON RESPONSIBLE GAMING WITHIN THE LOTO-QUÉBEC CORPORATE STRUCTURE. THE BOARD IS CONVINCED OF THE RELEVANCE OF ADDING THIS TYPE OF EXPERTISE, AS IT ENABLES THE CORPORATION.

Sustained efforts to maintain sound management

The policy of reducing expenses and introducing measures to increase productivity that began in 2010 continues to secure excellent results. In fiscal 2012-2013, these efforts brought savings of 79.2 million dollars, making for a total of 137.0 million dollars since 2010-2011 and clearly exceeding targets. As I observe the rigour and creativity shown by all sectors of the business, I am confident that the Corporation is capable of rising to any major challenges the future may bring.

Board of Directors news

During the last fiscal year, a new member was appointed to the Board of Directors: Donald M. Bastien. Additionally, as recommended by the Governance and Ethics Committee, the Board appointed the members of a distinct ad hoc committee charged with examining the Corporation's procurement procedures. With the team and structure that are now in place, the Board possesses all the expertise it needs to apply best governance practices.

Thanks

I want to salute the excellent work accomplished by Gérard Bibeau, who has just finished his first complete fiscal year as President and Chief Executive Officer of Loto-Québec. His enthusiasm and human qualities are greatly appreciated, as is his involvement in numerous projects. I also want to thank my administrative colleagues for their valued cooperation and thank everyone on the executive committee for their indispensable support. Of course, corporations are nothing without their employees; so, on behalf of the Board of Directors I want to say how reassuring it is to be able to count on such a highly devoted team. Finally, my mandate as Chairwoman of the Board of Directors having been renewed until 2017, I will continue to do my best to help resolve the challenges that await Loto-Québec in the coming years.

Hélène F. Fortin, FCPA, FCA, ICD.D
Chairwoman, Loto-Québec Board of Directors

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

During the last fiscal year, collaboration among all of Loto-Québec's business sectors enabled us to move forward with projects aimed at meeting the expectations of our current and future customers. Whether this involved the evolution of our lottery products, the modernization of two of our casinos, the deployment of new-generation video lottery terminals (VLTs) or the expansion of the Kinzo location network, everything possible was done to fulfill our mission, in the interest of all Quebecers.

GÉRARD BIBEAU

PRESIDENT AND CHIEF EXECUTIVE OFFICER

In fiscal 2012-2013, Loto-Québec had total revenues of 3.618 billion dollars, which is 42.9 million dollars or 1.2% less than in 2011-2012. However, 2011-2012 contained a leap year and to make the comparison fairer, it is necessary to take account of revenues for the one less day in 2012-2013 – 26.7 million dollars – which accounts for 62.2% of the decrease. Still, thanks to tight controls on our expenses, our comprehensive income remained stable at 1.282 billion dollars. It is also true that in the course of the last ten years, excluding amortization and net financial expenses, we succeeded in maintaining average annual growth of the Corporation's same-activity operating expenses at 1.6%, which is below the average rate of inflation in Québec.

Results by business sector

Let's begin with the lottery sector. With revenues of 1.793 billion dollars as at March 31, 2013 (+0.2%), sales in this sector were substantially the same as in the previous fiscal year. The result is completely satisfactory, given the challenges faced by this sector, including the market maturity. Our casinos experienced decreased income, with revenues of 848.0 million dollars (-2.9%). The slight downturn was mainly caused by the consequences of the ongoing Casino de Montréal modernization work. We also had lower video lottery revenues, which came to 972.8 million dollars (-2.5%). The aging of our video lottery terminals (the network is currently being upgraded) partly explains the decline. Finally, due to the popularity of Kinzo locations, the bingo sector had a second consecutive year of increased sales, rising to 36.9 million dollars (+8.8%) despite the one less day in 2012-2013 that led to an across-the-board revenue shortfall.

Above and beyond financial results, many key events took place during the last fiscal year. Here is an overview:

Lottery evolution

Following the practice of many other lottery corporations both here and around the world, our main draw lotteries have been available for purchase online at lotoquebec.com/online since August 27, 2012. All of our traditional lotteries became available online in the spring of 2013. Even if consumers can now purchase lottery tickets with their computer or mobile device, retailers have not been left out of the process since, when making their transactions, ticket purchasers can designate a retailer who will receive the usual commission. A percentage of transactions for which no retailer is designated is shared among all retailers, prorated to their same-product sales.

A 2D bar code (QR code) was recently added to our terminal-issued lottery tickets, in our ongoing efforts to improve customer service, enabling consumers

to check their tickets with a mobile device. Loto-Québec is the first Canadian lottery corporation to offer this service to its customers.

These technological advances were made possible in part through the involvement of our Ingenio research and development subsidiary. I want to thank the teams involved for their leading edge contribution to the evolution of our products and to the ways they are marketed, keeping in mind the clientele of the future.

Additionally, we introduced new lottery products in 2012-2013: the Sprinto and Lotto:D Quick Play games and Québec Max, inspired by Lotto Max. Moreover, Lotto Max enabled us to pay out our biggest jackpot in history at the draw of July 6, 2012: 50 million dollars.

THANKS TO TIGHT CONTROLS ON OUR EXPENSES, OUR COMPREHENSIVE INCOME REMAINED STABLE AT 1.282 BILLION DOLLARS.

The Casino of the Future: just around the corner

There were also new developments in the casino sector during the last fiscal year. Many major steps in the modernization work at Casino de Montréal have been completed, including the new main entrance and the Level 5 restaurant cluster. This project involved investments of some 305 million dollars over more than 4 years. Work is scheduled to come to an end in time for the Casino's fall 2013 20th anniversary celebrations. I am certain that the result will be particularly successful and that our customers will be thrilled with it.

At Casino du Lac-Leamy, renovation work began in the fall of 2012 and is scheduled to last a little more than two years, with 50 million dollars invested to improve the overall customer experience. As is the case in Montréal, the Casino will remain open for the entire duration of the upgrade.

For its part, the Casino de Charlevoix launched Volcan, a slot machine gaming concept that provides an immersive customer experience. The concept is a first in North American casinos and I want to congratulate the teams at the Société des casinos du Québec, Ingenio and Technologies Nter for implementing this ambitious project.

As for the Casino de Mont-Tremblant, it reached the profitability threshold during the last fiscal year. The Casino's many assets, such as its magnificent setting, superb architecture and gourmet restaurant will without a doubt enable it to continue its growth.

All of the initiatives that have been put in place in the casino sector are aimed at rolling out our new "Casino of the Future" strategy, which will provide a renewed offer of products through the use of multimedia, combined with unmatched customer service. We need to ensure that our casinos remain competitive in the highly competitive marketplace of the American Northeast. To succeed, we need to remain attentive to the expectations of our customers.

The advance of online gaming

Espacejeux continues to gradually diversify its gaming offer that now includes casino games, sports and event betting and traditional lotteries. Online since the end of 2010, Espacejeux continues to add members, and revenues are on the rise. Worth noting, it broke through the threshold of 100,000 members during the last fiscal year. Equally important is that Espacejeux is the only web site in Québec that offers legal online gaming in a secure environment, providing a framework of responsible gaming measures.

The introduction of third-generation VLTs

The Société des loteries vidéo du Québec (SLVQ) is also participating in the technological wind of change. In 2009, the Government of Québec authorized it to replace its VLT network, comprised of some 12,000 terminals throughout the province, as well as its management hub and telecommunications network. Given VLT aging, the upgrade had become a necessity. VLT replacement began in September 2012. As at March 31, 2013, 30% of the terminals had been replaced, with the entire operation scheduled to be completed throughout the network by next fall. I salute the efficiency shown by SLVQ employees in managing this important project.

The 15th anniversary of the Société des bingos du Québec

The Société des bingos du Québec (SBQ) subsidiary celebrated its 15 years of existence this year. Since its inception in December 1997, the SBQ has paid out nearly 135 million dollars in support of more than 1,000 non-profit organizations (NPOs) and was justified in marking its 15th anniversary on the theme *15 ans à faire du bien!* ("15 years of doing good"). The bingo industry is unfortunately in decline, but Kinzo, a unique concept game played collectively and launched in 2010, has enabled the SBQ to pursue its objective of supporting NPOs. The Kinzo network had 15 locations operating as of March 31, 2013 and continues to expand, with eight new locations planned for fiscal 2013-2014.

Concrete responsible gaming initiatives

On behalf of Loto-Québec, I had the honour of accepting a plaque from the World Lottery Association (WLA) in September 2012, confirming the renewal until 2015 of our Level 4 Responsible Gaming Framework certification, the highest available in the field. I am very proud of this achievement, because Loto-Québec is the first lottery corporation to have been awarded the certification twice. This international seal of approval confirms the correctness of our responsible gaming practices and recognizes our efforts.

Moreover, looking to strengthen our commitment to responsible gaming, we created the Vice President's Office on Responsible Gaming within our corporate structure. Functional since September 2012, this Vice President's office enables us to enrich and consolidate our prevention measures. We are doing everything we can to minimize the prevalence and consequences of excessive gambling. Responsible gaming is a priority at Loto-Québec and we want to emphasize this fact.

This recent addition to our corporate structure has already produced tangible results. Between March 25 and April 28, 2013, we ran an awareness campaign on the theme *A game should remain a game*. The campaign promoted low-risk gaming habits and particularly targeted mistaken perceptions regarding video lottery terminals and slot machines. The main message reminded people that chance alone always decides the outcome of a game and was supported by the agameshouldremainagame.com web site. The site offers much useful information about games of chance, including advice to help players control their gaming habits. The site also provides answers to questions posed by the public.

ON BEHALF OF LOTO-QUÉBEC, I HAD THE HONOUR OF ACCEPTING A PLAQUE FROM THE WLA IN SEPTEMBER 2012, CONFIRMING THE RENEWAL UNTIL 2015 OF OUR LEVEL 4 RESPONSIBLE GAMING FRAMEWORK CERTIFICATION, THE HIGHEST AVAILABLE IN THE FIELD.

The launch of our Careers web site

Another important project that came to fruition during the last fiscal year was our new Careers web site, a virtual showcase that went live at the end of March 2013. The web site informs the public that Loto-Québec is a prime employer and that it provides a work environment in which each of its 6,500 employees can put their talents to good use, for the benefit of the entire community. I encourage you to visit the site, if only to see the diversity of jobs we offer.

Major spinoffs from the 2012 World Lottery Summit

Two major lottery associations held their conventions jointly from September 9th to September 12th at Montréal's Palais des congrès: the WLA and the North American Association of State and Provincial Lotteries (NASPL). More than 1,500 conventioneers from some 70 countries gathered here for the occasion. As event host and member of both the WLA and the NASPL, we were actively involved in organizing the summit. We had the opportunity of developing links with influential lottery industry actors and were able to showcase our own expertise. This memorable meeting was made possible through the volunteer involvement of many of our employees and thanks to the Loto-Québec organizing committee. I offer them my heartfelt thanks, proud that we collaborated in a successful event that, in addition to helping Loto-Québec shine on the world scene, generated approximately 4.7 million dollars in economic spinoffs for Montréal.

Thanks

I would like to take this opportunity to thank the people that support me and make my work stimulating, firstly the members of the Board of Directors who work ceaselessly to apply best governance practices at Loto-Québec. I especially want to thank Board of Directors Chairwoman Hélène F. Fortin. Her mandate having been renewed, I am pleased to know that I can continue to count on her valuable collaboration. I also thank all members of the executive committee for their rigour and efficacy. Finally, I extend my full gratitude to the staff at Loto-Québec and its subsidiaries. With such a seasoned team, we are well-prepared for the future. I am convinced that we will soon harvest the fruits of the diligent work we put in over the course of recent years.

Gérard Bibeau
President and Chief Executive Officer, Loto-Québec

SOCIETAL RESPONSIBILITY

MAINSTAYING OUR COMMITMENT

Loto-Québec works tirelessly to ensure that its organizational culture is more and more anchored in societal responsibility. Whether this relates to responsible gaming measures, sustainable development initiatives or sponsorships, social engagement and corporate volunteerism programs, Loto-Québec spares no effort to remain a good corporate citizen of which all Quebecers can be proud.

Responsible gaming

As part of its 2010-2013 Strategic Plan, Loto-Québec defined its corporate vision in 2010, which is to become a recognized world leader in the responsible commercialization of games of chance. To achieve this, the Corporation relies on its vast experience and continues to take tangible action in this field. A good example is the renewal of our Level 4 Responsible Gaming Framework certification by the World Lottery Association (WLA). This international recognition is the highest available in the field. Under the WLA program, our certification was renewed for three years, expiring in 2015. In order to receive the certification for a second time, we needed to demonstrate that we had put in place the means of maintaining a balance between the economic and social components of our mission in our daily workflow.

Pursuing our commitment to making a positive contribution to the community as we move forward with our mission, we added the position of Vice President of Responsible Gaming last year. The mandate of the new Vice President's office is to coordinate all of the Corporation's activities related to responsible gaming while ensuring that best practices are applied. The Vice President's office produces informational, awareness and prevention materials on low-risk gaming habits and distributes them to the general public and to Loto-Québec customers and employees. It also ensures that all of the Corporation's employees receive training on problem gambling and maintains links with various stakeholders including the Ministère de la Santé et des Services sociaux, and researchers.

One of the tangible results of the work performed by the Vice President's Office on Responsible Gaming is an awareness campaign that ran from last March 25th to April 28th. The campaign's message aimed at informing the general public about the role of chance and popular misconceptions about video lottery terminals and slot machines. At the same time, the campaign promoted low-risk gaming habits and, as part of the campaign, launched the agameshouldremainagame.com web site that provides information about various aspects of games of chance.

Loto-Québec spends considerable amounts on the fight against problem gambling. In the last fiscal year, the Corporation contributed 3.1 million dollars to the Mise sur toi organization, which was in addition to the 1.6 million dollars it spent on responsible gaming activities. In 2012-2013, Loto-Québec also remitted 22.0 million dollars to the Ministère de la Santé et des Services sociaux and 3.0 million dollars to the Régie des alcools, des courses et des jeux.

The most recent data available, drawn from a 2009 study[1] on problem gambling among Québec adults, shows that approximately 0.7% are probable compulsive gamblers.

You can learn more about our preventive measures in the Responsible commercialization section of the lotoquebec.com/corpo web site.

Sustainable development

Sustainable development has emerged in recent years as a movement that enables us to respond to various environmental, social and economic pressures faced by our business. It is a powerful force that has led more and more organizations to revise the way they think and act, and Loto-Québec has moved quickly on its commitment to sustainable development. Moreover, we are one of the precursors in this field within the Government of Québec.

Sustainable development is being gradually but tangibly incorporated into our business practices. Among last year's accomplishments, we note the implementation of composting at the Casino de Montréal. This was a project of considerable magnitude that required setting up new infrastructure and a logistic chain that starts with table waste at the Casino and moves all the way to the external composting site. Our kitchens, dining rooms and the employee cafeteria are now equipped to sort and recover table waste, which makes up nearly 60% of all residual materials generated in the Casino.

Moreover, during the last fiscal year and in concert with our procurement teams, numerous sustainable development criteria have been incorporated into our call for tender procedures. As an example, the upgrade of our computer systems was a major project for our procurement department, as evaluation of energy consumption and equipment life cycles were part of the process.

[1] KAIROUZ, S. and L. NADEAU. *Portrait du jeu au Québec : prévalence, incidence et trajectoires sur quatre ans*, Concordia University, Université de Montréal and Fonds de recherche du Québec sur la société et la culture, 2010.

Due to its longstanding commitment to sustainable development, Loto-Québec has acquired an enviable reputation in this field. Its representatives are frequently called upon to take part in conferences as special guest speakers and to lead events dealing with topics that are well-known and well-managed within the Corporation.

Finally, Loto-Québec released its 2013-2015 Sustainable Development Action Plan this year, replacing the preceding plan that spanned the years 2008-2013. The new plan is seen as transitional before the next government sustainable development strategy is launched. Three key issues will have priority over the next two years: environmental performance, stakeholder commitment and the optimisation of our responsible gaming actions.

Loto-Québec ran an awareness campaign for the prevention of excessive gambling.

Sponsorships

In 2012-2013, Loto-Québec paid out 14.3 million dollars in event sponsorships. More than one hundred events were supported throughout Québec, from Val-d'Or to Carleton-sur-Mer, the majority under the *Rendez-vous Loto-Québec* banner. Millions of festival-goers attend these Loto-Québec sponsored events that take place both in Québec's urban centres and in outlying towns and villages. In fact, more than half of all events sponsored by the Corporation are held in smaller communities.

For a third consecutive year, the Aventuriers du hasard squad went from festival to festival. During the summer season, they visited 20 events, educating the public in a fun way about the notion of chance.

In the summer of 2012, Loto-Québec initiated a new way of activating its sponsorship at the Festival d'été de Québec that let festival-goers take part in a giant virtual jukebox. An interactive platform allowed them to vote in real time for the next song to be played before and between live performances on the Loto-Québec stage, using a smartphone or one of the tablets available from roving festival ambassadors. The list of songs to choose from was displayed on a giant Loto-Québec stage screen and the voting results were shown as a DJ spun the public's choice. Given the great success of this way of improving the sponsorship attendee experience, the concept will be rolled out at many festivals in the summer of 2013.

The Casino de Montréal kitchens are equipped to sort and recover table waste.

As well, Loto-Québec has collaborated since 2009 with partners in the field of event planning, such as Festivals et Événements Québec, in order to assess social spinoffs of various festivals. Social spinoffs are less tangible and more difficult to quantify than economic spinoffs but are very significant for the communities in which the events are held. The research results will be available soon and an assessment of the principles that emerge will be made.

Loto-Québec has also maintained its partnership with the Réseau indépendant des diffuseurs d'événements artistiques unis (RIDEAU) through its *Les entrées en scène Loto-Québec* program. This is the only support program in Québec for emerging artists in all disciplines of the performing arts. Each year, 5 artists are selected to perform an average of 100 shows in 80 venues and 60 cities and towns across Québec. The five winners for 2012-2013 are Cirque Alfonse

(circus arts), Ingrid St-Pierre (song), Isabeau et les chercheurs d'or (music), Queen Ka (slam) and maribé – sors de ce corps (dance). The program's success can be attributed to Loto-Québec's involvement and desire to help emerging artists, RIDEAU expertise in travelling shows, regional impresario networks and the cooperation of producers and agents.

Loto-Québec also renewed its agreements with Défi sportif, Fondation de l'athlète d'excellence du Québec and Special Olympics Québec to help encourage persons with disabilities to practice sports.

Collection Loto-Québec

Loto-Québec has a longstanding commitment to support and share Québec's cultural heritage, in particular through its acquisition program of contemporary art and action to foster emerging artists. The Corporation sets aside one-hundredth of 1% of its sales to purchase works of art. This came to $367,763 in 2012-2013 and made it possible to acquire 93 works by 55 local artists, bringing Collection Loto-Québec holdings to 4,594 pieces.

Through its policy of sending exhibitions on tour to the four corners of Québec, the Collection enables artists to benefit from the showcasing efforts of our key cultural partners that include several museums. Last year, the Musée d'art contemporain de Baie-Saint-Paul achieved record attendance while hosting 55 works by Québec artists, all on loan from the Collection. Works from the Collection are also displayed in our offices and in the Espace Création art gallery on the ground floor of our headquarters. This year, Espace Création welcomed its 100,000th visitor.

Corporate volunteerism

Corporate volunteerism is alive and well at Loto-Québec. Since it began in January 2011, our program has enabled employees to get involved in various ways, such as participating in an employer-organized activity or suggesting a link to an organization where they already volunteer.

Fall 2012 saw an abundance of projects take place, offering employees the opportunity to participate in any of the many available activities.

While the positive effect of the program on employee mobilization is clear, its consequences for beneficiary organizations and their clientele is also considerable. In 2012-2013, close to 90 non-profit organizations received support from Loto-Québec through our recognition of individual employee commitment (*Nos gens de cœur*), employee-initiated team projects (*Projets coups de cœur*) or employer-organized large group volunteer activities (*Engagés dans la communauté*).

Comments received from Loto-Québec staff and outside organizations show just how important these apparently simple measures really are.

Québec's casinos also began an annual volunteer activity known as *Par pur plaisir… de donner!* in which more than 200 employees unite on a single day and for a single cause: food security. Each of the four casinos mobilizes its staff for an organization in its own region.

REVIEW OF COMMERCIAL ACTIVITIES

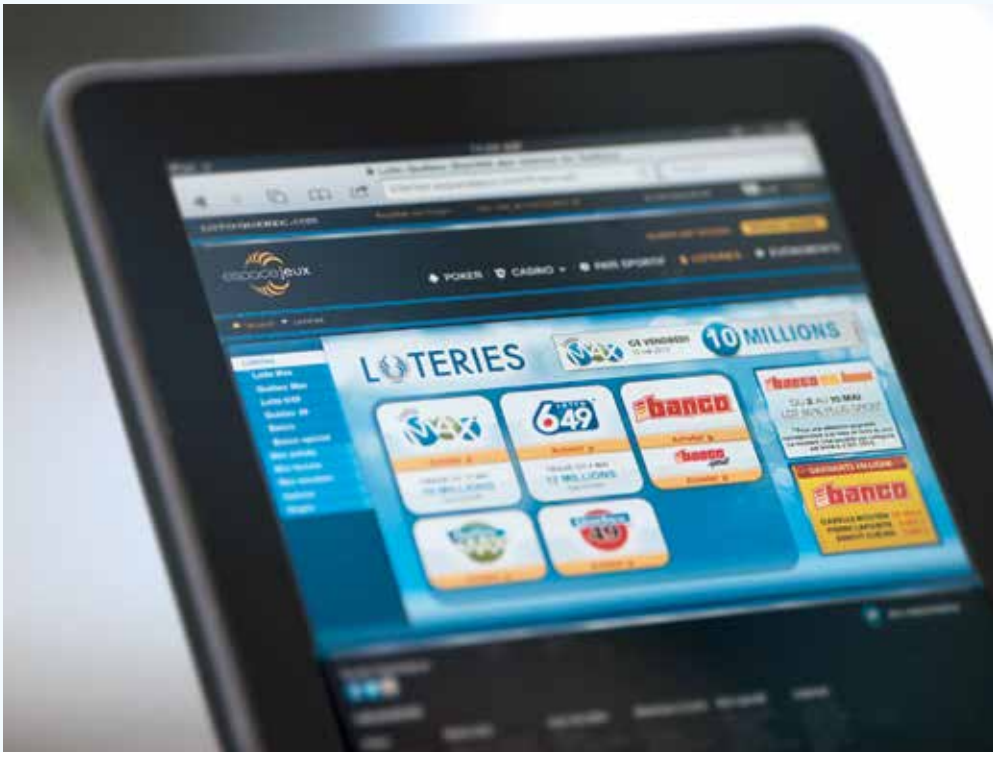
GREAT VITALITY IN ALL BUSINESS SECTORS

All Loto-Québec business sectors showed great vitality in fiscal 2012-2013: lotteries, casinos, video lotteries and bingo. We invested major efforts in order to optimize our offer of products and services through the evolution of our lotteries, the modernization of our casinos, the replacement of our video lottery terminals and the extension of the network of Kinzo locations. It's our way of continuing to meet customer expectations.

LOTTERIES

A CHANGING SECTOR

The world of lotteries is evolving. The ultimate mass-market product with an annual purchase rate of 72%[1] in 2012, lotteries are particularly popular with the boomer generation, but the challenge of attracting new young adult customers is major. To accomplish this, it seemed essential to renew and even reinvent the sector. Some other North American lottery corporations have moved to change their business model, leaving considerable room for the private sector to get involved. Loto-Québec's lottery team will monitor this new trend. Optimizing its overall offer of products is indeed a constant concern for the lottery sector and several new projects took shape during 2012-2013.



Main draw lotteries have been available for purchase online since August 2012.

[1] Data source: *PEN 2012* (Ad Hoc Research).

We can conclude that the market has reached maturity, and in fact that total lottery sales have remained relatively stable over the last few years. In 2012-2013, sales in this sector were 1.793 billion dollars, an increase of 3.4 million dollars over the previous fiscal year. Worth mentioning: 2012-2013, containing a leap year, had one fewer day than 2011-2012, creating a revenue shortfall of 20.3 million dollars. The sector's performance can be largely attributed to the renewal of traditional products and the launch of many new ones.

Products that continue to evolve to please customers

Lotto 6/49 celebrated its 30th anniversary in a big way this year with added bonus prizes, a promotion, the launch of a scratch ticket and more. This very first computer-based Canada-wide game began as a Loto-Québec initiative on June 12, 1982. Thanks to remarkable advertising campaigns and unforgettable slogans, Lotto 6/49 has become an iconic part of our collective imagination and the stuff of dreams. It continues to be a favourite of Québec consumers, as is confirmed by 2012-2013 target level sales of 351.5 million dollars. A new version of Lotto 6/49 will be introduced during the coming fiscal year, enabling the game to retain its market pertinence and popularity.

The 20th anniversary of the *La Poule aux œufs d'or* televised game.

Lotto Max is also enjoying a lot of success, with sales at 324.1 million dollars in fiscal 2012-2013. During the 12-month period, there were 17 draws with Maxmillions, and 3 promotional draws put a 50-million dollar jackpot and 50 Maxmillions into play. This cross-Canada lottery enabled Loto-Québec to pay out its biggest jackpot ever for the July 6, 2012 draw: 50 million dollars.

Lotto 6/49 celebrated its 30th anniversary in a big way.

Looking to make even more winners in Québec, the lottery sector launched Québec Max, which replaced Jour de paye! This new terminal-issued lottery, inspired by Lotto Max, offers a jackpot of two million dollars and seven one-million dollar prizes every Friday. What's more, two new Quick Play games were introduced: Sprinto and Lotto:D. Much to the liking of the consumer, these games offer a chance at on-the-spot winnings with an in-store Quick Play game feature in addition to an evening draw.

Also worth noting, the Poule aux œufs d'or lottery celebrated its 20th anniversary with a newly designed set and new features in both the televised game and on the ticket. And let's not forget Célébration 2013, which again set a new record for sales.

In addition to broadening its coverage of the Olympics Games, Mise-o-jeu took its first steps outside the world of sports, adding show business to its betting offerings. Quebecers were able to make their predictions on outcomes in various categories of Hollywood's most prestigious cinema awards ceremony. The success of the experience will lead to more in the same vein in the coming year. Finally, sales of event bets only dropped slightly compared to 2011-2012, despite the lengthy labour conflict in hockey.

The ongoing technological shift

Fiscal 2012-2013 allowed us to truly measure the results of online sales. On the one hand, online sales of Mise-o-jeu, whose products have been available on Espacejeux since March 2012, came to nearly 10% of total sales after one year. Meanwhile, online sales of the main draw lotteries, which have been available on the web since August 2012, accounted for 0.7% of total sales at the end of the fiscal year.

Other draw products became available online in the spring of 2013. Additionally, a 2D bar code (QR code) printed on terminal-issued lottery tickets since April lets consumers check their tickets using the Lotteries and Mise-o-jeu mobile apps that can be downloaded from the Corporation's web site. Loto-Québec's research and development Ingenio subsidiary greatly contributed to the development of these innovations, which should definitely increase our web sales.

Online sales also have interesting potential for retailers. When purchasing online, consumers can now designate a retailer to receive the corresponding sales commission. In exchange, Loto-Québec can promote online sales of its lotteries throughout its retailer network.

During the fiscal year, Loto-Québec announced that its Lotomatique subscription service would end. Consumers can still purchase their favourite lottery tickets several draws in advance online though. The 1,430 non-profit organizations that received commissions on subscription sales either chose to receive monetary compensation or decided to promote online ticket sales and receive a commission for purchases linked to their organization.

Many initiatives were taken in the last year to promote winners of major lottery prizes. Among these was the redesign of the winners section on our lottery web site (lotoquebec.com/winners-lotteries), which now uses both video and written testimonials to open the curtain on the fantastic world of lottery winners to the public at large. Site visitors can see that lotteries make a lot of people very happy indeed!

A responsible gaming framework for lottery sales

All initiatives taken in the lottery sector are subject to a framework of responsible gaming principles put forward by Loto-Québec. For example, the *Lotoresponsable* recognition program acknowledges and promotes retailers who strictly adhere to Loto-Québec responsible sales practices requirements that include prohibiting lottery sales to minors.

Outstanding advertising

Once again this year, the lottery sector received prestigious prizes for its ads, including best televised ad in the Product category for the 100 millions Extravaganza scratch ticket at the Créa Gala, which highlights the best of Québec advertising each year. The sector also received three Boomerang awards, including one for the best use of video on the Internet (also for the 100 millions Extravaganza). This competition rewards the finest interactive communication initiatives designed by Québec businesses. The video, entitled *Bling Bling*, was viewed more than 98,000 times. The interactive Forum Mise-o-jeu platform also won a Boomerang prize.

