

Committed to innovation since its beginnings



MISSION

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

VISION

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

STRATEGIC ORIENTATIONS

1. Channelling the gaming offer towards regulated environments.
2. Creating an effective framework for the consumption of games of chance.
3. Improving the Corporation's efficiency and overall performance.

TABLE OF CONTENTS

3	Key Figures
4	Economic and Social Contributions
8	Message from the Chairwoman of the Board
12	Message from the President and Chief Executive Officer
18	Lotteries
24	Casinos
30	Video Lotteries
34	Bingo
38	Societal Responsibility
44	Financial Review
49	Comparative Results
50	Consolidated Financial Statement
95	Measures to Reduce Spending and Increase Productivity
96	Measure to Assess Efficiency and Performance
97	Follow-up on the Actions Outlined in the 2008-2013 Sustainable Development Action Plan
114	Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries
124	Policies on Language and the Awarding of Contracts
125	Access to Information and Protection of Personal Information
126	Board of Directors and Corporate Secretariat
133	Board of Directors and Committee Reports
142	Organizational Structure
144	Contact Information

KEY FIGURES

As at March 31, 2012

<i>(in thousands of Canadian dollars)</i>	2012	2011	\$ Variation	% Variation
Total revenues	3,658,113	3,640,341	17,772	0.5%
Lotteries	1,789,390	1,787,813	1,577	0.1%
Casinos	870,995	856,477	14,518	1.7%
Video lotteries	997,955	1,001,092	(3,137)	(0.3%)
Bingo	33,965	31,334	2,631	8.4%
Intersegment transactions	(34,192)	(36,375)	2,183	(6.0%)
Prizes awarded – lotteries	930,655	918,948	11,707	1.3%
Prizes awarded – bingo	18,103	15,692	2,411	15.4%
Gross margin	2,311,143	2,301,860	9,283	0.4%
Expenses	950,733	955,296	(4,563)	(0.5%)
Net consolidated earnings	1,285,439	1,335,023	(49,584)	(3.7%)
Dividends	1,196,440	1,246,813	(50,373)	(4.0%)
Other amounts contributed to the Québec and Canadian governments	246,425	244,185	2,240	0.9%
Total assets	1,156,313	1,169,391	(13,078)	(1.1%)
Shareholder's equity	90,394	90,394	–	–

TOTAL REVENUES

As at March 31, 2012

<i>(in millions of Canadian dollars)</i>	2012	2011	2010 ¹	2009 ¹	2008 ¹
	3,658.1	3,640.3	3,722.6	3,789.6	3,772.3

PROFIT AND COMPREHENSIVE INCOME

As at March 31, 2012

<i>(in millions of Canadian dollars)</i>	2012	2011	2010 ¹	2009 ¹	2008 ¹
	1,285.4	1,335.0	1,340.7	1,455.8	1,436.2

¹Financial information presented for 2010, 2009 and 2008, is established by means of Canadian generally accepted accounting principles (GAAP).

ECONOMIC CONTRIBUTIONS

Dividends to the Government of Québec

\$1,196.4M

Prizes awarded to lottery and bingo winners

\$948.8M

Commissions and other compensations to lottery, video lottery and bingo network partners

\$347.9M

Purchases from companies conducting business in Québec

\$460.0M

Employee benefits

\$435.2M

Taxes to governments

\$141.4M

Special contributions to governments

\$105.0M

SOCIAL CONTRIBUTIONS

	Contributions to the fight against excessive gaming	Contributions to the Ministère de la Santé et des Services sociaux in aid of the elderly who have lost their autonomy	Contributions to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation
	\$30.3M	\$30.0M	\$6.3M
Contributions to non-profit organizations	Contributions to the Ministère de la Culture, des Communications et de la Condition féminine (OSM)	Contributions to the Ministère des Finances (online gaming committee)	FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME Assistance for independent community action
\$17.1M	\$8.5M	\$0.3M	\$15.4M
Sponsorships	Collection Loto-Québec		Assistance for international humanitarian action
\$14.0M	\$0.4M		\$2.6M

HÉLÈNE F. FORTIN, FCPA, FCA, ICD.D.

CHAIRWOMAN OF THE BOARD OF LOTO-QUÉBEC

I am satisfied that the Corporation was able to maintain its net income compared to the previous fiscal year and in particular, that it succeeded in remitting a 1.196 billion-dollar dividend to the Government of Québec.

GÉRARD BIBEAU

PRESIDENT AND CHIEF EXECUTIVE OFFICER

We have continued to redefine ourselves in order to achieve our business goals, as is evidenced by, among other achievements, having organized the Grand Loto-Québec Poker Tournament, enabled Mise-o-jeu to go online on the espacejeux.com web site, opened Kinzo express locations and moved forward with the modernization work at the Casino de Montréal.





HÉLÈNE F. FORTIN, FCPA, FCA, ICD.D.

CHAIRWOMAN OF THE BOARD



MESSAGE FROM THE CHAIRWOMAN OF THE BOARD

Loto-Québec has always employed the most innovative practices in its search for governance excellence. In fact, 2011-2012 marks Year 5 of the new model that was established in December 2006 by the *Act respecting the governance of state-owned enterprises*. I am pleased to note that the implementation of the new rules has been handled efficiently at Loto-Québec, while continuing to foster best governance practices.

As a for-profit public corporation, Loto-Québec has responsibilities to the government as well as to Québec society as a whole. Despite the current economic situation, Loto-Québec performed well as a corporation while channelling and overseeing the gaming offer. I am satisfied that the Corporation was able to maintain its financial results compared to the previous fiscal year and in particular, that it succeeded in remitting a 1.196 billion-dollar dividend to the Government of Québec.

In regard to the 2011-2012 business plan, the Board noted that last fiscal year's initiatives have helped Loto-Québec move forward with its vision of becoming a recognized world leader in the responsible commercialization of games of

chance. The Board also noted the numerous innovative efforts that were made in various corporate sectors, particularly in the area of new and entertaining game designs that are better adapted to the tastes of various categories of our clientele. The Board also authorized online bingo and lottery projects, such as enabling Mise-o-jeu on the espacejeux.com transactional web site.

The Board has closely followed the modernization work at the Casino de Montréal, observing that budgets and deadlines have been met since the project began. Finally, the Board named two independent members as the Corporation's representatives on the Casinos Développement Europe oversight committee.

NOMINATION OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Over the course of its existence, Loto-Québec has always shown a remarkable ability to find resources that possess the skills and experience required to move the organization in the right direction. This is the spirit in which the Québec Cabinet named Gérard Bibeau as the Corporation's new President and Chief Executive Officer in June 2011. The rigorous recruiting process for this position complied with the *Act respecting the governance of state-owned enterprises*, in particular by creating an ad hoc committee reporting to the Board and by employing a firm that specializes in recruiting senior executives that was selected in an invitation to tender process. Following a recommendation to the government by the Board, Mr. Bibeau was nominated and took the helm at Loto-Québec on November 7, 2011.

During the last fiscal year, the Board also approved a new organizational structure by which Loto-Québec Corporate Vice President, Finances and Administration and Corporate Vice President, Human Resources both report directly to the President and Chief Executive Officer.

BOARD OF DIRECTORS NEWS

During the last fiscal year, Loto-Québec's Board of Directors welcomed two new members and renewed the mandates of others. Last November, the Government of Québec announced the nominations of five new members: Lynda Durand, Nathalie Goodwin, Anie Perrault, Alain Albert and Jean-André Élie. Right from the start of their tenure, the new members added a diversity of complementary skills to the Board and were quickly integrated into the team in place. Audit Committee chair Paule Bouchard, FCPA, FCA, Governance and Ethics Committee chair Serge LeBel, and Mel Hoppenheim all saw their mandates renewed. I note the departure of Julie Bernier, Christiane Jodoin and Marc G. Bruneau, and both personally and on behalf of my colleagues on the Board, thank them for their sustained contributions to the Board and its committees. As of March 31, 2012, the Board had 12 members including 6 women, which contributes to the gender parity objective set by the Government of Québec.

The Board regularly approves changes to the skills and experience profiles of its directors and its training program for new members. The new directors were very impressed by the quality of the training program and delighted at their

welcome to the Corporation. Additionally, following the new nominations, the Board approved changes to the make-up of each of the committees including naming this year's committee chairs. The changes enabled the committees to better reflect current realities.

GOOD COST MANAGEMENT AND HIGHER PRODUCTIVITY

Taking account of the expected evolution of its products, the Corporation needs to pay close attention to its overall operational efficiency. I note that year after year, great efforts are made to manage costs efficiently. In fact, over the last two fiscal years, Loto-Québec not only succeeded in meeting the Government of Québec's *Balanced Budget Act* markers and productivity increase measures, but also exceeded expectations by contributing 57.9 million dollars to government coffers, including 43.0 million for 2011-2012. This is a significant accomplishment in the current economic context. Everyone at Loto-Québec contributed, by reworking projects, optimizing resources and constantly innovating.

The Board also pursued its work related to sound risk management throughout the year. In furtherance of the integrated risk management policy that was adopted in 2010-2011, the Board closely monitored the measures that were focussed on limiting the principal risks to the organization, in particular by means of semi-annual status

reports. As is its yearly practice, the Board also monitored the progress of the internal controls certification program and ensured its linkage with the internal audit plan.

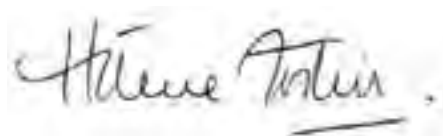
We are all conscious of the fact that the overall performance of a corporation is not longer limited to its financial results, but also includes its social and environmental balance sheet. To this end, the Board continued to receive status reports on the progress of the Corporation's 2008-2013 Sustainable Development Action Plan during its meetings.

UNWAVERING SUPPORT OF A REMARKABLE TEAM

Obviously, I want to emphasize the considerable work carried out by our new President and Chief Executive Officer, Gérard Bibeau, since he took office. I can confirm that he performs his new duties with brio and that Loto-Québec is in good hands as it looks forward to confronting the challenges of the future. I also want to salute the contribution made by Alain Cousineau, who headed this organization for the last eight years until his departure on November 6, 2011. His energy and leadership have enabled Loto-Québec to acquire an enviable reputation as a Canadian and worldwide responsible gaming leader in the games of chance industry.

On behalf of the other members of the Board of Directors and myself, I also want to thank Corporate Secretary and Vice President of Legal Affairs Lynne Roiter and her entire team for the top-notch support they provide in assisting us in carrying out our duties, and for the superior quality of their work that ensures the smooth functioning of the Board.

Finally, allow me to thank all my colleagues on the Board of Directors and the members of the Executive Committee for their extraordinary support and for the significant contribution they make to the Corporation. I would also like to remind everyone that aiming for excellence requires great efforts, as much on the part of the Corporation's management as by its staff. In this respect, I acknowledge the across-the-board collaboration of the Corporation's employees, which made it possible for us to achieve such great things in the fiscal year. We will continue to engage in the many activities that await us next year with consistency of effort, based on a fundamental value of integrity.



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

GÉRARD BIBEAU

PRESIDENT AND CHIEF
EXECUTIVE OFFICER



MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Throughout its history, Loto-Québec has been successful in adapting to changing market conditions through the evolution of social, economic and technological environments. In the last fiscal year, our teams continued to make every effort to create value for our various clienteles through innovation and creativity. We have continued to redefine ourselves in order to achieve our business goals, as is evidenced by, among other achievements, having organized the Grand Loto-Québec Poker Tournament, enabled Mise-o-jeu to go online on the espacejeux.com web site, opened Kinzo express locations and moved forward with the modernization work at the Casino de Montréal.

In fiscal 2011-2012, Loto-Québec posted total revenues of 3.658 billion dollars, for total net consolidated earnings of 1.285 billion dollars. In spite of the unstable economic environment, our results are similar to those of the previous fiscal year and were due in particular to strict cost controls.

I am also pleased to confirm that during the last fiscal year, we fully met the requirements of the *Balanced Budget Act* and the productivity improvement measures.

In 2011-2012, 43.0 million dollars was attributed in savings towards cost reduction efforts and increased productivity, compared to 14.9 million in 2010-2011. This comes to a total of 57.9 million dollars saved in the last two fiscal years. Loto-Québec was fully aware of the importance of controlling costs even before these measures came into force. Over the last nine years, we succeeded in maintaining operational cost increases at 1.5%, which was less than the average rate of inflation in Québec.

SATISFACTORY RESULTS IN EVERY AREA OF ACTIVITY

As a whole, I am satisfied with the Corporation's performance in every area of our operations. Firstly, lottery revenues remained stable in 2011-2012 as compared to the previous fiscal year, at 1.789 billion dollars as of March 31, 2012 (+0.1%). Numerous lotteries contributed to this good performance, including instant lotteries, whose sales rose by 2.0% to 475.7 million dollars. Sales of event betting (+14.3%), teleactive (+7.4%) and special edition lotteries (+1.3%) also went up. Moreover, since its inception in May 2011, Lotto Poker has been a great success with our customers, as can be seen from sales of 88.7 million dollars. Lotto Max, on the other hand, saw a 21.1% drop in revenues, which was mainly due to a decrease in the number of jackpots offered that included Maxmillions.

Casino revenues were 871.0 million dollars, a rise of 1.7% over the previous fiscal year. Sales at all four establishments increased. The Casino de Montréal, in the midst of its modernization project, saw revenue

rise by 1.3%. The Casino du Lac-Leamy, the Casino de Charlevoix and the Casino de Mont-Tremblant also respectively saw a 1.9%, 2.9% and 7.0% growth in their sales, while espacejeux.com, whose income is included in the casino sector, had sales of 19.4 million dollars in 2011-2012. Our teams continue to work to diversify the online gaming offer, as can be seen recently by the addition of Mise-o-jeu. Plans call for bingo and lottery games to be added to the online profile in coming months.

The video lottery sector had revenues of 998.0 million dollars, similar to the figure in the previous fiscal year (-0.3%). Combined sales in the Québec City and Trois-Rivières gaming halls, which are included in this sector, rose by 9.6%, while the Société des bingos du Québec is also doing well, with sales of 34.5 million dollars during this fiscal year, an increase of 8.4% over 2010-2011. It should also be said that the eight Kinzo express locations that opened this year are very popular with customers.

INNOVATIVE, ENERGIZING PROJECTS

MISE-O-JEU GOES LIVE ON ESPACEJEUX.COM

Since March 26th, consumers have been able to purchase their Mise-o-jeu selections on espacejeux.com. This initiative meets the expectations of sports fans, who can now place bets from computers, digital tablets or smartphones. The mobile Mise-o-jeu applications were designed by Loto-Québec's Ingenio subsidiary that is dedicated to research and development of new gaming products and commercialization methods. As a reminder, while the espacejeux.com web site guarantees a legal, trustworthy and secure gaming environment, Quebecers can access more than 2,000 illegal and unregulated online gaming web sites, whose trustworthiness has often been called into question. Our mandate is to channel and oversee games of chance while increasing the efficiency and overall performance of the Corporation.

THE GRAND LOTO-QUÉBEC POKER TOURNAMENT

The Grand Loto-Québec Poker Tournament, which was the most prestigious poker event ever to be held in Canada, took place on May 19th and 20th at the Casino du Lac-Leamy. We announced this tournament at a September 2011 press conference. As planned, the tournament's big winner will fly to Las Vegas and represent Loto-Québec at The BIG ONE for ONE DROP™ tournament on

July 1, 2 and 3, 2012 during the World Series of Poker (WSOP) in Las Vegas. This tournament, where 11.1% of all entry fees will go to the ONE DROP® foundation, is the biggest charity event in the poker world. I am very satisfied with the overall commercial strategy that we employed here, which involved using the expertise and know-how of our various business units and successfully positioning ourselves with poker fans.

MODERNIZATION OF THE CASINO DE MONTRÉAL

As you are aware, the Casino de Montréal is fully engaged in a modernization process, with work moving forward apace, on schedule and on budget. More than simply ensuring the revitalization and longevity of this heritage jewel that dates from Expo 67, we intend to turn the casino into an entertainment showplace that is adapted to our clients' expectations. We also want to offer a level of service that beats our competition. In April of this year, we inaugurated the new main entrance; other reworked sections of the Casino will open one after another until work is complete. I am pleased to say that we plan to inaugurate the brand new Casino de Montréal in the fall of 2013, in time for the establishment's 20th anniversary. The casino remains open during construction, and I salute our employees, who continue to provide the same level of service excellence to customers.

KINZO EXPRESS CONTINUES TO GAIN IN POPULARITY

Based on the conclusions of the Kinzo pilot project, we opened eight Kinzo express locations in Joliette, LaSalle, Laval, Longueuil, Québec City, Repentigny, Saint-Eustache and Vaudreuil-Dorion during the last fiscal year. The primary objective of this initiative is to protect the revenue stream of non-profit organizations that chose bingo as their main source of funding. This exciting game concept, offered in a warm and friendly environment, continues to gain in popularity with our customers. I can confirm that other Kinzo express locations are scheduled to open in fiscal 2012-2013.

A MOBILE APPLICATION IN OUR CASINOS

During the last year, we launched the “My Casino” mobile application in Québec casinos. Currently available as an Apple platform, the application will eventually be offered for Android devices as well. The application guides customers through the casinos visually, enabling users to easily locate specific types of gaming equipment and providing a host of information on game locations, hours of business, special events and gaming table rules. Additionally, we offer mobile device versions of all our casino web sites. These initiatives respond to the current technological needs of our customers in addition to providing greater flexibility when it comes to adapting to future market trends.

RELOCATING THE QUÉBEC CITY GAMING HALL

The future of the Québec City gaming hall came up during the news conference at which construction of a new arena in Québec City was announced. Plans call for the current premises of the gaming hall to house offices, a Québecor television studio and a restaurant and bar. We have until March 2014 to relocate the gaming hall and are currently in discussions with Québec City authorities on the matter.

THE NEW LOTO-QUÉBEC CORPORATE SITE, BETTER ADAPTED TO WEB 2.0

Our internal teams devoted a great deal of energy during the past year to revamping the lotoquebec.com corporate web site. Online since May 2012, our corporate site enables visitors to learn more about our activities and our many contributions to the community. More user-friendly, the new web site makes intuitive navigation easier and facilitates access to information. Moreover, the new version is better adapted to Web 2.0 and enables us to reach out to various clientele and foster dialogue. I invite you to discover Loto-Québec’s improved corporate web site and dialogue with our many collaborators. In all, the Corporation and its subsidiaries maintain some thirty web sites, all of which can be accessed through the lotoquebec.com portal.

PURSuing OUR COMMITMENTS

As an important link in Québec's artistic heritage chain, Loto-Québec became a partner of Québec City's Musée de la civilisation last March. The three-year agreement, which was announced at the opening of the *Univers de Michel Tremblay* exhibition, provides for the Corporation to present a total of three exhibitions in a series of tributes to great creative talents (the other two are set for 2013 and 2014). I am proud to say that Loto-Québec continues to contribute to the development of Québec culture through its support for our organizations and creators.

This is perhaps a good place to salute the critical and popular success of the musical show *Belles-Sœurs*, which was presented at the Théâtre du Rond-Point in Paris from March 8 through April 7, 2012. In 2011, we announced our funding support for this project, in conjunction with our partners, the Caisse de dépôt et placement du Québec, CGI and Power Corporation of Canada. Air Transat was also on board and contributed to the success of this project. I thank them all for their support, which enabled a local artistic stage creation to achieve great success in the City of Lights.

Last January, we celebrated the first anniversary of our corporate volunteer program. I heartily support this energizing program that brings people together and is open to some 6,800 employees of Loto-Québec and its subsidiaries. One year into the program, we can see

that numerous employees have gotten together on their own to participate enthusiastically in a number of projects of benefit to the community. I intend to ensure that all required efforts are made to enable this program that benefits both the volunteers and the community, to continue to give back.

In the area of labour relations, we signed new collective bargaining agreements with our employees that are represented by the Syndicat des travailleurs et travailleuses de Loto-Québec (STTLQ), which is affiliated with the Confederation of National Trade Unions (CNTU), and by the Loto-Québec local of the Syndicat des professionnelles et professionnels du Gouvernement du Québec (SPGQ). The STTLQ agreement (signed in January 2012) and the SPGQ agreement (signed in March 2012) define the working conditions of some 900 employees until December 2014. I would like to emphasize the professionalism and great mutual respect shown by all parties involved in the negotiation process.

A HIGHLY SKILLED AND KNOWLEDGEABLE TEAM

I became Loto-Québec's President and Chief Executive Officer during the last fiscal year, succeeding Alain Cousineau, who headed the Corporation for the previous eight years. On behalf of the entire team, I want to thank him for his sustained contribution to Loto-Québec and for the work he accomplished during this fiscal year.

I should say that since I joined Loto-Québec, I have greatly appreciated the welcome I received from the Corporation's employees and the members of the Executive Committee and Board of Directors. I thank everyone for the confidence that has been afforded me on a daily basis, and for their efforts to reach our objectives. In particular, I thank our Chairwoman, Hélène F. Fortin, for her unfailing support.

Since I became President and CEO, I have had the opportunity to learn, observe and understand how things work here. Even if Loto-Québec is a multifunctional organization, working in a complex environment, the Corporation is well structured and its teams are highly skilled and knowledgeable. In the coming years, we will continue to make every effort to maintain a balance between our social and commercial missions. By working together, we can make Loto-Québec a recognized world leader in the responsible commercialization of games of chance. By innovating, we will succeed in completing the many projects that are underway in the next fiscal year.



Gérard Bibeau
President and Chief Executive Officer of Loto-Québec

Lotteries



INTO THE FUTURE, ONE STEP AT A TIME

During fiscal 2011–2012, the lottery sector took an essential decisive step towards its future evolution with the advent of online purchase of its Mise-o-jeu sports betting product on March 26, 2012. Other current products will be made available to consumers in the coming months.

Lottery sector sales were 1.789 billion dollars this fiscal year, a figure that is almost identical to last year's sales. This performance is a considerable accomplishment, especially when one considers that the luck of the draw resulted in a limited number of significant Lotto Max jackpots, thus leading to a sharp drop in sales for that product.

HIGHLIGHTS

The new Lotto Poker online game that was launched at the beginning of the fiscal year was a great success, due in no small part to its Quick Play segment that provides customers with a new in-store experience and the possibility of on-the-spot winnings that are displayed on the consumer screen, in addition to the lottery's evening draw. Sales largely exceeded expectations, and this will lead to other Quick Play products being created and launched.

Célébration 2012, the 23rd annual edition of this popular lottery, set a new sales record. Célébration's performance and longevity show just how much this product has now become a New Year's tradition for Québec consumers.

In other news, scratch games had a slight increase in sales, slowing the decline that has been observed in recent years. This trend reversal can be attributed in part to various adjustments made to the offer. The same phenomenon was seen in the Poule aux œufs d'or game, whose sales rose in 2011–2012 after several years of decreases and was directly linked to the addition of the popular collect-a-letter feature at the beginning of the season. The televised show *La Poule aux œufs d'or*, which starts its 20th season on the air this coming October, reached new heights with its 800th program, broadcast on October 19, 2011.

The Mise-o-jeu sports book is also gaining momentum thanks to its new platform that was implemented in the fall of 2010. In addition, the format of programs available as sales outlets was downsized, as were all ticket formats that are printed by retail game terminals, as a sustainable development initiative that will generate recurrent, substantial savings. The lottery sector teams also played an active part in preparing the responsible gaming certification renewal submission to the World Lottery Association (WLA).

During the last fiscal year, the lottery sector was awarded prestigious distinctions for three of its television ads. At the annual Créa Awards where the best of Québec advertising is crowned, Loto-Québec won for the Lotto 6/49 “Telephone” ad in the Best Product category. What’s more, at the annual North American Association of State and Provincial Lotteries Conference, the Lotto Max “Sun” ad won both the coveted Best of the Best award and the award for the best use of cinematography, while the Lotto Poker spot won for the best use of humour.

UNSHAKEABLE SUPPORT FOR OUR NETWORK OF RETAILERS

During the last year, two major innovative retailer projects continued to move forward. The first (Formule groupe), enables consumers to play their favourite lotteries as part of a group, while the second (Loto express), allows retailers to sell lottery products at mini-terminals in supermarket and pharmacy checkout counters. These innovations not only diversify the offer available to customers, they also meet needs that have been expressed by both retailers and consumers.

Developing major account sales obviously figures at the top of our action plans, since these clients account for nearly 40% of all lottery sales. These networks have specific business needs that are crucial to our sales performance results.

Finally, it is worth noting that the year now just ended also saw the birth of a project aimed at refreshing the look of lottery kiosks that exist in the majority of Québec shopping centres.

LOTTERY SECTOR INNOVATIONS, FROM YESTERDAY TO TODAY:

1970

Inaugural draw of Loto-Québec, the first lottery corporation in Canada and the third in North America.



1977

Instant lottery marketing begins.

1978

Lottery sales begin using a network of game terminals, a world first.

1982

Lotto 6/49, the first all-Canadian games sold on terminals, is rolled out.



1988

Launch of the very first televised lottery game, Roue de fortune.

1991

Rollout of Loto-Quiz, the first teleactive lottery in the world and precursor of the Poule aux œufs d’or, which was launched two years later.

2000

The interactive multimedia Trésors de la tour lottery game, created by Ingenio, is launched—it’s a world first.



LOTTERIES

As at March 31, 2012

<i>(in thousands of dollars)</i>	Sales 2012	Sales 2011	Variation
DRAW LOTTERIES			
Lotto 6/49	357,381	366,842	(9,461)
Lotto Max	300,783	381,444	(80,661)
Extra	134,406	143,613	(9,207)
Banco	138,169	140,564	(2,395)
La Quotidienne	40,593	41,090	(497)
Québec 49	77,600	74,754	2,846
Lotto Poker	88,727	–	88,727
Jour de Paye	6,106	7,636	(1,530)
Astro	3,471	3,743	(272)
Triplex	4,913	5,899	(986)
Vie de millionnaire	–	4,072	(4,072)
Mini	11,063	11,934	(871)
Teleactives	52,228	48,633	3,595
Special Editions	46,558	45,955	603
Subtotal	1,261,998	1,276,179	(14,181)
INSTANT LOTTERIES	475,669	466,396	9,273
SPORTS BETTING	51,723	45,238	6,485
Total	1,789,390	1,787,813	1,577

Sports betting is available online at espacejeux.com

Lotto Poker enjoys a resounding success with customers





La Poule aux œufs d'or, starting its 20th season on the air this fall, reached new heights with the broadcast of its 800th show on October 19, 2011.

