

LOTO-QUÉBEC BETS ON
ENTERTAINMENT
EVERYONE WINS!

2015-2016
ANNUAL REPORT



LOTO
QUÉBEC



AT LOTO-QUÉBEC, 900 PRIZES OF \$1,000 OR MORE ARE CLAIMED EVERY SINGLE DAY.



- Estrie, \$23,846,591
- Montréal, \$1,000,000
- Montréal, \$1,000,000
- Mauricie, \$1,000,000
- Lanaudière, \$107,500
- Chaudière-Appalaches, \$104,487
- Montréal, \$100,000
- Montréal, \$25,000
- Capitale-Nationale, \$10,000
- Saguenay-Lac-Saint-Jean, \$2,500

WINNERS. LOTS AND LOTS OF WINNERS.



- Montréal, \$55,000 000
- Lanaudière, \$2,000,000
- Outaouais, \$5,000,000
- Montréal, \$494,138
- Estrie, \$64,774
- Chaudière-Appalaches, \$50,000
- Laval, \$13,000
- Turks and Caicos Islands, \$11,529
- Capitale-Nationale, \$10,211

TABLE OF CONTENTS

3	Mission, Vision and Strategic Orientations
4	Key Figures of the Year
5	Economic and Social Contributions
6	Message from the Chairwoman of the Board of Directors
8	Message from the Acting President and Chief Executive Officer
11	Review of Activities
12	To offer Quebecers first-rate entertainment: appealing, innovative and competitive
18	To guarantee the effective and efficient management of resources
21	To preserve the balance between a responsible approach and the dynamic and competitive commercialization of its products
24	Financial Review
28	Supplementary Information
30	Comparative Results
31	Consolidated Financial Statements
66	Measuring Efficiency and Performance
67	Follow-up on the Actions Outlined in the 2015-2020 Responsible Commercialization Plan
74	Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and Its Subsidiaries
82	Policies on Language and the Awarding of Contracts, and Workforce Act
83	Access to Information and Protection of Personal Information
84	Board of Directors and Corporate Secretariat
89	Board of Directors and Committee Reports
98	Corporate Structure

MISSION

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

VISION

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

STRATEGIC ORIENTATIONS

To offer Quebecers first-rate entertainment: appealing, innovative and competitive

To guarantee the effective and efficient management of resources

To preserve the balance between a responsible approach and the dynamic and competitive commercialization of its products

KEY FIGURES OF THE YEAR

AS AT MARCH 31

(In thousands of Canadian dollars)

	2016	2015	\$ Variation	% Variation
Total revenues	3,560,283	3,338,016	222,267	6.7
Lotteries	1,797,590	1,633,589	164,001	10.0
Casinos	806,210	776,809	29,401	3.8
Gaming establishments	980,333	952,485	27,848	2.9
Intersegment transactions	(23,850)	(24,867)	1,017	4.1
Prizes awarded – lotteries	935,837	867,766	68,071	7.8
Prizes awarded – gaming establishments (bingo and Kinzo)	25,006	20,557	4,449	21.6
Gross margin	2,222,584	2,089,383	133,201	6.4
Operational expenses	963,657	954,675	8,982	0.9
Net income	1,226,994	1,115,803	111,191	10.0
Dividend	1,201,994	1,025,556	176,438	17.2
Other amounts contributed to the Québec and Canadian governments	188,303	254,333	(66,030)	(26.0)
Total assets	1,273,297	1,336,648	(63,351)	(4.7)
Shareholder's equity	111,201	104,908	6,293	6.0

TOTAL REVENUES

(In millions of Canadian dollars)

	2016	2015	2014	2013	2012
	3,560.3	3,338.0	3,519.1	3,617.7	3,660.6

NET INCOME

(In millions of Canadian dollars)