An abundance of winners

Loto-Québec's thousands of winners remain its best ambassadors. There were more than 1,300 winners of $25,000 or more in 2012-2013. The Corporation also paid out 53 prizes of 1 million dollars or more to groups or individuals. In all, Loto-Québec paid out more than 940 million dollars in lottery prizes during the last fiscal year. Here are the 10 biggest prizes that were claimed in Québec during the fiscal year:

PRIZE	LOTTERY	DRAW DATE	ADMINISTRATIVE REGION
$50,000,000	Lotto Max	2012-07-06	Centre-du-Québec
$30,663,649	Lotto 6/49	2012-08-11	Estrie
$7,652,677	Lotto 6/49	2012-11-21	Montérégie
$7,266,294	Lotto 6/49	2012-07-07	Montréal
$7,019,742	Lotto 6/49	2013-03-09	Montréal
$5,000,000	Célébration 2013	2013-01-13	Laurentides
$3,793,034	Lotto 6/49	2013-02-09	Montréal
$3,708,647	Lotto 6/49	2012-09-15	Outaouais
$3,627,484	Lotto 6/49	2012-12-15	Chaudière-Appalaches
$2,000,000	Québec 49	8 jackpots claimed between April 1, 2012 and March 31, 2013	Various regions of Québec

CASINOS

A PRODUCT OFFERING CONSTANTLY RENEWED

Loto-Québec's Société des casinos du Québec (SCQ) subsidiary is comprised of four casinos located in Montréal, Charlevoix, Lac-Leamy and Mont-Tremblant, in addition to the espacejeux.com online gaming site. The SCQ also provides related restaurant and hotel services. In order to ensure that customers have an outstanding entertainment experience based on innovative and varied games, the SCQ renews its offering year after year. In 2012-2013, it introduced many new games in its casinos and on Espacejeux.

The Casino de Montréal will have an all-new look for its 20th anniversary.

Despite a difficult business environment due particularly to increased competition and flat business cycle growth, the SCQ booked revenues of 848.0 million dollars for the fiscal year ending on March 31, 2013. This result represents a drop of 25.5 million dollars (-2.9%) from the preceding year, 3.1 million dollars of which can be explained by the one less day in 2012-2013, thus adjusting the shortfall to 2.6%. The slowdown was mainly due to ongoing modernization work at Casino de Montréal.

Casino de Montréal

The redesign is definitely what attracted the most attention at Casino de Montréal. The year 2012-2013 was marked by the unveiling of the new main entrance and the opening of Levels 1, 3 and 5. The new restaurant area, located on Level 5, includes four restaurants offering a wide variety of cuisines: Ajia, comptoir asiatique; L'Instant, déli et pâtes; Le Montréal, resto à la carte; Pavillon 67, buffet gourmand. Diners are offered various options providing a vast selection of dishes for every budget.

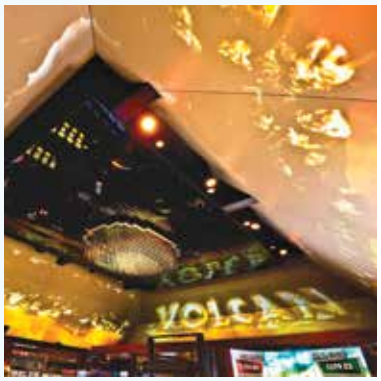
As of March 31, 2013, 84.5% of the modernization work had been completed, and 221.2 million dollars invested. The project, on time and on budget, nonetheless had an effect on SCQ turnover. The new-look Casino will be inaugurated in the fall of 2013 as part of the establishment's 20th anniversary celebrations.

In other news, Royal Grand Prix Derby virtual horse racing made its entrance at the Casino in December 2012. The game's electronic races take place on the world's most beautiful tracks and are displayed non-stop on an eight-screen wall. It's a North American first, also offered at Casino du Lac-Leamy.

Le Montréal, resto à la carte dining room is part of the Casino de Montréal's new family of restaurants.

Casino de Charlevoix

At Casino de Charlevoix, the major event of the fiscal year was the launch of Volcan, a game concept that is unique in North America. An island of 28 progressive jackpot slot machines is linked to the Casino's multimedia system, creating an immersive experience. It's an innovative project that was set up through the cooperation of the SCQ, Loto-Québec's research and development subsidiary Ingenio and Technologies Nter, its information systems subsidiary. This new game was an instant success and generated highly positive comments from customers.



The unique Volcan gaming concept provides visitors to the Casino de Charlevoix with an immersive experience.

Casino du Lac-Leamy

Seventeen years after it first opened, the Casino du Lac-Leamy is also undergoing a major transformation at an estimated cost of nearly 50 million dollars. The investment will allow the Casino to maintain its standing among the competition and is essentially meant to improve the fluid movement of customers and refresh the decor, installations and atmosphere in order to enhance overall entertainment experience. Work on the project began in September, 2012 and will be completed in January, 2015.

Casino de Mont-Tremblant

At Casino de Mont-Tremblant, the new banquet halls that opened in 2011 have had a positive impact on the facility's group hosting capacity. The halls are in fact the perfect complement to the Altitude seafood and grill – lounge restaurant, which alone cannot meet the needs of multiple groups simultaneously, given its seating capacity of 80. This new feature is one of the factors that have enabled the Casino to become profitable.

The Casino du Lac-Leamy will take visitors into a unique multimedia environment.

Québec's Casinos: a brand name that's making its mark

As a way of standing out through the customer entertainment experience in its four casinos and supported by an intranet site, the SCQ began a major branding project last year, intended to build strong name recognition in the entertainment market. The virtual site includes the entire range of service standards that provide a matchless entertainment experience, one that follows customers throughout their visits to any of the four casinos. The harmonization will not only enable the organization to increase customer satisfaction, it will also optimize the way things are done and foster synergy among Québec's casinos. Moreover, the SCQ pursued its continued improvement efforts by revisiting its business processes. Since a unit was created to deal with this activity sector, 18 projects have been brought to fruition.

What are the odds? advertising campaign

Another of the 2012-2013 fiscal year's highlights is the *What are the odds?* advertising campaign that ran throughout Québec and featured the casinos located in Montréal and Mont-Tremblant. Ads for the two other casinos went forward in the months that immediately followed the end of the fiscal year.

Espacejeux offers new features on its online poker platform.

Espacejeux

Since it went live in December 2010, Espacejeux has never stopped innovating and diversifying its offer so as to remain a responsible, trustworthy and entertaining online gaming site. Moreover, new features were added to its poker platform. The popularity of Espacejeux continues to grow, as is confirmed by its membership which rose from 28,000 after 2 months of activity to break through the symbolic threshold of 100,000 at the beginning of 2013.

Societal responsibility

Societal responsibility considerations are everywhere in the SCQ. In fact, a sustainable development section was added to the web site of each of the casinos in order to present the many achievements of the SCQ in the areas of social equity, economic efficiency and environmental preservation.

In March 2013, the SCQ signed a partnership agreement with Electric Circuit for the deployment of public charging stations for vehicles. The first station, located between the Casino de Charlevoix and the Fairmont Le Manoir Richelieu hotel, is already up and running, while visitors to the casinos in Montréal and Lac-Leamy will be able to charge up with clean, renewable energy at one of the two stations to be installed at each of the casinos before the end of 2013. The feasibility of providing access to a charging station at Casino de Mont-Tremblant will also be examined.

Responsible gaming is also an integral part of the subsidiary's activities. Concrete measures such as the self-exclusion program exist in all four SCQ casinos, as well as on Espacejeux, and are mentioned on their web sites.

Awards, mentions and distinctions

The focus of customer service at Québec's casinos has led to the Corporation receiving numerous awards, mentions and distinctions. Among the 2012-2013 crop was the honourable mention awarded to the Casino du Lac-Leamy for its energy efficiency efforts and results. In addition, that establishment's Le Baccara restaurant was awarded the Five Diamond rating for a twelfth consecutive time by AAA/CAA. Also, readers of the prestigious *Condé Nast Traveller* guide voted the Fairmont Le Manoir Richelieu (adjacent to the Casino de Charlevoix) among the top 20 resorts in Canada for the second year in a row. Finally, *Travel & Leisure* magazine put the hotel in its 2013 list of the 500 best hotels in the world.

Casino Mundial

Through its Casino Mundial subsidiary and the Casinos Développement Europe holding company, Loto-Québec is co-owner of JOAGROUPE Holding Inc., a French corporation that owns and operates a network of 20 casinos in France as well as a gaming web site operated by JOA Online.

Casino Mundial owns 35% of the JOAGROUPE Holding Inc. share capital, with the European investment firm Bridgepoint Capital owning 55% and the corporation's directors holding the remaining 10%.

The bleak economic context in France due to the deepening European financial crisis naturally affects the entire French casino industry. This context is not conducive to reflating the activities of JOAGROUPE Holding Inc.

As at October 31, 2012, net sales of JOAGROUPE Holding Inc. declined by 3.7% from 2011, while the French casino industry as a whole experienced a drop in sales of 4.0% for the same period. JOAGROUPE Holding Inc. net earnings were 18.7 million euros in 2012, similar to the preceding year's 18.9 million euros.

VIDEO LOTTERIES

MAKING WAY FOR THE NEW-GENERATION TERMINALS

Loto-Québec's Société des loteries vidéo du Québec (SLVQ) subsidiary commercializes and responsibly manages a network of video lottery terminals (VLTs) throughout the province. It is also responsible for the Trois-Rivières and Québec City gaming halls. The major project undertaken by the SLVQ in the last fiscal year was the deployment of a new generation of VLTs, which became a necessity due to the aging of earlier generation terminals that remained in use in nearly 70% of the network as of March 31, 2013.

Modern and more entertaining, the new terminals please a broader clientele.

In fiscal 2012-2013, SLVQ sales rose to 972.8 million dollars, while revenue declined by 25.2 million dollars (-2.5%), 3.3 million of which can be attributed to the fact that the year had one less day. The true shortfall is in fact 2.2%. This fourth consecutive decrease is particularly due to the economic slowdown and to lower customer interest in the older VLTs.

Gaming hall business up

Gaming halls improved their financial performance for a fifth straight year. The trend to higher income (+1.0%) and traffic can be explained by the arrival of new electronic gaming machines, the attractiveness of new games and promotional efforts that enabled a favorable entertainment environment to prevail. Both establishments celebrated their fifth anniversary last fall.

The Trois-Rivières and Québec City gaming halls celebrated their fifth anniversary.

VLT network replacement

The highlight of the year for the SLVQ was the accelerated deployment of the new VLTs in establishments with an operating licence. This was made possible by the hard work of the project's dedicated teams. Close to one hundred VLTs are being replaced every day, and this means that the network of terminals in the Montréal Metropolitan area and the greater 450 area code region is already brand new. The SLVQ is counting on completing the deployment of the new VLTs throughout its network by the fall of 2013.

The two new VLT models offer a contemporary and lustrous design.

Authorized number of terminals: 12,000 in approximately 2,000 establishments

Due to various constraints, the SLVQ was unable to reach the authorized 12,000 VLTs in 2,000 establishments in the fiscal year just ended. As of March 31, 2013, the SLVQ network counted 11,683 units operated in 1,870 establishments. This is the lowest ratio of per capita VLTs and establishments in Canada. Also, VLTs are allocated on the basis of restrictive socioeconomic placement criteria regulations that were adopted by the government in 2011, as well as strict business management parameters.

Responsible retailers

Nearly 2,000 individuals took the *Taking Risks Is No Game* training course during the last fiscal year. Mandatory for retailers and staff assigned to VLTs, this training enables them to become better informed and better equipped responsible gaming stakeholders. The SLVQ has trained more than 28,000 retailers and bar or brasserie employees since the inception of the program in 2001.

Through its *Bien joué!* recognition program that was set up in 2010, the SVLQ highlighted the commitment of more than 1,000 responsible retailers. In a new development this year, an honorary certificate was awarded to every establishment that qualified.

VLT operators are required to commit to the Code of Responsible Commercialization, which seeks to ensure uniform and permanent video lottery oversight throughout the network and make certain that retailers adhere to SLVQ responsible management requirements.

BINGO

A MAJOR PARTNER FOR NON-PROFIT ORGANIZATIONS

The Société des bingos du Québec (SBQ) celebrated its 15th anniversary on December 2, 2012, proudly spotlighting its social contribution: nearly 135 million dollars paid to non-profit organizations (NPOs) since its inception. For the past 15 years, this Loto-Québec subsidiary has concentrated all of its energy on making network bingo an efficient fundraising tool for the hundreds of NPOs that hold bingo licences.

Kinzo is a big success with the target public.

This aspiration pushed the SBQ to come out with their new Kinzo project in 2010. Kinzo is a unique gaming concept played collectively that has proven itself highly popular with its target public. The success of Kinzo made it possible for SBQ sales to rise for a second consecutive year during the 2012-2013 fiscal year. In fact, revenues were 36.9 million dollars this year, 8.8% higher than last year's, which enabled the SBQ to contribute a total of 4.9 million dollars to nearly 850 NPOs.

The SBQ celebrated its 15th anniversary by spotlighting its contributions to NPOs.

Kinzo expands

The last year was a particularly active one for the SBQ, with seven new Kinzo locations opening in Granby, Saint-Jean-sur-Richelieu, Drummondville, Sherbrooke, Montréal (Ahuntsic), Victoriaville and Laval. The young network continues to grow rapidly, now boasting 15 locations, and its revenues practically doubled this fiscal year, rising from 6.4 million dollars in 2011-2012 to 12.6 million dollars in 2012-2013. This new and ever-increasing source of revenue now represents more than one third of the subsidiary's total revenues, enabling it to compensate for the decline in revenue generated by its major business sector, network bingo.

Despite the SBQ's intensified marketing efforts, network bingo sales are unfortunately following market trends that are characterized by an annual drop of nearly 10% in visits to bingo halls. Revenues from network bingo during the 2012-2013 fiscal year came to 24.4 million dollars, 3.1 million dollars less than in the preceding year. In spite of this, the SBQ succeeded in maintaining customer interest in network bingo and its various games, as is confirmed by the stability of per capita revenue, and in keeping the product close to the hearts of participants at a time when commercialization has ceased in other Canadian provinces.

These results, remarkable in the current context, are not accidental. A multitude of actions were undertaken by the SBQ in the framework of its 2012-2013 business plan, as much regarding network bingo as Kinzo. SBQ teams shifted into high gear to minimize the effects of the decrease in popularity of a range of games that follows the industry's trend towards decline and to intensify the growth of the network of Kinzo locations in order to carry the product to its full potential.

Several new features are implemented

The year was replete with news in the network bingo sector, with five new network games launched: La Bonne Étoile, Clair de lune, Constellation, Porte-chance and Coquette. Additionally, improvements were made to the Le Grand Tour and Le Petit Tour main games in order to preserve prize payout rates. Also worth mentioning: a record 50 events were hosted in bingo halls, making network bingo products available at 4 large-scale festivals, which improved game and participating bingo hall recognition among potential customers. Finally, the SBQ and the lottery sector combined their efforts

to market the Bingo Le Grand Tour instant scratch ticket, which offered a bonus prize of network bingo cards as a way of encouraging a new demographic to learn about the product.

Moreover, to meet the expectations of Kinzo customers, the SBQ improved the Kinzo Plus special round and installed electronic gaming stations designed in cooperation with Ingenio in three locations, to test the market. To meet Loto-Québec's commitment to responsible gaming, measures were put in place to limit the number of tickets that could be purchased in this type of game. Additionally, a code of responsible commercialization was developed for Kinzo partners, aimed at providing a framework for their activities and encouraging them to promote low-risk gaming habits.

Several new network bingo games were launched during the last fiscal year.

Many challenges on the horizon

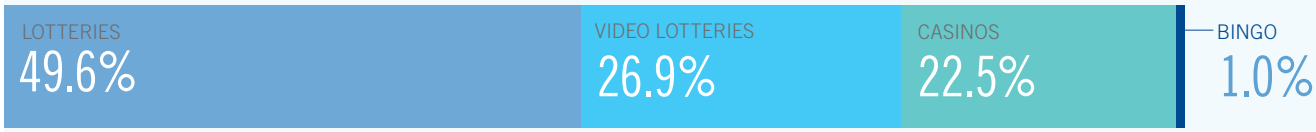
In 2013-2014, to secure the amounts paid to NPOs from the proceeds of network bingo, the SBQ will continue its efforts at optimizing net revenue from this sector and maintaining the player payout rate. One strategy has already been put in place with the cooperation of various bingo industry stakeholders. The three-pronged strategy is founded on improvements to bingo hall design, the use of technology to offer more dynamic games and increased game duration flexibility.

Challenges will be many for Kinzo, and overcoming them will rely on ensuring that this new niche market remains profitable. The SBQ's path to success involves a number of different measures. These include adding eight new locations, the majority of which will be with partners from outside the bingo industry; increasing Kinzo brand recognition; standardizing service throughout the network; and making changes to the product to increase the number of winners.

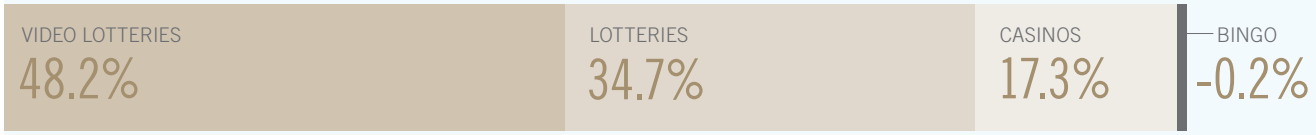
FINANCIAL REVIEW

AS AT MARCH 31, 2013

Revenues



Comprehensive income



Loto-Québec reported consolidated revenues of 3.618 billion dollars for fiscal 2012-2013. This represents a decrease of 42.9 million dollars (-1.2%) compared to fiscal 2011-2012, 25.5 million dollars of which came from the casino sector and 25.2 million from the video lottery sector. However, fiscal 2011-2012 included a leap year, so a fairer analysis needs to take into consideration the one fewer day in fiscal 2012-2013, and this accounts for 26.7 million dollars or 62.2% of the difference.

Consolidated gross profit stood at 2.262 billion dollars against 2.311 billion dollars in fiscal 2011-2012. This amounted to a decrease of 48.7 million dollars (-2.1%). Expenses, including net financial expenses, totalled 973.0 million dollars, an increase of 13.4 million dollars (+1.4%). However, if the 14.0 million-dollar impairment loss of property, plant and equipment and intangible assets is excluded, expenses are comparable to those of the previous fiscal year, registering a slight decrease of 0.1%. Comprehensive income was 1.282 billion dollars, which is similar to the figure for the previous fiscal year. However, the one fewer day must be taken into account, explaining the 11.6 million-dollar drop in net earnings as compared to 2011-2012. Worth noting: there was a 59.7 million-dollar write-down of loans to Casinos Développement Europe and its subsidiaries in 2011-2012.

Lotteries

With sales of 1.793 billion dollars, the lottery sector showed an increase of 3.4 million dollars (+0.2%) compared to the previous fiscal year. The rise can be explained by the solid performance of draw lotteries (+30.5 million dollars or +2.4%), compensating for the decline in instant lotteries (-25.1 million dollars or -5.3%). The increase in sales would rise by 20.3 million dollars if account is taken of the extra day in 2011-2012. The results include 7.1 million dollars in revenues generated by online lottery sales for the first full year on Espacejeux. Gross profit stood at 699.5 million dollars, 5.2 million dollars less than in the preceding fiscal year. This decline is mainly explained by a higher payout rate (60.0% compared to 48.7% last year) for Québec 49, which had 9 winners of 2 million dollars against 5 last year. In all, a total of 943.3 million dollars was paid to winners, while 122.7 million dollars went to retailer commissions.

REVENUES
As at March 31, 2013

(*in thousands of Canadian dollars*)	**2013**	**2012**	**$ Variation**	**% Variation**
DRAW LOTTERIES				
Lotto 6/49	**351,502**	357,381	(5,879)	(1.6%)
Lotto Max	**324,114**	300,783	23,331	7.8%
Québec 49	**78,386**	77,600	786	1.0%
Québec Max	**21,299**	–	21,299	–
Extra	**137,354**	134,406	2,948	2.2%
Banco	**138,246**	138,169	77	0.1%
La Quotidienne	**42,608**	40,593	2,015	5.0%
Astro	**3,289**	3,471	(182)	(5.2%)
Triplex	**4,429**	4,913	(484)	(9.9%)
Jour de paye!	**3,092**	6,106	(3,014)	(49.4%)
Lotto Poker	**47,030**	88,727	(41,697)	(47.0%)
Sprinto	**30,956**	–	30,956	–
Lotto :D	**4,395**	–	4,395	–
La Mini	**9,751**	11,063	(1,312)	(11.9%)
TV	**60,188**	52,228	7,960	15.2%
Special editions	**35,872**	46,558	(10,686)	(23.0%)
Subtotal	**1,292,511**	1,261,998	30,513	2.4%
INSTANT LOTTERIES	**450,536**	475,669	(25,133)	(5.3%)
EVENT BETTING	**49,791**	51,723	(1,932)	(3.7%)
Total	**1,792,838**	1,789,390	3,448	0.2%

Casinos

Casino revenues declined by 25.5 million dollars (-2.9%) compared to the preceding fiscal year, 3.1 million dollars of which can be explained by the one fewer day in 2012-2013. The true decrease in this sector is 2.6%, and mainly comes from the Casino de Montréal (-24.5 million dollars), where revenues were affected by the modernization work (-15.4 million dollars). Additionally, the chance factor was exceptionally favorable to the Casino in 2011-2012.

Espacejeux.com casino game revenues stood at 23.4 million dollars, an increase of 4.0 million dollars (+20.5%) over the previous fiscal year. These revenues are included in income from casinos.

REVENUES
As at March 31, 2013

(*in thousands of Canadian dollars*)	**2013**	**2012**	**$ Variation**	**% Variation**
Casino de Montréal	**509,908**	534,365	(24,457)	(4.6%)
Casino de Charlevoix	**52,896**	54,118	(1,222)	(2.3%)
Casino du Lac-Leamy	**264,396**	263,223	1,173	0.4%
Casino de Mont-Tremblant	**20,784**	21,753	(969)	(4.5%)
Total	**847,984**	873,459	(25,475)	(2.9%)

Video lotteries

Revenues in the video lottery sector stood at 972.8 million dollars. This represents a decrease of 25.2 million dollars (-2.5%) from the preceding year, 3.3 million dollars of which is attributable to the one fewer day in the current year. The true drop in sales in the video lottery sector is 2.2%.

The lower revenue came mainly from the bars and brasseries network, where the shortfall stood at 25.4 million dollars (-2.6%). The weaker appeal of aging terminals and a more difficult economic context in some regions of Québec account for an estimated loss in revenue of 50.9 millon dollars. Balancing that, the lifting of the moratorium led to a more efficient management of the network, which brought in 19.3 million dollars in added revenues. The Trois-Rivières gaming hall performed well, increasing sales by 10.0%, while Québec City gaming hall sales decreased by 3.5%, essentially due to construction work on the new Québec City arena. Retailer commissions totalled 208.7 million dollars.

REVENUES
As at March 31, 2013

(*in thousands of Canadian dollars*)	2013	2012	$ Variation	% Variation
BARS AND BRASSERIES	**948,444**	973,839	(25,395)	(2.6%)
Québec City gaming hall	**15,603**	16,169	(566)	(3.5%)
Trois-Rivières gaming hall	**8,743**	7,947	796	10.0%
TOTAL GAMING HALLS	**24,346**	24,116	230	1.0%
Total	**972,790**	997,955	(25,165)	(2.5%)

Bingo

Sales in the bingo sector rose by 3.0 million dollars (+8.8%) to 36.9 million dollars. The strong performance is directly attributable to Kinzo, where sales rose by 6.1 million dollars compared to 2011-2012. While bingo hall traffic is in gradual decline, it is on the rise at Kinzo locations. The Kinzo network continues to grow, encompassing 15 locations as of March 31, 2013 compared to 8 on the same date last year.

REVENUES
As at March 31, 2013

(*in thousands of Canadian dollars*)	2013	2012	$ Variation	% Variation
Le Grand Tour	**12,819**	14,860	(2,041)	(13.7%)
Le Petit Tour	**5,211**	5,973	(762)	(12.8%)
Prélude	**6,360**	6,122	238	3.9%
Other	**–**	572	(572)	(100.0%)
TOTAL BINGO	**24,390**	27,527	(3,137)	(11.4%)
TOTAL KINZO	**12,551**	6,438	6,113	95.0%
Total	**36,941**	33,965	2,976	8.8%

Operating expenses

Expenses totalled 961.2 million dollars, an increase of 9.9 million dollars (+1.0%) over last fiscal year. The increase mainly came from a 14.0 million-dollar impairment loss of property, plant and equipment and intangible assets. Excluding this impairment loss, expenses would have been lower than last year by 4.1 million dollars (-0.4%). Employee benefits decreased by 7.1 million dollars, mainly due to the optimization of business processes that enabled the Corporation to slow payroll growth in spite of costs related to collective labour agreements. The increase of special payments corresponds to monetary compensation for non-profit organizations stemming from the closure of the Lotomatique subscription system. Québec Sales Tax (QST) payments rose by 4.0 million dollars (+6.4%). The increase came from a 1% rise in the tax rate on January 1, 2012, which represents an additional expenditure of 6.0 million dollars, consequently affecting net earnings. Elsewhere, in spite of inflationary pressures on our purchases, other expenses remained similar to last year's, standing at 290.2 million dollars and resulting from measures taken by the Corporation to slow the growth of its expenses.

Balanced budget act

All provisions of the *Act to implement certain provisions of the Budget Speech of 30 March 2010, reduce the debt and return to a balanced budget in 2013-2014* in regard to expense compression were met. The targets set by the Minister of Finance in the 2011-2012 budget were also met, and Loto-Québec contributed 79.2 million dollars in 2012-2013 against a stipulated objective of 40 million dollars.

Net financial expenses

Net financial expenses totalled 11.8 million dollars, an increase of 3.5 million dollars over the last fiscal year. The increase is explained by the fact that in the fiscal year ended March 31, 2012, the Corporation registered interest revenue of 5.0 million dollars, corresponding to discounted cash flow of 8% on loans to Casinos Développement Europe and its subsidiaries.

Contributions to governments

Loto-Québec's contribution to the Ministère des Finances in the form of dividends stood at 1.194 billion dollars, 2.0 million dollars less than in the preceding fiscal year. An additional 88.0 million dollars was paid into the Government of Québec's various designated funds, and 97.0 million dollars was paid to the Ministère du Revenu in QST. Loto-Québec's total contributions to the Government of Québec equalled nearly 1.379 billion dollars (2012: 1.377 billion dollars). The Corporation also contributed 16.0 million dollars to the Government of Canada as compensation for its withdrawal from the lottery sector and 48.6 million dollars in the form of the Goods and Services Tax (GST), making for a total of 64.6 million dollars (2012: 65.6 million dollars).

