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LOTO
QUÉBEC

WORLD LOTTERY ASSOCIATION
WLA

CERTIFIED – LEVEL 4
RESPONSIBLE GAMING FRAMEWORK
2012 – 2015

CERTIFIED
SECURITY CONTROL STANDARD
2011 – 2014

TABLE OF CONTENTS

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, 2014

(*In thousands of Canadian dollars*)	2014	2013 (restated[1])	$ Variation	% Variation
Total revenues	**3,519,084**	3,617,680	(98,596)	(2.7%)
Lotteries	**1,773,636**	1,792,838	(19,202)	(1.1%)
Casinos	**796,994**	847,984	(50,990)	(6.0%)
Video lotteries	**940,682**	972,790	(32,108)	(3.3%)
Bingo	**36,894**	36,941	(47)	(0.1%)
Intersegment transactions	**(29,122)**	(32,873)	3,751	11.4%
Prizes awarded – lotteries	**959,390**	943,316	16,074	1.7%
Prizes awarded – bingo	**20,019**	20,359	(340)	(1.7%)
Gross margin	**2,159,792**	2,262,417	(102,625)	(4.5%)
Operational expenses	**996,250**	965,092	31,158	3.2%
Net income	**1,144,145**	1,278,513	(134,368)	(10.5%)
Dividends	**1,055,314**	1,194,457	(139,143)	(11.6%)
Other amounts contributed to the Québec and Canadian governments	**261,779**	249,567	12,212	4.9%
Total assets	**1,349,929**	1,295,605	54,324	4.2%
Shareholder's equity	**82,472**	80,584	1,888	2.3%

TOTAL REVENUES

As at March 31, 2014

(*In millions of Canadian dollars*)	2014	2013	2012	2011	2010[2]
	3,519.1	3,617.7	3,660.6	3,641.0	3,722.6

NET INCOME

As at March 31, 2014

(*In millions of Canadian dollars*)	2014	2013 (restated[1])	2012	2011	2010[2]
	1,144.1	1,278.5	1,285.4	1,335.0	1,340.7

[1] See note 3 in the accompanying notes to the consolidated financial statements.
[2] Financial information presented for 2010 is established by means of Canadian generally accepted accounting principles (GAAP).

ECONOMIC AND SOCIAL CONTRIBUTIONS

ECONOMIC

Dividends to the Government of Québec

$1,055.3M

Prizes awarded to lottery and bingo winners

$979.4M

Commissions to lottery, casino, video lottery and bingo network partners

$330.2M

Purchases from companies conducting business in Québec

$361.9M

Employee benefits

$428.9M

Taxes to governments

$156.7M

Special contributions to governments

$105.1M

SOCIAL

Contributions to the fight against excessive gambling

$28.8M

Contributions to the Ministère de la Santé et des Services sociaux in aid of the elderly with diminishing autonomy

$30.0M

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

$6.1M

Contributions to non-profit organizations (NPOs)

$15.4M

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

$8.5M

Contributions to the Ministère des Finances (online gaming committee)

$0.2M

Sponsorships

$14.9M

Collection Loto-Québec

$0.4M

FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

Aide à l'action communautaire autonome

$16.0M

Aide à l'action humanitaire internationale

$3.0M

HÉLÈNE F. FORTIN
FCPA AUDITOR,
FCA, ICD.D

CHAIRWOMAN OF THE BOARD OF DIRECTORS

MESSAGE FROM THE CHAIRWOMAN OF THE BOARD OF DIRECTORS

The Board of Directors of Loto-Québec continued to apply best governance practices throughout the 2013-2014 fiscal year. Major efforts were made to better position the Corporation in the constantly changing overall entertainment offering market. The Corporation's activities provided the Government of Québec with 1.055 billion dollars in dividends.

In monitoring the progress of the Corporation's business plan during the last year, the members of the Board of Directors were able to observe the stringent management practiced by all sectors. It should be noted that the 2 major projects that were completed in 2013-2014 (the modernization of the Casino de Montréal and the replacement of all video lottery terminals throughout the network) were delivered on budget, on time, and according to specifications.

Necessary investments

It was essential that Loto-Québec invest in recent years to enhance its offering. These investments will enable the Corporation to meet the challenge of fierce competition, due in part to an abundance of online gaming sites. Moreover, while it has a legal monopoly in the Québec games of chance industry, the Corporation is required to deal with a vast and growing entertainment market that goes well beyond gaming and well beyond Québec's borders. In order to be successful, Loto-Québec needs to concentrate on its customers' expectations and values while ensuring the growth in efficiency of its operations.

Responsible gambling remains a priority

Clearly, societal considerations are and will remain central to decisions taken by the organisation. We want to reiterate the importance of the responsible gambling unit within Loto-Québec's corporate structure. The availability of this internal expertise since the fall of 2012 has enabled the Corporation to benefit from a better vision of the environment in which it evolves. Loto-Québec's improved skill set enables it to maximise the positive spinoffs from its activities while diminishing related risks and consequences.

THE CORPORATION IS REQUIRED TO DEAL WITH A VAST AND GROWING ENTERTAINMENT MARKET THAT GOES WELL BEYOND GAMING AND WELL BEYOND QUÉBEC'S BORDERS.

A thorough process of reflection is under way

Loto-Québec's 2010-2013 Strategic Plan has been extended by a year, and the next three-year plan will be tabled shortly. The result of this reflection period will enable the Corporation to direct its actions towards meeting the challenges of the coming years. One thing is certain: Loto-Québec will leave no stone unturned in its efforts to continue to fulfil its mission in a way that best serves the interests of all Quebecers.

Stability on the Board of Directors

The last fiscal year was hallmarked by stability on the Board of Directors, with no changes made to its composition. The Board still includes 13 members, each of whom meets established high standards of competency and experience.

Acknowledgements

On behalf of the Board of Directors, and personally, I would like to warmly acknowledge the entire staff of Loto-Québec and its subsidiaries. The environment in which employees work each and every day is a challenging one. They deserve our profound thanks for their dedication and for the high quality of their work.

I would also like to thank my fellow directors for their unwavering support, as well as the members of the executive committee for their constructive input. Finally, special thanks go to Gérard Bibeau, the President and Chief Executive Officer of Loto-Québec, whose qualities are highly appreciated. He is a proficient manager, skilled at eliciting reflection.

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

The Corporate Secretary and the members of the Board of Directors: Lynne Roiter, Serge LeBel, Gérard Bibeau, Nathalie Goodwin, Mel Hoppenheim, Alain Albert, Hélène F. Fortin, Donald M. Bastien, Jean André Élie, Anie Perrault and Paule Bouchard (Absent: André Dicaire, Lynda Durand and Céline Trépanier)

GÉRARD BIBEAU

PRESIDENT AND CHIEF EXECUTIVE OFFICER

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

We completed major projects in fiscal 2013-2014. The Casino de Montréal inaugurated its new gaming and entertainment areas after 4 years of modernization work. The entire video lottery terminal (VLT) network was also renewed, and the lottery and bingo sectors continued to enhance their respective game offerings. In spite of our efforts and stringent management practices, the financial results did not rise to our expectations.

In fiscal 2013-2014, Loto-Québec reported revenues of 3.519 billion dollars, a drop of 98.6 million dollars or 2.7% from 2012-2013. Net income was 1.144 billion dollars, lower by 134.4 million dollars or 10.5% as compared to the previous fiscal year. The drop in net income was mainly due to lower revenues but also to an increase in depreciation and amortization costs (+34.3 million dollars) that were especially attributable the replacement of VLTs and the modernization of the Casino de Montréal.

The slowdown was not only felt at Loto-Québec. Spending on games of chance has declined throughout the western world over the last few years. In its survey of Canadian household spending habits, Statistics Canada reports a 1.9% drop in spending on games of chance from April 1, 2013, to March 31, 2014, as compared to the same period in 2012-2013.[1]

If Quebecers are spending less on games of chance, it is especially due to the difficult economic situation that has prevailed in recent years. The cost of many essential products has risen disproportionately to salaries, leaving less money in the pockets of consumers for discretionary spending. In this context, it is normal for our industry to be affected.

Sector-by-sector results

The lottery sector performed relatively well in 2013-2014, with sales only falling by 1.1% as compared to the previous year. The economic context had obvious repercussions on lottery sales, as can be seen by the lower level of excitement generated by major jackpots. We continue to see market maturity, which is why this sector is diversifying its game offering while taking into account the tastes of current consumers. We note that online lottery sales for the last fiscal year came to 16.0 million dollars, compared to 7.1 million dollars in fiscal 2012-2013.

The decrease in revenues was most striking in the casino sector, which registered a decline of 6.0%. This slowdown was attributable to various factors, notably fierce competition and the modernization work done at both the Montréal and Lac-Leamy casinos. With the Casino de Montréal modernization project now completed, we are working to position the establishment as an entertainment magnet. Over the last year, many initiatives were implemented that aimed at enhancing the visitor experience in our casinos. We have many assets, and now our job is to make them better known. As for online casino games, they generated revenues of 25.9 million dollars in 2013-2014, up by 10.8%.

Video lotteries reported a decrease in revenues of around 3.3 %. The economic situation and growing popularity of online gaming – especially on illegal sites – partially explain this downturn, which can be observed in the bar and brasserie network. Moreover, the video lottery regulatory framework makes it difficult to optimize the VLT network. In this context, the Société des loteries vidéo du Québec (SLVQ) continues its efforts to renew its game offering while prioritizing a responsible approach. Meanwhile, combined revenues from the Trois-Rivières and Québec City gaming halls continued to rise.

[1] STATISTICS CANADA, *Detailed household final consumption expenditure.*

Sales were stable in the bingo sector. Kinzo revenues rose by 12.3% with the opening of 5 new locations. As for network bingo income, it was down by 6.5%, which is not surprising given the difficulties experienced by this industry since many years.

Necessary improvements in efficiency

Under current conditions, one thing is clear: if we want to improve our results, we will need to be more efficient than ever before. This called for a critical assessment process, undertaken during the preparation of our next strategic plan. We will also need to seek added efficiencies by revisiting all of our practices and by establishing priorities in order to control expenses even more stringently. I am convinced that the process will achieve the anticipated results.

However, we must not forget that our mandate as a public corporation involves special challenges. We need to optimize our offering of products and services in a highly competitive environment and maintain our responsible approach to the commercialization of our products. We strive to continue to play an important economic role while preserving the social acceptance of our activities.

Responsible gambling as added value

For nearly 2 years, the Vice President's Office on Responsible Gambling has markedly contributed to the ongoing improvement of our overall performance by helping us combine a responsible approach with dynamic business management. It has enabled us to position responsible gambling as something that sets us apart from the competition and adds value to our products. Our Level 4 certification from the World Lottery Association bears witness to the full integration of responsible gambling into our corporate culture.

The public warmly welcomed our second *It's all up to chance* responsible gambling awareness campaign, which was held at the beginning of 2014. I am pleased to see that our efforts in this regard are moving in the right direction.

SPENDING ON GAMES OF CHANCE HAS DECLINED THROUGHOUT THE WESTERN WORLD OVER THE LAST FEW YEARS.

Channeling online gaming

Espacejeux.com, our online gaming site, still only accounts for a small part of the approximately $250 million online games of chance market in Québec. If we include online lottery sales, our market share is around 20%. Under our current business model and in the light of results seen in other Canadian lottery jurisdictions, we do not believe that we will be able to increase this share in any major way. This means that the government is losing significant amounts of money.

Illegal online gaming is a growing problem. Loto-Québec believes that a solution must be implemented that will enable the online games of chance offering to be channeled in a controlled and measured way.

Last year's highlights

A record jackpot and new lottery features
At the start of the fiscal year, the Canada-wide Lotto 6/49 put a $55 million jackpot into play. It was the biggest jackpot in the history of Loto-Québec. A few months later, a new version of this flagship lottery was launched, based on the results of a vast survey of some 12,000 consumers. The new formula, which includes a guaranteed prize of 1 million dollars at each draw, is a commercial success.

The lottery sector also introduced other new features, including scratch tickets from the popular bling-bling family of products (available across Canada) and the Lotto Hockey Quick Play game. Mise-o-jeu also enhanced its offering, in particular by adding bets on a number of cultural events. These initiatives are especially aimed at diversifying our customer base.

Modernization of our casinos
After 4 years of construction work, the Casino de Montréal inaugurated its new gaming and entertainment areas last November 21. I am proud to say that this effort was completed on budget and on time, and want to congratulate everyone who was involved in this major project. I hope that ever greater numbers of Quebecers will visit us and see just how impressive is the result.

Major upgrade work also took place at the Casino du Lac-Leamy, aimed at improving its competitiveness. The $50 million revitalization plan (taxes included), which began in September 2012, has now reached the last of its 4 phases. This phase will materialize the casino's new atmosphere through a multimedia environment designed by Moment Factory. The Casino du Lac-Leamy introduced multimedia technology last spring, when the Zone, a multigame area with emcees, interactive terminals and variable sound and light decor, was inaugurated.

Successful collaboration with the World Series of Poker
One stage in the prestigious World Series of Poker (WSOP) Circuit was held for the 1st time in Québec. The Circuit tournaments were run at Casino du Lac-Leamy and on Espacejeux.com last November, and were very successful both in terms of logistics and number of players. I am convinced that this initial association with the WSOP is the start of a great collaboration.

Partnership with Gregory Charles
We are proud to have signed an agreement with the very talented Gregory Charles, who became spokesman for Québec's Casinos last December. His energy and enthusiasm make him a perfect match for our brand image. What's more, Gregory Charles will be touring his *Vintage* show at our casinos until 2017. I am delighted that we can offer our customers this additional entertainment choice.

Alcohol sales and consumption in gaming areas
Always looking to meet the expectations of our customers, we obtained a regulatory change authorizing the sale and consumption of alcohol in our casino gaming areas as of last July. It is worth recalling that this new practice includes preventive oversight measures such as mandatory training for employees who serve alcohol, which is provided in cooperation with Éduc'alcool and the Institut de tourisme et d'hôtellerie du Québec. This new feature has been smoothly implemented with no complaints registered.

Socioeconomic impact of Québec's Casinos revealed
A study released last fall at the time of the 20th anniversary of the Société des casinos du Québec (SCQ) shows that Québec's Casinos are powerful instruments of economic development. From the thousands of jobs created, the purchases from numerous Québec suppliers or amounts paid to both levels of government, the SCQ and the casinos play a major role in the economies of Montréal and of Québec as a whole.

Renewal of the VLT network
Between September 2012 and September 2013, nearly 12,000 VLTs in approximately 2,000 bars and brasseries throughout Québec were replaced by third-generation terminals. I would like to point out that the project took less time to complete than was anticipated, and was achieved at a lower cost. Congratulations to everyone who was involved in taking up this challenge.

To encourage customers to discover the new terminals and games, the SLVQ launched the *Viva Vegas* promotion. It was the first promotional activity in the bar and brasserie network, and there were many winners.

WE NEED TO OPTIMIZE OUR OFFERING OF PRODUCTS AND SERVICES IN A HIGHLY COMPETITIVE ENVIRONMENT AND MAINTAIN OUR RESPONSIBLE APPROACH TO THE COMMERCIALIZATION OF OUR PRODUCTS.

The Québec City gaming hall relocates
Shortly after the end of the 2013-2014 fiscal year, we announced that the Québec City gaming hall would move to the Fleur de Lys shopping centre, located close to its current location. The move, planned for next fall, is necessary due to the construction of Québec City's new amphitheatre. I am satisfied by the outcome after several months of efforts, as some 150 quality jobs will be preserved.

The Société des bingos du Québec General Manager's on tour
Last spring, the General Manager of the Société des bingos du Québec (SBQ) visited with many bingo industry stakeholders and managers of non-profit organizations (NPOs). The initial goal of the tour was to familiarize them with the SBQ's social contribution, which is reflected by the amounts paid to NPOs. The second goal was to explore avenues of solutions to rejuvenate the industry. Well aware of the urgency of the situation, the SBQ and the various actors in this field of endeavour will work together on projects aimed at ensuring the sustainability of bingo, thus helping to save NPOs that depend on this funding source for their activities.

Ingenio's 15th anniversary

One of last year's hallmarks was the 15th anniversary of our research and innovation subsidiary, Ingenio. Ingenio is involved in the design of interactive multimedia products and environments and in the development of new commercialization technology for the various Loto-Québec subsidiaries. Among recent projects to which it contributed are Kinzo, the Lotteries mobile app and its Quick Play games, the Volcan immersive experience at the Charlevoix and Montréal casinos and the Zone at Casino du Lac-Leamy. Congratulations to the entire Ingenio team for 15 years of innovation.

Acknowledgements

Firstly, let me thank the members of the Board of Directors for their involvement in the Corporation's major endeavours and, in particular, Hélène F. Fortin for her meticulous efforts and constant support. I am also thankful for the involvement and hard work of my colleagues on the executive committee. Finally, I want to thank the some 6,250 employees of Loto-Québec and its subsidiaries for their work in recent months. I consider myself fortunate to be surrounded by such competent and conscientious people, who continue to demonstrate their ingenuity and dedication.

Gérard Bibeau
President and Chief Executive Officer, Loto-Québec

SOCIETAL RESPONSIBILITY

ONGOING IMPROVEMENT

Given Loto-Québec's mission, the organization's societal responsibility approach gives pride of place to best practices in the area of responsible gambling. Many initiatives, such as stakeholder dialogue, event sponsorship, support for the arts and environmental measures, also contribute to the ongoing improvement of the Corporation's overall performance.

Responsible gambling

Responsible gambling remains a priority at Loto-Québec. During the last year, the Corporation made improvements to the coherency and scope of its initiatives in this area, enabling a deeper rooting of responsible gambling in its organizational culture. In this spirit, Loto-Québec placed the responsible gambling, sustainable development and community relations sectors under the authority of the Vice President's Office on Responsible Gambling.

In line with its special mandate to foster good gaming habits, the Vice President's Office renewed the *It's all up to chance* awareness campaign. The campaign, running from January 27 to March 2, 2014, reminded people that while some machines can be controlled, others cannot. Overall, the campaign was well-received, reaching nearly two-thirds of Quebecers and succeeding in influencing how people – video lottery players in particular – perceive games of chance.

Supporting the awareness campaign was the interactive agameshouldremainagame.com web site, set up in 2013, which remains seminal in the field of responsible gambling. The site carries a wide range of information that demystifies games of chance and enables players to make informed choices. Site users can also ask any question they like about games of chance. Since it was launched, the site has been visited more than 80,000 times.

A number of mandatory training courses for employees of Loto-Québec and its business partners on how to prevent problem gambling have been implemented over the years. Some of these courses were updated last year, for example: the course for all video lottery retailers and their employees assigned to these devices and the problem gambling awareness workshop meant for all Loto-Québec employees. In addition, frontline workers now receive new training, in partnership with the Association québécoise de prévention du suicide.

Problem gambling is stable in Québec. This is the conclusion of the study entitled *Portrait du jeu au Québec : prévalence, incidence et trajectoires sur quatre ans*,[1] the results of which were announced in March 2014. The study identified a 0.4% rate for probable compulsive gamblers (0.7% in 2009) and a 1.4% rate for players at moderate risk of developing a gambling problem (1.3% in 2009).

While the vast majority of Quebecers are problem-free players or have a low risk of developing a problem, Loto-Québec spares no effort to prevent problem gambling in Québec. Since 1999, the Corporation has spent more than 311 million dollars in the fight against this phenomenon. In 2013-2014, more than 22 million dollars was paid to the Ministère de la Santé et des Services sociaux. On its own, Loto-Québec also devoted 3.8 million dollars to rolling out its strategy fostering responsible gambling.

Engaging stakeholders

Loto-Québec's responsible gambling leadership was also a factor in consolidating its stakeholder relationships. This initiative was notably materialized by employee participation in the *Engagés dans la communauté* corporate volunteerism program, set up in 2011. In fiscal 2013-2014, this program saw 14 volunteerism activities in which 710 employees took part with a level of dedication and enthusiasm that demonstrated the initiative's merits. The repeated generosity of Loto-Québec and its employees made possible a donation of more than $400,000 to Entraide for its 2013 campaign.

In order to share best corporate volunteerism practices, Loto-Québec coordinates the Réseau des entreprises socialement engagées, enlisting the participation of other major corporations. This sharing of responsible management practices enables Loto-Québec to participate in various government and university working groups and round tables. In January 2013, the Corporation joined the interministerial working group on revising the government's sustainable development strategy (Groupe de travail interministériel sur la révision de la Stratégie gouvernementale de développement durable).

The Corporation's panel tour, which began in 2009 in all of Québec's administrative regions, continued during the last fiscal year. Close to 7,000 people have taken part in around 100 panel discussions since 2009, making it possible to directly engage with the population in regard to Loto-Québec's contribution to the community. The 2013-2014 tour attracted nearly 1,000 participants.

[1] Sylvia KAIROUZ and Louise 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, 2014.

Sponsorships

During 2013-2014, Loto-Québec paid out 14.9 million dollars for event and societal sponsorships. The greater part of this budget went to the *Rendez-vous Loto-Québec* program that supported nearly 120 festivals and events throughout the fiscal year, all across the province. To meet Loto-Québec's selection criteria, events must be held outdoors, be recurring, be able to bring people together and be accessible to all – or offer a significant number of free activities. The events must also have major social and economic spinoffs for their communities.

During the past year, 7 operational sponsorship concepts were proposed for a number of *Rendez-vous Loto-Québec* events. Based on its success in 2012-2013, the Musicotron mobile app, which allows spectators to vote for the song they want to hear during intermission at the Loto-Québec stage, was offered at 14 events, while the Rallye des rendez-vous electronic tablet spotting game entertained attendees at 11 events. In addition, visitors at 3 festivals had an opportunity to discover Kinzo at a kiosk where the elements of this popular game from the Société des bingos du Québec were explained, while a tunnel of discovery provided a glimpse of the reinvented Casino de Montréal at 3 events in the city. Finally, other events showed off the features of La Poule aux œufs d'or gala country, Mise-o-jeu and Extra lottery products.

Loto-Québec ran its 2nd awareness campaign for the prevention of excessive gambling.

The *Les entrées en scène Loto-Québec* program was run in cooperation with the Réseau indépendant des diffuseurs d'événements artistiques unis (RIDEAU) for the 6th year. This unique program, addressed to emerging performers in all stage arts, supported 5 artists or groups on a tour that criss-crossed Québec. Alan Lake (dance), the Duo Fortin-Poirier (piano), Gazoline (music), Klô Pelgag (song) and Les sœurs Boulay (song) gave more than 100 performances in 65 towns and cities.

