



2014-2015 ANNUAL REPORT



CERTIFIED - LEVEL 4
RESPONSIBLE GAMING FRAMEWORK
2012 - 2015

CERTIFIED
SECURITY CONTROL STANDARD
VALID UNTIL JUNE 9, 2017

lotoquebec.com



LOTO
QUÉBEC *45 years*

LOTO-QUÉBEC AT A GLANCE

For 45 years, Loto-Québec has provided the people of Québec with quality gaming. Traditional lotteries have been joined by a host of appealing products such as casinos, video lottery, bingo, sports betting, televised lotteries, restaurants, bars, hotels, performance halls, Kinzo, online gaming, mobile applications and interactive games. Just a glimpse of the entertaining options offered.



Salon de jeux de Trois-Rivières



Casino de Montréal

Casino de Mont-Tremblant

Casino de Charlevoix and Fairmont Le Manoir Richelieu

Casino du Lac-Leamy and Hilton



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MISSION

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

VISION

To offer Quebecers first-rate entertainment thanks to an appealing, innovative and competitive offering, while remaining a recognized world leader for responsible commercialization.

VALUES

Integrity, stringency, transparency, commitment, recognition and respect

KEY FIGURES OF THE YEAR

AS AT MARCH 31

(In thousands of Canadian dollars)	2015	2014	\$ Variation	% Variation
Total revenues	3,338,016	3,519,084	(181,068)	(5.1)
Lotteries	1,633,589	1,773,636	(140,047)	(7.9)
Casinos	776,809	796,994	(20,185)	(2.5)
Gaming establishments	952,485	977,576	(25,091)	(2.6)
Intersegment transactions	(24,867)	(29,122)	4,255	14.6
Prizes awarded – lotteries	867,766	959,390	(91,624)	(9.6)
Prizes awarded – gaming establishments (bingo and Kinzo)	20,557	20,019	538	2.7
Gross margin	2,089,383	2,159,140	(69,757)	(3.2)
Operational expenses	954,675	991,729	(37,054)	(3.7)
Net income	1,115,803	1,144,145	(28,342)	(2.5)
Dividends	1,025,556	1,055,314	(29,758)	(2.8)
Other amounts contributed to the Québec and Canadian governments	254,333	261,779	(7,446)	(2.8)
Total assets	1,336,648	1,348,003	(11,355)	(0.8)
Shareholder's equity	104,908	82,472	22,436	27.2

TOTAL REVENUES

(In millions of Canadian dollars)	2015	2014	2013	2012	2011
	3,338.0	3,519.1	3,617.7	3,660.6	3,641.0

NET INCOME

(In millions of Canadian dollars)	2015	2014	2013	2012	2011
	1,115.8	1,144.1	1,278.5	1,285.4	1,335.0

ECONOMIC AND SOCIAL CONTRIBUTIONS

ECONOMIC

Dividends to the Government of Québec

\$1,025.6M

Prizes awarded to lottery and gaming establishment winners (bingo and Kinzo)

\$888.3M

Employee benefits

\$421.9M

Purchases from companies conducting business in Québec

\$380.4M

Commissions to lottery, casino and gaming establishment network partners

\$317.6M

Taxes to governments

\$147.5M

Special contributions to governments

\$106.8M

SOCIAL

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

\$30.0M

Contributions to fight excessive gambling

\$27.7M

Contributions to non-profit organizations

\$15.3M

Sponsorships

\$13.6M

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

\$8.5M

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

\$6.0M

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

\$0.9M

Collection Loto-Québec

\$0.3M

FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

Aide à l'action humanitaire internationale

\$3.1M

Aide à l'action communautaire autonome

\$16.3M



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

MESSAGE FROM THE CHAIRWOMAN OF THE BOARD OF DIRECTORS

The gaming industry is currently going through a major period of transition, and Loto-Québec is no exception. Over the past year, strategic orientations regarding entertainment, efficiency and responsible commercialization have been adopted. The Board of Directors is confident that these will enable the Corporation to continue to fulfil its mandate in the interest of all Quebecers. Furthermore, Loto-Québec's contribution to funding public services remains considerable, as evidenced by the \$1.026 billion in dividends paid to the Québec government for the 2014-2015 fiscal year.

Loto-Québec's focus on entertainment bodes well for the future. To this end, the Board of Directors has monitored the progress of the Corporation's business plan, which includes several initiatives seeking to enhance and diversify the overall offering, and therefore noted the rigour with which the projects have been implemented. The achievements of the past year include the opening of the Zone at the Casino de Montréal, a multigame space with live hosts and multimedia effects that is great for socializing; the addition of a nightclub at the Casino du Lac-Leamy; and the introduction of numerous new features on Espacejeux.com.

The Board of Directors has also welcomed the measures announced in the budget tabled by the government in

March 2015 to tackle illegal online gaming. The proposed legislative changes would help Loto-Québec to channel online gaming through a controlled system for the benefit of all Quebecers.

A series of efficiency measures have been implemented within the organization to ensure that all efforts produce optimal results. These, in addition to tighter controls on spending, have made it possible to reduce expenses considerably. This concern for optimization is ever-present in all sectors at Loto-Québec.

Moreover, many of the Board's discussions centred on the concept of convergence, which Loto-Québec will be particularly

focusing on during 2015-2016. By applying good ideas in its various sectors while standardizing practices, Loto-Québec will be increasingly better equipped to meet the needs of a changing clientele.

All decisions made by the Board of Directors take the principles of responsible commercialization into account, as this is an integral part of Loto-Québec culture. The Corporation takes pride in striking the right balance between taking a responsible approach and subscribing to a dynamic and competitive commercialization of its products.

LOTO-QUÉBEC'S FOCUS ON
ENTERTAINMENT BODES WELL
FOR THE FUTURE.

Acknowledgements

The Board of Directors extends its sincere thanks to all staff at Loto-Québec and its subsidiaries for their efforts over recent months. All teams have succeeded in upholding the highest standards of quality, particularly with respect to the integrity of operations, in especially demanding circumstances. It is reassuring to be able to rely on people who are so competent, talented and dedicated.

I would also like to point out the excellent work of the members of the Executive Committee. Their high level of involvement shows how committed they are to the Corporation's success. I would furthermore like to express my gratitude to my fellow directors, who make a highly effective and qualified governance team.

Finally, a special thanks to our President and Chief Executive Officer, Gérard Bibeau, who over the past few years has succeeded in establishing a strategy to unify Loto-Québec and secure a bright future. His vision has breathed new life into the Corporation.



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



GÉRARD BIBEAU
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

In the 2014-2015 fiscal year, Loto-Québec earned \$3.338 billion in revenues (-5.1% on the previous year). The past year posed significant challenges related to fierce competition in the vast world of entertainment, changes in our customers' consumption habits and a difficult economic situation. However, our drive for optimization has helped to reduce the impact of the fall in revenues on our net income, which comes to \$1.116 billion (-2.5% on the previous year). Meanwhile, our profit margin has increased from 32.5% in 2013-2014 to 33.4% in 2014-2015.

The fall in revenues is spread across the board, but lotteries were most affected. We are not the only ones to experience this decline; sales of Lotto 6/49 and Lotto Max are down across Canada. The same phenomenon can be seen with respect to the two main multijurisdictional lotteries in the United States.

This decline—in Québec as elsewhere—is explained primarily by the lack of large rollover jackpots. It is important to bear in mind that our customer base is made up of both regular and occasional players, who only play when major jackpots are offered. Furthermore, interest in traditional lottery products appears to be losing steam, resulting in lower sales for all jackpot levels and thus slowing down their progression.

THANKS TO THESE CONCERTED EFFORTS, OUR TOTAL SPENDING HAS DECREASED BY 4.1%, OR \$41.5 MILLION, COMPARED TO THE PREVIOUS YEAR.

Regarding our casinos, the slowdown can in large part be attributed to increasingly fierce—and in some cases illegal—competition. Comparable markets are all in a similar situation; Ontario, New Jersey and Connecticut have all

suffered following the arrival of numerous competitors in recent years.

Against this backdrop, we implemented a rigorous optimization plan to boost the efficiency of our casinos. The plan has paid off as the net income for this sector is up 9.2% over the previous fiscal year.

Regarding gaming establishments, gaming halls have continued to progress, while video lottery terminals in the bar and brasserie network have experienced a downswing. This decline was predictable as we know that the industry is going through a difficult time due to decreased patronage, forcing some bars to close.

As for network bingo and Kinzo, both have seen growth over 2014-2015 thanks to various new products that have been very well received. Many non-profit organizations have therefore continued to benefit from large sums raised by these activities.

A strategy for renewal

A major challenge we face is the renewal of our customer base—a concern shared by many organizations in the gaming industry. Many of our current products appeal to baby boomers, but are less attractive to younger generations. Young adults are interested in gaming, but have different expectations and many more entertainment options to choose from. We need to renew ourselves.

We have taken initiatives to enhance and diversify our overall entertainment offering: improving our online gaming range; introducing the Zone, a multigame space with live hosts and multimedia effects, at our casinos in Montréal and Lac-Leamy; opening a nightclub at the Casino du Lac-Leamy; and launching new products and promotions within our various sectors—to name just a few. The results have been encouraging, such as a significant increase in traffic at the Casino de Montréal and in our gaming halls.

Other additions to our entertainment offering are in the pipeline, including the reopening of the Cabaret du Casino de Montréal in September 2015. Programming at this multifunctional venue will be varied and will complement that of Gregory Charles' Le Qube theatre, also on the site of the Casino. Furthermore, a new restaurant will open at the Casino in spring 2016: L'Atelier de Joël Robuchon, one of the world's top chefs. We are confident that these different entertainment options at our venues will please our clientele.

Of course, the future also lies in online gaming, which is why we work on improving our website, Espacejeux.com, since its launch. The measures planned by the Québec government to combat illegal online gaming would enable us to channel our products to a greater extent.

Over the next year, we will intensify our efforts to adapt our product range to new consumer trends while making sure that the expectations of our current customers are met. We are particularly looking to offer an integrated entertainment experience through the cross-branding of our products. An important project relating to the renewal of our customer base and involving several internal teams is already under way.

WE ARE PARTICULARLY LOOKING
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THROUGH THE CROSS-BRANDING
OF OUR PRODUCTS.

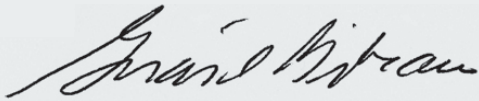
The strategy in place to help us overcome the challenges we face also includes several efficiency measures. Over the past year, we have conducted a comprehensive, in-depth review of our practices, projects and programs. For example, we have streamlined structures; implemented an overall payroll freeze; reviewed the use of space in our buildings; overhauled our lottery ticket distribution model; frozen spending in certain areas, including information technologies; reduced certain budgets, including for advertising; and altered our sponsorship policy so as to increase the impact of our investments. These many changes have led to a 7.5% reduction in staff, including the elimination of several management positions. Thanks to these concerted efforts, our total spending has decreased by 4.1%, or \$41.5 million, compared to the previous year.

It is important to emphasize that social responsibility—primarily in the form of responsible gambling—remains at the heart of our concerns. In late 2014, we set out our commitment to this principle in a responsible commercialization code, entitled *Nos règles du jeu*. Through this code, we seek to improve our overall performance and reflect our vision to remain a world leader in responsible commercialization.

Acknowledgements

Thanks first of all to my colleagues on the Executive Committee for their constructive contribution. Your hard work and profound commitment to key projects are much appreciated. I would also like to express my gratitude to the members of the Board of Directors for their unwavering support. In particular, I wish to thank Hélène F. Fortin, who continues to ensure that the best governance practices are rigorously applied.

Finally, I would like to thank all employees for their professionalism and invaluable cooperation over this past year, which has indeed seen many changes. Thanks to you, we can have confidence in the future of Loto-Québec. We will achieve success by building on the work we have already done.

A handwritten signature in black ink, reading "Gérard Bibeau". The signature is fluid and cursive, with the first name "Gérard" and last name "Bibeau" clearly distinguishable.

Gérard Bibeau
President and Chief Executive Officer of Loto-Québec



REVIEW OF ACTIVITIES

During the past fiscal year, Loto-Québec presented its new strategic plan, covering the period from 2014 to 2017. The plan includes three main orientations: to offer Quebecers first-rate entertainment that is appealing, innovative and competitive; to guarantee the effective and efficient management of resources; and to preserve the balance between a responsible approach and the dynamic and competitive commercialization of its products. All Loto-Québec decisions are made with at least one of these orientations in mind.



ORIENTATION 1

TO OFFER QUEBECERS
FIRST-RATE ENTERTAINMENT:
APPEALING, INNOVATIVE
AND COMPETITIVE

ADAPTING AND DIVERSIFYING THE PRODUCT OFFERING

To stand out from the competition, the Corporation is focusing its efforts on entertainment and the idea of enjoyment in all its areas of operation, from casinos to gaming halls, from traditional lotteries to online gaming. Loto-Québec is also looking to the future by developing innovative concepts to appeal to new customers.

Québec's casinos: Destinations of choice

The four casinos in Québec are destinations of choice offering an all-round entertainment experience. In addition to various gaming options, some also contain bars, restaurants, performance venues and, most recently, the **Zone**. Launched at the Casino du Lac-Leamy in 2013, the Zone was officially opened at the Casino de Montréal in December 2014. This multimedia gaming environment, comprising 80 multigame terminals, is unique in the North American market and was developed in collaboration with Ingenio and Technologies Nter, subsidiaries of Loto-Québec. The concept revolves around the social and interactive aspect of gaming, which appeals primarily to the 18-to-34 age bracket. Minimum stakes are lower than at traditional table games.



As of fall 2015, the **Casino de Montréal** will have another new attraction, as renovations to the theatre have been ongoing over the past year. Transformed into a multifunctional venue, the **Cabaret du Casino** will not only host shows of all kinds, but also business and sports events as well as tournaments. Special features, such as 3D effects and synchronized sound and light projections, will offer a unique sensory experience.

With regard to the **Casino du Lac-Leamy**, after 27 months and 4 phases of construction, work was completed in March 2015. A series of activities was organized to show off the newly revamped Casino to visitors. The updated facilities now feature spectacular multimedia elements. Once through the door, visitors will be amazed by an enormous chandelier made up of thousands of LED lights. Meanwhile, the gaming



area is encircled by an impressive multimedia ribbon. With these two features, the atmosphere can be adjusted instantly as desired. The nightclub, **ALÉA**, which targets a trendy clientele between the ages of 25 and 35, is another addition to the Casino's entertainment offering.

Work has started on the **Hilton Lac-Leamy** hotel. The project to renovate the hotel's public areas and 349 rooms represents an investment of over \$27 million covering a 12-month period, intended to ensure that the hotel continues to be competitive on the market. The hotel will remain open throughout the renovations.

In other news, the **Casino de Charlevoix** celebrated 20 years on June 24, 2014. A number of activities were rolled out to mark the occasion and promote the Casino, such as Casino Privilèges offers and advertising campaigns organized in collaboration with the Société des casinos du Québec (SCQ) and Tourisme Charlevoix. Accommodation packages with

THE FOUR CASINOS IN QUÉBEC
ARE DESTINATIONS OF CHOICE
OFFERING AN ALL-ROUND
ENTERTAINMENT EXPERIENCE.

Fairmont Le Manoir Richelieu were also offered at special prices, while an initiative for road and rail shuttles for tourists visiting La Malbaie was implemented in the summer of 2014.

Also on June 24, the **Casino de Mont-Tremblant** marked its fifth birthday with a host of activities for customers to enjoy. Once again, the Casino's opening hours were adjusted seasonally based on the busiest periods.



While special attention has been paid to the casinos' facilities, gaming remains at the heart of the range of entertainment products and, as such, major efforts have been made to meet customer demand by the addition of original and innovative games. Many new products have been unveiled over the last fiscal

year, such as Titan 360™, Iron Man™ and The Walking Dead® branded slot machines. With their popular themes, these machines help to renew the game offering, increase activity in the casino and, as a result, provide customers with an unparalleled entertainment experience.

Many table games, such as blackjack, roulette and baccarat, were the subject of monthly themed promotions, often coordinated between the casinos. Several activities targeting different types of players were organized as part of an integrated marketing plan centred on a specifically featured product.

An appetizing offer

The culinary arts occupy an important place in Québec's casinos. Indeed, **Le Baccara**, a restaurant at the Casino du Lac-Leamy, was awarded a Five Diamond rating by the CAA-AAA for the fourteenth consecutive year in 2014—a rating awarded to only four restaurants in all of Québec.

In December 2014, the SCQ announced the appointment of Éric Gonzalez as head chef at **Altitude**, the restaurant at the Casino de Mont-Tremblant. Well known to the general public, particularly for his appearances on numerous cooking shows, Éric Gonzalez is one of just five chefs in Québec to be a member of the prestigious Maîtres Cuisiniers de France culinary association.



Announced in April 2015 and opening in the spring of 2016, the gourmet restaurant at the Casino de Montréal will be run in association with the chef having received the most stars in the world, Joël Robuchon.

Alcohol has been allowed in the gaming areas of Québec's casinos since July 18, 2013, bringing it in line with all other casinos in North America. Loto-Québec is fully committed to customer safety and accountability in this regard. There were no complaints related to the sale of alcohol in gaming areas during the 2014-2015 fiscal year.