CONTRIBUTIONS TO GOVERNMENTS
As at March 31, 2013

(*in thousands of Canadian dollars*)	**2013**	**2012**
Government of Québec		
Dividends	**1,194**	1,196
Designated funds	**88**	89
Québec Sales Tax	**97**	92
Total Government of Québec	**1,379**	1,377
Government of Canada		
Compensation – withdrawal from the lottery sector	**16**	16
Goods and Services Tax	**49**	50
Total Government of Canada	**65**	66
Total	**1,444**	1,443

SUPPLEMENTARY INFORMATION

(*in thousands of Canadian dollars*)	2013					
Business segments	**Lotteries**	**Casinos**	**Video lotteries**	**Bingo**	**Elimination of intersegment transactions**	**Consolidated figures**
Revenues						
Games	1,792,838	764,488	972,790	36,941	–	3,567,057
Restaurants	–	66,882	–	–	(32,873)	34,009
Accommodations	–	16,614	–	–	–	16,614
	1,792,838	**847,984**	**972,790**	**36,941**	**(32,873)**	**3,617,680**
Cost of sales						
Prizes awarded	943,316	–	–	20,359	–	963,675
Commissions	122,672	3,108	208,658	3,944	–	338,382
Printing	27,375	–	1,215	1,046	–	29,636
Food and beverages	–	23,570	–	–	–	23,570
	1,093,363	**26,678**	**209,873**	**25,349**	**–**	**1,355,263**
Gross profit	**699,475**	**821,306**	**762,917**	**11,592**	**(32,873)**	**2,262,417**
Expenses						
Employee benefits	64,133	324,763	35,797	3,457	–	428,150
Depreciation, amortization and net impairment losses	25,498	62,282	27,296	605	–	115,681
Special payments	23,385	–	–	4,757	–	28,142
Goods and Services Tax	12,254	7,658	12,727	391	–	33,030
Québec Sales Tax	24,484	15,261	25,398	781	–	65,924
Other expenses	100,579	179,397	38,946	4,193	(32,873)	290,242
	250,333	**589,361**	**140,164**	**14,184**	**(32,873)**	**961,169**
Income from operating activities	**449,142**	**231,945**	**622,753**	**(2,592)**	**–**	**1,301,248**
Financial revenues	(382)	(1,933)	(75)	(3)	–	(2,393)
Financial expenses	4,595	4,349	5,262	–	–	14,206
Net financial expenses	**4,213**	**2,416**	**5,187**	**(3)**	**–**	**11,813**
Share of net income of entities accounted for using the equity method	–	1,293	–	–	–	1,293
Share of net income of Manoir Richelieu Limited Partnership	–	5,706	–	–	–	5,706
Net income and comprehensive income	**444,929**	**222,530**	**617,566**	**(2,589)**	**–**	**1,282,436**

SUPPLEMENTARY INFORMATION

(*in thousands of Canadian dollars*)	2012					
Business segments	**Lotteries**	**Casinos**	**Video lotteries**	**Bingo**	**Elimination of intersegment transactions**	**Consolidated figures**
Revenues						
Games	1,789,390	788,395	997,955	33,965	–	3,609,705
Restaurants	–	69,188	–	–	(34,192)	34,996
Accommodations	–	15,876	–	–	–	15,876
	1,789,390	**873,459**	**997,955**	**33,965**	**(34,192)**	**3,660,577**
Cost of sales						
Prizes awarded	930,655	–	–	18,103	–	948,758
Commissions	124,007	2,464	214,245	3,065	–	343,781
Printing	30,088	–	745	986	(96)	31,723
Food and beverages	–	25,172	–	–	–	25,172
	1,084,750	**27,636**	**214,990**	**22,154**	**(96)**	**1,349,434**
Gross profit	**704,640**	**845,823**	**782,965**	**11,811**	**(34,096)**	**2,311,143**
Expenses						
Employee benefits	65,372	331,988	33,837	4,010	–	435,207
Depreciation and amortization	24,912	65,762	17,108	561	–	108,343
Special payments	17,088	–	–	5,412	–	22,500
Goods and Services Tax	12,518	7,687	13,057	459	–	33,721
Québec Sales Tax	23,044	14,135	23,930	844	–	61,953
Other expenses	100,250	178,241	38,069	7,045	(34,096)	289,509
	243,184	**597,813**	**126,001**	**18,331**	**(34,096)**	**951,233**
Income from operating activities	**461,456**	**248,010**	**656,964**	**(6,520)**	**–**	**1,359,910**
Financial revenues	(557)	(6,678)	(80)	(4)	–	(7,319)
Financial expenses	4,607	5,665	5,354	–	–	15,626
Net financial expenses	**4,050**	**(1,013)**	**5,274**	**(4)**	**–**	**8,307**
Share of net income of entities accounted for using the equity method	–	1,483	–	–	–	1,483
Share of net income of Manoir Richelieu Limited Partnership	–	5,008	–	–	–	5,008
Casinos Développement Europe and its subsidiaries write-down of loans	–	59,673	–	–	–	59,673
Net income and comprehensive income	**457,406**	**182,859**	**651,690**	**(6,516)**	**–**	**1,285,439**

COMPARATIVE RESULTS
As at March 31, 2013

(*in thousands of Canadian dollars*)	**2013**	2012	2011	2010[1]	2009[1]
Consolidated results					
Revenues	**3,617,680**	3,660,577	3,640,991	3,722,562	3,789,609
Cost of sales					
Lotteries					
Prizes awarded	**943,316**	930,655	918,948	922,723	961,747
Commissions	**122,672**	124,007	124,670	124,898	128,705
Printing	**27,375**	29,992	31,964	35,303	37,282
	1,093,363	**1,084,654**	**1,075,582**	**1,082,924**	**1,127,734**
Casinos					
Commissions	**3,108**	2,464	650	–	–
Food and beverages	**23,570**	25,172	27,660	29,719	27,636
	26,678	27,636	28,310	29,719	27,636
Video lotteries					
Commissions	**208,658**	214,245	215,399	225,016	229,919
Printing	**1,215**	745	895	910	1,250
	209,873	**214,990**	**216,294**	**225,926**	**231,169**
Bingo					
Prizes awarded	**20,359**	18,103	15,692	16,521	16,804
Commissions	**3,944**	3,065	2,371	2,562	2,325
Printing	**1,046**	986	882	1,317	1,168
	25,349	**22,154**	**18,945**	**20,400**	**20,297**
Total	**1,355,263**	1,349,434	1,339,131	1,358,969	1,406,836
Gross profit	**2,262,417**	2,311,143	2,301,860	2,363,593	2,382,773
Operating expenses					
Lotteries	**188,097**	182,710	178,282	187,196	179,283
Casinos	**471,287**	476,133	467,144	469,874	439,074
Video lotteries	**74,743**	71,906	69,367	81,594	85,435
Bingo	**12,407**	16,467	23,511	12,908	13,243
Depreciation, amortization and net impairment losses	**115,681**	108,343	125,294	109,089	99,203
Goods and Services Tax	**33,030**	33,721	34,979	34,620	33,959
Québec Sales Tax	**65,924**	61,953	56,719	54,694	54,417
	961,169	**951,233**	**955,296**	**949,975**	**904,614**
Income from operating activities	**1,301,248**	**1,359,910**	**1,346,564**	**1,413,618**	**1,478,159**
Net financial expenses	**11,813**	**8,307**	**4,403**	**11,159**	**9,537**
Share of net income of entities accounted for using the equity method	**6,999**	6,491	7,138	7,275	6,552
Share in the Casinos Développement Europe satellite company	**–**	–	–	–	6,311
Casinos Développement Europe and its subsidiaries					
Write-down of loans	**–**	59,673	–	29,583	–
Write-off of capitalized interest	**–**	–	–	24,914	–
Net income and comprehensive income	**1,282,436**	**1,285,439**	**1,335,023**	**1,340,687**	**1,455,759**

[1] Financial information for 2010 and 2009 was established on the basis of Canadian GAAP.

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MANAGEMENT'S REPORT

The consolidated financial statements of Loto-Québec have been prepared by management, which is responsible for their preparation and presentation, including significant estimates and judgments. This responsibility involves the selection of appropriate accounting policies in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). All other financial information contained in the annual report on activities is consistent with that appearing in the consolidated financial statements.

To fulfil its responsibilities, management develops, establishes and maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded on a timely basis and in a manner suitable for preparing reliable consolidated financial statements. Corporate Management of the Internal Audit carries out periodic audits to ensure that internal controls are adequate, consistent and applied uniformly by Loto-Québec.

Loto-Québec acknowledges its responsibility for conducting its affairs in accordance with its governing statutes and regulations.

The Board of Directors of Loto-Québec oversees management in the performance of its financial reporting responsibilities and approves the consolidated financial statements, assisted by its Audit Committee consisting solely of independent directors. The Audit Committee meets with management, the Auditor General of Québec and accounting firm Raymond Chabot Grant Thornton, LLP (RCGT), reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The Auditor General of Québec and RCGT have jointly audited the consolidated financial statements of Loto-Québec, in compliance with Canadian generally accepted auditing standards, and their independent auditors' report states the nature and scope of this audit and expresses their opinion. The Auditor General of Québec and RCGT have full and free access to the Audit Committee to discuss any matter related to their audit.

President and Chief Executive Officer,

GÉRARD BIBEAU

Corporate Vice President of Finance and Administration, Loto-Québec,

JOHANNE ROCK, CPA, CA

MONTRÉAL, QUÉBEC
JUNE 7, 2013

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Loto-Québec, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information included in the accompanying notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Loto-Québec as at March 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

OTHER MATTER

The consolidated financial statements of Loto-Québec for the year ended March 31, 2012 were audited by the Auditor General of Québec and another auditor who expressed an unmodified opinion on those consolidated financial statements in their report dated June 7, 2012.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Auditor General Act* (R.S.Q., c. V-5.01), we report that, in our opinion, these standards have been applied on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton LLP[1]

MONTRÉAL, QUÉBEC
JUNE 7, 2013

Interim Auditor General of Québec,

Michel Samson, CPA auditor, CA

MICHEL SAMSON, CPA auditor, CA

MONTRÉAL, QUÉBEC
JUNE 7, 2013

[1] CPA auditor, CA, public accountancy permit No. A125741

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2013

(*in thousands of Canadian dollars*)	2013	2012
Revenues (Note 4)	**3,617,680**	3,660,577
Cost of sales (Note 4)	**1,355,263**	1,349,434
Gross profit (Note 4)	**2,262,417**	2,311,143
Expenses		
Employee benefits (Note 5)	**428,150**	435,207
Depreciation, amortization and net impairment losses (Notes 13, 14)	**115,681**	108,343
Special payments (Note 6)	**28,142**	22,500
Goods and Services Tax	**33,030**	33,721
Québec Sales Tax	**65,924**	61,953
Other expenses	**290,242**	289,509
	961,169	951,233
Income from operating activities	**1,301,248**	1,359,910
Financial income	**(2,393)**	(7,319)
Financial expenses	**14,206**	15,626
Net financial expenses (Note 7)	**11,813**	8,307
Share of net income of entities accounted for using the equity method (Note 12)	**1,293**	1,483
Share of net income of Manoir Richelieu Limited Partnership (Note 12)	**5,706**	5,008
Casinos Développement Europe and its subsidiaries write-down of loans (Note 12)	**–**	59,673
Net income and comprehensive income	**1,282,436**	1,285,439

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2013

(*in thousands of Canadian dollars*)	Share capital	Retained earnings	Total
Balance as at April 1, 2011	170	90,224	90,394
Comprehensive income for the year	–	1,285,439	1,285,439
Dividends	–	(1,196,440)	(1,196,440)
Fonds d'aide à l'action communautaire autonome (Note 8)			
Aide à l'action communautaire autonome	–	(15,426)	(15,426)
Aide à l'action humanitaire internationale	–	(2,571)	(2,571)
Contributions to the Government of Québec (Note 9)	–	(71,002)	(71,002)
Balance as at March 31, 2012	170	90,224	90,394
Comprehensive income for the year	**–**	**1,282,436**	**1,282,436**
Dividends	**–**	**(1,194,457)**	**(1,194,457)**
Fonds d'aide à l'action communautaire autonome (Note 8)			
Aide à l'action communautaire autonome	**–**	**(15,630)**	**(15,630)**
Aide à l'action humanitaire internationale	**–**	**(2,889)**	**(2,889)**
Contributions to the Government of Québec (Note 9)	**–**	**(69,460)**	**(69,460)**
Balance as at March 31, 2013	**170**	**90,224**	**90,394**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2013

(*in thousands of Canadian dollars*)	**2013**	**2012**
ASSETS		
Cash and cash equivalents (Note 23)	**116,558**	101,581
Trade and other receivables (Note 10)	**87,844**	71,887
Inventories	**4,217**	4,441
Prepaid expenses	**30,101**	27,816
Current portion of financial assets related to life annuities (Note 11)	**795**	729
Total current assets	**239,515**	206,454
Interests in and loans to entities accounted for using the equity method (Note 12)	**44,208**	40,912
Property, plant and equipment (Note 13)	**841,544**	747,050
Intangible assets (Note 14)	**107,300**	107,381
Financial assets related to life annuities (Note 11)	**62,902**	60,616
Total non-current assets	**1,055,954**	955,959
Total assets	**1,295,469**	1,162,413
LIABILITIES		
Bank loans (Note 15)	**456,475**	431,969
Dividends payable	**32,957**	21,440
Accounts payable and accrued liabilities (Note 16)	**233,551**	198,329
Current portion of life annuities payable (Note 11)	**795**	729
Provisions (Note 17)	**60,854**	66,233
Deferred revenues	**17,314**	20,440
Total current liabilities	**801,946**	739,140
Long-term debt (Note 18)	**331,932**	267,082
Defined benefit liability and other long-term benefits (Note 19)	**8,295**	5,181
Life annuities payable (Note 11)	**62,902**	60,616
Total non-current liabilities	**403,129**	332,879
Total liabilities	**1,205,075**	1,072,019
SHAREHOLDER'S EQUITY		
Share capital authorized, issued and paid:		
1,700 shares with a par value of $100 each (Note 20)	**170**	170
Retained earnings	**90,224**	90,224
Total shareholder's equity	**90,394**	90,394
Total liabilities and shareholder's equity	**1,295,469**	1,162,413

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

ON BEHALF OF THE BOARD OF DIRECTORS

HÉLÈNE F. FORTIN, FCPA, FCA
CHAIRWOMAN OF THE BOARD OF DIRECTORS

GÉRARD BIBEAU
PRESIDENT AND CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2013

(*in thousands of Canadian dollars*)	**2013**	**2012**
OPERATING ACTIVITIES		
Net income from activities	**1,282,436**	1,285,439
Adjustments for:		
Depreciation, amortization and net impairment losses	**115,681**	108,343
Loss on disposal and write-off of property, plant and equipment and intangible assets	**352**	2,784
Defined benefit expense and other long-term benefits	**20,512**	15,389
Other net financial expenses	**13,458**	13,805
Share of net income of entities accounted for using the equity method	**1,293**	1,483
Share of net income of Manoir Richelieu Limited Partnership	**5,706**	5,008
Interest income on loans to Casinos Développement Europe and its subsidiaries	**(1,583)**	(6,315)
Exchange loss on loans to Casinos Développement Europe and its subsidiaries	**219**	3,204
Write-down of loans to Casinos Développement Europe and its subsidiaries	**–**	59,673
Capitalization of defined benefit obligation	**(17,398)**	(16,405)
Net change in non-cash working capital items (Note 23)	**(403)**	23,363
Interest paid	**(13,583)**	(13,384)
Interest received	**810**	1,004
Cash flows from operating activities	**1,407,500**	1,483,391
INVESTING ACTIVITIES		
Loan acquisitions (Note 12)	**(2,551)**	(246)
Additions to property, plant and equipment (Note 13)	**(177,664)**	(121,476)
Additions to intangible assets (Note 14)	**(25,685)**	(25,076)
Proceeds from disposal of property, plant and equipment	**933**	1,015
Investment, net of distributions, in Manoir Richelieu Limited Partnership and payments to partners	**(5,743)**	(6,584)
Cash flows used in investing activities	**(210,710)**	(152,367)
FINANCING ACTIVITIES		
Dividends paid	**(1,182,940)**	(1,196,813)
Bank loans	**24,506**	(40,250)
Increase in long-term debt	**64,600**	–
Contributions to the Government of Québec (Note 9)	**(69,460)**	(71,002)
Fonds d'aide à l'action communautaire autonome (Note 8)		
Aide à l'action communautaire autonome	**(15,630)**	(15,426)
Aide à l'action humanitaire internationale	**(2,889)**	(2,571)
Cash flows used in financing activities	**(1,181,813)**	(1,326,062)
Increase in cash and cash equivalents	**14,977**	4,962
Cash and cash equivalents, beginning of year	**101,581**	96,619
Cash and cash equivalents, end of year (Note 23)	**116,558**	101,581

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

NOTE 1

INCORPORATION AND ACTIVITIES

The Société des loteries du Québec, designated under the name Loto-Québec, is a joint-stock company whose shares form part of the public domain of Québec and are allocated to the Québec Minister of Finance. Under its incorporating statute (R.S.Q., c. S-13.1), the functions of the Corporation are to conduct and administer lottery schemes and to operate businesses which are incidental to the operation of a State casino. The Corporation may also offer, for consideration, consulting and implementation services in matters within its competence. Under the *Income Tax Act* (R.S.C. (1985), c. 1 (5th supplement)) and the *Taxation Act* (R.S.Q., c. I-3), Loto-Québec is exempt from income taxes.

Loto-Québec is a corporation domiciled in Québec, Canada. Loto-Québec's head office is located at 500 Sherbrooke Street West, Montréal, Québec.

The consolidated financial statements of Loto-Québec include the accounts of Loto-Québec and those of its subsidiaries (collectively called "Loto-Québec" and, individually, the "entities of Loto-Québec") as well as Loto-Québec's interests in associates and joint ventures.

NOTE 2

BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Board of Directors approved the financial statements of Loto-Québec and authorized their release on June 7, 2013.

b) Basis of measurement

The consolidated financial statements were prepared on a historical cost basis, except for:

- Derivative financial instruments, which were measured at fair value;
- Provisions measured at the best estimate to settle the present obligations;
- The defined benefit liability, which was measured at the present value of the defined benefit obligation, given actuarial gains and losses and unrecognized past service cost, less the fair value of plan assets;
- Other long-term benefits, which were measured at the present value of the defined benefit obligation.

The methods used to measure fair value are discussed in greater detail in Note 22.

c) Functional currency and presentation currency

These consolidated financial statements are presented in Canadian dollars, the functional currency of Loto-Québec. All the financial information presented in Canadian dollars has been rounded to the nearest thousand dollars.

NOTE 2
BASIS OF PREPARATION (*continued*)

d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to use its judgment in applying the accounting policies and to make assumptions and estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

The estimates and underlying assumptions are reviewed on a regular basis, and the impact of any changes is immediately recognized. They are based on experience, economic conditions and general trends, as well as conditions pertaining to the probable outcome of those matters. Actual results could differ from estimated results.

The principal judgments, assumptions and estimates used are explained below.

Internally generated intangible assets

Management must use significant judgment to distinguish the research stage from the software application development stage. Costs directly attributable to the development stage are accounted for as assets provided that all the criteria are met, while research costs are expensed as incurred.

Loto-Québec is required to review costs directly attributable to the development stage for continued compliance with capitalization requirements, as software development is uncertain and can be jeopardized by technical issues arising after recognition.

Provisions

The classification of certain provisions as short- or long-term sometimes requires management to use its judgment in determining the most probable timing of outflows. Their estimated measurements are discussed in Note 17.

Useful lives of property, plant and equipment and intangible assets

Management reviews the useful lives of assets subject to depreciation and amortization at the end of each reporting period. As at March 31, 2013, management ascertained that the useful lives were equal to the expected useful lives of the assets of Loto-Québec. The carrying amounts are analyzed in Notes 13 and 14.

Impairment losses

An impairment loss is recorded in an amount equal to the excess of the carrying amount of a financial asset over the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss is recognized in an amount equal to the excess of the carrying amount of a non-financial asset or a cash-generating unit (CGU) over its estimated recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and value in use. Management determines value in use by estimating the expected future cash flows from each asset or CGU.

On measurement of expected future cash flows, management uses assumptions pertaining to future operating results. Those assumptions relate to future events and circumstances. Actual results could differ and give rise to future adjustments. The carrying amounts of impaired assets are analyzed in Notes 12, 13 and 14.

NOTE 2
BASIS OF PREPARATION (*continued*)

Fair value of life annuities

Management uses valuation techniques to determine the fair value of life annuities for which quoted prices in an active market are not available. This requires management to make estimates and assumptions based on market data, using the observable inputs that market participants would utilize in pricing life annuities. Where such inputs are not observable, management is required to use the best estimate. The life annuities' fair value estimates could differ from the actual results that would be achieved in similar conditions at the end of the reporting period (Note 11).

Defined benefit liabilities and other long-term benefits

Defined benefit liabilities and other long-term benefits are exposed to uncertainties, particularly with regard to estimating discount rates, sick leave credit usage rates, expected long-term returns on plan assets, and inflation and mortality rates, which can vary significantly in future valuations of Loto-Québec's defined benefit liabilities.

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

i) Subsidiaries

The subsidiaries are entities controlled by Loto-Québec. Control exists when Loto-Québec has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are integrated into the consolidated financial statements from the date control is obtained until the date control is lost. The accounting policies of the subsidiaries have been harmonized, as required, with those adopted by Loto-Québec.

The consolidated financial statements include the accounts of Loto-Québec and those of its wholly owned subsidiaries, namely:

- Lotim inc.
- La Société des casinos du Québec inc.
- Casiloc inc.
- La Société des loteries vidéo du Québec inc.
- Ingenio, filiale de Loto-Québec inc.
- La Société des bingos du Québec inc.
- La Société du jeu virtuel du Québec inc.
- 9059-3849 Québec inc.
- Casino Mundial inc.
- Casino Capital 2006 inc.
- Technologies Nter, Limited Partnership
- Technologies Nter inc.
- MST 2012

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

ii) Interests in associates and joint ventures

Casinos Développement Europe and its subsidiaries is an associate that has financial and operating policies over which Loto-Québec exercises significant influence but not control.

Manoir Richelieu Limited Partnership is a joint venture in which Loto-Québec is a joint venturer under the terms of a contractual agreement requiring unanimous consent on strategic financial and operating decisions.

Associates and joint ventures are recognized using the equity method and are initially recognized at cost. The consolidated financial statements incorporate Loto-Québec's share of the revenues and expenses and changes in equity of the entities accounted for using the equity method, taking into account the adjustments made to harmonize accounting policies with those of Loto-Québec since the date on which Loto-Québec began to exercise significant influence or joint control until the date on which it ceased to exercise significant influence or joint control. When Loto-Québec's share of the losses exceeds its interest in an entity accounted for using the equity method, the carrying amount of this interest is reduced to zero and additional losses are no longer recognized, unless Loto-Québec has an obligation or has made payments on behalf of the entity held.

The interests in Manoir Richelieu Limited Partnership, the general partner 9064-1812 Québec inc. and in Casinos Développement Europe and its subsidiaries are accounted for using the equity method.

iii) Transactions eliminated in the consolidated financial statements

Intragroup balances and transactions, and the revenues and expenses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements.

b) Foreign currencies

Transactions denominated in foreign currencies are initially recognized in respective functional currencies of the Loto-Québec entities at the exchange rates on the transaction dates. Assets and liabilities denominated in foreign currencies at the end of the reporting period are translated back into the functional currency at the exchange rates in effect at the balance sheet date.

Foreign exchange gains and losses on loans are reported on a net basis in Financial expenses, while other foreign exchange gains and losses are recorded in Other expenses.

c) Revenues

Games

Lotteries and bingo

Revenues from sales of lottery tickets and bingo cards are recorded on the date of the draw, except for revenues from sales of instant lottery tickets, which are recorded at the time of sale.

Lottery tickets sold as at March 31 for draws subsequent to that date, with the exception of instant lotteries, are recorded as deferred revenues.

In addition to lottery prizes that are payable in cash or merchandise, Loto-Québec also awards free tickets. The value allocated to free tickets, equal to their selling price, is recorded as a reduction of revenues.

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Casinos and video lotteries

Revenues generated from these business segments consist of the difference between wagers made and prizes awarded.

Restaurants and accommodations

Revenues are recognized when services are rendered to customers, when the selling price is fixed or determinable and when collection is reasonably assured.

d) Free offer programs for clients

Certain programs introduced by a Loto-Québec subsidiary allow clients, in particular, to accrue points for gaming, which are exchangeable for cash or goods and services.

- When clients are awarded points exchangeable for cash, a liability is recognized in the amount of the dollar value of the points, and an offsetting amount is recognized as a reduction of revenues. When clients exchange points exchangeable for cash, the value of the liability is reduced. Points are cancelled after 18 months of client account inactivity. Cancelled points are written off through income under Other expenses.
- For programs offering points exchangeable for goods and services only, each point accrued is recognized in Deferred revenues, while the consideration is recorded in Other expenses. The free offers are available in the client account for a six- to twelve-month period. Cancelled points are written off through income under Other expenses.

e) Prizes awarded

Prizes awarded for bingo and certain products in the lottery sector are determined using a theoretical rate applied to sales.

f) Employee benefits

i) Short-term benefits

Salaries, government pension plan contributions, vacation, sick leave and bonuses are short-term benefits and are recognized during the year in which employees rendered the related services.

ii) General and mandatory plans

Recognition of defined benefit plans is applied to general and mandatory plans: the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP), since Loto-Québec does not have sufficient information and is not liable for obligations other than its contributions under these plans.

Defined benefit plan obligations are recognized in net income in the periods in which the services are rendered by employees, under Employee benefit expense.

iii) Defined benefit plans

“Defined benefit plan” means any post-employment benefit plan other than a defined contribution plan.

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Net defined benefit plan liabilities recognized in the statement of financial position reflect the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets, and adjustments related to unrecognized actuarial gains and losses and past service cost. Loto-Québec's net defined benefit plan liability is calculated separately for each plan, using an estimate of the amount of future benefits that employees earned for services rendered during the current year and prior years. These benefit amounts are discounted to determine their present value. The discount rate used represents the yields of corporate bonds rated AA or higher at the end of the reporting period that have maturities close to Loto-Québec's bonds and are denominated in the same currency as that in which the benefits are paid. The defined benefit obligation is calculated once each year by an actuary using the projected unit credit method. When the amount to be reported in the statement of financial position results in a defined benefit asset for Loto-Québec, the recognized asset is limited to the total of any unrecognized accrued net actuarial losses and unrecognized past service cost plus the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan. An economic benefit arises for Loto-Québec if it is realizable during the life of the plan or on settlement of the plan liabilities.

The Régime de retraite des employés de La Société des casinos du Québec inc. (the Employee Plan) and the Régime de retraite du personnel cadre et professionnel de La Société des casinos du Québec inc. (the Executive Plan) are funded in accordance with the applicable laws, and the plan assets are held by an independent trust company. Loto-Québec's Supplementary Pension Plan for Executive Management is funded under the rules of this plan.

The actuarial gains and losses arising from Loto-Québec's defined benefit plans are recognized on a straight-line basis using the corridor approach. Under this approach, actuarial gains and losses that exceed 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortized over the expected average remaining working lives of the participating employees.

Past service cost is recognized in net income on a straight-line basis over the average period until the benefits vest to employees. When the benefits vest, the cost is immediately recognized in net income.

The interest expense related to pension expense is recognized under Employee benefits in the consolidated statement of comprehensive income.

iv) Other long-term benefits

Other long-term benefits consist, among other things, of extended coverage during family and disability leaves.

Loto-Québec's long-term employee benefit liability other than pensions represents the amount of future benefits that have vested to employees in exchange for their services for the current year and for prior years. These benefits are discounted to their present value. The discount rate used is the yield, at the end of the reporting period, of the bonds of companies with credit ratings of AA or higher and whose maturities are close to the bonds of Loto-Québec. The calculation of the defined benefit obligation is based on the projected unit credit method. Any actuarial gain or loss is recognized in net income in the year in which it occurs.

g) Commodity taxes

Taxes paid on products and services acquired and attributable to gaming activities are not recoverable by Loto-Québec. These taxes are accounted for as part of the cost of the item to which they relate.

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Under games of chance regulations regarding the Québec Sales Tax (QST) and the *Excise Tax Act* (Goods and Services Tax (GST)), Loto-Québec pays additional taxes on the products and services acquired in and attributable to gaming. These taxes are presented separately in the consolidated statement of comprehensive income.

Accordingly, net taxes attributable to gaming activities represent approximately 30% of the bulk of taxable gaming expenses, while those attributable to non-gaming activities are calculated in the same way as those for other entities subject to commodity taxes.

h) Financial revenues and financial expenses

Financial revenues include interest income on term deposits and loans to associates and joint ventures.

Financial expenses include interest on bank loans and long-term debt, the impact of the accretion of provisions and the net change in fair value of derivative financial instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualified asset are recognized in net income using the effective interest method.

Foreign exchange gains and losses on loans are recognized on a net basis in Financial expenses.

Interest received and paid is presented in operating activities in the consolidated statement of cash flows.

Dividends received are presented in investing activities.

i) Financial instruments

i) Non-derivative financial instruments

Non-derivative financial instruments include cash and cash equivalents, trade and other receivables, loans to companies accounted for using the equity method, financial assets related to life annuities, bank loans, dividends payable, accounts payable and accrued liabilities, winners' prizes payable, financial liabilities related to life annuities and long-term debt.

Non-derivative financial instruments are initially recognized at fair value at the transaction date. Subsequent to initial recognition, non-derivative financial instruments are valued as described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when a financial asset and all of the significant risks and benefits are transferred. A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are valued in the consolidated statement of financial position at amortized cost, which is calculated using the effective interest method less net impairment losses. A loan is considered impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collection of part of the principal or interest. Once it has been determined that certain loans are impaired, the carrying amount of those loans is reduced to their estimated realizable value. Interest income is recognized in Financial income in the consolidated statement of comprehensive income.

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Loto-Québec has classified cash and cash equivalents, trade and other receivables, loans to entities accounted for using the equity method and financial assets related to life annuities in Loans and receivables.

Financial liabilities

Bank loans, dividends payable, accounts payable and accrued liabilities, winners' prizes payable, financial liabilities related to life annuities and long-term debt are measured at amortized cost using the effective interest method.

ii) Derivative financial instruments

Loto-Québec holds foreign exchange contracts to cover its foreign currency risk exposures. These contracts are initially recognized at fair value and classified in Financial instruments at fair value through profit or loss. Foreign exchange contracts are not designated as part of a qualified hedging relationship and changes in fair value are recognized immediately in net income under Other expenses.