Loto-Québec maintained its commitments to the Défi sportif, the Fondation de l'athlète d'excellence du Québec and Special Olympics Québec. These partnerships are aimed at encouraging individuals with disabilities to practice sports.

Photo : Victor Diaz Lamich

Among Loto-Québec's sponsored events is the Festival International de Jazz de Montréal.

Art collection

Loto-Québec has been an active supporter of the Québec contemporary arts scene for many years, annually dedicating 0.01% of its total previous fiscal year revenues to the acquisition of works of art. In fiscal 2013-2014, this amount came to nearly $367,000, making it possible to add 142 works by 71 Québec artists to its holdings, which now stand at 4,736 works.

In January 2014, on the occasion of its 35th anniversary, the Collection Loto-Québec began a new distribution program entitled *La Collection Loto-Québec : l'art de partager*. Under this sharing program, free travelling thematic and made-to-measure exhibitions are presented throughout Québec. The Collection is now able to fulfil its dual mission of acquiring and disseminating contemporary art better than ever before.

Territoires imaginés, par les artistes de la Collection Loto-Québec exhibition has been travelling across Québec since January 15, 2014, and will continue on until December 2015. The following 4 components add interest to the travelling thematic exhibitions.

- Acquisition: A *Repérage* exhibition and sales event held at various stops on the exhibition tours, to enrich the holdings of the Collection.
- Films on Art: Thanks to a partnership with the International Festival of Films on Art, the general public can view films on art that correspond to the theme of the exhibition.
- Sustainable projects: In cooperation with Université de Sherbrooke, Loto-Québec's sustainable development team set analytic parameters for community heirloom projects in each region visited by a travelling exhibition.
- Sharing: In cooperation with the Ministère de la Santé et des Services sociaux, the Collection Loto-Québec is planning a 10-year art loan program for health network institutions in exhibition host regions.

Made-to-measure exhibitions tailored to the needs and occasions of individual locations are also available in the *L'art de partager* program. A partnership with Accès culture this year made it possible for 2 Montréal municipal cultural centres to host Collection Loto-Québec exhibitions. *Œuvres choisies*, shown at the Mercier cultural centre from March 15 to April 27, 2014, will also be held in the Saint-Laurent district from October 30 to December 7 of this year.

These new plans led to the closure of the Espace Création gallery at Loto-Québec's head offices after 8 years, 27 exhibitions and more than 105,000 visitors.

Environmental performance

Since 2006, Loto-Québec has taken numerous initiatives to instill sustainable development throughout its organization. Above and beyond its economic and social action, the Corporation constantly seeks to improve its environmental performance.

The responsible procurement procedures continued to move forward in 2013-2014. Thanks to the redistribution of goods with no accounting value, 30 non-profit organizations received material such as furniture and gardening tools. The calls for tender for the renewal of transportation services for Casino de Montréal employees and customers incorporated criteria to evaluate vehicle environmental performance and ecodriving training programs.

Moreover, 22 internal activities added ecoresponsible practices that included using local suppliers, ecological management of residual materials and serving organic and fair trade food. Loto-Québec is also working with its partners to include these practices in the general public events it sponsors each year.

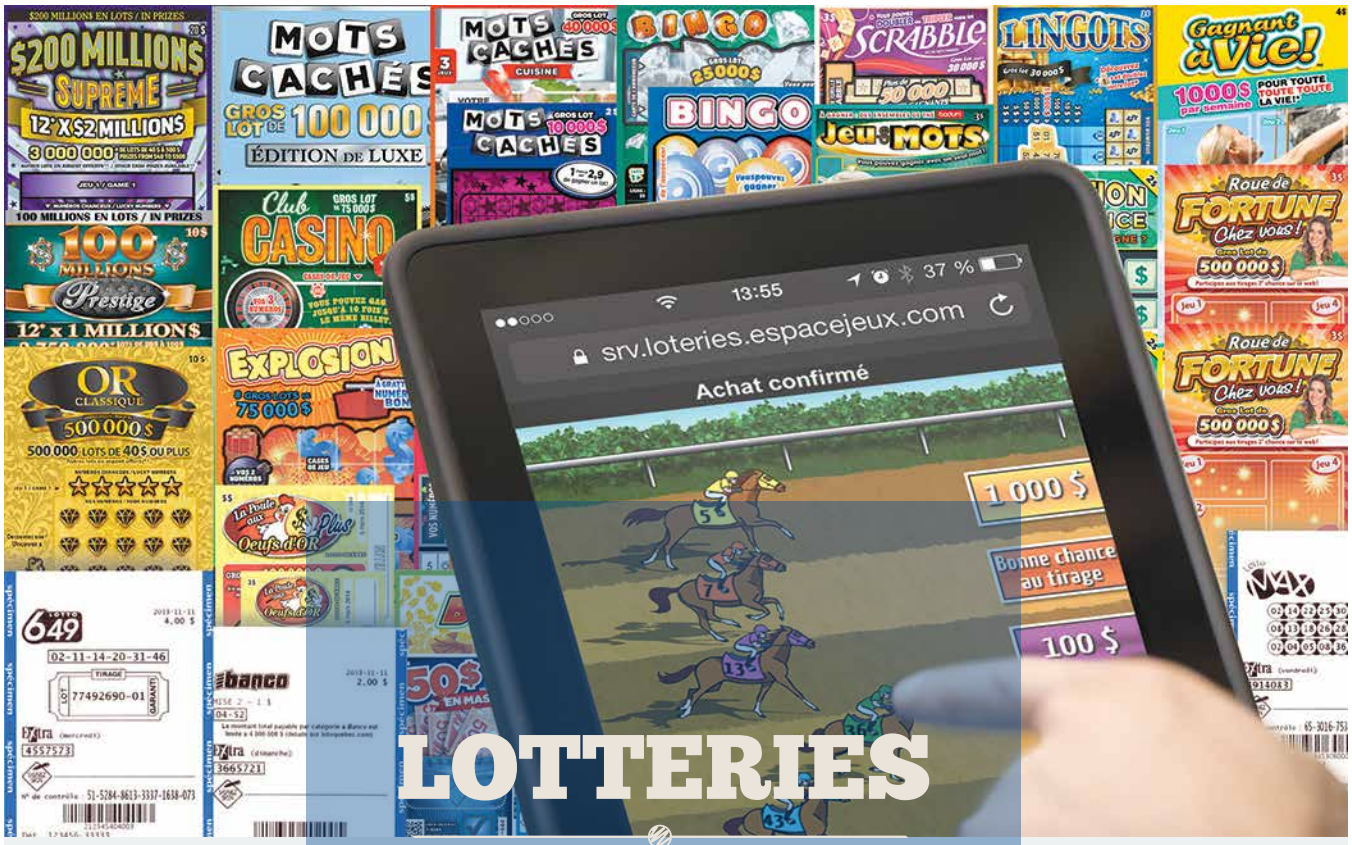
Employees are able to contribute to Loto-Québec's sustainable development measures each and every day. In order to encourage cycling to work, the Corporation has set up bike parks that all personnel can use, and runs an annual bicycle check-up and tune-up clinic. Loto-Québec also hosts lunchtime presentations on subjects like composting and awareness activities for theme events such as the "waste-free lunch" during the Semaine québécoise de réduction des déchets, and has organic vegetable baskets delivered to its head office in association with Equiterre's network of family farmers.

Loto-Québec's environmental contribution is also based on concrete action that benefits the entire Québec community. This includes the composting system used in its casinos that annually divert nearly 1,300 tons of organic waste from landfills, as well as the 5 charging stations in 3 of its casinos, which are aimed at contributing to transportation electrification efforts in Québec.

REVIEW OF COMMERCIAL ACTIVITIES

CONSTANTLY EVOLVING SECTORS

Loto-Québec works in an environment that is constantly evolving. All of its sectors – lotteries, casinos, video lotteries and bingo – work continuously to enhance their offering of products and services and adapt them to customer expectations. These efforts are always based on a responsible commercialization approach.



LOTTERIES

A GOOD START TO A LENGTHY TRANSITION

Lotteries generate annual sales of nearly 1.8 billion dollars, which comes to more than half of Loto-Québec's revenues. Lottery tickets remain popular for large numbers of consumers, since more than two-thirds of adult Quebecers purchase them at least once a month.[1] Since the start of the new millennium, the maturity of this market has meant that the status quo can no longer ensure the vitality and growth of lottery sales. Developing the customer base and, in particular, acquiring adult clients under the age of 35 remains central to the plans of the lottery sector. While maximizing the potential of its product portfolio and distribution network, this sector needs to think outside the box and offer new types of products – and especially online games – that afford a rejuvenated game experience based on interactivity and/or social attributes. The parameter shift already began during 2013-2014.

[1] Ad Hoc Research *PEN 2013* internal report

Total sales of lottery products in 2013-2014 were 1.774 billion dollars, 19.2 million dollars less than in the preceding fiscal year. Given the difficult economic environment of recent years, this performance should be seen as an accomplishment.

Traditional products that meet expectations

Fiscal 2013-2014 was a remarkable year for Lotto 6/49, as can be seen by product sales of 373.2 million dollars. After starting the year by offering its biggest jackpot ever – 55 million dollars in the April 13, 2013 draw – this product went through a major change. Starting on September 18, 2013, in addition to its progressive jackpot, the new Lotto 6/49 began offering a guaranteed prize of 1 million dollars at each draw plus a 2/6 prize category, all for a new purchase price of $3. A special ad campaign and Super Draw promotions in which additional $1 million guaranteed prizes were offered in a single draw largely contributed to the success of this launch. Québec has had its fair share, with 15 of 68 guaranteed prizes won in the province during the first 6 months of the new formula.

The new Lotto 6/49 was launched in September 2013.

Lotto Max generated sales of 274.7 million dollars during the fiscal year. Despite offering 17 draws that included Maxmillion prizes, 2 of which put into play a jackpot of 50 million dollars and 50 Maxmillions, sales dropped sharply from the preceding year. This can be explained in great part by the absence of consecutive cumulative prizes over extended periods of time.

In the scratch ticket category, the popularity of 5 products sold nationally, that included the 100 Million$ Prestige and 200 Million$ Supreme lotteries, combined with the renewed success of Gagnant à vie! meant that sales, which had fallen for several years, rose by 3.9% in 2013-2014.

Fiscal 2013-2014 was also hallmarked by the 25th anniversary of Célébration, a product whose performance and broad recognition show just how deeply it is rooted in consumer traditions. As in years past, the $1 million jackpot draw took place live on television, with 1.5 million spectators watching.

Lotto Hockey was added to the Quick Play games portfolio.

In the wake of the popularity of Quick Play games that have been marketed in recent years, the lottery sector continued to build on momentum in this new category by adding Lotto Hockey to its existing portfolio. The category is performing particularly well among adult customers under 35 years of age.

As it did during the 2012 London Olympics, Mise-o-jeu offered a wide range of bets for the Sochi games. It also pursued its incursion into entertainment betting, adding 11 cultural shows or galas to its offering, including 3 that took place in Québec. The strategy consists in multiplying the number and diversity of events with little or no advertising support outside the miseojeu.com web site. Sports and entertainment betting during the fiscal year accounted for sales of 56.2 million dollars, which was the best performance recorded since 1995-1996.

An incontrovertible presence in online entertainment

Since March 2012, marketing channels in the lottery sector evolved to enable traditional products to be purchased online using computers, cell phones and electronic tablets. Two years later, approximately 20,000 Quebecers now purchase their lottery products on Espacejeux.com each month.

The addition of Quick Play and daily draw games to online sales of our main draw lotteries has contributed to increased sales volumes, which have now risen above 12.0 million dollars. Meanwhile, bets on Mise-o-jeu's online sports and entertainment offering now account for nearly 4.0 million dollars in sales.

A number of projects are being developed to ensure adequacy with respect to new consumer trends. These include the design of products that combine strategy, competition and group play. Loto-Québec's Ingenio research and innovation subsidiary has greatly contributed to the advancement of these types of initiatives.

The growing scope of a strong sales network

The loyalty of Loto-Québec's network of some 8,500 lottery retailers is essential to the success of the Corporation's business. Ensuring solid support for our collaborators is a priority, as they represent the point of contact with customers. Servicing major accounts, which represent nearly 40% of total lottery sales, remains central to the Corporation's business development activities.

The sales kiosk rejuvenation project cleared an important stage during the year when a prototype was set up at Complexe Desjardins in Montréal. The approximately 110 kiosks in the sales network will be replaced by new models over the next 4 years. In fiscal 2013-2014, a financial contribution of 9.3 million dollars was shared among the 60 non-profit organizations that operate these kiosks.

During the fiscal year, the sector also undertook a creative process of reflection about future marketing, covering distribution channels, physical site criteria and merchandizing tools.

Loto-Québec's numerous business initiatives are subject to the Corporation's responsible gambling measures, from which derives the *Lotoresponsable* program for recognizing and promoting retailers that stringently meet the Corporation's requirements in this field.

Advertising both impressive and entertaining

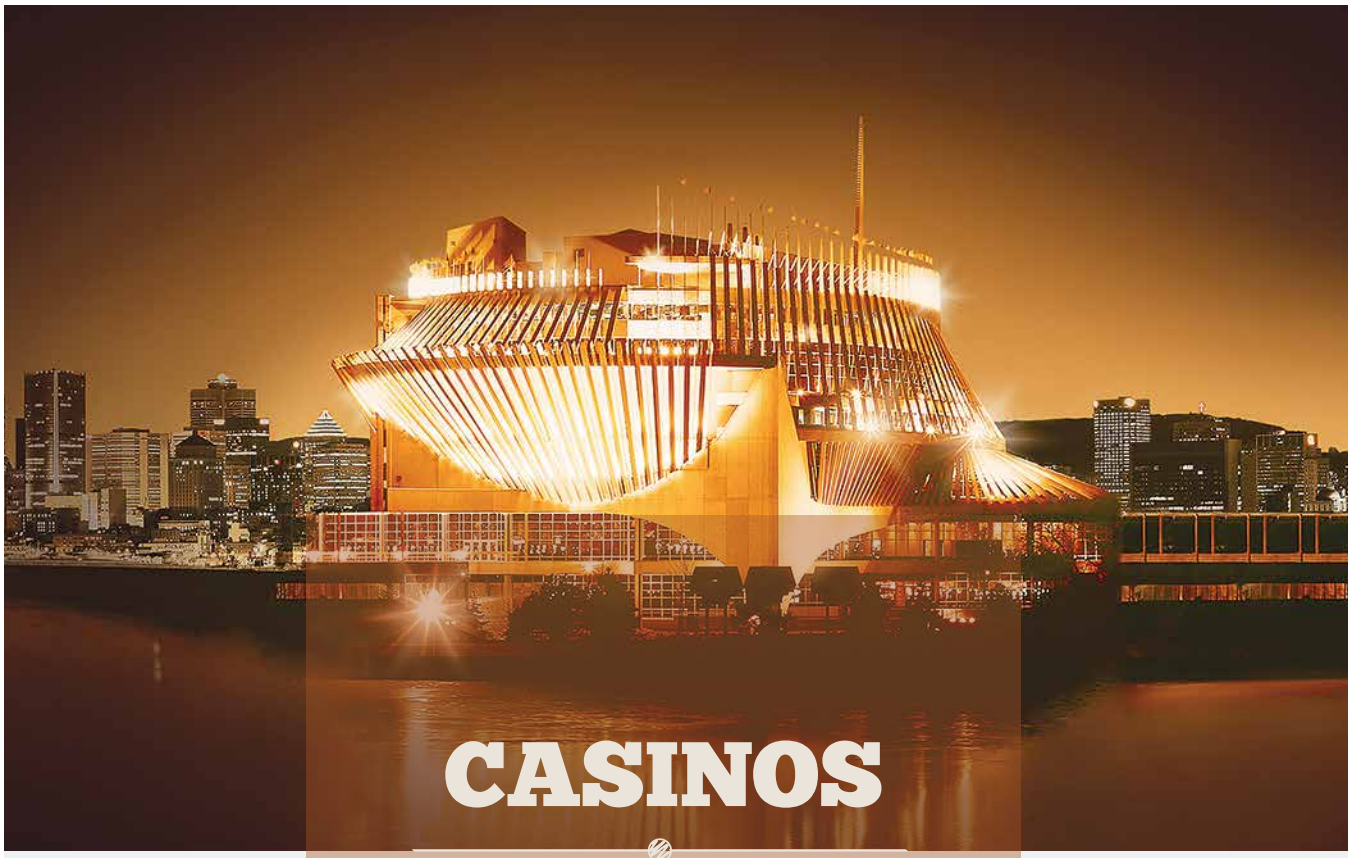
As usual, lottery sector ads are highly appreciated, with some having been rewarded by the industry. This year, 3 prizes were won by the lottery sector at the Créa 2014 evening, where the best of Québec ads are honoured. The ad campaign in support of the launch of the new Lotto 6/49 won 2 grand prizes – best television campaign of the year for a product (a category in which Loto-Québec came in 1st for the 3rd consecutive year) and best television ad for a product. The Lotto Max ad showing a winner of this lottery in Times Square, in New York City, also received an award.

Winners remain at the heart of our activities

Nearly 960 million dollars in lottery prizes were awarded by Loto-Québec in fiscal 2013-2014, which was 16 million dollars more than in the preceding fiscal year. The Corporation spared no effort in promoting its major winners, in particular on the Our winners page of the lotteries web site (lotoquebec.com/winners-lotteries), as well as through numerous media initiatives and on social networks.

In all, there were 1,247 happy Loto-Québec winners of prizes worth $25,000 or more this year. Among them, 266 shared 70 prizes of 1 million dollars or more, and 49 became millionaires.

PRIZE	LOTTERY	DRAW DATE	ADMINISTRATIVE REGION
$50,000,000	Lotto Max	2013-05-31	Montréal
$17,356,812	Lotto 6/49	2014-02-19	Centre-du-Québec
$10,380,999	Lotto 6/49	2014-01-22	Montréal
$7,466,102	Lotto 6/49	2013-09-14	Montréal
$7,000,000	Lotto 6/49	2014-02-26	Capitale-Nationale
$6,858,653	Lotto 6/49	2013-08-10	Montérégie
$2,000,000	Québec 49	9 jackpots claimed between April 1, 2013 and March 31, 2014	Centre-du-Québec Chaudière-Appalaches Estrie Lanaudière Montérégie Montréal
$2,000,000	Banco	4 jackpots claimed between April 1, 2013 and March 31, 2014	Laval Montérégie Montréal



CASINOS

AN UNPARALLELED ENTERTAINMENT EXPERIENCE

The slowdown in economic growth and the negative trend observed throughout the games of chance industry in Canada have had an impact on the revenues of the Société des casinos du Québec (SCQ). This Loto-Québec subsidiary includes 4 casinos and related hotel and food services, plus online gaming on Espacejeux.com. Lower SCQ revenues were also due to the Casino de Montréal modernization work, whose final phase took place right in the middle of the building.

In the fiscal year ending on March 31, 2014, the SCQ reported revenues of 797.0 million dollars, a drop of 51.0 million dollars (-6.0%) from the results of the preceding fiscal year. The SCQ intensified its efforts aimed at continuing to offer its customers an unparalleled entertainment experience.

A unique and rejuvenated game offering

Looking to meet the expectations of its casino customers, the SCQ continued to upgrade its casinos and reenergize its game offering.

The Zone

The casino world witnessed the start of a revolution in 2013-2014 with the launch of the Zone at Casino du Lac-Leamy. This North American first is a design concept that brings multimedia technology, an electronic games network and the possibility of social interaction together at a single location. The Zone attracts a new customer base that is interested in electronic games and wants to be entertained in an environment that is especially imbued with socialization, thrills and fun. The Zone concept was developed by the SCQ in cooperation with Ingenio and Technologies Nter, both subsidiaries of Loto-Québec.

At Casino du Lac-Leamy, the Zone provides a unique entertainment experience.

Electronic gaming terminals added to the mix

The SCQ also continued to install new electronic gaming terminals, adding an interactive version of blackjack. This type of device enables newcomers to access low-bet games that facilitate their understanding of how table games work and enable them to subsequently move on to more traditional games.

Online gaming on Espacejeux.com

To allow its customers to continue their game experience outside its casinos, the SCQ now offers them the possibility of registering for its Espacejeux.com online gaming web site at its customer service counters. Moreover, Espacejeux.com is progressively adding online slot machines and progressive jackpot games that its casino customers are already familiar with. Unveiled when it was announced that Espacejeux.com commercial activities were incorporated into the SCQ, this strategy aims to maximize synergies between physical and virtual gaming.

The Gregory Charles *Vintage* show will be touring Québec's casinos until 2017.

The World Series of Poker Circuit

The Casino du Lac-Leamy hosted the biggest poker tournament ever in Québec when the world's premier poker event – the World Series of Poker (WSOP) – held one stage of its Circuit there last November. This was the first time that the WSOP Circuit tour stopped in Québec. The 10 tournaments that were run at the Casino drew more than 2,000 poker players from the United States, the rest of Canada and throughout Québec.

Leading edge infrastructures

Casino de Montréal

After 4 years of work, the Casino de Montréal stepped proudly into the future with the official unveiling of its new gaming and entertainment areas last November 21. The construction work lasted 1,500 days and came in on budget and on time.

The Casino de Montréal's Pavillon de la France now offers completely redesigned interior architecture. The giant multimedia wall, 14 metres wide by 21 metres high and used for spectacular projection purposes, is in and of itself a distinctive and unique feature in the Casino's immediate competitive market. The multimedia wall, whose design and special effects were the result of a collaborative effort that included Moment Factory, Solotech, Trizart Alliance and the Menkès Shooner Dagenais LeTourneux Architectes / Provencher_Roy Architectes consortium, contributes to enhancing in-casino ambiance and intensifying the visitor entertainment experience. The results of initial surveys that followed the reopening indicate that customers appreciate the Casino's new atmosphere.

Additionally, rejuvenation work at the Pavillon du Québec is to begin during the current fiscal year. Meanwhile, work to recast the performance hall as a multifunction hall has already started, with the inauguration set for 2015.

Casino de Charlevoix

The tunnel between the Fairmont Le Manoir Richelieu hotel and the Casino de Charlevoix has been renovated. The high limits section of the Casino has also been refurbished. The highlight of 2014 will no doubt be the June festivities celebrating the Casino's 20th anniversary.

Casino du Lac-Leamy

After 18 years of existence, the Casino du Lac-Leamy continues to refresh its gaming areas. The work will enable this Outaouais institution to remain a leader in a rapidly evolving competitive environment. Next September's opening of the night club plus the renovation of the lobby and construction of a spectacular multimedia ribbon are the final stages of the Casino revitalization project, scheduled to be finished by January 2015.