Remarkable campaigns



In addition to steps taken within the casinos to entertain visitors, significant efforts were made to promote the various high-quality entertainment options they offer to the public at large. For example, in October 2014, the SCQ launched its most remarkable online advertising campaign to date: *You had to be there*. Combining leading-edge technology with his great artistic talent, Gregory Charles, spokesperson for Québec's Casinos, demonstrates the many entertainment options available to visitors at the casinos. The full four-minute video has been viewed more than 1.6 million times online. The results of the campaign, particularly in terms of click rates and visits to the youhadtobethere.ca web site, are well above industry standards.

A second video starring Gregory Charles was released in March 2015 to coincide with the completion of the renovation work at the Casino du Lac-Leamy. This time, the variety of entertainment options was suggested through the skillful play of light and colour, intended to pique customers' interest and encourage them to discover the "new" Casino du Lac-Leamy.

Whether in the form of new games or promotional campaigns, the casinos' initiatives are bearing fruit. The benefits are already being felt in Montréal, where there has been a 9.3% increase in patronage during this past fiscal year over the previous year.

Successful initiatives for lotteries

Many commercial activities have produced encouraging results despite the overall fall in lottery sales. Since August 25, 2014, players of **Banco** can double their stake to activate the new Turbo option for the chance to multiply their prize up to 10 times. At every Banco draw, there is an extra draw to determine the multiplier to be applied to each prize. Consumers appreciate this addition to the product, as evidenced by the 18% jump in sales since its launch. In December 2014, a Turbo multiplier of three increased one Montrealer's winnings to \$6 million—the largest Banco grand prize since its launch in 1989. Furthermore, in April and August 2014, two promotions boosted sales by 34% and 27% respectively, in comparison to previous draws.

Alongside other Canadian lottery corporations, Loto-Québec has been working on ways to improve **Lotto Max**. Therefore, as of the draw on July 17, 2015, a new prize structure will allow the jackpot to go from 50 to 55, and then to 60 million dollars so as to pique the interest of occasional Lotto Max players or attract new ones. Maxmillions (\$1-million prizes) will still begin to be added when the jackpot reaches \$50 million and their number will continue to increase whenever the jackpot is not won.

Lotto 6/49 Super Draws took place in June and December 2014 as well as March 2015, with several guaranteed prizes added to the usual offering for the occasion. The Super Draw of December 24, 2014, which

offered five guaranteed \$1-million prizes, led to a 60% increase in sales in relation to comparable draws without additional guaranteed prizes. Super Draws have made many winners in Québec.

At the Montreal International Auto Show, Loto-Québec promoted the **Sprinto** lottery by giving visitors the chance to play for free on site, and a promotional code was given to new users of **Espacejeux.com**. More than 500 visitors received free plays with Sprinto at the Auto Show, and hundreds of winners were able to claim prizes thanks to this promotion.



Regarding **sports betting**, Loto-Québec registered record sales with two major events: the Super Bowl in January 2015 and the soccer World Cup in summer 2014. Loto-Québec set several initiatives in motion over the past year to reach sports fans; for instance, hockey fans can play a new online quiz game available only at La Cage aux Sports restaurants via a mobile device, demonstrating how **Mise-o-jeu** can turn up the intensity on any match. Furthermore, Mise-o-jeu's web site, **Le Tableau**, is the place to go for sports news, for commentary by well-known personalities and for a bit of humour—and to find out the winning bets on the latest events.

Winning doesn't change you, except...

Advertising in the lottery sector gets noticed and is appreciated—not only by the general public but also by those in the marketing industry. During the 2014-2015 fiscal year, Loto-Québec received a total of three Créa awards (recognizing Québec's best commercials of the year) for its Lotto 6/49 *Be careful what you promise* campaign and the Lotto Max *Times Square* ad. The Lotto 6/49 TV advertising campaign was also lauded by the North American Association of State and Provincial Lotteries.



THE CONSUMERS APPRECIATE THE ADDITION OF THE TURBO OPTION TO BANCO AS EVIDENCED BY THE 18% JUMP IN SALES SINCE ITS LAUNCH.

Making people happy across Québec

Over the past fiscal year, lottery winners received prizes totalling nearly \$870 million. Loto-Québec gave out 1,337 prizes of \$25,000 or more, including 52 prizes of \$1 million or more.

The 10 biggest prizes in Québec from April 1, 2014, to March 31, 2015

PRIZE	LOTTERY	DRAW DATE	ADMINISTRATIVE REGION
\$25,000,000	Lotto Max	November 28, 2014	Bas-Saint-Laurent
\$13,216,947	Lotto 6/49	July 12, 2014	Laval, Montérégie, Montréal
\$7,000,000	Lotto 6/49	August 27, 2014	Capitale-Nationale
\$6,000,000	Banco with Turbo	December 4, 2014	Montréal
\$5,961,177	Lotto 6/49	April 26, 2014	Montréal
\$5,961,177	Lotto 6/49	April 26, 2014	Montérégie
\$5,000,000	Célébration 2015	January 11, 2015	Abitibi-Témiscamingue
\$5,000,000	Lotto 6/49	February 28, 2015	Bas-Saint-Laurent
\$2,000,000	Banco with Turbo	October 21, 2014	Montérégie
	Québec 49	November 29, 2014	Montréal
	Québec Max	December 19, 2014	Capitale-Nationale
\$2,000,000	200 Millions suprême	Instant lotteries (grand prizes claimed during the fiscal year)	Montérégie
	200 Millions extraordinaire		Laval



Year after year, the televised draws **La Poule aux œufs d'or** and **Roue de fortune chez vous!** continue to be very popular. Over the past 21 years, La Poule has given away almost \$210 million in prizes, including \$8.7 million in 2014-2015. Meanwhile, Roue de fortune gave away \$5.2 million in prize money to 67 winners in its most recent season, for a total of some \$137 million since 1988. These two shows are always among the most popular in Québec.

Increased visibility for winners

Loto-Québec makes sure major wins are well publicized, whether in the media, on lottery terminal screens or on its various online platforms. There is more focus on **winners** on the new lottery web site, online since December 2014, and winners' identities are also posted on social media. The visibility of winners is a fundamental question of transparency.

Furthermore, in April 2015, the Corporation made a decision to go out to meet grand prize winners in the regions and hand over their cheque in front of local media. The first group of 10 winners received their million-dollar winnings on April 9 in Saint-Félicien, in the Saguenay-Lac-Saint-Jean region.

New lottery kiosks

To improve the customer experience, 20 new-generation lottery kiosks were installed during the past fiscal year. This renewal is essential to maintain the appeal of lottery products, particularly at a time when many shopping centres are being refurbished. The design of the new kiosks is more ergonomic



and avant-garde, and also allows for multimedia content to be displayed. It will take 4 years to replace all 107 kiosks across Québec. Loto-Québec's kiosks are managed by non-profit organizations (NPOs), with 59 organizations operating the 107 kiosks. These accredited organizations receive a commission on sales, as do all Loto-Québec retailers.

Improved online services

To improve the services offered online and respond to strong customer demand, Loto-Québec launched a new feature on its web site and mobile app in December 2014 enabling **online groups** to be formed for Lotto Max, Québec Max, Lotto 6/49 and Québec 49. Loto-Québec is the first lottery corporation in Canada to allow players to form online groups. Players have two main options: to create their own group and invite others to join or to join groups that have already been created. The first major win for an online group occurred in February 2015.

Seeking to adapt its means of communication and commercialization to consumer trends, Loto-Québec launched a new range of online lottery products: **Expérience games**. These fit into the trend towards popular casual gaming in the entertainment world—that is, interactive games that are simple and easy to access on a computer or mobile device.

Expérience games have a predetermined outcome, and each session costs between \$1 and \$5. The duration depends on the nature of the game. Many of the games were designed and developed by **Ingenio**, Loto-Québec's research and innovation subsidiary.

It was also with a view to offering customers a more diverse and innovative range of online products that bingo was added to **Espacejeux.com**, in partnership with British Columbia and Manitoba. By getting involved in a business line which it



hadn't previously had the chance to develop, Loto-Québec now boasts a more competitive and complete range of products on its online gaming platform. In addition to attracting new customers, online bingo creates a sense of identification with the brand, thanks to the social aspect that brings a community of players together. This format appeals to a different demographic in terms of education, age, etc., than do traditional bingo halls.



IN ADDITION TO ATTRACTING NEW CUSTOMERS, ONLINE BINGO CREATES A SENSE OF IDENTIFICATION WITH THE BRAND, THANKS TO THE SOCIAL ASPECT THAT BRINGS A COMMUNITY OF PLAYERS TOGETHER.

In the fall of 2014, **Espacejeux.com** launched an online advertising campaign to increase its membership. Rolled out in two phases of three weeks each, the campaign offered new members \$10 to be used with any online games.

Note that revenues from online gaming are continuing to progress; in the 2014-2015 fiscal year, they totalled \$48.9 million, which is an increase of \$7 million (+16.8%) over the previous year.

A revitalized video lottery network



Through its subsidiary the **Société des établissements de jeux du Québec** (SEJQ), Loto-Québec has taken a number of steps over the last two years to revitalize its network of video lottery terminals (VLTs) found in bars and brasseries across the province, as well as in the Québec City and Trois-Rivières gaming halls. This initiative, centred on the idea of fun and entertainment, coincides with the 20th anniversary of the VLT network.

Other improvements include strengthening the **video lottery** brand across the network by taking a promotional approach to gaming on the sales premises, revamping the design and developing advertising partnerships to market an enjoyable and entertaining product on a large scale.

Gaming halls: Making progress

After moving in November 2014, the **Salon de jeux de Québec** is now operating from its new premises in the Fleur de Lys shopping centre. Initial results are promising, as evidenced by a 66% increase in traffic and a 36% increase in revenues between the date of the move and March 31, 2015. Loto-Québec took the opportunity to reconfigure the gaming area; although the entertainment offering remains similar in terms of the number of seats, the bar, the fast food service and the private room that can accommodate up to fifty people or so, the move made it possible to improve certain aspects, particularly with regard to accessibility and parking.



THE GAMING HALL'S INITIAL RESULTS ARE PROMISING, AS EVIDENCED BY A 66% INCREASE IN TRAFFIC AND A 36% INCREASE IN REVENUES BETWEEN THE DATE OF THE MOVE AND MARCH 31, 2015.

The **Salon de jeux de Trois-Rivières** has also seen an increase in traffic throughout the past fiscal year, thanks in particular to the popularity of major promotions such as *Heureux dilemme*, *Jour de paye* and *Bienvenue à bord*, which make playing a more dynamic experience.

The Québec City and Trois-Rivières gaming halls both celebrated their seventh anniversary in the fall. Customers appreciate the more diversified entertainment offering and, again this year, the increased revenues at both establishments attest to that fact.

Changes for bingo and Kinzo

When it comes to modernizing Loto-Québec's range of entertainment products, **bingo** is no exception; with this in mind, the Corporation installed animated ticket dispensers in four bingo halls as a pilot project. With these dispensers, consumers can purchase pull-tab tickets and see the results revealed both on the ticket and via a short on-screen animation.



Continuing with this effort to maintain the appeal of bingo, Loto-Québec also launched a new type of pull-tab ticket in its bingo halls, which offers a local progressive jackpot in addition to instant prizes. These new tickets generated additional sales of \$2.7 million for network bingo over the previous year.

Loto-Québec has many well-known and well-liked brands that it can rely on. These brands are generally associated with one business line, and the Corporation's business sectors are increasingly looking at opportunities for cross-branding. For example, the Bingo spécial La Poule aux œufs d'or lottery ticket sold in bingo halls made it possible to leverage a well-known lottery brand in a new sector—bingo—and offer features inspired by the televised game.



Meanwhile, efforts have continued to raise the profile of **Kinzo** with the general public. Two TV ad campaigns were aired in April and October 2014, while numerous special events and promotions helped to create a festive atmosphere in Kinzo halls. The addition of a rollover jackpot for the line game is much appreciated as it offers an extra chance to win a significant sum.

As Kinzo is still a relatively new product on the market, the Corporation must adapt its network to the public's response. This is why three locations (two in Montréal, on Décarie and Crémazie boulevards, and one in Vaudreuil-Dorion) were closed, while three new ones opened (in Sorel, Rimouski and Brossard's Quartier DIX30).

Popular community events

Sponsorships are a wonderful opportunity to promote the Corporation's entertainment offering at popular community events. Certain products naturally lend themselves to being associated with particular events due to a common customer base or shared theme. As such, two country-western festivals were the perfect venue to promote the La Poule aux œufs d'or gala country lottery.

Meanwhile, those attending the Festival d'été de Québec and Montréal's Just For Laughs Festival had the chance to discover Kinzo and try out the game at a kiosk specially

designed for the events. More than 27,000 interactions with the on-site promotional team were recorded at these two festivals.

The MONTRÉAL EN LUMIÈRE festival sponsorship was something altogether different, with visitors to the Garden of Light in downtown Montréal, for instance, enjoying a slice of sugar pie made by the Casino de Montréal's executive chef, Jean-Pierre Curtat. Festival-goers also had the opportunity to take in a performance by Gregory Charles, playing an actual piano made of ice designed by one of the Casino's artists.



In the summer 2014 season, a new communication strategy was adopted for events across Québec sponsored by the Corporation as part of **Les rendez-vous Loto-Québec**: video clips under the heading "110 façons de se divertir" were produced and distributed on various web platforms. They showed some of the events in the *Rendez-vous* portfolio, focusing on humorous and entertaining highlights. The new strategy encouraged interaction and sharing of content.

SPONSORSHIPS ARE A WONDERFUL OPPORTUNITY TO PROMOTE THE CORPORATION'S ENTERTAINMENT OFFERING AT POPULAR COMMUNITY EVENTS.



ORIENTATION 2

TO GUARANTEE THE EFFECTIVE
AND EFFICIENT MANAGEMENT
OF RESOURCES

SIGNIFICANT GAINS IN EFFICIENCY

Numerous initiatives have been undertaken to enhance the Corporation's entertainment offering, but there have been just as many to improve performance. During the 2014-2015 fiscal year, a wide-ranging plan to optimize human, material and financial resources was implemented across the organization to ensure maximum efficiency.

A comprehensive, in-depth review of all sectors

All Loto-Québec sectors have been reviewed over the past year, or will be soon. Various restructuring initiatives have taken place and a budget review has led to a hiring and overall payroll freeze, as well as a spending freeze in some units, notably in information technologies. Efficiency gains in the order of \$68.5 million were generated in the 2014-2015 fiscal year. Organizational efficiency is essential to stay focused on business goals and ensure the Corporation's longevity.

EFFICIENCY GAINS IN THE ORDER OF \$68.5 MILLION WERE GENERATED IN THE 2014-2015 FISCAL YEAR.

On December 15, 2014, two subsidiaries of Loto-Québec, the Société des loteries vidéo du Québec (SLVQ) and the Société des bingos du Québec (SBQ), were merged. The new entity formed by the merger is the Société des établissements de jeux du Québec (SEJQ). Its mission is to manage a network of video lottery terminals, gaming halls, network bingo and Kinzo venues responsibly, with a view to providing quality entertainment and with proceeds being used for the benefit of all Quebecers.



**SOCIÉTÉ DES
ÉTABLISSEMENTS DE JEUX
DU QUÉBEC INC.**

Bringing these sectors together has allowed for significant gains in efficiency, particularly through greater operational effectiveness. As the SLVQ and SBQ faced similar challenges and issues and targeted related customer bases—not to mention sharing part of the same network of business partners—the synergy between these two groups was assured.

At the SCQ, the organization of work and the responsibilities of the administrative teams were reviewed. Development projects were also reassessed based on current and future needs. This exercise entailed a review of administrative staff and the manager-to-staff ratio, which was also examined across the organization.

Elsewhere, the use of space in all Loto-Québec buildings was studied with a view to optimization. As a rationalization of space proved necessary, operations in the Laval regional office were transferred to the Montréal regional office, located at the corner of Mill and Bridge streets. Meanwhile, the Québec City office will be put up for sale as the building is no longer being used to its full potential. However, there will still be a winner payout centre in Québec City.



ORGANIZATIONAL EFFICIENCY IS ESSENTIAL TO STAY FOCUSED ON BUSINESS GOALS AND ENSURE THE CORPORATION'S LONGEVITY.

A review of practices

In 2014, Loto-Québec launched an initiative to redefine the ticket distribution model for the 8,500 lottery retailers across Québec. A new model is needed, as logistics and administrative tasks currently take up too much of the sales force's time. The Corporation would like to refocus the sales force on marketing products and developing the retail network to its full potential.



The option chosen in 2015, which will be deployed during the 2015-2016 fiscal year, is the activation of tickets at points of sale, meaning that they will have no value until activated by the retailer. As a result, tickets can be delivered with less stringent security measures and, therefore, at lower cost. This change will give rise to a whole host of decisions to be made, such as the number of products to be launched on the market and at what pace. The modernization of the ticket distribution model is a major project for the Corporation, which will ensure it is better equipped to take on the challenges ahead.

Another measure to reduce costs in this area concerns the printing of lottery tickets. In fact, changing printers and reducing the number of tickets printed has lowered printing costs by \$2.5 million over the course of the last fiscal year, compared to the previous twelve months.