An abundance of winners

As usual, the lottery sector made a lot of people happy this year. During fiscal 2011-2012, among the 40,163 visitors to the Montréal and Québec City payment centres, 59 lucky winners left with cheques in the amount of at least 1 million dollars. The month of February 2012 was particularly prolific, with eight jackpots of one million dollars or more paid to Québec winners in only 29 days, and 16 new millionaires sharing a total of 57.9 million dollars.

Since its inception 42 years ago, Loto-Québec has had an abundance of winners, paying out a total of 1,223 prizes of \$1 million or more.

Loto-Québec pays out more than 900 million dollars in prizes each year. Here is the list of the 10 biggest prizes claimed in Québec in fiscal 2011-2012, and which alone total 152.6 million dollars.

Prize	Lottery	Draw date	Administrative region
\$22,442,363	Lotto 6/49	2011-12-31	Formule groupe ¹
\$20,000,000	Lotto Max	2011-09-02	Montréal
\$17,000,000	Vie de millionnaire 2011	2011-03-31	Montréal
\$16,666,666	Lotto Max	2012-02-03	Formule groupe ²
\$16,666,666	Lotto Max	2012-02-03	Montréal
\$16,666,666	Lotto Max	2011-04-15	Saguenay-Lac-Saint-Jean
\$15,574,780	Lotto 6/49	2012-02-11	Montréal
\$11,810,088	Lotto 6/49	2011-12-07	Estrie
\$7,918,116	Lotto 6/49	2012-03-21	Montréal
\$7,845,281	Lotto 6/49	2012-03-28	Montréal

¹ Formule groupe ticket with winners in several regions of Québec.

² Idem.

2004

Cyberslingo, the first Internet-downloadable lottery in North America, designed by Ingenio, is launched in New Jersey.



2007

Ingenio releases its Instant Games portfolio of web-based games. First marketed in British Columbia, then Denmark, the games are available in short order on lotoclic.com in Québec.

2008

Training for retailers and their employees becomes available on the game terminal. It's a world first.

2009

Wireless self-serve ticket checking devices are installed in lottery retail outlets.



Launch of the Canada-wide Lotto Max game, which includes the unique Maxmillions prize formula.

2010

Formule groupe begins: it's a brand-new way of purchasing group lottery tickets, and a world first.



Portable Loto express mini-terminals are installed at supermarket and drugstore checkout counters, another world first.



Casinos



NEXT STOP: THE CASINO OF THE FUTURE

At a time when the U.S. casino industry is going through difficult times due to a 14.6% decrease in revenue between 2007 and 2010, the Société des casinos du Québec (SCQ) has been able to stay the course by implementing dynamic initiatives that support its vision of becoming the best in the business for customer service and the variety of innovative games it offers customers, compared to its regional competitors.

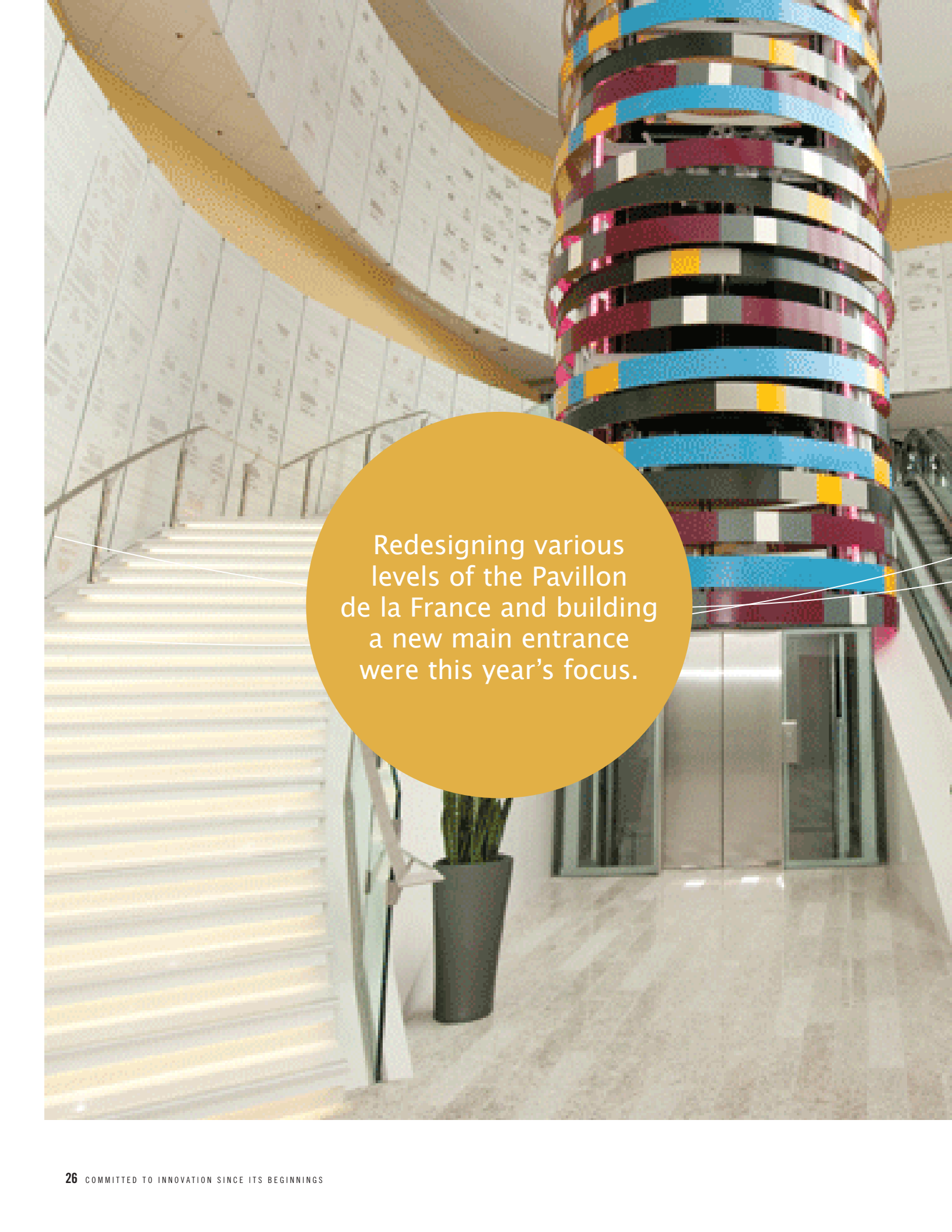
SCQ sales for the fiscal year ending on March 31, 2012, reached some 871.0 million dollars, a slight increase of 1.7% over the previous year.

INNOVATION TO MEET CURRENT AND FUTURE CUSTOMER EXPECTATIONS

One of the highlights of the last fiscal year was the launch of tens of new slot machine games and two new table games: Ultimate Texas Hold'em poker and Blackjack Switch. The SCQ also introduced its very first hybrid game, electronic roulette. This avant-garde and user-friendly game uses cutting edge technology. These new electronic gaming platforms will be gradually incorporated into the traditional game offering and refresh the customer experience.

In cooperation with Loto-Québec's Ingenio subsidiary, the SCQ has also added a new mobile application for tablet computers and iPhones. The application enables customers to locate available games and services in a given casino, as well as a variety of other information on news, featured activities and special offers.

Over and above its efforts in the area of customer service and its gaming innovations, the SCQ continues to employ Lean Six Sigma to improve its procedures and practices.

The image shows the interior of the Pavillon de la France. On the left, a wide, modern staircase with white steps and a metal railing leads upwards. To the right, a spiral staircase is wrapped in a vibrant, multi-colored band of horizontal stripes in shades of blue, red, yellow, and grey. The ceiling is a curved, white structure with a yellow band. The floor is a light-colored, polished stone. In the foreground, a potted plant sits on the floor. A large orange circle with white text is overlaid on the center of the image.

Redesigning various levels of the Pavillon de la France and building a new main entrance were this year's focus.

This subsidiary continues to be a socially responsible organization. Among recent initiatives was a training course for managers to enable them to more systematically incorporate social and environmental issues into their decisions. SCQ teams also greatly contributed to the Corporation's submission to renew WLA Level 4 certification in responsible gaming – the highest level awarded. Worth noting, one year after implementing composting at its various service points, the Casino du Lac-Leamy exceeded its original objective by 62.5%, a significant achievement that makes it a regional leader in this field of endeavour.

CASINO DE MONTRÉAL

Modernization work at the Casino de Montréal began in 2009 and is currently in its intensive phase. Redesigning various levels of the Pavillon de la France and building a new main entrance were this year's focus. Level 5 is being profoundly transformed, and the restaurants located there, including the celebrated gourmet Restaurant Nuances, have been closed. The restaurants and bars have been temporarily moved during construction. While the work is being done, gaming activities continue with a minimum of impact on customers.

CASINO DE CHARLEVOIX

During the summer of 2011, the Casino de Charlevoix completed a design project to enhance the reception process for groups that arrive by motorcoach: A covered passenger drop-off area was built to protect groups from bad weather as they enter the Casino.

CASINO DU LAC-LEAMY

The Casino du Lac-Leamy is also up for rejuvenation. Calls to tender were sent out this year for a revitalization plan budgeted at nearly 50 million dollars. Work will last 27 months and starts in the fall of 2012.

The main focus of the project is the construction of a central hub, the addition of a multimedia infrastructure and the renovation of the high limits room and the entrance hall.

CASINO SECTOR INNOVATIONS, FROM YESTERDAY TO TODAY:

1993

The first gaming establishment in Canada to be equipped with electronically-connected slot machines that enable progressive jackpot games to be offered.



Implementation of innovative Chipper Champ system for mechanically sorting roulette gaming chips by colour.

1999

Interactive kiosks developed by Ingenio are installed, enabling customers to find their player profile and reflect on their gaming habits.

2000

Casino Privileges club and card are launched.



2006

A coin-free payment system is integrated into casino slot machines.

2008

Electronic Texas Hold'em poker arrives.



CASINO DE MONT-TREMBLANT

The Casino de Mont-Tremblant cleared a new stage in its business plan aimed at stimulating revenue growth with the inception of its new banquet room offering.

The casino's banquet rooms, which can accommodate up to 200 in an area of nearly 3,500 square feet, are mainly intended for groups travelling by motorcoach, golf tournament participants and conventioners in the business tourism market segment.

ONLINE CASINO GAME MARKETING

The SCQ has been mandated to market current and future online casino games. In the coming months, the SCQ will incorporate online marketing of casino products that are currently marketed under the Espacejeux brand.

PRESTIGIOUS AWARDS AND DISTINCTIONS

Year after year, the hotels and restaurants of Québec's casinos continue to stand out by the quality of their service, atmosphere and staff courtesy.

Gourmets continue to be enchanted by the Casino du Lac-Leamy's Baccara Restaurant, which was awarded the CAA/AAA Five Diamonds rating for an eleventh consecutive year.

In 2011, readers of the upscale *Condé Nast Traveler* named the Fairmont Le Manoir Richelieu as one of its top 20 resorts in Canada, while the *Guide Debeur* awarded four stars – its highest rating – to the Hilton Lac-Leamy.

2010

Inauguration of a new multimedia system that will intensify the entertainment experience of Casino de Charlevoix customers.

2011

At Casino de Mont-Tremblant, menu choices at the Altitude Restaurant are now on iPads.

A new mobile application enables customers to locate casino games and available services and get a variety of other information with their smartphones.

At the Casino de Mont-Tremblant's Altitude Restaurant, diners can now see the menu in full colour on iPads



CASINO MUNDIAL

Through the intermediary of its Casino Mundial subsidiary and the holding company Casinos Développement Europe (CDE), Loto-Québec is joint owner of the French JOAGROUPE that owns and operates a network of 20 casinos in France.

Casino Mundial holds 35% of the group's shares. Co-owner Bridgepoint Capital (a European investment firm) owns 59.5%, while the management team holds 5.5%.

Following a mild recovery in the French casino sector at the start of 2011, the European economic crisis led to much incertitude and weakened results. This trend is expected to continue for much of 2012.

Loto-Québec hired an independent auditor to assess the value of its loans to CDE and its subsidiaries. As a result, the book value of the loans has been adjusted to the estimated realizable amount. The capital value of loans to CDE and its subsidiaries was lowered to 59.7 million dollars as at January 31, 2012. Casino Mundial does not intend to dispose of its investment for several years.

Exterior view of Casino du Lac-Leamy



A multimedia infrastructure integrated into the Casino de Charlevoix decor



PROGRAMME
RECONNAISSANCE

**Bien
joué!**

Video Lotteries



AN EFFICIENT, BALANCED AND COMMERCIALY RESPONSIBLE NETWORK

In fiscal 2011–2012, the Société des loteries vidéo du Québec (SLVQ) had sales of 998.0 million dollars. These results are comparable to last year's (–0.3%). SLVQ sales resulted in net earnings of 651.7 million dollars and commissions to retailers totalling 214.2 million dollars.

GAMING HALL BUSINESS UP

Québec's two gaming halls saw their sales rise by 9.6%, while traffic was up by 7.2%. The diversification of the game offering, the addition of new games and promotions and the restaurant offering led to improved financial performance by the gaming halls for a fourth consecutive year. Both new and returning customers seem to appreciate the ongoing renewal of the entertainment offering.

VIDEO LOTTERY TERMINAL (VLT) ALLOCATION AND DISTRIBUTION

During the fiscal year, the Corporation maintained its network at a maximum of 12,000 gaming positions in 2,000 establishments, including the Trois-Rivières and Québec City gaming halls. The distribution of terminals complies with the terminal distribution regulation adopted by the Government of Québec last year. The parameters enabled the SLVQ to achieve an appropriate and balanced geographic distribution of VLTs in its network, particularly in areas that previously had no terminals and in urban centres.

A photograph of a group of people in a casino setting. In the foreground, a man and a woman are smiling and looking at a slot machine. The man is pointing at the screen. To their right, another woman is also looking at the machine. In the background, other people are visible, including a man in a light blue shirt. The scene is lit with warm, ambient lighting, typical of a casino.

During the fiscal year,
the Corporation maintained
its network at a maximum
of 12,000 gaming positions
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and Québec City
gaming halls.

THE *BIEN JOUÉ* RECOGNITION PROGRAM: A COMPLETE SUCCESS

By the end of its initial version, nearly half of the network's establishments qualified for this recognition program for responsible retailers. From the viewpoint of the Corporation, it was a conclusive result that shows that the Code of Responsible Commercialization is respected in every qualified establishment and that all of these retailers and their employees took the *Taking Risks Is No Game* training program. In view of the program's success, it has been renewed for another year.

TAKING RISKS IS NO GAME TRAINING PROGRAM

More than 26,000 retailers and their employees have taken this training course since its inception in 2001. The high degree of participation confirms the commitment by owners and their employees to play a leading role in the responsible management of video lottery terminals in their businesses.

WLA CERTIFICATION

As part of its activities, the SLVQ worked closely with Loto-Québec's responsible gaming committee to prepare the Corporation's candidacy for renewal of its World Lottery Association (WLA) Responsible Gaming Framework Level 4 certification.

REPLACEMENT OF VLT UNITS THROUGHOUT THE NETWORK

The focus in fiscal 2011-2012 was on new VLTs, games and the central operating computer system. Nearly one hundred team members took part in new equipment validation tests to ensure their integrity and proper operation in preparation for the planned rollout in fiscal 2013-2014.

In this regard, close cooperation among the various internal and external teams, Loto-Québec subsidiaries and the manufacturers of new equipment made it possible to efficiently deal with the many challenges posed by the implementation of the new VLT network.

VIDEO LOTTERY SECTOR INNOVATIONS, FROM YESTERDAY TO TODAY:

1994

The first VLTs linked to a central computer system ensure the secure and trustworthy management of the network.

The first organization in North America to translate VLT interfaces into French.



2001

Start of *Taking Risks Is No Game* training, a worldwide first. The program receives a Gold Quill award of excellence in 2003.



2003

Many responsible gaming functionalities are incorporated into VLTs.

2006

Implementation of the *Code of Responsible Commercialization*.

2008

Electronic Texas Hold'em poker becomes available in the Québec City and Trois-Rivières gaming halls.

Online *Taking Risks Is No Game* training starts for bar owners and employees.

2009

Electronic roulette is introduced into Québec gaming halls.



2012

More than 26,000 bar owners and employees have taken the *Taking Risks Is No Game* training course.

Since its inception, the SLVQ has been at the forefront of responsible commercialization.

Bingo

bingo
en réseau



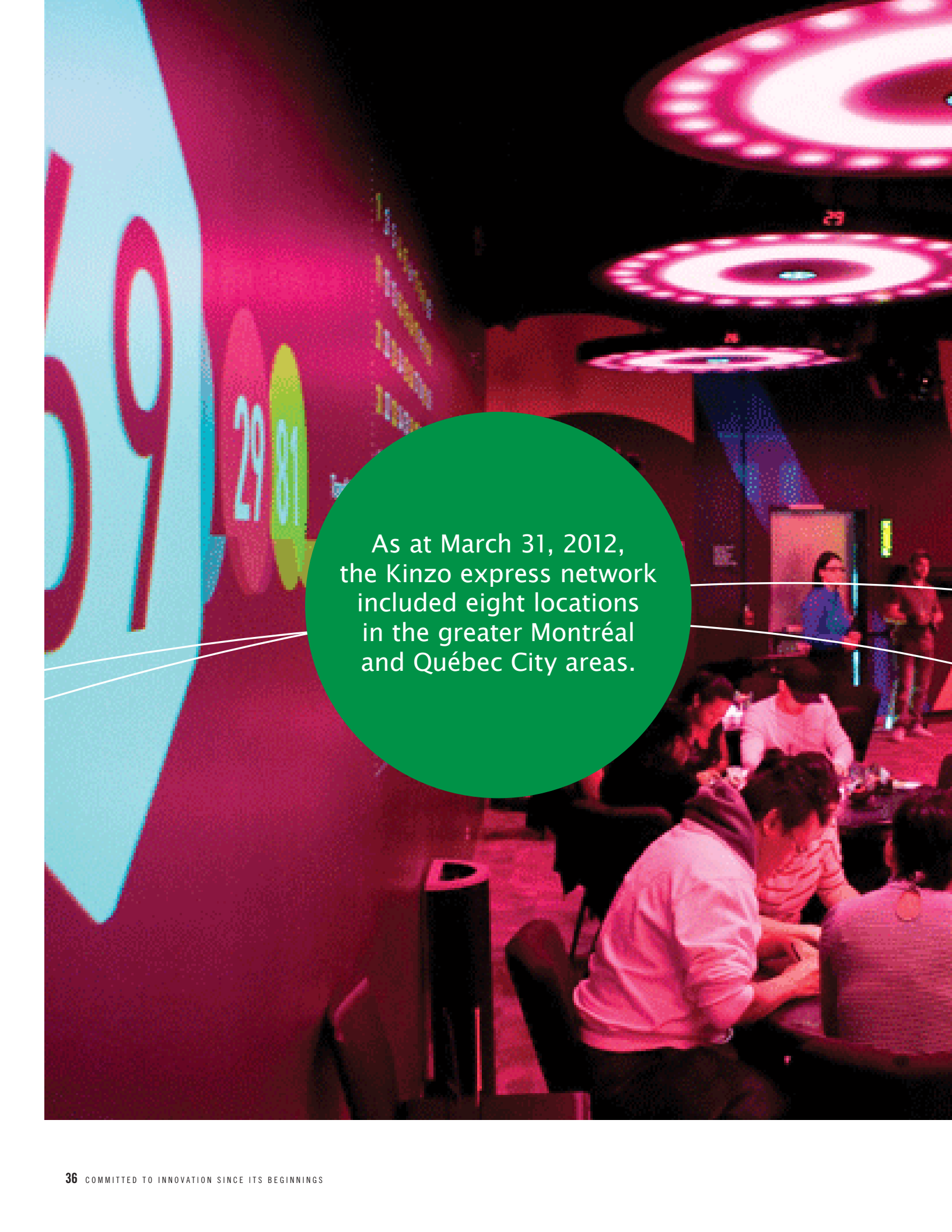
KINZO
express

A REJUVENATED INDUSTRY

The Société des bingos du Québec (SBQ) had positive results in fiscal 2011–2012, with sales rising by around 8.4%, which had not been the case in the three previous years. Thanks to its new Kinzo game that was rolled out in eight Kinzo express locations during the fiscal year, SBQ sales rose to nearly 34 million dollars, compared to 31.3 million dollars in 2010–2011. All profits generated by network bingo, nearly 6 million dollars in all, were paid to non-profit organizations, the majority of which are licensed for bingo by the Régie des alcools, des courses et des jeux.

Kinzo represents a major new source of income, with sales of 6.4 million dollars in this fiscal year. The new concept enabled the SBQ to offset the drop in network bingo sales that came from fewer visits to bingo halls in Québec. While the SBQ's per capita bingo product performance rose slightly, an 8% drop in hall visits resulted in an impact on network bingo sales of the same magnitude, going from 29.6 million dollars in 2010-2011 to 27.5 million dollars in 2011-2012 (-7.1%).

With its dynamic features and original way of signalling a win, Kinzo has the ability to attract a much larger public. Initially run as a pilot project in a single Montréal location, it has been offered in network format in Kinzo express locations since June 2011. The Kinzo express network was an immediate success. Once it observed that this formula was more popular with customers due to its warm and player-friendly atmosphere and hall proximity, and in light of its experience in the past, the SBQ decided to move forward with the development of the network and end the Montréal pilot project on October 26, 2011. As at March 31, 2012, the Kinzo express network included eight locations in the greater Montréal and Québec City areas: Joliette, LaSalle, Laval, Longueuil, Québec City, Repentigny, Saint-Eustache and Vaudreuil-Dorion.



As at March 31, 2012,
the Kinzo express network
included eight locations
in the greater Montréal
and Québec City areas.

At the same time, the SBQ continues to market bingo products in an effort to stabilize the now fragile market that is characterized by an aging customer base. Recently, it launched a new product, Coffres aux trésors, which has had great success with customers due to its innovative concept whereby winners of an in-hall Treasure prize have the pleasure of uncovering their winning amount in front of the attending public at an in-hall special event. Additionally, many different advertising and promotional activities were held, and many special events that added value to bingo were organized in halls that are part of the network. Finally, looking to raise the visibility of network bingo with the target clientele, the SBQ partners with three of the province's major festivals for their bingo activities: Festival Western de St-Tite (since 2004), Festival de la Galette de Sarrasin de Louiseville (since 2010) and, for the first time, the Festivités Western de Saint-Victor in the Beauce region, where more than 900 people played Super Bingo on July 25, 2011.

Once again, the SBQ succeeded in remitting nearly 6 million dollars to NPOs this year for a total of more than 130 million dollars so far, despite the costs involved in setting up the Kinzo express network and closing down the Montréal location. Given the success of Kinzo express, the Corporation intends to continue to develop the network by opening 10 more locations by March 31, 2013, thus achieving its initial objective of launching Kinzo in order to maintain its annual average contributions to NPOs that chose bingo as their main source of funding.

Finally, the efforts made by SBQ employees in helping to prepare the renewal submission of Loto-Québec's World Lottery Association (WLA) Responsible Gaming Framework Level 4 certification (the highest level awarded) bear mentioning.

BINGO INNOVATIONS, FROM YESTERDAY TO TODAY:

1997

Two network bingo products are offered each day: Défi 51 and Le Grand Tour.

1999

Quick Game is launched as a keno-type complementary game.



2002

A computer platform entirely designed by the SBQ is put in place, enabling new possibilities for creating network bingo games.



NPOs receive all profits from network bingo.

2010

The Kinzo pilot project is launched, designed by the SBQ to attract a new customer base.

2011

A new innovative event product is launched, Coffres aux Trésors.



The first eight Kinzo express locations open. The game combines a friendly atmosphere with easy access.



Societal Responsibility



DÉVELOPPEMENT
DURABLE

Penser · Agir · Évaluer



LES
RENDEZ-VOUS
LOTO-QUÉBEC



CERTIFIED - LEVEL 4
RESPONSIBLE GAMING FRAMEWORK
2009 - 2012

CERTIFIED
SECURITY CONTROL STANDARD
2011 - 2014

ENGAGÉS DANS
LA COMMUNAUTÉ

DÉVELOPPEMENT
DURABLE

Espace Création
Loto-Québec

18+

INNOVATING RESPONSIBLY

Loto-Québec has always taken whatever steps were required to innovate in the field of societal responsibility, whether in the past or now. Experience has taught us that taking account of the economic, social and environmental dimensions is important for our organization's performance and this year we continued to renew our day-by-day commitment to our stakeholders by means of concrete, quantifiable actions that contribute to the wellbeing of Québec society.

THE STRATEGIC IMPORTANCE OF RESPONSIBLE GAMING

The principles of responsible gaming have guided Loto-Québec's actions for more than 30 years. The Corporation's vision of becoming a recognized world leader in the responsible commercialization of games of chance, confirms this. It is worth recalling that in 2009, Loto-Québec was the only operator of games of chance to be awarded Level 4, which is the highest possible level of World Lottery Association (WLA) certification in responsible gaming. In the course of the year, the members of Loto-Québec's responsible gaming committee and many other individuals from the business and corporate sectors worked on preparing the file for the renewal of this certification. The file was submitted to the WLA's independent assessment committee on May 1, 2012.

THE RESPONSIBLE GAMING COMMITTEE

The Responsible Gaming Committee reports directly to the President and Chief Executive Officer. Representatives from all of Loto-Québec's business units (lotteries, casinos, video lotteries, online gaming, bingo and Ingenio) sit on the committee. The committee met nine times in fiscal 2011-2012.