Casino de Mont-Tremblant

For the 2nd year in a row, the Casino de Mont-Tremblant has adopted a business model whereby its business hours change in accordance with seasonal business. In future years, the Casino will focus on developing traffic by increasing its visibility and enhancing the customer gaming experience.

Valuable assets for unparalleled entertainment

Entertainer Gregory Charles becomes SCQ spokesman

Celebrated performing artist Gregory Charles will become associated with SCQ ad campaigns and participate in various special events. In addition, at the end of March 2014, Gregory Charles set up his mobile theatre at Casino de Montréal to present his *Vintage* show. This is the first in a series of performances under a 3-year agreement that will see him tour to all 4 casinos through to 2017. This collaboration will contribute to increasing the visibility of the SCQ and its casinos and offer their customers a whole world of spectacular entertainment choices.

Sales and consumption of alcohol in gaming areas

One hallmark of last year was the regulatory change that has allowed the sales and consumption of alcoholic beverages in casino gaming areas since July 18, 2013. Québec casinos were the only ones in North America where the consumption of alcohol was prohibited in these locations. This new feature responds to expectations expressed by casino customers.

The SCQ makes constant efforts to meet its commitment to accountability and customer protection. Within a responsible commercialization framework, it ensures that its employees are adequately trained and closely monitors the evolution of the situation.

It is noteworthy than from July 18, 2013 to March 31, 2014, no complaints were lodged in regard to the sales of alcoholic beverages in gaming areas.

As early as 2000, the SCQ took on the task of training employees who, in the performance of their duties, are called on to serve alcohol to customers in the restaurant, hotel and bar areas. The *Service in action*:

A responsible approach to serving alcoholic beverages training course is provided by Éduc'alcool and the Institut de tourisme et d'hôtellerie du Québec. This course educates employees about their professional and legal responsibilities and helps them perceive the main signs of intoxication. It is currently provided to all employees who serve alcoholic beverages, as is the course on responsible gambling.

Responsible casinos

SCQ activities take place in a societal responsibility framework. For example, its staff members have participated in a major annual volunteerism day for the last 3 years. Last September, close to 200 employees gave their support to the cause of food security by preparing meals or sorting edibles for food banks. A variety of environmental measures have also been instituted in the casinos, including a composting system and public charging stations for electric cars.

Responsible gambling is an integral part of SCQ activities. To learn about its ongoing programs in this area, visit the casino and Espacejeux.com web sites.

An enviable economic contribution

For its 20th anniversary, the SCQ wanted to update the profile of the economic and fiscal impact of its 4 casinos, some of which it has operated since 1993.

A study that was made public last fall showed that Québec's Casinos are powerful instruments for economic development. Nearly 10,000 direct, indirect and induced jobs are created or maintained by the SCQ, which remits close to 200 million dollars a year to the provincial and federal governments in addition to its operational profit, which is paid to the Government of Québec.

Awards and distinctions

Among the prizes and distinctions garnered by SCQ establishments last fiscal year was the 13th consecutive annual CAA-AAA Five Diamonds rating that was awarded to the Casino du Lac-Leamy's Baccara restaurant for the excellence of its cuisine. Additionally, the Casino de Montréal's executive chef Jean-Pierre Curtat won the Canadian Gaming Association's Volunteerism and Community Service Award.

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 runs 20 casinos in France as well as the JOA Online games of chance company.

Casino Mundial holds 35% of the share capital of JOAGROUPE Holding Inc. Its co-owners are the European investment firm Bridgepoint Capital and the company's management team, which respectively hold 55% and 10% of shares.

The economic situation in Europe remains bleak due to the exacerbation of the financial crunch, and this affects the entire French casino industry. After the 2009-2010 crisis in the industry during which casino market activities dropped by 20%, some hope for recovery seemed to be justified on the basis of 3 quarters of growth in 2011. Unfortunately, starting with the 4th quarter in 2011, market reversal linked to the indebtedness of European countries, including France, engendered a climate of retrenchment and lower consumption, which seems now to have become endemic.

As at October 31, 2013, net revenues of JOAGROUPE Holding Inc. were 4% lower than in 2012. The group's operating results came to 14.5 million euros in 2013, which was 4.2 million less than the preceding year's 18.7 million euros.

VIDEO LOTTERIES

A TIME OF RENEWAL

Loto-Québec's Société des loteries vidéo du Québec (SLVQ) subsidiary responsibly manages a network of video lottery terminals (VLTs) all across the province and in the Trois-Rivières and Québec City gaming halls. Last year proved to be particularly active at the SLVQ with the installment of new VLT units completed throughout the network and their operational and commercial management.

SLVQ revenues were 940.7 million dollars in 2013-2014. This was a decline of 32.1 million dollars (-3.3%) compared to preceding fiscal year revenues. The drop can be explained not only by the economic slowdown seen over the last 5 years, but also by the emergence and growing popularity of online gaming, reduced across-the-board power of attraction of games of chance and a restrictive regulatory environment.

Finalization of new VLT installation

The installation of nearly 12,000 new-generation VLTs in around 2,000 establishments throughout Québec was completed last fall. It is important to note that this project was completed ahead of schedule and at a lower cost than budgeted.

The SLVQ took advantage of the arrival of new terminals and games in the bar and brasserie network to revisit its visual brand identity and recast its web site. A number of promotional tools were distributed to terminal operators, presenting the renewed game offering.

The network-wide *Viva Vegas* promotion

Another highlight of 2013-2014 at the SLVQ was the launch of its very first promotion in the bar and brasserie network: *Viva Vegas*. The promotion aimed to let customers become familiar with the new terminals and selection of games. During the 6 months of the promotion, more than $500,000 in prizes was awarded through 6 monthly draws and a grand prize draw of $100,000.

The *Viva Vegas* promotion saw many winners in the bar and brasserie network.

Good financial performance by the gaming halls

Combined revenues at the 2 gaming halls rose along with increased traffic, making this positive trend now seen for the 6th straight year. The good financial performance can be attributed to the diversification and dynamism of the game offering, the introduction of player-appreciated gaming machines and very successful promotions. These effective and innovative actions are the result of sustained efforts by a team that is dedicated to seeking excellence.

Last April, the SLVQ announced that the Québec City gaming hall would be relocated from the ExpoCité site to the nearby Fleur de Lys shopping centre due to the construction of the new Québec City amphitheatre. This fall 2014 move is welcomed news, as it contributes to maintaining 150 quality jobs.

Responsible retailers and employees

Two new items are of note in the context of ongoing improvements to responsible VLT management in 2013-2014. An updated version of the *Taking Risks Is No Game* training course was introduced, and the *Bien joué!* recognition program was enhanced with a special component added for bar and brasserie employees.

The contents of the new *Taking Risks Is No Game* training course follow previously learned notions and stem from expert recommendations and participant feedback. Going forward, trainees will be required to pass an evaluation based on the notions presented in order to receive their training certification. Moreover, the addition of evaluation questionnaires helps measure the level of pre- and post-course trainee knowledge. This initiative is part of the ongoing improvement measure that complies with the principles of responsible gambling under World Lottery Association Level 4 certification. The SLVQ has trained close to 30,000 retailers and employees since the training course first began in 2001.

PROGRAMME RECONNAISSANCE *Bien joué!*

The addition of a bar and brasserie staff component to the *Bien joué!* recognition program enabled the strengthening of employee commitment to SVLQ guidelines. Three eligibility and assessment criteria were respectively established, including having taken the new *Taking Risks Is No Game* training course. *The Bien joué!* recognition program was implemented for retailers in 2010.

Above and beyond these various measures, the SLVQ promotes a sustainable development approach under which industry profitability and dynamism are automatically based on the tight, stringent and responsible management of all activities of this subsidiary.

Employees in the bar and brasserie network are required to take a training course on responsible gambling.

BINGO

AN INDUSTRY IN NEED OF REJUVENATION

The mission of the Société des bingos du Québec (SBQ) is to develop bingo and Kinzo in Québec by marketing products that meet consumer expectations, in cooperation with various industry stakeholders and for the benefit of non-profit organizations (NPOs) that have chosen bingo as a source of funding. However, for several years, the industry has faced major challenges that directly impact SBQ revenues – and consequently, NPO income.

SBQ revenues in fiscal 2013-2014 came to 36.9 million dollars, which was comparable to 2012-2013 figures. Overall, this was a good performance in the particular context of the bingo industry, where hall traffic has continued to decline in recent years. Despite this trend, the SBQ was able to pay out a total of 4.6 million dollars to nearly 800 NPOs affiliated with its network.

The growth in Kinzo revenues, which reached 14.1 million dollars in 2013-2014 – an increase of 12.3% compared to fiscal 2012-2013 – was achieved thanks to the opening of 5 new halls, 3 of which are operated by partners from outside the bingo industry. Kinzo now accounts for close to 40% of SBQ revenues.

New network bingo games were launched in 2013-2014.


A network bingo session took place at the Festival Western de St-Tite.

Successful network bingo efforts

Revenues from network bingo remained relatively stable at 22.8 million dollars, which was 1.6 million dollars less than in 2012-2013. The decrease in the preceding year was twice that amount. The number of halls participating in network bingo during the fiscal year continued to drop, with the SBQ reporting a decline from 63 to 56 due to hall closure. In addition, several halls chose to concentrate their activities and reduce the number of bingo sessions, which also affected network bingo game sales. All the same, the SBQ succeeded in achieving the goal it set for itself last year, i.e., reducing the rate of decline that is characteristic of network bingo revenues.

A lot of design and marketing effort was put into preserving the attractiveness of network products, with 4 new network games launched during the year. These included Trésors de l'Ouest, Pépites, Minou Pitou and Chou chou. The SBQ also maintained its entertainment offering in bingo halls by holding 20 special events, in addition to being present at 4 major festivals, whose many visitors could discover or rediscover its network bingo products.

Improving the Kinzo experience

In addition to opening 5 new Kinzo locations, the SBQ took several steps to improve product recognition and enhance the entertainment experience. It intensified its research and development efforts, collaborating with the Ingenio team to add new functionalities that would lead to a higher frequency of wins at each location and elevate the value of the customer experience.

Continuing its efforts to meet customer expectations, the SBQ set up working committees that included its business partners, and which were tasked with looking at customer and food services. In collaboration with the lottery sector, it also renewed its Kinzo instant lottery ticket project whereby a bonus portion of the ticket enables purchasers to win a ticket to be used to check out the game at Kinzo locations. Finally, major efforts were made to increase Kinzo visibility. A giant-format game kiosk was designed and set up at 3 major festivals, while an ad campaign that included a television spot was coordinated and implemented at the very end of the fiscal year.

A more active role for the SBQ

Fiscal 2014-2015 will be replete with major challenges. As requested by the Secrétariat du bingo, the SBQ will play a more active role in the revitalization of the bingo industry in Québec, working with this stakeholder on a variety of projects aimed at ensuring the sustainability of the industry and the survival of some 1,600 organizations for whom bingo revenues are essential, representing as they do an average 37% of their operating budgets.

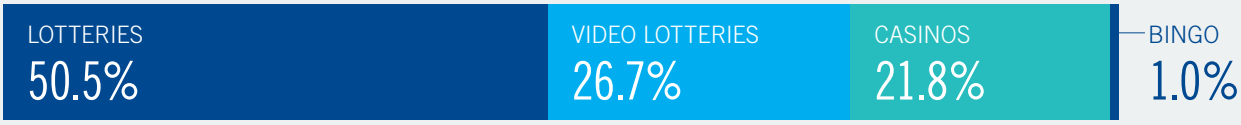
Finally, the SBQ will continue to make the efforts required in its 2 fields of business in order to achieve the following objectives: open 6 new Kinzo locations in new markets that have strong potential, enrich the Kinzo experience and enhance the attractiveness of network bingo games while maintaining the same level of return to players.

Kinzo is a one-of-a-kind entertainment concept.

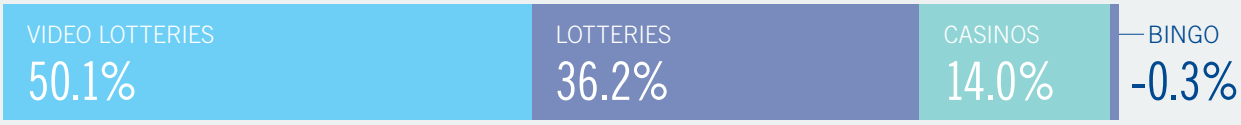
FINANCIAL REVIEW

AS AT MARCH 31, 2014

Revenues



Net income



Loto-Québec's consolidated revenues for fiscal 2013-2014 reached 3.519 billion dollars. This is 98.6 million dollars (-2.7%) less than in the preceding year, with shortfalls of 51.0, 32.1 and 19.2 million dollars respectively in the casino, video lottery and lottery sectors.

Consolidated gross profit totalled nearly 2.160 billion dollars as compared to 2.262 billion dollars in fiscal 2012-2013. This represents a decline of 102.6 million dollars (-4.5%). Expenses, including net financial expenses, came to 1.010 billion dollars, up by 33.5 million dollars (+3.4%). However, excluding depreciation, amortization and net impairment losses, expenses were comparable to figures for the preceding fiscal year, having increased by 1.5%. Consolidated net income was 1.144 billion dollars, lower by 134.4 million dollars (-10.5%) from the preceding fiscal year.

Lotteries

With sales standing at close to 1.774 billion dollars, the lottery sector experienced a shortfall of 19.2 million dollars (-1.1%) compared to the preceding fiscal year. This downturn is attributable to the draw lottery category (-43.2 million dollars or -3.3%). Lotto Max sales alone fell by 49.4 million dollars (-15.2%). The absence of major cumulative prizes over a sustained period of time led to lower sales at every jackpot level of the product. Instant lotteries partially compensated for this, with sales up by 17.5 million dollars (+3.9%), as did event betting (+6.5 million dollars or +13.0%). It should be noted that these results include 16.0 million dollars in revenues generated by sales of lottery games on the Espacejeux.com web site, which rose by 8.9 million dollars compared to the previous fiscal year.

Lottery gross profit was 665.5 million dollars, down by 34.0 million dollars compared to last year. The shortfall can be mainly explained by the impact of lower sales (-7.5 million dollars) and a higher rate of returns for instant lottery products (-9.8 million dollars). The bling-bling series of scratch tickets that are sold throughout Canada was highly successful, but the payout rate of 70% was greater than the average for instant lotteries. In addition, there were 14 winners of the $1 million grand prize in the Extra lottery in 2013-2014 as against 9 in 2012-2013, making the payout 46.3% compared to 41.8% in the preceding fiscal year. In all, a total of 959.4 million dollars in prizes were awarded to winners, while 122.3 million dollars went to retailer commissions.

REVENUES
As at March 31, 2014

(*In thousands of Canadian dollars*)	**2014**	**2013**	**$ Variation**	**% Variation**
DRAW LOTTERIES				
Lotto 6/49	**373,156**	351,502	21,654	6.2%
Lotto Max	**274,720**	324,114	(49,394)	(15.2%)
Québec 49	**71,419**	78,386	(6,967)	(8.9%)
Québec Max	**35,849**	21,299	14,550	68.3%
Extra	**129,188**	137,354	(8,166)	(5.9%)
Banco	**138,760**	138,246	514	0.4%
La Quotidienne	**42,354**	42,608	(254)	(0.6%)
Astro	**3,362**	3,289	73	2.2%
Triplex	**4,072**	4,429	(357)	(8.1%)
Jour de paye!	**–**	3,092	(3,092)	(100.0%)
Lotto Poker	**28,784**	47,030	(18,246)	(38.8%)
Sprinto	**10,726**	30,956	(20,230)	(65.4%)
Lotto :D	**16,774**	4,395	12,379	281.7%
Lotto Hockey	**3,405**	–	3,405	–
La Mini	**9,505**	9,751	(246)	(2.5%)
TV	**62,047**	60,188	1,859	3.1%
Special editions	**45,196**	35,872	9,324	26.0%
Subtotal	**1,249,317**	1,292,511	(43,194)	(3.3%)
INSTANT LOTTERIES	**468,071**	450,536	17,535	3.9%
EVENT BETTING	**56,248**	49,791	6,457	13.0%
Total	**1,773,636**	1,792,838	(19,202)	(1.1%)

Casinos

Revenues in the casino sector were lower by 51.0 million dollars or 6.0% compared to the previous fiscal year. This fallback came mainly from the Casino du Lac-Leamy (-21.7 million dollars), where revenues were affected by the rejuvenation construction work, and from the Casino de Montréal (-20.0 million dollars), where revenues were distressed by roadwork in the Montréal metropolitan area (in particular, emergency work on the Champlain bridge) and by the final phase of the modernization project. All of these factors impaired player traffic.

Revenues from casino games on Espacejeux.com came to 25.9 million dollars, up by 2.5 million dollars (+10.8%) over the previous fiscal year. These revenues are included in casino sector income.

REVENUES
As at March 31, 2014

(*In thousands of Canadian dollars*)	**2014**	**2013**	**$ Variation**	**% Variation**
Casino de Montréal	**489,894**	509,908	(20,014)	(3.9%)
Casino de Charlevoix	**47,121**	52,896	(5,775)	(10.9%)
Casino du Lac-Leamy	**242,698**	264,396	(21,698)	(8.2%)
Casino de Mont-Tremblant	**17,281**	20,784	(3,503)	(16.9%)
Total	**796,994**	847,984	(50,990)	(6.0%)

Video lotteries

Revenues in the video lottery sector came to 940.7 million dollars in 2013-2014. This represented a shortfall of 32.1 million dollars (-3.3%) compared to the previous fiscal year. The decline was seen in the bar and brasserie network, where revenues dropped by 37.9 million dollars (-4.0%). However, gaming halls performed well, increasing their combined revenues by 23.7%. Commissions paid to retailers totalled 200.3 million dollars.

REVENUES
As at March 31, 2014

(*In thousands of Canadian dollars*)	**2014**	**2013**	**$ Variation**	**% Variation**
BARS AND BRASSERIES	**910,570**	948,444	(37,874)	(4.0%)
Québec City gaming hall	**20,218**	15,603	4,615	29.6%
Trois-Rivières gaming hall	**9,894**	8,743	1,151	13.2%
TOTAL GAMING HALLS	**30,112**	24,346	5,766	23.7%
Total	**940,682**	972,790	(32,108)	(3.3%)

Bingo

With sales standing at 36.9 million dollars, the bingo sector was stable at -0.1% compared to the preceding year. Network bingo sales were lower by 1.6 million dollars (-6.5%) compared to those of the preceding fiscal year due to lighter traffic and fewer in-hall events. Kinzo revenues rose by 1.5 million dollars (+12.3%) thanks to the opening of new locations. There were 20 Kinzo locations in operation on March 31, 2014, as against 15 at the same date last year.

REVENUES
As at March 31, 2014

(*In thousands of Canadian dollars*)	**2014**	**2013**	**$ Variation**	**% Variation**
Le Grand Tour	**11,375**	12,819	(1,444)	(11.3%)
Le Petit Tour	**4,911**	5,211	(300)	(5.8%)
Prélude	**6,513**	6,360	153	2.4%
TOTAL BINGO	**22,799**	24,390	(1,591)	(6.5%)
TOTAL KINZO	**14,095**	12,551	1,544	12.3%
Total	**36,894**	36,941	(47)	(0.1%)

Operating expenses

Expenses totalled 996.3 million dollars, an increase of 31.2 million dollars (+3.2%) over the last fiscal year. The increase came mainly from depreciation, amortization and net impairment losses of 20.3 million dollars related to the replacement of the video lottery terminals (VLTs) and modernization work at the Casino de Montréal, net of 2012-2013 impairment losses on some capital assets. In addition, the supplementary Goods and Services Tax (GST) and Québec Sales Tax (QST) directly linked to the increased amortization stood at 9.4 million dollars. Absent these costs, expenses were comparable to those in the preceding fiscal year (+0.2%). Employee benefits were lower by 3.1 million dollars. Not having reached the financial trigger set out in the incentive remuneration program, Loto-Québec did not pay out performance bonuses. Lower special payments can be explained by financial compensation paid to non-profit organizations in 2012-2013 when the Lotomatique subscription system was terminated. Other expenses totalled 306.7 million dollars against 290.2 million dollars in the preceding fiscal year. The increase was mainly due to the installation of new-generation VLTs, which involved additional costs of 13.1 million dollars but made it possible to prevent growth in revenue shortfall.

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. In addition, all targets set by the Minister of Finance in the 2011-2012 budget were also met. Loto-Québec contributed 127.5 million dollars in 2013-2014 compared to the stated objective of 50 million dollars.

Net financial expenses

Net financial expenses totalled 14.2 million dollars, an increase of 2.4 million dollars over the preceding fiscal year, which stemmed from investments required to replace the VLTs and modernize the Casino de Montréal.

Contributions to governments

Loto-Québec's contribution to the Ministère des Finances in the form of dividends stood at 1.055 billion dollars, 139.1 million dollars less than in the preceding fiscal year. An additional 88.8 million dollars was paid into the Government of Québec's various designated funds, and 104.4 million dollars was paid to the Ministère du Revenu in QST. Loto-Québec's total contributions to the Government of Québec equalled nearly 1.248 billion dollars (2013: 1.379 billion dollars). The Corporation also contributed 16.3 million dollars to the Government of Canada as compensation for withdrawal of the federal government from the lottery sector and 52.3 million dollars in GST, for a total of 68.6 million dollars (2013: 64.6 million dollars).