Repositioning social commitment programs

Over the past year, Loto-Québec has reviewed its budget for all social commitment programs and activities so that each

investment is better aligned with the organization's needs. With this in mind, it has revised its sponsorship allocation policy in favour of sponsorships that present added value to the Corporation's entertainment offering, in regions where gaming facilities are located. Loto-Québec will continue to be there for its customers in all regions and remain an important player with regard to sponsorship in Québec. The new policy applies as of the 2015-2016 fiscal year.

This review of programs and activities also affects the **Collection Loto-Québec**. As such, the art acquisition program was temporarily suspended for the current fiscal year. However, Loto-Québec's mission to promote the work of Québec artists remains firm. The collection will continue to be showcased, particularly by means of touring exhibitions.



With regard to corporate affairs, a cross-organizational governance structure has been put in place to optimize and prioritize social responsibility considerations in daily operations. For instance, the procurement and social responsibility departments have worked together to assign consistent sustainable development criteria to seven targeted product categories which must be taken into account in the tendering process. There is also a plan to assess

**THE CORPORATION WOULD LIKE TO REFOCUS THE SALES FORCE
ON MARKETING PRODUCTS AND DEVELOPING THE RETAIL NETWORK
TO ITS FULL POTENTIAL.**

**SOCIAL RESPONSIBILITY
ACTIONS CONTRIBUTE TO
THE CORPORATION'S FINANCIAL
PERFORMANCE AS WELL AS ITS
ENVIRONMENTAL AND SOCIAL
PERFORMANCE.**

opportunities for synergy among some calls for tenders, which should reduce costs and, potentially, the environmental impact of acquisitions through the application of responsible procurement principles.

Social responsibility actions contribute to the Corporation's financial performance as well as its environmental and social performance.

Withdrawal of Loto-Québec's interest in JOAGROUPE

In 2005, through its Casino Mundial subsidiary and the Casinos Développement Europe (CDE) holding company, Loto-Québec became co-owner of JOAGROUPE Holding Inc., a French corporation that runs some 20 casinos in France as well as the JOA Online, a gaming company.

Through CDE, Casino Mundial held 35% of the share capital of JOAGROUPE, while the European investment firm Bridgepoint Capital and JOAGROUPE's management team respectively held 55% and 10% of shares in JOAGROUPE. Although the investment started out well, the situation deteriorated as the European economy faltered.

In 2014, two investment funds made an offer to JOAGROUPE, under the terms that they would become shareholders and provide financial support in return. Following analysis, the Corporation concluded that, given the circumstances, it should favour a solution that would free it from this investment.

Hence, on October 22, 2014, the government of Québec authorized Loto-Québec and its subsidiaries to cede interest held in any business involved in managing casinos in France.

Loto-Québec therefore divested its interest in JOAGROUPE, thus transferring a loan estimated at €9.9 million to a new holding. In return, Loto-Québec received the right to a portion of receipts should the holding be resold.

Despite its withdrawal from JOAGROUPE, Loto-Québec maintains an interest in two casinos, one in La Seyne-sur-Mer and one in Giffaumont Lac du Der. As of March 31, 2015, Loto-Québec's investment in this regard consists of loans totalling an estimated \$12.4 million. The value of these loans has not depreciated and both casinos are profitable.



ORIENTATION 3

TO PRESERVE THE BALANCE
BETWEEN A RESPONSIBLE
APPROACH AND THE
DYNAMIC AND COMPETITIVE
COMMERCIALIZATION
OF ITS PRODUCTS

AN APPROACH INCREASINGLY ROOTED IN THE ORGANIZATIONAL CULTURE

The Corporation's mandate is to capitalize on its offering as much as possible while taking a responsible commercialization approach. Responsible gambling is the social mainstay, combined with the environmental and economic aspects of sustainable development.

As such, in an effort to define the Corporation's practices, a responsible commercialization code was adopted by the Board of Directors in November 2014. The five objectives set out by Loto-Québec in this code are to provide its employees with a stimulating workplace; to optimize responsible gambling measures at every step of its commercialization activities; to ensure the integrity of its games and their distribution channels; to continue its drive to improve overall performance; and to encourage dialogue with stakeholders according to a vision of complementary roles.

In other words, responsible commercialization of gaming products means optimizing the Corporation's economic, social and environmental performance in all areas of operation and in each of its projects.

Raising awareness about responsible gambling

According to a study¹ published in March 2014, 1.4% of Québec adults—some 90,000 people—are considered at moderate risk of developing a gambling problem; 0.4%—about 25,000 people—are likely pathological gamblers. Scientific studies of the issue have indicated that this rate has remained stable over the years even though consumption of gaming products has increased. To make sure that a game remains a game, the Corporation has undertaken various awareness initiatives.



THE RESPONSIBLE
COMMERCIALIZATION OF GAMING
PRODUCTS MEANS OPTIMIZING
THE CORPORATION'S ECONOMIC,
SOCIAL AND ENVIRONMENTAL
PERFORMANCE IN ALL AREAS
OF OPERATION AND IN EACH
OF ITS PROJECTS.

Over the past year, Loto-Québec has launched a new multi-media awareness campaign to encourage Quebecers to adopt good gaming habits. Entitled *Deciding*, the campaign has been distributed on various media platforms in both official languages.

¹Sylvia Kairouz and Louise Nadeau, *Portrait of gambling in Quebec: Prevalence, incidence and trajectories over four years*, Concordia University, Université de Montréal and Fonds de recherche sur la société et la culture, 2014.

The TV ad focuses on the fact that, in gambling, it really is all up to chance. This campaign is part of a long-term effort—past, present and future—that seeks to encourage Quebecers to adopt good gaming habits by making players aware of the overriding role of chance.

Other initiatives launched in 2014-2015 include the distribution of clips providing information about poker and blackjack, which demonstrate that despite the elements of skill and knowledge involved in these games, chance plays the determining role in the outcome. These clips were mainly released on agameshouldremainagame.com and social media. Leaflets were also distributed.



TO MAKE SURE THAT A GAME REMAINS A GAME, THE CORPORATION HAS UNDERTAKEN VARIOUS AWARENESS INITIATIVES.

Au Centre du hasard areas dedicated to information and awareness are located at all four casinos and two gaming halls. Unveiled in February 2015, these areas have been completely reinvented in partnership with the Montréal Science Centre. They now include several interactive games that aim to debunk myths about gambling and games of chance, raise visitor awareness of the potential associated risks and promote good gaming habits. These revamped spaces are more accessible, and the interactive games fit into the establishments' range of entertainment products.



Customized tools for employees and partners

While many steps are taken to educate the general public, Loto-Québec's employees and partners also receive targeted training related to their role with customers. In addition to the basic training given to all personnel, Loto-Québec employees who may potentially come in direct contact with customers in distress—investigators, nurses in casinos and gaming halls, social media contributors and various customer service staff—receive training adapted to their work environment. This training session, which lasts seven hours, was developed in cooperation with the Association québécoise de prévention du suicide. A total of 81 employees received this training in 2014-2015.

Online training entitled *Taking Risks Is No Game*, created for those who work in establishments with VLTs, aims to provide responsible gaming tools to help employees identify customers experiencing problems. An updated version of the workshop was launched in February 2014; a total of 4,260 people participated in 2014-2015.

Meanwhile, the *Bien joué!* and *Lotoresponsable* recognition programs continue to reinforce responsible commercialization practices among lottery retailers and video lottery licence holders. These programs reward establishments that meet certain responsible gambling criteria, including staff training.



Significant benefits for the community

Festivals sponsored by the Corporation are a good opportunity to raise awareness about responsible gambling with activities that show the difference between the concepts of probability and chance in a fun, inclusive way. Activities such as the Probabilatron and Match des matchs were created for this purpose, with some 13,000 people taking part over the course of the summer 2014 season of *Rendez-vous Loto-Québec* events.

THE FESTIVALS SPONSORED
BY THE CORPORATION ARE A GOOD
OPPORTUNITY TO RAISE AWARENESS
ABOUT RESPONSIBLE GAMBLING

Furthermore, events sponsored by Loto-Québec generate major economic and social spin-offs in their region. In 2014-2015, over 100 events were included in the *Rendez-vous Loto-Québec* calendar. The Corporation spent a total of \$13.6 million on event and community sponsorships over the last fiscal year. Loto-Québec also encourages the events it sponsors to be environmentally responsible, with 83% achieving the Corporation's minimum threshold for sustainability—an increase of four points over the previous year.

Loto-Québec's contribution to the arts can be seen, for instance, in its collection of artwork; in 2014-2015, 164 pieces produced by 82 Québec artists were added, bringing the total collection to some 4,900 works. Approximately \$310,000 was spent on acquisitions for the year. The Collection Loto-Québec, which visits all regions of Québec, helps the Corporation to forge ties with a variety

of players on the municipal scene, as well as in the worlds of culture and creative arts.

In 2014-2015, exhibitions were held in Kingsey Falls, Montréal, Rouyn-Noranda, Saguenay, Saint-Jérôme and Sherbrooke. Furthermore, in cooperation with the Ministère de la Santé et des Services Sociaux, Loto-Québec has loaned artwork to institutions in the health network for a period of 10 years. Through this initiative, public spaces are made more attractive, for the enjoyment of users, employees and visitors.

The institutions that received works over the last fiscal year are the Institut universitaire de gériatrie de Sherbrooke; the Hôpital Laurentien in Sainte-Agathe-des-Monts; the Hôpital de Val-d'Or, Pavillon Saint-Sauveur; and the Centre administratif et hospitalier de Jonquière.



The program entitled *Les entrées en scène Loto-Québec* has continued for a seventh year, in collaboration with the Réseau indépendant des diffuseurs d'événements artistiques unis (RIDEAU). This program supports up-and-coming artists and helps some of them to present their shows in cities and towns across Québec. This year, 5 artists performed 132 shows in 96 venues in more than 60 locations.



A commitment to support causes



Loto-Québec's casinos have been committed to supporting the cause of food security since 2010. Therefore, in 2014, the SCQ announced its intention to support the cause in a sustained way—that is, to provide concerted, planned support so as to produce an even greater impact and cover more areas of intervention. The areas given highest priority are: volunteering activities and food drives involving employees, organizing fundraising campaigns and

contributing to a movement with other employers. This strategy will be deployed for the benefit of Moisson food banks in the regions where Québec's four casinos are located.

Proud to be involved in the community, the subsidiary Ingenio has chosen to encourage students and young entrepreneurs in the creative field, new technology and multimedia as its mandate. Over the past fiscal year, it awarded scholarships to students at various universities, providing them with tangible encouragement in pursuit of their studies in these areas.

In 2014, thanks to the generosity of its employees, Loto-Québec was able to donate \$261,540 to the annual Entraide fundraising campaign by current and retired public service staff for the benefit of three partner charities: Centraide, Partenairesanté-Québec and the Québec division of the Canadian Red Cross.

Loto-Québec's commitment also shows in its employees' community initiatives. As such, a new corporate volunteering program, *Le collectif Tous gagnants*, was set up in September 2014. The aim of *Le collectif* is to create a movement bringing employees together for the benefit of organizations by supporting those who get involved on an individual basis or by organizing activities for employees to take part in as volunteers.



During the 2014-2015 fiscal year, 989 employees participated in a volunteering activity, for a total of 5,048 volunteer hours. These activities took place outside of working hours.

CAMPAGNE D'ENTRAIDE 2014
DONNER,
 C'EST DANS MA PERSONNALITÉ!

ET DANS LA VÔTRE
AUSSI.



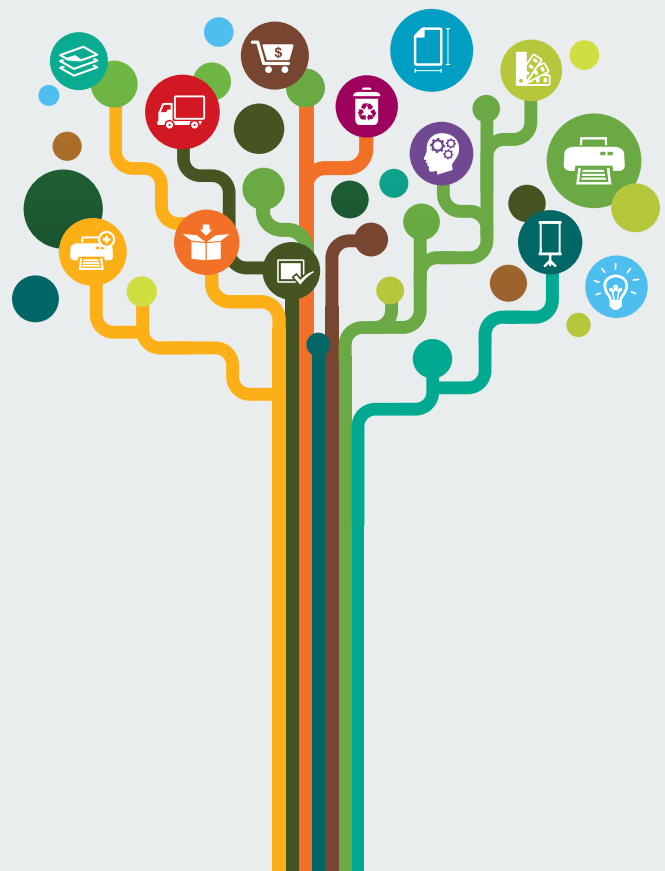
With regard to activities for raising employee awareness, the Casino du Lac-Leamy has been involved since 2012 with TerraCycle, a company whose mission is to eliminate the concept of waste by creating programs to collect various products and packaging components that were previously difficult or impossible to recycle. To mark Earth Day 2014, the Montréal and Charlevoix casinos joined with Lac-Leamy's efforts to collect cigarette butts. The casinos received money from TerraCycle for collecting and sending in this waste, based on the weight, and this money was then passed on to various organizations. Staff at SCQ headquarters also played their part by recycling coffee containers and cosmetics.

ENVIRONMENTAL RESPONSIBILITY
HAS BEEN AN INTEGRAL PART
OF THE CORPORATION'S PRACTICES
FOR NEARLY A DECADE.

Also, all profits generated by network bingo are given to NPOs affiliated with bingo halls. Contributions to NPOs from the proceeds of bingo and Kinzo totalled \$5.9 million for the 2014-2015 fiscal year; since 1997, this sum comes to a total of \$146.6 million. In 2014-2015, to publicize this contribution, Loto-Québec produced three video clips about the organizations that benefit from bingo proceeds, which were posted on the SEJQ web site and social media.

Improving environmental performance

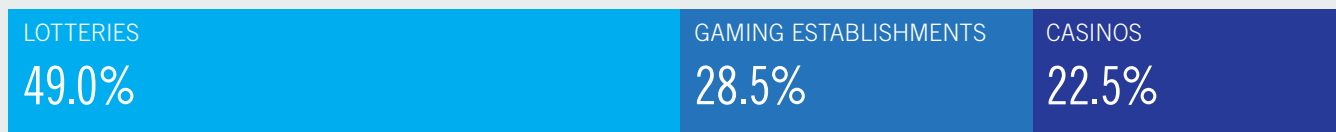
Environmental responsibility has been an integral part of the Corporation's practices for nearly a decade. There have been numerous initiatives and tangible results. To this end, the modernization of the Pierre-De Coubertin data centre has enabled Loto-Québec to make several improvements to optimize environmental performance. The resulting reduced energy consumption and greenhouse gas emissions are due in large part to the installation of a white roof and a free cooling system that uses cool ambient air from outside to regulate the temperature in the data centre. Also, almost 80% of the new flooring is made from recycled materials.



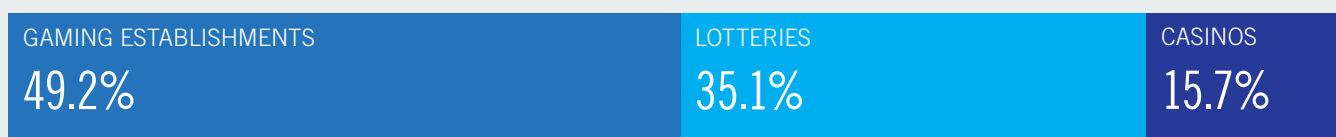
FINANCIAL REVIEW

AS AT MARCH 31, 2015

Revenues



Net income



Loto-Québec's consolidated revenues for the 2014-2015 fiscal year reached \$3.338 billion. This constitutes a decline of \$181.1 million (-5.1%) compared to the preceding fiscal year.

Consolidated gross profit totalled over \$2.089 billion compared to \$2.159 billion in the 2013-2014 fiscal year, which is a fall of \$69.8 million (-3.2%). Expenses, including net financial expenses, came to \$968.2 million—an improvement of \$41.5 million (-4.1%). Consolidated net income was almost \$1.116 billion, down by \$28.3 million (-2.5%). This drop is primarily due to the effect of chance, which has not been favourable in the lottery sector (-5.5%), and the economic slowdown affecting gaming establishments in the network of bars and brasseries (-3.7%). This decrease is partially offset by the 9.2% rise in net income for casinos.

Lotteries

With revenues standing at close to \$1.634 billion, the lottery sector experienced a shortfall of \$140.0 million (-7.9%) compared to the preceding fiscal year. This decrease is mainly attributable to the draw lottery category (-\$96.9 million, or -7.8%); Lotto Max and Lotto 6/49 sales alone fell by \$56.3 million (-20.5%) and \$24.4 million (-6.5 %) respectively. With regard to instant lotteries, sales were down by \$42.5 million (-9.1%).