	2016	2015	2014	2013	2012
	1,227.0	1,115.8	1,144.1	1,278.5	1,285.4

TOTAL REVENUES

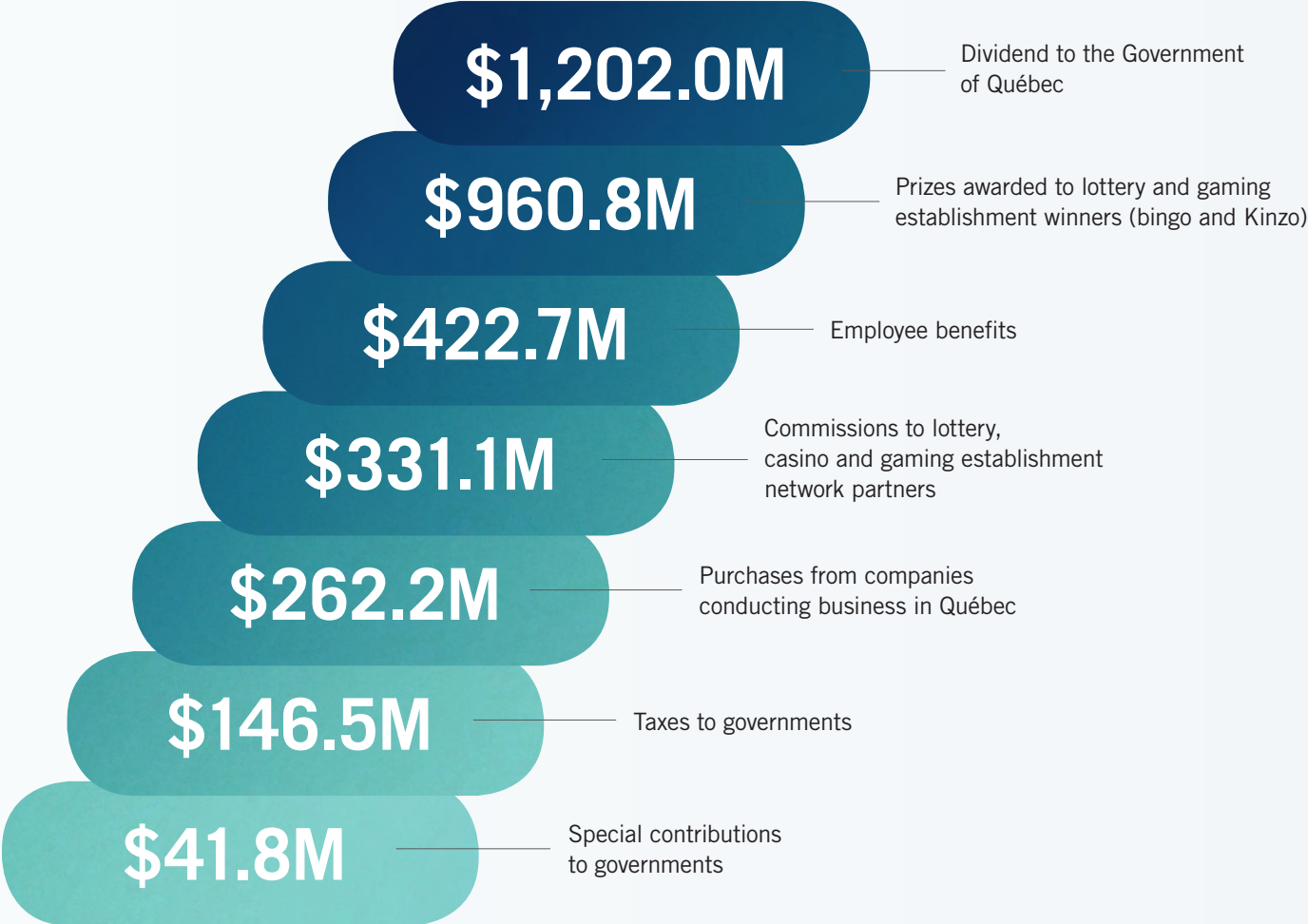


NET INCOME

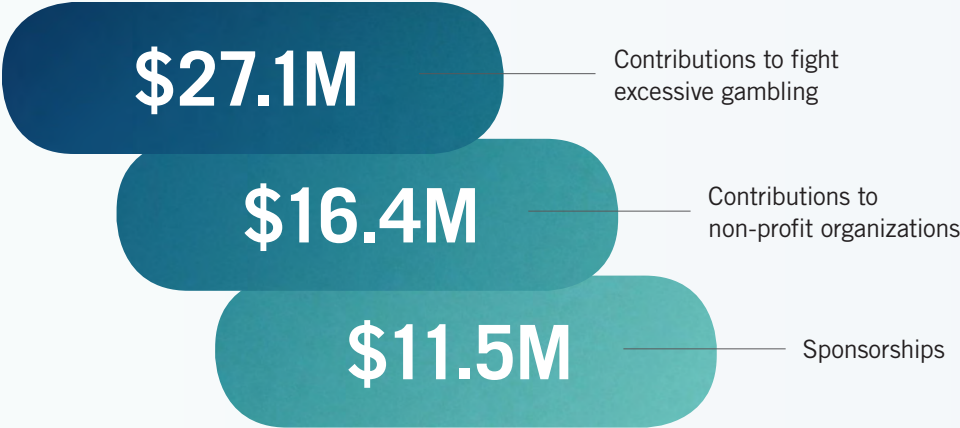


ECONOMIC AND SOCIAL CONTRIBUTIONS

ECONOMIC



SOCIAL





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

MESSAGE FROM THE CHAIRWOMAN OF THE BOARD OF DIRECTORS

Thanks to the concerted efforts of all Loto-Québec sectors, the strategy implemented over the past two years has been successful, and the Board of Directors is pleased with the results. The Corporation's activities during the fiscal year ending March 31, 2016, have resulted in turning over the considerable dividend of 1.202 billion dollars to the Government of Québec, which will contribute to financing public services. That sum constitutes a significant increase compared to the previous fiscal year.