CONTRIBUTIONS TO GOVERNMENTS
As at March 31, 2014

(*In millions of Canadian dollars*)	**2014**	**2013**
Government of Québec		
Dividends	**1,055.3**	1,194.4
Designated funds	**88.8**	88.0
QST	**104.4**	97.0
TOTAL GOVERNMENT OF QUÉBEC	**1,248.5**	1,379.4
Government of Canada		
Compensation – withdrawal from the lottery sector	**16.3**	16.0
GST	**52.3**	48.6
TOTAL GOVERNMENT OF CANADA	**68.6**	64.6
Total	**1,317.1**	1,444.0

SUPPLEMENTARY INFORMATION

(*In thousands of Canadian dollars*)	2014					
Business segments	**Lotteries**	**Casinos**	**Video lotteries**	**Bingo**	**Elimination of intersegment transactions**	**Consolidated figures**
Revenues						
Games	1,773,636	718,172	940,682	36,894	–	3,469,384
Restaurants	–	63,035	–	–	(29,122)	33,913
Accommodations	–	15,787	–	–	–	15,787
	1,773,636	**796,994**	**940,682**	**36,894**	**(29,122)**	**3,519,084**
Cost of sales						
Prizes awarded	959,390	–	–	20,019	–	979,409
Commissions	122,254	3,783	200,325	3,821	–	330,183
Printing	26,507	–	891	1,057	(24)	28,431
Food and beverages	–	21,269	–	–	–	21,269
	1,108,151	**25,052**	**201,216**	**24,897**	**(24)**	**1,359,292**
Gross profit	**665,485**	**771,942**	**739,466**	**11,997**	**(29,098)**	**2,159,792**
Expenses						
Employee benefits	65,550	323,426	36,510	3,456	–	428,942
Depreciation, amortization and net impairment losses	26,439	72,402	36,367	802	–	136,010
Special payments	16,304	–	–	4,440	–	20,744
Goods and Services Tax	12,414	8,189	13,655	416	–	34,674
Québec Sales Tax	24,763	16,351	27,241	831	–	69,186
Other expenses	100,993	183,431	46,308	5,060	(29,098)	306,694
	246,463	**603,799**	**160,081**	**15,005**	**(29,098)**	**996,250**
Income from operating activities	**419,022**	**168,143**	**579,385**	**(3,008)**	**–**	**1,163,542**
Financial revenues	(810)	(2,447)	(76)	(3)	–	(3,336)
Financial expenses	5,699	5,237	6,584	–	–	17,520
Net financial expenses	**4,889**	**2,790**	**6,508**	**(3)**	**–**	**14,184**
Share of net income of entities accounted for using the equity method	–	5,213	–	–	–	5,213
Net income	**414,133**	**160,140**	**572,877**	**(3,005)**	**–**	**1,144,145**

SUPPLEMENTARY INFORMATION

(*In thousands of Canadian dollars*)	2013 (restated[1])					
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	64,090	328,778	35,748	3,457	–	432,073
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
	250,290	**593,376**	**140,115**	**14,184**	**(32,873)**	**965,092**
Income from operating activities	**449,185**	**227,930**	**622,802**	**(2,592)**	**–**	**1,297,325**
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	–	6,999	–	–	–	6,999
Net income	**444,972**	**218,515**	**617,615**	**(2,589)**	**–**	**1,278,513**

[1] See note 3 in the notes to the consolidated financial statements.

COMPARATIVE RESULTS

As at March 31, 2014

(*In thousands of Canadian dollars*)	2014	2013 (restated[1])	2012	2011	2010[2]
Consolidated results					
Revenues	**3,519,084**	3,617,680	3,660,577	3,640,991	3,722,562
Cost of sales					
Lotteries					
Prizes awarded	**959,390**	943,316	930,655	918,948	922,723
Commissions	**122,254**	122,672	124,007	124,670	124,898
Printing	**26,483**	27,375	29,992	31,964	35,303
	1,108,127	**1,093,363**	**1,084,654**	**1,075,582**	**1,082,924**
Casinos					
Commissions	**3,783**	3,108	2,464	650	–
Food and beverages	**21,269**	23,570	25,172	27,660	29,719
	25,052	**26,678**	**27,636**	**28,310**	**29,719**
Video lotteries					
Commissions	**200,325**	208,658	214,245	215,399	225,016
Printing	**891**	1,215	745	895	910
	201,216	**209,873**	**214,990**	**216,294**	**225,926**
Bingo					
Prizes awarded	**20,019**	20,359	18,103	15,692	16,521
Commissions	**3,821**	3,944	3,065	2,371	2,562
Printing	**1,057**	1,046	986	882	1,317
	24,897	**25,349**	**22,154**	**18,945**	**20,400**
Total	**1,359,292**	**1,355,263**	**1,349,434**	**1,339,131**	**1,358,969**
Gross profit	**2,159,792**	**2,262,417**	**2,311,143**	**2,301,860**	**2,363,593**
Operating expenses					
Lotteries	**182,847**	188,054	182,710	178,282	187,196
Casinos	**477,759**	475,302	476,133	467,144	469,874
Video lotteries	**82,818**	74,694	71,906	69,367	81,594
Bingo	**12,956**	12,407	16,467	23,511	12,908
Depreciation, amortization and net impairment losses	**136,010**	115,681	108,343	125,294	109,089
Goods and Services Tax	**34,674**	33,030	33,721	34,979	34,620
Québec Sales Tax	**69,186**	65,924	61,953	56,719	54,694
	996,250	**965,092**	**951,233**	**955,296**	**949,975**
Income from operating activities	**1,163,542**	**1,297,325**	**1,359,910**	**1,346,564**	**1,413,618**
Net financial expenses	**14,184**	**11,813**	**8,307**	**4,403**	**11,159**
Share of net loss of entities accounted for using the equity method	**5,213**	6,999	6,491	7,138	7,275
Casinos Développement Europe and its subsidiaries					
Write-down of loans	**–**	–	59,673	–	29,583
Write-off of capitalized interest	**–**	–	–	–	24,914
Net income	**1,144,145**	**1,278,513**	**1,285,439**	**1,335,023**	**1,340,687**

[1] See note 3 in the notes to the consolidated financial statements.
[2] Financial information presented for 2010 is established by means of Canadian generally accepted accounting principles (GAAP).

CONSOLIDATED FINANCIAL STATEMENTS

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 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 Internal Audit caries 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 members. 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 Finance and Administration, Loto-Québec,

JOHANNE ROCK, CPA, CA

MONTRÉAL, QUÉBEC
JUNE 4, 2014

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, 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, as well as 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 consolidated financial position of Loto-Québec as at March 31, 2014, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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, those standards have been applied, after giving retroactive effect to the changes in accounting policies for the recognition of employee benefits explained in Note 3, on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton LLP [1]

MONTRÉAL, QUÉBEC
JUNE 4, 2014

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

Interim Auditor General of Québec,

Michel Samson, CPA auditor, CA

MICHEL SAMSON, CPA auditor, CA
MONTRÉAL, QUÉBEC
JUNE 4, 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2014

(*In thousands of Canadian dollars*)	**2014**	**2013 Restated** (Note 3)
Revenues (Note 5)	**3,519,084**	3,617,680
Cost of sales (Note 5)	**1,359,292**	1,355,263
Gross profit (Note 5)	**2,159,792**	2,262,417
Expenses		
Employee benefits (Note 6)	**428,942**	432,073
Depreciation, amortization and net impairment losses (Notes 14, 15)	**136,010**	115,681
Special payments (Note 7)	**20,744**	28,142
Goods and Services Tax	**34,674**	33,030
Québec Sales Tax	**69,186**	65,924
Other expenses	**306,694**	290,242
	996,250	965,092
Income from operating activities	**1,163,542**	1,297,325
Financial income	**(3,336)**	(2,393)
Financial expenses	**17,520**	14,206
Net financial expenses (Note 8)	**14,184**	11,813
Share of net loss of entities accounted for using the equity method (Note 13)	**5,213**	6,999
Net income	**1,144,145**	1,278,513
Other comprehensive income		
Items that will not be reclassified subsequently to net income:		
Remeasurement of net defined benefit liability	**1,889**	16,624
Total other comprehensive income	**1,889**	16,624
Total comprehensive income	**1,146,034**	1,295,137

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended March 31, 2014

(*In thousands of Canadian dollars*)	Share capital	Retained earnings	Accumulated other comprehensive income	Total
Balance as at April 1, 2012 – restated (Note 3)	170	90,224	(22,511)	67,883
Dividends	–	(1,194,457)	–	(1,194,457)
Fonds d'aide à l'action communautaire autonome				
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 10)	–	(69,460)	–	(69,460)
Transactions with the shareholder	–	(1,282,436)	–	(1,282,436)
Net income	–	1,278,513	–	1,278,513
Other comprehensive income				
Remeasurement of net defined benefit liability	–	–	16,624	16,624
Total comprehensive income	–	1,278,513	16,624	1,295,137
Balance as at March 31, 2013 – restated (Note 3)	170	86,301	(5,887)	80,584
Dividends	**–**	**(1,055,314)**	**–**	**(1,055,314)**
Fonds d'aide à l'action communautaire autonome (Note 9)				
Aide à l'action communautaire autonome	**–**	**(16,000)**	**–**	**(16,000)**
Aide à l'action humanitaire internationale	**–**	**(3,000)**	**–**	**(3,000)**
Contributions to the Government of Québec (Note 10)	**–**	**(69,832)**	**–**	**(69,832)**
Transactions with the shareholder	**–**	**(1,144,146)**	**–**	**(1,144,146)**
Net income	**–**	**1,144,145**	**–**	**1,144,145**
Other comprehensive income				
Remeasurement of net defined benefit liability	**–**	**–**	**1,889**	**1,889**
Total comprehensive income	**–**	**1,144,145**	**1,889**	**1,146,034**
Balance as at March 31, 2014	**170**	**86,300**	**(3,998)**	**82,472**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

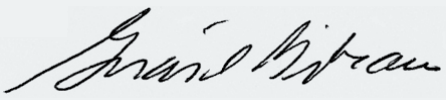
As at March 31, 2014

(*In thousands of Canadian dollars*)	**March 31, 2014**	**March 31, 2013 Restated** (Note 3)	**April 1, 2012 Restated** (Note 3)
ASSETS			
Cash and cash equivalents (Note 24)	**88,010**	116,694	101,581
Trade and other receivables (Note 11)	**81,689**	87,844	71,887
Inventories	**3,414**	4,217	4,441
Prepaid expenses	**27,752**	30,101	27,816
Current portion of financial assets related to life annuities (Note 12)	**775**	795	729
Total current assets	**201,640**	239,651	206,454
Interest in and loans to entities accounted for using the equity method (Note 13)	**52,438**	44,208	40,912
Property, plant and equipment (Note 14)	**936,894**	841,544	747,050
Intangible assets (Note 15)	**90,944**	107,300	107,381
Financial assets related to life annuities (Note 12)	**68,013**	62,902	60,616
Total non-current assets	**1,148,289**	1,055,954	955,959
Total assets	**1,349,929**	1,295,605	1,162,413
LIABILITIES			
Bank loans (Note 16)	**462,936**	456,475	431,969
Dividends payable	**15,314**	32,957	21,440
Accounts payable and accrued liabilities (Note 17)	**189,234**	233,640	198,329
Current portion of financial liabilities related to life annuities (Note 12)	**775**	795	729
Provisions (Note 18)	**66,276**	60,901	66,233
Deferred revenues	**13,989**	17,314	20,440
Current portion of long-term debt (Note 19)	**100 000**	–	–
Total current liabilities	**848 524**	802,082	739,140
Long-term debt (Note 19)	**331,671**	331,932	267,082
Net defined benefit and other long-term benefit liability (Note 20)	**19,249**	18,105	27,692
Financial liabilities related to life annuities (Note 12)	**68,013**	62,902	60,616
Total non-current liabilities	**418,933**	412,939	355,390
Total liabilities	**1,267,457**	1,215,021	1,094,530
SHAREHOLDER'S EQUITY			
Share capital authorized, issued and paid:			
1,700 shares with a par value of $100 each (Note 21)	**170**	170	170
Retained earnings (Note 21)	**86,300**	86,301	90,224
Accumulated other comprehensive income	**(3,998)**	(5,887)	(22,511)
Total shareholder's equity	**82,472**	80,584	67,883
Total liabilities and shareholder's equity	**1,349,929**	1,295,605	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 AUDITOR, 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, 2014

(*In thousands of Canadian dollars*)	**2014**	**2013 Restated** (Note 3)
OPERATING ACTIVITIES		
Net income from activities	**1,144,145**	1,278,513
Adjustments for:		
Depreciation, amortization and net impairment losses	**136,010**	115,681
Loss on disposal and write-off of property, plant and equipment and intangible assets	**2,061**	352
Defined benefit and other long-term benefit expense	**24,309**	24,435
Other net financial expenses	**16,466**	13,458
Share of net loss of entities accounted for using the equity method	**5,213**	6,999
Interest income on loans to Casinos Développement Europe and its subsidiaries	**(2,141)**	(1,583)
Exchange (gain) loss on loans to Casinos Développement Europe and its subsidiaries	**(2,893)**	219
Capitalization of defined benefit obligation	**(21,276)**	(17,398)
Net change in non-cash items related to operating activities (Note 24)	**(19,993)**	(267)
Interest paid	**(17,873)**	(13,583)
Interest received	**1,195**	810
Cash flows from operating activities	**1,265,223**	1,407,636
INVESTING ACTIVITIES		
Increase in loans (Note 13)	**(3,812)**	(2,551)
Additions to property, plant and equipment (Note 14)	**(216,299)**	(177,664)
Additions to intangible assets (Note 15)	**(12,232)**	(25,685)
Proceeds from disposal of property, plant and equipment	**1,371**	933
Investment, net of distributions, in Manoir Richelieu Limited Partnership and payments to partners	**(7,044)**	(5,743)
Cash flows used in investing activities	**(238,016)**	(210,710)
FINANCING ACTIVITIES		
Dividends paid	**(1,072,957)**	(1,182,940)
Net change in bank loans	**6,461**	24,506
Increase in long-term debt	**99,437**	64,600
Contributions to the Government of Québec (Note 10)	**(69,832)**	(69,460)
Fonds d'aide à l'action communautaire autonome (Note 9)		
Aide à l'action communautaire autonome	**(16,000)**	(15,630)
Aide à l'action humanitaire internationale	**(3,000)**	(2,889)
Cash flows used in financing activities	**(1,055,891)**	(1,181,813)
(Decrease) increase in cash and cash equivalents	**(28,684)**	15,113
Cash and cash equivalents, beginning of year	**116,694**	101,581
Cash and cash equivalents, end of year (Note 24)	**88,010**	116,694

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

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 statue (CQLR, chapter S-13.1), the functions of Loto-Québec are to conduct and administer lottery schemes and to operate businesses which are incidental to the operation of a State casino. Loto-Québec may also offer, for consideration, consulting and implementation services in matters within its competence. Under the *Income Tax Act*, (R.S.C. (1985), Ch. 1 (5th supplement)) and the *Taxation Act* (CQLR, chapter 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 an associate 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 4, 2014.

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 net defined benefit liability, which was measured at the present value of the defined benefit obligation, 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 23.

c) Functional currency and presentation currency

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

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.

NOTE 2
BASE OF PREPARATION (*continued*)

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

Internally generated intangible assets
Management must use significant judgment in determining whether application software is in the research or 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 cash outflows. Their estimated measurements are discussed in Note 18.

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 fiscal year. As at March 31, 2014, management ascertained that the useful lives represented the expected useful lives of the assets of Loto-Québec. The carrying amounts are analyzed in Notes 14 and 15.

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 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 assets subject to impairment are analyzed in Notes 13, 14 and 15.

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 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 23).

Net defined benefit and other long-term benefit liability
The net defined benefit and other long-term benefit liability is exposed to uncertainties, particularly with respect to estimating discount rates, inflation rates, rates of compensation increase and mortality rates, which can vary significantly in future valuations of Loto-Québec's defined benefit liabilities (Note 20).

NOTE 3
CHANGES IN ACCOUNTING POLICIES

a) New and amended standards

A number of new and amended standards are effective for annual periods beginning on or after January 1, 2013. Information on these new standards follows.

NOTE 3
CHANGES IN ACCOUNTING POLICIES (*continued*)

(i) Presentation of Financial Statements

In May 2012, the International Accounting Standards Board (IASB) issued amendments to IAS 1, *Presentation of Financial Statements*. The amendments set out additional disclosure requirements regarding comparative information, retrospective application of a restatement or reclassification and changes in accounting policies.

In June 2011, the IASB issued an amendment that requires other items of comprehensive income that may be reclassified to net income in subsequent periods to be grouped separately from items that will not be reclassified to net income in subsequent periods.

Loto-Québec has adopted those amendments for its fiscal year that began on April 1, 2013, and the required disclosures have been incorporated into the consolidated financial statements.

(ii) Employee Benefits

The 2011 amendments to IAS 19, *Employee Benefits*, resulted in a number of changes in the recognition of employee benefits, the most significant of which pertain to defined benefit plans. The changes:

- Eliminate the "corridor" approach and require the recognition of remeasurement of net defined benefit liability (including actuarial gains and losses) occurring during the year in other comprehensive income;
- Modify the measurement and presentation of certain defined benefit plan cost components. Net income is affected by the elimination of expected return on plan assets and components of financial costs, and their replacement by net interest income or expense calculated on the basis of the net defined benefit asset or liability;
- Enhance disclosure requirements, particularly with respect to the characteristics of defined benefit plans and the associated risks.

IAS 19 was amended again in November 2013 to clarify the recognition of contributions from employees or third parties to a define benefit plan and that are independent of the number of years of service. The amendments are effective for annual periods beginning on or after July 1, 2014 with early adoption permitted.

IAS 19 (revised in 2011 and 2013) has been adopted retroactively in accordance with the transitional provisions. Accordingly, Loto-Québec restated its comparative information and reported the cumulative effect as at April 1, 2012 as an adjustment to opening shareholder's equity.

The impact of the adoption of revised IAS 19 on the consolidated statements of financial position as at April 1, 2012 and March 31, 2013 is detailed as follows:

(*In thousands of Canadian dollars*)	**Net defined benefit and other long-term benefit liability**	**Shareholder's equity**
Balance reported as at April 1, 2012	5,181	90,394
Impact of IAS 19:		
– Recognized unamortized actuarial loss	22,511	(22,511)
Balance restated as at April 1, 2012	**27,692**	**67,883**

(*In thousands of Canadian dollars*)	**Net defined benefit and other long-term benefit liability**	**Shareholder's equity**
Balance reported as at March 31, 2013	8,295	90,394
Impact of IAS 19:		
– Recognized unamortized actuarial loss	22,511	(22,511)
– Increase in comprehensive income of the year	(12,701)	12,701
Balance restated as at March 31, 2013	**18,105**	**80,584**

NOTE 3
CHANGES IN ACCOUNTING POLICIES (*continued*)

The impact of the adoption of revised IAS 19 on the consolidated statement of comprehensive income for the year ended March 31, 2013 is detailed as follows:

(*In thousands of Canadian dollars*)	**Year ended March 31, 2013**
Increase in employee benefit expense	3,923
Decrease in net income of the year	**(3,923)**
Other comprehensive income:	
Increase due to remeasurement of net defined benefit liability	16,624
Increase in other comprehensive income	**16,624**
Increase in comprehensive income	**12,701**

The retrospective adoption of revised IAS 19 had no significant impact on the consolidated statement of cash flows for the year ended March 31, 2013.

(iii) Financial Instruments: Disclosures

In December 2011, the IASB issued an amendment to IFRS 7, *Financial Instruments: Disclosures*, requiring disclosures on all recognized financial instruments that are offset in accordance with IAS 32 or that are subject to enforceable master netting arrangements. Loto-Québec adopted this amendment retrospectively as of April 1, 2013. The required disclosures have been incorporated into the consolidated financial statements.

(iv) Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under current IFRS, consolidation is required when the entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation: Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. Loto-Québec adopted this new standard retrospectively as of April 1, 2013. There was no impact on the consolidated financial statements.

(v) Joint Arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*, which replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 focuses in particular on the rights and obligations of a joint arrangement rather than on its legal form, as was the case for IAS 31. The standard requires interests in joint ventures to be accounted for using the equity method. Prior to adopting this standard, Loto-Québec accounted for its interest in joint ventures using the equity method. Under the equity method, Loto-Québec's share of net assets and net income and other comprehensive income of joint ventures are presented as single line items in the consolidated statements of financial position and comprehensive income, respectively. Loto-Québec adopted this new standard retrospectively as of April 1, 2013. There was no impact on the consolidated financial statements.

(vi) Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 sets out disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and introduces additional disclosure requirements that address the nature of, and risks associated with, Loto-Québec's interests in other entities. Loto-Québec adopted this new standard retrospectively as of April 1, 2013. The required disclosures have been incorporated into the consolidated financial statements.

NOTE 3
CHANGES IN ACCOUNTING POLICIES (*continued*)

(vii) Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. IFRS 13 is a comprehensive standard for fair value measurements and disclosure requirements for use across all IFRS standards. The standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurements. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements which, in many cases, did not reflect a clear measurement basis or consistent disclosures. Management reviewed its valuation methodologies to meet the new requirements, adopted this new standard prospectively as of April 1, 2013 and determined that the adoption of this standard had no impact on the consolidated financial statements. The required disclosures have been incorporated into the consolidated financial statements.

(viii) Impairment of Assets

In May 2013, the IASB issued amendments to IAS 36, *Impairment of Assets*, requiring additional disclosures about the recoverable amount of impaired non-financial assets if that amount is based on fair value less costs to sell. These amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. Loto-Québec adopted these amendments as at April 1, 2013, with no impact on the consolidated financial statements.

b) New standards and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, new standards and amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been early adopted by Loto-Québec.

Management anticipates that all of the pronouncements will be adopted in Loto-Québec's accounting policies for the first annual period beginning after the effective date of each pronouncement. 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 are not expected to have a significant impact on Loto-Québec's financial statements.

IFRS 9, *Financial Instruments*

The IASB aims to replace IAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety with IFRS 9, *Financial Instruments*. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities as well as the chapter dealing with hedge accounting have been issued. The chapter dealing with impairment methodology is still being developed. In November 2011, the IASB decided to consider making limited amendments to the IFRS 9 financial asset classification model to address application issues. In addition, the IASB decided in November 2013 to defer the implementation of IFRS 9 to a date to be announced. Loto-Québec's management has yet to determine the impact of this new standard on its consolidated financial statements. Management does not expect to adopt IFRS 9 before the standard has been completed and the overall impact can be assessed.

Offsetting financial assets and financial liabilities (amendments to IAS 32)

The amendments to IAS 32, *Financial Instruments: Presentation*, aim to clarify certain aspects of the offsetting criteria. The amendments to IAS 32 clarify that an entity has a legally enforceable right of set-off when such right is not contingent on a future event and is legally enforceable both in the normal course of business and in an event of default. The amendments also make certain clarifications to determine when a settlement mechanism provides for net settlement or gross settlement where the outcome is equivalent to net settlement.

The amendments are effective for annual periods beginning on or after January 1, 2014 and are to be adopted retroactively. Loto-Québec's management is currently assessing the impact of adopting these amendments on the consolidated financial statements.

NOTE 3
CHANGES IN ACCOUNTING POLICIES (*continued*)

IFRIC 21, *Levies*
IFRIC 21, *Levies*, provides an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 establishes the criteria for the purposes of recognizing a liability; one criterion is that the entity must have a present obligation resulting from a past event (an obligating event). The interpretation specifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The interpretation provides guidance on how IAS 37 is to be applied. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. The adoption of this standard will have no significant impact on measurement and recognition of those elements.