As is the case each year, annual action plans that include existing responsible gaming initiatives and programs and new projects aimed at their ongoing improvement were adopted for each of the Corporation's activity sectors. The committee also conducted a follow-up of the 2010-2011 action plans, with results being reported to the President and Chief Executive Officer.

During the fiscal year, the committee pursued its mandate by ensuring that Loto-Québec's responsible gaming programs continued to evolve based on best practices and responsible gaming principles. Committee members also represented Loto-Québec at many meetings, conferences or forums on societal responsibility.

NUMEROUS INITIATIVES PUT IN PLACE

For the sixth year in a row, Loto-Québec and its subsidiaries combined their forces in October on the occasion of Responsible Gaming Awareness Week. This year's theme was Gaming: Let's Talk About It! This annual event seeks to provide Loto-Québec's customers, partners and employees with a forum for exchanging views on the responsible gaming measures implemented by the Corporation and is a reminder of our commitment. The week offers a complete program of communications activities, including lectures.

Over the course of the last fiscal year, Loto-Québec took numerous responsible gaming initiatives throughout its operating sectors, including setting up the *Lotoresponsable* lottery retailer recognition program, meant to build on the I.D. Required Here program and visits by mystery shoppers.

Moreover, running for a second consecutive year from September 1, 2011 to August 31, 2012, the *Bien joué!*

program salutes the work of retailers in responsibly managing video lottery sales in their establishments. Year two of the program honoured 3 establishments per region, for a total of 36 establishments among those that qualified. This program is aimed at reinforcing responsible gaming behaviour and increasing retailer commitment and cooperation to attain this goal.

Between April 1, 2011 and March 31, 2012, 17,358 people answered the 8/8 The Winning Combination questions at self-assessment consoles available in Québec's 4 casinos and at Loto-Québec's head office. The program helps players determine their gaming profile and evaluate their game habits by answering eight questions.

Numerous control measures were also implemented in the new Kinzo express locations, such as prohibiting access by individuals under the age of 18 and having no customer loyalty program based on gaming. Finally, renowned expert and researcher in the field of gaming behaviour Richard Wood performs a risk analysis for each new game designed for espacejeux.com.

AMOUNTS INVESTED BY LOTO-QUÉBEC AND THE PREVALENCE OF GAMBLING IN QUÉBEC

Loto-Québec has invested heavily in the fight against compulsive gambling in recent years. In 2011-2012

Self-assessment consoles are available at Loto-Québec's head office and in the four casinos



Espace Création Loto-Québec is a visual arts exhibition and event venue



alone, it remitted 22 million dollars to the Ministère de la santé et des services sociaux, 3 million dollars to the Régie des alcools, des courses et des jeux and 5.3 million dollars to the Mise sur toi organization.

Recent studies¹ show that pathological gambling is not on the rise in Québec. Nearly one-third of Quebecers neither bet nor spent money on games of chance in 2009, and the 42,000 Quebecers who were deemed probable compulsive gamblers represented only 0.7% of the adult population, compared to 0.8% in 2002².

SUSTAINABLE DEVELOPMENT

In its structuring sustainable development initiative, Loto-Québec continues to work on a number of ongoing improvement projects that are of immediate, tangible benefit. The Corporation also pursues its efforts to encourage its 6,800 employees to buy into its sustainable development measures.

As a responsible employer, Loto-Québec offers its employees many sustainable development initiatives, such as providing a healthy and productive work environment. It also makes available a healthy living habits program and encourages community involvement through its corporate volunteer program.

Among its other noteworthy initiatives, Loto-Québec has reduced the format of its retailer terminal-issued lottery tickets, which are now between 22% and 45% shorter than previously. The change saves \$800,000 and 82 tons of paper annually, which is the equivalent of 16 million sheets of A4 format paper.

In partnership with the Casino de Mont-Tremblant, the Casino du Lac-Leamy exceeded performance objectives after implementing one of the Outaouais region's largest compostable matter reclamation systems in 2010.

Loto-Québec continues its work to improve the integration of the principles of sustainable development into its decision-making processes. Online training was developed during the year to better equip its managers in this respect. The *Penser le développement durable* approach helps them to better identify various project stakeholders and social, economic and environmental considerations. This tool, which is complementary to the use of the principles of sustainable development in the Corporation's operational plans, is part of the ongoing improvement dynamic that is inherent to the sustainable development process.

¹ KAIROUZ, S. & L. NADEAU. *Portrait of gambling in Quebec: Prevalence, incidence and trajectories over four years*, Concordia University, Université de Montréal and Fonds de recherche – Société et culture, 2010.

² LADOUCEUR, R., C. JACQUES, S. CHEVALIER, S. SEVIGNY, D. HAMEL & D. ALLARD. *Prévalence des habitudes de jeu et du jeu pathologique au Québec en 2002*, Université Laval and Institut national de santé publique du Québec, 2004.

SOCIETAL INNOVATIONS, FROM YESTERDAY TO TODAY:

1978

Loto-Québec entrusts non-profit organizations with kiosk sales of lottery tickets.



1979

Loto-Québec launches its sponsorship program.

2004

Launch of the *Rendez-vous Loto-Québec* program, funded by 1% of the corporation's net profits.



2005

Start of the corporation's sustainable development initiative, which harmonizes the economic, social and environmental dimensions of its operations. Loto-Québec is among the precursors in this field within the public administration.



Espace Création opens as a visual arts exhibition and event venue.



2006

The Board of Directors adopts a sustainable development policy that includes 11 commitments and many guidelines.

SPONSORSHIPS

LES RENDEZ-VOUS LOTO-QUÉBEC

During the year, Loto-Québec devoted 12.2 million dollars to event sponsorship.

As was the case in the previous year, more than 10 million visitors were reached by the 127 *Rendez-vous Loto-Québec* events. Varying in size, they are mostly held outside of the main urban centres and provide economic, social, tourism and cultural benefits in the regions where they take place.

Loto-Québec took advantage of 26 of these events to promote healthy gaming behaviour and to make people aware of the random nature of chance throughout Québec. In its second consecutive annual *Aventuriers du hasard* animation, professional actors in funny outfits informed and amused tens of thousands of festival-goers in a playful, enjoyable environment.

A NEW PORTAL

Last year, *Les rendez-vous Loto-Québec* got its own web portal, through which users can easily access a host of useful information about sponsored events, such as the available shows, locations, itineraries, schedules, etc.

The portal displays the full diversity of events supported by the Corporation and provides them with more visibility.

In a sign that the *Rendez-vous* portal has quickly become a benchmark web site, the number of visitors in only four months was double that of the entire year under the former platform. Discover the portal at lotoquebec.com/rendezvous.

SOCIAL COMMITMENT

THE VOLUNTEER PROGRAM

In January 2011, Loto-Québec initiated a broad-based corporate program to foster voluntarism and community involvement by its roughly 6,800 employees. The current program has three components: *Gens de cœur* (that salutes employees who volunteer for a cause); *Projets coups de cœur* (support for employee-initiated team projects); and *Engagés dans la communauté* (organization of volunteer activities by large groups).

In its first year of activity, *Engagés dans la communauté* saw no less than 1,125 Loto-Québec employees participate in a variety of community projects run by 22 non-profit groups.

Additionally, using its Espace Bénévolat electronic platform, the Corporation fostered networking between Montréal, Charlevoix, Gatineau and Québec City NPOs and its employees seeking to get involved with them on an ongoing basis.

Les Aventuriers du hasard at a Rendez-vous Loto-Québec event



Loto-Québec employees perform community service



COLLECTION LOTO-QUÉBEC

Acknowledged as one of the most important corporate art collections in Québec, the Collection Loto-Québec has sought to stimulate the creation and further the dissemination of contemporary visual art in Québec for almost 35 years.

The Collection, annually funded by 0.01% of the Corporation's sales, currently holds 4,461 works of art by 1,147 artists.

More than simply an art fund, the Collection has become one of the main components in Loto-Québec's community social commitment mission. An acknowledged partner of major museums such as the Musée national des beaux-arts du Québec, the Musée de la civilisation à Québec, the Musée des beaux-arts de Montréal and the Musée d'art contemporain de Montréal, the Collection is also active throughout the province, organizing travelling exhibitions and artwork sales through its Repérage program. Some 14,300 people have participated in the Collection's regional activities.

ESPACE CRÉATION LOTO-QUÉBEC

More than 15,000 art lovers visited espace Création Loto-Québec last year. Since the gallery first opened in 2005, no less than 85,000 people entered this exhibition and event venue, located at Loto-Québec's head office, which is devoted to promoting the visual arts.

LES ENTRÉES EN SCÈNE LOTO-QUÉBEC

Since 2008, *Les entrées en scène Loto-Québec* has encouraged emerging performing artists in all creative fields throughout Québec.

This unique program, offered in partnership with the Réseau indépendant des diffuseurs d'événements artistiques unis (RIDEAU), helps promising talent become known and develop throughout Québec. To date, 65 artists have benefitted from support by *Les entrées en scène Loto-Québec*, 14 of whom went on tour in the regions of the province.

AMATEUR SPORT

Loto-Québec has signed three partnership agreements (Défi sportif, Fondation de l'athlète d'excellence du Québec and Special Olympics Québec) aimed at stimulating disabled citizens to engage in sports and promote a dynamic image of what they can achieve. The agreements have achieved the Corporation's support goals for these individuals.

2007

A playful awareness program on the random nature of chance is launched at sponsored events.

2008

Launch of *Les entrées en scène Loto-Québec* in partnership with the Réseau indépendant des diffuseurs d'événements artistiques unis (RIDEAU), to support emerging performing artists.

2009

Loto-Québec becomes the only operator of games of chance to be awarded WLA Responsible Gaming Framework Level 4 certification.



2010

One of the largest reclamation systems for compostable matter in the Outaouais region is set up at the Casino du Lac-Leamy.

2011

The new *Rendez-vous Loto-Québec* web portal platform promotes sponsored events by providing them with major Internet visibility.

A new visual arts acquisition program is launched in partnership with the Musée d'art contemporain.

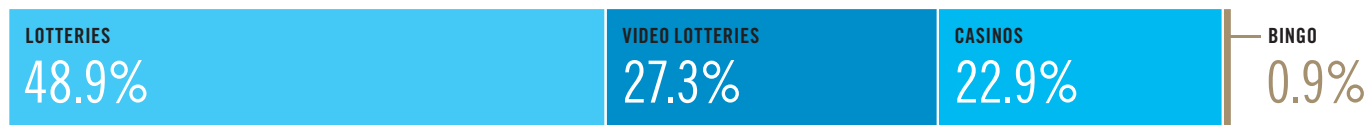
The *Engagés dans la communauté* corporate volunteer program begins.



FINANCIAL REVIEW

AS AT MARCH 31, 2012

CONSOLIDATED REVENUES



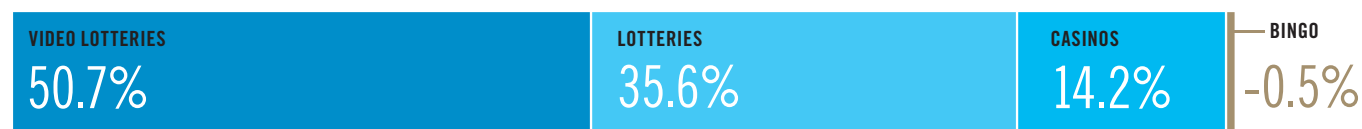
Loto-Québec reported consolidated revenues of 3.658 billion dollars for fiscal 2011-2012, which represents an increase of 17.8 million dollars (+0.5%) compared to fiscal 2010-2011. Consolidated gross margin was 2.311 billion dollars, compared to 2.302 billion for the previous year. This amounted to an increase of 9.3 million dollars (+0.4%). Expenses, including net financial expenses, stood at 959.5 million dollars, which was comparable to the figure for the preceding fiscal year (959.7 million dollars). Consolidated net earnings were 1.285 billion dollars. However, if the 59.7 million-dollar write-down of loans to Casinos Développement Europe and its subsidiaries is excluded, this figure would have been 1.345 billion, an increase of 10.1 million dollars (+0.8%) over last fiscal year.

LOTTERIES

With sales of 1.789 billion dollars, the lottery sector showed an increase of 1.6 million dollars (+0.1%) over the previous fiscal year. The rise can be explained by the solid performance of instant lotteries (9.3 million dollars or 2.0%) and sports betting (6.5 million dollars or 14.3%), compensating for the decline in draw-lottery sales (14.2 million dollars or -1.1%) explained by lower Lotto Max sales due mainly to the smaller number of big jackpots (-80.7 million dollars or -21.1%) and Lotto 6/49 sales (-9.5 million dollars or -2.6%). In all, there were only 12 Lotto Max jackpots greater than 50 million dollars (including Maxmillions), compared to 16 such jackpots in 2010-2011.

With respect to Lotto 6/49, sales volumes declined for each jackpot level as compared to the previous year. Meanwhile, Lotto Poker, our first Quick Play that was launched last May, was a huge success and generated 88.7 million dollars, which somewhat compensated for the counter-performance of the abovementioned products. Gross profits were 704.6 million dollars, 7.5 million dollars less than last year's figure. This can be explained by the 59.5% Lotto Poker payout rate, which is greater than the 48.8% average for draw lotteries. In all, 930.7 million dollars were paid to winners and 124.0 million dollars went to retailer commissions.

NET CONSOLIDATED EARNINGS



CASINOS

Casino revenues rose by 14.5 million dollars (+1.7%) over last fiscal year. This figure includes income generated on the espacejeux.com web site, where sales were 19.4 million dollars in its first complete year of operations. Sales rose by 1.3% at Casino de Montréal, 2.9% at Casino de Charlevoix, 1.9% at Casino du Lac-Leamy and 7.0% at Casino de Mont-Tremblant.

SALES REVENUE

As at March 31, 2012

(in millions of dollars)	2011-2012	2010-2011	Variation (\$)	Variation (%)
Casino de Montréal	539.4	532.5	6.9	1.3%
Casino de Charlevoix	52.9	51.4	1.5	2.9%
Casino du Lac-Leamy	257.4	252.7	4.7	1.9%
Casino de Mont-Tremblant	21.3	19.9	1.4	7.0%
Total	871.0	856.5	14.5	1.7%

VIDEO LOTTERIES

Sales in the video lottery sector were 998.0 million dollars. This was a total drop of 3.1 million dollars (-0.3%) compared to the previous year. Of this figure, bar and brasserie sales were lower by 5.2 million dollars (-0.5%). We estimate that the loss due to the diminished attractiveness of an inventory of aging video lottery terminals and a more difficult economic environment in some of Québec's regions was 27.8 million dollars. Against that, the non-renewal of the moratorium enabled greater network management efficiency, which generated added sales of 12.8 million dollars. Finally, the Québec City and Trois-Rivières gaming halls continued to perform well, with the introduction of new games contributing to combined increased sales of 2.1 million dollars (+9.6%). Commissions paid to operators totalled 214.2 million dollars.

BINGO

Bingo sales revenue rose by 2.6 million dollars to 34.0 million dollars (+8.4%), which was essentially due to eight Kinzo express locations that were set up adjacent to existing bingo halls and generated 4.7 million dollars. As this formula meets our clients' expectations, the Kinzo express network will continue to grow. Network bingo remains affected by the difficult situation in which the bingo industry finds itself, where a sharp decline in traffic resulted in a 2.1 million-dollar drop in revenues.

OPERATING EXPENSES

Expenses totalled 950.7 million dollars, a drop of 4.6 million dollars (-0.5%) compared to the previous fiscal year. By excluding the 17 million-dollar amortization reduction that is mainly explained by the end of useful life of the video lottery terminal inventory, expenses increased by 12.4 million dollars or 1.5% over 2010-2011. Employee benefits increased by 20.5 million dollars (+4.9%), reflecting costs related to collective labour agreements and incentives. Additionally, Québec sales tax payments rose by 5.2 million dollars (+9.2%), due essentially to the 1% increases in the Québec sales tax rate that came into effect on January 1, 2011 and January 1, 2012. This reduced our net consolidated earnings by an added 10.4 million dollars. However, in spite of inflationary pressure on our purchases, other expenses dropped by 12 million dollars (-4.0%), confirming that the Corporation's measures to cut spending are working.

BALANCED BUDGET ACT

All provisions of the *Act to implement certain provisions of the Budget Speech of March 30, 2010, reduce the debt and return to a balanced budget in 2013-2014* (the Act) in regard to expense compression were met. The targets set by the Ministère des finances in the 2010-2011 budget, were also met, and we contributed 43.0 million dollars in 2011-2012 against a stipulated objective of 25 million dollars.

NET FINANCIAL EXPENSES

Net financial expenses increased by 4.4 million dollars over last fiscal year, totalling 8.8 million dollars. The foreign exchange loss on loans to Casinos Développement Europe and its subsidiaries amounted to 3.2 million dollars as compared to a foreign exchange gain of 0.8 million dollars in 2010-2011.

CONTRIBUTIONS TO GOVERNMENTS

Loto-Québec's contribution in the form of dividends to the Ministère des Finances stood at 1.196 billion dollars, a reduction of 50.4 million dollars compared to the previous fiscal year. This is essentially explained by the write-down on loans to Casinos Développement Europe and its subsidiaries. An additional 89.0 million dollars was paid into the Government of Québec' various designated funds, and a further 91.8 million dollars was paid to the Ministère du Revenu in Québec Sales Tax (QST). Loto-Québec's total contributions to the Government of Québec equalled nearly 1.377 billion dollars (2011: 1.424 billion dollars). The Corporation also contributed 16.0 million dollars to the Government of Canada as compensation for its withdrawal from the lottery sector and 49.6 million dollars in the form of the Goods and Services Tax (GST), for a total of 65.6 million dollars (2011: 67.6 million dollars).

SUPPLEMENTARY INFORMATION

2012						
(in thousands of Canadian dollars)						
	Lotteries	Casinos	Video lotteries	Bingo	Elimination of intersegment transactions	Consolidated figures
Business segments						
Revenues						
Games	1,789,390	785,931	997,955	33,965	–	3,607,241
Restaurants	–	69,188	–	–	(34,192)	34,996
Lodging	–	15,786	–	–	–	15,876
	1,789,390	870,995	997,955	33,965	(34,192)	3,658,113
Cost of sales						
Prizes awarded	930,655	–	–	18,103	–	948,758
Commissions to retailers	124,007	–	214,245	3,065	–	341,317
Printing of tickets	30,088	–	745	986	(96)	31,723
Food and beverages	–	25,172	–	–	–	25,172
	1,084,750	25,172	214,990	22,154	(96)	1,346,970
Gross margin	704,640	845,823	782,965	11,811	(34,096)	2,311,143
Expenses						
Employee benefits	65,372	331,978	33,837	4,010	–	435,197
Depreciation and amortization	24,912	65,762	17,108	561	–	108,343
Special payments	17,088	–	–	5,412	–	22,500
Goods and Services Tax	12,518	7,687	13,057	459	–	33,721
Québec Sales Tax	23,044	14,135	23,930	844	–	61,953
Other expenses	99,750	178,251	38,069	7,045	(34,096)	289,019
	242,684	597,813	126,001	18,331	(34,096)	950,733
Income from operating activities	461,956	248,010	656,964	(6,520)	–	1,360,410
Financial revenues	(57)	(6,678)	(80)	(4)	–	(6,819)
Financial expenses	4,607	5,665	5,354	–	–	15,626
Net financial expenses	4,550	(1,013)	5,274	(4)	–	8,807
Share of profit or loss of companies accounted for using the equity method	–	1,483	–	–	–	1,483
Partners' shares in Manoir Richelieu Limited Partnership	–	5,008	–	–	–	5,008
Write-down of loans to Casinos Développement Europe and its subsidiaries	–	59,673	–	–	–	59,673
Net consolidated earnings	457,406	182,859	651,690	(6,516)	–	1,285,439

SUPPLEMENTARY INFORMATION *(continued)*

2011						
<i>(in thousands of Canadian dollars)</i>						
	Lotteries	Casinos	Video lotteries	Bingo	Elimination of intersegment transactions	Consolidated figures
Business segments						
Revenues						
Games	1,787,813	766,177	1,001,092	31,334	–	3,586,416
Restaurants	–	74,160	–	–	(36,375)	37,785
Lodging	–	16,140	–	–	–	16,140
	1,787,813	856,477	1,001,092	31,334	(36,375)	3,640,341
Cost of sales						
Prizes awarded	918,948	–	–	15,692	–	934,640
Commissions to retailers	124,670	–	215,399	2,371	–	342,440
Printing of tickets	32,070	–	895	882	(106)	33,741
Food and beverages	–	27,660	–	–	–	27,660
	1,075,688	27,660	216,294	18,945	(106)	1,338,481
Gross margin	712,125	828,817	784,798	12,389	(36,269)	2,301,860
Expenses						
Employee benefits	60,620	318,272	31,439	4,340	–	414,671
Depreciation and amortization	23,427	68,701	32,426	740	–	125,294
Special payments	16,677	–	–	5,945	–	22,622
Goods and Services Tax	12,839	7,869	13,865	406	–	34,979
Québec Sales Tax	20,845	12,762	22,454	658	–	56,719
Other expenses	100,985	185,141	37,928	13,226	(36,269)	301,011
	235,393	592,745	138,112	25,315	(36,269)	955,296
Income from operating activities	476,732	236,072	646,686	(12,926)	–	1,346,564
Financial revenues	(57)	(5 790)	(77)	(3)	–	(5,927)
Financial expenses	3,382	3,049	3,899	–	–	10,330
Net financial expenses	3,325	(2,741)	3,822	(3)	–	4,403
Share of profit or loss of companies accounted for using the equity method	–	1,419	–	–	–	1,419
Partners' shares in Manoir Richelieu Limited Partnership	–	5,719	–	–	–	5,719
Net consolidated earnings	473,407	231,675	642,864	(12,923)	–	1,335,023

COMPARATIVE RESULTS

Years ended March 31

<i>(in thousands of Canadian dollars)</i>	2012	2011	2010 ¹	2009 ¹	2008 ¹
Consolidated earnings					
Revenues	3,658,113	3,640,341	3,722,562	3,789,609	3,772,252
Cost of sales					
Lotteries					
Prizes awarded	930,655	918,948	922,723	961,747	978,496
Commissions to retailers	124,007	124,670	124,898	128,705	130,028
Printing of tickets	29,992	31,964	35,303	37,282	36,097
	1,084,654	1,075,582	1,082,924	1,127,734	1,144,621
Casinos					
Food and beverages	25,172	27,660	29,719	27,636	27,556
Subtotal casinos	25,172	27,660	29,719	27,636	27,556
Video lotteries					
Commissions to retailers	214,245	215,399	225,016	229,919	229,317
Printing of coupons	745	895	910	1,250	1,430
	214,990	216,294	225,926	231,169	230,747
Bingo					
Prizes awarded	18,103	15,692	16,521	16,804	19,187
Commissions to operators	3,065	2,371	2,562	2,325	2,499
Printing of cards	986	882	1,317	1,168	1,570
	22,154	18,945	20,400	20,297	23,256
Total	1,346,970	1,338,481	1,358,969	1,406,836	1,426,180
Gross margin	2,311,143	2,301,860	2,363,593	2,382,773	2,346,072
Operating expenses					
Lotteries	242,684	235,393	243,174	228,774	231,857
Casinos	563,717	556,476	540,768	506,884	495,481
Video lotteries	126,001	138,112	152,186	154,769	143,162
Bingo	18,331	25,315	13,847	14,187	15,841
	950,733	955,296	949,975	904,614	886,341
Income from operating activities	1,360,410	1,346,564	1,413,618	1,478,159	1,459,731
Net financial expenses	8,807	4,403	11,159	9,537	16,598
Share of profit or loss of companies accounted for using the equity method	6,491	7,138	7,275	12,863	6,970
Write-down of loans to Casinos Développement Europe and its subsidiaries	59,673	–	29,583	–	–
Write-off of capitalized interest	–	–	24,914	–	–
Net consolidated earnings	1,285,439	1,335,023	1,340,687	1,455,759	1,436,163

¹ Financial information for 2010, 2009 and 2008 was established using generally accepted Canadian accounting principles.

MANAGEMENT'S REPORT

The consolidated financial statements of Loto-Québec have been prepared by management, who is responsible for their preparation and presentation, including making significant estimates and judgments. This responsibility also includes selecting appropriate accounting policies that are in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). Financial information provided elsewhere in the annual report on activities is consistent with that shown in the consolidated financial statements.

To meet its obligations, management maintains internal control systems that are designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded at the desired time, that they are duly approved, and that they enable management to produce reliable consolidated financial statements. Corporate Management of the internal audit performs periodic audits to ensure the adequacy and maintenance of the internal controls that are applied consistently by Loto-Québec.

Loto-Québec recognizes that it is responsible for managing its business in compliance with the laws and regulations that govern it.

The Board of Directors of Loto-Québec, assisted by its Audit Committee, which consists solely of outside directors, oversees the manner in which management carries out its financial reporting responsibilities and approves the consolidated financial statements. The Audit Committee meets with management and the Auditor General of Québec and the accounting firm KPMG LLP ("KPMG"), reviews the consolidated financial statements and recommends their approval to the Board of Directors.