Loto-Québec classifies financial instruments recognized at fair value using a three-level hierarchy that reflects the type of inputs used in making the measurements:

- Level 1: Prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1, that are directly observable for the asset or liability (i.e., prices) or indirectly observable for the asset or liability (i.e., derivatives of prices);
- Level 3: Inputs for the asset or liability that are not based on market data (unobservable inputs).

The fair value of a financial asset traded in an active market generally reflects the bid price, and the fair value of a financial liability traded in an active market generally reflects the asking price. If the market for a financial instrument is not active, fair value is determined using valuation techniques that make maximum use of observable market data. These valuation techniques include using available information concerning recent market transactions, discounted cash flows analysis and valuation models.

When fair value is determined using valuation models, Loto-Québec uses assumptions concerning the amount and timing of estimated future cash flows and discount rates. These assumptions are primarily based on observable factors in external markets, including factors such as interest rates, interest rate spreads, foreign exchange rates and price and rate volatilities, depending on the circumstances. Assumptions and data that are not based on observable market data are used when external data are not available.

j) Operating leases

Where Loto-Québec is the lessee, payments under operating leases are recognized as an expense on a straight line basis over the entire life of the lease. The related costs are recognized as expenses as incurred.

k) Cash and cash equivalents

Loto-Québec's policy consists in presenting the following as cash and cash equivalents: cash on hand at casinos and bank balances.

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

l) Inventories

Inventories consist of food and beverages and are valued at the lower of cost and net realizable value. The cost of food and beverages is determined using the average cost method.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

m) Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment are recognized at cost less any accumulated depreciation and any accumulated net impairment losses.

Cost includes expenditures directly attributable to asset acquisition. The cost of an asset produced by Loto-Québec for itself includes the cost of raw materials, direct labour, any other costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended, dismantling and restoration costs, and capitalized borrowing costs relating to qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as a component of that equipment.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the net carrying amount of the item and are recognized in Other expenses.

ii) Subsequent costs

The cost of replacing a component of a property, plant and equipment is recognized in the item's carrying amount if it is probable that the future economic benefits associated with the item will flow to Loto-Québec and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. Day-to-day servicing and maintenance costs are recognized in Other expenses as incurred.

iii) Depreciation

Depreciation is calculated on the depreciable amount, which represents the cost of the asset less its residual value.

When significant parts of property, plant and equipment have different useful lives, they are recognized separately.

Depreciation is recognized in net income for each component of property, plant and equipment on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, as this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Loto-Québec reviews its depreciation methods, useful lives and residual values of its property, plant and equipment at each fiscal year-end and adjusts them as needed.

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Depreciation is recognized on a straight-line basis over the estimated useful life of an asset when it is available for use, at the following rates:

Buildings	1.82% to 6.67%
Improvements to parking lots	4% and 5%
Improvements to rented parking lots	2.86% to 33.33%
Interior finishing	5% to 20%
Landscaping	5% to 14.29%
Leasehold improvements	3.7% to 27.91%
Equipment and other	6.67% to 33.33%

Land, works of art and property, plant and equipment in progress are not depreciated.

Depreciation is recognized under Depreciation, amortization and net impairment losses.

n) Intangible assets

i) Recognition and measurement

Intangible assets consist of software and IT development and are measured at cost less any accumulated amortization and any accumulated net impairment losses.

Costs directly attributable to the development phase of a project are recognized as intangible assets, provided that they meet the following recognition requirements:

a) Development costs can be measured reliably;
b) The project is technically and commercially feasible;
c) Loto-Québec intends to complete the project and has sufficient resources to do so;
d) Loto-Québec has the capacity to bring the software into use;
e) The software will generate probable future economic benefits.

Development expenditure that does not meet capitalization criteria is recognized as an expense as incurred.

Internally generated intangible assets include development costs of internally developed or modified software applications, comprising the cost of raw materials and direct labour, any other directly attributable costs necessary to prepare the asset to be capable of operating in the manner intended, and capitalized borrowing costs relating to qualifying assets.

The cost of acquired intangible assets includes the cost of development activities performed by suppliers arising from the use of technology as well as the cost of externally acquired licences.

When significant parts of intangible assets have different useful lives, they are recognized separately.

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

ii) Subsequent costs

The cost of replacing a component of an acquired intangible asset is recognized in the asset's carrying amount if it is probable that the expected future economic benefits that are attributable to the item will flow to Loto-Québec and the cost of the item can be measured reliably. All other expenses, including those related to internally generated brands, are recognized in net income as incurred.

iii) Amortization

Amortization is calculated on the depreciable amount, which represents the cost of the asset less its residual value.

Amortization is recognized on a straight-line basis over the estimated useful life of an intangible asset when it is available for use, at the following rates:

Software	10% to 25%
IT development	6.67% to 33.33%

Amortization methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted as appropriate.

IT projects under development are not amortized.

Amortization is recognized under Depreciation, amortization and net impairment losses.

o) Impairment

i) Financial assets

Financial assets are measured at the reporting date to determine whether there is objective evidence of impairment. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative impact on the estimated future cash flows of that asset.

An impairment loss on a financial asset measured at amortized cost is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. Other financial assets are measured collectively in groups with shared credit risk characteristics.

All net impairment losses are recognized under Other expenses in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets at amortized cost, the reversal is recognized under Other expenses in the statement of comprehensive income.

ii) Non-financial assets

The carrying amount of non-financial assets is reviewed at the reporting date for any indications of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of intangible assets yet to be commissioned is estimated at the same time each year.

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The recoverable amount of an asset or cash generating unit (CGU) is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized under Depreciation, amortization and net impairment losses in the statement of comprehensive income.

All non-financial assets are subsequently remeasured for indications that an impairment loss previously recognized may no longer exist. An impairment loss may be reversed if the recoverable amount of an asset or CGU exceeds its carrying amount.

p) Provisions

A provision is recognized if, as a result of a past event, Loto-Québec has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized under Financial expenses.

q) New standards and interpretations not yet adopted

A number of new standards as well as amendments and interpretations to existing standards issued by the IASB, which are mandatory but not yet effective for the year ended March 31, 2013, were not applied in preparing these consolidated financial statements.

Information on new standards, amendments and interpretations that are likely to be relevant for Loto-Québec's financial statements is provided below. Certain other new standards and interpretations have been issued but management does not expect these to have a significant impact on Loto-Québec's consolidated financial statements.

The following standards were issued or amended by the IASB with effective dates in future fiscal years as follows:

International accounting standards (IAS/IFRS)	Effective date for Loto-Québec
IFRS 7, *Financial Instruments: Disclosures*	April 1, 2013
IFRS 9, *Financial Instruments*	April 1, 2015
IFRS 10, *Consolidated Financial Statements*	April 1, 2013
IFRS 11, *Joint Arrangements*	April 1, 2013
IFRS 12, *Disclosure of Interests in Other Entities*	April 1, 2013
IFRS 13, *Fair Value Measurement*	April 1, 2013
IAS 1, *Presentation of Financial Statements*	April 1, 2013
IAS 19, *Employee Benefits*	April 1, 2013
IAS 27, *Separate Financial Statements*	April 1, 2013
IAS 28, *Investments in Associates and Joint Ventures*	April 1, 2013
IAS 32, *Financial Instruments: Presentation*	April 1, 2014

NOTE 3
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The amendments to IFRS 7, *Financial Instruments: Disclosures*, increase the disclosure requirements of entities, particularly in respect of transactions giving rise to transfers of financial assets.

IFRS 9, *Financial Instruments*, simplifies the classification and measurement of financial assets and financial liabilities. This is the first phase of a three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 10, *Consolidated Financial Statements*, clarifies the definition of control and consequently, the decision on whether or not to consolidate an entity. IFRS 10 will replace the consolidation requirements under IAS 27, *Consolidated and Separate Financial Statements*, and SIC 12, *Consolidation – Special Purpose Entities*.

IFRS 11, *Joint Arrangements*, focuses on the rights and obligations of a joint arrangement rather than on its legal form. IFRS 11 will replace IAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

IFRS 12, *Disclosure of Interests in Other Entities*, is a new standard that combines the disclosure requirements for all types of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13, *Fair Value Measurement*, provides a single framework for all fair value measurements and improves disclosure requirements.

Amendments to IAS 1, *Presentation of Financial Statements*, require entities to present items of other comprehensive income that will be reclassified to net income in the future separately from those that will never be reclassified to net income.

The main amendments to IAS 19, *Employee Benefits*, are the elimination of the corridor method and the immediate recognition of all actuarial gains or losses and past service costs through net income, and using the discount rate used to determine the defined benefit liability to calculate the expected return on plan assets.

The consequential amendments to IAS 27, *Separate Financial Statements* and to IAS 28, *Investments in Associates and Joint Ventures* imply that IAS 27 now deals with separate financial statements only. IAS 28's scope now includes investments in joint ventures. However, the equity accounting methodology in IAS 28 remains unchanged.

The amendments to IAS 32, *Financial Instruments: Presentation*, provides additional guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

– The meaning of "currently has a legally enforceable right of set-off";
– Some gross settlement systems may be considered equivalent to net settlement.

Loto-Québec does not intend to early adopt these changes. The impact of adopting these changes has not yet been determined.

NOTE 4
REVENUES, COST OF SALES AND GROSS PROFIT

(*in thousands of Canadian dollars*)			2013			
Business segments	**Lotteries**	**Casinos**	**Video lotteries**	**Bingo**	**Elimination of intersegment transactions**	**Total**
Revenues						
Games	**1,792,838**	**764,488**	**972,790**	**36,941**	**–**	**3,567,057**
Restaurants	**–**	**66,882**	**–**	**–**	**(32,873)**	**34,009**
Accommodations	**–**	**16,614**	**–**	**–**	**–**	**16,614**
	1,792,838	**847,984**	**972,790**	**36,941**	**(32,873)**	**3,617,680**
Cost of sales						
Prizes awarded	**943,316**	**–**	**–**	**20,359**	**–**	**963,675**
Commissions	**122,672**	**3,108**	**208,658**	**3,944**	**–**	**338,382**
Printing	**27,375**	**–**	**1,215**	**1,046**	**–**	**29,636**
Food and beverages	**–**	**23,570**	**–**	**–**	**–**	**23,570**
	1,093,363	**26,678**	**209,873**	**25,349**	**–**	**1,355,263**
Gross profit	**699,475**	**821,306**	**762,917**	**11,592**	**(32,873)**	**2,262,417**

(*in thousands of Canadian dollars*)			2012			
Business segments	**Lotteries**	**Casinos**	**Video lotteries**	**Bingo**	**Elimination of intersegment transactions**	**Total**
Revenues						
Games	1,789,390	788,395	997,955	33,965	–	3,609,705
Restaurants	–	69,188	–	–	(34,192)	34,996
Accommodations	–	15,876	–	–	–	15,876
	1,789,390	873,459	997,955	33,965	(34,192)	3,660,577
Cost of sales						
Prizes awarded	930,655	–	–	18,103	–	948,758
Commissions	124,007	2,464	214,245	3,065	–	343,781
Printing	30,088	–	745	986	(96)	31,723
Food and beverages	–	25,172	–	–	–	25,172
	1,084,750	27,636	214,990	22,154	(96)	1,349,434
Gross profit	704,640	845,823	782,965	11,811	(34,096)	2,311,143

NOTE 5
EMPLOYEE BENEFITS

(*in thousands of Canadian dollars*)	**2013**	**2012**
Salaries and other employee benefits	**400,986**	413,575
Pension plans	**27,164**	21,632
	428,150	435,207

NOTE 6
SPECIAL PAYMENTS

(*in thousands of Canadian dollars*)	**2013**	**2012**
Payments to the Government of Canada	**16,048**	15,981
Special commissions for NPOs	**7,337**	1,107
Payments to participating NPOs	**4,427**	5,002
Payments to non-participating NPOs	**330**	410
	28,142	22,500

Payments to the Government of Canada

Following an agreement reached between provincial governments and the Government of Canada regarding the federal government's withdrawal from the administration of lotteries, the provinces pay the federal government an annual amount of $24.0 million in 1979 dollars, which represents $69.1 million in today's dollars for the year ended March 31, 2013 ($68.2 million in 2012).

The Government of Québec's share is payable by Loto-Québec in accordance with the agreement reached between the provinces and the regional lottery corporations.

Special commissions for non-profit organizations (NPOs)

Further to the shareholder's decision, a commission equal to the discount provided to retailers is paid to NPOs that sell lottery tickets through the Lotomatique subscription system.

Payments to NPOs

Participating NPOs

As an agent of Loto-Québec, La Société des bingos du Québec inc. awards the following amount to charitable or religious organizations that hold bingo licences: an amount equal to 36.4% of bingo ticket sales less the value of prizes awarded to game winners or 50% of net earnings generated by bingo, excluding payments to non-participating NPOs, whichever is higher.

Non-participating NPOs

As an agent of Loto-Québec, La Société des bingos du Québec inc. awards an amount equal to 5.45% of pari-mutuel ticket sales generated by Le Grand Tour less the value of prizes paid to game winners to charitable or religious organizations that hold a bingo licence but do not participate in the bingo games of La Société des bingos du Québec inc.

NOTE 7
NET FINANCIAL EXPENSES

(*in thousands of Canadian dollars*)	**2013**	**2012**
Interest income on loans to Casinos Développement Europe and its subsidiaries	**1,583**	1,356
Interest income related to the increase in the discounted value of loans to Casinos Développement Europe and its subsidiaries	**–**	4,959
Interest income – others	**810**	1,004
Total financial income	**2,393**	7,319
Interest expense on bank loans[1]	**4,205**	5,159
Interest expense on long-term debt	**10,063**	9,650
Gain on foreign exchange contracts	**(281)**	(2,387)
Exchange loss on loans to Casinos Développement Europe and its subsidiaries	**219**	3,204
Total financial expenses	**14,206**	15,626
Net financial expenses recognized in income	**11,813**	8,307

[1] Includes $0.1 million ($1.5 million in 2012) for the Fonds de financement du gouvernement du Québec and $0.7 million ($0.6 million in 2012) for the Caisse de dépôt et placement du Québec.

NOTE 8
FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

Loto-Québec makes annual contributions to the Fonds d'aide à l'action communautaire autonome in the amount of 6% of the previous year's net income from operations of provincially run casinos and the management of related businesses. Under its incorporating act, the amounts are allocated to the Fonds d'aide à l'action communautaire autonome up to 5/6 of the allocated amount and up to 1/6 to the Fonds d'aide à l'action humanitaire internationale.

For fiscal 2012-2013, the Government of Québec set at 1% the additional proportion to be paid to the Fonds d'aide à l'action communautaire autonome, comprising 0.908% for autonomous community actions and 0.092% for international humanitarian purposes.

For fiscal 2011-2012, the Government of Québec set at 1% the additional proportion to be paid to the Fonds d'aide à l'action communautaire autonome, i.e., bringing the contribution to 6%.

NOTE 9
CONTRIBUTIONS TO THE GOVERNMENT OF QUÉBEC

(*in thousands of Canadian dollars*)	**2013**	**2012**
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)	**6,132**	6,257
Ministère de la Santé et des Services sociaux	**52,000**	52,000
Ministère de la Sécurité publique	**2,528**	3,945
Ministère de la Culture et des Communications	**8,500**	8,500
Ministère des Finances	**300**	300
	69,460	71,002

The commitments related to these contributions are described in Note 21.

NOTE 10
TRADE AND OTHER RECEIVABLES

(*in thousands of Canadian dollars*)	**2013**	**2012**
Wholesalers	**43,696**	40,148
Retailers	**25,531**	21,055
Miscellaneous	**18,617**	10,684
	87,844	71,887

NOTE 11
ASSETS AND LIABILITIES RELATED TO LIFE ANNUITIES

Loto-Québec offers life annuities on its lottery products. When large prize winners opt for life annuities instead of lump sums, Loto-Québec assigns the issuance and administration of the annuities to a third party.

Amounts paid to the third party are recorded as financial assets and amortized based on the life expectancy of the winners upon issuance of the annuities. Amortization for the year was $0.7 million ($0.7 million in 2012) and is reported under Other expenses.

The fair value of financial liabilities is initially measured at the exit price, which corresponds to the amount paid to a third party.

For the fiscal year, Loto-Québec's disbursements to a third party for life annuities stood at $3.1 million ($3.8 million in 2012).

NOTE 12
INTERESTS IN AND LOANS TO ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

(*in thousands of Canadian dollars*)	**2013**	**2012**
Interests	**27,569**	28,188
Loans	**16,639**	12,724
	44,208	40,912

NOTE 12

INTERESTS IN AND LOANS TO ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD (*continued*)

Interests

Summarized financial information excluding interests held by Loto-Québec:

(*in thousands of Canadian dollars*)

	2013		2012	
	Casinos Développement Europe and its subsidiaries	**Manoir Richelieu Limited Partnership and 9064-1812 Québec inc., General Partner**	**Casinos Développement Europe and its subsidiaries**	**Manoir Richelieu Limited Partnership and 9064-1812 Québec inc., General Partner**
Interest	**35%**	**50%**	35%	50%
Total current assets	**–**	**9,251**	–	9,430
Total non-current assets	**–**	**94,936**	–	97,377
Total assets	**142,299**	**104,187**	144,605	106,807
Total current liabilities	**–**	**3,946**	–	3,925
Total non-current liabilities	**–**	**5,072**	–	5,113
Total liabilities	**467,542**	**9,018**	477,646	9,038
Revenues	**142,781**	**30,057**	149,006	28,183
Net income (loss)	**686**	**1,123**	(4,437)	782
Carrying amount of the interest	**–**	**27,569**	–	28,188

Manoir Richelieu Limited Partnership

Pursuant to a guarantee agreement, and according to the distribution terms and conditions specified in the partnership agreement, the net contribution represents the minimum portion of cash generated by the operations of the Casino de Charlevoix payable to the partners, taking into account Loto-Québec's share in the income generated by Manoir Richelieu.

The year-end of Manoir Richelieu Limited Partnership and the general partner 9064-1812 Québec inc. is December 31. However, Loto-Québec includes the results of these entities for the period from April 1 to March 31 when recording its interest using the equity method.

As defined in the contractual agreement between the partners of Manoir Richelieu Limited Partnership, Loto-Québec's share of the loss on its interest in Manoir Richelieu Limited Partnership and the general partner 9064-1812 Québec inc., recorded using the equity method, was $1.3 million for 2013 ($1.5 million in 2012). The share of net income of Manoir Richelieu Limited Partnership is $5.7 million ($5.0 million in 2012).

Casinos Développement Europe and its subsidiaries

Loto-Québec holds a 35% equity interest in JOAGROUPE Holding Inc., a subsidiary of Casinos Développement Europe. The share value is nil as at March 31, 2012 and 2013. The share of unrecognized net income for the year ended March 31, 2013 amounted to $0.5 million (unrecognized net loss of $1.1 million in 2012), bringing total unrecognized cumulative losses to $11.4 million ($11.9 million in 2012). The year-end of Casinos Développement Europe and its subsidiaries is October 31. However, Loto-Québec includes this entity's results for the period from January 1 to December 31 when recording its interest using the equity method.

NOTE 12

INTERESTS IN AND LOANS TO ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD (*continued*)

Loans to companies

(*in thousands of Canadian dollars*)	**2013**	**2012**
Loans		
Casinos Développement Europe and its subsidiaries		
Loan, in euros, fixed rate of 15%, principal and compound interest, receivable on April 16, 2018 (€8.6 million)	**11,221**	9,968
Loan, in euros, fixed rate of 8%, receivable on May 31, 2016 (€0.2 million)[1]	**263**	248
Loan, in euros, fixed rate of 8%, receivable on April 30, 2017 (€2.0 million)[2]	**2,647**	–
Manoir Richelieu Limited Partnership		
Loan, without terms of repayment, bearing interest at a fixed rate of 5%, payable annually	**2,508**	2,508
	16,639	12,724

[1] On May 31, 2011, a $0.6 million (€0.5 million) loan was granted by the shareholders to support the operations of Casinos Développement Europe and its subsidiaries. Loto-Québec's share is $0.2 million (€0.2 million).

[2] On April 27, 2012, the shareholders granted a loan of $6.5 million (€5.0 million). Loto-Québec's share is $2.6 million (€2.0 million).

The weakening of the euro against the Canadian dollar during the year reduced the value of loans by $0.2 million ($3.2 million in 2012). This foreign exchange loss is offset by a $0.3 million ($2.4 million in 2012) gain on the foreign exchange forward contract denominated in euros.

According to management, the loans did not suffer any impairment during the year ended March 31, 2013. For the year ended March 31, 2012, Loto-Québec recorded interest income of $5.0 million corresponding to the present value of cash flows from 8% loans receivable on April 16, 2018. Given the European economic crisis and difficulties in the French casino industry, Loto-Québec, with the assistance of an independent valuator, estimated the value of the loans to Casinos Développement Europe and its subsidiaries. Accordingly, the carrying amount as at March 31, 2012 was reduced to the estimated realizable value, which is equal to the expected future cash flows discounted at the initial loan interest rate of 8%. As a result, the carrying amount of the loans was written down by $59.7 million.

NOTE 13
PROPERTY, PLANT AND EQUIPMENT

(*in thousands of Canadian dollars*)			Improvements						
	Land	Buildings	Parking lots	Interior and exterior	Leasehold improvements	Equipment and other	Works of art	In progress[1]	Total
Cost									
Balance as at April 1, 2011	46,101	386,633	121,907	299,623	70,521	588,748	6,866	49,684	1,570,083
Additions	–	18,349	–	12,471	990	25,177	376	68,490	125,853
Reclassifications									
In progress/commissioned	–	–	–	691	137	883	–	(1,711)	–
Disposals	–	(22,536)	–	(32,858)	(149)	(15,606)	–	(10)	(71,159)
Balance as at March 31, 2012	46,101	382,446	121,907	279,927	71,499	599,202	7,242	116,453	1,624,777
Additions	–	28,961	1,200	29,495	26	99,099	368	28,190	**187,339**
Transfers to intangible assets	–	–	–	–	–	(286)	–	–	**(286)**
Reclassifications									
In progress/commissioned	–	5,349	594	12,560	1	–	–	(18,504)	**–**
Disposals	–	(3,753)	(502)	(6,917)	(2)	(62,137)	(12)	–	**(73,323)**
Balance as at March 31, 2013	**46,101**	**413,003**	**123,199**	**315,065**	**71,524**	**635,878**	**7,598**	**126,139**	**1,738,507**
Accumulated depreciation									
Balance as at April 1, 2011	–	150,491	65,383	186,062	39,463	418,419	–	–	859,818
Depreciation for the year	–	16,052	4,713	15,298	3,501	47,294	–	–	86,858
Disposals	–	(22,172)	–	(32,478)	(150)	(14,149)	–	–	(68,949)
Balance as at March 31, 2012	–	144,371	70,096	168,882	42,814	451,564	–	–	877,727
Depreciation for the year	–	15,841	4,644	13,950	3,479	40,435	–	–	**78,349**
Impairment losses[2]	–	7,848	–	4,624	–	1,368	–	–	**13,840**
Transfers to intangible assets	–	–	–	–	–	(158)	–	–	**(158)**
Disposals	–	(3,616)	(329)	(6,918)	(2)	(61,930)	–	–	**(72,795)**
Balance as at March 31, 2013	**–**	**164,444**	**74,411**	**180,538**	**46,291**	**431,279**	**–**	**–**	**896,963**
Net carrying amounts									
As at March 31, 2012	46,101	238,075	51,811	111,045	28,685	147,638	7,242	116,453	747,050
As at March 31, 2013	**46,101**	**248,559**	**48,788**	**134,527**	**25,233**	**204,599**	**7,598**	**126,139**	**841,544**

[1] Property, plant and equipment in progress consists of equipment awaiting commissioning in the amount of $40.1 million ($28.4 million in 2012), buildings undergoing renovations in the amount of $5.3 million ($6.7 million in 2012) as well as $80.7 million ($81.3 million in 2012) in costs related to the Casino de Montréal modernization project.

[2] During the year, Loto-Québec tested for impairment certain CGUs with indications that the carrying amount may not be recoverable and recognized an impairment loss of $14.0 million on property, plant and equipment and intangible assets (nil as at March 31, 2012). The recoverable amounts of CGUs tested for impairment were based on their value in use determined using a discount rate of 10%.

The depreciation expense and net impairment losses for the fiscal year are recognized in the consolidated statements of comprehensive income under Depreciation, amortization and net impairment losses.

NOTE 14
INTANGIBLE ASSETS

(*in thousands of Canadian dollars*)	Acquired	Internally generated		
	Software	IT development	IT projects under development	Total
Cost				
Balance as at April 1, 2011	41,998	140,806	14,455	197,259
Additions	4,887	10,111	11,085	26,083
Reclassification of commissioned IT projects	223	9,035	(9,258)	–
Disposals	(53)	(1,889)	–	(1,942)
Balance as at March 31, 2012	47,055	158,063	16,282	221,400
Additions	**3,212**	**14,439**	**6,389**	**24,040**
Transfers from property, plant and equipment	**286**	**–**	**–**	**286**
Reclassification of commissioned IT projects	**1,817**	**11,181**	**(12,998)**	**–**
Disposals	**(126)**	**(969)**	**–**	**(1,095)**
Balance as at March 31, 2013	**52,244**	**182,714**	**9,673**	**244,631**
Accumulated amortization				
Balance as at April 1, 2011	26,419	66,468	–	92,887
Amortization for the year	4,829	16,656	–	21,485
Disposals	(54)	(299)	–	(353)
Balance as at March 31, 2012	31,194	82,825	–	114,019
Amortization for the year	**5,214**	**18,113**	**–**	**23,327**
Impairment losses	**76**	**89**	**–**	**165**
Transfers from property, plant and equipment	**158**	**–**	**–**	**158**
Disposals	**(126)**	**(212)**	**–**	**(338)**
Balance as at March 31, 2013	**36,516**	**100,815**	**–**	**137,331**
Net carrying amounts				
As at March 31, 2012	15,861	75,238	16,282	107,381
As at March 31, 2013	**15,728**	**81,899**	**9,673**	**107,300**

NOTE 15
BANK LOANS

Loto-Québec is authorized by the Government of Québec to make short-term borrowings of up to $575.0 million from financial institutions or the Québec Minister of Finance, in its capacity as manager of the Fonds de financement, and long-term borrowings of up to $1.0 billion from the same fund.

Notwithstanding the foregoing, the total amount of Loto-Québec's current and non-current borrowings may at no time exceed $1.3 billion.

Current bank loans totalled $456.5 million ($432.0 million in 2012), including $185.0 million from the Caisse de dépôt et placement du Québec ($280.0 million in 2012). No amount was owed to the Fonds de financement du gouvernement du Québec as at March 31, 2013 ($31.0 million in 2012). These loans carry interest at fixed rates between 1.05% and 1.70% (between 1.07% and 1.74% in 2012).

NOTE 16
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(*in thousands of Canadian dollars*)	**2013**	**2012**
Accounts payable and accrued liabilities[1]	**129,374**	93,333
Winners' prizes payable	**16,336**	11,798
Salaries and bonuses payable	**71,240**	78,054
Employee benefits payable	**2,267**	2,323
Manoir Richelieu Limited Partnership	**5,773**	5,181
Goods and Services Tax	**2,863**	2,339
Québec Sales Tax	**5,698**	5,301
	233,551	198,329

[1] Includes accrued interest of $3.7 million payable to the Fonds de financement du gouvernement du Québec ($3.7 million in 2012) and $0.03 million payable to the Caisse de dépôt et placement du Québec ($0.03 million in 2012).

NOTE 17
PROVISIONS

(*in thousands of Canadian dollars*)	
Balance as at April 1, 2011	64,093
Provisions made during the year	448,350
Provisions used during the year	(446,210)
Balance as at March 31, 2012	66,233
Provisions made during the year	**398,493**
Provisions used during the year	**(403,872)**
Balance as at March 31, 2013	**60,854**

Provisions correspond to unclaimed prizes on passive and instant lottery tickets, determined using a theoretical rate applied to sales less disbursements, unclaimed prizes for all lottery products, excluding Canada-wide games, which are used to grant lottery bonuses and commissions to retailers, as well as prizes on progressive slot machines in casinos that increase based on the actual activity of the progressive game.