NOTE 4
SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

(i) Subsidiaries
The subsidiaries are entities controlled by Loto-Québec. Controls exist when Loto-Québec is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over those subsidiaries. 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.
- Société des bingos du Québec inc.
- 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

(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 and 9064-1812 Québec inc. are joint ventures over whose activities Loto-Québec has joint control, established by contractual agreement requiring unanimous consent on strategic financial and operating decisions.

The associate and joint ventures are initially recognized at cost. After their initial recognition, 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 as of 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 investee.

(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.

NOTE 4
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

b) Foreign currencies

Transactions denominated in foreign currencies are initially recognized in the respective functional currencies of the Loto-Québec entities using the exchange rates in effect on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currency using 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 reported 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 or, in the case of betting lotteries, on the start date of the event.

Revenues from sales of instant lottery tickets are recognized at the time of sale to wholesalers.

Lottery tickets sold as at March 31 for draws or events 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 at the time of the draw.

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 recognized in income under Other expenses.
- For programs offering points exchangeable for goods and services only, each point accrued is recognized in Deferred revenues, with an offsetting entry in Other expenses. Free offers are available in the client's account for a six- to twelve-month period. Cancelled points are recognized in income under Other expenses.

e) Cost of sales

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

Commissions
Loto-Québec pays retailers a commission based on a percentage of lottery sales.

Loto-Québec pays bar and brasserie retailers a percentage of the revenues generated from video lottery terminals.

Commissions are recognized in the consolidated statement of comprehensive income in the period in which the sales are made by lottery retailers and bar and brasserie retailers.

NOTE 4
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

Defined contribution plan accounting is applied to the general and mandatory defined benefit plans, namely the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (RRPE), as Loto-Québec is not liable for obligations other than its contributions under these plans.

Contributions payable under those plans are recognized through net income in the years 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.

The net defined benefit liability recognized in the consolidated statement of financial position is equal to the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. Loto-Québec's net defined benefit liability is calculated separately for each plan. Actuarial valuations, for accounting purposes, are performed by an actuary at the end of each fiscal year.

The projected unit credit method is used to determine the present value of the defined benefit obligation, related current service cost and past service cost. This method is used to estimate the future benefits that employees have earned in return for their service in the current and prior fiscal years. These benefit amounts are discounted to determine their present value. The discount rate used represents the yields of high-quality corporate bonds rated AA or higher at the end of the reporting period that have maturities close to Loto-Québec's obligation and are denominated in the same currency as that in which the benefits will be paid.

Defined benefit expense consists of current service cost, past service cost, net interest on the net defined benefit liability and remeasurement of net defined benefit liability. Past service cost is recognized in net income in the fiscal year in which a plan amendment occurs. Net interest is determined by multiplying the net defined benefit liability by the discount rate. Current service cost, past service cost and net interest on the net defined benefit liability are recognized under Employee benefit expense in the consolidated statement of comprehensive income. Remeasurement of net defined liability, comprising actuarial gains and losses on the obligations, the effect of any change the asset ceiling and the return on plan assets (excluding net interest on the net defined liability), are recognized in other comprehensive income in the fiscal year in which they occur and are not subsequently reclassified to net income.

The net defined benefit liability recognized in the consolidated statement of financial position represents the funded status (deficit or surplus) of the defined benefit plans. Where the funded status is a surplus, the amount of the asset recognized is limited to the present value of any economic benefits (asset ceiling) available in the form of future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available for Loto-Québec if it can be realized during the life of the plan or when the plan liabilities are settled.

NOTE 4
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(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 benefit liability consists of the non-pension benefit obligation.

The projected unit credit method is used to determine the present value of the defined benefit obligation, related current service cost and past service cost. This method is used to estimate the future benefits that employees have earned in return for their service in the current and prior fiscal years. These benefit amounts are discounted to determine their present value. The discount rate used represents the yields of high-quality corporate bonds rated AA or higher at the end of the reporting period that have maturities close to Loto-Québec's obligation and are denominated in the same currency as that in which the benefits will be paid.

Service cost, net interest on the defined benefit liability and remeasurement of net defined benefit liability are recognized under Employee benefit expense in the consolidated statement of comprehensive income.

g) Commodity taxes

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

Under games of chance regulations regarding the Québec Sales Tax (the 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 activities. 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 net taxes attributable to non-gaming activities are calculated in the same way as for other entities subject to commodity taxes.

h) Financial income and financial expenses

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

Financial expenses include interest on bank loans and long-term debt, the effect of the unwinding of the discount on provisions, the net change in the fair value of derivative financial instruments and foreign exchange gains and losses on loans. 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.

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

i) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments include cash and cash equivalents, trade and other receivables, loans to entities accounted for using the equity method, financial assets related to life annuities, bank loans, dividends payable, accounts payable and accrued liabilities, winners' prizes payable, the due to Manoir Richelieu Limited Partnership, 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 settled, 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 subsequently measured at amortized cost using the effective interest method, less net impairment losses, in the consolidated statement of financial position. If objective evidence of impairment exists, loans and receivables are tested for impairment at least at each financial year-end (Note 4 o)). Interest income is recognized in Financial income in the consolidated statement of comprehensive income.

NOTE 4
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 as Loans and receivables.

Financial liabilities
Bank loans, dividends payable, accounts payable and accrued liabilities, winners' prizes payable, the due to Manoir Richelieu Limited Partnership, 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 forward contracts to cover its foreign currency risk exposures. These contracts are recognized at fair value and classified as Financial instruments at fair value through profit or loss. Foreign exchange forward contracts are not designated as part of a qualified hedging relationship and changes in their fair value are recognized immediately in net income under Other expenses.

(iii) Fair value
Loto-Québec classifies financial instruments recognized at fair value and financial instruments recognized at amortized cost for which fair value is reported using a three-level hierarchy based on the type of inputs used to develop these measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from 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 a valuation technique that makes maximum use of inputs observed from markets. These valuation techniques include using available information concerning recent market transactions, discounted cash flow analysis and valuation models.

When fair value is determined using valuation models, Loto-Québec uses assumptions regarding the amount and timing of estimated future cash flows and discount rates. Those assumptions are primarily based on external observable market inputs, including factors such as interest rates, credit spreads, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs 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 lease term. Related costs are recognized as an expense when incurred.

k) Cash and cash equivalents

Under Loto-Québec's policy, cash and cash equivalents include cash on hand at casinos and bank balances.

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 the estimated costs of completion and the estimated costs necessary to make the sale.

NOTE 4
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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 the acquisition of the asset. 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 by management and capitalized borrowing costs relating to qualifying assets.

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

Gains and losses on disposal of an item of property, plant and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the item and are recognized under Other expenses.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the item's carrying amount if it is probable that 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 part is derecognized. Day-to-day servicing and maintenance costs are recognized under Other expenses at the time they are incurred.

(iii) Depreciation

Depreciation is calculated using the cost of the asset less its residual value.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separated items of property, plant and equipment.

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

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

Depreciation is recognized on a straight-line basis over the estimated useful life of an asset commencing on the date 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.

NOTE 4
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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 project are recognized as intangible assets, provided that they meet the following criteria:

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

Development costs that do not meet capitalization criteria are recognized as an expense when incurred.

Internally generated intangible assets include development costs of internally developed or modified application software, 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 by management, 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 accounted for as separate items of intangible assets.

(ii) Subsequent costs

The cost of replacing a part of an acquired intangible asset is recognized in the asset's carrying amount if it is probable that future economic benefits associated with the asset will flow to Loto-Québec and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenses, such as expenditure on internally generated brands, are recognized in net income as incurred.

(iii) Amortization

Amortization is calculated using the cost of the asset less its residual value and is recognized on a straight-line basis over the estimated useful life of an intangible asset commencing on the date when it is available for use, at the following rates:

Computer 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 needed.

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 assessed at each 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.

NOTE 4
SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

Financial assets that are individually significant are tested for impairment separately. Other financial assets are assessed collectively in groups with shared credit risk characteristics.

All net impairment losses are recognized in net income under Other expenses.

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 measured at amortized cost, the reversal is recognized in net income under Other expenses.

(ii) Non-financial assets

The carrying amount of non-financial assets is reviewed at each reporting date for any evidence of impairment. If any such evidence 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.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. 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 the purpose 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 from other assets or groups of assets (CGUs).

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

All non-financial assets are subsequently remeasured for indication that an impairment loss previously recognized may no longer exist. An impairment loss may be reversed if the recoverable amount of an asset or a 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 resources embodying 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 effect of the unwinding of the discount is recognized under Financial expenses.

NOTE 5
REVENUES, COST OF SALES AND GROSS PROFIT

(*In thousands of Canadian dollars*)	2014					
Business segment	**Lotteries**	**Casinos**	**Video lotteries**	**Bingo**	**Elimination of intersegment transactions**	**Total**
Revenues						
Games	**1,773,636**	**718,172**	**940,682**	**36,894**	**–**	**3,469,384**
Restaurants	**–**	**63,035**	**–**	**–**	**(29,122)**	**33,913**
Accommodations	**–**	**15,787**	**–**	**–**	**–**	**15,787**
	1,773,636	**796,994**	**940,682**	**36,894**	**(29,122)**	**3,519,084**
Cost of sales						
Prizes awarded	**959,390**	**–**	**–**	**20,019**	**–**	**979,409**
Commissions	**122,254**	**3,783**	**200,325**	**3,821**	**–**	**330,183**
Printing	**26,507**	**–**	**891**	**1,057**	**(24)**	**28,431**
Food and beverages	**–**	**21,269**	**–**	**–**	**–**	**21,269**
	1,108,151	**25,052**	**201,216**	**24,897**	**(24)**	**1,359,292**
Gross profit	**665,485**	**771,942**	**739,466**	**11,997**	**(29,098)**	**2,159,792**

(*In thousands of Canadian dollars*)	2013					
Business segment	**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

NOTE 6
EMPLOYEE BENEFITS

(*In thousands of Canadian dollars*)	**2014**	**2013 Restated** (Note 3)
Short-term employee benefit	**396,178**	400,986
Post-employment and other long-term benefits	**32,764**	31,087
	428,942	432,073

NOTE 7
SPECIAL PAYMENTS

(*In thousands of Canadian dollars*)	**2014**	**2013**
Payments to the Government of Canada	**16,293**	16,048
Special commissions to non-profit organizations (NPOs)	**11**	7,337
Payments to participating NPOs	**4,150**	4,427
Payments to non-participating NPOs	**290**	330
	20,744	28,142

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 represented $69.9 million in today's dollars for the year ended March 31, 2014 ($69.1 million in 2013).

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 to NPOs

Loto-Québec terminated its Lotomatique subscription service on September 13, 2013. During the year ended March 31, 2013, of the 1,430 NPOs receiving a commission on subscription sales, 1,351 opted to receive financial compensation totalling $6.5 million and 79 elected to continue promoting online ticket sales and receive a commission on the purchases related to their NPO.

Payments to NPOs

Participating NPOs
As an agent of Loto-Québec, Société des bingos du Québec inc. awards the following amount to charitable or religious organizations that hold bingo licences: the higher of 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 the bingo, excluding payments to non-participating NPOs.

Non-participating NPOs
As an agent of Loto-Québec, 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 awarded to game winners to charitable or religious organizations that hold a bingo licence but do not participate in the bingo games of Société des bingos du Québec inc.

NOTE 8
NET FINANCIAL EXPENSES

(*In thousands of Canadian dollars*)	2014	2013
Interest income on loans to Casinos Développement Europe and its subsidiaries	**2,141**	1,583
Interest income – other	**1,195**	810
Total financial income	**3,336**	2,393
Interest expense on bank loans[1]	**4,830**	4,205
Interest expense on long-term debt	**12,831**	10,063
Loss (gain) on foreign exchange contracts	**2,752**	(281)
Foreign exchange (gain) loss on loans to Casinos Développement Europe and its subsidiaries	**(2,893)**	219
Total financial expenses	**17,520**	14,206
Net financial expenses recognized in income	**14,184**	11,813

[1] Includes $2.8 million ($0.7 million in 2013) with the Caisse de dépôt et placement du Québec and nil as at March 31, 2014 ($0.1 million in 2013) with the Fonds de financement du gouvernement du Québec.

NOTE 9
FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

For fiscal 2013-2014, the Government of Québec set at $19.0 million the amounts payable to the Fonds d'aide à l'action communautaire autonome. Under Loto-Québec's incorporating act, $16.0 million of those amounts were to be allocated to the Aide à l'action communautaire autonome and $3.0 million to the Aide à l'action communautaire internationale.

NOTE 10
CONTRIBUTIONS TO THE GOVERNMENT OF QUÉBEC

(*In thousands of Canadian dollars*)	2014	2013
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation	**6,132**	6,132
Ministère de la Santé et des Services sociaux	**52,000**	52,000
Ministère de la Sécurité publique	**3,000**	2,528
Ministère de la Culture et des Communications	**8,500**	8,500
Ministère des Finances	**200**	300
	69,832	69,460

The commitments related to these contributions are detailed in Note 22.

NOTE 11
TRADE AND OTHER RECEIVABLES

(*In thousands of Canadian dollars*)	**2014**	**2013**
Wholesaler agents	**32,429**	43,696
Retailers[1]	**25,029**	25,531
Miscellaneous	**24,231**	18,617
	81,689	87,844

[1] Under an agreement with its retailers, Loto-Québec has an enforceable legal right to offset accrued liabilities payable to a retailer by trade receivables from the retailer and intends to settle the amounts on a net basis. As at March 31, 2014, gross trade receivables and total accrued liabilities offset amounted to $35.4 million ($33.9 million in 2013) and $10.4 million ($8.4 million in 2013), respectively. The net settlement amount was $25.0 million ($25.5 million in 2013).

NOTE 12
FINANCIAL ASSETS AND LIABILITIES RELATED TO LIFE ANNUITIES

Loto-Québec offers a life annuity option 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 annuity 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 annuity. Amortization for the year was $0.4 million ($0.7 million in 2013) and is reported under Other expenses.

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

For the fiscal year, Loto-Québec made payments to a third party for life annuities totalling $5.5 million ($3.1 million in 2013).

NOTE 13
INTERESTS IN AND LOANS TO ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

(*In thousands of Canadian dollars*)	**2014**	**2013**
Interests	**26,953**	27,569
Loans	**25,485**	16,639
	52,438	44,208

NOTE 13

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*)	2014		2013	
	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	**65,695**	**7,310**	66,036	9,251
Total non-current assets	**89,869**	**94,750**	76,263	94,936
Total assets	**155,564**	**102,060**	142,299	104,187
Total current liabilities	**56,407**	**5,571**	51,735	3,946
Total non-current liabilities	**491,678**	**5,499**	415,807	5,072
Total liabilities	**548,085**	**11,070**	467,542	9,018
Revenues	**149,900**	**31,538**	142,781	30,057
Net income (loss) and comprehensive income (loss)	**(11,313)**	**(451)**	686	1,123
Carrying amount of the interest	**–**	**26,953**	–	27,569

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, in accounting for its interest using the equity method, Loto-Québec includes the results of these entities for the period from April 1 to March 31.

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., accounted for using the equity method, was $1.5 million for fiscal 2014 ($1.3 million in 2013). The share of net income in Manoir Richelieu Limited Partnership is $3.7 million ($5.7 million in 2013).

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 was nil as at March 31, 2013 and 2014. The share of unrecognized net loss for the year ended March 31, 2014 amounted to $3.5 million (net income of $0.5 million in 2013) for total unrecognized cumulative losses of $14.9 million (unrecognized cumulative losses of $11.4 million in 2013). The year-end of Casinos Développement Europe and its subsidiaries is October 31. However, in accounting for its interest using the equity method, Loto-Québec includes this entity's results available at the date of preparation of its consolidated financial statements, that is for the period from January 1 to December 31.

NOTE 13

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

Loans to entities

(*In thousands of Canadian dollars*)	2014	2013
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)	**15,091**	11,221
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on May 31, 2016 (€0.2 million)	**332**	263
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on April 30, 2017 (€2,0 million)[1]	**3,248**	2,647
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on June 20, 2018 (€0.8 million)[2]	**1,258**	–
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on November 20, 2018 (€1.9 million)[3]	**3,048**	–
Manoir Richelieu Limited Partnership		
Loan, without terms of repayment, bearing interest at a fixed rate of 5%, payable annually	**2,508**	2,508
	25,485	16,639

[1] On April 27, 2012, the shareholders contributed $6.5 million (€5.0 million) in the form of a loan. Loto-Québec's share was $3.2 million (€2.0 million).

[2] On June 20, 2013, the shareholders contributed $3.4 million (€2.2 million) in the form of a loan. Loto-Québec's share was $1.3 million (€0.8 million).

[3] On November 20, 2013, the shareholders contributed $8.5 million (€5.6 million) in the form of a loan. Loto-Québec's share was $3.0 million (€1.9 million).

The strengthening of the euro against the Canadian dollar during the year resulted in an increase of $2.9 million in the value of the loans (decrease in value of $0.2 million in 2013). This foreign exchange gain was offset by a loss on the foreign exchange forward contract denominated in euros of $2.8 million (gain of $0.3 million in 2013).

Management determined that no loans were impaired during the years ended March 31, 2014 and March 31, 2013.

NOTE 14
PROPERTY, PLANT AND EQUIPMENT

(*In thousands of Canadian dollars*)	Land	Buildings	Landscaping		Leasehold improvements	Equipment and other	Works of art	In progress[1]	Total
			Parking lots	Interior and exterior					
Cost									
Balance as at April 1, 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
Additions	**–**	**11,108**	**228**	**44,977**	**442**	**173,114**	**367**	**(23,177)**	**207,059**
Reclassifications between categories	**–**	**(38,764)**	**–**	**38,764**	**–**	**–**	**–**	**–**	**–**
Reclassifications									
In progress commissioned	**–**	**56,263**	**521**	**24,241**	**56**	**5,452**	**–**	**(86,533)**	**–**
Disposals	**–**	**(351)**	**(895)**	**(7,584)**	**(70)**	**(153,492)**	**–**	**–**	**(162,392)**
Balance as at March 31, 2014	**46,101**	**441,259**	**123,053**	**415,463**	**71,952**	**660,952**	**7,965**	**16,429**	**1,783,174**
Accumulated depreciation									
Balance as at April 1, 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
Depreciation for the year	**–**	**16,164**	**4,636**	**21,619**	**3,423**	**62,987**	**–**	**–**	**108,829**
Disposals	**–**	**(350)**	**(648)**	**(5,793)**	**(70)**	**(152,651)**	**–**	**–**	**(159,512)**
Balance as at March 31, 2014	**–**	**180,258**	**78,399**	**196,364**	**49,644**	**341,615**	**–**	**–**	**846,280**
Net carrying amounts									
As at March 31, 2013	46,101	248,559	48,788	134,527	25,233	204,599	7,598	126,139	841,544
As at March 31, 2014	**46,101**	**261,001**	**44,654**	**219,099**	**22,308**	**319,337**	**7,965**	**16,429**	**936,894**

[1] Property, plant and equipment in progress consist of equipment awaiting commissioning totalling $0.7 million ($40.1 million in 2013), buildings undergoing renovations amounting to $15.7 million ($5.3 million in 2013) as well as costs totalling $80.7 million in 2013 (nil in 2014) in relation to the Casino de Montréal modernization project.

[2] As at March 31, 2013, due to indications that the carrying amount may not be recoverable, Loto-Québec tested certain CGUs for impairment. As a result, a $14.0 million impairment loss allocated to property, plant and equipment and intangible assets was recognized. The recoverable amounts of CGUs tested for impairment were based on their value in use determined using a discount rate of 10%. Depreciation expense and net impairment losses were recognized under Depreciation, amortization and net impairment losses. Following a review for evidence of impairment as at March 31, 2014, management concluded that no write down was required.

NOTE 15
INTANGIBLE ASSETS

(*In thousands of Canadian dollars*)	Acquired	Internally generated		
	Software	IT development	IT projects under development	Total
Cost				
Balance as at April 1, 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
Additions	**606**	**6,456**	**4,314**	**11,376**
Reclassification of commissioned IT projects	**160**	**8,194**	**(8,354)**	**–**
Disposals	**(619)**	**(195)**	**–**	**(814)**
Balance as at March 31, 2014	**52,391**	**197,169**	**5,633**	**255,193**
Accumulated amortization				
Balance as at April 1, 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
Amortization for the year	**6,188**	**20,993**	**–**	**27,181**
Disposals	**(198)**	**(65)**	**–**	**(263)**
Balance as at March 31, 2014	**42,506**	**121,743**	**–**	**164,249**
Net carrying amounts				
As at March 31, 2013	15,728	81,899	9,673	107,300
As at March 31, 2014	**9,885**	**75,426**	**5,633**	**90,944**

NOTE 16
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 Minister of Finance in its capacity as manager of the Fonds de financement du gouvernement du Québec, 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 $462.9 million ($456.5 million in 2013), including $309.0 million ($185.0 million in 2013) from the Caisse de dépôt et placement du Québec. These loans carry interest at fixed rates ranging from 1.04% to 1.06% (1.05% to 1.70% in 2013).

NOTE 17
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(*In thousands of Canadian dollars*)	**2014**	**2013**
Accounts payable and accrued liabilities[1]	**103,516**	129,374
Lottery-winner prizes payable	**7,055**	16,425
Salaries and bonuses payable	**61,689**	71,240
Employee benefits payable	**2,070**	2,267
Manoir Richelieu Limited Partnership	**3,357**	5,773
GST	**3,793**	2,863
QST	**7,754**	5,698
	189,234	233,640

[1] Include accrued interest totalling $4.3 million ($3.7 million in 2013) payable to the Fonds de financement du gouvernement du Québec and $0.05 million ($0.03 million in 2013) payable to the Caisse de dépôt et placement du Québec.

NOTE 18
PROVISIONS

(*In thousands of Canadian dollars*)	
Balance as at April 1, 2012	66,233
Provisions made during the year	395,656
Provisions used during the year	(400,988)
Balance as at March 31, 2013	60,901
Provisions made during the year	**436,338**
Provisions used during the year	**(430,963)**
Balance as at March 31, 2014	**66,276**

Provisions consist of the following:

Provision for winning prizes
This provision is taken for prizes to be claimed on passive and instant lottery tickets and is determined by applying an assumed payout ratio to revenues less prize payouts. One year after the date the tickets were dispensed or the draw date, this provision is transferred to the provision for unclaimed prizes.