The small number of major jackpots and long periods of time without significant rollovers led to a drop in sales on every level of jackpots for Canada-wide draw lotteries. In 2014-2015, Lotto Max held just 9 draws offering a jackpot of \$50 million with Maxmillions (for a total of 37 Maxmillions), compared to 17 draws in 2013-2014 (for a total of 274 Maxmillions). The projected average number of draws with Maxmillions was 16; the probability of having as few as 9 was only 14%. Regarding Lotto 6/49, it offered only two jackpots of \$30 million or more in 2014-2015, compared to six the previous year.

Lottery gross profit was \$628.5 million, down by \$36.3 million from last year. This decline is explained by lower sales (-\$52.5 million), which was partially offset by payout rates that were lower than the previous year (a difference of \$15.9 million).

In all, a total of \$867.8 million in prizes was awarded to winners, while \$115.5 million went to retailer commissions.

REVENUES

As at March 31

(In thousands of Canadian dollars)	2015	2014	\$ Variation	% Variation
DRAW LOTTERIES				
Lotto 6/49	348,781	373,156	(24,375)	(6.5)
Lotto Max	218,435	274,720	(56,285)	(20.5)
Québec 49	64,474	71,419	(6,945)	(9.7)
Québec Max	31,005	35,849	(4,844)	(13.5)
Extra	113,736	129,188	(15,452)	(12.0)
Banco	155,452	138,760	16,692	12.0
La Quotidienne	41,321	42,354	(1,033)	(2.4)
Tout ou rien	4,686	–	4,686	–
Astro	3,435	3,362	73	2.2
Triplex	3,772	4,072	(300)	(7.4)
Lotto Poker	23,477	28,784	(5,307)	(18.4)
Sprinto	7,596	10,726	(3,130)	(29.2)
Lotto :D	6,526	16,774	(10,248)	(61.1)
Lotto Hockey	2,504	3,405	(901)	(26.5)
Roue de fortune Éclair	16,907	–	16,907	–
La Mini	9,183	9,505	(322)	(3.4)
TV	60,021	62,047	(2,026)	(3.3)
Special editions	41,135	45,196	(4,061)	(9.0)
Subtotal	1,152,446	1,249,317	(96,871)	(7.8)
INSTANT LOTTERIES	425,529	468,071	(42,542)	(9.1)
EXPÉRIENCE GAMES	315	–	315	–
EVENT BETTING	55,299	56,248	(949)	(1.7)
Total	1,633,589	1,773,636	(140,047)	(7.9)

Casinos

Revenues in the casino sector, totalling \$776.8 million, were down by \$20.2 million (-2.5%) compared to the previous fiscal year. All four casinos posted lower revenues, but the drop was more pronounced in the two smaller ones, which are located outside large cities and therefore have access to a smaller population base. The slowdown in this sector is partly attributable to increasingly fierce, and in some cases illegal, competition. In 20 years, the number of casino-style establishments near Québec has increased more than fivefold, from 14 to 83. The economic situation is also a factor.

REVENUES

As at March 31

(In thousands of Canadian dollars)	2015	2014	\$ Variation	% Variation
Casino de Montréal	479,786	489,894	(10,108)	(2.1)
Casino de Charlevoix	43,770	47,121	(3,351)	(7.1)
Casino du Lac-Leamy	237,225	242,698	(5,473)	(2.3)
Casino de Mont-Tremblant	16,028	17,281	(1,253)	(7.3)
Total	776,809	796,994	(20,185)	(2.5)

Gaming establishments

Gaming establishments, which include video lottery terminals in bars and brasseries, gaming halls, network bingo and Kinzo, recorded revenues of \$952.5 million in 2014-2015. This represents a shortfall of \$25.1 million (-2.6%) compared to the previous fiscal year. The decline was seen in the bar and brasserie network, where revenues fell by \$31.2 million (-3.4%). This stems from the difficult economic situation in this industry, which has led many establishments in the network (nearly 6%) to close. It can be a challenge to relocate the returned terminals, and revenues are automatically affected.

On the other hand, gaming halls, bingo and Kinzo have all performed well, having increased their revenues by 13.5%, 6.5% and 4.3% respectively. Between November 2014, when it moved into its new premises, and March 31, 2015, the Salon de jeux de Québec saw a 66% rise in traffic and a 36% increase in revenues.

Commission paid to video lottery operators totalled \$197.8 million, while non-profit organizations holding bingo licences received \$5.9 million.

REVENUES

As at March 31

(In thousands of Canadian dollars)	2015	2014	\$ Variation	% Variation
BARS AND BRASSERIES	879,340	910,570	(31,230)	(3.4)
Salon de jeux de Québec	23,183	20,218	2,965	14.7
Salon de jeux de Trois-Rivières	10,984	9,894	1,090	11.0
TOTAL GAMING HALLS	34,167	30,112	4,055	13.5
Bingo	24,271	22,799	1,472	6.5
Kinzo	14,707	14,095	612	4.3
Total	952,485	977,576	(25,091)	(2.6)

Operating expenses

Expenses totalled \$954.7 million, a decrease of \$37.1 million (-3.7%) since the last fiscal year. This fall comes primarily from other expenses, which came to \$274.9 million compared to the previous year's \$310.3 million, meaning savings of \$35.4 million (-11.4%), despite inflation. In 2013-2014, an optimization plan was launched affecting all sectors in the Corporation. The reduced spending is therefore the result of various actions stemming from the review of processes, projects and programs. These measures include the merger of the Société des loteries vidéo du Québec and the Société des bingos du Québec, which now form the Société des établissements de jeux du Québec.

Employee benefits total \$421.9 million, which is similar to 2013-2014. Compared to 2013-2014, short-term employee benefits were reduced by \$14.4 million (-3.7%), despite costs related to collective agreements. This decrease is the result of optimization measures leading to a 7.5% reduction in staff. For the second consecutive year, Corporation staff did not receive bonuses.

Net financial expenses

Net financial expenses came to \$13.6 million, down by \$4.5 million compared to the previous year. This decrease is primarily attributable to variation in foreign exchange contracts.

Contributions to governments

Loto-Québec's contribution to the Ministère des Finances in the form of dividends stood at \$1.026 billion, \$29.7 million less than the preceding fiscal year. An additional \$90.2 million was paid into various Québec government designated funds and \$98.3 million was paid to the Ministère du Revenu in Québec Sales Tax (QST). Loto-Québec's total contributions to the Government of Québec therefore equalled \$1.214 billion (2014: \$1.249 billion). The Corporation also contributed \$16.5 million to the Government of Canada as compensation for withdrawal of the federal government from the lottery sector and \$49.3 million in Goods and Services Tax (GST), for a total of \$65.8 million (2014: \$68.6 million).

CONTRIBUTIONS TO GOVERNMENTS

As at March 31

(In thousands of Canadian dollars)	2015	2014
Government of Québec		
Dividends	1,025.6	1,055.3
Designated funds	90.2	88.8
QST	98.3	104.4
TOTAL GOVERNMENT OF QUÉBEC	1,214.1	1,248.5
Government of Canada		
Compensation – withdrawal from the lottery sector	16.5	16.3
GST	49.3	52.3
TOTAL GOVERNMENT OF CANADA	65.8	68.6
Total	1,279.9	1,317.1

SUPPLEMENTARY INFORMATION

As at March 31

(In thousands of Canadian dollars)

	2015				
Business segments	Lotteries	Casinos	Gaming establishments	Elimination of intersegment transactions	Consolidated figures
Revenues					
Games	1,633,589	699,427	952,485	–	3,285,501
Restaurants	–	61,682	–	(24,867)	36,815
Accommodations	–	15,700	–	–	15,700
	1,633,589	776,809	952,485	(24,867)	3,338,016
Cost of sales					
Prizes awarded	867,766	–	20,557	–	888,323
Commissions	115,523	4,255	197,805	–	317,583
Printing	21,812	–	1,293	–	23,105
Food and beverages	–	19,622	–	–	19,622
	1,005,101	23,877	219,655	–	1,248,633
Gross profit	628,488	752,932	732,830	(24,867)	2,089,383
Expenses					
Employee benefits	67,163	320,307	41,816	(7,416)	421,870
Depreciation, amortization and net impairment losses	26,839	74,629	37,396	–	138,864
Special payments	16,537	–	4,365	–	20,902
Goods and Services Tax	11,338	7,542	13,899	–	32,779
Québec Sales Tax	22,569	15,078	27,750	–	65,397
Other expenses	88,101	152,607	51,606	(17,451)	274,863
	232,547	570,163	176,832	(24,867)	954,675
Income from operating activities	395,941	182,769	555,998	–	1,134,708
Financial revenues	(790)	(871)	(77)	–	(1,738)
Financial expenses	5,423	3,406	6,469	–	15,298
Net financial expenses	4,633	2,535	6,392	–	13,560
Share of net income of entities accounted for using the equity method	–	5,345	–	–	5,345
Net income	391,308	174,889	549,606	–	1,115,803

SUPPLEMENTARY INFORMATION

As at March 31

(In thousands of Canadian dollars)

	2014				
Business segments	Lotteries	Casinos	Gaming establishments	Elimination of intersegment transactions	Consolidated figures
Revenues					
Games	1,773,636	718,172	977,576	–	3,469,384
Restaurants	–	63,035	–	(29,122)	33,913
Accommodations	–	15,787	–	–	15,787
	1,773,636	796,994	977,576	(29,122)	3,519,084
Cost of sales					
Prizes awarded	959,390	–	20,019	–	979,409
Commissions	122,906	3,783	204,146	–	330,835
Printing	26,507	–	1,948	(24)	28,431
Food and beverages	–	21,269	–	–	21,269
	1,108,803	25,052	226,113	(24)	1,359,944
Gross profit	664,833	771,942	751,463	(29,098)	2,159,140
Expenses					
Employee benefits	65,550	323,426	39,966	(8,135)	420,807
Depreciation, amortization and net impairment losses	26,439	72,402	37,169	–	136,010
Special payments	16,304	–	4,440	–	20,744
Goods and Services Tax	12,414	8,189	14,071	–	34,674
Québec Sales Tax	24,763	16,351	28,072	–	69,186
Other expenses	100,341	179,562	51,368	(20,963)	310,308
	245,811	599,930	175,086	(29,098)	991,729
Income from operating activities	419,022	172,012	576,377	–	1,167,411
Financial revenues	(810)	(620)	(79)	–	(1,509)
Financial expenses	5,699	7,279	6,584	–	19,562
Net financial expenses	4,889	6,659	6,505	–	18,053
Share of net income of entities accounted for using the equity method	–	5,213	–	–	5,213
Net income	414,133	160,140	569,872	–	1,144,145

COMPARATIVE RESULTS

As at March 31

(In thousands of Canadian dollars)	2015	2014	2013	2012	2011
Consolidated results					
Revenues	3,338,016	3,519,084	3,617,680	3,660,577	3,640,991
Cost of sales					
Lotteries					
Prizes awarded	867,766	959,390	943,316	930,655	918,948
Commissions	115,523	122,906	122,672	124,007	124,670
Printing	21,812	26,483	27,375	29,992	31,964
	1,005,101	1,108,779	1,093,363	1,084,654	1,075,582
Casinos					
Commissions	4,255	3,783	3,108	2,464	650
Food and beverages	19,622	21,269	23,570	25,172	27,660
	23,877	25,052	26,678	27,636	28,310
Gaming establishments					
Prizes awarded (bingo)	20,557	20,019	20,359	18,103	15,692
Commissions	197,805	204,146	212,602	217,310	217,770
Printing	1,293	1,948	2,261	1,731	1,777
	219,655	226,113	235,222	237,144	235,239
Total	1,248,633	1,359,944	1,355,263	1,349,434	1,339,131
Gross profit	2,089,383	2,159,140	2,262,417	2,311,143	2,301,860
Operating expenses					
Lotteries	171,801	182,195	188,054	182,710	178,282
Casinos	448,047	473,890	475,302	476,133	467,144
Gaming establishments	97,787	95,774	87,101	88,373	92,878
Depreciation, amortization and net impairment losses	138,864	136,010	115,681	108,343	125,294
Goods and Services Tax	32,779	34,674	33,030	33,721	34,979
Québec Sales Tax	65,397	69,186	65,924	61,953	56,719
	954,675	991,729	965,092	951,233	955,296
Income from operating activities	1,134,708	1,167,411	1,297,325	1,359,910	1,346,564
Net financial expenses	13,560	18,053	11,813	8,307	4,403
Share of net income of entities accounted for using the equity method	5,345	5,213	6,999	6,491	7,138
Casinos Développement Europe					
Write-down of loans	–	–	–	59,673	–
Net income	1,115,803	1,144,145	1,278,513	1,285,439	1,335,023



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MANAGEMENT'S REPORT

The consolidated financial statements of Loto-Québec have been prepared by management, which is responsible for their preparation and presentation, including significant estimates and judgments. This responsibility involves the selection of appropriate accounting policies in accordance with International Financial Reporting Standards (IFRS). 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 carries out periodic audits to ensure that internal controls are adequate, consistent and applied uniformly by Loto-Québec.

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

The Board of Directors of Loto-Québec oversees management in the performance of its financial reporting responsibilities and approves the consolidated financial statements, assisted by its Audit Committee consisting solely of independent members. The Audit Committee meets with management, Corporate Management of Internal Audit, 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

Corporate Vice-President Finance
and Administration, Loto-Québec

(signed)
GÉRARD BIBEAU

(signed)
JOHANNE ROCK, CPA, CA

MONTRÉAL, QUÉBEC
JUNE 4, 2015

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, 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information included in the accompanying notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Loto-Québec as at March 31, 2015, 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 on a basis consistent with that of the preceding year.

Auditor General of Québec

(signed)
MONTRÉAL, QUÉBEC
JUNE 4, 2015

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

(signed)
GUYLAINE LECLERC, FCPA AUDITOR, FCA
MONTRÉAL, QUÉBEC
JUNE 4, 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2015

(In thousands of Canadian dollars)

	2015	2014
Revenues (Note 5)	3,338,016	3,519,084
Cost of sales (Note 5)	1,248,633	1,359,944
Gross profit (Note 5)	2,089,383	2,159,140
Expenses		
Employee benefits (Note 6)	421,870	420,807
Depreciation, amortization and net impairment losses (Notes 14, 15)	138,864	136,010
Special payments (Note 7)	20,902	20,744
Goods and Services Tax	32,779	34,674
Québec Sales Tax	65,397	69,186
Other expenses	274,863	310,308
	954,675	991,729
Income from operating activities	1,134,708	1,167,411
Financial income	(1,738)	(1,509)
Financial expenses	15,298	19,562
Net financial expenses (Note 8)	13,560	18,053
Share of net income of entities accounted for using the equity method (Note 13)	5,345	5,213
Net income	1,115,803	1,144,145
Other comprehensive income		
Items that will not be reclassified subsequently to net income:		
Remeasurements of the net defined benefit liability (Note 20)	22,436	1,889
Other comprehensive income	22,436	1,889
Comprehensive income	1,138,239	1,146,034

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, 2015

(In thousands of Canadian dollars)	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as at April 1, 2013	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				
Remeasurements of the net defined benefit liability	–	–	1,889	1,889
Comprehensive income	–	1,144,145	1,889	1,146,034
Balance as at March 31, 2014	170	86,300	(3,998)	82,472
Dividends	–	(1,025,556)	–	(1,025,556)
Fonds d'aide à l'action communautaire autonome (Note 9)				
Aide à l'action communautaire autonome	–	(16,300)	–	(16,300)
Aide à l'action humanitaire internationale	–	(3,100)	–	(3,100)
Contributions to the Government of Québec (Note 10)	–	(70,847)	–	(70,847)
Transactions with the shareholder	–	(1,115,803)	–	(1,115,803)
Net income	–	1,115,803	–	1,115,803
Other comprehensive income				
Remeasurements of the net defined benefit liability	–	–	22,436	22,436
Comprehensive income	–	1,115,803	22,436	1,138,239
Balance as at March 31, 2015	170	86,300	18,438	104,908

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2015

(In thousands of Canadian dollars)

	2015	2014
ASSETS		
Cash and cash equivalents (Note 24)	80,261	85,599
Trade and other receivables (Note 11)	105,572	97,265
Inventories	3,066	3,414
Prepaid expenses	30,984	27,752
Current portion of financial assets related to life annuities (Note 12)	910	775
Total current assets	220,793	214,805
Interests in entities accounted for using the equity method, loans and advance (Note 13)	46,050	37,347
Property, plant and equipment (Note 14)	921,236	936,894
Intangible assets (Note 15)	74,487	90,944
Financial assets related to life annuities (Note 12)	74,082	68,013
Total non-current assets	1,115,855	1,133,198
Total assets	1,336,648	1,348,003
LIABILITIES		
Bank loans (Note 16)	451,981	462,936
Dividends payable	70,556	15,314
Accounts payable and accrued liabilities (Note 17)	166,747	187,308
Current portion of financial liabilities related to life annuities (Note 12)	910	775
Provisions (Note 18)	66,897	66,276
Deferred revenues	16,518	13,989
Current portion of long-term debt (Note 19)	75,000	100,000
Total current liabilities	848,609	846,598
Long-term debt (Note 19)	306,779	331,671
Net defined benefit liability and other long-term benefits (Note 20)	2,270	19,249
Financial liabilities related to life annuities (Note 12)	74,082	68,013
Total non-current liabilities	383,131	418,933
Total liabilities	1,231,740	1,265,531
SHAREHOLDER'S EQUITY		
Share capital authorized, issued and paid:		
1,700 shares with a par value of \$100 each	170	170
Retained earnings	86,300	86,300
Accumulated other comprehensive income (loss)	18,438	(3,998)
Total shareholder's equity	104,908	82,472
Total liabilities and shareholder's equity	1,336,648	1,348,003