For the second year, Loto-Québec continued to implement the actions set out in its 2014-2017 strategic plan, which focuses on entertainment, efficiency and responsible commercialization. The Board of Directors has realized that the various efforts being made were bringing Loto-Québec's vision to life: to offer Quebecers first-rate entertainment thanks to an appealing, innovative and competitive offering, while remaining a recognized world leader for responsible commercialization.

In the last year, Loto-Québec continued to improve its entertainment offering, particularly with the goal of renewing its clientele, which remains a major challenge in the gaming industry. This led to the introduction of several new offerings, including the reopening of the Cabaret du Casino de Montréal, themed activities and promotions in the casinos and gaming halls, the implementation of a plan to provide more extensive visibility for winners and the approval of a pilot project for electronic bingo.

The Board can testify to the sound management practised by all Loto-Québec sectors. Ongoing optimization efforts have led to significant efficiency gains, most of which are recurring. The Board supported the various organizational changes to foster efficiency, including grouping certain areas of expertise, such as advertising, online gaming and business intelligence and innovation. Loto-Québec is working toward convergence, in terms of both its methods and its entertainment offering, to better meet the expectations of consumers and offer them more options.

Fiscal year 2015-2016 was also marked by the adoption of the 2015-2020 Loto-Québec Responsible Commercialization Plan, which operationalizes the commitments made in the responsible commercialization code by establishing measurable actions and activities. It anchors Loto-Québec's corporate responsibility process in current activities and is consistent with the Government Sustainable Development Strategy 2015-2020.

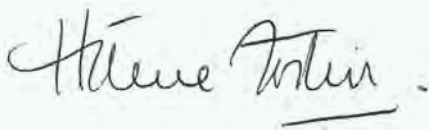
**LOTO-QUÉBEC IS IN THIS
GOOD POSITION TODAY LARGELY
THANKS TO GÉRARD BIBEAU.**

Loto-Québec can be proud of the excellent responsible gambling measures it has put forward. The Corporation recently submitted an application to renew its Level 4 certification with the World Lottery Association, the highest international standard for responsible gambling. This certification attests to the quality of Loto-Québec's practices in this regard.

Loto-Québec is in this good position today largely thanks to Gérard Bibeau, who directed the Corporation for just over four years before taking his well-earned retirement last April, after a brilliant career in the public sector. Mr. Bibeau was a high-calibre manager who rallied the teams around a winning strategy. The Board of Directors wants to thank him warmly for the colossal transformation he accomplished and for results that surpass expectations despite a difficult economic context. The position of acting president has been entrusted to Simon Patenaude, a manager with extensive experience in the organization.

Last year's great financial results can also be attributed to the work of the entire Loto-Québec staff. Their implication, creativity and great skill allowed the organization to succeed with many promising projects.

Finally, I would like to thank the members of the Executive Committee for their valuable input, as well as my fellow directors, who have worked ceaselessly to apply the best governance practices.



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



SIMON PATENAUDE
ACTING PRESIDENT AND CHIEF EXECUTIVE OFFICER

MESSAGE FROM THE ACTING PRESIDENT AND CHIEF EXECUTIVE OFFICER

We are satisfied with the results achieved over the past financial year – the best since 2012-2013. During the fiscal year of 2015-2016, our total revenues increased by 6.7% and our net income grew by 10%. Our profit margin climbed 1.1 percentage points to reach 34.5%. While favourable circumstances certainly helped, the renewal strategy we implemented over the past two years was the main driver of our success.

In a context of declining revenues and industry transformation, we undertook the process of renewing Loto-Québec. In addition to continuing to commercialize our offering responsibly, we decided to focus on entertainment, efficiency and convergence, to stay on track with our 2014-2017 strategic orientations. In this last fiscal year, we achieved many goals related to these themes, and the positive effects have been felt in every sector of the organization.

WE DECIDED TO FOCUS ON ENTERTAINMENT, EFFICIENCY AND CONVERGENCE.

A year distinguished by an extraordinary number of big jackpots

The lottery sector had a very good year. The especially high number of big jackpots offered by Lotto Max and Lotto 6/49 greatly stimulated sales. We tried to make the most of this excitement by engaging in several visibility efforts, which helped increase our market share for these pan-Canadian products.

Rising popularity for the casinos

On the casino side, our initiatives to entice people to discover the wide array of entertainment options paid off. Overall traffic increased by 5.9% compared to the year before, bringing in some 500,000 more people, for a total of nearly 9 million visitors.

Online gaming still doing well

Our online gaming site, Espacejeux.com, posted revenues of \$66.2 million (+35.2%). Every type of product is on the rise, and growth is especially strong in mobile gaming. The fight against illegal online gaming, to further channel the offering to a controlled and measured framework—and one that benefits Quebecers—is still a critical issue. The filtering measures for illegal sites that were recently adopted by the National Assembly do just this.