Provision for unclaimed prizes
This provision is taken for unclaimed prizes on all lottery products excluding countrywide games, which are used to award bonus prizes. Bonus prize payouts are established in accordance with Loto-Québec's marketing plan.

Provision for progressive jackpots
This provision is taken primarily for progressive jackpots of casino slot machines. The provision grows in accordance with the actual gaming activity of the progressive jackpot in question. The minimum payout is known. The provision expires when the jackpot is actually won, but that date is unknown.

NOTE 19
LONG-TERM DEBT

(*In thousands of Canadian dollars*)	**2014**	**2013**
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**	40,000
December 1, 2043, fixed rate of 3.753%	**25,000**	25,000
December 19, 2018, fixed rate of 2.171%	**50,000**	–
September 1, 2023, fixed rate of 3.3133%	**25,000**	–
December 1, 2033, fixed rate of 3.720%	**25,000**	–
	433,000	333,000
Transaction costs	**(1,329)**	(1,068)
	431,671	331,932
Less current portion	**(100,000)**	–
	331,671	331,932

NOTE 20
NET DEFINED BENEFIT AND OTHER LONG-TERM BENEFIT LIABILITY

General and mandatory plans

Employees of Loto-Québec, La Société des loteries vidéo du Québec inc., Société des bingos du Québec inc., Ingenio, filiale de Loto-Québec inc. and Technologies Nter, Limited Partnership are members of the RREGOP or the RRPE, both defined benefit plans that include guarantees upon retirement or death. Contributions to these general and mandatory plans amounting to $8.3 million ($7.5 million in 2013) were recognized as an expense in consolidated income for the year. The employer's obligations under these plans are limited to its employer contributions.

On January 1, 2014, the employee and employer contribution rate rose to 9.84% (9.18% in 2013) of assessable payroll for the RREGOP and to 14.38% (12.30% in 2013) for the RRPE. The additional amount of compensation payable by the employer increased to 11.46% (1.08% in 2013).

Loto-Québec's defined benefit plans

La Société des casinos du Québec inc. has 2 defined benefit pension plans, namely the Employee Pension Plan of La Société des casinos du Québec inc. (the Employee Plan) and the Executive Plan of La Société des casinos du Québec inc. (the Executive Plan). Membership in these plans is compulsory for all La Société des casinos du Québec inc. employees who meet the eligibility criteria. These plans 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 3 consecutive years for the Executive Plan. Benefits paid to pensioners are 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 deems that it should be higher 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*.

NOTE 20
NET DEFINED BENEFIT AND OTHER LONG-TERM BENEFIT LIABILITY (*continued*)

Plan assets are managed by pension funds legally separated from Loto-Québec. Pursuant to the articles of incorporation of the pension funds, pension committees must act in the best interest of plan members and are responsible for determining investment policies. The investment policies establish, in particular, a benchmark portfolio indicating the plans' target asset allocation between various investment classes, as well as the minimum and maximum thresholds. The manager is mandated to administer the funds entrusted to him or her by the pension committees, seeking optimal returns on their capital while adhering to the investment policies.

The most recent actuarial valuations for funding purposes of the Employee Plan and the Executive Plan were prepared as at December 31, 2012 and used as at March 31, 2014. The next valuations will be prepared as at December 31, 2013. The most recent actuarial valuation for funding purposes of the Supplementary Plan was prepared as at March 31, 2013 and used as at March 31, 2014. The next valuation will be prepared as at March 31, 2014.

The plans expose Loto-Québec to actuarial risks, such as interest rate risk, investment risk, longevity risk, average age at retirement risk, inflation risk and salary risk.

Interest rate risk
The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields on high-quality corporate bonds rated AA or higher. The estimated term of the high-quality corporate bonds is consistent with the estimated term of the defined benefit obligations. A decline in the market yields on high-quality corporate bonds would increase Loto-Québec's defined benefit obligations, but it is expected that it would be largely offset by an increase in the fair value of the plans' bond portfolio.

Investment risk
The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields on high-quality corporate bonds; if the return on plan assets falls below that rate, a deficit will be generated.

Plan assets as at March 31, 2014 consist primarily of Canadian and global equities, bonds and real estate. The fair value of plan assets is exposed to their respective markets and returns generated by their respective managers.

Longevity risk
The present value of the defined benefit obligation is determined by reference to the best estimate of the mortality of plan members both during and after employment. Loto-Québec is required to provide benefits throughout the plan member's lifetime. An increase in the life expectancy of plan members would increase the defined benefit obligation.

Average age at retirement risk
The present value of the defined benefit obligation is determined by reference to the expected age of plan members at retirement. As a result, any decline in the plan members' average age at retirement would increase the defined benefit obligation.

Inflation risk
A significant percentage of the defined benefit obligation is linked to inflation. A rise in the rate of inflation would increase Loto-Québec's defined benefit obligation. A portion of plan assets consists of inflation-linked debt securities which mitigates certain effects of inflation.

Salary risk
The present value of the defined benefit obligation is determined by reference to future salary increases of plan members. As a result, any rise in salary increases of plan members would increase the defined benefit obligation.

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

(*In thousands of Canadian dollars*)	**2014**	**2013**
Present value of unfunded obligations	**11,317**	11,485
Present value of funded obligations	**377,134**	333,996
Total present value of obligations	**388,451**	345,481
Fair value of plan assets	**369,202**	327,376
	19,249	18,105

NOTE 20

NET DEFINED BENEFIT AND OTHER LONG-TERM BENEFIT LIABILITY (*continued*)

Changes in the discounted value of the defined benefit obligation and the fair value of plan assets are as follows:

(*In thousands of Canadian dollars*)			2014	2013 Restated (Note 3)
	Pension plans	**Other long-term benefits**[1]	**Total**	**Total**
Defined benefit obligation				
Balance, beginning of year	**333,996**	**11,485**	**345,481**	290,799
Service costs rendered	**22,019**	**–**	**22,019**	20,542
Interest expense	**16,469**	**–**	**16,469**	14,168
Employee contributions	**16,943**	**–**	**16,943**	16,221
Benefits paid	**(5,688)**	**–**	**(5,688)**	(4,278)
Net transfer amount	**–**	**–**	**–**	4,758
Actuarial (gains) losses	**(6,605)**	**(168)**	**(6,773)**	3,271
Balance, end of year	**377,134**	**11,317**	**388,451**	345,481
Fair value of plan assets				
Balance, beginning of year	**327,376**	**–**	**327,376**	263,107
Interest income	**15,261**	**–**	**15,261**	12,470
Return on plan assets in excess of interest income	**(4,766)**	**–**	**(4,766)**	18,514
Employer contributions	**21,276**	**–**	**21,276**	17,398
Employee contributions	**16,943**	**–**	**16,943**	16,221
Benefits paid	**(5,688)**	**–**	**(5,688)**	(4,278)
Net transfer amount	**–**	**–**	**–**	4,996
Plan administration expenses	**(1,200)**	**–**	**(1,200)**	(1,052)
Balance, end of year	**369,202**	**–**	**369,202**	327,376
Net defined benefit and other long-term benefit liability	**7,932**	**11,317**	**19,249**	18,105

[1] The defined benefit obligation for other long-term benefits was $11.5 million as at March 31, 2013.

The allocation of the fair value of pension plan assets as at March 31 was as follows:

(*In thousands of Canadian dollars*)	2014		2013	
	Allocation %	**Fair value $**	**Allocation %**	**Fair value $**
Cash	**1.4%**	**5,320**	1.2%	3,848
Bonds	**58.9%**	**217,378**	58.6%	191,782
Canadian equities	**10.1%**	**37,286**	11.6%	38,058
International equities	**23.9%**	**88,101**	27.0%	88,408
Real estate funds	**5.7%**	**21,117**	1.6%	5,280

The fair value of all investments is derived from inputs that can be corroborated by observable market data for the full term of the assets, except for cash, whose fair value is derived from unadjusted quoted prices in active markets.

NOTE 20

NET DEFINED BENEFIT AND OTHER LONG-TERM BENEFIT LIABILITY (*continued*)

Defined benefit expense recognized in the consolidated statement of comprehensive income under Employee benefits is detailed as follows:

(*In thousands of Canadian dollars*)			2014	2013 Restated (Note 3)
	Pension plans	Other long-term benefits	Total	Total
Service costs rendered	**22,019**	–	**22,019**	20,542
Net interest expense	**1,208**	–	**1,208**	1,698
Plan administration expenses	**1,250**	–	**1,250**	1,250
Actuarial (gains) losses related to other long-term benefits	–	**(168)**	**(168)**	945
Post-employment and other long-term benefits	**24,477**	**(168)**	**24,309**	24,435

Loto-Québec's defined benefit amounts recognized in other comprehensive income are detailed as follows:

(*In thousands of Canadian dollars*)	2014	2013 Restated (*note 3*)
Actuarial losses arising from changes in demographic assumptions	**(13,576)**	–
Actuarial gains (losses) arising from changes in financial assumptions	**23,572**	(3,904)
Actuarial gains (losses) arising from plan experience	**(3,391)**	1,816
Return on plan assets in excess of interest income	**(4,716)**	18,712
Remeasurement of net defined benefit liability	**1,889**	16,624

Actuarial assumptions:

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

	2014		2013	
	Pension plans	Other long-term benefits	Pension plans	Other long-term benefits
Defined benefit obligation as at March 31				
Discount rate	**4.70%**	**3.90%**	4.45%	3.65%
Inflation rate	**2.25%**	**2.25%**	2.25%	2.25%
Rate of compensation increase	**3.25%**	**3.25%**	3.25%	3.25%

For defined benefit costs for the years ended March 31, 2014 and March 31, 2013, as well as for the defined benefit obligation as at March 31, 2013, the mortality assumptions are based on the generational mortality table UP94G and AA improvement scale. For the defined benefit obligation as at March 31, 2014, the mortality assumptions are based on 120% for male Employee Plan members, 100% for female Employee Plan members, 100% for male Executive Plan and Supplementary Plan members, and 95% for female Executive Plan and Supplementary Plan members of the mortality rates derived from the Canadian pensioners' mortality (CPM) Public Sector Mortality Table (CPM2014Publ) and the CPM Improvement Scale B (CPM B).

Accordingly, on those bases, the average life expectancy at 65 as at December 31, 2013 was 21.3 years for male and 24.5 years for female Employee Plan members and 22.6 years for male and 24.9 years for female of Executive Plan and Supplementary Plan members.

NOTE 20

NET DEFINED BENEFIT AND OTHER LONG-TERM BENEFIT LIABILITY (*continued*)

Significant actuarial assumptions used in determining the defined benefit obligation consist of the discount rate, inflation rate, rate of compensation increase and mortality rates. The calculation of the defined benefit obligation is sensitive to those assumptions. The impact of changes in those actuarial assumptions on the defined benefit obligation as at March 31, 2014 is detailed in the following table:

Changes in significant actuarial assumptions
(*In thousands of Canadian dollars*)

Discount rate	**Increase to 5.70%**	**Decrease to 3.70%**
(Decrease) increase in defined benefit obligation	(66,027)	80,181

Inflation rate	**Increase to 3.25%**	**Decrease to 1.25%**
Increase (decrease) in defined benefit obligation	18,369	(17,494)

Rate of compensation increase	**Increase to 4.25%**	**Decrease to 2.25%**
Increase (decrease) in defined benefit obligation	4,569	(4,534)

Mortality rate	**Increase of 10%**	**Decrease of 10%**
(Decrease) increase in defined benefit obligation	(4,043)	4,397

In the sensitivity analyses, the present value of the defined benefit obligation is calculated using the projected unit credit method, which is the same method that is applied in calculating the defined benefit obligation recognized in the consolidated statement of financial position. The sensitivity analyses are based on the change in a single assumption. The analysis may not be representative of the actual change in the defined benefit obligation, as it is unlikely that the change in assumptions would occur in isolation of one another, as some assumptions may be correlated.

The Employee Plan and Executive Plan are funded in accordance with applicable legislation, and their assets are held by an independent trust. The Supplementary Plan is funded as required by plan rules. The financing requirements are determined using the most recent actuarial valuation of those plans.

Based on the result of the most recent actuarial valuation of each of those plans, Loto-Québec expects to make contributions totalling $20.2 million during the next fiscal year.

The weighted average duration of the defined benefit obligation as at March 31, 2014 was 22.4 years (23.8 years as at March 31, 2013).

NOTE 21
CAPITAL DISCLOSURES

Loto-Québec defines its capital as follows:

(*In thousands of Canadian dollars*)	**2014**	**2013 Restated** (Note 3)
Share capital	**170**	170
Retained earnings	**86,300**	86,301
	86,470	86,471

Under the *Act Respecting the Société des loteries du Québec*, dividends are set by the Québec Minister of Finance, who determines the payment terms. Dividends declared are deducted from shareholder's equity and are equivalent to net income of the year less amounts payable to the Fonds d'aide à l'action communautaire autonome and contributions to the Government of Québec.

During the year, Loto-Québec met those capital requirements.

Loto-Québec manages its capital 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, 2013.

NOTE 22
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 those claims and lawsuits. Loto-Québec has not recorded a provision for those contingent liabilities because management considers that any potential settlement resulting from such 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, those 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	33,904
1 to 5 years	99,484
More than 5 years	28,428
	161,816

NOTE 22
CONTINGENT LIABILITIES AND COMMITMENTS (*continued*)

Fonds d'aide à l'action communautaire autonome

For fiscal 2014-2015, the Government of Québec set at $19.4 million the amounts payable to the Fonds d'aide à l'action communautaire autonome. Under Loto-Québec's incorporating act, $16.3 million of those amounts are to be allocated to independent community action and $3.1 million to international humanitarian action.

Contributions to 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 fund prevention measures, treatment services, research programs and awareness campaigns to help compulsive gamblers.

Loto-Québec is further committed to the MSSS to make an annual contribution of $30.0 million into a specified purpose account of the Government of Québec to fund assistance and support services for elderly with diminishing autonomy who live on their own or in residential and long-term 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 total amount.

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 fund intensive control measures and activities that will be implemented by the Régie des alcools, des courses et des jeux to, among other things, 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 its total amount.

NOTE 23
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.

a) 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. 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 the credit quality of all of the above financial assets, which are not impaired or past due as at each annual reporting date, that is March 31, to be sound.

Except for the credit risk related to the loans to Casinos Développement Europe and its subsidiaries presented in Note 13, management considers that Loto-Québec has no other significant exposure to credit risk. Past due accounts represented less than 1% of accounts receivable in 2014 and 2013.

NOTE 23
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (*continued*)

b) Liquidity risk

Liquidity risk is the risk that Loto-Québec will be unable to meet its financial obligations as they fall due. Loto-Québec manages liquidity risk by monitoring its operating requirements and using its 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 were as follows:

(*In thousands of Canadian dollars*)	2014					
				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	**462,936**	**463,115**	**463,115**	**–**	**–**	**–**
Dividends payable	**15,314**	**15,314**	**15,314**	**–**	**–**	**–**
Accounts payable and accrued liabilities	**103,516**	**103,516**	**103,516**	**–**	**–**	**–**
Manoir Richelieu Limited Partnership	**3,357**	**3,357**	**3,357**	**–**	**–**	**–**
Lottery-winner prizes payable	**7,055**	**7,055**	**7,055**	**–**	**–**	**–**
Long-term debt	**431,671**	**521,190**	**112,968**	**86,004**	**159,354**	**162,864**
	1,023,849	**1,113,547**	**705,325**	**86,004**	**159,354**	**162,864**

(*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	–	–	–
Manoir Richelieu Limited Partnership	5,773	5,773	5,773	–	–	–
Lottery-winner prizes payable	16,425	16,425	16,425	–	–	–
Long-term debt	331,932	401,326	10,970	110,334	181,445	98,577
	972,936	1,043,929	653,573	110,334	181,445	98,577

Loto-Québec considers that it has sufficient assets readily convertible to cash and sufficient credit facilities to ensure it has the necessary funds to meet its current and non-current financial needs at a reasonable cost as they arise.

NOTE 23
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (*continued*)

c) 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 loans denominated in euros in Casinos Développement Europe and its subsidiaries, with a carrying amount of $23.0 million (€15.1 million) as at March 31, 2014 ($14.1 million (€10.8 million) in 2013). On March 31, 2013, Loto-Québec entered into a foreign exchange forward contract denominated in euros amounting to $16.1 million (€12.3 million) maturing on March 31, 2014. This forward contract was purchased as a hedge against any future changes in the exchange rate with respect to those loans. A similar hedge maturing on March 31, 2015 for an amount of $28.6 million (€18.8 million) was renewed.

Moreover, 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 has no significant influence on Loto-Québec's results and financial position.

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

Interest risk

Interest risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Loans, long-term debt and bank loans have fixed interest rates. Loto-Québec considers its exposure to interest rate risk from the loans and long-term debt to be minimal, as it has no intention to call or repay them prior to maturity.

In addition, bank loans are taken out to meet temporary liquidity needs for a period of less than 365 days from financial institutions or the Minister of Finance in its capacity as manager of the Fonds de financement du gouvernement du Québec. These loans are managed so as to reduce the cash flow risk related to the interest paid.

NOTE 23
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (*continued*)

d) Fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of Loto-Québec's other financial instruments is detailed as follows:

(*In thousands of Canadian dollars*)	2014		2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets related to life annuities (Level 2)	**68,788**	**82,519**	63,697	85,207
Loans to Casinos Développement Europe and its subsidiaries and Manoir Richelieu Limited Partnership (Level 2)	**25,485**	**25,485**	16,639	16,639
Loans and receivables	**94,273**	**108,004**	80,336	101,846
Financial liabilities related to life annuities (Level 2)	**68,788**	**82,519**	63,697	85,207
Long-term debt (Level 2)	**431,671**	**446,806**	331,932	353,536
Non-derivative financial liabilities	**500,459**	**529,325**	395,629	438,743

As at March 31, 2014 and 2013, Loto-Québec held no Level 3 financial instruments recognized at fair value.

Loans and receivables

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

Derivatives

The fair value of the foreign exchange forward contract is based on market prices, where available. Where market prices do not exist, fair value is estimated using the difference between the contractual forward price and the current forward price for the contract's remaining term to maturity, using a risk free interest rate (based on government bonds). Credit risk is factored into the calculation of fair value.

The fair value of the foreign exchange contract as at March 31, 2014 was 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.

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 year-end.

NOTE 24
CONSOLIDATED CASH FLOWS

(*In thousands of Canadian dollars*)	2014	2013
Cash and cash equivalents, end of year		
Cash on hand – Casinos	**57,896**	72,041
Cash	**30,114**	44,653
	88,010	116,694
Net change in non-cash items related to operating activities		
Trade and other receivables	**6,155**	(15,957)
Inventories	**803**	224
Prepaid expenses	**2,349**	(2,285)
Financial assets related to life annuities	**(5,091)**	(2,352)
Accounts payable and accrued liabilities	**(31,350)**	26,209
Financial liabilities related to life annuities	**5,091**	2,352
Provisions	**5,375**	(5,332)
Deferred revenues	**(3,325)**	(3,126)
	(19,993)	(267)
Additional information		
Additions to property, plant and equipment funded by account payable and accrued liabilities	**23,774**	33,013
Additions to intangible assets funded by accounts payable and accrued liabilities	**1,496**	2,352
Partners' share of Manoir Richelieu Limited Partnership included in accounts payable and accrued liabilities	**3,357**	5,773

NOTE 25
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 by the Government of Québec. Except for transactions disclosed in the financial statements that were initially recognized at fair value, no individually or collectively significant transactions have been entered into by Loto-Québec with those 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 typically provides other short-term benefits to officers and contributes on their behalf to post-employment benefit plans, such as pension plans and other long-term benefits. Key management personnel received the following compensation:

(*In thousands of Canadian dollars*)	2014	2013
Short-term employee benefits	**2,767**	2,749
Post-employment and other long-term benefits	**427**	323
	3,194	3,072

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 with commercial vocations 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 2013-2014, Loto-Québec achieved savings of 127.5 million dollars through efforts to reduce spending and increase productivity, compared to 79.2 million dollars in 2012-2013. The Corporation's contribution since fiscal 2010-2011 totalled 264.6 million dollars against the objective of 120.0 million dollars for 2013-2014.

ACT'S PROVISIONS

The Act dictated a reduction of administrative operating expenses by at least 10% by the end of fiscal 2013-2014 compared to 2009-2010 figures. In fact, Loto-Québec reduced these expenses by 36%, exceeding the objective by 26%.

Additionally, the Act required overall cuts of 25% in advertising, training and travel expenses within the 10% reduction of administrative operating expenses, starting with fiscal 2010-2011. Loto-Québec exceeded this figure by 11%, reducing these types of expenses by 36%. In 2011-2012, the reduction was 35%, 10% above the objective, while in fiscal 2012-2013, these expenses were lowered by 49%, which exceeded the objective by 24%. In fiscal 2013-2014, advertising, training and travel expenses were decreased by 40% compared to 2009-2010, which was 15% more than the objective.

For that same period, the Corporation also reduced its other administrative operating expenses by 35%, notably by lowering its public relations and business expenses, fees paid to external consultants, promotional expenses and head office refurbishing costs.

ADDITIONAL EFFORTS REQUESTED 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 114.3 million dollars during 2013-2014. 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 net income of the Corporation by 80.4 million dollars: 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, 2013 to March 31, 2014, were increased by 1.75%. Over the same period of time, no performance bonuses were paid out to Loto-Québec staff, since the Corporation did not reach the financial trigger point that was stipulated in the incentive remuneration program.

MEASURE TO ASSESS EFFICIENCY AND PERFORMANCE

BENCHMARKING

As provided in the *Act Respecting the Governance of State-Owned Enterprises* (the Act), Loto-Québec carries out annual efficiency and performance assessments. These include benchmarking against similar enterprises in the games of chance industry. As for the 2010-2013 Strategic Plan, efficiency and performance indicators were renewed for 1 year. For the last benchmarking exercise, held on March 31, 2010 by SECOR, the following 8 Canadian public corporations 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. Taking account of the specific features of each organization's offering of games and differences among their respective business models, SECOR concluded that Loto-Québec's level of performance was comparable to that of similar Canadian corporations, taking all of the Corporation's strategic orientations into account.

To this effect, and as set out in the Act, Loto-Québec worked in close collaboration with the Auditor General of Québec and its representative (Deloitte) in fiscal 2013-2014 for the audit of its approach and the data that would be used for the next strategic plan. Some performance indicators were adjusted in the light of updated findings on the evolution of the games of chance market in Québec and the rest of Canada.