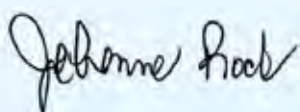
The Auditor General of Québec and KPMG have jointly audited the consolidated financial statements of Loto-Québec, in compliance with Canadian generally accepted auditing standards, and their independent auditors' report states the nature and scope of this audit and their statement of opinion. The Auditor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

President and Chief Executive Officer



GÉRARD BIBEAU

Corporate Vice-President Finance
and Administration, Loto-Québec



JOHANNE ROCK, CPA, CA

MONTREAL, JUNE 7, 2012

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

CONSOLIDATED FINANCIAL STATEMENTS REPORT

We have audited the accompanying consolidated financial statements of Loto-Québec, which comprise the consolidated statements of financial position as at March 31, 2012, as at March 31, 2011 and as at April 1, 2010, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended March 31, 2012 and March 31, 2011, as well as a summary of significant accounting policies and other explanatory information included in the accompanying notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Loto-Québec as at March 31, 2012, as at March 31, 2011 and as at April 1, 2010, and its consolidated financial performance and consolidated cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

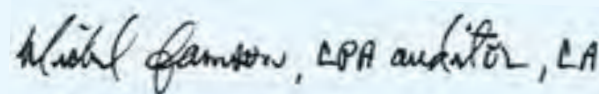
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), we report that, in our opinion, given the retroactive application of the change to accounting framework described in Note 2 to the consolidated financial statements, these standards have been applied for the year ended March 31, 2012 on a consistent basis with that of the preceding year, as well as for the opening consolidated statement of financial position as at April 1, 2010.



MONTREAL, QUÉBEC
JUNE 7, 2012

The Auditor General of Québec,



MICHEL SAMSON, CPA Auditor, CA
MONTREAL, QUÉBEC
JUNE 7, 2012

* CPA Auditor, CA, permit no. A110618

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31

(in thousands of Canadian dollars)

	2012	2011
Revenues (Note 6)	3,658,113	3,640,341
Cost of sales (Note 6)	1,346,970	1,338,481
Gross margin	2,311,143	2,301,860
Expenses		
Employee benefits (Note 7)	435,197	414,671
Depreciation and amortization (Notes 14, 15)	108,343	125,294
Special payments (Note 8)	22,500	22,622
Goods and Services Tax	33,721	34,979
Québec Sales Tax	61,953	56,719
Other expenses	289,019	301,011
	950,733	955,296
Income from operating activities	1,360,410	1,346,564
Financial revenues	(6,819)	(5,927)
Financial expenses	15,626	10,330
Net financial expenses (Note 9)	8,807	4,403
Share of profit or loss of companies accounted for using the equity method (Note 13)	1,483	1,419
Partners' share of Manoir Richelieu Limited Partnership (Note 13)	5,008	5,719
Write-down of loans to Casinos Développement Europe (Note 13) and its subsidiaries	59,673	—
Profit and comprehensive income	1,285,439	1,335,023

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended March 31

(in thousands of Canadian dollars)

	Share capital	Retained earnings	Total
Balance as at April 1, 2010 (Note 27)	170	93,142	93,312
Comprehensive income for the year	—	1,335,023	1,335,023
Dividends	—	(1,246,813)	(1,246,813)
Fonds d'aide à l'action communautaire autonome (Note 10)			
Aide à l'action communautaire autonome	—	(14,817)	(14,817)
Aide à l'action humanitaire internationale	—	(2,963)	(2,963)
Contributions to the Government of Québec (Note 11)	—	(73,348)	(73,348)
Balance as at March 31, 2011	170	90,224	90,394
Comprehensive income for the year	—	1,285,439	1,285,439
Dividends	—	(1,196,440)	(1,196,440)
Fonds d'aide à l'action communautaire autonome (Note 10)			
Aide à l'action communautaire autonome	—	(15,426)	(15,426)
Aide à l'action humanitaire internationale	—	(2,571)	(2,571)
Contributions to the Government of Québec (Note 11)	—	(71,002)	(71,002)
Balance as at March 31, 2012	170	90,224	90,394

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

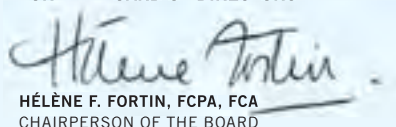
As at March 31, 2012, March 31, 2011 and April 1, 2010

(in thousands of Canadian dollars)

	March 31, 2012	March 31, 2011	April 1, 2010
ASSETS			
Cash and cash equivalents (Note 23)	101,581	96,619	95,378
Trade and other receivables (Note 12)	71,887	75,996	90,865
Inventories	4,441	4,974	5,499
Prepaid expenses	27,816	26,227	30,112
Current portion of financial assets related to life annuities (Note 16)	1,486	1,384	1,249
Total current assets	207,211	205,200	223,103
Interests in and loans to companies accounted for using the equity method (Note 13)	40,912	98,069	83,322
Property, plant and equipment (Note 14)	747,050	710,265	696,883
Intangible assets (Note 15)	107,381	104,372	93,031
Financial assets related to life annuities (Note 16)	53,759	51,485	48,215
Total non-current assets	949,102	964,191	921,451
Total assets	1,156,313	1,169,391	1,144,554
LIABILITIES			
Bank loans (Note 17)	431,969	472,219	365,730
Dividends payable	21,440	21,813	171,597
Accounts payable and accrued charges (Note 18)	198,329	169,611	172,838
Current portion of life annuities payable (Note 16)	1,486	1,384	1,249
Provisions (Note 19)	66,233	64,093	62,456
Deferred revenues	20,440	25,346	20,349
Current portion of long-term debt (Note 20)	–	–	75,000
Total current liabilities	739,897	754,466	869,219
Long-term debt (Note 20)	267,082	266,849	124,444
Pension plans and other long-term benefits (Note 24)	5,181	6,197	9,364
Life annuities payable (Note 16)	53,759	51,485	48,215
Total non-current liabilities	326,022	324,531	182,023
Total liabilities	1,065,919	1,078,997	1,051,242
SHAREHOLDER'S EQUITY			
Share capital authorized, issued and paid:			
1,700 shares with a par value of \$100 each (Note 5)	170	170	170
Retained earnings	90,224	90,224	93,142
Total shareholder's equity	90,394	90,394	93,312
Total liabilities and shareholder's equity	1,156,313	1,169,391	1,144,554
Contingent liabilities and commitments (Note 21)			

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

FOR THE BOARD OF DIRECTORS



HÉLÈNE F. FORTIN, FCPA, FCA
CHAIRPERSON OF THE BOARD



GÉRARD BIBEAU
PRESIDENT AND CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31

(in thousands of Canadian dollars)

	2012	2011
OPERATING ACTIVITIES		
Net income from activities	1,285,439	1,335,023
Adjustments for:		
Depreciation and amortization	108,343	125,294
Loss on disposal and write-off of property, plant and equipment and intangible assets	2,784	8,563
Partners' share of Manoir Richelieu Limited Partnership	1,483	1,419
Share of profit or loss of companies accounted for using the equity method	5,008	5,719
Net financial expenses	14,305	10,296
Interest income on loans to Casinos Développement Europe and its subsidiaries	(6,315)	(5,472)
Exchange (gain) loss on loans to Casinos Développement Europe and its subsidiaries	3,204	(791)
Write-down of loans to Casinos Développement Europe and its subsidiaries	59,673	–
Net change in non-cash working capital items (Note 23)	23,645	17,372
Interest paid	(14,682)	(12,022)
Interest received	504	432
Cash flows from operating activities	1,483,391	1,485,833
INVESTING ACTIVITIES		
Loan acquisitions (Note 13)	(246)	(7,447)
Acquisitions of property, plant and equipment (Note 14)	(121,476)	(126,543)
Acquisitions of intangible assets (Note 15)	(25,076)	(28,975)
Proceeds from disposal of property, plant and equipment	1,015	345
Investment, net of distributions, in Manoir Richelieu Limited Partnership and payments to partners	(6,584)	(7,984)
Cash flows used in investing activities	(152,367)	(170,604)
FINANCING ACTIVITIES		
Dividends paid	(1,196,813)	(1,396,597)
Bank loans	(40,250)	106,489
Increase in long-term debt	–	142,248
Payments on long-term debt	–	(75,000)
Contributions to the Government of Québec (Note 11)	(71,002)	(73,348)
Fonds d'aide à l'action communautaire autonome (Note 10)		
Aide à l'action communautaire autonome	(15,426)	(14,817)
Aide à l'action humanitaire internationale	(2,571)	(2,963)
Cash flows used in financing activities	(1,326,062)	(1,313,988)
Increase in cash and cash equivalents	4,962	1,241
Cash and cash equivalents, beginning of year	96,619	95,378
Cash and cash equivalents, end of year (Note 23)	101,581	96,619

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2012 AND MARCH 31, 2011 AND AS AT APRIL 1, 2010

NOTE 1

INCORPORATION AND ACTIVITIES

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

Loto-Québec is a company 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 participation in associates and joint ventures.

NOTE 2

BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are Loto-Québec's first consolidated financial statements prepared in accordance with IFRS. IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied.

Note 27 explains the extent to which the transition to IFRS has had an impact on Loto-Québec's financial position, financial performance and cash flows, which were previously compiled in accordance with the generally accepted accounting principles under Part V of the CICA Handbook.

Publication of Loto-Québec's consolidated financial statements was approved by the Board of Directors on June 7, 2012.

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;
- The defined benefit liability, which was measured at the present value of the defined benefit obligation, given actuarial gains and losses and unrecognized past service costs, 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 more fully described in Note 4.

NOTE 2

BASIS OF PREPARATION *(continued)*

c) Functional currency and presentation currency

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

d) Estimates and assumptions

The preparation of Loto-Québec's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Information on the key sources of estimation uncertainty and critical judgments made applying the accounting principles with the most significant effect on the amounts recognized in the consolidated financial statements are provided in Note 3 and the following notes:

- Note 13 – Interests in and loans to companies accounted for using the equity method
- Note 14 – Property, plant and equipment
- Note 15 – Intangible assets
- Note 16 – Assets and liabilities related to life annuities
- Note 19 – Provisions
- Note 20 – Long-term debt
- Note 21 – Contingent liabilities and commitments
- Note 24 – Pension plans and other long-term benefits

Actual results could differ from management's best estimates.

The estimates and underlying assumptions are reviewed on a regular basis. All changes to accounting estimates are recognized in the future years affected by the revised estimates.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES

As part of the changeover to the IFRS accounting framework, the accounting policies described below have been applied uniformly in these consolidated financial statements and to prepare the opening statement of financial position in IFRS as at April 1, 2010 to meet the needs of the transition to IFRS.

a) Principles of consolidation

i) Subsidiaries

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

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

- Lotim inc.
- La Société des casinos du Québec inc.
- Casiloc inc.
- La Société des loteries vidéo du Québec inc.
- Ingenio, subsidiary of Loto-Québec inc.
- La Société des bingos du Québec inc.
- La Société du jeu virtuel du Québec inc.
- 9059-3849 Québec inc.
- Casino Mundial inc.
- Casino Capital 2006 inc.
- Technologies Nter, société en commandite
- Technologies Nter inc.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Interests in associates and joint ventures

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

The Manoir Richelieu Limited Partnership is a joint venture whose activities are controlled jointly by Loto-Québec under the terms of a contractual agreement requiring unanimous consent on strategic financial and operating decisions.

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

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

iii) Transactions eliminated upon consolidation 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

i) Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currencies of the respective Loto-Québec entities at the exchange rates on the dates of the transactions. Assets and liabilities denominated in foreign currencies at the closing date are translated back into the functional currency at the exchange rates on this date. Foreign exchange gains and losses on monetary items are the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments made during the fiscal year, and the amortized cost in foreign currency translated at the exchange rate at the end of the fiscal year.

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

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Foreign operations

The assets and liabilities of foreign operations are translated into Canadian dollars at the closing rate. Income and expenses of foreign operations are translated into Canadian dollars at the exchange rates at the dates of the transactions.

Exchange differences are recognized directly in other comprehensive income in the accumulated exchange differences account.

When a foreign operation is sold, the entire amount of the accumulated exchange differences of foreign operations is transferred to net income. There is a disposal when the entire interest in the foreign operation is sold or, in the case of a partial disposal, this leads to loss of control of a subsidiary, loss of significant influence or loss of joint control. For any other partial disposal of a foreign operation, Loto-Québec only reclassifies in net income the appropriate proportionate share of the accumulated exchange differences of the foreign operations.

c) Revenues

Lotteries and bingo

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

Lottery tickets sold as at March 31 for draws subsequent to that date, with the exception of instant lotteries, are recorded as deferred revenues. Retailer commissions associated with these sales are carried to prepaid expenses.

In addition to lottery prizes that are payable in cash or merchandise, Loto-Québec also awards free tickets. The value of these prizes is equal to the selling price and they are recorded against revenues.

Casinos and video lotteries

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

Restaurants and lodging

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

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Programs of free offers for clients

La Société des casinos du Québec inc. (the “Société”) makes free offers to its clients that may take one of the following forms: points convertible into money or points convertible into goods and services.

Certain programs introduced by the Société allow, among other things, clients to accumulate points based on their gaming activities. These points can be converted into dollars or goods and services. When clients are granted points that can be converted into dollars, a liability is recognized in the amount of the dollar value of the points, and a corresponding amount is recognized against revenues. The use of points that clients can convert into money reduces the value of the liability. The points are written off when there has been no activity in the client’s account for 18 months. For programs allowing clients to receive only goods and services, each point accumulated is recognized separately from the sales transaction and recognized in Deferred revenues. Initial recognition also takes into account the proportion of points used by the client. The client’s free offers are available in the account for a period of 6 to 12 months. Following this period, their value is eliminated from the client’s account.

e) Prizes awarded

Prizes awarded from ticket sales related to bingo and other products in the lottery sector are determined using a theoretical rate applied to sales.

f) Financial revenues and financial expenses

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

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

Exchange profits and losses on loans are recorded in their net amount in Financial expenses.

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

Dividends received are presented in investing activities.

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.

Furthermore, under gaming rules with respect to the Québec sales tax (the “QST”) and the *Excise Tax Act* (goods and services tax (the “GST”)), Loto-Québec pays additional taxes on the products and services acquired in and attributable to gaming. These taxes are presented separately in the Consolidated Statement of Comprehensive Income.

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

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Employee benefits

i) Short-term employee benefits

Salaries, contributions to government pension plans, vacation, sick leaves and bonuses are short-term employee benefits and are recognized during the year in which the employees rendered the related service.

ii) State plans

Recognition of defined benefit plans is applied to state plans: the Government and Public Employees Retirement Plan (GPERP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan of Management Personnel (PPMP), since Loto-Québec is not responsible for obligations other than its contributions to these plans.

Obligations under defined benefit plans are recognized in the net income of the periods in which the employees render the services, in Employee benefits expense.

iii) Defined benefit plans

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

Loto-Québec’s net obligation to defined benefit plans is calculated separately for each plan, using an estimate of the amount of future benefits that employees earned for services provided during the current year and prior years; the amounts of these benefits are discounted to determine their current value. The discount rate used corresponds to the yield, at the end of the reporting period, of the bonds of companies with credit ratings of AA or higher and whose maturities are close to the bonds of Loto-Québec, and that are denominated in the same currency as the currency in which the benefits are paid. The calculation is made once each year by an actuary using the Projected Unit Credit Method. When the calculation gives rise to a benefit for Loto-Québec, the amount of the recognized asset is limited to the total of the unrecognized past service cost and the current value of economic benefits arising from future refunds from the plan or reductions in future plan contributions. An economic benefit results for Loto-Québec if it is realizable over the life of the plan or when the plan’s liabilities are settled.

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

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

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

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

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) Other long-term benefits

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

Loto-Québec's net long-term employee benefit obligation, aside from pension plans, corresponds to the amount of future benefits earned by employees in exchange for their services for the current year and for prior years; these benefits are discounted to their present value. The discount rate used is the yield, at the end of the reporting period, of the bonds of companies with credit ratings of AA or higher and whose maturities are close to the bonds of Loto-Québec. The calculation is based on the Projected Unit Credit Method. Any actuarial gain or loss is recognized in net income in the year in which it occurs.

i) Financial instruments

i) Non-derivative financial instruments

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

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

Loans and receivables

Loans and receivables are valued in the consolidated statement of financial position at amortized cost, which is calculated using the effective interest rate method less impairment losses. A loan is considered impaired when, in the opinion of management, there is no reasonable assurance as to the ultimate collection of principal or interest. Once it has been established that loans have become impaired, the carrying amount of these loans is reduced to their estimated realizable value. Interest income is recognized in Financial revenues in the consolidated statement of comprehensive income.

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

Other financial liabilities

Other non-derivative financial instruments are valued at amortized cost using the effective interest rate method.

Bank loans, dividends payable, accounts payable and accrued liabilities, winners' prizes payable, financial liabilities related to life annuities and long-term debt are classified in Other financial liabilities.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Derivative financial instruments

Loto-Québec holds foreign exchange contracts to cover its exposures to foreign currency risk. These contracts are initially recognized at fair value and classified in Financial instruments held for trading. Foreign exchange contracts are not considered to be in eligible designated hedge accounting relationships, and changes in their fair value are immediately recognized in net income.

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

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

As at March 31, 2012 and 2011 and as at April 1, 2010, Loto-Québec held no financial instruments recognized at fair value and belonging in Level 3.

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 involves, as much as possible, observable market data. These valuation techniques include, among other things, the use of available information on recent market transactions, an analysis of discounted cash flows and valuation models.

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

j) Cash and cash equivalents

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

k) Inventories

Inventories consist of food and beverages and are valued at the lower of cost or net realizable value. The cost of food and beverages is established 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 necessary to make the sale.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

I) Property, plant and equipment

i) Recognition and measurement

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

Cost includes expenditures directly attributable to asset acquisition. The cost of an asset produced by Loto-Québec for itself includes the cost of raw materials, direct labour, any other directly attributable cost to allow the asset to be used in the expected operating conditions, costs related to decommissioning and restoration, and capitalized borrowing costs relating to qualifying assets.

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

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

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the asset if it is probable that the 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 component is derecognized. The costs of day-to-day servicing and maintenance are recognized in Other expenses as incurred.

iii) Depreciation

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

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate components of the asset.

Depreciation is expensed for each component of an item of property, plant and equipment on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits associated with the asset.

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

Depreciation is recognized on a straight-line basis over assets' estimated useful lives of the assets 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 layout	5% to 20%
Landscaping	5% to 14.29%
Leasehold improvements	3.7% to 27.91%
Equipment and other	6.67% to 33.33%

Land, works of art and property, plant and equipment not ready for commissioning are not depreciated.

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Intangible assets

i) Recognition and measurement

Intangible assets consist of software and computer development. Intangible assets are valued at cost less accumulated amortization and accumulated impairment losses.

Internally generated intangible assets include development costs for application software that has been developed or modified internally. The cost of internally generated intangible assets includes the cost of materials, direct labour, any other directly attributable cost to allow the asset to be used in the expected operating conditions, and capitalized borrowing costs related to qualifying assets for which the commencement date for registering the asset is on or after April 1, 2010.

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

When significant parts of intangible assets have different useful lives, they are recognized as separate components of the intangible asset.

ii) Subsequent costs

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

iii) Amortization

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

Amortization is recognized in net income on a straight-line basis over the intangible asset's estimated useful life, commencing on the date that it is ready for commissioning, at the following rates:

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

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

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Impairment

i) Financial assets

Financial assets are measured at the reporting date to determine whether there is objective evidence of impairment. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect 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 that asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

All impairment losses are recognized within Other expenses in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets at amortized cost, the reversal is recognized within Other expenses in profit or loss.

ii) Non-financial assets

The carrying amount of non-financial assets is reviewed at the reporting date to determine whether there are any indications of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of intangible assets that have not yet been commissioned is estimated at the same time each year.

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized within other expenses in profit or loss.

o) Provisions

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

NOTE 3

SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards were issued by the IASB, which are mandatory but not yet effective for the year ended March 31, 2012, were not applied in preparing these consolidated financial statements.

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

International accounting standards (IAS/IFRS)	Effective date for Loto-Québec
IFRS 7, <i>Financial Instruments: Disclosures</i>	April 1, 2012
IFRS 9, <i>Financial Instruments</i>	April 1, 2015
IFRS 10, <i>Consolidated Financial Statements</i>	April 1, 2013
IFRS 11, <i>Joint Arrangements</i>	April 1, 2013
IFRS 12, <i>Disclosure of Interests in Other Entities</i>	April 1, 2013
IFRS 13, <i>Fair Value Measurement</i>	April 1, 2013
IAS 1, <i>Presentation of Financial Statements</i>	April 1, 2013
IAS 19, <i>Employee Benefits</i>	April 1, 2013

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

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

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

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

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

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

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

The main amendments to IAS 19, *Employee Benefits*, are immediate recognition of actuarial gains or losses and all past service costs in profit or loss, and use of the defined benefit liability's discount rate in calculating the expected return on plan assets.

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

NOTE 4

DETERMINING FAIR VALUE

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

i) Loans and receivables

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

ii) Derivatives

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

iii) Non-derivative financial liabilities

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

NOTE 5

CAPITAL DISCLOSURES

Loto-Québec defines its capital as follows:

<i>(in thousands of Canadian dollars)</i>	March 31, 2012	March 31, 2011	April 1, 2010
Capital stock	170	170	170
Retained earnings	90,224	90,224	93,142
	90,394	90,394	93,312

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

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

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

The capital management objectives, policies and procedures have not changed since April 1, 2010.

NOTE 6

REVENUES, COST OF SALES AND GROSS MARGIN

(in thousands of Canadian dollars)

2012

Business segments	Lotteries	Casinos	Video lotteries	Bingo	Elimination of intersegment transactions	Total
Revenues						
Games	1,789,390	785,931	997,955	33,965	–	3,607,241
Restaurants	–	69,188	–	–	(34,192)	34,996
Lodging	–	15,876	–	–	–	15,876
	1,789,390	870,995	997,955	33,965	(34,192)	3,658,113
Cost of sales						
Prizes awarded	930,655	–	–	18,103	–	948,758
Commissions to retailers	124,007	–	214,245	3,065	–	341,317
Printing	30,088	–	745	986	(96)	31,723
Food and beverages	–	25,172	–	–	–	25,172
	1,084,750	25,172	214,990	22,154	(96)	1,346,970
Gross margin	704,640	845,823	782,965	11,811	(34,096)	2,311,143

(in thousands of Canadian dollars)

2011

Business segments	Lotteries	Casinos	Video lotteries	Bingo	Elimination of intersegment transactions	Total
Revenues						
Games	1,787,813	766,177	1,001,092	31,334	–	3,586,416
Restaurants	–	74,160	–	–	(36,375)	37,785
Lodging	–	16,140	–	–	–	16,140
	1,787,813	856,477	1,001,092	31,334	(36,375)	3,640,341
Cost of sales						
Prizes awarded	918,948	–	–	15,692	–	934,640
Commissions to retailers	124,670	–	215,399	2,371	–	342,440
Printing	32,070	–	895	882	(106)	33,741
Food and beverages	–	27,660	–	–	–	27,660
	1,075,688	27,660	216,294	18,945	(106)	1,338,481
Gross margin	712,125	828,817	784,798	12,389	(36,269)	2,301,860

NOTE 7

EMPLOYEE BENEFITS

<i>(in thousands of Canadian dollars)</i>	2012	2011
Salaries and other short-term employee benefits	413,565	394,631
Pension plans	21,632	20,040
	435,197	414,671

NOTE 8

SPECIAL PAYMENTS

<i>(in thousands of Canadian dollars)</i>	2012	2011
Compensation to the Government of Canada	15,981	15,544
Special commissions to NPOs	1,107	1,133
Compensation to participating NPOs	5,002	5,523
Compensation to non-participating NPOs	410	422
	22,500	22,622

Compensation 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 \$24.0M in 1979 dollars, which represents \$68.2M in today's dollars for the year ended March 31, 2012 (\$66.2M in 2011).

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

Special commissions to non-profit organizations (NPOs)

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

Compensation to non-profit organizations (NPOs)

Participants

As an agent of Loto-Québec, La Société des bingos du Québec inc. awards the following amount to charitable or religious organizations that hold bingo licences: an amount equal to 36.4% of bingo ticket sales less the value of prizes awarded to game winners or 50% of net earnings generated by bingo, not counting compensation to non-participating NPOs, whichever is higher.

Non-participating

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

NOTE 9

NET FINANCIAL EXPENSES

<i>(in thousands of Canadian dollars)</i>	2012	2011
Interest income on loans to Casinos Développement Europe and its subsidiaries	1,356	910
Interest income related to the increase of the discounted value of loans to Casinos Développement Europe and its subsidiaries	4,959	4,562
Interest income - other	504	455
Total financial revenues	6,819	5,927
Interest expense on bank loans ⁽¹⁾	5,159	3,966
Interest expense on long-term debt	9,650	6,785
(Gain) loss on foreign exchange contracts	(2,387)	370
Exchange (gain) loss on loans to Casinos Développement Europe and its subsidiaries	3,204	(791)
Total financial expenses	15,626	10,330
Net financial expenses recognized in profit or loss	8,807	4,403

⁽¹⁾ Includes \$1.5M (\$2.0M in 2011) from the Fonds de financement du gouvernement du Québec and \$0.6M (\$0.3M in 2011) from the Caisse de dépôt et placement du Québec.

NOTE 10

FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME

Loto-Québec makes annual contributions to the Fonds that are equal to 6% of the previous year's net earnings with respect to the operations of State-run casinos and the contributing businesses. Under its incorporating act, the amounts are allocated to the Fonds d'aide à l'action communautaire autonome up to 5/6 of the allocated amount and up to 1/6 to the Fonds d'aide à l'action humanitaire internationale.