Gaming establishments that continue to please

The revenues from video lottery terminals in the bar and brasserie network are up for the first time since the no-smoking law was introduced in 2006. We stabilized the situation by introducing new games and optimizing the network, which reduced the inventory of stored terminals. Clement weather also improved traffic in the establishments.

Our gaming halls continued to do well, especially due to the popularity of the newly relocated Québec City gaming hall. Success was also in store for the bingo and Kinzo halls, which allowed us to pay out significant sums to non-profit organizations.

Winners: the heart of our activities

Creating winners is our fundamental purpose. This last year was very successful in this sense. We handed out a record number of prizes of \$1 million or more, including the biggest jackpot in our history, a \$55 million Lotto Max prize, won by a group of co-workers in the Montérégie.

We are working to spread the word about our many winners through a visibility plan that includes press briefings, video clips and advertising campaigns. The increased visibility is having good results, in terms of both media coverage and sales figures.

An evolving entertainment offering

We continued to improve our offering to meet the expectations of more people. While there have always been a variety of entertainment options available in our casinos, this is increasingly true now in all our sectors.

The Cabaret du Casino de Montréal reopened in fall 2015. Major renovation work gave us a multipurpose room where shows, boxing galas and other events are held. The only Canadian portion of the prestigious World Series of Poker Circuit was held there and on Espacejeux.com.

The Casino de Montréal also announced the opening of L'Atelier de Joël Robuchon, a prestigious restaurant of the

world's most-starred chef, and more upcoming changes will be made in the restaurant offering at the casinos in Montréal, Charlevoix and Lac-Leamy. Meanwhile, the Casino de Mont-Tremblant underwent renovations to add a spark to the visitor experience, and a general overhaul will be undertaken at the casino in Charlevoix in 2016-2017.

Throughout this fiscal year, we held activities on popular themes in our four casinos. Several innovations in recent years, such as the Zone—a multi-game environment that focuses on social and interactive activities, set up in the Montréal and Lac-Leamy casinos—and the ALÉA night club, at the Casino du Lac-Leamy, are attracting a new type of client.

WE CONTINUED TO IMPROVE OUR OFFERING TO MEET THE EXPECTATIONS OF MORE PEOPLE.

Several major promotions were also implemented to raise awareness about our gaming hall offering, resulting in a marked increase in traffic at both establishments.

In terms of lottery products, the new Expérience games, which were launched on Espacejeux.com this year, and the web version of the Mots Cachés scratch ticket are two new innovations. Event bettors also benefited this year, with higher odds online. Finally, two new network bingo games were introduced in participating halls, and a pilot project for electronic bingo was authorized by the government.

Advertising is still an excellent way to spread the word about our products, and several of our campaigns, launched in partnership with Québec advertising agencies, continue to receive honours year after year. Some of our entertainment-focused sponsorship initiatives have also been rewarded.

Pro-efficiency management

We are working to stimulate revenues, but we are also taking action on expenses. A series of optimization measures allowed us to achieve efficiency gains of \$95.5 million in fiscal year 2015-2016. These gains stem from tighter expense control and a review of the structures, processes and programs, which began in 2014-2015.

A SERIES OF OPTIMIZATION MEASURES ALLOWED US TO ACHIEVE EFFICIENCY GAINS OF \$95.5 MILLION.

One important effort made in 2015-2016 was the launch of our new lottery ticket distribution system at some 8,500 retailers. The goal of this transformation, which relies mainly on ticket activation at the point of sale, was primarily to enable the sales force to focus on marketing the products and expanding the network. The new model will lead to substantial annual savings and also offers many benefits to the retailers.

Highly profitable convergence

Our different sectors worked together to give our clients the opportunity to discover several facets of our offering. For example, a video lottery game was offered on Espacejeux.com and as a scratch ticket. A promotion linked with the Célébration lottery was held in partnership with the casinos and gaming halls, and shuttle services were set up between some of our establishments.

OUR DIFFERENT SECTORS WORKED TOGETHER TO GIVE OUR CLIENTS THE OPPORTUNITY TO DISCOVER SEVERAL FACETS OF OUR OFFERING.

Another convergence initiative launched this year was the inauguration of lottery claim capabilities in our casinos and gaming halls. This offers improved service to clients all across Québec.

Responsible commercialization: a constant concern

While we try to reach the greatest possible number of people with our offering, we do want them to play in moderation. The responsible commercialization of our products is a constant concern, as our World Lottery Association Level 4 certification attests.

Our social responsibility is also expressed in our significant economic contribution, our sponsorship and corporate volunteering programs and our various environmental measures.