LAST YEAR'S RESULTS AND FINDINGS

The analysis of the benchmarking exercise, which was based on the most recent publicly available information from the other Canadian lottery corporations, found that Loto-Québec had maintained a performance level that was comparable to its peers. However, the troubling phenomenon of diminishing individual expenses on games of chance throughout the western world has been affecting the entire industry for the last few years. All actors in the industry need to address this structural issue, which the current problem of national economic slowdown only makes worse.

In fiscal 2013-2014, lottery purchases remained relatively stable in the adult population (66%, -1% compared to 2012-2013), but were slightly lower among adults in the 18-34 age segment (52%, -3% compared to 2012-2013). These results were considerably higher than the respective targets that were set for these 2 groups – 40% and 25%. The level of lottery-product customer satisfaction in the adult population reached 89%, exceeding the target, which was 75%. The operational profit margin in the lottery sector for fiscal 2013-2014 was 26.0%, 1.4% less than for 2012-2013.

The Société des loteries vidéo du Québec ensures that the geographic distribution of video lottery terminals in the province is rigorously monitored. Québec continues to have the lowest average ratio in Canada of these terminals per 1,000 residents. Nearly 6,000 training courses on responsible commercialization have been taken by retailers over the last 4 years. The uncertainty related to the relocation of the Québec City gaming hall and constantly rising expectations in regard to gaming halls resulted in the target customer satisfaction level not being achieved.

One of the major objectives of the Société des casinos du Québec (SCQ) was the modernization of the Casino de Montréal. The project came in on time and on budget. In 2013-2014, a record 128 new games were certified, enabling the SCQ to offer a broader choice to its customers. The percentage of casino employees that completed training courses by the target deadline exceeded the yearly objective. Customer satisfaction reached its highest level in recent years.

With respect to Casino Mundial, JOAGROUPE Holding Inc. net revenues and operational income as at October 31, 2013 declined from the preceding year. It is important to mention that the economic environment remains bleak in France, which incidentally affects all French casinos. Because of this context, it has proven impossible to reflate the activities of JOAGROUPE Holding Inc. December 2015 has been set as a target for return on the investment.

In spite of a greater number of Kinzo halls, the Société des bingos du Québec was unable to reach its target of 10 million dollars in annual payments to non-profit organizations. Its contribution dropped from 4.86 million dollars in the preceding year to 4.58 million dollars in fiscal 2013-2014, which was especially due to the persistent decline of the industry. However, customer satisfaction levels remained high for all products.

Loto-Québec's World Lottery Association Level 4 Certification for responsible gambling – the highest level awarded – was renewed in 2012, confirming the Corporation's responsible gambling efforts. Loto-Québec will apply to have this recognition again renewed next year. The Corporation also continued to move forward with its sustainable development measures, which are supported by an action plan and specific indicators.

FOLLOW-UP ON THE ACTIONS OUTLINED IN THE 2013-2015 SUSTAINABLE DEVELOPMENT ACTION PLAN

FISCAL 2013-2014

In March 2013, Loto-Québec unveiled its 2013-2015 Sustainable Development Action Plan, which renewed the 2008-2013 plan with some changes while awaiting the Government Sustainable Development Strategy 2015-2020 to be tabled. As provided in the *Sustainable Development Act*, Loto-Québec reports on its activities undertaken in fiscal 2013-2014 in this section, for each of the 12 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

Foster the incorporation of sustainable development principles into the mindsets of employees, with a view to managing change

ACTION	MEASURES	STATUS
Implement activities that contribute to employee awareness of sustainable development	– Conduct forums and presentations on sustainable development	Ongoing
	– Organize thematic campaigns and events on subjects related to the Corporation's sustainable development activities	Ongoing
	– Broadcast short informational features on sustainable development	Ongoing

INDICATOR

– Percentage of employees reached by sustainable development awareness activities

TARGET

– 80% of employees by 2015

RESULTS OF THE YEAR

– The government's target was reached in 2011.
– Questions asked during the February 2013 mobilization survey about the Corporation's main sustainable development issue – responsible gambling – found that 81% of employees were committed to responsible gambling and that 82% considered that the training provided to them by the Corporation was sufficient for them to play their appropriate role in this area.
– Various activities, campaigns, theme days and tools were put in place to pursue the Corporation's awareness efforts. These included a campaign about secure eco-printing, the recovery of electronic and electric waste for Earth Day, talks on composting, free bicycle check-ups and tune-ups, reduced fees for BIXI subscriptions, distribution of baskets of organic vegetables, promotion of the In Town Without My Car! day and promotion of Québec's Waste Reduction Week.

ADDITIONAL INFORMATION

Secure eco-printing was implemented by the Corporation in April 2013. This new method saves paper while ensuring increased communications security. Its aim is to reduce the environmental footprint (paper, ink and energy), improve control over confidentiality of printed documents, reduce digitization time, achieve greater print task flexibility and contribute to the Corporation's sustainable development approach.

In the summer of 2013 and in cooperation with Équiterre, Loto-Québec became a partner in the Community Supported Agriculture network and offered its employees the possibility of purchasing organically grown local vegetables. This experience will be renewed in 2014.

ACTION 2

ORGANIZATIONAL OBJECTIVE

Foster the incorporation of sustainable development principles into the mindsets of employees, with a view to managing change

ACTION	MEASURES	STATUS
Implement training initiatives that contribute to the incorporation of sustainable development into the Corporation's activities	– Develop a sustainable development training program	Initiated
	– Train employees in targeted sectors on various 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

– 60% of employees in the targeted sectors having acquired sufficient knowledge of the concept to take it into account while carrying out their regular activities, by 2015

RESULTS OF THE YEAR

– An initial sustainable development online training program was put in place in July 2011, making it possible to reach 222 of 401 targeted persons (55.4%) by March 31, 2013. The training program was updated in 2013-2014 and will be re-run during 2014 in order to reach all targeted persons.
– In addition, 30 people received training on how to hold ecoresponsible events.

ADDITIONAL INFORMATION

Intented for the Corporation's managers, this online 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 all of the Corporation's initiatives and particularly in cross-sectional ones like 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 administrative performance indicators and the status of the 2013-2015 Sustainable Development Action Plan	Ongoing
	– Periodically distribute Loto-Québec's report on societal responsibility	Ongoing
	– Present the sustainable development initiative and its accomplishments on the corporate web site, in specialized publications, and by way of various forums	Ongoing

INDICATOR

– External stakeholders reached with outreach activities related to sustainable development

TARGET

– Participation in at least 3 outreach activities each year (presentations, publications, partnerships, etc.)

RESULTS OF THE YEAR

During 2013-2014, 12 outreach activities took place:

– 5 presentations on Loto-Québec's sustainable development initiative in 3 Québec universities
– A presentation to the Conseil patronal de l'environnement du Québec
– Interview for the launch of the *Novae* magazine
– Presentations for the World Lottery Association and Asia Pacific Lottery Association
– Presentation at the Network for Business Sustainability
– Activity held at the Jeune Chambre de commerce de Montréal
– Presentation at the Sommet des gestionnaires en développement durable, organized by *Les Affaires*

ADDITIONAL INFORMATION

In April 2013, the World Lottery Association and Asia Pacific Lottery Association invited Loto-Québec to give a presentation at their Siem Reap seminar in Cambodia due to the Corporation's leading responsible commercialization position, worldwide. During the event, Loto-Québec presented its initiatives in the areas of societal responsibility, responsible gambling and the use of social media.

In addition, Loto-Québec presented its integrated approach to societal responsibility and innovative approach to online training at the Sommet des gestionnaires en développement durable, which was organized by *Les Affaires*.

ACTION 4

ORGANIZATIONAL OBJECTIVE

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

ACTION	MEASURE	STATUS
Contribute to improving the responsible management of organizations by sharing the Corporation's experience	– Participate in working groups in order to contribute to the progress of sustainable development within various organizations in Québec	Ongoing

INDICATOR

– Projects in which the Corporation participates

TARGET

– Participation in at least 1 external sustainable development working group

RESULTS OF THE YEAR

– In addition to its usual participation in the meetings (3) of the Comité interministériel du développement durable, Loto-Québec took part in 10 meetings of the Groupe de travail interministériel sur la révision de la Stratégie gouvernementale de Développement durable since it began sitting.

– Loto-Québec continues its collaboration with Espace québécois de concertation sur les pratiques d'approvisionnement responsable. The Corporation participated in 7 different activities of the association during the year.

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

Strike a fair balance between a responsible approach and dynamic business management

ACTION	MEASURES	STATUS
Optimize integration of responsible gambling throughout the organization	– Consolidate the position of the Vice President's Office on Responsible Gambling	Initiated
	– Sensitize players and the general public about responsible gambling behaviour	Ongoing
	– Implant responsible gambling in the organizational culture	Ongoing
	– Map processes related to responsible gambling	Initiated
	– Optimize the Corporation's responsible gambling practices by means of continuous improvement steps	Initiated

INDICATORS

- Scope of awareness campaigns
- Percentage of employees sensitized
- Proportion of programs evaluated

TARGETS

- Awareness campaign targets
- 100% of employees sensitized
- To be defined following mapping

RESULTS OF THE YEAR

- Surveys confirm that 62% of Quebecers saw at least 1 element of the Loto-Québec awareness campaign on responsible gambling that ran from January 27 through March 2, 2014, compared to 47% for the 2013 campaign – an increase of 15%.
- As at April 15, 2014, 92.8% of the Corporation's active and inactive employees had completed Level 1 of the awareness workshop on problem gambling.

ADDITIONAL INFORMATION

Loto-Québec's 1st responsible gambling awareness campaign was awarded 2 prizes by the North American Association of State and Provincial Lotteries, whose membership includes both Canadian and U.S. lottery corporations.

For the 2nd campaign, additional efforts were made to reach and sensitize a greater number of Quebecers by means of advertisements in 2 additional newspapers (*La Presse+* and *Métro*).

New training monitoring and assessment tools are currently being developed. Statistical information compilation methods are also being evaluated.

ACTION 6

ORGANIZATIONAL OBJECTIVE

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

ACTION	MEASURES	STATUS
Manage the Corporation's health promotion programs with a view to continuous improvement	– Continue to implement various health promotion programs and services among employees	Ongoing
	– Prepare an inventory of the various health promotion services available to the Corporation's employees	Completed
	– Target improvements to be made to various initiatives in order to optimize the offering of health promotion services	To be implemented

INDICATOR

– Across-the-board profile of health promotion services

TARGET

– Report on the Corporation's health promotion services and avenues of improvement in order to optimize the offering of services

RESULTS OF THE YEAR

– The various health and wellness promotion programs and services provided to employees were inventoried and the report was delivered to Human Resources in May 2014.

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 administrative measures of the policy for an ecoresponsible government within the Corporation

ACTION	MEASURES	STATUS
Implement practices and activities that contribute to meeting the provisions of the policy for an ecoresponsible government *Continue the responsible procurement initiative*	– Extend the sustainable development principles integration measures to the procurement process	Ongoing
	– Encourage the use of decision-making tools by procurement agents and internal clients	Ongoing
	– Accentuate cooperation with suppliers in order to improve the Corporation's responsible procurement performance	Ongoing
	– Update the responsible procurement plan	Initiated

INDICATOR

– Proportion of product calls for tender evaluated, excluding tenders for food products and services, in order to assess the feasibility of incorporating responsible procurement criteria

TARGET

– 100% of calls for tender evaluated to assess the feasibility of incorporating responsible procurement criteria

RESULTS OF THE YEAR

– During the year, 84 calls for tender corresponding to the assessment criteria were sent out. Among them, 78 (92.9%) were evaluated as to the possibility of incorporating responsible procurement criteria.

ADDITIONAL INFORMATION

All construction-related files incorporate sustainable development clauses agreed to by the division handling corporate real estate operations.

ACTION 7.2

ORGANIZATIONAL OBJECTIVE

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

ACTION	MEASURES	STATUS
Implement practices and activities that contribute to meeting the provisions of the policy for an ecoresponsible government *Manage the Corporation's environmental infrastructure management system with a view to continuous improvement*	– Maintain and update the certifications related to the various building environmental management programs, for all assets	Ongoing
	– Update the Corporation's real estate energy performance profile and identify potential areas for improvement	Ongoing
	– Update the Corporation's performance profile in the area of residual materials management and identify potential areas for improvement	Ongoing
	– Complete the plans for modernizing the Casino du Lac-Leamy, the Centre informatique Pierre-De Coubertin and the Corporation's Québec City office while improving building environmental performance	Ongoing

INDICATORS

- Evolution of the certification profile for all establishments certified as at April 1, 2013
- Number of buildings with energy audits performed between April 1, 2013 and March 31, 2015
- Number of buildings with a residual materials characterization performed between April 1, 2013 and March 31, 2015
- Modernization project progress for the buildings in question

TARGETS

- Maintain current certifications received for all buildings
- Perform an energy audit on all establishments certified BOMA BESt
- Perform a residual materials characterization on all establishments certified BOMA BESt
- Meet deadlines

RESULTS OF THE YEAR

- No certifications expired during the 2013-2014 fiscal year. The majority of energy audits and residual materials characterizations will take place in the fall of 2014, except at the Casino du Lac-Leamy and Hilton Lac-Leamy, where audits will take place sooner. As certification renewal for these establishments is set for November 2014, the audits and characterizations need to be completed by then.

ACTION 7.3

ORGANIZATIONAL OBJECTIVE

Assure the application of the administrative 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	– Set up a working group tasked with reducing energy consumption and optimizing the Corporation's operational energy consumption	To be implemented
	– Prepare a profile of the Corporation's greenhouse gas (GHG) emissions	Initiated
Consolidate information related to Loto-Québec's overall energy footprint and evaluate possible areas of improvement	– Target opportunities for action to reduce the Corporation's GHG emissions	To be implemented

INDICATORS

- Total annual GHG emissions in equivalent tons of CO_2
- Number of initiatives implemented by the Corporation aimed at reducing its GHG emissions

TARGETS

- Reduce the Corporation's GHG emissions
- Incorporate data from the Corporation's GHG emission profile into its report on societal responsibility

RESULTS OF THE YEAR

- The Corporation's GHG emission profile and list of opportunities for action to reduce emissions will be produced in 2014-2015.

ADDITIONAL INFORMATION

Transportation is one of the priority sectors for action set out in the Government of Québec's 2013-2020 Climate Change Action Plan. To do their share, Loto-Québec and its subsidiaries contributed in the following 2 main ways to reducing their environmental transportation footprint:

a) Making employees aware of the availability of other means of transportation than automobiles by means of free bicycle check-ups and tune-ups, discounts on BIXI subscriptions and promoting the In Town Without My Car! day

b) Implementing initiatives such as:
   - Installing 4 new electric vehicle charging stations in the Montréal and Lac-Leamy casinos
   - Incorporating quantified sustainable development criteria into the call for tender specifications for the renewal of employee and customer transportation services at the Casino de Montréal. These included ecodriving training courses, vehicle environmental performance (compliance with EPA 2007 and 2010 standards) and practices used by service providers aimed at upstream environmental impact reduction.

ACTION 7.4

ORGANIZATIONAL OBJECTIVE

Assure the application of the administrative 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	– Maintain the round table of key event organization stakeholders	Ongoing
	– Update and periodically offer training on responsible event management	Ongoing
Broaden the use of responsible event management at Loto-Québec	– Standardize the accountability process	Ongoing

INDICATORS

- Proportion of events run by the Corporation that achieve the minimum threshold of sustainability (internal management tool)
- Number of events graded under the BNQ 9700-253 standard on responsible event management

TARGETS

- 80% of targeted events reaching or exceeding the minimum threshold of sustainability
- Maintenance of Bureau de normalisation du Québec (BNQ) certification in responsible event management through at least 1 such event annually, through to 2015

RESULTS OF THE YEAR

- In 2013-2014, 12 events were certified as compared to 9 during the preceding year, an increase of 33.3%.

ADDITIONAL INFORMATION

During 2013-2014, Loto-Québec efforts concentrated on broadening the scope of its BNQ certification, which enabled the Corporation to grade events held at the Casino du Lac-Leamy and Hilton Lac-Leamy to BNQ standards.

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

Continue to incorporate best sustainable development practices into events funded under the sponsorship program

ACTION	MEASURES	STATUS
Consolidate and adapt initiatives that were set up to take the principles of sustainable development into account in the sponsorship program, in accordance with particular regional and event organizer realities	– Continue to act as a locomotive for developing and promoting ecoresponsible events throughout Québec	Ongoing
	– Continue to sensitize event organizers and prompt them to adapt responsible management practices or enhance their current ones	Ongoing
	– Revise the post-event report and internal analysis of minimum sustainability threshold templates	Ongoing
	– Create a weighting index applicable to selection criteria for responsible practices aligned with sustainable development	Completed

INDICATOR

– Percentage of events that achieved the minimum threshold of sustainability (internal management tool)

TARGET

– 75% of events to reach the minimum threshold of sustainability

RESULTS OF THE YEAR

– 79.4% of sponsored events reached the minimum threshold of sustainability.

ADDITIONAL INFORMATION

Analysis found that the use of a selection criteria weighting index for responsible practices aligned with sustainable development was not pertinent.

ACTION 9 IS ALIGNED TO THE GOVERNMENT'S OBJECTIVE 16

Increase productivity and job quality 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
Continue the employee mobilization initiative	– Survey employees every 2 years to measure the employee mobilization index	Ongoing
	– Develop a mobilization action plan following the survey of employees	Ongoing
	– Implement the mobilization action plan	Ongoing

INDICATOR

– Employee mobilization index

TARGET

– Complete the corporate mobilization plan

RESULTS OF THE YEAR

– Subsequent to the mobilization survey that ended in February, 2013, shared priorities were defined for the entire Corporation. These priorities guided the preparation of the 2013-2015 corporate and sectorial action plans. The 1st report on the action plans was submitted to Loto-Québec's executive committee on January 31, 2014.

ADDITIONAL INFORMATION

The next full survey will take place in 2015-2016.

ACTION 10 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 17

Keep public finances healthy for the generations to come

ACTION 10

ORGANIZATIONAL OBJECTIVE

Improve the overall performance of the Corporation in order to optimize spin-offs that are beneficial to Québec as a whole

ACTION	MEASURES	STATUS
Elicit innovation and inter-sector cooperation within the organization	– Implement a continuous improvement initiative for operational procedures, with a view to sustainable development	Initiated
	– Modify management tools to improve the Corporation's overall performance	Ongoing
	– Set up measures to encourage innovation, dialog and inter-sector cooperation	Initiated
	– Implement a collaborative innovation project aimed at shared development of the 2015-2020 Sustainable Development Action Plan	Initiated

INDICATOR

– Number of projects completed using a value management approach

TARGET

– Complete at least 3 projects in various sectors of the organization

RESULTS OF THE YEAR

– The following 3 projects were selected in all and will be rolled out over the entire duration of the 2013-2015 Sustainable Development Action Plan:
  – Restructuring of the corporate volunteerism program
  – Preparation of the 2015-2020 Sustainable Development Action Plan
  – Set-up of the *Collection Loto-Québec : l'art de partager* cultural program

ADDITIONAL INFORMATION

Work to optimize the corporate volunteerism program (analysis, survey, pilot projects) is complete and the restructured program will be launched in 2014-2015.

La Collection Loto-Québec : l'art de partager program aims to significantly increase the visibility of the Collection and its artists everywhere in Québec, including Montréal, and offer even greater support to promoters.

The basis of this approach is to present 2 types of free cultural events: travelling thematic and made-to-measure exhibitions.

On the occasion of the thematic exhibit that was launched at the beginning of 2014, a community legacy project was developed based on selection criteria inspired by Agenda 21 de la culture du Québec and the principles contained in the *Sustainable Development Act*.

ACTION 11 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVES 21 AND 30

Step up conservation and development of the cultural and scientific heritage

Support creation, production and dissemination in all areas of Québec culture in order to ensure its development

ACTION 11

ORGANIZATIONAL OBJECTIVE

Assure the Corporation's widespread its contributions to culture for various audiences and generate positive spin-offs for employees, the community and people involved in the arts

ACTION	MEASURES	STATUS
Review Loto-Québec's visual and stage arts support programs in order to increase their benefits to stakeholders	– Review the acquisition and dissemination program for artworks by Québec artists in order to broaden access	Ongoing
	– Strengthen the synergies between Loto-Québec, artists and institutions so as to enable a larger segment of the population of Québec to become aware of and benefit from the Collection Loto-Québec	Ongoing
	– Continue the support program for emerging stage arts professionals	Ongoing
	– Strengthen the synergies between Loto-Québec, emerging stage arts performers and promoters	Ongoing

INDICATORS

- Amount allocated to the acquisition of contemporary artworks by Québec artists
- Number of visitors
- Number of annual events
- Number of performances presented
- Number of spectators

TARGETS

- 0.01% of the Corporation's annual gross revenue
- 6 events in 2013-2014
- 8 events in 2014-2015

RESULTS OF THE YEAR

- The Collection Loto-Québec acquired 142 works of art in 2013-2014 at a total cost of $366,805. The budget corresponded to 0.01% of the Corporation's preceding year's revenues.
- The 35th anniversary of the Collection Loto-Québec was hallmarked by the launch of the *L'art de partager* cultural program. In the context of the new program, the Espace Création exhibition gallery at Loto-Québec head offices was definitively closed on November 12, 2013. In 2013-2014, the *Territoires imaginés, par les artistes de la Collection Loto-Québec* exhibition was shown at Espace Création, and extended twice.
- In 2013-2014, 5 performers and/or bands were selected to participate in a tour throughout Québec under the *Les entrées en scène Loto-Québec* program. The new tour ran from June 2013 to May 2014.
- From April 2013 to March 2014, a total of 14,083 spectators attended the shows.

ADDITIONAL INFORMATION

See pages 15 and 16 in the Societal Responsibility section for full details on the new Collection Loto-Québec dissemination program.

ACTION 12 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 25

Increase citizens' involvement in decision-making

ACTION 12

ORGANIZATIONAL OBJECTIVE

Cultivate the Corporation's relations with its stakeholders

ACTIONS	MEASURES	STATUS
Structure how the Corporation engages with its stakeholders	– Complete the mapping of the organization's stakeholders	Initiated
	– Prepare an overview of issues to the Corporation's stakeholders	To be implemented
	– Establish constructive relationships with stakeholders in the health field	Initiated
	– Measure the performance of initiatives undertaken to consolidate stakeholder relationships	To be implemented

INDICATOR

– Rate of stakeholder satisfaction

TARGET

– To be determined following the first survey

RESULTS OF THE YEAR

– During the year, an initial mapping of stakeholders and issues was performed. A structured approach to dialogue with the health sector was also begun.