NOTE 18
LONG-TERM DEBT

(*in thousands of Canadian dollars*)	**2013**	**2012**
Loans from the Fonds de financement du gouvernement du Québec,		
interest payable semi-annually, repayable at maturity on:		
May 5, 2014, fixed rate of 3.113%	**50,000**	50,000
December 1, 2014, fixed rate of 2.702%	**50,000**	50,000
December 1, 2015, fixed rate of 4.117%	**75,000**	75,000
December 1, 2016, fixed rate of 3.262%	**49,625**	49,625
December 1, 2020, fixed rate of 4.102%	**43,375**	43,375
December 1, 2017, fixed rate of 1.952%	**40,000**	–
December 1, 2043, fixed rate of 3.753%	**25,000**	–
	333,000	268,000
Transaction costs	**(1,068)**	(918)
	331,932	**267,082**

NOTE 19
DEFINED BENEFIT LIABILITIES AND OTHER LONG-TERM BENEFITS

Government pension plans

Employees of Loto-Québec, La Société des loteries vidéo du Québec inc., La Société des bingos du Québec inc., La Société du jeu virtuel du Québec inc., Ingenio, filiale de Loto-Québec inc. and Technologies Nter, Limited Partnership are members of the Government and Public Employees Retirement Plan (RREGOP) or the Régime de retraite du personnel d'encadrement (RRPE). These are defined benefit plans and include guarantees upon retirement or death. Contributions to these government pension plans in the aggregate amount of $7.5 million was charged to consolidated comprehensive income for the year ($6.9 million in 2012). The employer's obligations with respect to these pension plans are limited to its contributions as an employer.

On January 1, 2013, the contribution rate rose to 9.18% (8.94% in 2012) of assessable payroll for the RREGOP but remained at 12.30% for the RRPE.

Loto-Québec's defined benefit plans

La Société des casinos du Québec inc. has two defined benefit pension plans, namely the Employee Plan and the Executive Plan. Membership in these plans is mandatory for all La Société des casinos du Québec inc. employees who meet the eligibility criteria. These plans will provide pension benefits based on indexed yearly pensionable earnings (maximum annual indexing of 2%) for the Employee Plan and number of years of service and average salary of the best three consecutive years for the Executive Plan. Benefits paid to pensioners will be increased each year by 50% of the rise in the consumer price index (maximum annual indexing of 2%). The annual contribution of La Société des casinos du Québec inc. equals that of employees unless the actuary and management deem that it should be higher in order to fund the defined benefits and amortize any plan deficit. Surplus assets are used to repay La Société des casinos du Québec inc. in the form of an annual contribution holiday up to the balance of the amortization payments. An amount of 20% of the balance of surplus assets is used to reduce the contributions of employees and La Société des casinos du Québec inc. equally.

Loto-Québec offers a supplementary pension plan for executive officers (the Supplementary Plan) to pay lifetime retirement benefits exceeding the limits provided under the *Income Tax Act*.

As at March 31 of each year, for accounting purposes, the internal actuary assisted by the independent actuaries measures the benefit obligations and the fair value of plan assets for all pension plans and other long-term employee benefits.

The most recent actuarial valuations for funding purposes of the Employee Plan and the Executive Plan were completed as of December 31, 2011 and used as at March 31, 2013. The next valuations will be completed as of December 31, 2012. The most recent actuarial valuation for funding purposes of the Supplementary Plan was completed as of March 31, 2012 and used as at March 31, 2013. The next valuation will be completed as of March 31, 2013.

The following amounts include the defined benefit obligations and other long-term benefits, and the fair value of plan assets at year-end:

(*in thousands of Canadian dollars*)	**2013**	**2012**
Present value of unfunded obligations	**11,485**	10,540
Present value of funded obligations	**333,996**	280,259
Total present value of obligations	**345,481**	290,799
Fair value of plan assets	**327,376**	263,107
	18,105	27,692

NOTE 19

DEFINED BENEFIT LIABILITIES AND OTHER LONG-TERM BENEFITS (*continued*)

Changes in the discounted value of defined benefit obligations and other long-term benefits and the fair value of assets are as follows:

(*in thousands of Canadian dollars*)			2013	2012
	Pension plans	Other long-term benefits[1]	Total	Total
Defined benefit obligation and other long-term benefits				
Balance, beginning of year	**280,259**	**10,540**	**290,799**	195,015
Service costs rendered	**21,792**	**–**	**21,792**	16,603
Interest expense	**14,168**	**–**	**14,168**	11,785
Employee contributions	**16,221**	**–**	**16,221**	15,293
Benefits paid	**(4,278)**	**–**	**(4,278)**	(3,698)
Net transfer amount	**4,758**	**–**	**4,758**	4,997
Plan administration expenses	**(1,052)**	**–**	**(1,052)**	(889)
Actuarial losses	**2,128**	**945**	**3,073**	51,693
Balance, end of year	**333,996**	**11,485**	**345,481**	290,799
Fair value of plan assets				
Balance, beginning of year	**263,107**	**–**	**263,107**	177,881
Expected return on plan assets	**16,423**	**–**	**16,423**	13,666
Actuarial gains	**14,561**	**–**	**14,561**	39,249
Employer contributions	**17,398**	**–**	**17,398**	16,405
Employee contributions	**16,221**	**–**	**16,221**	15,293
Benefits paid	**(4,278)**	**–**	**(4,278)**	(3,698)
Net transfer amount	**4,996**	**–**	**4,996**	5,200
Plan administration expenses	**(1,052)**	**–**	**(1,052)**	(889)
Balance, end of year	**327,376**	**–**	**327,376**	263,107
Deficit	**(6,620)**	**(11,485)**	**(18,105)**	(27,692)
Unamortized net actuarial loss	**9,810**	**–**	**9,810**	22,511
Accrued benefit liability and other long-term benefits	**3,190**	**(11,485)**	**(8,295)**	(5,181)

[1] The defined benefit obligation for other long-term benefits was $10.5 million as at March 31, 2012.

NOTE 19

DEFINED BENEFIT LIABILITIES AND OTHER LONG-TERM BENEFITS (*continued*)

The breakdown of the fair value of pension plan assets as at March 31 is as follows:

	2013	2012
Cash	**1.2%**	4.0%
Bonds	**58.6%**	56.2%
Canadian equities	**11.6%**	13.4%
International equities	**27.0%**	26.4%
Real estate funds	**1.6%**	–

The net cost of defined benefit plans and other long-term benefits recorded in the consolidated statement of comprehensive income under Employee benefits is detailed as follows:

			2013	2012
	Pension plans	**Other long-term benefits**	**Total**	**Total**
Service costs rendered	**21,792**	**–**	**21,792**	16,603
Interest expense	**14,168**	**–**	**14,168**	11,785
Expected return on plan assets	**(16,423)**	**–**	**(16,423)**	(13,666)
Actuarial losses recognized for the period	**30**	**945**	**975**	667
Net benefit plan cost	**19,567**	**945**	**20,512**	15,389
Actual return on plan assets	**30,984**	**–**	**30,984**	52,915

Actuarial assumptions:

The weighted averages of the main actuarial assumptions used at the reporting date are:

	2013		2012	
	Pension plans	**Other long-term benefits**	**Pension plans**	**Other long-term benefits**
Defined benefit obligation as at March 31				
Discount rate	**4.45%**	**3.65%**	4.50%	4.00%
Rate of compensation increase	**3.25%**	**3.25%**	3.25%	3.25%
Defined benefit cost for years ended March 31				
Discount rate	**4.50%**	**4.00%**	5.50%	4.75%
Expected long-term return on assets	**5.93%**	**–**	7.12%	–
Rate of compensation increase	**3.25%**	**3.25%**	3.50%	3.50%

NOTE 19

DEFINED BENEFIT LIABILITIES AND OTHER LONG-TERM BENEFITS (*continued*)

The expected long-term return on assets is calculated using the expected return for each asset class in accordance with the asset allocation targets set out in the investment policy for each plan. The indicated rate corresponds to the weighted average of rates of all the plans.

The mortality assumptions are based on the generational mortality table UP94G and AA improvement scale. This is the table generally used by actuaries for pension plan valuations in Canada. Actuarial life expectancies used to calculate the defined benefit liabilities are as follows:

– Average life expectancy at age 65 for employees aged 45 as at March 31, 2013 is 21.3 years for men and 22.9 years for women.

Historical data for pension plans and other long-term benefits are as follows:

(*in thousands of Canadian dollars*)	**2013**	**2012**	**2011**	**April 1, 2010**
Present value of obligation	**345,481**	290,799	195,015	128,939
Fair value of plan assets	**327,376**	263,107	177,881	119,575
Deficit of plans and other long-term benefits	**(18,105)**	(27,692)	(17,134)	(9,364)
Experience adjustments on plan obligations	**(2,835)**	(51,490)	(16,901)	–
Experience adjustments on plan assets	**14,561**	39,249	6,109	–

Historical data prior to the IFRS transition date is not reported as Loto-Québec has applied the exemption provided for in IFRS 1.D11 allowing entities to present historical data only as of the IFRS transition date.

Loto-Québec expects to pay $18.3 million in contributions to defined benefit plans in 2014. Other long-term benefits included in the discounted fair value of the liability are $11.5 million ($10.5 million in 2012; $9.9 million in 2011; $10.0 million in 2010). For experience adjustments on plan liabilities, other long-term benefits are $0.9 million ($0.7 million in 2012; -$0.1 million in 2011; nil in 2010).

NOTE 20
CAPITAL DISCLOSURES

Loto-Québec defines its capital as follows:

(*in thousands of Canadian dollars*)	**2013**	**2012**
Share capital	**170**	170
Retained earnings	**90,224**	90,224
	90,394	90,394

Under the *Act respecting the Société des loteries du Québec*, dividends are set by the Québec Minister of Finance, which also determines the payment terms. Dividends declared are deducted from the equity for the year and correspond to the comprehensive income less amounts payable to the Fonds d'aide à l'action communautaire autonome and contributions to the Government of Québec.

Loto-Québec is subject to these capital requirements, which were met throughout the year.

Loto-Québec manages its capital and debts through careful management of its revenues, expenses, assets, liabilities, and other financial transactions to ensure it meets the objectives set out in its incorporating act.

The capital management objectives, policies and procedures have not changed since March 31, 2012.

NOTE 21
CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

In the normal course of business, Loto-Québec is subject to claims and lawsuits. Loto-Québec's management disputes these claims and lawsuits. Loto-Québec has not recorded a provision for these contingent liabilities because management considers that any potential settlement resulting from these claims and lawsuits would not materially affect Loto-Québec's consolidated financial statements.

Commitments

Leases

Loto-Québec is committed under long-term leases expiring on various dates through May 2035 for the rental of administrative offices and land. In certain cases, these leases carry an implied two-to-five-year renewal option up to a maximum term of 60 years.

Lease payments due under non-cancellable operating leases are as follows:

(*in thousands of Canadian dollars*)	
Less than 1 year	28,379
From 1 to 5 years	77,300
More than 5 years	31,752
	137,431

NOTE 21
CONTINGENT LIABILITIES AND COMMITMENTS (*continued*)

Casinos

Modernization of the Casino de Montréal

The Casino de Montréal modernization budget totals $305.7 million and the project will continue until 2014. As at March 31, 2013, accumulated investments totalled $221.2 million ($152.2 million in 2012) and commitments stood at $8.1 million.

Video lotteries

In December 2009, the Government of Québec authorized a subsidiary of Loto-Québec to acquire video lottery machines and site controllers for an amount not exceeding $245.2 million as well as a management centre for an amount not exceeding $20.0 million.

As at March 31, 2013, investments totalled $99.5 million ($23.9 million in 2012), comprising $93.9 million ($22.6 million in 2012) for video lottery terminals and site controllers, and $5.6 million ($1.3 million in 2012) for the management centre. At the same date, commitments amounted to $97.4 million for video lottery terminals and site controllers, and $0.1 million for the management centre.

Contributions to the Government of Québec

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)

Following the prohibition of fairground casinos, at the request and with the authorization of the Government of Québec, Loto-Québec entered into a one-year agreement with MAPAQ expiring on March 31, 2014, for the payment of $6.1 million to a specified purpose account of the Government of Québec.

Ministère de la Santé et des Services sociaux (MSSS)

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the MSSS to make an annual contribution of $22.0 million into a specified purpose account of the Government of Québec to finance prevention measures, treatment services, and research programs and awareness campaigns to help compulsive gamblers.

Furthermore, Loto-Québec is also committed to the MSSS to make an annual contribution of $30.0 million into a specified purpose account of the Government of Québec to finance assistance and support services for the elderly who are no longer autonomous but who live on their own or in home-care centres.

Since the Government of Québec has not specified a termination date for the commitments, Loto-Québec is not in a position to assess their amounts.

Ministère de la Sécurité publique (MSP)

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the MSP to make an annual contribution of $3.0 million into a specified purpose account of the Government of Québec to finance intensive control measures and activities that will be implemented by the Régie des alcools, des courses et des jeux to ensure the management of control measures regarding access to video lottery terminals.

Since the Government of Québec has not specified a termination date for the commitment, Loto-Québec is not in a position to assess their amounts.

NOTE 21
CONTINGENT LIABILITIES AND COMMITMENTS (*continued*)

Ministère de la Culture et des Communications (MCC)

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the MCC to make a contribution of $35.5 million into a specified purpose account of the Government of Québec to finance the day-to-day operations of the Orchestre symphonique de Montréal. An amount of $27.0 million was paid for fiscal years 2011, 2012 and 2013, while $8.5 million will be paid for fiscal 2014.

Ministère des Finances

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the Ministère des Finances to make a contribution of $1.1 million into a specified purpose account of the Government of Québec to repay all of the expenses incurred to operate the Online Gaming Monitoring Committee. An amount of $0.9 million was paid for fiscal years 2011, 2012 and 2013, while $0.2 million will be paid for fiscal 2014.

NOTE 22
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Risk management policy

In the normal course of business, Loto-Québec is exposed to credit risk, liquidity risk and market risk arising from exchange rate and interest rate fluctuations. Loto-Québec has implemented policies and procedures that ensure proper management of the risks inherent to financial instruments.

i) Credit risk

Credit risk is the risk of financial loss to Loto-Québec if counterparties fail to meet their contractual obligations. The carrying amount of financial assets represents Loto-Québec's maximum exposure to credit risk. The line item "Cash on hand – Casinos" includes the cash inventory of the casinos. Accounts receivable are primarily from transactions concluded with a large number of wholesalers and retailers. Other financial assets represent life annuities paid to large insurance companies.

Loto-Québec's management considers that all the above financial assets that are not impaired or past due as at each reporting date of March 31 are of good credit quality.

Except for the credit risk related to the loans to Casinos Développement Europe and its subsidiaries presented in Note 12, management considers that Loto-Québec is not exposed to any significant credit risk. Overdue accounts represent less than 1% of accounts receivable in 2013 and 2012.

NOTE 22

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (*continued*)

ii) Liquidity risk

Liquidity risk is the risk that Loto-Québec will not be able to meet its financial obligations at maturity. Loto-Québec manages liquidity risk by taking into account operating needs and using credit facilities. Loto-Québec prepares budget and cash forecasts to ensure it has sufficient funds to meet its obligations. Contractual cash flows related to Loto-Québec's financial liabilities are as follows:

(*in thousands of Canadian dollars*)	2013					
			Maturity			
	Carrying amount	Total contractual cash flows	Less than 12 months	1 to 2 years	2 to 5 years	5 to 10 years
Financial liabilities						
Bank loans	456,475	458,074	458,074	–	–	–
Dividends payable	32,957	32,957	32 957	–	–	–
Accounts payable and accrued liabilities	129,374	129,374	129,374	–	–	–
Winners' prizes payable	16,336	16,336	16,336	–	–	–
Long-term debt	331,932	401,326	10,970	110,334	181,445	98,577
	967,074	**1,038,067**	**647,711**	**110,334**	**181,445**	**98,577**

(*in thousands of Canadian dollars*)	2012					
			Maturity			
	Carrying amount	Total contractual cash flows	Less than 12 months	1 to 2 years	2 to 5 years	5 to 10 years
Financial liabilities						
Bank loans	431,969	433,621	433,621	–	–	–
Dividends payable	21,440	21,440	21,440	–	–	–
Accounts payable and accrued liabilities	93,333	93,333	93,333	–	–	–
Winners' prizes payable	11,798	11,798	11,798	–	–	–
Long-term debt	267,082	312,402	9,393	9,393	243,124	50,492
	825,622	872,594	569,585	9,393	243,124	50,492

According to Loto-Québec, its assets are readily convertible to cash and its credit facilities are sufficient to meet current and non-current financial needs, if necessary, and at a reasonable cost.

NOTE 22

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (*continued*)

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect Loto-Québec's income or the value of its holdings of financial instruments. Market risk management aims to manage and control market risk exposures within acceptable parameters.

Foreign exchange risk

Loto-Québec has granted euro-denominated investment loans to Casinos Développement Europe and its subsidiaries with a carrying amount of $14.1 million (€10.8 million) as at March 31, 2013 ($10.2 million or €7.7 million in 2012). On March 31, 2012, Loto-Québec signed a foreign exchange forward contract denominated in euros for an amount of $11.7 million (€8.8 million) expiring on March 31, 2013. Loto-Québec entered into this forward contract to protect itself against any future changes in the exchange rate with respect to these investments. A similar hedge was renewed in the amount of $16.1 million (€12.3 million), expiring on March 31, 2014.

Furthermore, Loto-Québec carries out other transactions in foreign currencies but does not hold or issue financial instruments to manage the foreign exchange risk arising from such transactions. However, this risk does not have a significant impact on Loto-Québec's income or financial position.

The impact of foreign exchange hedging transactions on income is recorded under Financial expenses.

Interest risk

Interest rates on loans, long-term debt and bank loans are fixed.

Bank loans are taken out to meet temporary liquidity needs for a period of less than 365 days from financial institutions or the Québec Minister of Finance in its capacity as the manager of the Fonds de financement. Careful loan management helps reduce cash flow risk with respect to interest paid.

iv) Fair value

The fair value of financial instruments generally corresponds to the consideration for which the instrument would be exchanged in an arm's-length transaction between knowledgeable and willing parties under normal market conditions.

The fair value of cash and cash equivalents, including cash on hand at casinos, trade and other receivables, current portion of financial assets related to life annuities, bank loans, dividends payable and accounts payable and accrued liabilities, equals their carrying amount due to their short-term maturities.

NOTE 22

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (*continued*)

The fair values of Loto-Québec's financial instruments are detailed as follows:

(*in thousands of Canadian dollars*)	2013		2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	**116,558**	**116,558**	101,581	101,581
Trade and other receivables	**87,844**	**87,844**	71,887	71,887
Financial assets related to life annuities	**63,697**	**85,207**	61,345	78,391
Loans to Casinos Développement Europe and its subsidiaries and Manoir Richelieu Limited Partnership	**16,639**	**16,639**	12,724	12,724
Loans and receivables	**284,738**	**306,248**	247,537	264,583
Bank loans	**456,475**	**456,475**	431,969	431,969
Dividends payable	**32,957**	**32,957**	21,440	21,440
Accounts payable and accrued liabilities	**129,374**	**129,374**	93,333	93,333
Winners' prizes payable	**16,336**	**16,336**	11,798	11,798
Life annuities payable	**63,697**	**85,207**	61,345	78,391
Long-term debt	**331,932**	**353,536**	267,082	287,956
Other liabilities	**1,030,771**	**1,073,885**	886,967	924,887

The fair value of the foreign exchange contract as at March 31, 2013 is nil as it took effect on that date and the fair value of the contract was measured using Level 2 inputs. The foreign exchange contracts were entered into with the Fonds de financement du gouvernement du Québec.

As at March 31, 2013 and 2012, Loto-Québec held no Level 3 financial instruments recognized at fair value.

A number of Loto-Québec's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values were determined for measurement or disclosure purposes using the following methods. If necessary, further information about the assumptions made in determining fair values is provided in the notes specific to the asset or liability.

Loans and receivables

The fair value of loans and receivables is determined based on the present value of future cash flows, discounted at the year-end market interest rate.

Derivatives

The fair value of the foreign exchange forward contract is based on market prices, if available. If market prices do not exist, fair value is estimated using the difference between the contractual forward price and the current forward price for the remaining contract maturity, using a risk-free interest rate (based on government bonds). The credit risk is incorporated into the calculation of fair value.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is based on the present value of future cash flows from principal and interest, discounted at the market interest rate at the reporting date.

NOTE 23
CONSOLIDATED CASH FLOWS

(*in thousands of Canadian dollars*)	**2013**	**2012**
Cash and cash equivalents, end of year		
Cash on hand – Casinos	**72,041**	64,074
Cash	**44,517**	37,507
	116,558	101,581
Net change in non-cash operating working capital items		
Trade and other receivables	**(15,957)**	4,109
Inventories	**224**	533
Prepaid expenses	**(2,285)**	(1,589)
Financial assets related to life annuities	**(2,352)**	(2,376)
Accounts payable and accrued liabilities	**26,120**	23,076
Life annuities payable	**2,352**	2,376
Provisions	**(5,379)**	2,140
Deferred revenues	**(3,126)**	(4,906)
	(403)	23,363
Additional information		
Additions to property, plant and equipment funded by accounts payable and accrued liabilities	**33,013**	23,338
Additions to intangible assets funded by accounts payable and accrued liabilities	**2,352**	3,997
Partners' share of Manoir Richelieu Limitied Partnership included in accounts payable and accrued liabilities	**5,804**	5,167

NOTE 24
RELATED PARTIES

a) Given that the Government of Québec is its sole shareholder, Loto-Québec is related to all Government of Québec departments and special funds as well as all agencies and enterprises directly or indirectly controlled by the Government of Québec or subject to either joint control or significant influence of the Government of Québec. Except for transactions disclosed in the financial statements that were initially recognized at fair value, Loto-Québec has not entered into any individually or collectively significant transaction with these related parties.

b) Key management personnel compensation

Key management personnel includes members of the Board of Directors and certain officers of Loto-Québec. In addition to their salaries, Loto-Québec generally provides benefits to officers and contributes to pension plans and other long-term benefits on their behalf. Key management personnel received the following compensation:

(in thousands of Canadian dollars)	**2013**	**2012**
Salaries and short-term employee benefits	**2,749**	2,681
Pension plans and other long-term benefits	**323**	718
	3,072	3,399

MEASURES TO REDUCE SPENDING AND INCREASE PRODUCTIVITY

In the budget speech of March 30, 2010, the government moved to redress public finances and return to a balanced budget by 2013-2014.

In this perspective, the Minister of Finance required public corporations to contribute and make efforts to reduce spending and increase productivity.

In addition, the *Act to implement certain provisions of the Budget Speech of 30 March 2010, reduce the debt and return to a balanced budget in 2013-2014* (the Act) stipulates a number of measures that apply to state-owned enterprises. These measures relate to reducing performance bonuses and administrative operating expenditures, as well as to lowering advertising, training and travel costs.

In 2012-2013, we achieved savings of 79.2 million dollars through our efforts to reduce spending and increase productivity, compared to 43.0 million dollars in 2011-2012. Our contribution since fiscal 2010-2011 totalled 137.0 million dollars against the objective of 70.0 million dollars for that period.

THE ACT'S PROVISIONS

The Act provides that administrative operating expenses must be reduced, by the end of fiscal 2013-2014, by at least 10% compared to fiscal 2009-2010. Within this reduction, the Act also required that total advertising, training and travel expenses be reduced by 25% for fiscal 2010-2011. In fact, Loto-Québec lowered these expenses by 36%, 11% more than the stipulated objective. In fiscal 2011-2012, savings came to 35% or 10% more than the stipulated objective, while in 2012-2013, savings were 49%, 24% above the target.

The Corporation also reduced its other administrative operating expenses by 31%, notably by lowering its public relations and business expenses, fees paid to external consultants, promotional expenses and head office refurbishing costs.

In fiscal 2012-2013, Loto-Québec achieved savings of 12.4 million dollars or 35% of its total administrative expenses.

ADDITIONAL EFFORTS REQUIRED BY THE MINISTER OF FINANCE

In addition to the reduction in expenses achieved to comply with the Act, Loto-Québec implemented non-administrative cost reduction programs and productivity efficiency measures that led to savings of 66.8 million dollars. This was accomplished by optimizing various business processes that slowed payroll growth and lowered printing and restaurant expenses. Additionally, the following 2 factors generated additional income and improved the bottom line: a change to the casino games regulatory framework that came into force on October 12, 2011, and the non-renewal of the moratorium on issuing video lottery terminal licences, which enabled a more efficient management of the network.

In regard to the remuneration of management personnel, in accordance with the Act, salary scales for the period from April 1, 2012 to March 31, 2013, were increased by 1.50%. Performance bonuses for senior executives were reduced by 10 percentage points compared to otherwise prevailing values, while payroll expenses relating to performance bonuses for other executives were reduced by 30%.

MEASURE TO ASSESS EFFICIENCY AND PERFORMANCE

BENCHMARKING

As provided in the *Act respecting the governance of state-owned enterprises*, Loto-Québec carries out annual efficiency and performance assessments. These include benchmarking against similar enterprises in the games of chance industry at three-year intervals.

In the last benchmarking exercise, carried out on March 31, 2010 by SECOR management consulting firm, the following eight Canadian governmental organizations were selected: British Columbia Lottery Corporation, Western Canada Lottery Corporation, Alberta Gaming and Liquor Commission, Saskatchewan Liquor and Gaming Authority, Manitoba Lotteries Corporation, Ontario Lottery and Gaming Corporation, Atlantic Lottery Corporation and Nova Scotia Gaming Corporation.

By factoring in the particular features of the gaming offering of each of the corporations selected and the differences between their business models, SECOR concluded that Loto-Québec's performance was comparable to that of other similar Canadian corporations, given its overall strategic orientations.

LAST YEAR'S RESULTS AND FINDINGS

As in previous fiscal years, Loto-Québec continued its steps to ensure performance efficiency of activities in each of its business units. The Corporation ensured that annual operational actions were put in place in its business units, allowed for the elements mentioned in the SECOR report to be monitored. The updated benchmarking exercise, based on publicly available information released by the Canadian corporations, showed that Loto-Québec's performance level was comparable to theirs.

Next year, Loto-Québec will carry out a new benchmarking cycle with similar enterprises, based on the operations of its various business units. The exercise will enable findings on the Corporation's efficiency and performance markers to be updated.

FOLLOW-UP ON THE ACTIONS OUTLINED IN THE 2008-2013 SUSTAINABLE DEVELOPMENT ACTION PLAN

FISCAL 2012-2013

In March 2009, Loto-Québec unveiled its 2008-2013 Sustainable Development Action Plan. As provided in the *Sustainable Development Act*, Loto-Québec reports on its activities undertaken in fiscal 2012-2013 in this section, for each of the 14 actions set forth in the aforementioned Plan.

ACTIONS 1 TO 4 ARE ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 1

Make people increasingly aware of the sustainable development concept and principles. Promote knowledge and experience sharing in this area and assimilate knowledge and know-how facilitating its implementation

ACTION 1

ORGANIZATIONAL OBJECTIVE

Promote the integration of the concept and principles of sustainable development among employees

ACTION	MEASURES	STATUS
Implement sensitization activities that contribute to the understanding of sustainable development as a concept and the successful realization of Loto-Québec's sustainable development initiative	– Conduct forums and presentations on the theme of sustainable development	Ongoing
	– Organize thematic campaigns and events on subjects related to the Corporation's sustainable development activities	Ongoing
	– Distribute periodic bulletins and structured features via the Corporation's internal communications vehicles	Ongoing

INDICATOR

– Percentage of employees reached by the sustainable development awareness activities

TARGET

– 80% of employees by 2011

RESULTS OF THE YEAR

– This target was reached in 2011.
– No survey of employee sustainable development awareness was conducted this year.
– A number of activities, campaigns, theme days and tools were put in place to continue the Corporation's awareness efforts.

ADDITIONAL INFORMATION

A report on paper consumption was issued at the beginning of the fiscal year. Since 2008, employees of Loto-Québec and its subsidiaries reduced their printing and photocopying paper consumption by 15 million sheets.

On Earth Day 2012, Loto-Québec employees were encouraged to bring in their electronic and electric waste so that they could be ecologically recovered.

In May 2012, 110 employees received free bicycle check-ups and tune-ups. This initiative was part of the measures aimed at encouraging staff to use means of transportation other than single-passenger vehicles. In the same spirit, some employees took advantage of a discounted subscription to BIXI.

An awareness campaign accompanied the December 2012 inauguration of the composting system at Casino de Montréal.

Loto-Québec also produced a guide to the use of ecodesign in graphic arts communications in order to make various internal actors aware of this new approach, which is aimed at incorporating the principles of sustainable development into design, especially with a view to reducing environmental impact.

ACTION 2

ORGANIZATIONAL OBJECTIVE

Promote integration of the concept and principles of sustainable development among employees

ACTION	MEASURES	STATUS
Implement training initiatives that contribute to the successful realization of the Government's sustainable development training plan	– Develop an internal training program on the different themes related to sustainable development	Ongoing
	– Train employees in targeted sectors on the different themes related to sustainable development	Ongoing

INDICATOR

– Percentage of employees in the targeted sectors having acquired sufficient knowledge of the sustainable development initiative to take it into account in the course of their regular activities

TARGET

– 50% of employees in the targeted sectors having acquired sufficient knowledge of the concept in order to take it into account while carrying out their regular activities, by 2013

RESULTS OF THE YEAR

– An initial sustainable development training program was put into place in July 2011 and reached 32.4% of the 401 target clients by March 31, 2012. In fiscal 2012-2013, 92 additional trainees took the program, making for a total of 222 of the 401 targeted subjects, or 55.4%.