Acknowledgements

Sincere thanks are in order for the remarkable contribution to Loto-Québec's recent success made by Gérard Bibeau, outgoing President and Chief Executive Officer. Of his many achievements within Loto-Québec, perhaps the most important is his vision for the client of tomorrow. This rallying project has given renewed impetus to Loto-Québec.

I also want to thank the Board of Directors for their trust, and my colleagues on the Executive Committee, who continually pool their efforts to take Loto-Québec further.

Finally, I salute the incredible commitment of all the employees and managers. Our positive results in this past year are the product of teamwork. Congratulations and thank you for a job well done!



Simon Patenaude
Acting President and Chief Executive Officer of Loto-Québec



REVIEW OF ACTIVITIES

Three orientations, rooted in **entertainment**, **efficiency** and **responsible commercialization**, form the heart of Loto-Québec's strategies.

ORIENTATION 1

To offer Quebecers first-rate entertainment: appealing, innovative and competitive

Even more winners!

Québec lottery players had a great year in 2015-2016. They won 96 prizes of \$1 million or more, a record number. In comparison, 52 prizes of that size were won in the previous year. Over 36,000 people visited the Loto-Québec prize claim centres to receive their share of the some \$960 million won during the year.

LOTTERY TICKET SALES RISE CONSIDERABLY WHEN THE MAIN PRIZE IS VERY HIGH.

And there were more winners mainly because of the higher number of major prizes offered at draw lotteries. For example, **Lotto Max** offered a jackpot of \$50 million or more on more than 30 occasions, in addition to offering 540 Maxmillions (prizes of \$1 million), compared to 39 Maxmillions in 2014-2015. The structure of Lotto Max prizes was also changed this year, moving the jackpot from \$50 million to \$55 million and then \$60 million. And of course lottery ticket sales rise considerably when the main prize is very high, thanks to the influx of occasional players and spontaneous groups. Another significant event this year took place at the Lotto Max draw of July 17, 2015, when a group



The ten biggest prizes won in Québec this year

PRIZE	LOTTERY	DRAW DATE	WINNERS' PLACE OF RESIDENCE
\$55,000,000	Lotto Max	July 17, 2015	Montréal
\$23,846,591	Lotto 6/49	January 2, 2016	Estrie
\$20,532,024	Lotto 6/49	July 22, 2015	Laurentides
\$19,643,388	Lotto 6/49	November 28, 2015	Laurentides
\$6,880,768	Lotto 6/49	May 6, 2015	Lanaudière
\$5,827,979	Lotto 6/49	April 1, 2015	Montréal
\$5,827,979	Lotto 6/49	April 1, 2015	Gaspésie-Îles-de-la-Madeleine
\$5,094,379	Lotto 6/49	May 30, 2015	Montréal
\$5,000,000	Célébration 2016	January 10, 2016	Outaouais
\$5,000,000	Célébration 2016	January 10, 2016	Laval

of Montréal co-workers won a \$55 million prize. It was the biggest jackpot paid out by Loto-Québec to date.

Lotto 6/49 served up its share of jackpots. In the draw on October 17, 2015, the kitty reached a record \$64 million. And throughout the year, Quebecers were particularly lucky, winning 31 of the 115 \$1-million Guaranteed Prizes awarded at every regular draw and certain special draws.

There were plenty of winners, and they were also more visible than in the past, thanks to the deployment of a visibility plan. A total of 16 press briefings were held at the headquarters and in several regions of Québec to present jackpot winners to the media. Some twenty video interviews were broadcast on the Corporation's website and in the social media. A graphic platform was designed to spread the word about the lottery winners, as well as the winners at the casinos, the gaming halls, Espacejeux.com and the bingo and Kinzo halls. Finally, a popular TV advertising campaign featured real winners telling stories about their stroke of luck. The increased visibility of the winners also boosted lottery ticket sales.



Like lottery players, **network bingo** and **Kinzo** fans had good fortune on their side. In network bingo, 11 jackpots of over \$100,000 were awarded, and 6 super jackpots were won at Kinzo halls.

Continuously improved offering

New features in the lottery sector this year include the addition of an **Extra** number on scratch tickets since October 2015. At the time of purchase, the client can decide to activate the Extra number to be eligible for the draw that takes place on the same day, with a chance to win up to \$1 million.

Loto-Québec also continues to improve the online offering, with the launch of a web version of **Mots cachés**, one of the most popular scratch lotteries in Québec for the last 15 years. This is a major addition to the **Expérience games**, which have a cost, duration, chance of winning and prize value similar to scratch lotteries. The Expérience games are interactive, simple and easily accessible, including on mobile platforms, and they offer the chance to win very appealing prizes of up to \$750,000.