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 Société des loteries du Québec* (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 1.n) 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 the Governance of State-Owned Enterprises*.

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) 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 law 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

ACCESS TO INFORMATION

During fiscal 2013-2014, Loto-Québec received 190 requests for access to information, of which 139 related to access to personal information and 51 were requests to obtain corporate documents.

Among the requests processed, 118 were accepted, 23 were partially accepted and 20 were declined. The Corporation did not possess any documents related to 19 of the requests. In addition, 2 requests were withdrawn by the submitter during processing. As of March 31, 2014, 8 requests were still pending.

Finally, 2 requests were sent to the Commission d'accès à l'information for review and 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.

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

BOARD OF DIRECTORS AND CORPORATE SECRETARIAT

AS OF MARCH 31, 2014

HÉLÈNE F. FORTIN
FCPA AUDITOR, 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. She has been practicing public accounting for more than 30 years. A member of the Ordre des comptables professionnels agréés du Québec (OCPAQ), she was a member of the Auditing and Assurance Standards Board of the Canadian Institute of Chartered Accountants from 2006 to 2009 and has assisted the association's Interprovincial Board of Evaluators since 1982. She has sat on numerous boards since 2003 and has chaired 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. Ms. Fortin 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 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 Director

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

Chairman of the Human Resources Committee and member of 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 11 years there. Since 2007, he has been a member of the Board of the Société de l'assurance automobile du Québec, where he chairs the Human Resources and Customer Service committees and sits on the Governance and Ethics Committee.

DONALD M. BASTIEN

Montréal

Corporate Director

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

Member of the Human Resources Committee and the Commercial Affairs Committee

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 Board of Directors of St. Mary's Hospital Foundation and chairs RC média's Advisory Board. 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 AUDITOR, 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. Ms. Bouchard has been a member of Richter's Board of Directors for 7 years, chairing the board since 2013. She has more than 25 years of experience in Canadian, U.S. and international accounting and auditing standards and their practical applications. During her career, she has sat on numerous committees for the Ordre des comptables professionnels agréés du Québec and the Canadian Institute of Chartered Accountants, of which she has presided over the Practitioners Technical Advisory Board since 2012. From 1999 to 2002, she was also part of the Auditing and Assurance Standards Board.

ANDRÉ DICAIRE

Québec City

Senior Expert Advisor
Réseau d'expertise en conseil stratégique de l'ENAP

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

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 2 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. 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.

* When a mandate comes to term, it is extended until its renewal or until the nomination of a new member.

LYNDA DURAND ASC

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, and the Commercial Affairs Committee

Lynda Durand holds a Bachelor of Laws 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, Me Durand worked in private practice in Sherbrooke from 1986 to 1990. In addition to her practice, she 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. She also sits on the Board of Directors of the Orchestre symphonique de Montréal. Her sense of service led her to join the Board of Governors of the Canadian Red Cross. In 2013, she received the title of Administratrice de sociétés certifiée (certified corporate director) from Université Laval's Collège des administrateurs de sociétés.

JEAN ANDRÉ ÉLIE

Montréal

Corporate Director

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. 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). Mr. Élie 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 ASC

Montréal

Attorney and Partner
Agence Goodwin

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

Member of the Human Resources Committee and the Commercial Affairs 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 2 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 Board 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. In 2013, she received the title of Administratrice de sociétés certifiée (certified corporate director) from Université Laval's Collège des administrateurs de sociétés.

MEL HOPPENHEIM

Montréal

Corporate Director

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

Member of the Governance and Ethics Committee, and the Commercial Affairs 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 an Administrateur de sociétés certifiés (ASC) (certified corporate director) by the Collège des administrateurs since 2008, Serge LeBel specializes in litigation and business law. A member of several boards of directors and corporate advisory boards, Me Lebel has always been actively involved in community affairs. Currently, he is Chairman of the Québec City Youth Foundation Mayor's Ball Governors Committee. In 2014, he will be Honorary Co-President of the Canadian Red Cross Québec regional office's gourmet dinner, and will sit on the annual art auction committee of the same organization (Honorary President in 2012). Also in 2014, he will be Honorary Co-President of the Fondation de l'Académie Saint-Louis' annual golf tournament and President of the Fundraising Organizing Committee of the charity Le Piolet, providing assistance to young people between the ages of 16 and 35, in Québec City's Loretteville sector. Finally, he has also been an active member of the Lions Club since 1985.

ANIE PERRAULT
LL.L., ASC

Bromont

Executive Manager
BIOQuébec
City Councillor
Ville de Bromont

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

Member of the Human Resources Committee and the Commercial Affairs Committee

An attorney by training, Anie Perrault is currently Executive Manager of BIOQuébec and has been a city councillor for the Ville de Bromont since November 2009. In February 2013, Ms. Perrault received the title of Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés. She is a Director of the Bromont Economic Development Corporation, the Régie Aéroportuaire Régionale des Cantons-de-l'Est and the Shefford County Agricultural Society. She sits on the Board of the Théâtre de l'Opsis and on the Research Ethics Committee of Genome Québec. From 2006 to 2011, she was President of her own communications firm, Communications Anie Perrault, and from 2001 to 2006, she held the position of 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.

CÉLINE TRÉPANIER

Shawinigan

President
Export Concept inc.

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

Member of the Commercial Affairs 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.

* When a mandate comes to term, it is extended until its renewal or until the nomination of a new member.

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 as lawyer 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 more than 140 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 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 3 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. In 2012-2013, it created an ad hoc committee to review the procurement process. Each of the committees makes recommendations to the Board in its area of expertise.

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

COMPOSITION

No change was made to the composition of the Board of Directors during the fiscal year. As of March 31, 2014, the Board had 13 members, all 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 2013-2014, the Board of Directors held 10 regular meetings and 3 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, 2014

Members	Board of Directors		Audit Committee		Governance and Ethics Committee	Human Resources Committee		Commercial Affairs Committee	Ad Hoc Committee
	Regular 10	Special 3	Regular 6	Special 1	Regular 3	Regular 3	Special 2	Regular 1	Regular 3
Hélène F. Fortin	10/10	3/3	6/6	1/1	3/3	3/3	2/2	1/1	–
Alain Albert	10/10	3/3	_	–	–	3/3	2/2	1/1	–
Donald M. Bastien	10/10	3/3	–	–	–	2/2	2/2	1/1	3/3
Paule Bouchard	10/10	3/3	4/6	1/1	–	–	–	1/1	–
André Dicaire	10/10	3/3	5/6	1/1	3/3	1/1	–	1/1	3/3
Lynda Durand	10/10	2/3	–	–	3/3	–	–	1/1	–
Jean André Élie	9/10	2/3	6/6	0/1	–	–	–	1/1	3/3
Nathalie Goodwin	9/10	3/3	–	–	–	2/3	2/2	1/1	3/3
Mel Hoppenheim	9/10	3/3	–	–	2/2	1/1	–	1/1	–
Serge LeBel	10/10	3/3	–	–	3/3	–	–	1/1	–
Anie Perrault	10/10	3/3	–	–	1/1	2/2	2/2	1/1	3/3
Céline Trépanier	1/10	1/3	3/3	–	–	0/1	–	0/1	–

Excused absences.

REMUNERATION

Independent Directors of Loto-Québec are remunerated pursuant to Order in Council 610-2006, which 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, by 0.75% in July 2011 and 2012, and by 1.75% in July 2013 in compliance with the Order in Council.

REMUNERATION OF THE INDEPENDENT DIRECTORS

Directors	Total Remuneration
Hélène F. Fortin[1, 2, 3, 4 and 5]	$52,793.76
Alain Albert[3 and 4]	$17,502.58
Donald M. Bastien[3, 4 and 6]	$20,626.26
Paule Bouchard[1 and 4]	$21,977.99
André Dicaire[1, 2 and 4]	$21,693.77
Lynda Durand[2, 4 and 6]	$18,703.02
Jean André Élie[1, 4 and 6]	$19,784.27
Nathalie Goodwin[3, 4 and 6]	$18,422.02
Mel Hoppenheim[2 and 4]	$16,783.52
Serge LeBel[2 and 4]	$20,625.24
Anie Perrault[3, 4 and 6]	$19,527.02
Céline Trépanier[1, 3 and 4]	$9,031.02
	$257,470.47

As of March 31, 2014

1 Audit Committee
2 Governance and Ethics Committee
3 Human Resources Committee
4 Commercial Affairs Committee
5 Pension plan committees for employees, management personnel and professional personnel of the Société des casinos du Québec (SCQ)
6 Ad Hoc Committee on Procurement Procedures

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 2013-2014 business plan and current projects. The Board also approved the 2013 Annual Report[1], the 2014-2015 Action Plan and the renewal of the 2010-2013 Strategic Plan for 1 year.

Among the subjects discussed in 2013-2014 were the following:
- Modernization work at the Montréal and Lac-Leamy casinos
- Regulatory amendment authorizing the sale and consumption of alcoholic beverages in casino gaming areas
- Regulation of the maximum number of video lottery terminals per licence
- Exclusive promotional offer to Lotomatique subscribers
- Lottery ticket checking with mobile apps
- Relocation of the Québec City gaming hall
- Deployment of Kinzo locations
- Responsible gambling awareness campaign

Moreover, throughout the fiscal year, the Board approved game rules for the lottery, casino and bingo sectors, including online gaming. 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 2013-2015 Sustainable Development Action Plan was tabled at each meeting of the Board.

[1] The Board of Directors approved the 2014 Annual Report at its June 4, 2014 meeting.

FINANCIAL RESULTS AND INTERNAL CONTROLS

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, 2013[1] as well as the 2014-2015 operating budget. As provided by the policy on risk management adopted in 2010-2011, 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 their linkage with the internal auditing plan, in addition to monitoring the crisis management plan.

The Directors also 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 2013-2014, Loto-Québec's contribution was 127.5 million dollars, making for a total of 264.6 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 various 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 2013-2014, the Board of Directors ensured compliance with the Corporation's governance regulations and policies. Upon recommendation by the Governance and Ethics Committee, it approved amendments to the Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries. It also received confirmation, following a review by the same committee, that no changes were required to the Corporation's governance rules and policies or to the Code of Ethics for Employees of Loto-Québec and its Subsidiaries, the welcoming program for new Board members, the ongoing training program for members and the skills or experience profiles for Directors and the President and Chief Executive Officer.

Under the *Act Respecting the Governance of State-Owned Enterprises*, the Corporation is required to adopt measures to assess its efficiency and performance. The Board approved the accountability process and current measures used for the triennial benchmarking exercise.

The Board conducted the annual review of its operations. Additionally, the Governance and Ethics Committee reviewed the criteria used to evaluate the operations of the Board, its committees and members, as well as current procedures, and proposed changes to the Board.

Finally, upon recommendation by the Governance and Ethics Committee, the Board appointed the chairpersons and members of the 3 statutory committees.

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 2013-2014, the Board of Directors monitored various policies relating to personnel management, in cooperation with the Human Resources Committee. It approved 2014-2015 remuneration parameters for non-union personnel and managers at Loto-Québec and its subsidiaries. On the basis of these parameters, the Board also approved the remuneration of the President and Chief Executive Officer and senior executives. The Board also gave its assent to the objectives set out for the President and Chief Executive Officer for fiscal 2013-2014 and approved, for eligible employees, the 2012-2013 results of the incentive plan, the methods for administering the plan in 2013-2014 and its target for 2014-2015.

Other decisions taken by the Board included ratifying the abolition of the office of the Corporate Director of Strategies and Risk Management and the restructuring of the Corporate Security Department and the Corporate Vice President's Office on Communications and Public Affairs. The Board also approved the appointment of the Senior Director of Corporate Security and the Corporate Director of Internal Auditing.

The Board also monitored the program to identify potential incoming managers of the Corporation, the corporate volunteer program and the 2nd iteration of the *Prix d'excellence Loto-Québec*. It also approved the 2013-2014 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 SCQ employee pension plans, with one of the Directors continuing to sit as Loto-Québec's 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.

[1] At its June 4, 2014 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, 2014.

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, 2014, the Audit Committee was composed of 4 independent members.

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

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

During the last fiscal year, the Audit Committee met 7 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 2012-2013 financial statements with the co-auditors, namely the Auditor General of Québec and Raymond Chabot Grant Thornton LLP, and recommended their approval to the Board of Directors[1 and 2]
- Conducted a follow-up on the application of International Financial Reporting Standards (IFRS)
- Monitored progress with respect to the modernization of the Casino de Montréal
- Took note of the evolution of SCQ pension plan costs
- Monitored the internal controls 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
- Conducted a follow-up on integrated risk management and the crisis management plan
- 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 2013-2014 annual work 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 recommended that the Board of Directors approve 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.

[1] 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 2013-2014 financial statements came to $546,131 and were in compliance with its proposal.

[2] At its June 4, 2014 meeting, the Audit Committee reviewed the 2013-2014 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, 2014, the Governance and Ethics Committee was composed of 5 independent members.

Chairman: Serge LeBel
Members: André Dicaire, Lynda Durand, Hélène F. Fortin, FCPA Auditor, FCA, and Mel Hoppenheim

ACTIVITIES

During the last fiscal year, the Governance and Ethics Committee met 3 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 the Corporation's 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 recommended that the Board of Directors approve the necessary amendments
- Reviewed the Code of Ethics for Employees of Loto-Québec and its Subsidiaries and confirmed that no changes were required
- 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 senior executives
- Reviewed the program for welcoming new members and confirmed that no changes were required
- Reviewed the ongoing training program for Board members and confirmed that no changes were required
- Reviewed member skills and experience profiles and confirmed that no changes were required
- Recommended committee chairs and members for appointment by the Board of Directors
- Conducted the annual review of operational evaluation criteria that apply to the Board of Directors, its committees and members, as well as the process employed
- Conducted the annual review of the Board's operations
- Reviewed the operational policies under its governance and ensured that all other committees did so as well
- 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 meeting.

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 and assessment criteria for the President and Chief Executive Officer, as well as recommending that individual's remuneration within the parameters established by the government. 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, 2014, the Human Resources Committee was composed of 5 independent members.

Chairman: Alain Albert
Members: Donald M. Bastien, Hélène F. Fortin, FCPA Auditor, FCA, Nathalie Goodwin and Anie Perrault

ACTIVITIES

During the last fiscal year, the Human Resources Committee met 5 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, for eligible employees, the 2012-2013 results of the incentive plan, the methods for administering the plan in 2013-2014 and its target for 2014-2015
- Recommended that the Board approve the remuneration parameters for non-union personnel and managers at Loto-Québec and its subsidiaries for 2014-2015
- Recommended that the Board approve the remuneration of the President and Chief Executive Officer and senior executives for 2014-2015
- Recommended that the Board approve the objectives set out for the President and Chief Executive Officer for 2013-2014
- Reviewed the skills and experience profile of the President and Chief Executive Officer and confirmed that no changes were required
- Recommended approval by the Board of Directors of the appointment of the Senior Director of Corporate Security and the Corporate Director of Internal Auditing
- Took note of the evolution of SCQ pension plan costs
- Recommended approval of the amendment to the SCQ pension plan investment policy by the Board of Directors
- Monitored the employee mobilization initiative
- 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 2013-2014 Action Plan for Individuals with Disabilities
- Reviewed the 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 5 HIGHEST-PAID EXECUTIVES OF THE CORPORATION FOR THE FISCAL YEAR ENDING ON MARCH 31, 2014

Name and title	Base salary	Incentive remuneration	Vehicle	Additional benefits[1]	Group insurance plan
Gérard Bibeau President and Chief Executive Officer	$357,130	$0	$7,714	$2,500	$4,215
Jean Royer Senior Vice President and Chief Operating Officer	$290,197	$0	$11,041	$2,500	$5,723
Claude Poisson President of Operations, Société des casinos du Québec	$274,537	$0	$10,464	$2,500	$5,591
Robert Ayotte President of Operations, Lotteries	$249,553	$0	$10,467	$2,500	$5,380
Lynne Roiter Corporate Secretary and Vice President of Legal Affairs	$227,370	$0	$5,164	$2,500	$3,467

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 and Ayotte and Ms. Roiter 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 and Ayotte and Ms. Roiter participate in Loto-Québec's Supplementary Pension Plan for Executive Management, which calls for a retirement benefit based on the 3 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.

[1] Additional benefits can include amounts paid to cover a medical check-up, financial and estate planning costs and membership in a sports club and/or associations of business persons.

COMMERCIAL AFFAIRS COMMITTEE REPORT

MANDATE AND COMPOSITION

The Commercial Affairs Committee was formed 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: discuss the Corporation's commercial activities and 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 3 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, 2014, the Commercial Affairs Committee was composed of 12 independent members.

Chairwoman: Hélène F. Fortin, FCPA Auditor, FCA
Members: Alain Albert, Donald M. Bastien, Paule Bouchard, FCPA Auditor, FCA, André Dicaire, Lynda Durand, Jean André Élie, Nathalie Goodwin, Mel Hoppenheim, Serge LeBel, Anie Perrault and Céline Trépanier

ACTIVITIES

During the last fiscal year, the Commercial Affairs Committee met once. It also held a closed session without management present at the end of the meeting. The meeting discussed the strategic planning of Loto-Québec.

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.

As of March 31, 2014, the Ad Hoc Committee on Procurement Procedures was composed of 5 independent members.

Chairman: Donald M. Bastien
Members: Lynda Durand, Jean André Élie, Nathalie Goodwin and Anie Perrault

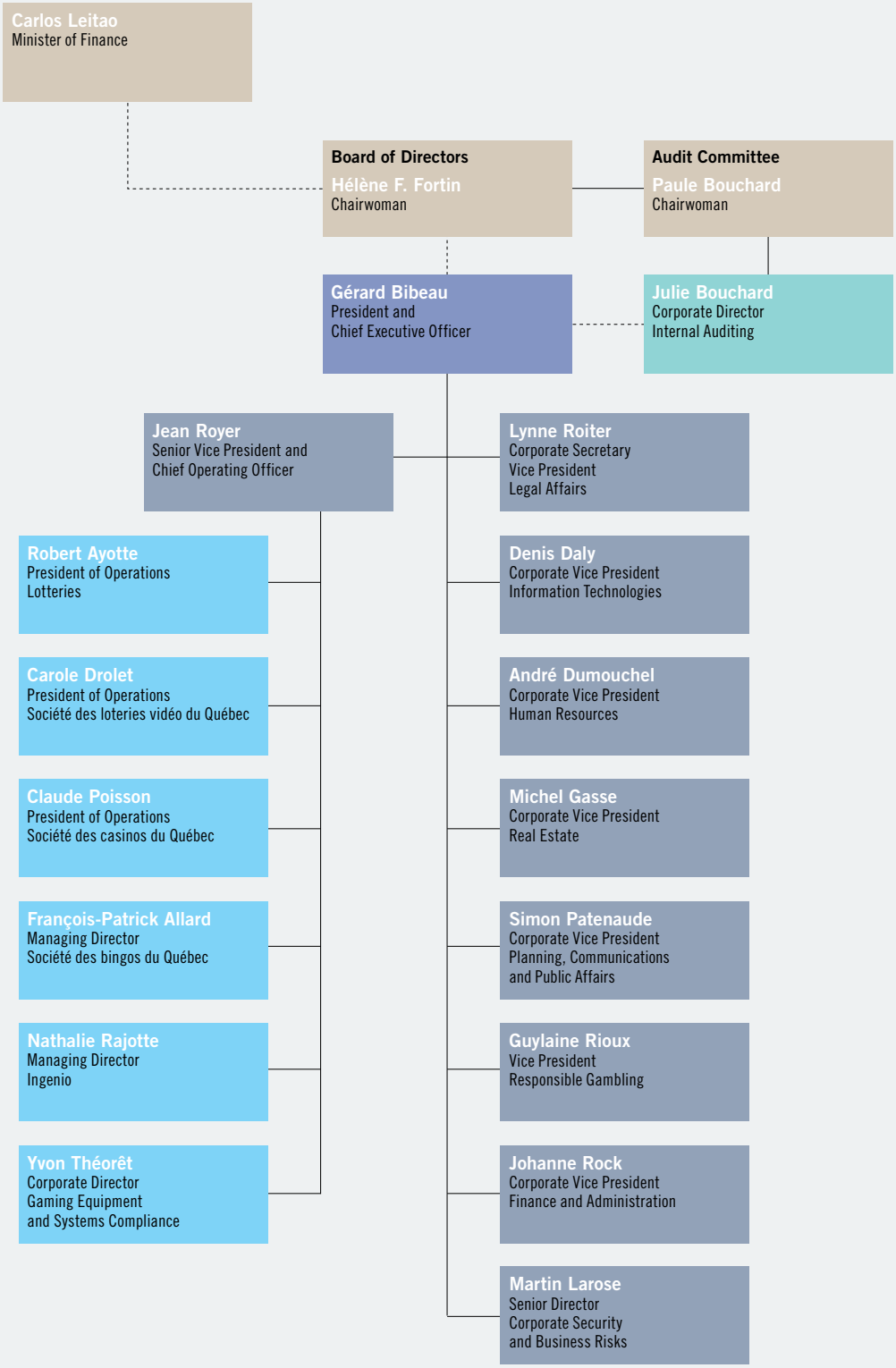
ACTIVITIES

During the last fiscal year, the Ad Hoc Committee on Procurement Procedures met 3 times. It also held a closed session without management present at the end of each meeting. During its meetings, the committee examined Loto-Québec's current procurement procedures and attended various presentations on the matter, concluding that current procurement procedures and their execution complied with best practices in this area.

The committee reported on its activities to the Board of Directors after each of its meetings.

ORGANIZATIONAL STRUCTURE

AS OF MAY 12, 2014



CONTACT INFORMATION

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lotoquebec.com

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955 Grande Allée West, Québec City, Québec G1S 4Y2
Telephone: 418-686-7575 · 1-866-611-LOTO (5686)

SOCIÉTÉ DES CASINOS DU QUÉBEC
500 Sherbrooke Street West, 15th Floor, Montréal, Québec H3A 3G6
Telephone: 514-282-8080 · 1-800-730-5686
casinosduquebec.com

SOCIÉTÉ DES LOTERIES VIDÉO DU QUÉBEC
500 Sherbrooke Street West, 16th Floor, Montréal, Québec H3A 3G6
Telephone: 514-282-8090 · 1-800-454-8090
lotoquebec.com/loteriesvideo

SOCIÉTÉ DES BINGOS DU QUÉBEC
500 Sherbrooke Street West, 6th Floor, Montréal, Québec H3A 3G6
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