ON BEHALF OF THE BOARD OF DIRECTORS

(signed)

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

(signed)

GÉRARD BIBEAU
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

CONSOLIDATED STATEMENT OF CASH FLOWS

As at March 31, 2015

(In thousands of Canadian dollars)

	2015	2014
OPERATING ACTIVITIES		
Net income	1,115,803	1,144,145
Adjustments for:		
Depreciation, amortization and net impairment losses	138,864	136,010
Loss on disposal of property, plant and equipment and intangible assets	488	2,061
Defined benefit and other long-term benefit expense	22,899	24,309
Share of net income of entities accounted for using the equity method	5,345	5,213
Interest income on loans to Casinos Développement Europe	(623)	(314)
Exchange (gain) loss on loans to Casinos Développement Europe	1,070	(851)
Other net financial expenses	16,113	16,466
Capitalization of defined benefit obligation	(17,442)	(21,276)
Net change in non-cash items (Note 24)	(19,434)	(24,391)
Interest paid	(17,674)	(17,873)
Interest received	1,115	1,195
Cash flows from operating activities	1,246,524	1,264,694
INVESTING ACTIVITIES		
Increase in loans and advance (Note 13)	(9,992)	(3,812)
Additions to property, plant and equipment (Note 14)	(104,144)	(216,299)
Additions to intangible assets (Note 15)	(11,490)	(12,232)
Proceeds from disposal of property, plant and equipment	549	1,371
Investment, net of distributions, in Manoir Richelieu Limited Partnership and payments to partners	(5,079)	(7,044)
Cash flows used in investing activities	(130,156)	(238,016)
FINANCING ACTIVITIES		
Dividends paid	(970,314)	(1,072,957)
Net change in bank loans	(10,955)	6,461
Increase in long-term debt	49,810	99,437
Repayment of long-term debt	(100,000)	–
Contributions to the Government of Québec (Note 10)	(70,847)	(69,832)
Fonds d'aide à l'action communautaire autonome (Note 9)		
Aide à l'action communautaire autonome	(16,300)	(16,000)
Aide à l'action humanitaire internationale	(3,100)	(3,000)
Cash flows used in financing activities	(1,121,706)	(1,055,891)
Decrease in cash and cash equivalents	(5,338)	(29,213)
Cash and cash equivalents, beginning of year	85,599	114,812
Cash and cash equivalents, end of year (Note 24)	80,261	85,599

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

(In thousands of Canadian dollars, unless otherwise indicated)

NOTE 1

INCORPORATION AND ACTIVITIES

The Société des loteries du Québec, designated under the name Loto-Québec, is a joint-stock company whose shares form part of the public domain of Québec and are allocated to the Québec Minister of Finance. Under its incorporating statute (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, 2015.

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 management's best projections.

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

Internally generated intangible assets

Management must use significant judgment in determining whether 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, 2015, 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 operating results. Those assumptions relate to future events and circumstances. The carrying amounts of assets subject to impairment are analyzed in Notes 13, 14 and 15, as necessary.

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. The fair value of life annuities is presented in Note 23.

Net defined benefit and other long-term benefit liability

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. This line item is analyzed in Note 20.

NOTE 3

CHANGES IN ACCOUNTING POLICIES

a) New and amended standards

New and amended standards are effective for annual periods beginning on or after January 1, 2014. Information on the new standards relevant to Loto-Québec follows.

IAS 32, Offsetting Financial Assets and Financial Liabilities

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.

Loto-Québec applied these amendments as at April 1, 2014, and these amendments had no impact on the consolidated financial statements.

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.

Loto-Québec applied this interpretation as at April 1, 2014, and this interpretation had 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 of existing standards have been published by the International Accounting Standards Board (IASB), but are not yet effective, and Loto-Québec has not early adopted them.

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

In July 2014, the IASB approved and issued the final version of new standard IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRIC 9, *Reassessment of Embedded Derivatives*.

IFRS 9 provides a logical model for classification and measurement, a single, forward-looking expected loss impairment model and a reformed approach to hedge accounting.

This standard replaces the multiple classification and measurement models for financial assets and liabilities with a single measurement model comprising only three categories: amortized cost, fair value through other comprehensive income, fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets and liabilities. The standard introduces a new impairment model requiring more timely recognition of expected credit losses. In particular, the new standard requires entities to account for expected credit losses from the date financial instruments are first recognized and lowers the threshold for recognizing full lifetime expected losses.

This new standard is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. Management of Loto-Québec is currently assessing the impact of the application of this new standard on the consolidated financial statements.

IFRS 15, Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, which replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and certain revenue-related interpretations. This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenues.

The new standard:

- Establishes a control-based revenue recognition model;
- Changes the basis for determining whether revenue is recognized at a point in time or over time;
- Provides more detailed guidance on specific topics;
- Expands and improves revenue disclosures.

The new standard is effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. Management of Loto-Québec is currently assessing the impact of the application of this new standard on the consolidated financial statements.

NOTE 4

SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

(i) Subsidiaries

The subsidiaries are entities controlled by Loto-Québec. Control exists 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, whose principal places of business are in Québec (Canada), namely:

- Lotim inc.
- Société des casinos du Québec inc.
- Casiloc inc.
- Société des établissements de jeux du Québec inc. (formerly La Société des loteries vidéo du Québec inc.)
- Société des bingos du Québec inc., dissolved on December 15, 2014
- Ingenio, filiale de Loto-Québec inc.
- Société du jeu virtuel du Québec inc.
- 9059-3849 Québec inc.
- Casino Mundial inc.
- Casino Capital 2006 inc.
- Nter Technologies, Limited Partnership
- Nter Technologies Inc.

Upon the dissolution of the Société des bingos du Québec inc., its rights and obligations, in addition to its personnel, were transferred to the Société des établissements de jeux du Québec inc.

(ii) Interests in associates and joint ventures

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

Manoir Richelieu Limited Partnership and its general partner, 9064-1812 Québec inc., are joint ventures over whose activities Loto-Québec has joint control, established by contractual agreement requiring partners' unanimous consent on strategic financial and operating decisions. Manoir Richelieu Limited Partnership, whose principal place of business is in Québec (Canada), owns a resort which includes a hotel, restaurants, a golf course, a spa, and commercial rental space.

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.

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 converted into the functional currency using the exchange rates in effect at the reporting 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 in the consolidated statement of comprehensive income.

c) Revenues

Games

Lotteries

Revenues from sales of lottery tickets 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 gaming establishments

Revenues generated from gaming operations in these business segments consist of the difference between wagers made and prizes awarded, with the exception of bingo revenues, which are recorded at the draw date.

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

e) Cost of salesPrizes awarded

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

Commissions

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

Loto-Québec pays bar and brasserie operators 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 revenues are earned by lottery retailers and bar and brasserie operators.

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

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

Pension plans

The net defined benefit liability (asset) recognized in the consolidated statement of financial position is equal to the surplus or deficit of defined benefit plans, i.e., the difference between the present value of the defined benefit obligation at the end of the reporting period and the fair value of plan assets, adjusted to take into account the effect, as required, of limiting the net defined benefit asset to the asset ceiling. The net defined benefit liability (asset) 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 using a discount rate representing 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 remeasurements of the net defined benefit liability (asset). 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. Remeasurements of the 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 (asset) recognized in the consolidated statement of financial position represents the funded status, i.e., the 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 lower of the surplus in the defined benefit plans or the asset ceiling. The asset ceiling equals the present value of any economic benefits available in the form of refunds or decreases 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.

Other long-term benefits

Other long-term benefits consist, among other things, of extended coverage during family and disability leaves. The 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 using a discount rate representing 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 and remeasurements of the long-term benefit liability are recognized in net income under Employee benefit expense in the consolidated statement of comprehensive income.

(iv) Termination benefits

Termination benefits are paid following Loto-Québec’s decision to terminate an employee’s employment before the normal retirement date or when an employee accepts voluntary redundancy in exchange for termination benefits. Loto-Québec recognizes employment termination benefits when it is no longer entitled to withdraw its offer or when it is demonstrably committed, through a detailed formal plan without possibility of withdrawal, to terminate the employment of current employees. The termination benefits 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 the associate and a joint venture.

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 and advance 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.

Loans and receivables

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 in the consolidated statement of financial position using the effective interest method, less net impairment losses. Interest income is recognized in Financial income in the consolidated statement of comprehensive income.

Loto-Québec has classified cash and cash equivalents, trade and other receivables, loans and advance 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 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 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 in the consolidated statement of comprehensive income.

(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 those 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. Those 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 and is not transferred substantially all the risks and rewards of ownership, payments under operating leases are recognized as an expense on a straight line basis over the lease period. 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.

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.

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%

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.

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

Depreciation is recognized under Depreciation, amortization and net impairment losses in the consolidated statement of comprehensive income.

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 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 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:

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 in the consolidated statement of comprehensive income.

o) Impairment**(i) Financial assets**

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

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

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 Other expenses in the consolidated statement of comprehensive income.

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

(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 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 in the consolidated statement of comprehensive income.

NOTE 5

REVENUES, COST OF SALES AND GROSS PROFIT

2015					
Business segment	Lotteries	Casinos	Gaming establishments	Elimination of intersegment transactions	Total
Revenues					
Games	1,633,589	699,427	952,485	–	3,285,501
Restaurants	–	61,682	–	(24,867)	36,815
Accommodation	–	15,700	–	–	15,700
	1,633,589	776,809	952,485	(24,867)	3,338,016
Cost of sales					
Prizes awarded	867,766	–	20,557	–	888,323
Commissions	115,523	4,255	197,805	–	317,583
Printing	21,812	–	1,293	–	23,105
Food and beverages	–	19,622	–	–	19,622
	1,005,101	23,877	219,655	–	1,248,633
Gross profit	628,488	752,932	732,830	(24,867)	2,089,383
2014					
Business segment	Lotteries	Casinos	Gaming establishments	Elimination of intersegment transactions	Total
Revenues					
Games	1,773,636	718,172	977,576	–	3,469,384
Restaurants	–	63,035	–	(29,122)	33,913
Accommodation	–	15,787	–	–	15,787
	1,773,636	796,994	977,576	(29,122)	3,519,084
Cost of sales					
Prizes awarded	959,390	–	20,019	–	979,409
Commissions	122,906	3,783	204,146	–	330,835
Printing	26,507	–	1,948	(24)	28,431
Food and beverages	–	21,269	–	–	21,269
	1,108,803	25,052	226,113	(24)	1,359,944
Gross profit	664,833	771,942	751,463	(29,098)	2,159,140

NOTE 6

EMPLOYEE BENEFITS

	2015	2014
Short-term employee benefits	373,606	388,043
Post-employment and other long-term benefits	35,210	32,764
Termination benefits	13,054	–
	421,870	420,807

NOTE 7

SPECIAL PAYMENTS

	2015	2014
Payments to the Government of Canada	16,537	16,293
Special commission for non-profit organizations (NPOs)	–	11
Payments to participating NPOs	3,933	4,150
Payments to non-participating NPOs	432	290
	20,902	20,744

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 \$24,000 in 1979 dollars, which represented \$71,150 in today's dollars for the year ended March 31, 2015 (\$69,862 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.

Payments to NPOsParticipating NPOs

As an agent of Loto-Québec, the Société des établissements de jeux 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, the Société des établissements de jeux 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 the Société des établissements de jeux du Québec inc.

NOTE 8

NET FINANCIAL EXPENSES

	2015	2014
Interest income on loans to Casinos Développement Europe	623	314
Interest income – other	1,115	1,195
Total financial income	1,738	1,509
Interest expense on bank loans ¹	4,662	4,830
Interest expense on long-term debt	12,566	12,831
Loss (gain) on foreign exchange contracts	(3,000)	2,752
Foreign exchange (gain) loss on loans to Casinos Développement Europe	1,070	(851)
Total financial expenses	15,298	19,562
Net financial expenses	13,560	18,053

¹Interest expense on bank loans includes \$3,828 (\$2,844 in 2014) with the Caisse de dépôt et placement du Québec.

NOTE 9

FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

For fiscal 2014-2015, the Government of Québec set at \$19,400 (\$19,000 in 2014) the amounts payable to the Fonds d'aide à l'action communautaire autonome. Under Loto-Québec's incorporating act, \$16,300 (\$16,000 in 2014) of those amounts were to be allocated to Aide à l'action communautaire autonome and \$3,100 (\$3,000 in 2014) to Aide à l'action humanitaire internationale.

NOTE 10

CONTRIBUTIONS TO THE GOVERNMENT OF QUÉBEC

	2015	2014
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation	6,000	6,132
Ministère de la Santé et des Services sociaux	52,000	52,000
Ministère de la Sécurité publique	3,472	3,000
Ministère de la Culture et des Communications	9,375	8,500
Ministère des Finances	-	200
	70,847	69,832

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

NOTE 11

TRADE AND OTHER RECEIVABLES

	2015	2014
Wholesalers agents	32,426	32,429
Retailers ¹	22,849	25,514
Interprovincial Lottery Corporation	28,570	14,701
Miscellaneous	21,727	24,621
	105,572	97,265

¹Under 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, 2015, gross trade receivables and total accrued liabilities offset amounted to \$40,773 (\$35,932 in 2014) and \$17,924 (\$10,418 in 2014), respectively. The net settlement amount was \$22,849 (\$25,514 in 2014).

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 \$837 (\$425 in 2014) and is reported under Other expenses in the consolidated statement of comprehensive income.

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 \$7,041 (\$5,515 in 2014).

NOTE 13

INTERESTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD, LOANS AND ADVANCE

	2015	2014
Interests	26,111	26,953
Loans and advance	19,939	10,394
	46,050	37,347

INTERESTS

Interests in and shares of entities accounted for using the equity method

	2015		2014	
	Casinos Développement Europe	Manoir Richelieu Limited Partnership	Casinos Développement Europe	Manoir Richelieu Limited Partnership
Equity interests				
With voting rights	35%	Class A units: 50%	35%	Class A units: 50%
With participating rights	35%	Class B units: 33%	35%	Class B units: 33%
Carrying amount of interests	–	26,111	–	26,953
Share of Loto-Québec based on its proportion of Class A and B units	–	(1,584)	–	(1,465)
Share of partners based on its proportion of Class C units	–	(3,761)	–	(3,748)
Net contribution				
Share of net loss of entities accounted for using the equity method	–	(5,345)	–	(5,213)

Manoir Richelieu Limited Partnership

Pursuant to a guarantee agreement between Loto-Québec and Manoir Richelieu Limited Partnership (MRLP), and according to the distribution terms and conditions specified in the partnership agreement whereby Class A, B and C units of MRLP carry a participatory interest in the income generated by the different types of operations of MRLP, the net contribution represents the minimum portion of cash generated by the operations of the Casino de Charlevoix payable to the partners, holders of Class C units, taking into account Loto-Québec's share, as the holder of Class A and B units, in the results generated by Manoir Richelieu.

Casinos Développement Europe

The share of unrecognized net income (losses) for the year ended March 31, 2015 was a net loss of \$784 (\$3,548 in 2014) and an unrecognized cumulative loss of \$784 (\$14,974 in 2014).

Summarized financial information excluding the percentage interest held by Loto-Québec

	2015		2014	
	Casinos Développement Europe	Manoir Richelieu Limited Partnership	Casinos Développement Europe	Manoir Richelieu Limited Partnership
Total current assets	20,205	7,074	65,695	7,310
Total non-current assets	26,284	94,426	89,869	94,750
Total assets	46,489	101,500	155,564	102,060
Total current liabilities	10,094	4,172	56,407	5,571
Total non-current liabilities	173,320	10,500	491,678	5,499
Total liabilities	183,414	14,672	548,085	11,070
Revenues	7,141	29,834	149,900	31,538
Net and comprehensive income – income (loss) – generated by Manoir Richelieu	–	(4,526)	–	(4,411)
Share of partners, holders of Class C units	–	2,841	–	3,960
Net and comprehensive income – income (loss)	(784)	(1,685)	(11,313)	(451)

The year-end of Manoir Richelieu Limited Partnership is December 31. However, in accounting for its interest using the equity method, Loto-Québec includes this entity's results for the period from April 1 to March 31. The summarized financial information contained in the above table is presented as at December 31.

The year-end of Casinos Développement Europe 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. The summarized financial information contained in the above table is presented as at October 31.

Loans and advance to entities

	2015	2014
Loans		
Casinos Développement Europe		
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on May 31, 2016 (€0.2 million)	320	332
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on April 30, 2017 (€2.0 million)	3,049	3,248
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on June 20, 2018 (€0.8 million)	1,215	1,258
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on November 20, 2018 (€1.9 million)	2,942	3,048
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on July 29, 2019 (€0.8 million)	1,116	–
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on October 9, 2019 (€0.4 million)	543	–
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on October 17, 2019 (€0.2 million)	219	–
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on October 30, 2019 (€0.3 million)	356	–
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on December 19, 2019 (€0.8 million)	1,083	–
Loan, in euros, fixed rate of 8%, principal and compound interest, receivable on March 26, 2020 (€1.2 million)	1,588	–
Manoir Richelieu Limited Partnership		
Loan, without terms of repayment, bearing interest at a fixed rate of 5% payable annually	2,508	2,508
	14,939	10,394
Advance		
Advance to the Manoir Richelieu Limited Partnership, non-interest bearing, repayable April 13, 2019	5,000	–
	19,939	10,394

Management determined that no loans were impaired during the years ended March 31, 2015 and March 31, 2014.