ADDITIONAL INFORMATION

Intended for the Corporation's managers, the training program was divided into 2 complementary sessions lasting around 45 minutes in all. Managers were targeted on a priority basis due to their key roles in corporate processes, and this is particularly the case in cross-sectional areas such as sustainable development.

ACTION 3

ORGANIZATIONAL OBJECTIVE

Share and communicate the Corporation's experiences and competencies in the area of sustainable development among stakeholders

ACTION	MEASURES	STATUS
Convey the Corporation's initiatives and accomplishments in the area of sustainable development to external stakeholders	– Publish the progress made by Loto-Québec's sustainable development initiative in the Corporation's Annual Report, including results of the administrative performance indicators and the status of the 2008-2013 Sustainable Development Action Plan	Ongoing
	– Periodically distribute Loto-Québec's Profile of Societal Contributions	Ongoing
	– Present the sustainable development initiative and its accomplishments on the corporate web site, in specialized publications, and by way of different forums	Ongoing

INDICATOR

– External stakeholders reached with activities related to sustainable development

TARGET

– Conduct outreach activities targeting at least four of the following five stakeholder categories: the general public, the business community, sustainable development professionals, the public service and the education community

RESULTS OF THE YEAR

Fourteen outreach activities took place:

– Six presentations on Loto-Québec's sustainable development initiative at four Québec universities (education community)
– Presentation on sustainable development and strategic planning at the Association des aménagistes régionaux du Québec congress (public service)
– Presentation at the Association québécoise pour la maîtrise de l'énergie annual meeting (business community)
– Presentation and symposium hosting at Unisféra-Québec (business and sustainable development professionals communities)
– Presentation and hosting at two Unisféra-Montréal symposia (business and sustainable development professionals communities)
– Presentation at Colloquium-Québec (business community)
– Presentation at the World Lottery Association (WLA) congress in Montréal on corporate governance (business community)
– Interview at the launch of *Novae* magazine (business and sustainable development professionals communities)

ADDITIONAL INFORMATION

The sustainable development manager delivered a presentation entitled *How to integrate sustainable development in a corporate structure* last September at the annual WLA congress, giving perspective on the close relationship between sustainable development, responsible gaming and stakeholder commitments in our activity sector.

ACTION 4

ORGANIZATIONAL OBJECTIVE

Share and communicate the Corporation's experiences and competencies in the area of sustainable development among stakeholders

ACTION	MEASURES	STATUS
Contribute to improving the responsible management of organizations by sharing the Corporation's experience	– Participate in roundtables aimed at developing tools to promote responsible management of activities within departments and government agencies	Ongoing
	– Present the Corporation's accomplishments to other departments and government agencies via different forums in order to promote their engagement in a sustainable development initiative	Ongoing

INDICATOR

– Projects in which the Corporation participates

TARGET

– The Corporation hopes to integrate at least one work group each year in response to the needs of the Ministère du Développement durable, de l'Environnement et des Parcs and other organizations.

RESULTS OF THE YEAR

– In addition to its usual participation in the three meetings of the Comité interministériel du développement durable (CIDD), Loto-Québec became a member of the Comité interministériel de révision de la stratégie gouvernementale de développement durable in January 2013.

ADDITIONAL INFORMATION

By Order In Council 136-2012, the Government of Québec authorized the extension of the Government Sustainable Development Strategy review to December 31, 2014. To that end, the Bureau de coordination du développement durable created a select committee whose work will take place in 2013-2014 and on which Loto-Québec was offered a seat, recognizing the expertise it has developed in recent years.

ACTIONS 5 AND 6 ARE ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 4

Continue developing and promoting a culture of prevention and define conditions to improve health, safety and the environment

ACTION 5

ORGANIZATIONAL OBJECTIVE

Obtain and maintain the World Lottery Association's responsible gaming certification

ACTION	MEASURES	STATUS
Undertake initiatives to promote responsible gaming behaviour among clients and employees of Loto-Québec and its subsidiaries in accordance with the World Lottery Association's certification criteria	– Structure internal and external initiatives and programs focused on responsible gaming offered at the Corporation's establishments	Ongoing
	– Systematically sensitize Loto-Québec employees to responsible gaming	Ongoing

INDICATORS

- World Lottery Association responsible gaming certification status
- Percentage of employees sensitized

TARGETS

- Obtaining and maintaining World Lottery Association Level 4 certification
- 100% of employees sensitized

RESULTS OF THE YEAR

- The World Lottery Association renewed Loto-Québec's Level 4 Responsible Gaming Framework certification for a three-year period.
- Awareness Level I: 93.3%
- Awareness Level II: 76.1%

ADDITIONAL INFORMATION

Indicators were defined to enable close monitoring of employees who received responsible gaming training. Quarterly follow-ups with various sectors of the business ensure ongoing program improvement.

ACTION 6

ORGANIZATIONAL OBJECTIVE

Promote prevention and conditions favourable to maintaining good health through the implementation of a "health culture" within the Corporation

ACTION	MEASURES	STATUS
Offer the *Take Care of Your Health!* program aimed at promoting good life habits among Loto-Québec employees	– Promote employee participation in the program	Completed
	– Organize forums and activities related to the different program themes	Completed

INDICATOR

– State of progress of program activities

TARGET

– Respect the initial timetable

RESULTS OF THE YEAR

– The *Take Care of Your Health!* program:
All steps in the program are now complete for all corporate and business units except the SCQ.

ADDITIONAL INFORMATION

The *Take Care of Your Health!* program ended in the spring of 2011 at Loto-Québec and its subsidiaries. In 2012-2013, Loto-Québec went on with its habitual health promotion activities that include blood tests, a seasonal flu vaccination campaign and health clinic for both women and men.

Phase 1 of the program has ended at the Société des casinos du Québec, including in the casinos. Phase 2 is under study.

ACTION 7 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 6

Apply environmental management measures and an ecoresponsible procurement policy to departments and government agencies

ACTION 7.1

ORGANIZATIONAL OBJECTIVE

Assure the application of the policy for an ecoresponsible government's measures within the Corporation

ACTION	MEASURES	STATUS
Implement practices and activities that contribute to meeting the provisions of the policy for an ecoresponsible government *Deploy the responsible procurement initiative*	– Take sustainable development principles into account as part of the procurement process	Ongoing
	– Develop decision-making support tools for procurement personnel and their internal customers	Ongoing
	– Train procurement personnel and their internal customers about sustainable development principles	Ongoing
	– Sensitize suppliers to the responsible procurement practices applied within the Corporation	Initiated

INDICATOR

– State of progress of the responsible procurement initiative

TARGET

– 100% of the responsible procurement initiative realized by 2013

RESULTS OF THE YEAR

– The original responsible procurement plan, which included more than one hundred action points, has greatly evolved, making percentage measurement obsolete. However, all steps enabling the creation of a structured approach to this matter have been taken, including the creation of decisional support tools. All calls for tender are assessed for the possibility of including the total cost of ownership (TCO) criterion.

ADDITIONAL INFORMATION

Many files have been reviewed and handled this year, more particularly in regard to thermal paper rolls and game terminal selection slips, bingo and Kinzo paper and the disposition of logic cards in video lottery terminals.

ACTION 7.2

ORGANIZATIONAL OBJECTIVE

Assure the application of the policy for an ecoresponsible government's measures within the Corporation

ACTION	MEASURES	STATUS
Implement practices and activities that contribute to meeting the provisions of the policy for an ecoresponsible government *Structure the environmental management system for the Corporation's infrastructures*	– Obtain, maintain and update the certifications related to the various building environmental management programs for all assets, aiming for continuous improvement and exemplary performance	Ongoing
	– Develop and implement energy saving programs for all establishments	Ongoing
	– Develop and implement water saving programs for all establishments	Ongoing
	– Develop and implement a program to reduce the quantity of landfill waste at all establishments	Ongoing

INDICATORS

- Certifications for the different establishments
- Average energy efficiency of Loto-Québec buildings
- Rate of reduction of water consumption
- Reclamation rate of potentially recoverable residual materials

TARGETS

- Obtain and maintain up-to-date certification for all corporate establishments
- Increase the energy efficiency of buildings by 10% in 2009-2010 from the 2006-2007 baseline
- Reduction of water consumption in 2012-2013 over the reference year 2009-2010; the percentage reduction will be made following water consumption audits
- Reclaim 80% of potentially recoverable residual materials in 2013

RESULTS OF THE YEAR

- As at March 31, 2013, 12 of our facilities were certified BOMA BESt, two of which also received LEED silver certification.
- Average 2011-2012 building energy efficiency improved by 13% compared to 2006-2007.
- Water consumption decreased by 7.1% in 2012 compared to 2009-2010 (comparative results calculated on the basis of 12 months: calendar year 2012 and fiscal year 2009-2010).
- Two of our facilities (the Laval office and the Casino du Lac-Leamy) were able to achieve a residual material reclamation rate of more than 80%. Two others (the Québec City office and the Hilton Lac-Leamy) achieved rates of between 75% and 80%.

ADDITIONAL INFORMATION

Collection of compostable matter at Casino de Montréal has been operational since the fall of 2012. The composting system allows the equivalent of 125 garbage bags per day to be diverted from landfills. This is a new measure that involves both employees and customers of the establishment.

With respect to residual materials, the excellent performance of the Lac-Leamy establishments (around 80% against nearly 30% in 2009) and the continuation of the very positive performances of the Québec City and Laval offices are notable. The introduction of compostable matter collection at Casino de Montréal should enable that facility to attain a diversion rate that is comparable to the one achieved by Casino du Lac-Leamy.

ACTION 7.3

ORGANIZATIONAL OBJECTIVE

Assure the application of the policy for an ecoresponsible government's measures within the Corporation

ACTION	MEASURES	STATUS
Implement practices and activities that contribute to meeting the provisions of the policy for an ecoresponsible government *Implement a greenhouse gas (GHG) emissions reduction plan*	– Institute a system for measuring the Corporation's transportation-related GHG emissions	Ongoing
	– Minimize the GHG emissions related to business travel and employee transportation	Ongoing
	– Launch initiatives to promote the reduction of GHG emissions related to business travel and employee transportation	Initiated

INDICATORS

- Calculation of GHG emissions related to business travel and the transportation of the Corporation's employees (equivalent tons of CO_2)
- Review of initiatives implemented by the Corporation related to business travel and employee transportation
- Review of transportation habits within the Corporation

TARGETS

- Reduction of GHG emissions related to business travel and employee transportation from 2008 to 2013
- Annual publication of the reviews

RESULTS OF THE YEAR

- The review of business travel by employees of Loto-Québec and its subsidiaries was completed.
- Loto-Québec compensates for greenhouse gas emissions related to participant travel to its own events or events of its subsidiaries by financial contributions to reforestation programs or the purchase of carbon credits on the voluntary market.

The following initiatives aimed at encouraging the adoption of alternative means of transportation (bicycles, walking, etc.) were put in place:

- The bicycle check-up and tune-up clinic
- Promotion of the *In town without my car!* campaign
- Discounted BIXI subscriptions

Initiatives favouring the electrification of transportation were also taken:

- A feasibility study on the use of electric vehicles assessed the potential for the Corporation to contribute to the electrification of transportation
- Installation of a first electric vehicle charging station at the Casino de Charlevoix and the Fairmont Le Manoir Richelieu
- Agreement between the Société des casinos du Québec and Electric Circuit for the deployment of vehicle charging stations at other casinos

ACTION 7.4

ORGANIZATIONAL OBJECTIVE

Assure the application of the policy for an ecoresponsible government's measures within the Corporation

ACTION	MEASURES	STATUS
Implement practices and activities that contribute to meeting the provisions of the policy for an ecoresponsible government *Structure the responsible management of events at Loto-Québec*	– Establish a profile of practices for the internal and external events organized by the Corporation	Ongoing
	– Progressively integrate responsible practices into the management of events	Ongoing
	– Implement an information gathering system and follow up on event performance	Ongoing
	– Develop appropriate tools to facilitate responsible event management	Ongoing

INDICATOR

– Percentage of events organized by the Corporation that respect responsible management principles

TARGET

– To reach or exceed the minimum threshold of sustainability in 80% of events during 2013

RESULTS OF THE YEAR

– A minimum sustainability threshold was established for internal events. This tool was partly inspired by Bureau de normalisation du Québec (BNQ) BNQ Standard 9700-253 for responsible event management.
– In all, 52.3% of internal events organized by Loto-Québec and its subsidiaries reached or exceeded the minimum sustainability threshold.

ADDITIONAL INFORMATION

This result represents a gradual evolution of internal responsible event management practices. This is more than double the result of the preceding period, which was 22.9%, and can be explained by a marked structuring of responsible management practices in various subsidiaries and corporate units.

The classification of events using BNQ Standard 9700-253 affected this structuring. Nine events were categorized as BNQ Standard 9700-253 Level 2 or 3, which had a positive overall influence on event organizers.

ACTION 8 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 9

Apply more eco-conditionality and social accountability in public assistance programs and encourage their implementation in financial institutions' programs

ACTION 8

ORGANIZATIONAL OBJECTIVE

Enhance the event sponsorship and sponsored public event promotion program with a sustainable development approach

ACTION	MEASURES	STATUS
Implement initiatives aimed at taking sustainable development principles into account in the event sponsorship and sponsored event promotion program	– Sensitize event organizers and prompt them to adopt responsible management practices	Ongoing
	– Integrate sponsored event selection criteria that take responsible practices in line with sustainable development into account	Ongoing

INDICATOR

– Score obtained by sponsored events on questions related to sustainable development in the post-event report

TARGET

– To reach or exceed the minimum threshold of sustainability in 80% of events in 2013

RESULTS OF THE YEAR

– With a rise of 4.3 points, 70.4% of sponsored events reached or exceeded the Corporation's minimum sustainability threshold (internal assessment tool based on BNQ Standard 9700-253 for responsible event management).

ADDITIONAL INFORMATION

At the Loto-Québec *Les Vivats* 2013 award gala for responsible events, in which there were 204 events in competition, 10 of the 31 finalists and 3 of the 11 winners selected by an independent jury were among *Rendez-vous Loto-Québec* events. As well, a *Rendez-vous Loto-Québec* event won the Audience Award.

ACTION 9 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 16

Increase productivity and the quality of jobs through ecologically and socially responsible measures

ACTION 9

ORGANIZATIONAL OBJECTIVE

Increase the efficiency of the Corporation's human resources by promoting employee mobilization

ACTION	MEASURES	STATUS
Implement an employee mobilization initiative that promotes quality of life in the workplace	– Periodically conduct a survey to measure the Corporation's mobilization index	Ongoing
	– Implement the action plans developed by the Corporation's employee mobilization committees	Ongoing
	– Implement corporate initiatives to promote employee mobilization	Ongoing

INDICATOR

– Employee mobilization index

TARGET

– Maintain or increase the mobilization index in accordance with established objectives

RESULTS OF THE YEAR

Results of the 2013 mobilization survey

– Société des casinos du Québec (including the casinos): +17
– Loto-Québec and its subsidiaries (except the Société des casinos du Québec): +33

ADDITIONAL INFORMATION

The survey was conducted in January and February 2013 and had an overall response rate of 82%.

An across-the-board action plan was prepared and implemented, leading to the following achievements:

– Employee and management consultation
– The first *Prix d'excellence Loto-Québec* gala
– Launch of the daily *Les bons coups* acknowledgement program

ACTIONS 10 AND 11 ARE ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 17

Keep public finances healthy for the generations to come

ACTION 10

ORGANIZATIONAL OBJECTIVE

Optimize economic spin-offs for Québec society while taking sustainable development into account

ACTION	MEASURES	STATUS
Channel games of chance into controlled venues featuring legal, competitive and secure game offerings	– Manage the online gaming offering	Ongoing
	– Carry out a pilot project through the Société des bingos du Québec that could represent a new revenue stream	Completed

INDICATORS

- Launch date of the online gaming platform
- Annual contributions paid to NPOs

TARGETS

- Launch an online marketing platform for gaming by the end of 2010
- Maintain an average annual contribution of $10 million to NPOs

RESULTS OF THE YEAR

- The Société des bingos du Québec (SBQ) contributed 4.9 million dollars to non-profit organizations (NPOs).

ADDITIONAL INFORMATION

SBQ revenues from network bingo follow the trend that has been observed in the industry for some years. While per capita product revenue performance is stable, a 10% shortfall in the number of visits to participating halls had an effect of the same magnitude on network bingo revenues, which dropped from 27.5 million dollars in 2011-2012 to 24.4 million dollars in 2012-2013. Still, thanks to network bingo proceeds, the SBQ was able to remit 4.8 million dollars to NPOs affiliated with its network of halls.

Kinzo is a new source of income for the SBQ. The Kinzo network, still in early days of growth, should reach its profitability threshold next year. The sum of $100,000 was nonetheless set aside from this activity to be distributed to NPOs in 2012-2013, making for a total SBQ contribution of 4.9 million dollars.

ACTION 11

ORGANIZATIONAL OBJECTIVE

Optimize economic spin-offs for Québec society while taking sustainable development into account

ACTION	MEASURES	STATUS
Increase the Corporation's overall efficiency and performance so as to establish and maintain its position as a leader in responsible commercialization	– Improve the efficiency of activities, including day-to-day application of best governance and management practices as part of business decision-making	Ongoing
	– Develop new income-generating sources outside Québec by remaining alert to business development opportunities that build on the competitive advantage of the Corporation's expertise and know-how in the various gaming sectors	Ongoing

INDICATOR

– Percentage of the net profit margin

TARGET

– Maintain the net profit margin percentage at 35.2% as laid out in Loto-Québec's 2010-2013 Strategic Plan

RESULTS OF THE YEAR

– The net profit margin was 35.4%.

ACTIONS 12 AND 13 ARE ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 21

Step up conservation and development of the cultural and scientific heritage

ACTION 12

ORGANIZATIONAL OBJECTIVE

Contribute to the preservation and promotion of Québec's cultural heritage

ACTION	MEASURES	STATUS
Consolidate the program for the acquisition and circulation of the work of Québec artists	– Program and run a series of exhibitions at the Espace Création Loto-Québec gallery each year aimed at showcasing and promoting the province's cultural heritage	Ongoing
	– Assure the development of the Collection Loto-Québec and the circulation and promotion of the work of Québec artists	Ongoing
	– Develop and run special exhibitions and events in the various regions of the province to promote public awareness and appreciation of cultural heritage	Ongoing
	– Measure visitors' level of appreciation	Ongoing

INDICATORS

- Amount allocated to the acquisition of contemporary artworks created by Québec artists
- Number of events held annually

TARGET

- Allocate 1/100th of 1% of the Corporation's revenues to the acquisition of artwork
- Five annual events, including exhibitions at Espace Création Loto-Québec, exhibit-sales and tours

RESULTS OF THE YEAR

- The Collection acquired 93 new works costing $367,763, corresponding to 1/100th of 1% of the Corporation's revenues.
- Six events were organized during the year: three exhibitions at Espace Création Loto-Québec and three Collection Loto-Québec regional tours.

ADDITIONAL INFORMATION

Espace Création welcomed its 100,000th visitor this year.

The Collection's body of works rose to 4,594 pieces.

ACTION 13

ORGANIZATIONAL OBJECTIVE

Contribute to supporting up and coming talents and the circulation of their creations

ACTION	MEASURES	STATUS
Implement the support program for the new wave of professional performing artists	– Offer financial support to the new wave of professional performing artists	Ongoing
	– Organize events to facilitate the presentation of works by the new wave of professional performing artists	Ongoing

INDICATORS

- Number of artists selected for a tour across Québec
- Number of spectators reached by this tour

TARGETS

- Four artists selected annually
- 6,200 spectators reached during each annual tour

RESULTS OF THE YEAR

- Five artists were selected in 2012-2013 for a new tour throughout Québec, which took place from June 2012 to May 2013.
- From April 2012 to March 2013, 14,605 spectators attended the shows.

ADDITIONAL INFORMATION

The *Entrées en scène Loto-Québec* program is the only support program for the new wave of professional performing artists in all disciplines of the stage arts. This year, award winners came from a wide variety of disciplines (circus, spoken word, dance). This diversity contributed to a near 30% rise in attendance over last year.

ACTION 14 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 25

Increase citizens' involvement in decision-making

ACTION 14

ORGANIZATIONAL OBJECTIVE

Cultivate the Corporation's relations with its stakeholders

ACTION	MEASURES	STATUS
Implement new initiatives to promote dialogue with stakeholders	– Review and analyze the Corporation's practices related to sustainable development with its stakeholders	Ongoing
	– Implement initiatives aimed at consolidating relations with the various stakeholders	Ongoing
	– Monitor, control and measure the initiatives undertaken to consolidate relations with stakeholders	To be implemented

INDICATOR

– Frequency and levels of communication with the various stakeholders

TARGET

– Target to be established after conducting the review and analysis of the practices in place.

RESULTS OF THE YEAR

– The creation of the Vice President's Office on Responsible Gaming engendered a new commitment dynamic with our stakeholders. Incorporating the sustainable development and community cooperation and relations sectors into this Vice President's Office will also enable us to strengthen our relations with our stakeholders in the coming years.

CODE OF ETHICS AND RULES OF PROFESSIONAL CONDUCT FOR DIRECTORS AND MANAGERS OF LOTO-QUÉBEC AND ITS SUBSIDIARIES

PREAMBLE

Whereas the members of the Board of Directors are required to have a code of ethics and rules of professional conduct that respects the principles and rules prescribed by the *Regulation Respecting the Ethics and Professional Conduct of Public Office Holders* (hereinafter referred to as the "Regulation")adopted in accordance with the *Act Respecting the Ministère du Conseil exécutif* (R.S.Q. c. M-30, a. 3.01 and 3.02; 1997, c.6, a. 1) (hereinafter referred to as the "Act");

Whereas the Act and the Regulation prescribe certain ethical principles and rules of professional conduct that apply to Directors (contained in Appendix 1 of present Code);

Whereas the members of the Board of Directors wish to provide the Corporation with its own Code of Ethics and Rules of Professional Conduct;

The members of the Board of Directors have adopted the following Code of Ethics and Rules of Professional Conduct.

1. DEFINITIONS

In the present Code, unless a different meaning is indicated by context, the terms below are defined as follows:

a) "Act": the *Act Respecting the Québec Lottery Corporation* (L.R.Q., c. S-13.1), as amended and modified from time to time.

b) "Board": the Board of Directors of the Corporation or of one of its subsidiaries.

c) "Code": this Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries.

d) "Committee": the Board's Governance and Ethics Committee, as prescribed by the *Act Respecting the Governance of State-Owned Enterprises*.

e) "Confidential information": all information concerning the Corporation, trends in an industry or sector, or any and all information of a strategic nature that is not known to the public and that, if known by a person who is not a Director or a Manager, would be liable to give the person an advantage or compromise an operation in which the Corporation participates.

f) "Conflict of interest": any real, perceived, potential or eventual situation in which Directors or Managers may be prompted to favour a person (including themselves and any related persons) to the detriment of another. Any situation that could be prejudicial to the loyalty, integrity or judgement of a Director or Manager is also subject to the present definition.

g) "Contract": a draft agreement.

h) "Control": direct or indirect ownership by a person of securities, including partnership shares, that confer more than 50% of voting or shareholder rights and that does not depend on a special event having occurred and allows for the election of a majority of Directors.

i) "Corporation": Loto-Québec.

j) "Director": a member of the Board of Directors who does or does not occupy a full-time position at Loto-Québec or one of its subsidiairies.

k) "Enterprise": any form of organization for the production of goods or services, or any other business of a commercial, industrial or financial nature, and any group intended to promote specific securities, specific interests or specific opinions or influence public authorities. However, this does not include the Corporation or associations or non-profit groups with no financial relationship to the Corporation or no incompatibility with its objectives.

l) "Manager": with respect to the Corporation, any contract executive whose conditions of employment are subject to approval by the Board.

m) "Related enterprise": any body corporate or company in which the Corporation directly or indirectly holds securities, including shares, conferring more than 10% voting or shareholder rights.

n) "Related persons": persons who are related to Directors or Managers via:

i. blood

ii. marriage

iii. civil union

iv. common-law marriage

v. adoption

For the purposes of the present Code, the following persons are also deemed to be related:

vi. the child of a person defined in sections ii to iv

vii. any member of the immediate family living under the same roof

viii. any person with whom a Director or Manager is associated, or the partnership with which either may be associated

ix. a body corporate in which the Director or Manager directly or indirectly holds 10% or more of any category of voting shares

x. a body corporate controlled by a Director or Manager or a person defined in sections i through iv and vi, or by a group of such persons acting jointly

xi. any person that a Director or Manager may be prompted to give preference to because of his relationship to that person or to a third party, or because of his status, title or any other reason.

o) "Spouse": husbands and wives, as well as persons living together maritally for more than one year.

p) "Subsidiary": any company wholly owned by the Corporation.

2. GENERAL PROVISIONS

2.1 The present Code is intended to maintain and strengthen public trust with respect to the integrity and impartiality of the Corporation's administration, encourage transparency within the Corporation, and to instil a sense of responsibility in its Directors and its Managers.

2.2 The present Code is also intended to establish ethical principles and rules of professional conduct for the Corporation. The ethical principles take into account the Corporation's mission, the values on which its actions are based, and its general principles of management. The rules of professional conduct relate to the duties and obligations of Directors and of Managers, clarifying and illustrating them in an indicative manner.

2.3 The present Code is applicable to Directors and to Managers of the Corporation and its subsidiaries, all of whom are required to respect its provisions.

2.4 The present Code has been established in accordance with the Act, the Corporation's internal governance regulation and the Regulation. It reflects and, as applicable, completes the provisions of the aforementioned.

2.5 The Board approves the present Code upon the recommendation of the Committee, which is responsible for its review.

2.6 In the context of the present Code, the prohibition of an act includes the attempt to commit the act and participation in or inducement to commit the act.

2.7 The Corporation shall take all necessary measures to ensure the confidentiality of information provided by Directors and Managers in conjunction with the application of the present Code.

3. ETHICAL PRINCIPLES AND GENERAL RULES OF PROFESSIONAL CONDUCT

3.1 Directors or Managers are appointed to contribute to the fulfilment of the Corporation's mission in the best interests of Québec. As such, they must employ their knowledge, capabilities, experience and integrity for the efficient, equitable and effective attainment of the objectives assigned to the Corporation by law and for the proper administration of the assets it possesses as a Government agent.

Their contribution must be made in accordance with the law and with honesty, loyalty, prudence, diligence, efficiency, rigour and fairness.

3.2 In discharging their duties, Directors are required to respect the ethical principles and rules of professional conduct prescribed by the Act and the Regulation that constitute an integral part of this Code, as applicable, as well as those stipulated in the present Code. Managers are also required to respect these rules to the extent that they apply to them. In case of discrepancy, the strictest principles and rules are deemed to apply.

In case of any doubt, Directors and Managers are to act in accordance with the spirit of these principles and rules. Directors and Managers who serve as Directors or Managers or are members of another organization or enterprise at the request of the Corporation are bound by the same obligations.

Subject to their obligations of confidentiality, honesty, loyalty and, generally speaking, to obligations of a similar nature in accordance with the Act and Code of Ethics of any organization or enterprise in which Directors or Managers exercise functions at the request of the Corporation, such Directors or Managers are required to inform the Corporation of any question brought up on the agenda of a meeting of the Board of Directors of such organizations or enterprises that may have a significant impact on the finances, reputation or operations of the Corporation. They are required to inform the Corporation within a reasonable delay and prior to any vote by Directors on such matters.

3.3 Directors and Managers are required to collaborate with the Chairman of the Board or the Committee on questions of ethics or professional conduct whenever asked to do so.

3.4 In exercising their functions, Directors and Managers are required to keep their knowledge current and employ independent professional judgement in the best interests of the Corporation.

They are required to be familiar with, promote the respect of, and conform to the present Code, applicable laws and regulations, and policies, directives and rules as set forth by the Corporation. They are also required to keep themselves informed as to the economic, social and political climate in which the Corporation acts.

3.5 Directors and Managers are required to maintain relations with all persons and with the Corporation based on respect, cooperation and professionalism.

3.6 Directors and Managers shall make decisions in a manner so as to ensure and maintain the relationship of trust with clients, suppliers and partners of the Corporation, as well as with the Government.

3.7 In exercising their functions, Directors and Managers must respect the Corporation's mission, vision and strategic directions set out in its strategic plan.

3.8 Directors and Managers may not, either directly or indirectly, offer, solicit or accept an undue favour or benefit for themselves or any persons related to a Director or Manager or a third party, nor can they accept any gift, any hospitality or any benefit other than what is customary and of modest value. Any gift, any hospitality or any benefit that does not correspond to these criteria must be returned to the donor or to the State.

3.9 Door prizes in excess of $100 won by any Directors or Managers must be returned to the event organizers if the Corporation has paid event participation costs. Persons accompanying Directors or Managers in such cases are subject to the same rule.