This year, the **Célébration** lottery, a tradition for the holidays, introduced a new second-chance draw coupon to be placed in a draw box in one of Loto-Québec's casinos or gaming halls. By entering this draw, consumers vied for the chance to take part in the televised gala. Tens of thousands of coupons were dropped off at the various gaming establishments. The gala, which crowned a millionaire on TV, was broadcast this year from the Cabaret du Casino de Montréal.

In terms of sports and entertainment betting, the 25th anniversary of **Mise-o-jeu** coincided with the product's best-ever results. Several events posted excellent sales results, especially the Super Bowl and the boxing match between David Lemieux and Gennady Golovkin. While hockey obviously rouses a lot of passion in Quebecers, more and more of them are betting on American football and soccer. Betting on US politics, launched in January 2016, also got off to a good start in the non-sports category.

Since December 2015, bettors who conduct their transactions online have access to higher odds. The payout rate for the main event betting questions rose from 84% to 90%, and even 92% in some cases. Furthermore, the sport betting team is working to set up a hockey pool that will be launched at the beginning of the next season, in September 2016. Weekly and annual versions will be offered to the bettors.

Much-loved classics



In February 2016, **La Poule aux œufs d'or** passed the \$200 million mark for TV prizes and, a month later, celebrated its 1,000th show. These two highlights each attracted more than a million viewers. The 24th season of *La Poule aux œufs d'or* will begin in August 2016. *Roue de fortune chez vous!* is still one of the most popular summer shows in Québec. The 2015 season shared prizes worth \$4.7 million among 67 winners. The 2016 edition of **Roue de fortune chez vous!** is offering its biggest-ever prize, \$1 million, for the same price of \$3.



This year again, Loto-Québec's marketing initiatives have been hailed by the advertising industry. The *#TuDevraisAcheterUn649* campaign directed by Sid Lee Media won the top honours at the Prix Média 2016, which celebrates the best media strategies in Québec. It also garnered the Grand Prix Créa 2016. The advertising industry acknowledged it as an idea whose time had come, in all its refreshing, credible and authentic variations. At the 2016 Créa awards, Loto-Québec won nearly a dozen awards for its ads and sponsorship initiatives under the signature *Tout un monde de divertissement* (a world of entertainment). The sponsorships reflect the Corporation's entertainment mission by focusing on creativity. Four clips inspired by Loto-Québec sponsored events were designed by Québec artists, achieving wild success in the social media, with over seven million views.

Casinos focus on unifying themes

In 2015-2016, Québec's casinos pooled their forces to present several strong themes—including promotional activities, special offers and original activities—that supported the marketing strategy. In spring 2015, the *We're Betting on the Habs* campaign was widely communicated, besides being rewarded with the Sports Personality or Group Grand Prize at the Infopresse Grands Prix de la commandite sponsorship awards.



THE CASINOS IN MONTRÉAL AND LAC-LEAMY POSTED RECORD CROWDS IN DECEMBER 2015.

The themes continued with *The Party Keeps Going* during the holiday season and *Light up your Holidays* for the year-end celebrations. The casinos in Montréal and Lac-Leamy also posted record crowds in December 2015, including December 31, as thousands of people chose casinos as the place to usher in the New Year. By leveraging the casinos' related products, such as the bars and restaurants, these initiatives attract new clients who like entertainment activities centred on socializing. Themes featuring games as the central factor, particularly blackjack and roulette, were also rolled out.





Loto-Québec's sponsorships also helped promote the entertainment offering in the establishments. For example, Loto-Québec set up a Casino de Montréal Jazz Club at the Festival International de Jazz de Montréal. Shows were performed there continuously every night. Visitors were also treated to a delightful New Orleans-style menu.

At the same time, the Casino offered all-jazz programming for the duration of the Festival.

Improved offering



The **Cabaret du Casino de Montréal** reopened in September 2015 after extensive renovations. The leading-edge equipment will make sure clients have an extraordinary experience. A varied program is offered to the visitors, who are especially pleased with the dinner performances and boxing galas. The room can be transformed quickly to present all different kinds of events.

This year also hailed an agreement between the **Casino de Montréal** and the most-starred chef in the world, Joël Robuchon, to open one of its L'Atelier restaurants at the Casino. The kitchen will be directed by Éric Gonzalez, a well-known figure in restaurant circles in Montréal and until recently the chef at the Altitude restaurant at the **Casino de Mont-Tremblant**. L'Atelier de Joël Robuchon will open in fall 2016, allowing Montréal to join several major world capitals as the host of one of Mr. Robuchon's tables. The quality of the **Le Baccara** restaurant at the Casino du Lac-Leamy was also acknowledged this year. This gastronomic destination won the Five Diamond rating from the CAA/AAA for the 16th consecutive year. Only one other restaurant in Québec can boast this rating.

In November 2015, the Société des casinos du Québec (SCQ) announced that the only Canadian portion of the World Series of Poker (WSOP) Circuit would be held at the Casino de Montréal. Ten tournaments were played at the Casino, and two others were held on Espacejeux.com. The WSOP is the most renowned poker event in the world. Twelve rings were up for grabs in the Canadian event.