NOTE 14

PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Landscaping		Leasehold and improvements	Equipment and other	Works of art	In progress ¹	Total
			Parking lots	Interior and exterior					
Cost									
Balance as at April 1, 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
Transfers to									
intangible assets	–	(38,764)	–	38,764	–	–	–	–	–
Reclassifications									
<i>In progress</i> 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
Additions	–	2,806	(11)	19,032	7,183	34,992	310	32,953	97,265
Reclassifications									
<i>In progress</i> commissioned	–	–	–	10,206	–	576	–	(10,782)	–
Disposals	–	(16,910)	–	(11,009)	–	(49,729)	(8)	–	(77,656)
Balance as at March 31, 2015	46,101	427,155	123,042	433,692	79,135	646,791	8,267	38,600	1,802,783
Accumulated depreciation									
Balance as at April 1, 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
Depreciation for the year	–	13,230	4,651	24,399	3,570	66,404	–	–	112,254
Disposals	–	(16,910)	–	(10,825)	–	(49,252)	–	–	(76,987)
Balance as at March 31, 2015	–	176,578	83,050	209,938	53,214	358,767	–	–	881,547
Net carrying amounts									
As at March 31, 2014	46,101	261,001	44,654	219,099	22,308	319,337	7,965	16,429	936,894
As at March 31, 2015	46,101	250,577	39,992	223,754	25,921	288,024	8,267	38,600	921,236

¹Property, plant and equipment in progress consist of equipment awaiting commissioning totalling \$150 (\$732 in 2014), buildings undergoing renovations amounting to \$38,450 (\$15,697 in 2014).

NOTE 15

INTANGIBLE ASSETS

	Acquired		Internally generated	
	Software	IT development	IT projects under development	Total
Cost				
Balance as at April 1, 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
Additions	856	6,985	2,680	10,521
Reclassification of commissioned IT projects	130	4,977	(5,107)	–
Disposals	(584)	(3,512)	–	(4,096)
Balance as at March 31, 2015	52,793	205,619	3,206	261,618
Accumulated amortization				
Balance as at April 1, 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
Amortization for the year	4,943	21,667	–	26,610
Disposals	(584)	(3,144)	–	(3,728)
Balance as at March 31, 2015	46,865	140,266	–	187,131
Net carrying amounts				
As at March 31, 2014	9,885	75,426	5,633	90,944
As at March 31, 2015	5,928	65,353	3,206	74,487

NOTE 16

BANK LOANS

Current bank loans totalled \$451,981 (\$462,936 in 2014), including \$270,000 (\$309,000 in 2014) from the Caisse de dépôt et placement du Québec, a government body executing fiduciary operations excluded from the Government of Québec's reporting entity. These loans carry interest at fixed rates ranging from 0.79% to 0.82% (1.04% to 1.06% in 2014).

NOTE 17

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Accounts payable and accrued liabilities ¹	79,138	101,590
Lottery prizes payable	6,371	7,055
Salaries payable	62,464	61,689
Employee benefits payable	4,675	2,070
Manoir Richelieu Limited Partnership	2,781	3,357
GST	3,715	3,793
QST	7,603	7,754
	166,747	187,308

¹Accounts payable and accrued liabilities include accrued interest totalling \$3,592 (\$4,291 in 2014) payable to the Financing Fund of the Government of Québec and \$32 (\$52 in 2014) payable to the Caisse de dépôt et placement du Québec.

NOTE 18

PROVISIONS

	2015	2014
Balance as at April 1	66,276	60,901
Provisions made during the year	407,953	436,338
Provisions used during the year	(407,332)	(430,963)
Balance as at March 31	66,897	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

	2015	2014
Loans from the Financing Fund of the Government of Québec, interest payable semi-annually, repayable according to the following maturities and rates:		
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, 2017, fixed rate of 1.952%	40,000	40,000
December 1, 2018, fixed rate of 1.608%	50,000	–
December 19, 2018, fixed rate of 2.171%	50,000	50,000
December 1, 2020, fixed rate of 4.102%	43,375	43,375
September 1, 2023, fixed rate of 3.313%	25,000	25,000
December 1, 2033, fixed rate of 3.720%	25,000	25,000
December 1, 2043, fixed rate of 3.753%	25,000	25,000
May 5, 2014, fixed rate of 3.113%	–	50,000
December 1, 2014, fixed rate of 2.702%	–	50,000
	383,000	433,000
Transaction costs	(1,221)	(1,329)
	381,779	431,671
Less current portion	(75,000)	(100,000)
	306,779	331,671

NOTE 20

NET DEFINED BENEFIT AND OTHER LONG-TERM BENEFIT LIABILITY

a) General and mandatory plans

Employees of Loto-Québec, the Société des établissements de jeux 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.

On January 1, 2015, the employee and employer contribution rate rose to 10.50% (9.84% in 2014) of assessable payroll for the RREGOP and to 14.38% (14.38% in 2014) for the RRPE. The additional amount of compensation payable by the employer is 11.46% (11.46% in 2014).

Contributions to these general and mandatory plans amounting to \$11,598 (\$8,287 in 2014) were recognized as an expense in consolidated income for the year. The employer's obligations under these plans are limited to its employer contributions.

b) Defined benefit plans

i) Characteristics

The Société des casinos du Québec inc. has two defined benefit pension plans, namely the Employee Pension Plan of the Société des casinos du Québec inc. (the "Employee Plan") and the Executive Plan of the Société des casinos du Québec inc. (the "Executive Plan"). Membership in these plans is compulsory for all the 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 three 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 the 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 the 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 the 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*.

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.

Actuarial valuations for funding purposes are prepared to ensure compliance with pension legislation. The most recent actuarial valuations for the Employee Plan and the Executive Plan were prepared as at December 31, 2013. The next valuations will be prepared as at December 31, 2014. The most recent actuarial valuation for the Supplementary Plan was prepared as at March 31, 2014 and the next valuation will be prepared as at March 31, 2015.

ii) Risks

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 obligation. A decline in the market yields on high-quality corporate bonds would increase Loto-Québec’s defined benefit obligation, 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, 2015 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.

iii) **Explanation of amounts recognized in the financial statements**

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

	2015	2014
Present value of unfunded obligations	10,604	11,317
Present value of funded obligations	495,980	377,134
Total present value of obligations	506,584	388,451
Fair value of plan assets	504,314	369,202
	2,270	19,249

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

			2015	2014
	Pension plans	Other long-term benefits ¹	Total	Total
Defined benefit obligation				
Balance, beginning of year	377,134	11,317	388,451	345,481
Current service cost	21,267	–	21,267	22,019
Interest expense	19,293	–	19,293	16,469
Past service costs	(310)	–	(310)	–
Employee contributions	16,444	–	16,444	16,943
Benefits paid	(8,730)	–	(8,730)	(5,688)
Actuarial gains (losses)	70,882	(713)	70,169	(6,773)
Balance, end of year	495,980	10,604	506,584	388,451
Fair value of plan assets				
Balance, beginning of year	369,202	–	369,202	327,376
Interest income	17,913	–	17,913	15,261
Return on plan assets in excess of interest income	93,153	–	93,153	(4,766)
Employer contributions	17,442	–	17,442	21,276
Employee contributions	16,444	–	16,444	16,943
Benefits paid	(8,730)	–	(8,730)	(5,688)
Plan administration expenses	(1,110)	–	(1,110)	(1,200)
Balance, end of year	504,314	–	504,314	369,202
Net defined benefit liability and other long-term benefits	(8,334)	10,604	2,270	19,249

¹The defined benefit obligation for other long-term benefits was \$11,317 as at March 31, 2014.

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

	2015		2014	
	Allocation %	Fair value \$	Allocation %	Fair value \$
Cash	1,8	8,836	1,4	5,320
Bonds	60,8	306,565	58,9	217,378
Canadian equities	9,6	48,453	10,1	37,286
International equities	20,1	101,456	23,9	88,101
Real estate funds	7,7	39,004	5,7	21,117
	100,0	504,314	100,0	369,202

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.

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

	2015		2014	
	Pension plans	Other long-term benefits	Total	Total
Current service cost	20,957	–	20,957	22,019
Net interest expense	1,380	–	1,380	1,208
Plan administration expenses	1,275	–	1,275	1,250
Actuarial losses related to other long-term benefits	–	(713)	(713)	(168)
Post-employment and other long-term benefits	23,612	(713)	22,899	24,309

The defined benefit amounts recognized in other comprehensive income are detailed as follows:

	2015	2014
Actuarial losses arising from changes in demographic assumptions	(557)	(13,576)
Actuarial (losses) gains arising from changes in financial assumptions	(71,714)	23,572
Actuarial gains (losses) arising from plan experience	1,389	(3,391)
Return on plan assets in excess of interest income	93,318	(4,716)
Remeasurements of the net defined benefit liability	22,436	1,889

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

	2015		2014	
	Pension plans	Other long-term benefits	Pension plans	Other long-term benefits
Defined benefit obligation as at March 31				
Discount rate	3.80%	3.35%	4.70%	3.90%
Inflation rate	2.00%	2.00%	2.25%	2.25%
Rate of compensation increase	3.00%	3.00%	3.25%	3.25%

For the defined benefit obligation as at March 31, 2015 and 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 Supplemental Plan members, and 95% for female Executive Plan and Supplemental Plan members of the mortality rates derived from the Canadian pensioners' mortality (CPM) 2014 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 March 31, 2015 was 21.4 years for male (21.3 years in 2014) and 24.6 years for female (24.5 years in 2014) Employee Plan members and 22.7 years for male (22.6 years in 2014) and 24.9 years for female (24.9 years in 2014) Executive Plan and Supplemental Plan members.

iv) Amount, timing and degree of uncertainty regarding future cash flows

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 table below summarizes the impact of these actuarial assumptions on the defined benefit obligation as at March 31:

	2015		2014	
	Increase to	Decrease to	Increase to	Decrease to
Discount rate	4.80%	2.80%	5.70%	3.70%
(Decrease) increase in defined benefit obligation	(78,662)	93,350	(66,027)	80,181
Inflation rate	3.00%	1.00%	3.25%	1.25%
Increase (decrease) in defined benefit obligation	24,402	(23,096)	18,369	(17,494)
Rate of compensation increase	4.00%	2.00%	4.25%	2.25%
Increase (decrease) in defined benefit obligation	5,790	(5,531)	4,569	(4,534)
Mortality rate	110 % of rates	90% of rates	110% of rates	90% of rates
(Decrease) increase in defined benefit obligation	(5,169)	5,659	(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 Supplemental 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 \$16,717 during the next fiscal year.

The weighted average duration of the defined benefit obligation as at March 31, 2015 was 19.0 years (22.4 years in 2014).

NOTE 21

CAPITAL MANAGEMENT

The capital of Loto-Québec includes bank loans, long-term debt, share capital and retained earnings.

The capital structure, as defined by Loto-Québec, is as follows:

	2015	2014
Bank loans	451,981	462,936
Long-term debt	381,779	431,671
Share capital	170	170
Retained earnings	86,300	86,300
	920,230	981,077

Loto-Québec manages its capital to meet its shareholder's requirements and to ensure that its funds are protected at all times. Through a strict management framework, it ensures it effectively meets the objectives set out in its incorporating act.

Loto-Québec assumes full responsibility for financing its activities. Throughout the year, it pays dividends to its shareholder, the Québec Minister of Finance, in the form of periodic advances. Declared dividends are deducted from shareholder's equity for the year, and correspond to the net income for the year, from which are deducted the payments to the Fonds d'aide à l'action communautaire autonome and the contributions to the Government of Québec. As a result of this distribution method, Loto-Québec must rely on external financing sources.

To do so, Loto-Québec is authorized by the Government of Québec to make current borrowings of up to \$575,000 from financial institutions, the Caisse de dépôt et placement du Québec or the Québec Minister of Finance, in its capacity as manager of the Financing Fund of the Government of Québec, and long-term borrowings of up to one billion dollars from the same fund. Despite the aforementioned, the total amount of current and long-term borrowings may at no time exceed \$1,300,000. During the year, Loto-Québec met those capital requirements.

Loto-Québec is not subject to any other requirement regarding external financing sources.

The capital management objectives, policies and procedures have not changed since March 31, 2014.

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 those claims and lawsuits would not materially affect the consolidated financial statements.

Commitments

Leases

Loto-Québec is committed under 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:

Less than 1 year	33,743
1 to 5 years	103,992
More than 5 years	30,205
	167,940

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 \$22,000 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 has further committed to the MSSS to make an annual contribution of \$30,000 into a specified purpose account of the Government of Québec to fund assistance and support services for seniors with decreasing 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 \$3,000 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 consist of the advance and 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 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 2015 and 2014.

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:

	2015					
	Carrying amount	Total contractual cash flows	Less than 12 months	Maturity		
				1 to 2 years	2 to 5 years	More than 5 years
Financial liabilities						
Bank loans	451,981	452,042	452,042	–	–	–
Dividends payable	70,556	70,556	70,556	–	–	–
Accounts payable and accrued liabilities	79,138	79,138	79,138	–	–	–
Manoir Richelieu Limited Partnership	2,781	2,781	2,781	–	–	–
Lottery prizes payable	6,371	6,371	6,371	–	–	–
Long-term debt	381,779	461,391	86,760	58,345	157,852	158,434
	992,606	1,072,279	697,648	58,345	157,852	158,434

2014						
	Carrying amount	Total contractual cash flows	Less than 12 months	Maturity		
				1 to 2 years	2 to 5 years	More than 5 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 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

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.

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 net 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, with a carrying amount of \$12,431 (€9,131) as at March 31, 2015 (\$7,886 (€5,179) in 2014).

On March 31, 2014, Loto-Québec entered into a foreign exchange forward contract denominated in euros amounting to \$28,650 (€18,820) maturing on March 31, 2015. 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, 2016 for an amount of \$27,098 (€19,951) was renewed.

During the year, the weakening of the euro against the Canadian dollar reduced the value of loans by \$1,070 (increase of \$851 in 2014). This foreign exchange loss was offset by a gain on the foreign exchange forward contract denominated in euros in the amount of \$3,000 (loss of \$2,752 in 2014).

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 in the consolidated statement of comprehensive income.

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, the Caisse de dépôt et placement du Québec, a government body executing fiduciary operations and excluded from the Government of Québec's reporting entity, or the Minister of Finance, in its capacity as manager of the Financing Fund of the Government of Québec. Those loans are managed so as to reduce the cash flow risk related to the interest paid.

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:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets related to life annuities (Level 2)	74,992	105,083	68,788	82,519
Loans to Casinos Développement Europe and Manoir Richelieu Limited Partnership (Level 2)	14,939	14,939	10,394	10,394
Advance to Manoir Richelieu Limited Partnership (Level 2)	5,000	5,000	–	–
Loans and receivables	94,931	125,022	79,182	92,913
Financial liabilities related to life annuities (Level 2)	74,992	105,083	68,788	82,519
Long-term debt (Level 2)	381,779	412,864	431,671	446,806
Non-derivative financial liabilities	456,771	517,947	500,459	529,325

As at March 31, 2015 and 2014, Loto-Québec held no Level 3 financial instruments recognized at fair value.

Loans and receivables

The fair value of loans and receivables, including the fair value of financial assets related to life annuities, loans to Casinos Développement Europe and the advance to Manoir Richelieu Limited Partnership, is based on the present value of future cash flows, discounted at the market interest rate at year-end.

Non-derivative financial liabilities

The fair value of the non-derivative financial liabilities, including the fair value of financial liabilities related to life annuities and the long-term debt, is based on the present value of future cash flows of the principal and the interests, discounted at the market interest rate at the 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 forward contract was measured using Level 2 inputs. The fair value of this contract as at March 31, 2015 and 2014 was nil as it took effect on those dates. The foreign exchange forward contract was entered into with the Financing Fund of the Government of Québec.

NOTE 24

CONSOLIDATED CASH FLOWS

	2015	2014
Cash and cash equivalents as at March 31		
Cash on hand – Casinos	62,309	57,896
Cash	17,952	27,703
	80,261	85,599
Net change in non-cash items		
Trade and other receivables	(8,307)	2,297
Inventories	348	803
Prepaid expenses	(3,232)	2,349
Financial assets related to life annuities	(6,204)	(5,091)
Accounts payable and accrued liabilities	(11,393)	(31,890)
Financial liabilities related to life annuities	6,204	5,091
Provisions	621	5,375
Deferred revenues	2,529	(3,325)
	(19,434)	(24,391)
Additional information		
Additions to property, plant and equipment funded by accounts payable and accrued liabilities	16,895	23,774
Additions to intangible assets funded by accounts payable and accrued liabilities	527	1,496
Share of partners, holders of Class C units, in Manoir Richelieu Limited Partnership included in accounts payable and accrued liabilities	2,781	3,357

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 public 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 and other long-term benefit plans.