3.10 In carrying out their functions, Directors and Managers must seek to defend only the Corporation's interests, to the exclusion of their own or those of a third party.

3.11 Directors and Managers shall not undertake any obligations to third parties nor afford them any guarantees with respect to any vote that they may be called upon to participate in or any decision whatsoever that the Board may be called upon to render.

3.12 A vote by a Director that is in violation of the provisions of the present Code or that is lodged while the Director is in default with respect to the production of the declaration mentioned in section 4.11 may not be considered a deciding vote.

3.13 Directors or Managers who assume responsibilities in other entities may occasionally find themselves in situations of conflict of interest. Whenever the present Code does not provide for the specific situation, they must determine whether their actions meet the behavioural standard the Corporation may reasonably expect in such circumstances. They must also determine if a reasonably informed person would conclude that their interests in the other entity are liable to influence their decisions and affect their objectivity and impartiality when discharging their duties to the Corporation.

3.14 Within a reasonable delay of assuming their position, Directors and Managers are required to organize their personal affairs so as not to prejudice the exercise of their functions and avoid incompatibility or conflict of interest between their personal interests and the duties of their position. As applicable, they are required to take all necessary measures in order to comply with the provisions of the present Code.

3.15 Directors and Managers may not mix the Corporation's assets with their own. They may not utilize the Corporation's assets or confidential information received in the course of carrying out their functions for personal or third party profit. These obligations remain in effect even after they have ceased to occupy their functions.

3.16 Directors and Managers are bound by discretion with respect to all confidential information to which they are party in the exercise of their functions and are required to respect the confidential nature of information received at all times. Furthermore, Board deliberations, positions held by, and votes taken by its members are confidential.

3.17 Directors and Managers are required to respect any and all restrictions and apply protective measures with regard to confidential information as follows:

- They must only convey confidential information to authorized persons.
- If they use a system of electronic mail, they must comply with all practices and directives issued or approved by the Corporation regarding the storage, use and transmission of information by this system. They must not forward confidential information received from the Corporation via this system to anyone.
- They are responsible for taking measures to protect the confidentiality of information to which they have access. These measures include:
  - not allowing documents containing confidential information to be casually seen by third parties or unauthorized employees
  - taking appropriate measures to ensure the physical protection of documents
  - avoiding discussions in public that could reveal confidential information
  - identifying documents that may circulate as containing confidential information that must be treated as such
  - discarding any and all confidential documents using appropriate means (shredding, archiving, etc.) whenever they are no longer necessary for the execution of their mandate as Directors or Managers

3.18 While exercising their functions, Directors and Managers may not have dealings with any persons that have ceased being a Director or Manager of the Corporation for less than one year if such persons are acting on behalf of another party with respect to a procedure, negotiation or any other operation to which the Corporation is party and about which such persons possess information that is not publicly available.

3.19 Once no longer exercising their functions, no Director or Manager may disclose any confidential information received, or provide anyone with advice based on confidential information unavailable to the public concerning the Corporation or any other organization or enterprise with which they had direct and substantial relations during the year preceding the date on which their functions were terminated. During the course of the 12 months following this date, they are prohibited from acting on or on behalf of others relative to any procedure, negotiation or other operation to which the Corporation is party and about which they possess confidential information not available to the public.

3.20 Directors or Managers who intend to become electoral candidates are required to inform the Chairman of the Board of their intention.

If the Chairman of the Board or the Chief Executive Officer has such intentions, they must so inform the Secretary General of the Executive Committee.

3.21 In exercising their functions, Directors and Managers must make decisions independently of all partisan considerations.

4. DUTIES AND OBLIGATIONS OF DIRECTORS AND OF MANAGERS WITH RESPECT TO CONFLICTS OF INTEREST

Prevention of conflicts of interest

4.1 Directors and Managers must avoid placing themselves in situations of conflict between their personal interests and their official duties, or in situations that may cast reasonable doubt as to their ability to discharge their duties with uncompromised loyalty.

Directors and Managers must avoid situations in which they or related persons could profit directly or indirectly from a contract signed by the Corporation or by influencing decisions taken by them in accordance with their official functions within the Corporation.

Full-time Directors or Managers of the Corporation or of any of its subsidiaries are also required to avoid taking positions or being bound by engagements that may prevent them from fully giving their duties the time and attention that would normally be required.

Other Directors are required to ensure that they are able to devote the appropriate time and attention to the exercise of their functions reasonably required in the circumstances.

4.2 Directors and Managers with full-time duties within the Corporation may not possess direct or indirect interests in an organization, enterprise or association that create a conflict between their personal interests and the interests of the Corporation. If they do, they may be subject to dismissal. However, such dismissal shall not take place if the interest accrues through an inheritance or gift that is diligently renounced or disposed of. In the interval, sections 4.5, 4.6, 4.8 and 4.11 shall apply.

All other Directors holding interests in an enterprise must comply with sections 4.5, 4.6, 4.8 and 4.11. Failure to do so may make them subject to dismissal.

4.3 In order to be deemed independent, Directors may not:

- be or have been (during the three years preceding the date of their nomination) employed by the Corporation or be related to a person described in section k) that has been so employed
- be employed by the Government, a Government agency, or a Government enterprise within the meaning of sections 4 and 5 of the *Auditor General Act* (R.S.Q. c. V-5.01)
- have any relations as determined by the Government under section 5 of the act respecting governance of public corporations.

Upon assuming their position, and annually thereafter, Directors must declare to the Committee the existence or absence of relations described in the preceding first and second paragraphs. They are also required to declare any changes to their declaration as soon as they become aware of such changes.

4.4 Directors and Managers of the Corporation who are also Directors or Managers of a related enterprise are required to be specifically authorized by the controlling shareholder or shareholders of the enterprise to:

- hold shares, partnership equity, any other share or any other security issued by the related enterprise that confers voting rights or interest with respect to the related enterprise, or any and all options for subscription or purchase rights concerning such shares, partnership equity, securities or interests
- benefit from any profit-sharing plan, unless the Directors or Managers are engaged full-time within the related enterprise and the profit-sharing plan is directly related to the individual performance of the Directors or Managers within the related enterprise
- benefit from a retirement plan offered by the related enterprise if they are not full-time Directors or Managers of the related enterprise
- benefit from any and all advantages extended in advance in case of a change in control of the related enterprise.

Renunciation and abstention

4.5 Directors or Managers who:

a) are party to a contract with the Corporation or a subsidiary, or

b) who possess a direct or indirect interest in an enterprise that is party to a contract with the Corporation or a subsidiary, or are Directors, Managers or employees of this enterprise are required to disclose the nature and scope of their interest in writing to the Chairman of the Board.

The same applies for Directors or Managers who have a direct or indirect interest in matters taken up by the Board.

Directors or Managers must abstain at all times from communicating any information whatsoever regarding such contract or interest to any and

all employees, Managers or Directors of the Corporation.

Directors must abstain from deliberation and voting on any question related to such interest and avoid any attempts to influence related decisions. They must also excuse themselves from meetings for the duration of deliberations and voting on such matters. Any such exclusion must appear in the minutes of the Board meeting.

4.6 In the case of a Director, disclosure required under section 4.5 must occur during the first meeting:

a) at which the contract or matter of concern is being discussed

b) subsequent to when Directors with no previous interest in the contract or matter acquire such interest

c) subsequent to when Directors acquire an interest in an already concluded contract

d) subsequent to when any and all persons with an interest in the contract or matter under study become Directors

4.7 Managers who are not also Directors must offer the required disclosure under section 4.5 immediately after:

- having learned that the contract or matter of interest was or will be discussed during a meeting
- having acquired an interest, if subsequent to the conclusion of the contract or decision involved
- having become a Manager, if subsequent to the acquisition of such interest

Managers may not attempt to influence decisions made by Directors in any way.

4.8 Directors and Managers must make the disclosure required under section 4.5 as soon as they have any knowledge of a contract that falls within the bounds of this section and that, in the normal course of the Corporation's business, does not require Director approval.

4.9 Sections 4.5 through 4.8 also apply to cases where such interest is held by a Person related to a Director or Manager.

4.10 Directors and Managers shall denounce all rights they may possess against the Corporation or any of its subsidiaries in writing to the Chairman of the Board, indicating their nature and value, as soon as such rights come into existence or as soon as they become aware of them.

4.11 Within 30 days of their nomination, and on March 31 of each year in which they remain in service, Directors and Managers must forward a declaration in the form prescribed in Appendix 2 to the Chairman of the Board containing the following information:

a) The names of any and all enterprises in which they directly or indirectly hold securities or equity (including shares), stipulating the nature and quantitative and proportional amounts of securities held, as well as their equity value

b) The names of any and all enterprises in which they exercise functions or in which they have a direct or indirect interest in the form of a claim, right, priority, mortgage or significant financial or commercial benefit

c) To the best of their knowledge, the information stipulated in the preceding sections concerning their employer and the body corporate, corporation or enterprise of which they are owner, shareholder, Director, Manager or controller

d) The name of any and all associations in which they exercise functions or of which they are members, stipulating their functions, as applicable, as well as the purposes of the association

Directors or Managers to whom the provisions of sections a) through d) do not apply are required to sign a declaration to that effect and remit it to the Chairman of the Board.

Directors or Managers are also required to produce a similar declaration within 30 days of any significant change occurring to its contents.

Declarations made subject to this section shall be treated as confidential.

4.12 The Chairman of the Board shall remit declarations received pursuant to the application of sections 4.5 to 4.11 to the Secretary of the Corporation, who shall make them available to the members of the Board and of the Governance and Ethics Committee.

In addition, the Secretary of the Corporation shall notify the Chairman of the Board and the Governance and Ethics Committee of any breach of obligations under sections 4.5 to 4.11 immediately upon becoming aware of such a breach.

4.13 Directors and Managers may notify the Corporation in advance of Board of Directors discussions pertaining to specific corporations or other entities from which they wish to be excluded.

4.14 In all cases where a matter may engender a Conflict of Interest related to the function of a Director or Manager, or in the case of a corporation or

entity declared by Directors or Managers under section 4.13, the Secretary shall apply the deliberative procedures concerning conflicts of interest as prescribed in Appendix 3 of this Code.

4.15 Directors who are members of the Board's Auditing Committee may not hold any interest in the Corporation or in any of its subsidiaries. Moreover, they may not accept fees from the Corporation for consulting or any other similar services.

Dispensations

4.16 The present Code is not applicable to:

a) interests held through the intermediary of mutual investment funds in whose management the Directors or Managers do not participate either directly or indirectly

b) interests held through the intermediary of a blind trust with no beneficiary right of review or right to know the composition of

c) holding the minimum number of shares required to be eligible to become a Director of a body corporate

d) an interest which, due to its nature and scope, is common to the population at large or to a particular sector in which Directors who do not exercise full-time functions within the Corporation or its subsidiaries work

e) a liability insurance contract for Directors

f) shares issued or guaranteed by a government or municipality on terms that are identical for all.

5. APPLICATION OF THE CODE

5.1 The present Code is an integral part of the professional duties of Directors and Managers.

Directors and Managers undertake to become familiar and comply with it, as well as with any directive or particular instruction that may be supplied as to its application. In addition, they must confirm their adherence to the Code each year.

In case of any doubt as to the scope or application of a provision, Directors and Managers are required to consult the Committee.

5.2 Within 30 days of the adoption of a substantive amendment of the present Code by the Board, all Directors and Managers must submit the attestation described in Appendix 4 to the Chairman of the Board and the Secretary of the Corporation.

5.3 New Directors and Managers must each do the same within 30 days of their taking office.

5.4 The Associate Secretary General responsible for senior positions at the Ministère du Conseil exécutif is the competent authority for the application of the present Code with respect to the Chairman of the Board and other Directors appointed by the Government.

5.5 The Chairman of the Board is the competent authority with respect to all Directors and Managers of subsidiaries in which the Corporation holds 100% of the shares.

5.6 The Committee may, as it sees fit, provide dispensation to a Director or Manager from one or more of the provisions of the present Code if it is of the opinion that such dispensation does not prejudice the objectives of the present Code as described in section 2.1 and that the provisions of the act and the Regulation have been met.

The Committee designates the Secretary to assist it in this function.

5.7 The Committee may advise Directors and Managers as to the interpretation of the provisions of the present Code and their application to particular or even hypothetical cases. It is not required to limit an opinion to the terms of the request.

5.8 The Committee must:

- review the present Code on an annual basis and submit any changes for approval to the Board
- engage and oversee the process of preparing and assessing the Code of Ethics and Rules of Professional Conduct

- ensure that the Directors and the Managers are provided with information and training about the contents and application procedures of the present Code
- give its opinion and offer its support to the Board (Corporation) and to any and all Directors or Managers confronted with a problem
- handle any requests for information related to the present Code
- investigate any irregularity with respect to the present Code on its own initiative or upon receipt of an allegation.

5.9 The Committee may consult with and receive opinions from outside advisers or experts on any matter it deems relevant.

5.10 The Committee and the competent authority concerned shall preserve the anonymity of complainants, petitioners and informers except when there exists manifest intention to the contrary. They cannot be bound to reveal information likely to identify such persons except if required by the Act or by a court of law.

5.11 The Secretary shall assist the Committee and the Chairman of the Board in matters concerning the application of the present Code.

The Secretary shall maintain archives containing declarations, disclosures and attestations required to be submitted under the provisions of the present Code, as well as reports, decisions and advisory opinions with respect to ethics and professional conduct. Moreover, the Secretary is required to take all necessary measures to ensure the confidentiality of information supplied by Directors and Managers pursuant to the application of the present Code.

5.12 Directors or Managers who are aware of or suspect the existence of a violation of the present Code, including the use of or irregular communication of confidential information or an undisclosed conflict of interest, are required to report this to the Committee.

Such disclosure is to be made confidentially and must include the following information:

- The identity of the perpetrator or perpetrators of the violation
- A description of the violation
- The date or period of time over which the violation took place
- A copy of any documents that support the claim.

5.13 Directors and Managers of the Corporation may, on their own initiative, submit a complaint against any Director or Manager to the competent authority.

5.14 In order for an appropriate decision to be taken in an emergency situation requiring rapid intervention, or in case of presumed gross negligence, the competent authority may provisionally remove Directors or Managers accused of breaches of ethics or professional conduct from their functions with remuneration.

5.15 Whenever a Director or Manager is accused of a breach of ethics or professional conduct, the Committee is responsible for gathering all pertinent information. The Committee shall report its conclusions to the appropriate competent authority and recommend any appropriate action that may be required.

5.16 Directors and Managers are not deemed to have violated the provisions of the present Code if prior favourable opinion has been obtained from the Committee under the following conditions:

a) Notification is received prior to the occurrence of events on which it is based

b) The Board has been notified

c) All pertinent facts have been fully revealed to the Committee in an exact and complete manner

d) Directors or Managers have complied with all the requirements of the notification

6. DISCIPLINARY PROCESS

6.1 If it concludes that a violation of the Act, the Regulation, or the present Code has occurred, the competent authority may impose one of the following penalties:

a) In the case of a Manager, any appropriate penalty up to and including dismissal

b) In the case of a Director, reprimand, suspension without remuneration for a maximum of three months, or dismissal

Notwithstanding the preceding, when the competent authority is the Associate Secretary General as defined in section 5.3, the penalty shall be imposed by the Secretary General of the Executive Committee. In addition, if the proposed penalty is the dismissal of a Public Administrator named or designated by the Government, it may only be imposed by the latter. In that case, the Secretary General of the Executive Committee may immediately suspend the Public Administrator for a period not exceeding 30 days without remuneration.

6.2 The competent authority shall inform Directors or Managers of any breach of conduct with which they have been charged, as well as of the penalty that may be imposed.

Within seven days of being informed about a breach of conduct accusation, Directors or Managers may submit comments to the Committee. They may also request a Committee hearing on the matter.

6.3 In case of a violation as described in section 4.2, the dismissal of the offender shall be placed on the record by competent authorities.

6.4 Directors and Managers are required to account for any and all profits made or benefits received due to or on the occasion of any violation of the provisions of the present Code, and they must reimburse the Corporation.

6.5 Any vote by Directors provided in violation of the provisions of the present Code or related to any such violation, or while the Directors are in default with respect to the production of the declaration mentioned in section 4.11, shall not be a deciding vote.

7. EFFECTIVE DATE

7.1 The present Code came into effect as of the session following its adoption by the Board.

POLICIES ON LANGUAGE AND THE AWARDING OF CONTRACTS

LANGUAGE POLICY

Making language quality a top priority

In accordance with the Government's policy on the use of French in public administration, on November 24, 2000, the Corporation adopted a language policy that reflects its business mission and covers the use and quality of French within each of its activity sectors.

During the past fiscal year, Loto-Québec continued to collaborate actively with the Office québécois de la langue française to ensure the consistent application of this policy throughout the organization and its subsidiaries.

AWARDING OF CONTRACTS

The procurement policy of Loto-Québec and its subsidiaries reflects the transparency and integrity that govern the awarding of contracts to suppliers. This policy can be consulted on the Loto-Québec web site.

ACCESS TO INFORMATION AND PROTECTION OF PERSONAL INFORMATION

REQUESTS FOR ACCESS TO INFORMATION

During fiscal 2012-2013, Loto-Québec received 210 requests for access to information, of which 169 related to access to personal information and 41 were requests to obtain corporate documents.

As of March 31, 2013, 5 requests were still pending. Of the requests for which processing was complete, 38 involved records that the Corporation did not have, 125 were accepted, 24 were partially accepted and 13 were declined. In addition, 5 requests were withdrawn by the submitter during processing, while 4 were sent to the Commission d'accès à l'information for review, 2 of which are awaiting a hearing.

In general, the reasons for declining access to documents held by Loto-Québec were that they related to third parties who did not consent to their disclosure or that they contained personal or business information of a private nature.

ACTIVITIES RELATED TO ACCESS TO INFORMATION AND THE PROTECTION OF PERSONAL INFORMATION

Following the coming into effect of the Regulation respecting the distribution of information and the protection of personal information (hereinafter "the Regulation"), a committee on access to information and privacy was formed at Loto-Québec.

In carrying out its mission, the committee looked at the disclosure of documents covered by the Regulation and specific ways and means of protecting the confidentiality of personal information collected, used, stored or communicated by means of information systems or when conducting surveys. In regard to this, the Committee is kept informed of necessity tests conducted at the Corporation. The tests are used to determine the necessity of collecting, processing, communicating, using and storing personal information in information systems based on business needs and the criteria set out in the *Act respecting Access to documents held by public bodies and the Protection of personal information*.

In order to ensure staff awareness and training on access to information and protection of personal information obligations and practices and to meet compliance requirements to which the Corporation is subject, the Corporate Department of Information Security conducted an awareness campaign and online training workshops on information security. The training informed staff about good practices and risks related to computer systems.

BOARD OF DIRECTORS AND CORPORATE SECRETARIAT

AS OF MARCH 31, 2013

HÉLÈNE F. FORTIN FCPA, FCA, ICD.D

Montréal

Chairwoman of the Board of Directors of Loto-Québec
Partner
Gallant & Associés LLP

MANDATE RENEWED: JUNE 27, 2012
END OF TERM: JUNE 26, 2017

Chairwoman of the Commercial Affairs Committee and member of the Audit Committee, the Human Resources Committee and the Governance and Ethics Committee

Holding a graduate degree in Public Accounting with honours from McGill University, Hélène F. Fortin also has an honours Bachelor of Business Administration degree with specialization in accounting and finance from Concordia University. She became a chartered accountant in 1982 and earned the title of ICD.D from the Institute of Corporate Directors in 2006 after completing the Directors Education Program. Ms. Fortin has been practicing public accounting for 30 years. A member of the Ordre des comptables professionnels agréés du Québec (OCPAQ), Ms. Fortin was a member of the Auditing and Assurance Standards Board of the Canadian Institute of Chartered Accountants (CICA) from 2006 to 2009. Between 1982 and 2005, she also played an active role on the CICA's interprovincial examination jury. She has sat on numerous boards since 2003 and has served as Chairwoman of various auditing, governance, human resources, finance and retirement fund management committees. She actively contributes to training on the governance of corporations and boards of directors as an author, guest speaker and workshop leader. She earned the title of Fellow of the OCPAQ in February 2010.

GÉRARD BIBEAU

Montréal

President and Chief Executive Officer of Loto-Québec

APPOINTMENT: NOVEMBER 7, 2011
END OF TERM: NOVEMBER 6, 2016

Originally from the Sorel region, Gérard Bibeau has enjoyed a brilliant career as a Québec civil servant for more than 25 years. Member of the Québec Bar Association since 1992, Mr. Bibeau holds both Bachelor of Law and Bachelor of Administration degrees from the Université Laval. As General Secretary and Clerk of the Executive Council of the Ministère du Conseil exécutif from 2006 to 2011, he held the highest position in the Québec civil service. From 2004 to 2006, he was both member and Chairman of the Board of Directors of the 4,000-employee Commission de la santé et de la sécurité du travail (CSST) as well as being its Chief Executive Officer. During the previous decade, Mr. Bibeau was Vice President of Operations of the same organization. He was also General Secretary for Senior Positions at the Ministère du Conseil exécutif in 2003 and 2004.

ALAIN ALBERT

Magog

Corporate Administrator

APPOINTMENT: NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2015

Member of the Human Resources Committee and the Commercial Affairs Committee

Alain Albert holds a Master's degree in Counselling from the University of Maine, a Bachelor's degree with specialization in educational and career counselling from the Université du Québec à Montréal and a Bachelor of Arts degree from the Université de Montréal. A retired administrator, Mr. Albert has accumulated over 30 years of experience in the Québec civil service. From 1981 to 2005, he worked at the Commission de la santé et de la sécurité du travail, notably as Vice President of Partner Relations and Expertise during his last eleven years there. Since 2007, he has been a member of the Board of the Société de l'assurance automobile du Québec.

DONALD M. BASTIEN

Montréal

Corporate Administrator

APPOINTMENT: JUNE 27, 2012
END OF TERM: NOVEMBER 22, 2014

After studying marketing at the Manitoba Institute of Technology, Donald M. Bastien began his career in the telecommunications sector. From 1972 to 2012, he successively occupied the positions of Radio and Television Sales Director, Vice President and Senior Vice President of Sales as well as Senior Vice President and General Manager at the CTV Television Network. In addition to being a founding member and Chairman of the Board of Directors and member of the Executive Committee of the Mental Illness Foundation, Mr. Bastien sits on the boards of directors of St. Mary's Hospital Foundation and St. Elias Mines Ltd. He also sat on the boards of directors of numerous television networks including Canada Live News Agency Inc. from 2002 to 2012, TQS from 2001 to 2008 and Canal Évasion from 2001 to 2005.

PAULE BOUCHARD FCPA, FCA, ICD.D

Hampstead

Partner
Richter LLP

MANDATE RENEWED: NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2014

Chairwoman of the Audit Committee and member of the Commercial Affairs Committee

Holding a Bachelor's degree in Accounting from the Université du Québec à Montréal, Paule Bouchard is a partner at the accounting firm Richter LLP, where she is in charge of the Professional Practice Group and advises corporations in financial reporting mandates. She has more than 20 years of experience in Canadian, U.S. and international accounting and auditing standards and their practical applications.

ANDRÉ DICAIRE

Québec City

Senior Expert Advisor
Réseau d'expertise en conseil stratégique, ENAP

APPOINTMENT: APRIL 29, 2010
END OF TERM: APRIL 28, 2014

Chairman of the Human Resources Committee and member of the Audit Committee, the Governance and Ethics Committee and the Commercial Affairs Committee

André Dicaire is an economist by training and holds a Master's degree in Public Administration from the École nationale d'administration publique (ENAP). For more than 35 years, he worked in the Québec civil service for several ministries and organizations, notably as Deputy Minister at the Ministère de la Santé et des Services sociaux and Secretary of the Conseil du trésor. He was also President and Chief Executive Officer of two public corporations: the Régie de l'assurance maladie du Québec and La Financière agricole du Québec. From 2003 to 2006, he served as Secretary General and Clerk of the Executive Council. In the private sector, Mr. Dicaire held the office of Vice President at CGI Group. Since 2008, he has carried out a number of consulting assignments as Senior Expert Advisor for ENAP's Réseau d'expertise en conseil stratégique, for various public organizations. He also acted as a government representative in negotiations with the Fédération des médecins spécialistes du Québec and the Association des procureurs aux poursuites criminelles et pénales du Québec. In 2009, he received an honorary doctorate from the Université du Québec and, in 2010, the Prix Hommage from the Institut d'administration publique de Québec for his managerial excellence and outstanding contribution to Québec public administration.

LYNDA DURAND

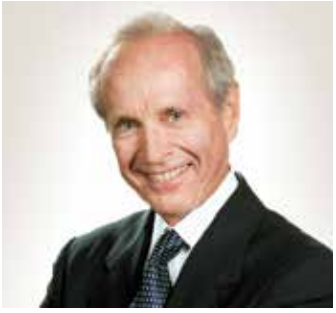
Montréal

Co-President and Co-Owner
Productions Ostar inc.

APPOINTMENT: NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2015

Member of the Governance and Ethics Committee

Lynda Durand holds a Bachelor of Law degree from the Université de Sherbrooke and was admitted to the Québec Bar in 1984. With over 25 years of experience in the legal field, Ms. Durand worked in private practice in Sherbrooke from 1986 to 1990. In addition to her practice, Me Durand taught negotiation techniques at the École du Barreau. From 1990 to 1997, she was Vice President of Legal Services, Communications and Material Resources at the Government of Québec's Commission de la santé et de la sécurité du travail. Since 1997, Me Durand has been Co-President of the Ostar inc. television production company. She is the first woman to chair the Board of Directors of the Université de Sherbrooke since the institution was founded. Her sense of service led her to join the Board of Governors of the Canadian Red Cross.



JEAN ANDRÉ ÉLIE

Montréal

Corporate Administrator

APPOINTMENT: NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2015

Member of the Audit Committee and the Commercial Affairs Committee

Jean André Élie holds an MBA from Western Ontario University, a Bachelor of Civil Law degree from McGill University and a Bachelor of Arts degree from the Université de Montréal. He is a member of the Québec Bar. A lawyer, he is also a member of the Québec chapters of the Institute of Corporate Directors and the Institute of Internal Auditors. During his career, he has held the position of General Manager of a Canadian bank wholly owned by the Société Générale (France) and member of Hydro-Québec's Executive Committee and Chairman of its Finance and Audit committees. He was also Vice President and Director of Government Services and Corporate Services at Burns Fry Limited (today known as BMO Nesbitt Burns). Since 2002, Mr. Élie has been a corporate administrator. He sits on the board of directors at Alimentation Couche-Tard inc., the Institute of Internal Auditors of Canada and the Orchestre symphonique de Montréal (OSM) in addition to sitting on the Audit Committee of minor federal ministries and organizations. After almost 50 years of volunteering for the OSM, he was awarded the Ramon John Hnatyshyn Award for Volunteerism in the Performing Arts in 2011.

NATHALIE GOODWIN

Montréal

Attorney and partner
Agence Goodwin

APPOINTMENT: NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2015

Member of the Human Resources Committee

A Université de Montréal law graduate and member of the Québec Bar since 1990, Nathalie Goodwin is a partner at Agence Goodwin, a company she founded with two associates and which specializes in representing artists who work in various fields on all continents. The company also launches projects internationally in a wide range of artistic endeavours. Ms. Goodwin provides legal advice on representation, development and negotiations. She is also a shareholder and director of Compagnie des Deux Chaises inc. She was a member of the boards of directors of the Association Littéraire et Artistique Internationale Canada from 1995 to 1998 and, from 2009 to 2010, of the Société générale de financement. From 2008 to 2012, she has served on the Board of Directors of Alliance Films inc. and has chaired the company's Human Resources Committee.

MEL HOPPENHEIM

Montréal

Corporate Administrator

MANDATE RENEWED: NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2014

Member of the Human Resources Committee

Mel Hoppenheim is a leading figure in the movie industry, both in Québec and throughout the rest of Canada. He founded Concordia University's Mel Hoppenheim School of Cinema, which enrols more than 500 students each year. Mr. Hoppenheim holds an honorary doctorate from Concordia University. He is also one of the co-founders of the Institut national de l'image et du son (INIS). Involved in the funding of numerous charitable and community organizations, he sits on the boards of the Montreal Children's Hospital and the Montreal Heart Institute Foundation.