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

NOTE 11

CONTRIBUTIONS TO THE GOVERNMENT OF QUÉBEC

<i>(in thousands of Canadian dollars)</i>	2012	2011
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)	6,257	7,132
Ministère de la Santé et des Services sociaux	52,000	52,000
Ministère de la Sécurité publique	3,945	3,916
Ministère de la Culture, des Communications et de la Condition féminine	8,500	10,000
Ministère des Finances	300	300
	71,002	73,348

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

NOTE 12

TRADE AND OTHER RECEIVABLES

<i>(in thousands of Canadian dollars)</i>	March 31, 2012	March 31, 2011	April 1, 2010
Wholesalers	40,148	30,673	29,760
Retailers	21,055	19,377	25,419
Miscellaneous	10,684	25,946	35,686
	71,887	75,996	90,865

NOTE 13

INTERESTS IN AND LOANS TO COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

<i>(in thousands of Canadian dollars)</i>	March 31, 2012	March 31, 2011	April 1, 2010
Interests	28,188	29,029	27,992
Loans	12,724	69,040	55,330
	40,912	98,069	83,322

NOTE 13

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

Summary financial information of companies accounted for using the equity method, excluding the percentage interest held by Loto-Québec:

(in thousands of Canadian dollars)

	Interest	Total assets	Total liabilities	Revenues	Income	Carrying amount of the interest
April 1, 2010						
Casinos Développement Europe and its wholly owned subsidiaries	35%	125,235	797,868	171,220	(457)	–
Manoir Richelieu Limited Partnership and 9064-1812 Québec inc., General Partner	50%	109,162	8,935	25,734	1,126	27,992
March 31, 2011						
Casinos Développement Europe and its wholly owned subsidiaries	35%	164,688	505,251	150,387	3,586	–
Manoir Richelieu Limited Partnership and 9064-1812 Québec inc., General Partner	50%	111,367	9,724	28,797	2,033	29,029
March 31, 2012						
Casinos Développement Europe and its wholly owned subsidiaries	35%	144,605	477,646	149,006	(4,437)	–
Manoir Richelieu Limited Partnership and 9064-1812 Québec inc., General Partner	50%	106,807	9,038	28,183	782	28,188

Manoir Richelieu Limited Partnership

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

The year-end of Manoir Richelieu Limited Partnership and the general partner 9064-1812 Québec inc. is December 31. However, Loto-Québec considers this corporation's results for the period from April 1 to March 31 for purposes of recording its interest using the equity method.

As defined in the contractual agreement between the partners of Manoir Richelieu Limited Partnership, Loto-Québec's share of the loss on its interest in Manoir Richelieu Limited Partnership and the general partner 9064-1812 Québec inc., recorded using the equity method during fiscals 2012 and 2011, was \$1.5M and \$1.4M, respectively. The partners' share in Manoir Richelieu Limited Partnership was \$5.0M (\$5.7M in 2011) and is recognized as revenue in that entity's results.

NOTE 13

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

Casinos Développement Europe and its subsidiaries

Loto-Québec holds a 35% equity interest in JOAGROUPE Holding Inc., a subsidiary of Casinos Développement Europe. The value of the shares was nil as at April 1, 2010 and March 31, 2011 and 2012. The share of unrecognized losses for the year ended March 31, 2012 was \$1.1M for an unrecognized cumulative total of \$11.9M (\$10.8M as at March 31, 2011 and \$11.2M as at April 1, 2010). The year-end of Casinos Développement Europe is October 31. However, Loto-Québec considers this corporation's results for the period from January 1 to December 31 for purposes of recording its interest using the equity method.

Loans to companies accounted for using the equity method

<i>(in thousands of Canadian dollars)</i>	March 31, 2012	March 31, 2011	April 1, 2010
Loans			
Casinos Développement Europe and its wholly owned subsidiaries			
Loans, in euros, fixed rate of 8%, cashable on April 16, 2018 (€41.9M in 2011) ⁽¹⁾	–	57,583	52,822
Loan, in euros, fixed rate of 15%, principal and compound interest, cashable on April 16, 2018 (€7.5M) ⁽²⁾	9,968	8,949	–
Loan, in euros, fixed rate of 8%, cashable on May 31, 2016 (€0.2M) ⁽³⁾	248	–	–
Manoir Richelieu Limited Partnership Loan, without terms of repayment, bearing interest at a fixed rate of 5%, payable annually	2,508	2,508	2,508
	12,724	69,040	55,330

⁽¹⁾ During the year, Loto-Québec recorded interest income of \$5.0M (\$4.6M in 2011) corresponding to the present value of cash flows from loans at 8% receivable on April 16, 2018. Given the European economic crisis and difficulties in the French casino industry, Loto-Québec, with the assistance of an independent valuator, estimated the value of the loans to Casinos Développement Europe and its subsidiaries. The carrying amount was reduced to the estimated realizable value, which is equal to the discounted expected future cash flows at an initial loan interest rate of 8%. The carrying amount of the loans was written down by \$59.7M.

Since February 16, 2009, for all of the loans bearing interest at 8%, Loto-Québec is annually renewing its agreement to suspend the interest. During fiscal 2011, the maturities of these loans were changed from May 2016 to April 2018. The loans are subordinated to senior loans and to the liens of Casinos Développement Europe and its subsidiaries.

⁽²⁾ On June 22, 2010, as part of the restructuring of the debt load of Casinos Développement Europe and its subsidiaries, the shareholders agreed to a €15M contribution in the form of loans. Loto-Québec's initial investment is \$7.4M (€5.8M).

⁽³⁾ On May 31, 2011, a \$0.2M (€0.2M) loan was granted by the shareholders to ensure the operation of Casinos Développement Europe and its subsidiaries.

During the year, the depreciation of the euro against the Canadian dollar reduced the value of loans by \$3.2M (\$0.8M increase as at March 31, 2011 and \$22.4M decrease as at April 1, 2010). This depreciation was offset by a gain on the forward foreign exchange contract denominated in euros.

NOTE 14

PROPERTY, PLANT AND EQUIPMENT

(in thousands of Canadian dollars)

(in thousands of Canadian dollars)

			Improvements						
	Land	Buildings	Parking lots	Interior layout and landscaping	Leasehold improvements	Equipment and other	Works of art	In progress	Total
Cost									
Balance as at April 1, 2010	42,339	357,281	121,867	287,707	63,527	584,346	6,479	31,361	1,494,907
Additions	3,762	30,854	40	16,941	6,651	40,511	387	33,769	132,915
Reclassification									
<i>In progress/commissioned</i>	–	252	–	1,398	5,548	6,147	–	(13,345)	–
Disposals	–	(1,754)	–	(6,423)	(5,205)	(42,256)	–	(2,101)	(57,739)
Balance as at March 31, 2011	46,101	386,633	121,907	299,623	70,521	588,748	6,866	49,684	1,570,083
Additions	–	18,349	–	12,471	990	25,177	376	68,490	125,853
Reclassification									
<i>In progress/commissioned</i>	–	–	–	691	137	883	–	(1,711)	–
Disposals	–	(22,536)	–	(32,858)	(149)	(15,606)	–	(10)	(71,159)
Balance as at March 31, 2012	46,101	382,446	121,907	279,927	71,499	599,202	7,242	116,453	1,624,777
Accumulated depreciation									
Balance as at April 1, 2010	–	133,242	60,671	175,089	36,417	392,605	–	–	798,024
Depreciation for the year	–	19,002	4,712	17,397	3,419	64,057	–	–	108,587
Disposals	–	(1,753)	–	(6,424)	(373)	(38,243)	–	–	(46,793)
Balance as at March 31, 2011	–	150,491	65,383	186,062	39,463	418,419	–	–	859,818
Depreciation for the year	–	16,052	4,713	15,298	3,501	47,294	–	–	86,858
Disposals	–	(22,172)	-	(32,478)	(150)	(14,149)	–	–	(68,949)
Balance as at March 31, 2012	–	144,371	70,096	168,882	42,814	451,564	–	–	877,727
Net carrying amounts									
As at April 1, 2010	42,339	224,039	61,196	112,618	27,110	191,741	6,479	31,361	696,883
As at March 31, 2011	46,101	236,142	56,524	113,561	31,058	170,329	6,866	49,684	710,265
As at March 31, 2012	46,101	238,075	51,811	111,045	28,685	147,638	7,242	116,453	747,050

Property, plant and equipment in progress consists of equipment awaiting commissioning in the amount of \$28.4M (\$11.5M in 2011), buildings undergoing renovations in the amount of \$6.7M (\$2.5M in 2011) as well as \$81.3M (\$35.7M in 2011) in costs related to the Casino de Montréal modernization project.

NOTE 15

INTANGIBLE ASSETS

(in thousands of Canadian dollars)

	Acquired	Internally generated		Total
	Software	Computer development	Computer projects under development	
Cost				
Balance as at April 1, 2010	36,718	107,806	24,459	168,983
Additions	1,527	18,333	8,460	28,320
Reclassification of commissioned computer projects	3,797	14,667	(18,464)	–
Disposals	(44)	–	–	(44)
Balance as at March 31, 2011	41,998	140,806	14,455	197,259
Additions	4,887	10,111	11,085	26,083
Reclassification of commissioned computer projects	223	9,035	(9,258)	–
Disposals	(53)	(1,889)	–	(1,942)
Balance as at March 31, 2012	47,055	158,063	16,282	221,400
Accumulated amortization				
Balance as at April 1, 2010	22,695	53,257	–	75,952
Transfer of property, plant and equipment	–	254	–	254
Amortization for the year	3,750	12,957	–	16,707
Disposals	(26)	–	–	(26)
Balance as at March 31, 2011	26,419	66,468	–	92,887
Amortization for the year	4,829	16,656	–	21,485
Disposals	(54)	(299)	–	(353)
Balance as at March 31, 2012	31,194	82,825	–	114,019
Net carrying amounts				
As at April 1, 2010	14,023	54,549	24,459	93,031
As at March 31, 2011	15,579	74,338	14,455	104,372
As at March 31, 2012	15,861	75,238	16,282	107,381

NOTE 16

ASSETS AND LIABILITIES RELATED TO LIFE ANNUITIES

Loto-Québec offers life annuities on 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 \$1.4M (\$1.4M in 2011) presented in Other operating expenses.

The fair value of financial liabilities is initially measured at the exit price, which corresponds to the internal actuary's measurement based on assumptions, including life expectancy.

For the year, Loto-Québec's disbursements to a third party for life annuities stood at \$3.8M (\$4.8M in 2011 and \$5.3M in 2010).

NOTE 17

BANK LOANS

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

Despite the aforementioned, the total amount of Loto-Québec's short-term and long-term borrowings may at no time exceed \$1.3B.

Short-term bank loans totalled \$432.0M (\$472.2M in 2011 and \$365.7M in 2010) of which \$31.0M (\$133.0M in 2011 and \$102.0M in 2010) is with the Fonds de financement du gouvernement du Québec, and \$280.0M (\$197.0M in 2011 and \$87.0M in 2010) is with the Caisse de dépôt et placement du Québec. These loans bear interest at the market rate, i.e., 1.07% to 1.74% (1.11% to 1.85% in 2011 and 0.33% to 0.94% in 2010).

NOTE 18

ACCOUNTS PAYABLE AND ACCRUED CHARGES

<i>(in thousands of Canadian dollars)</i>	March 31, 2012	March 31, 2011	April 1, 2010
Accounts payable and accrued charges ⁽¹⁾	93,333	76,562	80,007
Prizes to winners payable	11,798	11,524	9,418
Salaries and bonuses payable	78,054	62,606	66,120
Employee benefits payable	2,323	3,440	2,322
Manoir Richelieu Limited Partnership	5,181	6,224	5,667
Goods and Services Tax	2,339	3,273	3,486
Québec Sales Tax	5,301	5,982	5,818
	198,329	169,611	172,838

⁽¹⁾ Include accrued interest of \$3.7M (\$3.1M as at March 31, 2011 and \$2.6M as at April 1, 2010) with Fonds de financement du gouvernement du Québec and of \$0.03M (\$0.03M as at March 31, 2011 and \$0.008M as at April 1, 2010) with the Caisse de dépôt et placement du Québec.

NOTE 19

PROVISIONS

<i>(in thousands of Canadian dollars)</i>	
Balance as at April 1, 2010	62,456
Provisions made during the year	340,436
Provisions used during the year	(338,799)
Balance as at March 31, 2011	64,093
Provisions made during the year	448,350
Provisions used during the year	(446,210)
Balance as at March 31, 2012	66,233

Provisions correspond to unclaimed prizes on passive and instant lottery tickets, determined using a theoretical rate applied to sales less disbursements, unclaimed prizes of all lottery products, excluding Canada-wide games, and prizes on progressive slot machines in casinos that increase based on the actual activity of the progressive game in question.

NOTE 20

LONG-TERM DEBT

<i>(in thousands of Canadian dollars)</i>	March 31, 2012	March 31, 2011	April 1, 2010
Loans from the Fonds de financement du gouvernement du Québec, interest payable semi-annually, repayable at maturity on:			
December 1, 2010, fixed rate of 3.382%	–	–	75,000
May 5, 2014, fixed rate of 3.113%	50,000	50,000	50,000
December 1, 2014, fixed rate of 2.702%	50,000	50,000	–
December 1, 2015, fixed rate of 4.117%	75,000	75,000	75,000
December 1, 2016, fixed rate of 3.262%	49,625	49,625	–
December 1, 2020, fixed rate of 4.102%	43,375	43,375	–
	268,000	268,000	200,000
Less current portion	–	–	(75,000)
	268,000	268,000	125,000
Transaction costs	(918)	(1,151)	(556)
	267,082	266,849	124,444

NOTE 21

CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

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

Commitments

Leases

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

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

<i>(in thousands of Canadian dollars)</i>	
Less than 1 year	24,390
From 1 to 5 years	64,750
More than 5 years	31,120
	120,260

NOTE 21

CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Casinos

Modernization of the Casino de Montréal

The Casino de Montréal modernization budget is \$305.7M and the project will continue until 2013-2014. As at March 31, 2012, accumulated investments totalled \$152.2M (\$81.1M in 2011) and commitments stood at \$11.6M.

Video lotteries

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

As at March 31, 2012, investments totalled \$23.9M (\$10.6M in 2011) of which \$22.6M (\$10.0M in 2011) is for video lottery terminals and site controllers and \$1.3M (\$0.6M in 2011) for the management centre. At that date, commitments totalled \$152.9M for video lottery terminals and site controllers.

Mise sur toi

Loto-Québec has committed to make an annual contribution to Mise sur toi equivalent to 1.95/10 of 1% of actual net earnings of the lotteries, casinos, video lotteries, and bingo business segments. In 2012, Loto-Québec paid \$5.3M (\$6.1M in 2011). For the coming year, the estimated payment will be \$5.4M.

The mission of Mise sur toi is to build awareness and inform Quebecers about gaming and gambling so they can make responsible and informed decisions and thereby maintain a healthy approach to gambling. Its main objectives are to promote responsible gaming behaviour, prevent the harmful effects of excessive gambling, and protect at-risk individuals.

Contributions to the Government of Québec

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

Following the repeal of fairground casinos, at the request and with the authorization of the Government of Québec, Loto-Québec has concluded an agreement with MAPAQ, starting in fiscal 2008-09, for the annual payment of \$6.1M to a specified purpose account of the Government of Québec for a period of five years ending March 31, 2013.

Ministère de la Santé et des Services sociaux

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to make an annual contribution of \$22.0M to the Ministère de la Santé et des Services sociaux (MSSS) into a specified purpose account of the Government of Québec to finance prevention measures, treatment services and research programs and awareness campaigns to help compulsive gamblers.

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

Since no termination date for the commitment has been specified by the Government, Loto-Québec is not in a position to assess the amount of these commitments.

NOTE 21

CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Ministère de la Sécurité publique

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the Ministère de la Sécurité publique to make an annual contribution of \$3.0M into a specified purpose account of the Government of Québec to finance intensive control measures and activities that will be implemented by the Régie des alcools, des courses et des jeux to ensure the management of control measures regarding access to video lottery terminals. Since no termination date for the commitment has been specified by the Government, Loto-Québec is not in a position to assess the amount of this commitment.

Ministère de la Culture, des Communications et de la Condition féminine

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the Ministère de la Culture, des Communications et de la Condition féminine to make a contribution into a specified purpose account of the Government of Québec of \$35.5M, including \$10.0M for fiscal 2010-2011 and \$8.5M for each of the fiscal years 2011-2012, 2012-2013 and 2013-2014 to finance the current operations of the Orchestre symphonique de Montréal.

Ministère des Finances

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the Ministère des Finances to make a contribution into a specified purpose account of the Government of Québec of \$1.1M, including \$0.3M for fiscal 2010-2011, \$0.3M for fiscal 2011-2012, \$0.3M for fiscal 2012-2013 and \$0.2M for fiscal 2013-2014 to repay all of the expenses incurred to operate the Online Gaming Monitoring Committee.

NOTE 22

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Risk management policy

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

i) Credit risk

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

Except for the credit risk related to the loans to Casinos Développement Europe and its subsidiaries presented in Note 13, management considers that Loto-Québec is not exposed to any significant credit risk. Overdue accounts represent less than 1% of accounts receivable in 2012, 2011 and 2010.

NOTE 22

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

ii) Liquidity risk

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

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

Loto-Québec considers that it has sufficient assets readily convertible to cash and credit facilities to ensure it has the necessary funds to meet current and long-term financial needs, if necessary, and at a reasonable cost.

iii) Market risk

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

Foreign exchange risk

Loto-Québec has investment loans denominated in euros in Casinos Développement Europe and its subsidiaries, with a carrying amount of \$10.2M (€7.7M) as at March 31, 2012 (\$66.5M (€48.4M) in 2011). On March 31, 2011, Loto-Québec signed a forward foreign exchange contract denominated in euros for an amount of \$67.8M (€49.3M) that expired on March 31, 2012. This forward contract was purchased to protect itself against any future changes in the exchange rate with respect to these investments. Similar protection in the amount of \$11.7M (€8.8M) expiring on March 28, 2013 was renewed.

The fair value of the foreign exchange contract as at March 31, 2012 is nil, as it was entered into on that date and the contract was measured using level 2 inputs. The foreign exchange contracts were signed with the Fonds de financement du gouvernement du Québec.

Furthermore, Loto-Québec carries out other transactions in foreign currencies. It does not hold or issue financial instruments as a way to manage the foreign exchange risk to which it is exposed through these transactions. However, this risk does not have a significant impact on Loto-Québec's earnings or financial position.

The impact on earnings of foreign exchange hedging transactions is recorded under Financial Expenses.

NOTE 22

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Interest risk

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

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

iv) Fair value

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

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

	2012		2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	101,581	101,581	96,619	96,619	95,378	95,378
Trade and other receivables	71,887	71,887	75,996	75,996	90,865	90,865
Financial assets related to life annuities	55,245	78,391	52,869	63,017	49,464	60,577
Loans to Casinos Développement Europe and its subsidiaries and Manoir Richelieu Limited Partnership	12,724	12,724	69,040	69,040	55,330	55,330
Loans and receivables	241,437	264,583	294,524	304,672	291,037	302,150
Bank loans	431,969	431,969	472,219	472,219	365,730	365,730
Dividends payable	21,440	21,440	21,813	21,813	171,597	171,597
Accounts payable and accrued charges	198,329	198,329	169,611	169,611	172,838	172,838
Life annuities payable	55,245	78,391	52,869	63,017	49,464	60,577
Long-term debt	267,082	287,956	266,849	275,716	199,444	207,101
Other liabilities	974,065	1,018,085	983,361	1,002,376	959,073	977,843

(in thousands of Canadian dollars)

NOTE 23

CONSOLIDATED CASH FLOWS

<i>(in thousands of Canadian dollars)</i>	March 31, 2012	March 31, 2011
Cash and cash equivalents, end of year		
Cash on hand – Casinos	64,074	62,522
Cash	37,507	34,097
	101,581	96,619
Net change in non-cash operating working capital items		
Trade and other receivables	4,109	14,892
Inventories	533	525
Prepaid expenses	(1,589)	3,885
Financial assets related to life annuities	(2,376)	(3,405)
Accounts payable and accrued charges	24,374	(5,397)
Life annuities payable	2,376	3,405
Provisions	2,140	1,637
Deferred revenues	(4,906)	4,997
Pension plans and other long-term benefits	(1,016)	(3,167)
	23,645	17,372
Additional information		
Acquisitions of property, plant and equipment financed by accounts payable and accrued charges	23,338	18,961
Acquisitions of intangible assets financed by accounts payable and accrued charges	3,997	2,990
Partners' share in Manoir Richelieu Limited Partnership included in accounts payable and accrued charges	5,167	6,101

Cash and cash equivalents as at April 1, 2010 included Cash on hand – casinos of \$61.5M and cash in the amount of \$33.9M.

NOTE 24

PENSION PLANS AND OTHER LONG-TERM BENEFITS

State plans

Employees of Loto-Québec, La Société des loteries vidéo du Québec inc., La Société des bingos du Québec inc., Société du jeu virtuel du Québec inc., Ingenio, subsidiary of Loto-Québec inc. and Technologies Nter société en commandite participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP), the Régime de retraite des fonctionnaires (RRF) or the Régime de retraite du personnel d'encadrement (RRPE). These are defined benefit plans and include guarantees upon retirement or death. Contributions charged to consolidated income for the year for these state plans totalled \$6.9M (\$6.2M in 2011). The employer's obligations toward these government plans are limited to its contributions as an employer.

On January 1, 2012, the contribution rate rose to 8.94% (8.69% in 2011) of assessable payroll for the RREGOP and 12.30% (11.54% in 2011) for the RRPE.

NOTE 24

PENSION PLANS AND OTHER LONG-TERM BENEFITS (continued)**Defined benefit plans of Loto-Québec**

The Société des casinos du Québec inc. has two defined benefit pension plans, the Employee Plan and the Executive Plan. Membership in these plans is mandatory for all Société des casinos du Québec inc. employees who meet the eligibility criteria. These plans will provide pension benefits determined 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. The benefits paid to pensioners will be increased each year based on 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. will be equal to that of employees unless the actuary and management deem that it should be higher in order to fund the defined benefits and amortize any plan deficit. Surplus assets will be 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 equal to 20% of the balance of surplus assets will be used to reduce employee and the Société des casinos du Québec inc. contributions equally.

Loto-Québec offers the Supplementary Pension Plan for Executive Management (the Supplementary Plan) to executive officers to pay life benefits exceeding the limits provided under the *Income Tax Act*.

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

The most recent actuarial valuations for funding purposes of the Employee Plan and the Executive Plan were completed as of December 31, 2010 and the next valuations will be completed as of December 31, 2011. The most recent actuarial valuation for funding purposes of the Supplementary Plan was completed as of March 31, 2012 and the next valuation will be completed no later than March 31, 2013.

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

	March 31, 2012	March 31, 2011	April 1, 2010
	Total	Total	Total
(in thousands of Canadian dollars)			
Present value of unfunded obligations	10,540	9,873	10,018
Present value of funded obligations	280,259	185,142	118,921
Total present value of obligations	290,799	195,015	128,939
Fair value of plan assets	263,107	177,881	119,575
	27,692	17,134	9,364

NOTE 24

PENSION PLANS AND OTHER LONG-TERM BENEFITS (continued)

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

(in thousands of Canadian dollars)			March 31, 2012	March 31, 2011	April 1, 2010
	Pension plans	Other long-term benefits	Total	Total	Total
Defined benefit obligation					
Balance, beginning of year	185,142	9,873	195,015	128,939	
Service costs rendered	16,603	–	16,603	14,003	
Interest expense	11,785	–	11,785	9,003	
Employee contributions	15,293	–	15,293	15,409	
Benefits paid	(3,698)	–	(3,698)	(904)	
Net transfer amount	4,997	–	4,997	10,927	
Plan administration expenses	(889)	–	(889)	(1,007)	
Actuarial losses	51,026	667	51,693	18,645	
Balance, end of year	280,259	10,540	290,799	195,015	128,939
Fair value of plan assets					
Balance, beginning of year	177,881	–	177,881	119,575	
Expected return on plan assets	13,666	–	13,666	9,141	
Actuarial gains (losses)	39,249	–	39,249	5,977	
Employer contributions	16,405	–	16,405	16,887	
Employee contributions	15,293	–	15,293	15,409	
Benefits paid	(3,698)	–	(3,698)	(904)	
Net transfer amount	5,200	–	5,200	12,803	
Plan administration expenses	(889)	–	(889)	(1,007)	
Balance, end of year	263,107	–	263,107	177,881	119,575
Funded status - surplus (deficit)	(17,152)	(10,540)	(27,692)	(17,134)	(9,364)
Unamortized net actuarial loss	22,511	–	22,511	10,937	
Pension plans and other long-term benefits	5,359	(10,540)	(5,181)	(6,197)	(9,364)

The defined benefit obligation for other long-term benefits was \$9.9M as at March 31, 2011 and \$10.0M as at April 1, 2010.

According to the fair value of assets held as at March 31, 2012, pension plan assets are comprised of 4.0% cash (1.8% in 2011 and 4.5% in 2010), 56.2% obligations (58.8% in 2011 and 57.5% in 2010), 13.4% Canadian equity (13.2% in 2011 and 13.3% in 2010) and 26.4% global equity (26.2% in 2011 and 24.7% in 2010).

NOTE 24

PENSION PLANS AND OTHER LONG-TERM BENEFITS (continued)

The net cost of defined benefit plans and other long-term benefits recorded in the Consolidated Statement of Comprehensive Income is as follows:

(in thousands of Canadian dollars)				March 31, 2012	March 31, 2011
	Pension plans	Other long-term benefits	Total		Total
Service costs rendered for the year	16,603	–	16,603		14,003
Interest expense	11,785	–	11,785		9,003
Expected return on plan assets	(13,666)	–	(13,666)		(9,141)
Actuarial (gains) losses recognized for the year	–	667	667		(145)
Net benefit plan cost	14,722	667	15,389		13,720
Actual return on plan assets	52,915	–	52,915		–

Actuarial assumptions:

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

	March 31, 2012		March 31, 2011		April 1, 2010	
	Pension plans	Other long-term benefits	Pension plans	Other long-term benefits	Pension plans	Other long-term benefits
Defined benefit liabilities as at March 31						
Discount rates	4.50%	4.00%	5.50%	4.75%	6.00%	4.75%
Rates of compensation increase	3.25%	3.25%	3.50%	3.50%	3.75%	3.75%
Defined benefit cost for years ended March 31						
Discount rates	5.50%	4.75%	6.00%	4.75%		
Expected long-term return on assets	7.12%	N.A.	6.60%	N.A.		
Rates of compensation increase	3.50%	3.50%	3.75%	3.50%		

The overall expected long-term rate of return on assets is calculated based on the asset portfolio as a whole.

The mortality assumptions are based on published statistics and mortality tables.