Key management personnel received the following compensation:

	2015	2014
Short-term employee benefits	2,764	2,767
Post-employment and other long-term benefits	409	427
	3,173	3,194

MEASURING EFFICIENCY AND PERFORMANCE

BENCHMARKING

As required by the *Act respecting the governance of state-owned enterprises* (the “Act”), Loto-Québec carries out annual efficiency and performance assessments. The Board of Directors is responsible for ensuring that the steps for measuring efficiency and performance, including benchmarking with similar organizations, are undertaken by the Corporation and that this information is included in the annual report. The Corporation may, if it is deemed appropriate, employ the services of an independent firm.

The benchmarking exercise involved eight government organizations across Canada:

- British Columbia Lottery Corporation
- Western Canada Lottery Corporation
- Alberta Gaming and Liquor Commission
- Saskatchewan Liquor and Gaming Authority
- Manitoba Liquor and Lotteries Corporation
- Ontario Lottery and Gaming Corporation
- Atlantic Lottery Corporation
- Nova Scotia Provincial Lotteries and Casino Corporation

As none of these organizations operate in exactly the same way as Loto-Québec, it is important to take into account the characteristics of their respective game offerings and business model differences.

LAST YEAR'S RESULTS AND FINDINGS

The 2014-2017 strategic plan targets 16 measurements for assessment, many of which have been discussed earlier in the report. This section therefore presents results and findings associated with other principal measurements. 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 maintained a performance level comparable to its peers.

Lotteries

In 2014-2015, the level of satisfaction with lottery products among the adult population was 89%—just shy of excellence, which starts at the 90% threshold. The purchase of lottery tickets was on target among the 18-to-34-year-old age group (52%) as well as among those aged 35 and above (75%).

Gaming establishments

For the Société des établissements de jeux du Québec (SEJQ), the numbers for active establishments and active gaming seats are below target. In fact, the network of bars and brasseries has seen a decline in the number of terminals. As at March 31, 2015, there were 1,834 active establishments in comparison to the target of 1,891, and 11,722 active gaming seats versus the target of 11,983. The erosion of the network of bars and brasseries across Québec was noted; this affects the balance of distribution and the effectiveness of channelling SEJQ products. On a more positive note, non-profit organizations received \$4.52 million in bingo proceeds, exceeding the target of \$4.34 million by 4%.

Casinos

The Société des casinos du Québec attaches great importance to customer service. The percentage of casino staff who have taken the *Résolution client* course is well above the goal for the year, with a cumulative result of 94% versus the target of 85%. This is reflected in the customer satisfaction level regarding the quality of service provided in casinos¹, which reached 57.3 in 2014-2015. This figure has been steadily improving since 2010-2011, when it was at 48.8.

Responsible gambling

Loto-Québec's World Lottery Association Level 4 Certification for responsible gambling—the highest level awarded—was renewed in 2012, recognizing the Corporation's efforts in this area. This certification remains valid for three years. Loto-Québec hopes to have this recognition renewed next year. The Corporation has also continued to move forward with its sustainable development measures, which are supported by an action plan and specific indicators.

¹Customer satisfaction is measured as follows: "Very satisfied" – ("Not very satisfied" + "Not at all satisfied"). Those having stated "Somewhat satisfied" are not included in the formula.

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

FOR THE 2014-2015 FISCAL YEAR

In this section, as required by the *Sustainable Development Act*, Loto-Québec reports on its achievements over the course of the 2014-2015 fiscal year for each of the 12 actions included in its 2013-2015 sustainable development action plan. Over the past year, Loto-Québec has put great effort into structuring its social responsibility management system with a view to maximizing the impact of its actions for the benefit of Québec society in the years to come and in accordance with the government's sustainable development strategy for 2015-2020.

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 FOR THE YEAR

The government target was achieved in 2011. However, awareness activities continue:

- Volunteer activity planting herbs in collaboration with La Maisonnette des Parents on Earth Day (April 2014)
- Bike clinic (May 2014)
- Production of checklist for holding environmentally responsible internal events
- Organic baskets (52 participants in summer 2014)
- Lead stories on corporate Intranet (Atlas)

FURTHER INFORMATION

In the summer of 2013, Loto-Québec became a partner of Équiterre's Community Supported Agriculture network, giving employees the opportunity to buy local, organic produce.

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	Postponed
	– 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 FOR THE YEAR

Following previous years' training drives, including online training for managers, priority was given to personalized support in concrete projects or activities involving environmentally responsible event planning, infrastructure management and procurement.

FURTHER INFORMATION

A future training plan will be developed based on the new objectives of the government's sustainable development strategy for 2015-2020.

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 three outreach activities each year (presentations, publications, partnerships, etc.)

RESULTS FOR THE YEAR

Seven outreach activities took place:

- Three talks on Loto-Québec's sustainable development efforts at two Québec universities
- A talk, *Revoir son modèle d'affaires*, given to the MBA students association at HEC Montréal
- Two talks at the Quebec Business Council on the Environment about incorporating social responsibility into companies' business models and the government's new sustainable development strategy for 2015-2020
- A talk on property management at the Association québécoise pour la maîtrise de l'énergie

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	<ul style="list-style-type: none"> – Participate in working groups in order to contribute to the progress of sustainable development within various organizations in Québec 	Ongoing
INDICATOR		
<ul style="list-style-type: none"> – Projects in which the Corporation participates 		
TARGET		
<ul style="list-style-type: none"> – Participation in at least one external sustainable development working group 		
RESULTS FOR THE YEAR		
<ul style="list-style-type: none"> – From April to November 2014, Loto-Québec took part in the working committee on the revision of the <i>Guide pour la prise en compte des principes de développement durable</i>, for which the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques is responsible. – Loto-Québec also attended the meeting of the Comité interministériel du développement durable. – Continuing its cooperation with the Espace québécois de concertation sur les pratiques d'approvisionnement responsable, the Corporation took part in seven of its activities over the past year. – Loto-Québec participated in the first technology transfer forum of the Centre interdisciplinaire de recherche en opérationnalisation du développement durable (CIRODD), on October 16, 2014. The Corporation is also part of the CIRODD's technology transfer advisory committee. 		

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	Ongoing
	– 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	Postponed
	– Optimize the Corporation's responsible gambling practices by means of continuous improvement steps	Ongoing

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 FOR THE YEAR

- According to surveys, 57% of Quebecers, those who gamble in particular (sample of 1,000 people) recalled seeing part of the responsible gambling awareness campaign that took place from January 18 to March 15, 2015. This is a slight drop from 2014 (62%).
- In total, 50% of respondents correctly named Loto-Québec as the message sponsor, compared to 63% in 2014.
- Meanwhile, 87% of respondents said that they really liked the TV message, which is a slight increase from 2014 (85%). As for secondary media, 72% of respondents said that they really liked the message, compared to 74% in 2014.
- The awareness rate among Loto-Québec employees is 94.1% for 2014-2015, compared to 92.8% in 2013-2014 (active and inactive staff as at March 31). This corresponds to the proportion of staff who have taken part in the level 1 problem gambling awareness workshop.

FURTHER INFORMATION

Awareness campaigns have positive long-term effects. For example, in 2014, the number of Quebecers who thought that the awareness message had greatly or somewhat changed their perception of the role of chance in the outcome of games was 23%. In 2015, this percentage was 30%. This shows that there has been a heightened perception of the role of chance in gaming following the launch of this campaign.

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	Completed

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 FOR THE YEAR

An analysis of the various services available to the organization's employees shows that the majority were very similar, so there is no need to alter them.

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	– 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
<i>Continue the responsible procurement initiative</i>	– Accentuate cooperation with suppliers in order to improve the Corporation's responsible procurement performance	Ongoing
	– Update the responsible procurement plan	Completed

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 FOR THE YEAR

A total of 78 calls for tenders meeting the criteria were issued over the past year; furthermore, 75 files were assessed as to whether responsible procurement criteria could be incorporated, resulting in an outcome of 96%.

FURTHER INFORMATION

Loto-Québec has prioritized seven categories of products or services (groundskeeping, housekeeping, snow removal, furniture upholstery, promotional items, uniform laundering and stationery) to assess the possibility of adding responsible procurement criteria to calls for tenders.

The potential to add standard responsible commercialization criteria and leverage synergy between different calls for tenders is currently being considered. This should enable Loto-Québec to reduce the cost and impact of its acquisitions and make it easier for procurement officers to incorporate responsible procurement criteria into future calls for tenders related to the seven priority categories of products and services. For other products and services, the possibility of incorporating responsible procurement criteria will be assessed on a case-by-case basis.

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 <i>Manage the Corporation's environmental infrastructure management system with a view to continuous improvement</i>	– 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 FOR THE YEAR

Due to the additional requirements in the new version of the BOMA BEST certification program, the timetable for certification has been revised.

FURTHER INFORMATION

Although certification has been postponed, the principles of environmental management continue to apply to Loto-Québec properties. As such, steps have been taken in the modernization of the Pierre-De Coubertin data centre to reduce electricity consumption and the use of air conditioning, namely:

- The installation of a white roof
- The installation of a natural cooling system that uses cool ambient air from outside to regulate the temperature in the data centre (this technique can be used when the outdoor temperature is 12°C or less, so a large part of the year)
- The installation of new flooring, 80% of which is made from recycled materials

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

INDICATORS

- Total annual GHG emissions in equivalent tons of CO₂
- 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 FOR THE YEAR

The energy profile of Loto-Québec's buildings has been incorporated into its global building performance management system (inspired by BOMA BEST). Once data collection is complete, it will be possible to get a real-time picture of the Corporation's energy consumption and compare the performance of different buildings (according to specific degree days).

FURTHER INFORMATION

The action "set up a work group tasked with reducing energy consumption and optimizing the Corporation's operational energy consumption" was modified in April 2014. The work will be carried out by the Environmental and Social steering committee within the social responsibility governance structure.

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	Cancelled
	– Update and periodically offer training on responsible event management	Ongoing
<i>Broaden the use of responsible event management at Loto-Québec</i>	– 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 one such event annually, through to 2015

RESULTS FOR THE YEAR

- Out of 68 internal events studied, 54 (79.4%) achieved Level 1 of the BNQ standards.
- A total of 17 events—that is, 25% of those studied—were officially classified between Levels 1 and 3 according to the responsible event management standard (BNQ Standard 9700-253), compared to 12 events in 2013-2014.
- Loto-Québec's certification was upheld in 2014-2015.

FURTHER INFORMATION

To compare these results to previous years, it is important to note that, since April 1, 2013, the minimum threshold for sustainability is equal to Level 1 of the responsible event management standard; this threshold was based on a different standard in previous years.

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 FOR THE YEAR

- In total, 83.3% of sponsored events achieved the minimum threshold for sustainability (internal standard inspired by the BNQ standard), compared to 79.4% the previous year.
- Loto-Québec continued its support of *Les Vivats*—awards that aim to promote best practices in responsible event management, which are celebrated with a gala ceremony each April.

FURTHER INFORMATION

The actions undertaken as part of the Corporation's sponsorship program have contributed to considerable changes in practices.

Waste

- In total, 99% of event organizers provided recycling bins for the public (compared to 95% in 2010-2011 and 98% in 2013-2014).
- In total, 61% of event organizers provided for the collection of compostable waste on at least part of the site (compared to 32% in 2010-2011 and 44% in 2013-2014).

Sustainable transport

- In total, 61% of event organizers offered incentives for using active modes of transport—i.e. biking and walking—such as secure parking for bikes or financial incentives (compared to 48% in 2010-2011 and 55% in 2013-2014).

Food and tableware

- In total, 56% of event organizers promoted or offered local, organic or fair-trade food (compared to 44% in 2010-2011 and 59% in 2013-2014).
- In total, 63% of event organizers raised the issue of reducing the use of disposable tableware with food suppliers (compared to 46% in 2010-2011 and 59% in 2013-2014).

Paper

- In total, 54% of event organizers used 100% recycled paper in the majority of their communication and promotional tools, such as letters and leaflets (compared to 43% in 2010-2011 and 54% in 2013-2014).

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 two 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 FOR THE YEAR

Mobilization efforts continue with regard to priorities shared across the organization—that is, to better communicate strategic objectives and decisions and to develop employees' contribution to achieving business objectives. A third priority, specific to the Société des casinos du Québec, is also maintained: to support managers so that their management style can be leveraged to produce more effective mobilization.

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	Ongoing
	– Modify management tools to improve the Corporation's overall performance	Ongoing
	– Set up measures to encourage innovation, dialog and inter-sector cooperation	Ongoing
	– Implement a collaborative innovation project aimed at shared development of the 2015-2020 sustainable development action plan	Completed

INDICATOR

- Number of projects completed using a value management approach

TARGET

- Complete at least three projects in various sectors of the organization

RESULTS FOR THE YEAR

The following projects, started in 2013, have been completed:

- Overhaul of the corporate volunteering program: building on the work of the advisory committee, made up of managers from different units, Loto-Québec has, by means of *Le collectif Tous gagnants*, pledged to optimize its actions, to rally staff around ambassadors who are already committed and to use its community involvement as leverage to improve Quebecers' lives.
- Sustainable development action plan 2015-2020: a corporate social responsibility governance structure has been implemented and a responsible commercialization code was adopted by the Board of Directors in November 2014.
- Cultural program: *La Collection Loto-Québec : l'art de partager* has been deployed and a series of exhibitions has taken place across the province's regions and in Montréal.

FURTHER INFORMATION

In April 2014, to lay the groundwork for a global performance management system, Loto-Québec implemented a social responsibility governance structure made up of a corporate responsibility committee and three steering committees: Responsible Gambling; Environment and Society; and Community Relations. Their common mandate is to ensure consistency between the organization's social responsibility actions and contribute to accountability in this area. The Board of Directors of Loto-Québec adopted its first responsible commercialization code, entitled *Nos règles du jeu*. This constitutes the foundations of the 2015-2020 responsible commercialization plan, which will set the responsible commercialization code into action.

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
- Six events in 2013-2014
- Eight events in 2014-2015

RESULTS FOR THE YEAR

- The Corporation acquired 164 new works from 82 artists, for a total sum of \$310,340. This amount is approximately equal to 0.01% of the Corporation's revenues for the previous financial year.
- Despite the closure of Espace Création, some 19,000 people visited six regional exhibitions and one held in Montréal.
- In 2013-2014, five artists were selected by the *Les entrées en scène Loto-Québec* program for a new tour across Québec during the 2014-2015 season. This year, however, the age restriction was changed from 18 to 35 to simply 18-plus.
- Between April 2014 and March 2015, 13,899 people attended various performances.

FURTHER INFORMATION

In cooperation with Télé-Québec and Livetoune, Loto-Québec developed a travel blog for *Les entrées en scène*. A total of 20 original clips were produced, following the artists on tour.

The Collection Loto-Québec acquisition program was temporarily suspended in 2015-2016. Against the difficult economic backdrop, the Collection is looking to redefine its roles and responsibilities.

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	Ongoing
	– Prepare an overview of issues to the Corporation's stakeholders	To be implemented
	– Establish constructive relationships with stakeholders in the health field	Ongoing
	– 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 FOR THE YEAR

- A mechanism has been put in place to make it easier to share information between Loto-Québec and the Ministère de la Santé et des Services sociaux and to ensure the coordination of responsible gambling initiatives. Loto-Québec is also working with researchers to improve understanding of issues associated with gambling as well as actions related to responsible gambling.
- Additionally, close to a thousand employees have become more involved in their community through the corporate volunteering program

FURTHER INFORMATION

In an effort to strengthen its foundations, the commitment of stakeholders has been made an integral part of Loto-Québec's responsible commercialization code.

CODE OF ETHICS AND RULES OF PROFESSIONAL CONDUCT FOR DIRECTORS AND MANAGERS

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 subsidiaries
- 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 President and 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 5.4, 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, AND WORKFORCE ACT

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.

THE ACT RESPECTING WORKFORCE MANAGEMENT AND CONTROL WITHIN GOVERNMENT DEPARTMENTS, PUBLIC SECTOR BODIES AND NETWORKS AND STATE-OWNED ENTERPRISES

On December 5, 2014, the Québec government adopted the *Act respecting workforce management and control within government departments, public sector bodies and networks and state-owned enterprises* (hereinafter, the "Act").

As the title suggests, the Act seeks to strengthen the mechanisms for managing and controlling the staff of public bodies, particularly by means of workforce planning, as well as the control of staffing and service contracts.

Over the past fiscal year, in accordance with the Act, Loto-Québec adopted a directive regarding the awarding of service contracts, which it submitted to the Conseil du trésor. Since the Act came into effect, Loto-Québec has concluded 35 service contracts of more than \$25,000, for a total value of \$5,864,992. None of these contracts were signed with an individual person.

LOTO-QUÉBEC WORKFORCE* AS AT MARCH 31, 2015

Category	Number of employees
Management staff	125
Professional staff	530
Office, technical and similar staff	358
Labourers, maintenance and service staff	15
Total	1,028

*Excluding subsidiaries

The number of employees during the period from January 1 to March 31, 2015, did not exceed that of the corresponding period in 2014.

ACCESS TO INFORMATION AND PROTECTION OF PERSONAL INFORMATION

ACCESS TO INFORMATION

During fiscal 2014-2015, Loto-Québec received 203 requests for access to information, of which 141 related to access to personal information and 62 were requests to obtain corporate documents.

Among the requests processed, 120 were accepted, 20 were partially accepted and 22 were declined. The Corporation did not possess any documents related to 29 of the requests. In addition, 2 requests were withdrawn by the submitter during processing. As of March 31, 2015, 10 requests were still pending.