SERGE LEBEL ASC

Québec

Attorney
BCF LLP

MANDATE RENEWED: NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2014

Chairman of the Governance and Ethics Committee and member of the Commercial Affairs Committee

A Université Laval law graduate since 1982, member of the Québec Bar since 1983, and Collège des administrateurs de sociétés certified administrator, Serge LeBel specializes in litigation and business law. A member of several boards of private corporations, Me Lebel also sits on the boards of the Interprovincial Lottery Corporation and the Québec Port Authority. Moreover, he is actively involved in community affairs, notably as Chairman of the Québec City Youth Foundation Mayor's Ball Governors Committee; organizing committee Chairman of the annual Foundation of Stars' Québec City wine auction and member of the Canadian Red Cross Québec regional office's annual art auction committee (Honorary President in 2012). In 2013, he will act as Honorary Patron of the annual Fondation de l'Académie Saint-Louis golf tournament and Chair of Loretteville's Le Piolet charity's special fundraising organizing committee. Le Piolet provides assistance to young people between the ages of 16 and 35 who are experiencing difficulties. Finally, he has also been an active member of the Lions Club since 1985 and is currently affiliated with the Sillery–Sainte-Foy–Québec City club.

ANIE PERRAULT
LL.L., ASC

Bromont

City Councillor
Ville de Bromont

APPOINTMENT: NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2015

Member of the Governance and Ethics Committee

An attorney by training, Anie Perrault practised law at the Montréal firm of Davies Ward Phillips & Vineberg from 1992 to 1995 before redirecting her career towards the field of communications. From 2001 to 2006, she was Vice President of Communications at Genome Canada. Previously, she was National Director of Communications and Public Affairs for Canada's Research-Based Pharmaceutical Companies (Rx&D). From 1998 to 2000, Ms. Perrault was Press Officer, Director of Communications and Senior Advisor to the Right Honourable Joe Clark. Additionally, she was Policy Advisor to various Members of Parliament from 1989 to 1992 and from 1995 to 1998. Anie Perrault has been a city councillor for the Ville de Bromont since November 2009. She represents the municipality on various boards of directors, including at the Bromont Economic Development Corporation, the Régie Aéroportuaire Régionale des Cantons-de-l'Est and the Shefford County Agricultural Society. Ms. Perrault is Vice President of the Réseau des élues municipales de la Montérégie Est and a member of the governing board of Saint-Vincent-Ferrier school. The Collège des administrateurs de sociétés de l'Université Laval awarded her ASC certification in February 2013.

CÉLINE TRÉPANIER

Shawinigan

President
Export Concept inc.

APPOINTMENT: APRIL 29, 2010
END OF TERM: APRIL 28, 2014

Member of the Audit Committee and the Human Resources Committee

Holding a Bachelor's degree in Accounting obtained in 1983 from Université du Québec à Trois-Rivières as well as a teaching certificate, Céline Trépanier was a member of the Ordre des comptables agréés du Québec from 1985 to 2007. She worked at the Trois-Rivières offices of accountants Samson Bélair, first in accounting and later in business turnarounds and insolvency services. In 1987, Ms. Trépanier was named Vice President of Marketing and Director of Exports at Industries Fermco Ltd., a manufacturer of prefabricated homes, where until 1999 she was responsible for exports to Asia, Europe and the United States. An active member of her community, Ms. Trépanier is currently involved in Export Concept inc., where she advises manufacturing companies, providing tailor-made job training in business administration and management for the development of new markets or services, both in Québec and outside its borders.

LYNNE ROITER

Montréal

Corporate Secretary
and Vice President of Legal
Affairs at Loto-Québec

A graduate of Université Laval's Law Faculty and member of the Québec Bar since 1972, Lynne Roiter joined Loto-Québec in 1985 as Director of Legal Affairs. Prior to that, she practiced her profession at the Commission des droits de la personne, the Régie de l'assurance automobile du Québec and in private practice. Since November 1996, she has served as Loto-Québec's Corporate Secretary and Vice President of Legal Affairs. She is also Corporate Secretary of the World Lottery Association, an organization comprised of public lottery corporations from some 80 different countries around the world.

BOARD OF DIRECTORS AND COMMITTEE REPORTS

MANDATE

The Board of Directors is principally responsible for overseeing Loto-Québec's operations in compliance with the provisions of its act of incorporation and the regulations pertaining to it, as well as those of the other laws and regulations that govern the Corporation. The Board ensures that Loto-Québec takes the necessary measures to achieve the objectives arising from its mission. To do so, it adopts the gaming regulations and approves the Corporation's principal policies, orientations and annual business plan, and monitors the progress of its sustainable development actions. It also establishes the risk management oversight policies related to Loto-Québec's operations.

The Board is supported in its decision-making process by three statutory committees: the Audit Committee, the Governance and Ethics Committee and the Human Resources Committee. Additionally, the Board is empowered to form other committees in accordance with its needs. In 2008-2009, it created the Commercial Affairs Committee, whose mandate and composition were modified in 2011-2012. During the last fiscal year, the Board requested that a separate ad hoc committee look into procurement procedures, a task that was previously under the purview of the Audit Committee. Each of the committees, in its area of expertise, makes recommendations to the Board in its deliberations.

The permanent committees are also mandated to conduct an annual review of the Corporation's operational policies in their respective fields of governance. Where warranted, policy amendments are adopted by the Board.

COMPOSITION

A new member was appointed to the Board of Directors on June 27, 2012: Donald M. Bastien. On the same date, the mandate of Chairwoman Hélène F. Fortin was also renewed for a period of five years. As of March 31, 2013, the Board had 13 members, each appointed by the Government of Québec. All are independent members, except for the President and Chief Executive Officer.

PRESENCE

Regular meetings of the Board of Directors are scheduled at the beginning of the fiscal year, while special meetings are held as needed over the course of the year. Advance notice practices to members for committee meetings vary according to individual committee needs.

During fiscal 2012-2013, the Board of Directors held 10 regular meetings and 2 special meetings. A closed session without management present was held at the end of each Board and committee meeting.

DIRECTOR ATTENDANCE REPORT AS OF MARCH 31, 2013

Members	Board of Directors		Audit Committee	Governance and Ethics Committee		Human Resources Committee		Commercial Affairs Committee
	Regular 10	Special 2	Regular 5	Regular 3	Ad hoc 1	Regular 7	Special 1	Regular 2
Hélène F. Fortin	10/10	2/2	5/5	3/3	1/1	7/7	1/1	2/2
Alain Albert	10/10	2/2	–	–	–	7/7	1/1	2/2
Donald M. Bastien[1]	8/8	1/1	–	–	–	–	–	–
Paule Bouchard	8/10	1/2	4/5	–	1/1[2]	–	–	2/2
André Dicaire	9/10	2/2	4/5	3/3	–	6/7	1/1	2/2
Lynda Durand	10/10	1/2	–	3/3	–	–	–	–
Jean André Élie	9/10	1/2	5/5	–	–	–	–	1/2
Nathalie Goodwin	10/10	2/2	–	–	–	7/7	1/1	–
Mel Hoppenheim	9/10	2/2	–	–	–	7/7	1/1	–
Serge LeBel	8/10	2/2	–	3/3	1/1	–	–	2/2
Anie Perrault	9/10	1/2	–	3/3	–	–	–	–
Céline Trépanier	9/10	2/2	4/5	–	–	7/7	1/1	–

[1] Mandate began on June 27, 2012
[2] Paule Bouchard attended the ad hoc committee meeting in her capacity as Chairwoman of the Audit Committee.
Excused absences

REMUNERATION

Independent Directors of Loto-Québec are remunerated pursuant to Order in Council 610-2006 that was adopted by the Government of Québec on June 28, 2006. This remuneration was increased by 2% in June 2007, 2008 and 2009, by 1% in July 2010, and by 0.75% in July 2011 and July 2012, in compliance with the Order in Council.

REMUNERATION OF THE INDEPENDENT DIRECTORS

Directors	Total Remuneration
Hélène F. Fortin(1) (2) (3) (4) (5) (6)	$54,593.46
Alain Albert(3) (4)	$15,260.67
Donald M. Bastien*	$12,662.09
Paule Bouchard(1) (4) (6)	$20,021.91
André Dicaire(1) (2) (3) (4)	$25,174.66
Lynda Durand(2)	$16,513.97
Jean André Élie(1) (4)	$17,045.47
Nathalie Goodwin(3)	$19,771.97
Mel Hoppenheim(3)	$18,142.97
Serge LeBel(2) (4) (6)	$19,756.16
Anie Perrault(2)	$15,436.59
Céline Trépanier(1) (3)	$20,303.47
	$254,683.39

As of March 31, 2013

(1) Audit Committee
(2) Governance and Ethics Committee
(3) Human Resources Committee
(4) Commercial Affairs Committee
(5) Pension plan committees for employees, and management personnel and professional personnel of the Société des casinos du Québec (SCQ)
(6) Ad hoc committee
* Member of the Board since June 27, 2012

ACTIVITIES

STRATEGIC PLANNING AND BUSINESS PLAN

At each meeting of the Board of Directors, Loto-Québec management reported on the progress of the Corporation's business in relation to the 2012-2013 business plan and current projects. The Board also approved the 2012 Annual Report[1] and the 2013-2014 Action Plan.

Among the subjects discussed in 2012-2013 were the following:
- Casino de Montréal modernization work
- Advertising campaigns promoting Québec casinos
- Regulatory amendment to abolish the prohibition on alcohol consumption in casino gaming areas
- Replacement of video lottery terminals (VLTs) and the central computer operating system
- Increase of the maximum number of VLTs per licence
- Eventual relocation of the Québec City gaming hall
- Deployment of Kinzo locations
- Renewal of the World Lottery Association Level 4 Responsible Gaming Framework certification
- Organization of the 2012 World Lottery Summit

The Directors also confirmed the creation of the Vice President's Office on Responsible Gaming and the non-renewal of the agreement with the Mise sur toi foundation. Additionally, the Board authorized the introduction of traditional lottery sales on Espacejeux and approved the *My retailer and I, we click!* program, aimed at promoting retailer involvement in online sales. The end of the Lotomatique subscription service was also approved by the Directors. Consequently, it was decided to offer non-profit organizations that were accredited for Lotomatique subscription sales the choice of either receiving monetary compensation or deciding to promote online ticket sales in order to receive commissions on sales for which their organization is designated.

Throughout the year, the Board was called upon to approve game rules in the lottery, casino, bingo and online gaming sectors. It also monitored the evolution of the Corporation's investments in Casinos Développement Europe.

Finally, a progress report on the sustainable development initiatives set out in the 2008-2013 Sustainable Development Action Plan was tabled at each meeting of the Board of Directors.

[1] At its June 7, 2013 meeting, the Board of Directors approved the 2013 Annual Report.

FINANCIAL RESULTS AND INTERNAL CONTROL

The Board of Directors received a report on the Corporation's financial statements and their highlights at each of its regular meetings. In addition, upon recommendation by the Audit Committee, the Board approved the financial statements for the year ended March 31, 2012[2] as well as the 2013-2014 operating budget. As provided by the 2010-2011 policy on risk management, a fiscal half-year progress report on the measures taken by the Corporation to limit the main risks to the organization was submitted to the Board. The Directors also monitored the progress of the internal controls certification and risk management programs and ensured its linkage with the internal auditing plan, in addition to monitoring the crisis management plan.

Moreover, upon recommendation by the Audit Committee, the Board recommended that the government retain the services of Raymond Chabot Grant Thornton LLP as external co-auditor for fiscal years ending on March 31, 2013, 2014 and 2015.

The Board monitored compliance with the policy on spending reduction and the increase of productivity, which it submitted to the Government of Québec in 2010-2011. In fiscal 2012-2013, Loto-Québec's contribution rose to 79.2 million dollars, making for a total of 137.0 million dollars since the measures were introduced. For more information on the results of the application of this policy, see page 81.

Upon recommendation by the Audit Committee, the Board also approved changes to selected internal operational policies related to finances.

After each meeting of the Audit Committee, the Board received a verbal report of the Committee's activities.

CORPORATE GOVERNANCE

During fiscal 2012-2013, the Board of Directors ensured compliance with governance policies. Upon recommendation by the Governance and Ethics Committee, it approved a change to the Code of Ethics for Employees of Loto-Québec and its Subsidiaries. It also received confirmation, following a review by the Governance and Ethics Committee, that no changes were required to the Corporation's governance rules, the Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries or the welcoming program for new members.

Additionally, the Board conducted the annual review of its operations and of the member skills and experience profiles. In this regard, upon recommendation by the Governance and Ethics Committee, the board approved adding new expertise in "public affairs and communications". Following this change, Board members were called upon to review their individual profiles for consistency purposes.

Finally, upon recommendation by the Governance and Ethics Committee, the Board appointed members to the separate Ad Hoc Committee on Procurement Procedures.

After each meeting of the Governance and Ethics Committee, the Board received a verbal report of the Committee's activities.

HUMAN RESOURCES MANAGEMENT

During fiscal 2012-2013, the Board of Directors monitored various policies relating to personnel management, in cooperation with the Human Resources Committee. It approved remuneration parameters for non-unionized personnel and managers at Loto-Québec and its subsidiaries for 2013-2014. The Board approved the remuneration of the President and Chief Executive Officer and senior executives for 2012-2013 and 2013-2014 on the basis of these parameters. The Board also gave its assent to the objectives set out for the President and Chief Executive Officer in fiscal 2012-2013, the results of the 2011-2012 Incentive Plan and the methods for administering the 2012-2013 plan for eligible employees. No changes were made to the plan itself.

Other decisions taken by the Board included ratifying the creation of a Vice President's Office on Responsible Gaming and the appointment of its Vice President. Board members also gave their assent to the restructuring of the Corporate Security department and the Corporate Vice President's Office on Communications and Public Affairs, as well as the appointment of a Senior Manager and Vice President.

The Board also worked to set up the *Prix d'excellence Loto-Québec* recognition program and monitored the program to identify potential incoming managers of the Corporation and the corporate volunteer program. It also approved the 2012-2013 Action Plan for Individuals with Disabilities.

Finally, upon recommendation by the Human Resources Committee, the Board adopted a change to the investment policy used in the Société des casinos du Québec (SCQ) employee pension plans, with one of the Directors continuing to sit as its representative on the SCQ's employee, management and professional staff pension plan committees.

After each meeting of the Human Resources Committee, the Board received a verbal report of the Committee's activities.

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[2] At its June 7, 2013 meeting and upon recommendation by the Audit Committee, the Board of Directors approved the financial statements of the Corporation for the year ended March 31, 2013.

AUDIT COMMITTEE REPORT

MANDATE AND COMPOSITION

The Audit Committee's mandate is primarily to support the Board of Directors in monitoring the integrity of financial reporting and the Corporation's internal controls. It also follows up on integrated risk management practices in addition to overseeing the establishment of effective and adequate internal control mechanisms and supervising internal auditing activities. It acts as a communications link between the external co-auditors, Internal Auditing and the Board of Directors. It is responsible for reviewing its mandate's relevance on an annual basis and for recommending any appropriate changes to the Board.

As of March 31, 2013, the Audit Committee was composed of five independent members.

Chairwoman: Paule Bouchard, FCPA, FCA
Members: André Dicaire, Jean André Élie, Hélène F. Fortin, FCPA, FCA, and Céline Trépanier

All the members have the requisite experience and skills in accounting or finance. The Chairwoman is a Fellow of the Ordre des comptables professionnels agréés du Québec.

ACTIVITIES

Over the course of the last fiscal year, the Audit Committee met five times and held a closed session without management present at the end of each meeting. Activities at these meetings included the following:

- Approved Loto-Québec's quarterly financial statements and monitored the budget
- Reviewed the Corporation's 2011-2012 financial statements with the co-auditors, namely the Auditor General of Québec and KPMG, and recommended their approval to the Board of Directors[3, 4]
- Conducted a follow-up of the application of International Financial Reporting Standards (IFRS)
- Recommended that the Board of Directors propose to the government that it retain the services of Raymond Chabot Grant Thornton LLP as external co-auditor for fiscal years ending on March 31, 2013, 2014 and 2015
- Monitored progress in the modernization of the Casino de Montréal, including construction costs and the process for awarding contracts
- Took note of the evolution of SCQ pension plan costs
- Monitored the internal control certification programs
- Approved the resource optimization audit approach and ensured that resource optimization was incorporated into auditing mandates
- Monitored compliance with the policy to reduce spending and increase productivity and asked that the results of the policy be incorporated into the presentation of the financial statements
- Conducted a follow-up on integrated risk management and the crisis management plan
- Reviewed the procurement process
- Ensured that the Corporate Department of Internal Auditing was able to perform its role independently of Loto-Québec management
- Approved and monitored the Internal Auditing's 2012-2015 three-year plan and 2012-2013 annual plan
- Monitored the activities of the group responsible for information technologies
- Monitored the activities of the group responsible for security
- Reviewed the operational policies for which it is responsible and approved any required changes
- Carried out the annual review of its mandate
- Carried out a performance evaluation in relation to its mandate

The Committee submitted a report on its activities to the Board of Directors after each of its meetings.

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[3] In 2012, Raymond Chabot Grant Thornton LLP was selected in a tender process to audit the Corporation's financial statements for fiscal years ending on March 31, 2013, 2014 and 2015. Its audit fees for the 2012-2013 financial statements were $546,131.

[4] At its May 28, 2013 meeting the Audit Committee reviewed the 2012-2013 financial statements with the external co-auditors and recommended their approval to the Board of Directors.

GOVERNANCE AND ETHICS COMMITTEE REPORT

MANDATE AND COMPOSITION

The Governance and Ethics Committee assists the Board of Directors in developing and applying the highest standards of ethics and corporate governance. It also proposes the rules of governance and the codes of ethics that apply to the Corporation's Directors, executives and personnel. The Committee ensures that the Corporation's policies are reviewed on an annual basis by the appropriate Board committees. It also develops and offers the Board expertise and experience profiles for the appointment of Board members, with the exception of the President and Chief Executive Officer. It is responsible for reviewing its mandate's relevance on an annual basis and for recommending any appropriate changes for approval by the Board.

As of March 31, 2013, the Governance and Ethics Committee was composed of five independent members.

Chairman: Serge LeBel
Members: André Dicaire, Lynda Durand, Hélène F. Fortin, FCPA, FCA, and Anie Perrault

ACTIVITIES

During the last fiscal year, the Governance and Ethics Committee met three times. It also held a closed session without management present at the end of each meeting. Activities at these meetings included the following:

- Examined compliance with governance rules and concluded that there were no compliance issues
- Reviewed the Corporation's governance policies and confirmed that no changes were required
- Reviewed the Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries and confirmed that no changes were required
- Reviewed the Code of Ethics for Employees of Loto-Québec and its Subsidiaries and recommended that the Board approve required changes
- At each of its meetings, reviewed complaints received by the Corporate Secretary and the measures put in place in regard to the reporting line; investigated and made any required recommendations
- Monitored the conflict of interest statements of the Corporation's Directors and principal managers
- Reviewed the program for welcoming new members and confirmed that no changes were required
- Reviewed member skills and experience profiles and recommended that the Board of Directors add a new type of expertise to the profile: public affairs and communications
- Recommended that members review their profiles to ensure consistency in the light of the newly-added expertise
- Followed up on the monitoring and recommendation policy in regard to the composition of the Board of Directors
- Recommended that the Board review the composition of its committees following the departure of Directors
- Recommended the appointment of members of the separate Ad Hoc Committee on Procurement Procedures to the Board of Directors;
- Conducted the annual review of Loto-Québec operational policies under its governance and ensured that each Committee did so as well
- Carried out the annual review of its mandate
- Carried out a performance evaluation in relation to its mandate

The Committee reported its activities to the Board of Directors after each meeting.

It also conducted the annual review of the Board's operations.

HUMAN RESOURCES COMMITTEE REPORT

MANDATE AND COMPOSITION

The Human Resources Committee is responsible for reviewing and recommending human resource management policies and strategic orientations to the Board of Directors and for ensuring their implementation. It also sees to the implementation of norms and remuneration scales for Loto-Québec managers and employees, and participates in planning for incoming corporate management personnel. The committee is also tasked with developing the skills and experience profile for the appointment of the President and Chief Executive Officer, as well as recommending the remuneration for that individual within the parameters established by the government. It is responsible for reviewing the relevance of its mandate on an annual basis and for recommending any appropriate changes to the Board.

As of March 31, 2013, the Human Resources Committee was composed of six independent members.

Chairman: André Dicaire
Members: Alain Albert, Hélène F. Fortin, FCPA, FCA, Nathalie Goodwin, Mel Hoppenheim and Céline Trépanier

ACTIVITIES

During fiscal 2012-2013, the Human Resources Committee met eight times. It also held a closed session without management present at the end of each meeting. Activities at these meetings included the following:

- Recommended that the Board of Directors approve the results of the 2011-2012 Incentive Plan and the methods for administering the 2012-2013 plan for eligible employees
- Recommended that the Board approve the remuneration parameters for non-unionized personnel and managers at Loto-Québec and its subsidiaries for 2013-2014
- Recommended that the Board approve the remuneration of the President and Chief Executive Officer and senior executives for 2012-2013 and 2013-2014
- Recommended that the Board of Directors approve the objectives set out for the President and Chief Executive Officer for 2012-2013
- Recommended that the Board approve the appointment of the Vice President of Responsible Gaming and the Corporate Vice President of Communications and Public Affairs
- Took note of the evolution of SCQ pension plan costs
- Recommended that the Board of Directors approve changes to the investment policy used for SCQ pension plans
- Monitored the identification of incoming managers program
- Monitored the return to work program for a retired employee
- Monitored the corporate volunteer program
- Recommended that the Board approve the 2012-2013 Action Plan for Individuals with Disabilities
- Reviewed the corporate operational policies for which it is responsible
- Carried out the annual review of its mandate
- Carried out a performance evaluation in relation to its mandate

After each of its meetings, the Human Resources Committee submitted a report on its activities to the Board of Directors.

REMUNERATION AND BENEFITS OF THE FIVE HIGHEST-PAID EXECUTIVES OF THE CORPORATION FOR THE FISCAL YEAR ENDING ON MARCH 31, 2013

Name and title	Base salary	Incentive remuneration	Vehicle	Additional benefits	Group insurance plan
Gérard Bibeau President and Chief Executive Officer	$342,571	$17,129	$8,097	$2,500	$3,525
Jean Royer Senior Vice President and Chief Operating Officer	$278,366	$27,503	$8,110	$2,500	$5,139
Claude Poisson President of Operations, Société des casinos du Québec	$265,895	$24,648	$10,098	$2,500	$5,070
Robert Ayotte President of Operations, Lotteries	$244,062	$22,551	$9,608	$2,500	$4,948
Marcel Croux Senior Vice President, Corporate Affairs	$244,062	$24,113	$10,672	$2,500	$3,610

PENSION PLAN AND SUPPLEMENTARY BENEFITS PROGRAM

Basic pension plan

- Messrs. Bibeau and Royer participate in the Retirement Plan for Senior Officials – Public Service (RPSO).
- Messrs. Poisson, Ayotte and Croux participate in the Government of Québec Pension Plan for Management Personnel (PPMP).
- Individual contributions and benefits are calculated in accordance with the standard provisions of the plan in which each participates.

Supplementary pension plan

- Messrs. Royer, Poisson, Ayotte and Croux participate in Loto-Québec's Supplementary Pension Plan for Executive Management, which calls for a retirement benefit based on the three best years of service and uses an annual accumulation rate of 2.5%. This benefit is deducted from the one offered by the basic plan.

COMMERCIAL AFFAIRS COMMITTEE REPORT

MANDATE AND COMPOSITION

The Commercial Affairs Committee was formed by the Board of Directors in 2008-2009 upon recommendation by the Governance and Ethics Committee. All members of the Board of Directors initially sat on this committee, which had a dual mandate: to discuss the Corporation's commercial activities and to better equip Directors in their respective roles with customized training on matters concerning Loto-Québec's activities. At the end of fiscal 2011-2012, again upon recommendation by the Governance and Ethics Committee, the Board reviewed the composition and mandate of the Commercial Affairs Committee, which has since been composed of at least three independent members. Its new mandate includes the following: the Corporation's main strategic businesses; the broader exchange of information on matters of interest in the area of commercial practices or important operational issues; and finally, the review of any other business that the Board may refer to it.

As of March 31, 2013, the Commercial Affairs Committee was composed of six independent members.

Présidente : Hélène F. Fortin, FCPA, FCA
Membres : Alain Albert, Paule Bouchard, FCPA, FCA, André Dicaire, Jean André Élie and Serge LeBel

ACTIVITIES

The Commercial Affairs Committee met twice in the course of the last fiscal year and discussed the following subjects:

- The *My retailer and I, we click!* program
- The end of the Lotomatique subscription service

AD HOC COMMITTEE ON PROCUREMENT PROCEDURES

MANDATE AND COMPOSITION

The mandate of this ad hoc committee is to review Loto-Québec's current procurement procedures.

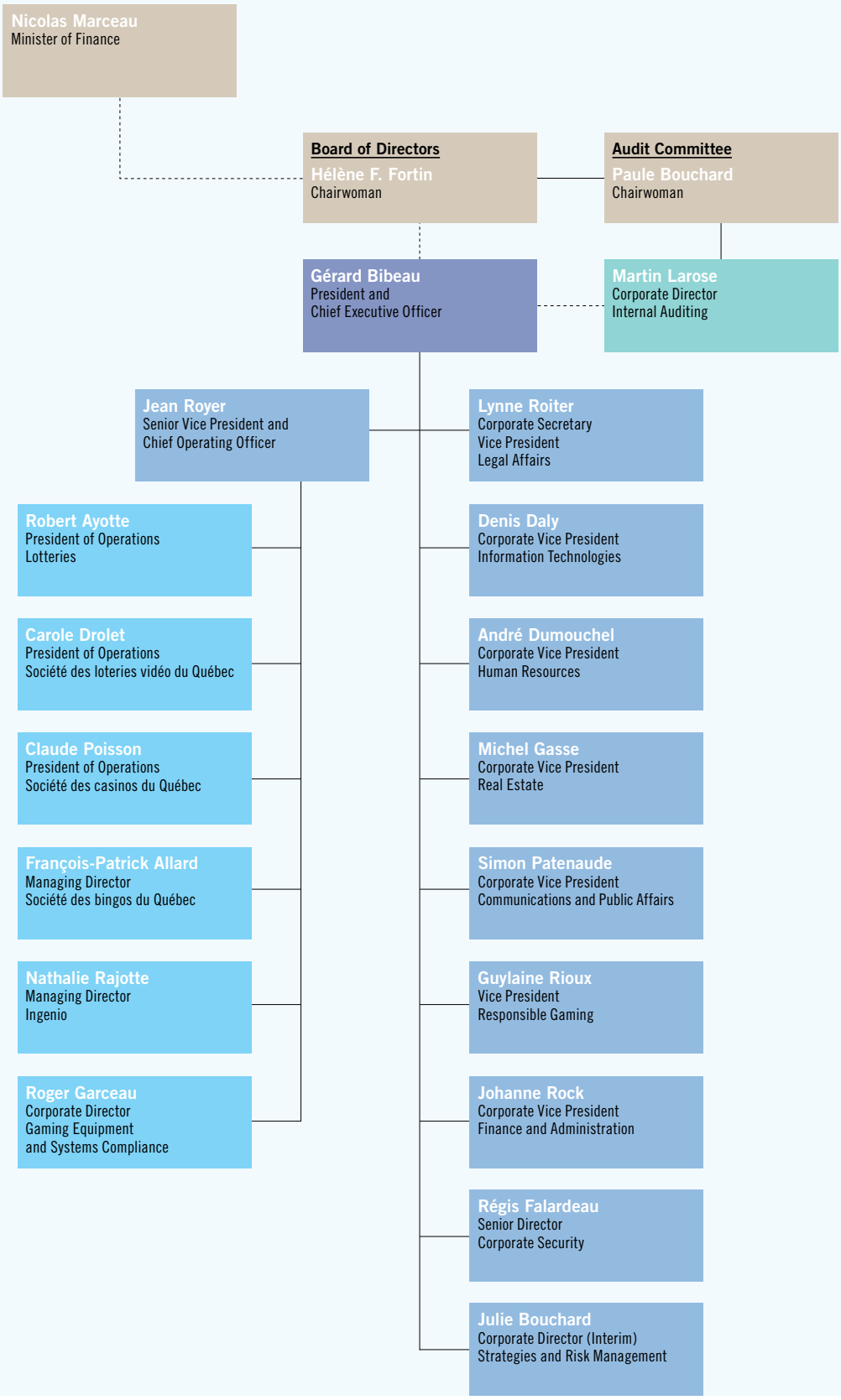
The Ad Hoc Committee on Procurement Procedures is composed of five independent members.

Membres : Donald M. Bastien, Lynda Durand, Jean André Élie, Nathalie Goodwin and Anie Perrault

This committee did not meet in 2012-2013. Its initial meeting is anticipated at the beginning of the current fiscal year.

ORGANIZATIONAL STRUCTURE

AS OF APRIL 13, 2012



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WORLD LOTTERY ASSOCIATION WLA

CERTIFIED – LEVEL 4
RESPONSIBLE GAMING FRAMEWORK
2012 – 2015

CERTIFIED
SECURITY CONTROL STANDARD
2011 – 2014

LOTO QUÉBEC