Entertainment through innovation

Renewing the clientele is a pressing issue in the casino industry. The SCQ has been pondering this for several years, and the exercise led to the creation of the **Zone**, a multi-game environment focused on the social, interactive side of gaming. The experiment proved that the target client was reached, because the number of 20-to-34-year-old clients increased from Thursday to Saturday. Launched in 2013 at the Casino du Lac-Leamy and in 2014 at the Casino de Montréal, the Zone has raised the interest of casino operators all over the world. SCQ employees went to two international casino tradeshow, the G2E in Las Vegas and the ICE in London, to present the Zone, along with the supplier, Interblock.





In its five years of existence, **Espacejeux.com** has not stopped improving, in particular by gradually adding products from Loto-Québec's various subsidiaries to its online offering, starting with lotteries, event betting and interactive games. Loto-Québec is one of the only corporations in North America to offer certain games both in person and online, something much appreciated by its clientele. Espacejeux.com was launched in 2010 to a market already almost saturated with illegal options, in order to offer Quebecers safe, legal online gaming opportunities in French.

Casinos that reflect today's tastes



The **Casino du Lac-Leamy** blew out 20 candles in the spring of 2016. Of the some 1,400 employees who currently work there, over 300 have been there since the opening, on March 24, 1996. At nearly 2.7 million visits a year, the Casino is unarguably a major tourist attraction and vital entertainment hub for the Outaouais region and Canada's capital city. The adjacent hotel, the **Hilton Lac-Leamy**, is in



first place in Canada—and fifth in the Americas—in terms of client satisfaction in the entire chain. In addition to that excellent rating, it also received the Best Overall Dining Experience award of the 229 hotels with fewer than 500 rooms.



In December 2015, the Casino de Mont-Tremblant unveiled the first phase of its overhauled entertainment offering. After intensive renovations, the ground floor of the Casino was completely revitalized, with gaming tables, electronic gaming devices and poker tables that create synergy among the products. The addition of twenty or so themed slot machines—set up in small groups—and the creation of a winners' wall in the entryway have enhanced this unparalleled entertainment environment. With a DJ on hand on the weekends and the festival atmosphere of the central bar, the ground floor now offers a fully integrated entertainment experience.



The **Casino de Charlevoix** also launched a general overhaul plan that will be carried out in 2016-2017. The plan includes a new bar offering, new arcade and skill games, the Zone area and a franchise of a well-liked restaurant.

Continuing on a roll

For a few years now, the **gaming halls** in Québec City and Trois-Rivières have been holding major promotions, each more successful than the last. From *Lucky Dilemma* to *Tam Tam*, far-reaching promotions are key to the entertainment strategy. The numerous promotional partners, such as businesses and radio stations, afford the gaming establishments a great deal of visibility within the general public.



During the holiday period, the gaming halls were the busiest they have ever been, thanks to the second-chance coupons of the Célébration lottery. The **Salon de jeux de Québec** also had an extraordinary year in terms of traffic, up 66% from the year before.

THE SALON DE JEUX DE QUÉBEC HAD AN EXTRAORDINARY YEAR IN TERMS OF TRAFFIC, UP 66%.

The Société des établissements de jeux du Québec (SEJQ) launched a new game for video lottery terminals (VLTs), Quick Pay Jackpots. On offer since February 2016, the game gives **video lottery** players a brand-new experience with its interactive wheel. Quick Pay Jackpots was successful from its very first weeks. The SEJQ also began development work on four new video lottery games that will be launched in 2016-2017.



Complementary business sectors

The Diamond Queen VLT game, introduced in October 2015, was the subject of a major promotion in collaboration with Espacejeux.com and the lottery sector. It was the first time a specifically VLT theme was carried by the other business sectors. For example, the Diamond instant lottery was launched at the same period, and theme prizes were offered through a web promotion.

It was also with the goal of bringing together several aspects of its offering that Loto-Québec set up a shutter service between the Salon de jeux de Québec and the Casino de Charlevoix and between the casinos in Montréal and Lac-Leamy and the Casino de Mont-Tremblant.

The encouraging results in the bingo halls stem in part from two new network games launched this year, based on a casino theme. The progressive jackpot pull-tab tickets, rolled out in 2014-2015, were so popular that the product is now on permanent offer.

ORIENTATION 2

To guarantee the effective and efficient management of resources

Decisive results

The in-depth examination undertaken in 2014-2015 to optimize Loto-Québec's organizational efficiency continued in 2015-2016. Efficiency gains in the order of \$95.5 million were achieved, even more than the \$85.2 million targeted in the budget. The efficiency gains stem from a process review in each sector, as well as each project and program underway.