Finally, 4 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. 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.

The committee was also kept informed of the steps taken within the Corporation to comply with the requirements of the new Canadian anti-spam law, which came into force on July 1, 2014, and changes to the regulations as of April 1, 2015.

BOARD OF DIRECTORS AND CORPORATE SECRETARIAT

AS OF MARCH 31, 2015



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

Saint-Lambert
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, Héléne 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 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.

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

**PAULE BOUCHARD**
FCPA AUDITOR, FCA, ICD.D

Montréal
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 seven years. 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. What's more, Ms. Bouchard sits on the Board of Directors of the Université de Sherbrooke and chairs the Fondation Le Chaînon Audit Committee.

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

**ANDRÉ DICAIRE**

Québec City
Senior Expert Advisor
Réseau d'expertise en conseil
stratégique (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 two public corporations: the Régie de l'assurance maladie du Québec and La Financière agricole du Québec. From 2003 to 2006, he served as Secretary General and Clerk of the Executive Council. In the private sector, Mr. Dicaire held the office of Vice President at CGI Group. Since 2008, he has carried out a number of consulting assignments as Senior Expert Advisor for ENAP's Réseau d'expertise en conseil stratégique, for various public organizations. 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

*Chairwoman of the Governance
and Ethics Committee
(since February 19, 2015),
and member of the Commercial
Affairs Committee*

Lynda Durand holds a Bachelor of Law degree from the Université de Sherbrooke and was admitted to the Québec Bar in 1984. With over 25 years of experience in the legal field, 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. Moreover, in January 2014, she was named by the Ministère de l'Éducation, du Loisir et du Sport to a task force studying concussions. In 2013, she received the title of Administratrice de sociétés certifiée (ASC) (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 boards 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
LL.B., 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 two associates and which specializes in representing artists who work in various fields on all continents. The company also launches projects internationally in a wide range of artistic endeavours. Ms. Goodwin provides legal advice on representation, development and negotiations. She is also a shareholder and director of the 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 (ASC) (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 enrolls 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.

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



SERGE LABEL
ASC

Québec City

Attorney
BCF LLP

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

Member of the Governance and Ethics Committee (chairman until February 19, 2015), and 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 de sociétés 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, within organizations such as the Fondation Québec Jeunes, the Canadian Red Cross in Québec, as well as Le Piolet, a charity providing assistance to young people aged 16 to 35. Finally, he has also been an active member of the Lions Club since 1985.

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



ANIE PERRAULT
LL.L., ASC

Bromont
Executive Manager
BIOQuébec

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 from 2009 to 2015. She was recently named as a part-time member of the Canadian Human Rights Tribunal. 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 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. From 1992 to 1995, Ms. Perrault practised law in Montréal at Davis Ward Phillips & Vineberg.



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. Furthermore, it monitors the progress of its sustainable development actions. It also establishes the risk management control policies relating to Loto-Québec's operations.

The Board is supported in its decision-making process by three statutory committees: the Audit Committee, the Governance and Ethics Committee, and the Human Resources Committee. The Board is empowered to form other committees in accordance with its needs. In 2008-2009, it created the Commercial Affairs Committee. 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, as applicable, recommend amendments to be adopted by the Board.

COMPOSITION

As of March 31, 2015, the Board had 12 members, all appointed by the Government of Québec. All are independent members, except for the President and Chief Executive Officer.

ATTENDANCE

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. The manner in which advance notice is given to members for committee meetings varies according to individual committee requirements.

During the 2014-2015 fiscal year, the Board of Directors held 10 regular meetings and 5 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, 2015

Members	Board of Directors		Audit Committee	Governance and Ethics Committee	Human Resources Committee		Commercial Affairs Committee
	Regular 10	Special 5	Regular 5	Regular 3	Regular 4	Special 3	Regular 1
Hélène F. Fortin	10/10	5/5	5/5	3/3	4/4	3/3	1/1
Alain Albert	10/10	5/5	–	–	4/4	3/3	1/1
Donald M. Bastien	10/10	4/5	–	–	4/4	3/3	1/1
Paule Bouchard	10/10	5/5	5/5	–	–	–	1/1
André Dicaire	6/10	5/5	2/5	2/3	–	–	0/1
Lynda Durand	9/10	3/5	–	2/3	–	–	1/1
Jean André Élie	10/10	4/5	5/5	–	–	–	1/1
Nathalie Goodwin	10/10	5/5	–	–	4/4	3/3	1/1
Mel Hoppenheim	8/10	3/5	–	2/3	–	–	0/1
Serge LeBel	8/10	4/5	–	3/3	–	–	1/1
Anie Perrault	10/10	4/5	–	–	4/4	2/3	1/1

Excused absences.

REMUNERATION

Independent Directors of Loto-Québec are remunerated pursuant to the Order in Council 610-2006, which was adopted by the Government of Québec on June 28, 2006. Remuneration is also indexed in accordance with this order.

REMUNERATION OF THE INDEPENDENT DIRECTORS

Directors	Total Remuneration
Hélène F. Fortin ^{1, 2, 3, 4 and 5}	\$54,615.18
Alain Albert ^{3 and 4}	\$19,685.67
Donald M. Bastien ^{3 and 4}	\$19,353.54
Paule Bouchard ^{1 and 4}	\$22,699.59
André Dicaire ^{1, 2 and 4}	\$15,999.85
Lynda Durand ^{2 and 4}	\$16,546.82
Jean André Élie ^{1 and 4}	\$19,055.17
Nathalie Goodwin ^{3 and 4}	\$19,629.79
Mel Hoppenheim ^{2 and 4}	\$15,403.14
Serge LeBel ^{2 and 4}	\$20,174.66
Anie Perrault ^{3 and 4}	\$19,066.23
	\$242,229.64

As of March 31, 2015

¹Audit Committee

²Governance and Ethics Committee

³Human Resources Committee

⁴Commercial Affairs Committee

⁵Pension plan committees for employees and for management and professional staff of the Société des casinos du Québec

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 2014-2015 business plan and main ongoing projects. The Board also approved the 2013-2014 annual report¹, the 2015-2016 action plan and the 2014-2017 strategic plan.

Last year, the Board dealt with topics such as the following:

- The internal project relating to the future customer base
- The modernization of the Casino de Montréal and the Casino du Lac-Leamy, including the opening of the ALÉA nightclub
- Regulations regarding the distribution of video lottery terminals
- The relocation of the Salon de jeux de Québec
- The merger of the Société des loteries vidéo du Québec (SLVQ) and the Société des bingos du Québec (SBQ)
- The monitoring committee's report on online gaming
- The sponsorship program
- The Corporation's investments in JOAGROUPE via Casinos Développement Europe (CDE)

The Board also approved rules of play for lotteries, casinos and gaming establishments, including online gaming, during the last fiscal year.

A progress report on the initiatives set out in the 2013-2015 sustainable development action plan was tabled at each meeting of the Board. Furthermore, the Board approved Loto-Québec's responsible commercialization code, entitled *Nos règles du jeu*.

¹The Board of Directors approved the 2014-2015 annual report at its meeting of June 4, 2015.

FINANCIAL RESULTS AND INTERNAL CONTROLS

A report on the Corporation's financial statements and their highlights was presented at each regular Board meeting. On the recommendation of the Audit Committee, the Board approved the financial statements for the year ended March 31, 2014¹, as well as the 2015-2016 operating budget. The Board also monitored the progress of the internal control certification and risk management programs, ensuring their consistency with the internal auditing plan, and followed up on the crisis management plan.

Furthermore, the Board of Directors authorized the withdrawal of Loto-Québec's interest in JOAGROUPE (excluding interest in the La-Seyne-sur-Mer and Giffaumont Lac du Der casinos), which it held through the CDE holding, subject to the government's approval.

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

Throughout the 2014-2015 fiscal year, 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 and the inclusion of a sustainable development section in directors' skills and experience profiles. It also received confirmation, following a review by the same committee, that no changes were required to the Corporation's governance rules and policies, the Code of Ethics for Employees of Loto-Québec and its Subsidiaries, the orientation program for new Board members or their ongoing training program.

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 its current procedures. The Board of Directors approved proposed changes to the Board's evaluation form.

Upon recommendation by the Governance and Ethics Committee, the Board appointed the chairpersons and members of the three 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 the 2014-2015 fiscal year, the Board of Directors monitored various policies relating to personnel management, in cooperation with the Human Resources Committee. As such, it approved remuneration parameters for non-union and management staff at Loto-Québec and its subsidiaries for 2015-2016. On the basis of these parameters, the Board 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 the 2014-2015 and 2015-2016 fiscal years as well as changes to his skills and experience profile. Finally, the Board ratified the results of the incentive program for 2013-2014, the program's terms for 2014-2015 and the new calculation formula for 2015-2016 for those eligible.

Other decisions made by the Board include the approval of several organizational changes: recommendations regarding the position of Senior Vice President and Chief Operating Officer; the creation of the Office of the Vice President of Sales and Marketing (in the Office of the President of Lottery Operations) and the Office of the Vice President of Corporate Strategy and Public Affairs, and the appointment of these two units' leadership; the elimination of the Office of the Vice President of Planning, Communications and Public Affairs; the renaming of the Office of the Vice President of Responsible Gambling and Social Commitment; and the appointment of the president of lottery operations. The Board also backed the merger of the SLVQ and the SBQ, to form the Société des établissements de jeux du Québec.

On the recommendation of the Human Resources Committee, the Board approved amendments to the supplementary pension plan for senior executives of Loto-Québec. One Board member also continued to serve on the Société des casinos du Québec's retirement plan committees for employees and for management and professional staff as a representative of the Loto-Québec Board of Directors.

The Board furthermore monitored progress on the mobilization of employees, the Corporation's management succession program and the corporate volunteering program.

Upon recommendation by the Human Resources Committee, the Board also approved changes to various internal operational policies relating to personnel management.

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

¹At its meeting of June 4, 2015, and upon recommendation by the Audit Committee, the Board of Directors approved the financial statements of the Corporation for the year ended March 31, 2015.

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 monitors integrated risk management practices while overseeing the implementation of effective and adequate internal control mechanisms, and supervising Internal Auditing activities. It acts as a communication link between external co-auditors, Internal Auditing and the Board of Directors. It is responsible for reviewing its mandate on an annual basis and for recommending any appropriate changes to the Board.

As of March 31, 2015, the Audit Committee was composed of four 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 five times and held a closed session without management present at the end of each meeting. At these meetings, the Audit Committee:

- Approved Loto-Québec's quarterly financial statements and monitored the budget
- Reviewed the Corporation's 2013-2014 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^{1,2}
- Followed up on the application of International Financial Reporting Standards (IFRS)
- Recommended that the Board of Directors decide against bonuses for the 2013-2014 fiscal year
- Took note of the evolution of SCQ pension plan costs
- Monitored the internal control certification programs
- Approved the resource optimization audit approach and ensured that resource optimization was incorporated into auditing mandates
- Followed 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 Internal Auditing's work plan for 2014-2015
- Monitored the activities of the groups responsible for information technology and 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

After each of its meetings, the Committee made a verbal report on its activities to the Board of Directors.

¹Raymond Chabot Grant Thornton LLP was selected following a tendering process to audit the Corporation's financial statements for fiscal years ending on March 31, 2013, 2014 and 2015. Its audit fees for the 2014-2015 financial statements came to \$475,000 and were in compliance with its proposal.

²At its meeting of June 4, 2015, the Audit Committee reviewed the 2014-2015 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 best practices with regard to ethics and corporate governance. It also proposes rules of governance and 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 drafts skills and experience profiles for the appointment of Board members, with the exception of the President and Chief Executive Officer, and submits them to the Board. It is responsible for reviewing its mandate on an annual basis and for recommending any appropriate changes to the Board.

As of March 31, 2015, the Governance and Ethics Committee was composed of five independent members.

Chairwoman: Lynda Durand (Serge LeBel until February 19, 2015)

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

ACTIVITIES

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

- Examined compliance with the Corporation's governance rules and concluded that there were no compliance issues
- Reviewed governance policies
- 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
- At each of its meetings, reviewed complaints received by the Corporate Secretary and the measures put in place with regard to the reporting line, carried out investigations and made any necessary recommendations
- Followed up on conflict of interest statements of the Corporation's directors and senior executives
- Reviewed the orientation program for new members
- Reviewed the ongoing training program for members
- Reviewed members' skills and experience profiles and recommended the addition of a new sustainable development section to the Board
- Recommended the appointment of committee chairpersons and members to 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, and recommended approval by the Board of proposed changes to its evaluation form
- Conducted the annual review of the Board's operations
- Reviewed the operational policies under its governance and ensured that each of its committees did the same
- Carried out the annual review of its mandate
- Carried out a performance evaluation in relation to its mandate

After each of its meetings, the Committee made a verbal report on its activities to the Board of Directors.

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 remuneration scales and standards for Loto-Québec managers and employees, and participates in succession planning for corporate management personnel. The committee is also tasked with drafting the skills and experience profile and assessment criteria for the President and Chief Executive Officer, as well as recommending the latter's remuneration within the parameters established by the government. It is responsible for reviewing its mandate on an annual basis and for recommending any appropriate changes to the Board.

As of March 31, 2015, the Human Resources Committee was composed of five 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 seven times and held a closed session without management present at the end of each meeting. At these meetings, the Human Resources Committee:

- Recommended that the Board of Directors approve, for eligible employees, the 2013-2014 results of the incentive program, the program's terms for 2014-2015 and its new calculation formula for 2015-2016
- Recommended that the Board approve the remuneration parameters for non-union and management staff at Loto-Québec and its subsidiaries for 2015-2016
- Recommended that the Board approve the remuneration of the President and Chief Executive Officer and senior executives for 2015-2016
- Recommended that the Board approve the objectives set out for the President and Chief Executive Officer for 2014-2015 and 2015-2016
- Reviewed the skills and experience profile of the President and Chief Executive Officer and recommended that the Board of Directors approve the required changes
- Recommended that the Board approve recommendations regarding the position of Senior Vice President and Chief Operating Officer
- Recommended that the Board approve the creation of the Office of the Vice President of Sales and Marketing (in the Office of the President of Lottery Operations) and the Office of the Vice President of Corporate Strategy and Public Affairs, and the appointment of these two units' leadership
- Recommended that the Board approve the elimination of the Office of the Vice President of Planning, Communications and Public Affairs, and the renaming of the Office of the Vice President of Responsible Gambling and Social Commitment
- Recommended that the Board approve the appointment of the president of lottery operations
- Recommended that the Board approve the merger of the SLVQ and the SBQ, to form the new Société des établissements de jeux du Québec
- Monitored the restructuring of the Corporate Security and Risk Division
- Recommended that the Board approve amendments to the supplementary pension plan for senior executives of Loto-Québec
- Took note of the evolution of SCQ pension plan costs
- Monitored the employee mobilization initiative
- Monitored the succession planning program
- Monitored the corporate volunteering program
- 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

After each of its meetings, the Committee made a verbal report on its activities to the Board of Directors.

REMUNERATION AND BENEFITS OF THE FIVE HIGHEST-PAID EXECUTIVES OF THE CORPORATION FOR THE FISCAL YEAR ENDING ON MARCH 31, 2015

Name and title	Salary received	Incentive remuneration¹	Vehicle	Additional benefits²	Group insurance plan
G�rard Bibeau President and Chief Executive Officer	\$373,201	\$0	\$13,155	\$2,500	\$7,043
Claude Poisson President of Operations, Soci�t� des casinos du Qu�bec	\$284,146	\$0	\$14,945	\$2,500	\$7,773
Robert Ayotte Manager	\$255,792	\$0	\$5,939	\$2,500	\$7,290
Carole Drolet President of Operations, Soci�t� des �tablissements de jeux du Qu�bec	\$234,556	\$0	\$4,021	\$2,500	\$6,824
Lynne Roiter Corporate Secretary and Vice President of Legal Affairs	\$233,054	\$0	\$5,645	\$2,500	\$3,392

PENSION PLAN AND SUPPLEMENTARY BENEFITS PROGRAM

Basic pension plan

- Mr. Bibeau participates in the Retirement Plan for Senior Officials – Public Service (RPSO).
- Messrs. Poisson and Ayotte and Mmes. Drolet and Roiter participate in the Government of Qu bec 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. Poisson and Ayotte and Mmes. Drolet and Roiter participate in Loto-Qu bec's Supplementary Pension Plan for Executive Management, which calls for a retirement benefit based on the three best years of service and uses an annual accumulation rate of 2.5%. This benefit is deducted from the one offered by the basic plan.

¹Since the target cited in the *Act mainly to implement certain provisions of the Budget Speech of 4 June 2014 and return to a balanced budget in 2015-2016* was not achieved, bonuses were not granted.

²Additional 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: to 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 the 2011-2012 fiscal year, again upon recommendation by the Governance and Ethics Committee, the Board reviewed the composition and mandate of the Commercial Affairs Committee, which must now be composed of at least three independent members. Its new mandate includes handling the Corporation's main strategic affairs; allowing for in-depth discussion regarding commercial practices or important operational issues; and reviewing any other business that the Board may refer to it.

As of March 31, 2015, the Commercial Affairs Committee was composed of 11 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 and Anie Perrault

ACTIVITIES

During the last fiscal year, the Commercial Affairs Committee met once. The Committee discussed advertising strategy at this meeting.

ORGANIZATIONAL STRUCTURE

AS OF MARCH 31, 2015



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