Actuarial life expectancies used to calculate the defined benefit liabilities are as follows:

- Life expectancy as of age 65 for employees aged 45 is 21.2 years for men and 22.9 years for women.

NOTE 24

PENSION PLANS AND OTHER LONG-TERM BENEFITS (continued)

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

<i>(in thousands of Canadian dollars)</i>	March 31, 2012	March 31, 2011	April 1, 2010
Present value of liabilities	290,799	195,015	128,939
Fair value of plan assets	263,107	177,881	119,575
Deficit of plans and other long-term benefits	(27,692)	(17,134)	(9,364)
Experience adjustments arising on plan liabilities	(51,490)	(16,901)	–
Experience adjustments arising on plan assets	39,249	6,109	–

Loto-Québec expects to pay \$17.5M in contributions to defined benefit plans in 2013. Other long-term benefits included in the discounted fair value of the liability are \$10.5M (\$9.9M in 2011 and \$10.0M in 2010). For experience adjustments on plan liabilities, other long-term benefits are \$0.7M (-\$0.1M in 2011 and nil in 2010).

NOTE 25

RELATED PARTIES

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

b) Key management personnel compensation

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

<i>(in thousands of Canadian dollars)</i>	2012	2011
Salaries and short-term employee benefits	2,453	2,066
Pension plans and other long-term benefits	718	266
	3,171	2,332

NOTE 26

COMPARATIVE FIGURES

Prepaid expenses in the amount of \$24.0M (\$10.6M in 2011 and \$2.1M in 2010) were transferred to property, plant and equipment in order to reclassify deposits on contract associated with property, plant and equipment under construction.

NOTE 27

TRANSITION TO IFRS

As stated in Note 2, these are Loto-Québec's first consolidated financial statements prepared in accordance with IFRS.

The significant accounting policies set out in Note 3 were applied for purposes of preparing the consolidated financial statements for the year ended March 31, 2012, comparative figures contained in these consolidated financial statements for the year ended March 31, 2011 and the opening IFRS consolidated statement of financial position as at April 1, 2010 (Loto-Québec's date of transition).

In preparing the opening IFRS consolidated statement of financial position, Loto-Québec has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP. The following tables and notes explain how the transition from Canadian GAAP to IFRS has affected Loto-Québec's financial position, financial performance and cash flows.

In preparing these consolidated financial statements in accordance with IFRS 1, Loto-Québec applied the mandatory exceptions and the following optional exemption from full retrospective application of IFRS.

i) Use of fair value as deemed cost

As permitted under IFRS 1, Loto-Québec elected to measure some buildings and a piece of land at fair value at the transition date and used the fair value as deemed cost.

ii) Employee benefits

Loto-Québec decided to apply the exemption provided in IFRS 1 to recognize cumulative actuarial gains and losses at the date of transition under retained earnings and to provide historical data on the defined benefit liability, plan assets and experience adjustments prospectively from the date of transition.

iii) Borrowing costs

Loto-Québec decided to apply IAS 23 to the acquisition, construction and production of a qualified asset for which the project commencement date is subsequent to April 1, 2010, to avoid retrospective restatement of direct borrowing costs attributable to the acquisition of qualified assets.

iv) Classification of financial assets and financial liabilities

Loto-Québec elected to redesignate cash and cash equivalents, trade and other receivables and financial assets related to life annuities in loans and receivables. Bank loans, dividends payable, accounts payable and accrued charges, prizes to winners payable and financial liabilities related to life annuities are classified in other financial liabilities. These items were previously designated as held for trading under Canadian GAAP.

As required under IFRS 1, estimates in accordance with IFRS at the date of transition were consistent with those made for the same date in accordance with previous Canadian GAAP, unless there was objective evidence that those estimates were in error.

The following tables and notes explain how the transition from Canadian GAAP to IFRS affected Loto-Québec's consolidated financial position, financial performance and cash flows.

NOTE 27

TRANSITION TO IFRS (continued)

Reconciliation of shareholder's equity

(in thousands of Canadian dollars)						
Note	March 31, 2011			April 1, 2010		
	Canadian GAAP	Impact of the transition	IFRS	Canadian GAAP	Impact of the transition	IFRS
Assets						
Cash and cash equivalents	96,619	–	96,619	95,378	–	95,378
Trade and other receivables a)	76,003	(7)	75,996	90,865	–	90,865
Inventories	4,974	–	4,974	5,499	–	5,499
Prepaid expenses (Note 26)	26,227	–	26,227	30,112	–	30,112
Current portion of financial assets related to life annuities	1,384	–	1,384	1,249	–	1,249
Total current assets	205,207	(7)	205,200	223,103	–	223,103
Interests in and loans to companies accounted for using the equity method	98,069	–	98,069	83,322	–	83,322
Property, plant and equipment (Note 26) a)	751,031	(40,766)	710,265	734,657	(37,774)	696,883
Intangible assets	104,372	–	104,372	93,031	–	93,031
Financial assets related to life annuities	51,485	–	51,485	48,215	–	48,215
Accrued benefit assets c)	6,462	(6,462)	–	3,461	(3,461)	–
Total non-current assets	1,011,419	(47,228)	964,191	962,686	(41,235)	921,451
Total assets	1,216,626	(47,235)	1,169,391	1,185,789	(41,235)	1,144,554
Liabilities						
Bank loans	472,219	–	472,219	365,730	–	365,730
Dividends payable	21,813	–	21,813	171,597	–	171,597
Accounts payable and accrued charges a) c) d)	236,195	(66,584)	169,611	237,426	(64,588)	172,838
Current portion of life annuities payable	1,384	–	1,384	1,249	–	1,249
Provisions d)	–	64,093	64,093	–	62,456	62,456
Deferred revenues d)	23,112	2,234	25,346	18,217	2,132	20,349
Current portion of long-term debt	–	–	–	75,000	–	75,000
Total current liabilities	754,723	(257)	754,466	869,219	–	869,219
Accrued benefit liability c)	8,687	(8,687)	–	8,878	(8,878)	–
Long-term debt b)	267,254	(405)	266,849	125,000	(556)	124,444
Pension plans and other long-term benefits c)	–	6,197	6,197	–	9,364	9,364
Life annuities payable	51,485	–	51,485	48,215	–	48,215
Total non-current liabilities	327,426	(2,895)	324,531	182,093	(70)	182,023
Total liabilities	1,082,149	(3,152)	1,078,997	1,051,312	(70)	1,051,242
Shareholder's equity						
Share capital	170	–	170	170	–	170
Retained earnings a) b) c)	134,307	(44,083)	90,224	134,307	(41,165)	93,142
Total shareholder's equity	134,477	(44,083)	90,394	134,477	(41,165)	93,312
Total liabilities and shareholder's equity	1,216,626	(47,235)	1,169,391	1,185,789	(41,235)	1,144,554

NOTE 27

TRANSITION TO IFRS (continued)

Reconciliation of comprehensive income for the year ended March 31, 2011

(in thousands of Canadian dollars)

	Note	Canadian GAAP	Impact of the transition	IFRS
Revenues	d)	3,674,862	(34,521)	3,640,341
Cost of sales	d)	1,373,002	(34,521)	1,338,481
Gross margin		2,301,860	–	2,301,860
Expenses				
Operating expenses	d)	715,782	(715,782)	–
Employee benefits	c) d)	–	414,671	414,671
Depreciation and amortization	a)	122,302	2,992	125,294
Special payments	d)	29,760	(7,138)	22,622
Goods and Services Tax	a)	35,024	(45)	34,979
Québec Sales Tax	a)	56,799	(80)	56,719
Other	a) d)	–	301,011	301,011
		959,667	(4,371)	955,296
Income from operating activities		1,342,193	4,371	1,346,564
Financial revenues		(5,927)	–	(5,927)
Financial expenses	b)	10,179	151	10,330
Net financial expenses		4,252	151	4,403
Share of profit or loss of companies accounted for using the equity method	d)	–	7,138	7,138
Profit or loss and comprehensive income		1,337,941	(2,918)	1,335,023

Notes on the reconciliation of comprehensive income and shareholder's equity

a) Property, plant and equipment

Deemed cost

Loto-Québec decided to use the exemption under IFRS 1 to use fair value as deemed cost and apply it to two buildings and a piece of land. The deemed cost of these items at the date of transition was \$31.3M as established by an independent valuator using the cost model. As at April 1, 2010, the value of property, plant and equipment and shareholder's equity decreased by \$43.4M.

Component accounting

In accordance with IFRS, Loto-Québec amortized major components of property, plant and equipment separately, under buildings, improvements to parking lots and interior layout and landscaping. This framework provides guidance on measuring the cost and replacement of a component and the required level of recognition. The value of property, plant and equipment and shareholder's equity increased by \$5.6M as at April 1, 2010 and \$2.7M as at March 31, 2011.

NOTE 27

TRANSITION TO IFRS (continued)

The following is a summary of the impact of this transition:

(in thousands of Canadian dollars)

Consolidated statement of comprehensive income		March 31, 2011	
Depreciation		2,992	
Goods and Services Tax		(45)	
Québec Sales Tax		(80)	
Other expenses		(125)	
Decrease in comprehensive income		2,742	
Consolidated statement of financial position		March 31, 2011	April 1, 2010
Property, plant and equipment			
Cost			
Buildings		(51,631)	(51,631)
Improvements to parking lots		(14,598)	(14,598)
Interior layout and landscaping		22,821	22,821
		(43,408)	(43,408)
Accumulated depreciation			
Buildings		(5,915)	(5,479)
Improvements to parking lots		(29,441)	(29,708)
Interior layout and landscaping		32,331	29,308
Leasehold improvements		383	245
		(2,642)	(5,634)
Net property, plant and equipment		(40,766)	(37,774)
Accounts payable and accrued charges		250	–
Trade and other receivables		(7)	–
Decrease in retained earnings		(40,523)	(37,774)

b) Transaction costs related to long-term debt

In accordance with IFRS, transaction costs of long-term borrowings were capitalized and amortized over the term of the debt.

The following is a summary of the impact of this transition:

(in thousands of Canadian dollars)

Consolidated statement of comprehensive income		March 31, 2011	
Financial expenses		(151)	
Decrease in comprehensive income		(151)	
Consolidated statement of financial position		March 31, 2011	April 1, 2010
Long-term debt		405	556
Increase in retained earnings		405	556

NOTE 27

TRANSITION TO IFRS (continued)

c) Pension plans and other long-term benefits

Pension plans

In accordance with the optional exemption under IFRS 1, Loto-Québec reclassified all cumulative actuarial gains and losses of all defined benefit plans in effect as at April 1, 2010, totalling \$2.8M, to retained earnings at the same date.

These adjustments increased the defined benefit liability and decreased shareholder's equity by \$2.8M as at April 1, 2010 and \$2.8M as at March 31, 2011, and decreased defined benefit costs by \$0.02M for the year ended March 31, 2011.

Other long-term benefits

A new constructive obligation was recorded in respect of jubilees.

This adjustment increased the employee benefit liability and decreased retained earnings by \$1.1M as at April 1, 2010 and \$1.2M as at March 31, 2011, and increased the employee benefit expense by \$0.05M for the year ended March 31, 2011.

The following is a summary of the impact of this transition:

(in thousands of Canadian dollars)

Consolidated statement of comprehensive income		March 31, 2011	
Employee benefits		(25)	
Decrease in comprehensive income		(25)	
Consolidated statement of financial position		March 31, 2011	April 1, 2010
Pension plans and other long-term benefits		(3,972)	(3,947)
Decrease in retained earnings		(3,972)	(3,947)

In addition, to meet IFRS requirements, vested benefit assets and liabilities were reclassified to Pension plans and other long-term benefits.

NOTE 27

TRANSITION TO IFRS (continued)

d) IFRS reclassification

Provisions

In accordance with IFRS, provisions were reclassified from accounts payable and accrued charges because under IFRS these items should be presented as a separate line item in the statement of financial position.

Deferred revenue

In accordance with IFRS, deferred revenues were reclassified from accounts payable and accrued charges. Under IFRS, these items should be presented as a separate line item in the statement of financial position.

Cash-convertible customer gratuity programs

In accordance with IFRS, customer gratuity programs in an amount of \$34.5M were reclassified from cost of sales. Under IFRS, these items should be presented net of revenues because the amount of revenue to be recorded must equal the consideration received from the customer less the fair value of the financial liability to be recorded when points are won by the customer.

Operating expenses

To meet IFRS requirements pursuant to IAS 1, Presentation of Financial Statements, an analysis of expenses, by nature or by function, must be presented in the statements of comprehensive income. The Corporation elected to present an analysis of expenses by nature. Operating expenses were reclassified to Employee benefits and other expenses. Under Canadian GAAP, expenses did not have to be classified by nature or by function.

<i>(in thousands of Canadian dollars)</i>	
Consolidated statement of comprehensive income	March 31, 2011
Operating expenses	(715,782)
Employee benefits	414,646
Other expenses	301,136

Share in profit of companies accounted for using the equity method

In accordance with IFRS, share in profit of companies accounted for using the equity method was reclassified to special payments because under IFRS, this item should be presented as a separate line item in the consolidated statements of comprehensive income.

e) Statement of cash flows

There are no material differences between the consolidated statement of cash flows prepared under IFRS and the consolidated statement of cash flows prepared under Canadian GAAP.

MEASURES TO REDUCE SPENDING AND INCREASE PRODUCTIVITY

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

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

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

In fiscal 2011-2012, we achieved savings of 43.0 million dollars through our efforts to reduce spending and increase productivity, compared to 14.9 million dollars saved in 2010-2011. Our combined contribution in the last two fiscal years was thus 57.9 million dollars, compared to an objective of 30.0 million dollars.

THE ACT'S PROVISIONS

The Act provides that administrative operating expenses must be reduced, by the end of fiscal 2013-2014, by at least 10% compared to fiscal 2009-2010. Within this reduction, the Act also requires total advertising, training and travel expenses be reduced by 25% for the fiscal year ending March 31, 2011. In fact, Loto-Québec reduced its advertising, training and travel expenses by 36% or 11% more than the stipulated objective for 2011-2012. Compared to 2009-2010, these expenses were reduced by 35%, which was 10% more than the stipulated objective and on the same level as that achieved in 2010-2011.

The Corporation also reduced its administrative operating expenses by 30%, notably by lowering its public relations and business expenses, its fees paid to external consultants and its promotional and head office refurbishing costs.

In fiscal 2011-2012, Loto-Québec achieved savings of 11.7 million dollars or 26% of its total administrative expenses.

ADDITIONAL EFFORTS REQUIRED BY THE MINISTER OF FINANCE

In addition to the reduction in expenses achieved to comply with the Act, Loto-Québec implemented non-administrative expense reduction programs and productivity efficiency measures that led to savings of 31.3 million dollars. This was accomplished by optimizing various business processes that slowed payroll growth and lowered printing and restaurant expenses. Additionally, the following two factors generated additional income and improved the bottom line: a change to the casino games regulatory framework that came into force on October 12, 2011, and the non-renewal of the moratorium on issuing video lottery terminal licences, which enabled a more efficient management of the network.

In regard to the remuneration of management personnel, in accordance with the Act, salary scales for the period from April 1, 2011 to March 31, 2012 were increased by 0.75%. Performance bonuses for senior executives were reduced by 10 percentage points compared to otherwise prevailing values, while payroll expenses relating to bonuses of other executives were reduced by 30%.

MEASURE TO ASSESS EFFICIENCY AND PERFORMANCE

BENCHMARKING

As provided in the *Act respecting the governance of state-owned enterprises*, Loto-Québec carries out annual efficiency and performance assessments, which include benchmarking against similar enterprises every three years.

On March 31, 2010, the SECOR management consulting firm benchmarked the Corporation against eight other Canadian games of chance organizations: British Columbia Lottery Corporation, Western Canada Lottery Corporation, Alberta Gaming and Liquor Commission, Saskatchewan Liquor and Gaming Authority, Manitoba Lotteries Corporation, Ontario Lottery and Gaming Corporation, Atlantic Lottery Corporation and Nova Scotia Gaming Corporation.

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

RESULTS AND FINDINGS

During the last fiscal year, Loto-Québec continued its steps to ensure performance efficiency in each of its business units. The Corporation ensured that the annual actions plans all allowed for monitoring the elements mentioned in the SECOR report. Updating the benchmarking exercise based on information made public by the Canadian lottery corporations showed that Loto-Québec's performance level was comparable to theirs.

Findings validated the fact that since 2003, in Québec and in Atlantic Canada (the two regions where the game offering was reduced), revenues, particularly those in the video lottery sector, dropped slightly.

Gaming revenues in Ontario remained relatively stable, while those in the Western provinces rose, which can be explained by an increase in the game offering in that region.

In the future, Loto-Québec will continue to update benchmarking in its various business units, in order to ensure operational efficiency.

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

FISCAL 2011-2012

In March 2009, Loto-Québec unveiled its 2008-2013 Sustainable Development Action Plan. In accordance with the stipulations of the *Sustainable Development Act*, the present Status Report serves as an update on the activities undertaken by the Corporation during fiscal 2011-2012 for each of the 14 actions set forth in the aforementioned Plan.

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

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

ACTION 1

ORGANIZATIONAL OBJECTIVE

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

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

INDICATOR

- Percentage of employees reached by the sustainable development awareness activities

TARGET

- 80% of employees by 2011

2011-2012 RESULTS

- The target was reached in 2011.
- No survey was held in 2012 to measure employee sustainable development awareness.
- A number of activities, campaigns, theme days and tools were put into place to continue the Corporation's awareness efforts.

ADDITIONAL INFORMATION

Loto-Québec and its subsidiaries conducted a major awareness and information campaign on the environmental and financial impact of bottled water. The campaign led to some 1.2 million fewer small bottles of water being consumed annually, mostly by casino customers who are now being provided with municipal drinking water.

Loto-Québec's alternative transport week sensitized its employees to the pleasures of carpooling, biking, walking and public transit solutions. Many employees took advantage of free clinics to tune up their bikes, while an electronic platform was launched to promote carpooling.

ACTION 2

ORGANIZATIONAL OBJECTIVE

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

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

INDICATOR

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

TARGET

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

2011-2012 RESULTS

- Initial online sustainable development training for managers was made available between July 2011 and March 2012, and 130 of the 401 targeted individuals (32.4%) took the course.

ADDITIONAL INFORMATION

The twin-module training program for the Corporation's managers takes 45 minutes to complete. Managers were targeted on a priority basis due to their key role in corporate measures, which is particularly the case in cross-sectional topics such as sustainable development. The goal of the training program was to demystify Loto-Québec's corporate approach and highlight the active role managers play in improving practices. The learning tool that was developed through this training program enabled improved consideration of project stakeholders and the social, economic and environmental issues involved.

The training program will be continued in 2012.

ACTION 3

ORGANIZATIONAL OBJECTIVE

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

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

INDICATOR

- External stakeholders reached with activities related to sustainable development

TARGET

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

2011-2012 RESULTS

- Lectures on Loto-Québec's sustainable development initiative in four Québec universities (education community)
- Moderated a panel on sustainable development presented by the Conseil patronal de l'environnement du Québec (CPEQ) at the Americana International Environmental Technology Trade Show and Conference (general public)
- Loto-Québec conference at the first summit of sustainable development managers (business community)
- Hosted a "Best Practices: Risk Management" panel during the Unisféra conference on sustainable development and business societal responsibility (business community)
- Lectures at the Caisse de dépôt et placement du Québec depositors' day (business community)
- Analysis contributor to the *Guide de réflexion et de bonnes pratiques sur le marché québécois* Québec responsible communication scorecard (sustainable development professionals)
- Featured lecturer on the first day of reflection on responsible consumption presented by the Observatoire de la consommation responsable (sustainable development professionals)
- Hosted a panel on social acceptability at the second winter university on sustainable development communication (sustainable development professionals)

ADDITIONAL INFORMATION

Numerous lectures in university environments (Concordia University, Université de Sherbrooke, UQAM, Université de Montréal) provided opportunities to present our corporate sustainable development approach to future actors in this field. The experience was interesting for our organization in that student comments enriched the Corporation's thoughts on how to improve its approach. In addition to these steps, Loto-Québec delivered several lectures and hosted specialized panels on sustainable development. The Corporation is also called upon to participate in a number of working groups on the development of societal responsibility in Québec.

Finally, Loto-Québec formed a number of partnerships aimed at evolving sustainable development practices in the community (Association québécoise pour la maîtrise de l'énergie (AQME), Unisféra, *Les Vivats*, UQAM Chaire de responsabilité sociale et de développement durable (CRSDD), Association du Jeune Barreau de Montréal, Conseil québécois de la communication pour le développement durable).

ACTION 4

ORGANIZATIONAL OBJECTIVE

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

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

INDICATOR

- Projects in which the Corporation participates

TARGET

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

2011-2012 RESULTS

- In 2011-2012, the BCDD (Bureau de coordination du développement durable) working group paid special attention to its training mandate, organizing sharing activities in this area, in which the Corporation participated.

ADDITIONAL INFORMATION

Loto-Québec focussed its efforts on fine-tuning its first online training course entitled, *Penser le développement durable*. The Corporation was less active in the BCDD awareness and training group.

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

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

ACTION 5

ORGANIZATIONAL OBJECTIVE

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

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

INDICATORS

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

TARGETS

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

2011-2012 RESULTS

- World Lottery Association Level 4 certification maintained
- Level I sensitization: 88.67%
- Level II sensitization: 88.22%

ADDITIONAL INFORMATION

Once they have completed the first training course on responsible gaming, employees receive a Level II upgrade refresher every three years.

ACTION 6

ORGANIZATIONAL OBJECTIVE

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

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

INDICATOR

- State of progress of program activities

TARGET

- Respect the initial timetable

2011-2012 RESULTS

- *Take Care of Your Health!* program:
Steps 5 and 6 for corporate and other business units are now complete, with the exception of the SCQ.

ADDITIONAL INFORMATION

A NEW INTERACTIVE APPROACH AT CASINO DE MONTRÉAL

A paper questionnaire and an average of 32 Step 3 (heart health) lectures will be respectively replaced by an online questionnaire and interactive game that employees can freely access in the Casino de Montréal's training room. This new formula will also be applied to other thematic steps in the program, and in particular to Step 2 (total health) in other establishments.

ACTION 7 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 6**Apply environmental management measures and an ecoresponsible procurement policy to departments and government agencies****ACTION 7.1****ORGANIZATIONAL OBJECTIVE**

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

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

INDICATOR

- State of progress of the responsible procurement initiative

TARGET

- 100% of the responsible procurement initiative realized by 2013

2011-2012 RESULTS

- A 25-point progression to a 58.6% rate of achievement of the initiative

ADDITIONAL INFORMATION

Sustainable development criteria have been incorporated into many call-for-tender documents and final disposition of assets. The responsible procurement initiative took a major step forward in 2011-2012. The number of records prepared and ad hoc support have enabled Loto-Québec buyers to become aware of the importance of incorporating sustainable development criteria into their tenders. This year's focus was on life cycles and responsible purchasing.

ACTION 7.2

ORGANIZATIONAL OBJECTIVE

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

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

INDICATORS

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

TARGETS

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

2011-2012 RESULTS

- As at March 31, 2012, 13 of a total of 14 establishments were certified BOMA BEST
- Increase of 10% in the average energy efficiency of buildings in 2010-2011 over 2006-2007
- Reduction of water consumption by 4.7% from January 1 to December 31, 2011 over 2009-2010 (comparative results based on 12-month periods covering the 2011 calendar year and fiscal 2009-2010)
- Residual materials: 3 establishments (the Laval and Québec City offices and the Casino du Lac-Leamy) achieved a residual materials reclamation rate exceeding 80%

ADDITIONAL INFORMATION

In the area of residual materials collection rates, the Casino du Lac-Leamy and the Hilton Lac-Leamy went respectively from 26% and 28% in 2009 to 80.6% and 69.8% in 2011 once collection of residual materials was started.

ACTION 7.3

ORGANIZATIONAL OBJECTIVE

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

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

INDICATORS

- Calculation of GHG emissions related to business travel and the transportation of the Corporation's employees (equivalent tons of CO₂)
- Review of initiatives implemented by the Corporation related to business travel and employee transportation
- Review of transportation habits within the Corporation

TARGETS

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

2011-2012 RESULTS

- Analysis of transportation practices is complete.
- **Alternative Transportation Week**
 - Participation competition
 - Presentation at head office of a noon-hour Équiterre lunch and beverage seminar on reducing dependency on single-passenger vehicle use
 - Vélo-Québec booth at head office
 - Bicycle maintenance clinic for employees

ADDITIONAL INFORMATION

The transportation plan is currently in development in cooperation with internal stakeholders.

ACTION 7.4

ORGANIZATIONAL OBJECTIVE

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

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

INDICATOR

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

TARGET

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

2011-2012 RESULTS

- During 2011-2012, the Corporation organized a Level 2 event that complied with Bureau de normalisation du Québec (BNQ) standard 9700-253 for responsible event management (the Christmas party for employees and retirees of Loto-Québec and its subsidiaries).
- Loto-Québec also retained its Compliance Certificate 1533 with respect to BNQ Standard 9700-253 during the BNQ March 16, 2012 audit.
- A minimum sustainability threshold analysis determination was made.

ADDITIONAL INFORMATION

A minimum sustainability threshold was calculated following the census and an analysis of events held by the Corporation. An internal indicator inspired by the BNQ standard, this threshold will be moved for adoption by the members of the round table on responsible events in the fall of 2012.

ACTION 8 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 9

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

ACTION 8

ORGANIZATIONAL OBJECTIVE

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

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

INDICATOR

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

TARGET

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

2011-2012 RESULTS

- A rise of 18 points, to 66.1% of sponsored events that reach or exceed the minimum threshold of sustainability set by the Corporation as its internal assessment tool, based on BNQ responsible event management standard 9700-253

ADDITIONAL INFORMATION

The Corporation signed a partnership agreement with the Conseil québécois des événements écoresponsables aimed at organizing a gala to recognize the environmental impact and community spin-off achievements of event organizers. The first of the annual *Vivats* galas was held on April 4, 2012.

evenementecoresponsable.com/vivats

ACTION 9 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 16

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

ACTION 9

ORGANIZATIONAL OBJECTIVE

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

ACTION	MEASURES	STATUS
Implement an employee mobilization initiative that promotes quality of life in the workplace	– Periodically conduct a survey to measure the Corporation's mobilization index	Ongoing
	– Implement the action plans developed by the Corporation's employee mobilization committees	Ongoing
	– Implement corporate initiatives to promote employee mobilization	Ongoing
INDICATOR		
– Employee mobilization index		
TARGET		
– Maintain or increase the mobilization index in accordance with established objectives		
2011-2012 RESULTS		
– No mobilization survey was made in 2011-2012, because in 2010, the Corporation decided to conduct such surveys at two-year intervals to enable all sectors to implement multiple-year action plans. The next survey will take place in early 2013.		

ACTIONS 10 AND 11 ARE ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 17**Keep public finances healthy for the generations to come**

ACTION 10

ORGANIZATIONAL OBJECTIVE

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

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

INDICATORS

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

TARGETS

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

2011-2012 RESULTS

- Total contribution of 5.5 million dollars paid by the SBQ to NPOs

ADDITIONAL INFORMATION

Corporate income from network bingo has been dropping significantly for several years due to a decrease in the number of bingo hall visits. Revenues went from \$29.6M in 2010-2011 to \$27.5M in 2011-2012, a decrease of 7.1%.

In order to reverse the trend, the SBQ decided in June 2011 to expand the Kinzo express formula, which customers prefer due to its friendly atmosphere, conviviality and proximity.

ACTION 11

ORGANIZATIONAL OBJECTIVE

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

ACTION	MEASURES	STATUS
Increase the Corporation's overall efficiency and performance so as to establish and maintain its position as a leader in responsible commercialization	– Improve the efficiency of activities, including day-to-day application of best governance and management practices as part of business decision-making	Ongoing
	– Develop new income-generating sources outside Québec by remaining alert to business development opportunities that build on the competitive advantage of the Corporation's expertise and know-how in the various gaming sectors	Ongoing
INDICATOR		
– Percentage of the net profit margin		
TARGET		
– Maintain the net profit margin percentage at 35.2% as laid out in Loto-Québec's 2010-2013 Strategic Plan		
2011-2012 RESULTS		
– Absent the 59.7 million-dollar write-down of Casino Développement Europe loans, Loto-Québec would have shown a net profit margin of 36.8%.		

ACTIONS 12 AND 13 ARE ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 21**Step up conservation and development of the cultural and scientific heritage****ACTION 12****ORGANIZATIONAL OBJECTIVE**

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

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

INDICATORS

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

TARGET

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

2011-2012 RESULTS

- Acquisition of 128 new works for a total of \$376,000, which corresponds to 1/100th of 1% of the Corporation's revenues
- Organization of 11 events: 4 exhibitions at Espace Création Loto-Québec and 7 Collection Loto-Québec regional tours

ADDITIONAL INFORMATION

Nearly 30,000 people visited the exhibitions at Espace Création and on tour.

ACTION 13

ORGANIZATIONAL OBJECTIVE

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

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

INDICATORS

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

TARGETS

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

2011-2012 RESULTS

- Five artists were selected in 2011-2012 for a new province-wide tour from June 2011 to May 2012
- 11,248 spectators attended the performances from April 2011 to March 2012

ACTION 14 IS ALIGNED WITH THE GOVERNMENT'S OBJECTIVE 25**Increase citizens' involvement in decision-making****ACTION 14****ORGANIZATIONAL OBJECTIVE**

Cultivate the Corporation's relations with its stakeholders

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

INDICATOR

- Frequency and levels of communication with the various stakeholders

TARGET

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

2011-2012 RESULTS

- Given the advances made by the SCQ in the corporate process of stakeholder engagement, the Corporation adopted a methodology that would enable it to ensure coherency between the realities of its various sectors and their stakeholders. This initiative would be structuring and fits the Corporation's approach to ongoing improvement in Loto-Québec operations to optimize practices and foster positive and constructive relations with stakeholders in a sustainable development perspective.

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

PREAMBLE

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

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

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

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

1. DEFINITIONS

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

- a) “Act”: the *Act Respecting the Québec Lottery Corporation* (L.R.Q., c. S-13.1), as amended and modified from time to time.
- b) “Board”: the Board of Directors of the Corporation or of one of its subsidiaries.
- c) “Code”: this Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its subsidiaries.
- d) “Committee”: the Board’s Governance and Ethics Committee, as prescribed by the *Act Respecting the Governance of State-Owned Enterprises*.
- e) “Confidential information”: all information concerning the Corporation, trends in an industry or sector, or any and all information of a strategic nature that is not known to the public and that, if known by a person who is not a Director or a Manager, would be liable to give the person an advantage or compromise an operation in which the Corporation participates.
- f) “Conflict of interest”: any real, perceived, potential or eventual situation in which Directors or Managers may be prompted to favour a person (including themselves and any related persons) to the detriment of another. Any situation that could be prejudicial to the loyalty, integrity or judgement of a Director or Manager is also subject to the present definition.
- g) “Contract”: a draft agreement.
- h) “Control”: direct or indirect ownership by a person of securities, including partnership shares, that confer more than 50% of voting or shareholder rights and that does not depend on a special event having occurred and allows for the election of a majority of Directors.

- i) "Corporation": Loto-Québec.
 - j) "Director": a member of the Board of Directors who does or does not occupy a full-time position at Loto-Québec or one of its 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 Chief Executive Officer has such intentions, they must so inform the Secretary General of the Executive Committee.
- 3.21 In exercising their functions, Directors and Managers must make decisions independently of all partisan considerations.

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

Prevention of conflicts of interest

- 4.1 Directors and Managers must avoid placing themselves in situations of conflict between their personal interests and their official duties, or in situations that may cast reasonable doubt as to their ability to discharge their duties with uncompromised loyalty.
- Directors and Managers must avoid situations in which they or related persons could profit directly or indirectly from a contract signed by the Corporation or by influencing decisions taken by them in accordance with their official functions within the Corporation.
- Full-time Directors or Managers of the Corporation or of any of its subsidiaries are also required to avoid taking positions or being bound by engagements that may prevent them from fully giving their duties the time and attention that would normally be required.
- Other Directors are required to ensure that they are able to devote the appropriate time and attention to the exercise of their functions reasonably required in the circumstances.

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

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

- 4.3 In order to be deemed independent, Directors may not:
- be or have been (during the three years preceding the date of their nomination) employed by the Corporation or be related to a person described in section k) that has been so employed
 - be employed by the Government, a Government agency, or a Government enterprise within the meaning of sections 4 and 5 of the *Auditor General Act* (R.S.Q. c. V-5.01)
 - have any relations as determined by the Government under section 5 of the act respecting governance of public corporations.

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

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

Renunciation and abstention

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

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

Directors or Managers must abstain at all times from communicating any information whatsoever regarding such contract or interest to any and all employees, Managers or Directors of the Corporation.

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

- 4.6 In the case of a Director, disclosure required under section 4.5 must occur during the first meeting:
- at which the contract or matter of concern is being discussed
 - subsequent to when Directors with no previous interest in the contract or matter acquire such interest
 - subsequent to when Directors acquire an interest in an already concluded contract
 - 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:
- 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
 - 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
 - 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
 - The name of any and all associations in which they exercise functions or of which they are members, stipulating their functions, as applicable, as well as the purposes of the association
- Directors or Managers to whom the provisions of sections a) through d) do not apply are required to sign a declaration to that effect and remit it to the Chairman of the Board.
- Directors or Managers are also required to produce a similar declaration within 30 days of any significant change occurring to its contents.
- Declarations made subject to this section shall be treated as confidential.
- 4.12 The Chairman of the Board shall remit declarations received pursuant to the application of sections 4.5 to 4.11 to the Secretary of the Corporation, who shall make them available to the members of the Board and of the Governance and Ethics Committee.
- In addition, the Secretary of the Corporation shall notify the Chairman of the Board and the Governance and Ethics Committee of any breach of obligations under sections 4.5 to 4.11 immediately upon becoming aware of such a breach.
- 4.13 Directors and Managers may notify the Corporation in advance of Board of Directors discussions pertaining to specific corporations or other entities from which they wish to be excluded.

- 4.14 In all cases where a matter may engender a Conflict of Interest related to the function of a Director or Manager, or in the case of a corporation or entity declared by Directors or Managers under section 4.13, the Secretary shall apply the deliberative procedures concerning conflicts of interest as prescribed in Appendix 3 of this Code.
- 4.15 Directors who are members of the Board's Auditing Committee may not hold any interest in the Corporation or in any of its subsidiaries. Moreover, they may not accept fees from the Corporation for consulting or any other similar services.

Dispensations

- 4.16 The present Code is not applicable to:
- a) interests held through the intermediary of mutual investment funds in whose management the Directors or Managers do not participate either directly or indirectly
 - b) interests held through the intermediary of a blind trust with no beneficiary right of review or right to know the composition of
 - c) holding the minimum number of shares required to be eligible to become a Director of a body corporate
 - d) an interest which, due to its nature and scope, is common to the population at large or to a particular sector in which Directors who do not exercise full-time functions within the Corporation or its subsidiaries work
 - e) a liability insurance contract for Directors
 - f) shares issued or guaranteed by a government or municipality on terms that are identical for all.

5. APPLICATION OF THE CODE

- 5.1 The present Code is an integral part of the professional duties of Directors and Managers.
- Directors and Managers undertake to become familiar and comply with it, as well as with any directive or particular instruction that may be supplied as to its application. In addition, they must confirm their adherence to the Code each year.
- In case of any doubt as to the scope or application of a provision, Directors and Managers are required to consult the Committee.
- 5.2 Within 30 days of the adoption of a substantive amendment of the present Code by the Board, all Directors and Managers must submit the attestation described in Appendix 4 to the Chairman of the Board and the Secretary of the Corporation.
- 5.3 New Directors and Managers must each do the same within 30 days of their taking office.
- 5.4 The Associate Secretary General responsible for senior positions at the Ministère du Conseil exécutif is the competent authority for the application of the present Code with respect to the Chairman of the Board and other Directors appointed by the Government.
- 5.5 The Chairman of the Board is the competent authority with respect to all Directors and Managers of subsidiaries in which the Corporation holds 100% of the shares.
- 5.6 The Committee may, as it sees fit, provide dispensation to a Director or Manager from one or more of the provisions of the present Code if it is of the opinion that such dispensation does not prejudice the objectives of the present Code as described in section 2.1 and that the provisions of the act and the Regulation have been met.
- The Committee designates the Secretary to assist it in this function.

- 5.7 The Committee may advise Directors and Managers as to the interpretation of the provisions of the present Code and their application to particular or even hypothetical cases. It is not required to limit an opinion to the terms of the request.
- 5.8 The Committee must:
- review the present Code on an annual basis and submit any changes for approval to the Board
 - engage and oversee the process of preparing and assessing the Code of Ethics and Rules of Professional Conduct
 - ensure that the Directors and the Managers are provided with information and training about the contents and application procedures of the present Code
 - give its opinion and offer its support to the Board (Corporation) and to any and all Directors or Managers confronted with a problem
 - handle any requests for information related to the present Code
 - investigate any irregularity with respect to the present Code on its own initiative or upon receipt of an allegation.
- 5.9 The Committee may consult with and receive opinions from outside advisers or experts on any matter it deems relevant.
- 5.10 The Committee and the competent authority concerned shall preserve the anonymity of complainants, petitioners and informers except when there exists manifest intention to the contrary. They cannot be bound to reveal information likely to identify such persons except if required by the Act or by a court of law.
- 5.11 The Secretary shall assist the Committee and the Chairman of the Board in matters concerning the application of the present Code.
- The Secretary shall maintain archives containing declarations, disclosures and attestations required to be submitted under the provisions of the present Code, as well as reports, decisions and advisory opinions with respect to ethics and professional conduct. Moreover, the Secretary is required to take all necessary measures to ensure the confidentiality of information supplied by Directors and Managers pursuant to the application of the present Code.
- 5.12 Directors or Managers who are aware of or suspect the existence of a violation of the present Code, including the use of or irregular communication of confidential information or an undisclosed conflict of interest, are required to report this to the Committee.
- Such disclosure is to be made confidentially and must include the following information:
- The identity of the perpetrator or perpetrators of the violation
 - A description of the violation
 - The date or period of time over which the violation took place
 - A copy of any documents that support the claim.
- 5.13 Directors and Managers of the Corporation may, on their own initiative, submit a complaint against any Director or Manager to the competent authority.
- 5.14 In order for an appropriate decision to be taken in an emergency situation requiring rapid intervention, or in case of presumed gross negligence, the competent authority may provisionally remove Directors or Managers accused of breaches of ethics or professional conduct from their functions with remuneration.
- 5.15 Whenever a Director or Manager is accused of a breach of ethics or professional conduct, the Committee is responsible for gathering all pertinent information. The Committee shall report its conclusions to the appropriate competent authority and recommend any appropriate action that may be required.
- 5.16 Directors and Managers are not deemed to have violated the provisions of the present Code if prior favourable opinion has been obtained from the Committee under the following conditions:
- a) Notification is received prior to the occurrence of events on which it is based
 - b) The Board has been notified
 - c) All pertinent facts have been fully revealed to the Committee in an exact and complete manner
 - d) Directors or Managers have complied with all the requirements of the notification

6. DISCIPLINARY PROCESS

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

- a) In the case of a Manager, any appropriate penalty up to and including dismissal
- b) In the case of a Director, reprimand, suspension without remuneration for a maximum of three months, or dismissal

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

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

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

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

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

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

7. EFFECTIVE DATE

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

POLICIES ON LANGUAGE AND THE AWARDING OF CONTRACTS

LANGUAGE POLICY

Making language quality a top priority

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

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

AWARDING OF CONTRACTS

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

ACCESS TO INFORMATION AND PROTECTION OF PERSONAL INFORMATION

REQUESTS FOR ACCESS TO INFORMATION

During fiscal 2011-2012, Loto-Québec received 201 requests for access to information, of which 139 were requests for access to personal information and 62 were requests to obtain documents from the Corporation.

As at March 31, 2012, seven requests were still pending. Of the requests for which processing was complete, 26 were for records that the Corporation did not have, 95 were accepted, 39 were partially accepted and 29 were declined. Five requests were withdrawn by the submitter during processing, while six 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.

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

Following the coming into effect of the Regulation respecting the distribution of information and the protection of personal information (hereinafter "the Regulation"), a Committee on Access to Information and Privacy was created at Loto-Québec. The committee met four times during the fiscal year.

In carrying out its mission, the committee looked at the disclosure of documents covered by the Regulation and specific ways and means of protecting the confidentiality of personal information collected, used, stored or communicated by means of information systems or when conducting surveys.

The Corporation held training sessions on access to information and the protection of personal information. Employees in various corporate units that can be called on to handle personal information in the course of their duties were targeted. The training sessions provided were adapted to reflect the activities of each unit. Participants learned about the two principles in the Act respecting access to documents held by public bodies and the protection of personal information, which are the right to have access to documents held by the Corporation in the exercise of its activities and the right to the protection of personal information it holds. They were also informed of their personal statutory obligations and the obligations of the Corporation under the Regulation.



THE LOTO-QUÉBEC BOARD OF DIRECTORS AND CORPORATE SECRETARIAT

AS AT MARCH 31, 2012

Left to right: Lynne Roiter, André Dicaire, Céline Trépanier, Alain Albert, Gérard Bibeau, Jean-André Élie, Mel Hoppenheim, Nathalie Goodwin, Hélène F. Fortin, Serge LeBel, Paule Bouchard and Lynda Durand (absent from the photo was Anie Perrault).



HÉLÈNE F. FORTIN
FCPA, FCA, ICD.D

Montréal

Chairwoman of the Board of Directors of Loto-Québec Associate, Larose Fortin CA Inc.

APPOINTMENT: AUGUST 27, 2008
END OF TERM: JUNE 26, 2012

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



GÉRARD BIBEAU

Montréal

President and Chief Executive Officer of Loto-Québec

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

A native of the Sorel region, Gérard Bibeau has enjoyed an outstanding career in the Québec public service for more than 25 years. A member of the Québec Bar since 1992, he holds Bachelor of Law and Bachelor of Administration degrees from Université Laval. Between 2006 and 2011, as General Secretary and Clerk of the Executive Council at the Ministère du Conseil exécutif, Mr. Bibeau was the highest ranked public servant in Québec. From 2004 to 2006, he was Chairman and member of the Board of Directors and Chief Operating Officer of the Commission de la santé et de la sécurité du travail, a body that has some 4,000 employees. During the previous decade, Mr. Bibeau was Vice-President of Operations for the same organization. He was also General Secretary for senior positions at the Ministère du Conseil exécutif in 2003 and 2004.

**ALAIN ALBERT**

Magog
Corporate Administrator

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

Member of the Human Resources and Commercial Affairs Committees

Alain Albert has 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 had more than 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 for the last eleven years. Since 2007, he has been a member of the Board of the Société de l'assurance automobile du Québec.

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

Hampstead
Partner, RSM Richter Chamberland (LLP)

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

Chair 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 with the RSM Richter Chamberland accounting firm, where she leads the Professional Standards and Financial Reporting Advisory Services groups. She has 20 years of experience in Canadian, U.S. and international accounting and audit standards and their practical applications.

**ANDRÉ DICAIRE**

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

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

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

André Dicaire is an economist by training and holds a Master's degree in Public Administration from the École nationale d'administration publique (ENAP). He has more than 35 years of experience in the Québec civil service, notably at the Ministère de l'industrie et du commerce and the Ministère de l'énergie et des ressources, and has held the positions of Deputy Minister at the Ministère de la santé et des services sociaux and Secretary of the Conseil du trésor. Mr. Dicaire was also President and Chief Executive Officer of the Régie de l'assurance maladie du Québec and La Financière agricole du Québec. In the private sector, André Dicaire held the office of Vice-President at CGI Group, where he served from 2003 to 2006 as Secretary-General and Clerk of the Executive Committee. Since 2008, he has fulfilled a variety of consulting mandates as Senior Expert Advisor to a range of public bodies as a member of ENAP's strategic advisory network. He also acted as a government representative in negotiations with the Fédération des médecins spécialistes du Québec and the Association des procureurs aux poursuites criminelles et pénales du Québec. In 2009, he received an honorary doctorate from ENAP, and in 2010, a further distinction: the Prix Hommage, awarded by the Institut d'administration publique de Québec for managerial excellence and outstanding contribution to the Québec public administration.



LYNDA DURAND

Montréal

President and Co-owner,
Productions Ostar Inc.

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

*Member of the Governance
and Ethics Committee*

Holder of an LL.B. from the Université de Sherbrooke, Lynda Durand was called to the Québec Bar in 1984. Me. Durand worked in private practice in Sherbrooke from 1986 to 1990 and has more than 25 years of experience in the legal field. In addition to her practice, Me. Durand taught a course on negotiations at the École du Barreau. From 1990 to 1997, she was Vice-President, Services 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 OSTAR Inc. television productions. She is the first woman to hold the position of Chair of the Board of Directors at Université de Sherbrooke since the inception of that institution. Her dedication to service is also manifest in her commitment to the Canadian Red Cross, where she sits on the Board of Governors.



JEAN-ANDRÉ ÉLIE

Montréal

Corporate Administrator

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

*Member of the Audit
and Commercial Affairs
Committees*

Holding an MBA from Western University, an LL.B. in civil law from McGill University and a B.A. from Université de Montréal, Jean-André Élie is a member of the Québec Bar. A lawyer, he is also a member of the Québec Chapters of the Institute of Corporate Directors and the Institute of Internal Auditors. During his career, he has held the positions of General Manager of a Canadian bank 100% owned by France's Société Générale and member of the Executive Committee and Chair of the Finance and Audit Committees at Hydro-Québec. He was also Vice-President and Director of Government and Corporate Services for Burns Fry (now BMO Nesbitt Burns Inc.). Since 2002, Mr. Élie has been a corporate administrator and sits on the Board of Directors of Alimentation Couche-Tard Inc., the Institute of Internal Auditors of Canada and the Orchestre symphonique de Montréal (OSM). His 50+ years of volunteer work for the OSM recently earned him the 2011 Ramon John Hnatyshyn Award for Voluntarism in the Performing Arts.



NATHALIE GOODWIN

Montréal

Attorney
Associate, Goodwin Agency

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

*Member of the Human
Resources Committee*

A graduate of the Université de Montréal law faculty and member of the Québec Bar since 1990, Nathalie Goodwin is a partner at Agency Goodwin, a business she co-founded with two associates that specializes in representing creators throughout the world in a variety of fields. Agency Goodwin also develops projects internationally in many areas of artistic endeavour. Ms. Goodwin uses her knowledge of the law to further the interests of her clients in representation, project development and negotiations. She is also a shareholder and director of La compagnie des Deux Chaises, Inc. Nathalie Goodwin sat on the Board of Directors of ALAI (Association littéraire et artistique internationale) Canada from 1995 to 1998 and, from 2009 to 2010, was on the Board of the Société générale de financement. Since 2008, she has been a member of the Board of Directors of Alliance Films and chairs the Human Resources Committee of that corporation.

**MEL HOPPENHEIM**

Montréal

Location Michel Trudel Inc.
Mel's Cité du Cinéma Ltd.**MANDATE RENEWED:**
NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2014*Member of the Human
Resources Committee*

The owner of vast film and television production and equipment rental facilities, Mel Hoppenheim is a leading figure within his industry, both in Montréal and the rest of Canada. He founded Concordia University's Mel Hoppenheim School of Cinema that has enrolment in excess of 500 students each year. Mr. Hoppenheim also holds an honorary doctorate from Concordia University and is a co-founder of the Institut national de l'image et du son (INIS). Involved in funding efforts for numerous charitable and community organizations, he sits on the Boards of the Montréal Children's Hospital and the Montréal Heart Institute Foundation.

**SERGE LEBEL, ASC**

Québec City

Attorney, BCF (LLP)

MANDATE RENEWED:
NOVEMBER 23, 2011
END OF TERM: NOVEMBER 22, 2014*Chair, Governance and Ethics
Committee and member
of the Commercial Affairs
Committee*

A Université Laval Law graduate since 1982, member of the Québec Bar since 1983, and Collège des administrateurs de sociétés certified administrator, Serge LeBel specializes in litigation and business law. A member of several Boards of private corporations, Me LeBel also sits on the Board of the Interprovincial Lottery Corporation and the Québec Port Authority. Some examples of his extensive involvement in community affairs are as organizing committee Chair of the Québec City Youth Foundation Mayor's Ball, organizing committee Chair of the annual Foundation of Stars, Québec City wine auction, and member of the Canadian Red Cross Québec Regional office's annual art auction committee (Honorary President in 2012). He has also been an active member of the Lions Club since 1985 and is currently affiliated with the Sillery-Sainte-Foy-Québec City club.

**ANIE PERRAULT**

Bromont

Municipal Councillor,
Ville de Bromont**APPOINTMENT: NOVEMBER 23, 2011**
END OF TERM: NOVEMBER 22, 2015*Member of the Governance
and Ethics Committee*

Ms. Perrault graduated in civil law at Ottawa University in 1992 and was called to the Québec Bar in 1993. She practised law at the Montréal firm of Phillips & Vineberg before redirecting her career to the field of communications. From 2001 to 2006, she was Vice-President of Communications at Genome Canada, and was previously National Communications and Public Affairs Director for Canada's Research-Based Pharmaceutical Companies (Rx&D). From 1998 to 2000, Ms. Perrault was National Communications Director for the Right Honorable Joe Clark, a former Member of Parliament and Prime Minister of Canada. Since 2006, she has provided contract services in strategic communications and public relations. Anie Perrault has also been a Municipal Councillor for the Ville de Bromont since November 2009. She sits on the Boards of Directors of the Bromont Economic Development Corporation and the Roland-Désourdy Regional Airport, and is active on the École Saint-Vincent-Ferrier school council and in a variety of organizations, including the network of municipal elected officials in the eastern Montérégie region.



CÉLINE TRÉPANIÉ

Shawinigan
President, Export Concept Inc.

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

Member of the Audit and Human Resources Committees

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



LYNNE ROITER

Montréal
Corporate Secretary and
Vice-President of Legal
Affairs, Loto-Québec

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

BOARD OF DIRECTORS AND COMMITTEE REPORTS

MANDATE

The Board of Directors is responsible for managing Loto-Québec 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 it. It ensures that the Corporation takes the necessary measures to achieve the objectives arising from its mission. The Board adopts the gaming regulations and approves the Corporation's principal policies, strategic orientations and annual business plan, and monitors the implementation of sustainable development policies. Additionally, among its other functions, the board establishes the risk management oversight policies related to the operations of the Corporation.

The Board is supported in its decision-making process by three statutory committees: the Audit Committee, the Governance and Ethics Committee and the Human Resources Committee. Additionally, the mandate and composition of the Commercial Affairs Committee, created in 2009, were modified during the fiscal year to better meet the needs of the Board. Finally, due to the departure of Alain Cousineau, the Board struck an Ad Hoc Committee to recruit a new President and Chief Executive Officer. Each of these committees, in its area of expertise, makes recommendations to the Board in its deliberations.

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

COMPOSITION

As at March 31, 2012, the Board of Directors consists of 12 members, each appointed by the Government. All are independent, with the exception of the President and Chief Executive Officer. Following a recommendation by the Board of Directors to the Minister of Finance, Cabinet named Gérard Bibeau as Loto-Québec's new President and Chief Executive Officer in June 2011. On November 7, 2011, he succeeded Alain Cousineau, whose exceptional contribution to the Corporation during his eight-year term in that position bears mentioning.

In compliance with the skills and experience profiles established by the Board of Directors, Cabinet made a number of appointments and mandate renewals to Loto-Québec's Board of Directors last November. The following five new members joined the Board of Directors chaired by Hélène F. Fortin: Alain Albert, Jean-André Élie, Lynda Durand, Nathalie Goodwin and Anie Perrault, while Paule Bouchard, Mel Hoppenheim and Serge LeBel had their mandates renewed. The new members were appointed four-year mandates, while renewed member mandates were for three years. During the fiscal year, Julie Bernier, Christiane Jodoin and Marc G. Bruneau left the Board. We thank them for their important contribution to Loto-Québec during their respective mandates. As at March 31, 2012, the Loto-Québec Board of Directors was comprised of six women and six men, thus complying with the gender parity objective set by the *Act respecting the governance of state-owned enterprises*.

PRESENCE

During fiscal 2011-2012, the Board of Directors held 10 regular meetings as well as 4 special meetings that dealt with the recruiting process of a new President and Chief Executive Officer. A closed session without management present was held at the end of each meeting. Please note that regular meetings of the Board of Directors are scheduled at the beginning of the fiscal year. As needed, special meetings are held over the course of the year. Advance notice to members of committee meetings varies according to the needs of the committee in question.

DIRECTOR ATTENDANCE REPORT AS AT MARCH 31, 2012

Members	Board of Directors		Audit Committee	Governance and Ethics Committee	Human Resources Committee	Ad Hoc Committee
	Regular 10	Special 4	Regular 10	Regular 10	Regular 8	Regular 4
Hélène F. Fortin	10/10	4/4	10/10	10/10	8/8	4/4
Alain Albert ⁽⁴⁾	2/5	–	–	–	1/2	–
Julie Bernier ⁽¹⁾	1/7	4/4	3/6	4/8	–	–
Paule Bouchard	8/10	4/4	8/10	–	–	4/4
Marc G. Bruneau ⁽³⁾	5/5	4/4	–	–	5/5	–
André Dicaire	7/10	1/4	7/10	10/10	1/1	–
Lynda Durand ⁽⁴⁾	5/5	–	–	2/2	–	–
Jean-André Élie ⁽⁴⁾	5/5	–	4/4	–	–	–
Nathalie Goodwin ⁽⁴⁾	5/5	–	–	–	2/2	–
Mel Hoppenheim	6/10	4/4	–	–	5/8	–
Christiane Jodoin ⁽²⁾	3/4	4/4	–	2/3	–	–
Serge LeBel	9/10	4/4	–	10/10	–	4/4
Anie Perrault ⁽⁴⁾	5/5	–	–	2/2	–	–
Céline Trépanier	10/10	4/4	10/10	–	7/8	–

⁽¹⁾ Mandate ended in February 2012

⁽²⁾ Mandate ended in June 2011

⁽³⁾ Mandate ended in November 2011

⁽⁴⁾ Mandate began on November 23, 2011
Excused absences.

REMUNERATION

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

REMUNERATION OF THE INDEPENDENT DIRECTORS

Directors	Total remuneration
Fortin, Hélène F. ^{(1) (2) (3) (4) (5) (6)}	\$51,891.83
Albert, Alain* ^{(3) (4)}	\$3,924.30 ⁽⁷⁾
Bernier, Julie	\$12,415.14
Bouchard, Paule ^{(1) (4) (6)}	\$22,501.38
Bruneau, Marc G.	\$16,358.96
Dicaire, André ^{(1) (2) (3) (4)}	\$22,339.74
Durand, Lynda* ⁽²⁾	\$7,147.80 ⁽⁷⁾
Élie, Jean-André* ^{(1) (4)}	\$8,759.55 ⁽⁷⁾
Goodwin, Nathalie* ⁽³⁾	\$7,685.05 ⁽⁷⁾
Hoppenheim, Mel ⁽³⁾	\$15,818.62
Jodoin, Christiane	\$4,265.28
LeBel, Serge ^{(2) (4) (6)}	\$23,310.89
Perrault, Anie* ⁽²⁾	\$8,223.50 ⁽⁷⁾
Trépanier, Céline ^{(1) (3)}	\$23,849.37
	\$228,491.41

As at March 31, 2012

⁽¹⁾ Audit Committee

⁽²⁾ Governance and Ethics Committee

⁽³⁾ Human Resources Committee

⁽⁴⁾ Commercial Affairs Committee

⁽⁵⁾ Pension plan committees of employees, management personnel and professional personnel of the Société des casinos du Québec (SCQ)

⁽⁶⁾ Ad Hoc Recruiting Committee

⁽⁷⁾ Training meetings

* Members of the Board since November 23, 2011

ACTIVITIES

STRATEGIC PLANNING AND BUSINESS PLAN

At each of the Board meetings, Loto-Québec management reported on the progress of the Corporation's business in relation to the 2011-2012 business plan and current projects. The Board also approved the 2011¹ Annual Report and the 2012-2013 Action Plan.

The directors also authorized and monitored online bingo and lottery plans, starting with the Mise-o-jeu lottery, which went online on espacejeux.com, a first for the lottery sector. Additionally, the Board gave the green light to Kinzo express locations in existing Québec bingo halls, and monitored results. Among initiatives that Board members have closely followed is the Casino de Montréal modernization project, which has remained on time and on budget since it began. The Board was also called upon to approve the Grand Loto-Québec Poker Tournament.

The Board oversaw the progress of the project to replace video lottery terminals and the central computer operating system, which is ongoing, and also monitored the Corporation's investment in Casinos Développement Europe, naming two independent members as Loto-Québec's representatives on that corporation's oversight committee.

Since the new regulation on casino games that authorizes Loto-Québec, since October 2011, to introduce new games without prior government authorization, the Board has authorized new casino games as is the case for lottery and online games. Finally, a progress report on the sustainable development initiatives set out in the 2008-2013 Sustainable Development Action Plan was tabled at each meeting of the Board of Directors.

¹ At its June 1, 2011 meeting, the Board approved the 2011 Annual Report.

FINANCIAL RESULTS AND INTERNAL CONTROL

On the recommendation of the Audit Committee, the Board approved the financial statements for the 2010-2011 fiscal year that ended on March 31, 2011² and the Loto-Québec budget. Members also received a report on the Corporation's financial statements and their highlights at each regular meeting of the Board. As provided by the 2010-2011 policy on risk management, they also received a fiscal half-year progress report on the measures taken by the Corporation to limit the main risks to the organization. The Directors also monitored the progress of the internal controls certification and risk management program and ensured its linkage with the internal audit plan, in addition to approving an adjustment to the Mise sur toi funding formula.

The Board monitored compliance with the policy on spending reduction and the measures to increase productivity, which it submitted to the Government in 2010-2011. During this fiscal year, Loto-Québec achieved spending reductions and improved productivity savings of 43.0 million dollars, as compared to \$14.9 million in 2010-2011. This means that during the first two years of the Government's spending reduction policy, Loto-Québec posted a total contribution of 57.9 million dollars. For details on Loto-Québec's spending reduction results, see page 95.

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

CORPORATE GOVERNANCE

During fiscal 2011-2012, the Board ensured compliance with governance policies and, as it does each year, revised how it functions in order to better meet the corporation's needs. It was also advised by the Governance and Ethics Committee that after a review of the Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec, no new changes were required. Annual changes were approved to the expertise and experience profiles of members and to the welcome program for new board members. The Board also adopted the recommendations on monitoring policy and the composition of the Board of Directors as regards the nomination of Directors. Following the nomination of its new members, the Board approved changes to the composition of each of its committees, including nominating the committee chairs.

Among other noteworthy decisions taken by the Board was to authorize certain individuals to deal with Revenu Québec and the Canada Revenue Agency and to sign all related documents. The Board also monitored the position taken by Loto-Québec in the Blé d'or lottery file.

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

HUMAN RESOURCES MANAGEMENT

During fiscal 2011-2012, the members of the Board authorized the remuneration parameters for non-unionized personnel and management personnel of Loto-Québec and its subsidiaries. The Directors also approved the remuneration of the President and Chief Executive Officer and senior executives under established parameters. Among other decisions taken by the Board was the approval of the results of the 2010-2011 incentive plan and the methods for administering the 2011-2012 plan for eligible employees, including standardizing the mobilization index.

The Directors also conducted a review of the skills and experience profile of the President and Chief Executive Officer and struck an Ad Hoc Committee, composed of the Chairwoman of the Board (who was also Chairwoman of the Human Resources Committee) and the Chairs of the Audit and Governance and Ethics Committees, to oversee the process of recruiting a new President and Chief Executive Officer. The Ad Hoc Committee presented its report to the Board, which approved the committee's recommendations in regard to the choice of a firm specialized in recruiting senior executives and the process to follow. The Board also attended interviews with shortlisted candidates and made recommendations to the Government. The process ended with the nomination of Gérard Bibeau as President and Chief Executive Officer of the Corporation. Mr. Bibeau took office on November 7, 2011. The Board also approved a new organizational structure by which Loto-Québec Corporate Vice President, Finances and Administration and Corporate Vice President, Human Resources both report directly to the President and Chief Executive Officer.

Other decisions taken by the Board include monitoring the negotiations with the STTLQ and SPGQ unions representing Loto-Québec employees, which concluded with the signing of new collective agreements in January and March 2012, respectively. The Directors also adopted a negotiating mandate for the collective agreements at the Société des casinos du Québec (SCQ) that expire this year. The Board adopted a change to the investment policy used in SCQ employee pension plans, with a Director appointed by the Board continuing to sit as a representative of the Loto-Québec Board of Directors on the pension plan committees of SCQ's employees, management and professional staff. Finally, the Directors approved the 2011-2012 Action Plan for Individuals with Disabilities.

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

² At its June 7, 2012 meeting and upon recommendation by the Audit Committee, the Board approved the financial statements of the corporation for the fiscal year ending on March 31, 2012.

AUDIT COMMITTEE REPORT

MANDATE AND COMPOSITION

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

As at March 31, 2012, the Audit Committee was composed of five independent members.

Chairwoman: Paule Bouchard, FCPA, FCA

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

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

ACTIVITIES

Over the course of the last fiscal year, the Audit Committee met 10 times and held a closed session without management present at the end of each meeting. Activities at these meetings included the following:

- approved Loto-Québec's quarterly financial statements and monitored the budget;
- reviewed the Corporation's 2010-2011 financial statements with the co-auditors, namely the Auditor General of Québec and the firm KPMG³ and ⁴. It recommended their approval to the Board of Directors⁵;
- conducted a follow-up on the conversion to International Financial Reporting Standards (IFRS);
- conducted a follow-up on certification programs for internal control;
- approved the resource optimization concept and ensured that resource optimization was integrated into auditing mandates;
- monitored compliance with the policy to reduce spending and increase productivity;
- conducted a follow-up on integrated risk management;
- conducted a follow-up on information security;
- ensured that the Department of Internal Auditing was able to perform its role independently of Loto-Québec management;
- conducted a follow-up of the Department of Internal Auditing's 2009-2012 three-year plan and 2011-2012 annual plan;
- conducted a follow-up on the progress of the Casino de Montréal modernization work, including construction costs and the process for awarding contracts;
- monitored the activities of the group responsible for information technologies;
- monitored the activities of the group responsible for security;
- approved changes to the Loto-Québec operational policies for which it is responsible;
- carried out the annual review of its mandate;
- carried out the performance evaluation in relation to its mandate.

³ The audit fees of the firm KPMG for the 2011-2012 financial statements came to \$1,175,422.

⁴ An invitation to tender for the annual financial statements audit for a three-year period will take place in 2012.

⁵ At its June 1, 2012 meeting, the Audit Committee reviewed the 2011-2012 financial statements with the external co-auditors and recommended their approval to the Board of Directors.

HUMAN RESOURCES COMMITTEE REPORT

MANDATE AND COMPOSITION

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

As at March 31, 2012, the Human Resources Committee was composed of six independent members.

Chairman: André Dicaire

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

ACTIVITIES

During fiscal 2011-2012, the Human Resources Committee met eight times. It also held a closed session without management present at the end of each meeting. Activities at these meetings included the following:

- recommended that the Board of Directors approve the results of the 2010-2011 incentive plan and the methods for administering the 2011-2012 plan for covered employees, including standardizing the mobilization index;
- recommended that the Board of Directors approve the remuneration of the President and Chief Executive Officer and senior executives for 2011-2012;
- recommended that the Board create an ad hoc committee*, composed of the Chairwoman of the Board, who was also Chairwoman of the Human Resources Committee, and the chairs of the Audit and Governance and Ethics Committee, to recruit a new President and Chief Executive Officer;
- recommended that the Board approve a new organizational structure by which Loto-Québec's Corporate Vice-President, Finances and Administration and Corporate Vice-President, Human Resources both report directly to the President and Chief Executive Officer;
- recommended changes to investment policies and accountability of the SCQ's pension plans;
- monitored the employee return to work program;
- recommended the negotiating mandate for SCQ collective agreements;

- recommended to the Board the action plan for persons with disabilities;
- monitored the corporate volunteer program;
- approved the corporate operational policies under its governance;
- conducted the annual review of its mandate;
- carried out a performance evaluation in relation to its mandate.

After each of its meetings, the Human Resources Committee reported its activities to the Board of Directors.

* AD HOC COMMITTEE TO RECRUIT A NEW PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Ad Hoc Committee was comprised of three independent members.

Chairwoman: Hélène F. Fortin, FCPA, FCA

Members: Paule Bouchard, FCPA, FCA, and Serge LeBel

ACTIVITIES

During fiscal 2011-2012, the Ad Hoc Committee to recruit a new President and Chief Executive Officer met four times. Activities at these meetings included the following:

- recommended a procedure for selecting a recruiting firm to the Board of Directors;
- recommended a firm specialized in recruiting senior staff to the Board, following an invitation tender process;
- redrafted the skills and competencies profile sought for the position of President and Chief Executive Officer, and recommended its adoption by the Board of Directors;
- evaluated the candidacies submitted by the recruiting firm;
- recommended a short list of candidates to the Board, for interview purposes.

REMUNERATION AND BENEFITS OF THE SIX HIGHEST-PAID EXECUTIVES OF THE CORPORATION FOR FISCAL 2011-2012

Name and title	Base salary	Incentive remuneration	Vehicle	Additional benefits*	Group insurance plan
Gérard Bibeau⁽¹⁾ President and Chief Executive Officer	\$132,543	\$6,627	\$8,936	\$1,042	\$1,160
Alain Cousineau⁽²⁾ President and Chief Executive Officer	\$187,540	\$25,361	\$13,860	\$3,458	\$1,980
PENSION PLAN AND SUPPLEMENTARY BENEFITS PROGRAM Gérard Bibeau and Alain Cousineau participate in the Retirement Plan for Senior Officials – Public Service (RPSO) and in the Supplementary Benefits Program.					
Jean Royer Senior Vice President and Chief Operating Officer	\$267,615	\$33,907	\$8,291	\$2,500	\$4,696
Claude Poisson President of Operations, Société des casinos du Québec	\$255,625	\$37,117	\$10,513	\$2,500	\$4,633
Robert Ayotte President of Lottery Operations	\$239,259	\$27,132	\$7,838	\$2,500	\$4,546
Marcel Croux Senior Vice President, Corporate Affairs	\$239,259	\$30,314	\$9,271	\$2,500	\$3,304
Gille Dufour Senior Vice President, Financial Affairs	\$239,259	\$30,314	\$7,802	\$2,500	\$4,546

⁽¹⁾ Information provided covers the period from November 7, 2011 (assumed office) to March 31, 2012.

⁽²⁾ Information provided covers the period from April 1 to November 6, 2011 (end of mandate).

PENSION PLAN AND SUPPLEMENTARY BENEFITS PROGRAM

Basic pension plan

- Mr. Royer participates in the Retirement Plan for Senior Officials – Public Service (RPSO).
- Messrs. Poisson, Ayotte, Croux and Dufour participate in the Québec Government Pension Plan for Management Personnel (PPMP). The contribution and benefits are calculated in accordance with the standard provisions of the plan in which they participate.

Supplementary pension plan

- Messrs. Royer, Poisson, Ayotte, Croux and Dufour participate in Loto-Québec's Supplementary Pension Plan for Executive Management.
- The retirement benefit is calculated using the basic pension plan benefit formula without regard for the limits prescribed in the Income Tax Act, and by using a percentage credited for each year of service of 2.0% for Messrs. Poisson and Ayotte, and 2.5% for Messrs. Royer, Croux and Dufour. This benefit is deducted from that offered by the basic plan.

* Health assessment, financial and estate planning, sports club membership and the Cercle des gens d'affaires

GOVERNANCE AND ETHICS COMMITTEE REPORT

MANDATE AND COMPOSITION

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

As of March 31, 2012, the Governance and Ethics Committee was composed of five independent members.

Chairman: Serge LeBel

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

ACTIVITIES

During fiscal 2011-2012, the Governance and Ethics Committee met 10 times. It also held a closed session without management present at the end of each meeting. Activities at these meetings included the following:

- reviewed the Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its subsidiaries and recommended changes to be submitted to the Board in June 2012;
- examined compliance with governance rules and concluded that there were no compliance issues;
- reviewed the Corporation's governance policies and informed the Board that no new changes were required;
- at each of its meetings, reviewed complaints received by the Corporate Secretary and the measures put in place in regard to the reporting line; investigated and made any required recommendations;
- recommended changes to the skills and experience profiles for members of the Board of Directors;
- recommended changes to the program welcoming new members of the Board of Directors;
- reviewed the criteria used to assess the functioning of the Board, its committees and members as well as the assessment process itself;
- reviewed the conflict of interest statements of the Corporation's directors and principal managers;
- recommended the monitoring policy to be used following the appointment of the new members, and made recommendations as to the composition of the Board of Directors and the review of the composition of each of its committees, including the Chairs;
- conducted the annual review of the Loto-Québec operational policies under its governance and ensured that each Committee did so as well;
- carried out the annual review of its mandate;
- carried out a performance evaluation in relation to its mandate.

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

COMMERCIAL AFFAIRS COMMITTEE REPORT

MANDATE AND COMPOSITION

The Commercial Affairs Committee was formed by the Board of Directors on the recommendation of the Governance and Ethics Committee in fiscal 2008-2009. All members of the Board of Directors sat on this committee, which had a dual mandate: to discuss the Corporation's commercial affairs and to better equip Directors in their respective roles with customized training on matters concerning the activities of Loto-Québec. At the end of fiscal 2011-2012, the Governance and Ethics Committee recommended that the composition and mandate of this committee be reviewed.

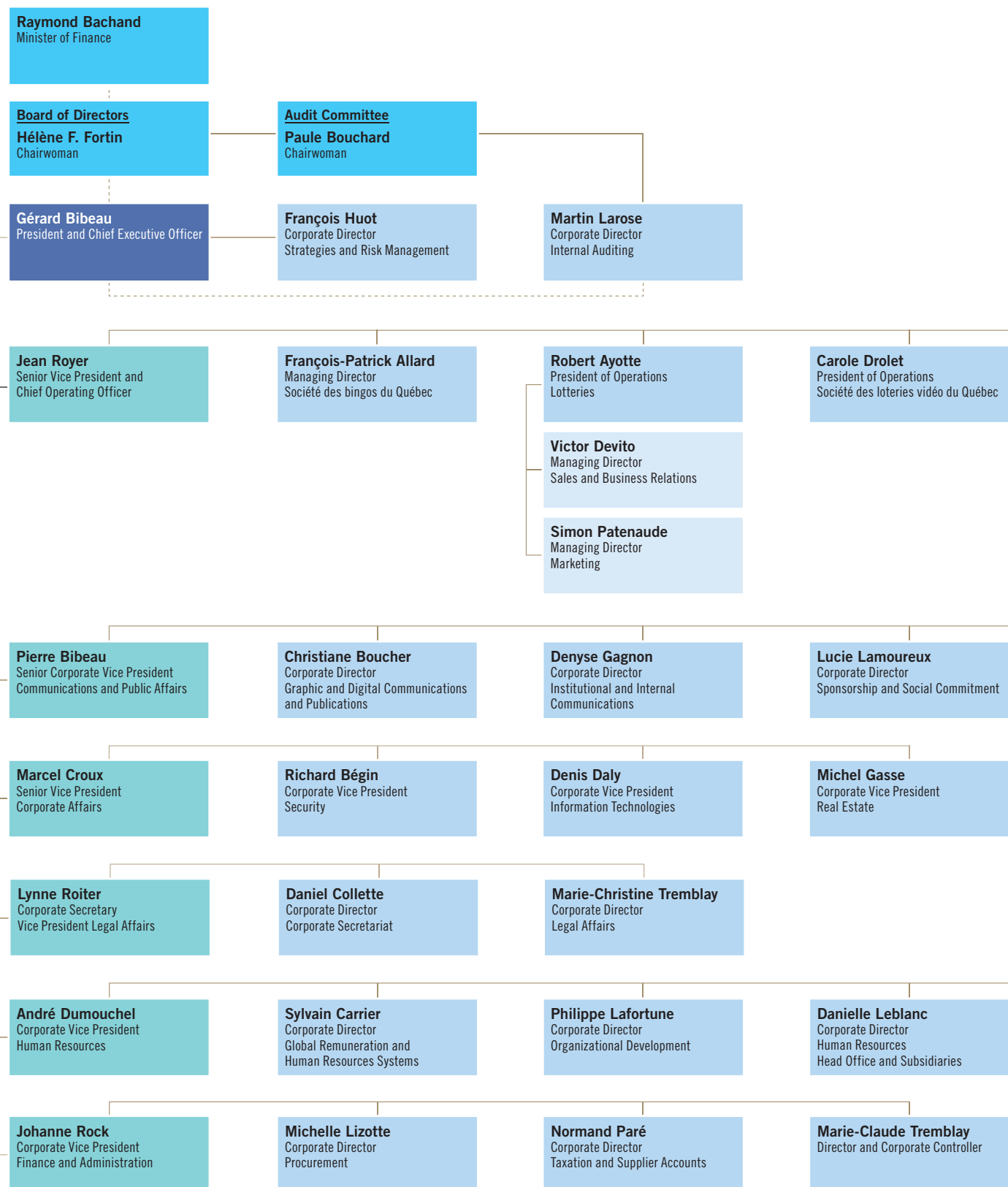
The committee is currently composed of six independent members; with its mandate being revised to take account its new composition.

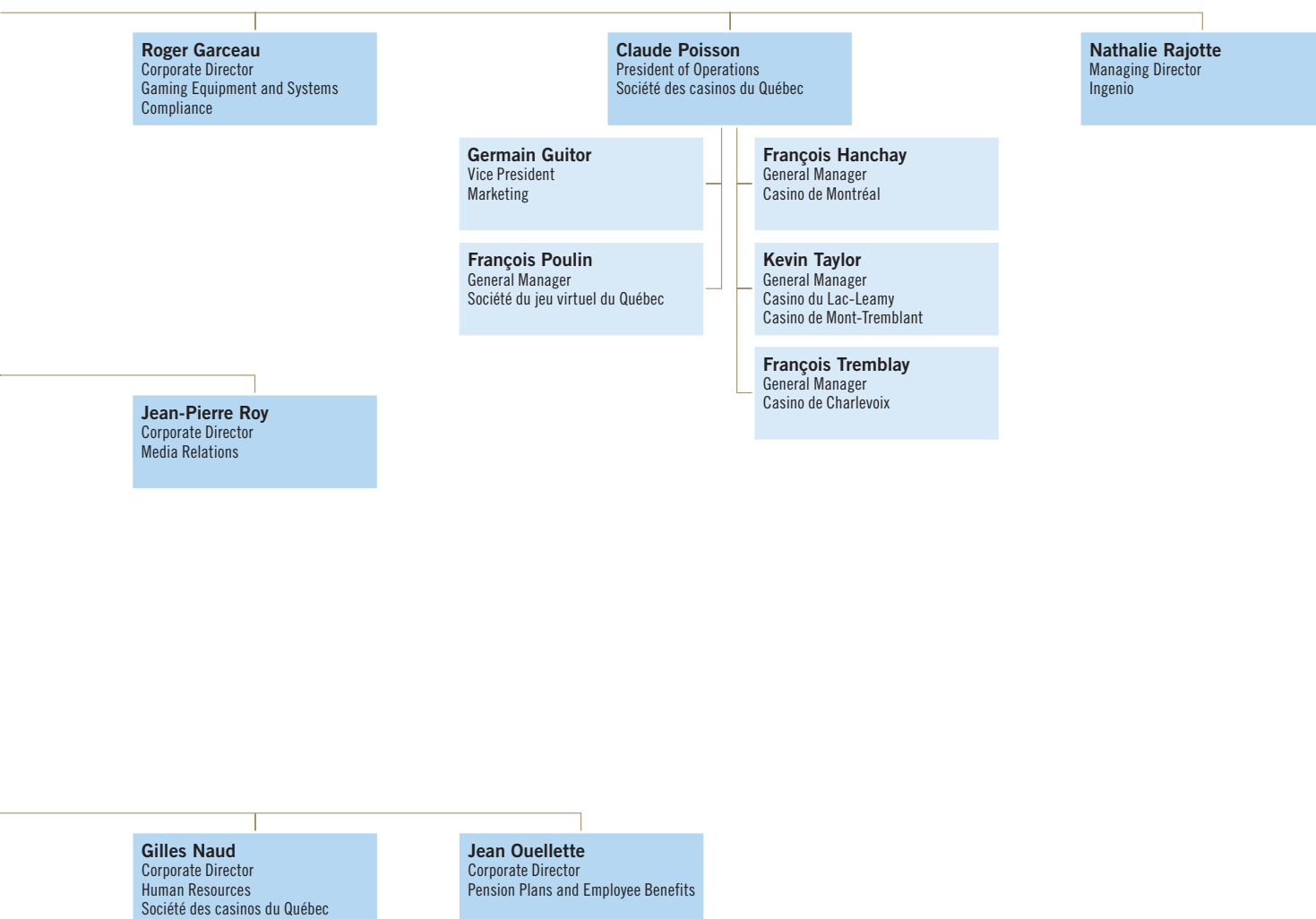
Chairwoman: Hélène F. Fortin, FCPA, FCA

Members: Alain Albert, Paule Bouchard, FCPA, FCA, André Dicaire, Jean-André Élie and Serge LeBel

ORGANIZATIONAL STRUCTURE

AS AT MARCH 31, 2012





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