New distribution model

The lottery sector undertook an extensive project to set up a new instant lottery ticket distribution model. The new model, in effect since March 28, 2016, releases the sales force from administrative tasks and allows them to refocus on product marketing, while teams of telephone salespeople and purchasing agents manage the retailers' orders. Since the tickets have no market value until they have been activated by the retailers, they are delivered by an external transporter. Loto-Québec's relationship with its 8,534 retailers is supported by 44 merchandising experts.

THE NEW MODEL RELEASES THE SALES FORCE FROM ADMINISTRATIVE TASKS AND ALLOWS THEM TO REFOCUS ON PRODUCT MARKETING.

In addition to annual savings of nearly \$10 million for Loto-Québec, the changes made to the distribution model make things easier for the retailers, as their supply and shortage costs are considerably reduced and the terms of payment and collection are more advantageous. Another result has been a change in the pace of new product launches. The launches, which used to be weekly, are now bi-weekly.

Improved services



To provide better service to customers in the different regions of Québec, Loto-Québec has inaugurated prize payment centres in its gaming establishments. Since January 18, 2016, the Salon de jeux de Trois-Rivières has been awarding prizes to lottery winners. In fact, less than 10 days after the payment centre was opened in Trois-Rivières, a Lotto 6/49 prize of \$1 million was paid out to a winner there.



The Casino du Lac-Leamy walked in the footsteps of the Salon de jeux de Trois-Rivières in February, followed by the Casino de Charlevoix and the Casino de Mont-Tremblant in March. At the end of 2015-2016, the gaming establishments had already welcomed nearly 200 lottery winners. The Salon de jeux de Québec and the Casino de Montréal have been offering the same service since the first weeks of 2016-2017.



In Québec City, the winner payment centre and administrative functions will move to premises near the Salon de jeux in fall 2016. Since it was no longer used to its full potential, the Loto-Québec building on Grande Allée was put up for sale, and the transaction with the buyer was closed in May 2016. Besides providing easier access for the winners, the new location, inside the Fleur de Lys shopping centre, is better suited to the Corporation's needs and will generate significant savings over the next few years.

Loto-Québec also set up a single phone number for its clients. Lottery players and event bettors, as well as fans of online gaming and other products offered in the gaming establishments, can now call 1-866-611-LOTO to access information about all Loto-Québec sectors.

Innovation in the service of efficiency

Since February 1, 2016, all Loto-Québec lottery draws have been electronic. This practice is widespread among North American lottery corporations. Only the main pan-Canadian lotteries—Lotto 6/49 and Lotto Max—still use ball machines. The change in draw method is part of



a broader modernization and optimization process in the lottery sector. Electronic draws comply with security principles and the random nature of traditional draws and also allow the consumers to get the results more quickly. For Loto-Québec, this change will generate recurring savings, especially in terms of equipment maintenance costs.

Betting on performance

To increase its organizational efficiency, the SCQ set up a proven project management structure that prioritizes initiatives, provides close follow-up and allows adjustments to be made without delay. This structured approach focuses the organization's methods on specific projects rather than on several at once, which avoids overloading resources indispensable to the success of priority projects.

EMPLOYEES HAVE THE OPPORTUNITY TO UNDERSTAND HOW THEY ARE CONTRIBUTING TO THE COMPANY'S SUCCESS, WHICH IS A POWERFUL LEVER FOR MOBILIZATION.

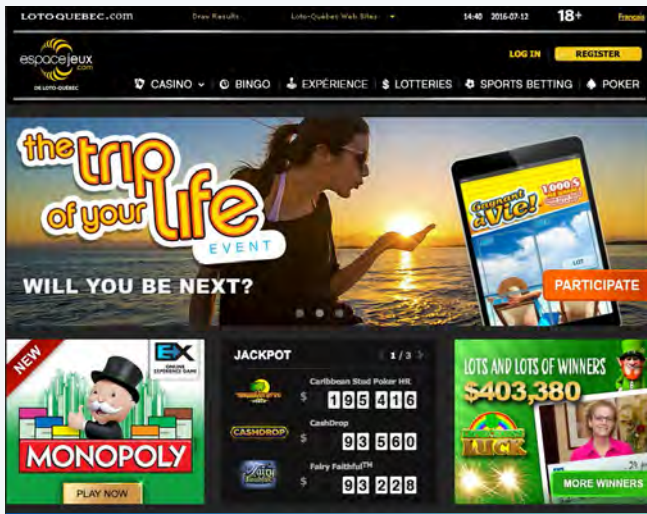
Along with the project management structure, the SCQ introduced a daily performance management system, the GPQ, which relies on key indicators for follow-up, allowing each hierarchical level to assess its teams daily contribution to the strategic objectives. First tested in the management committees and then in a sector of the Casino de Montréal, the GPQ has now been deployed to the entire SCQ, ensuring every unit is contributing to the Casinos du Québec strategic plan to its full capacity. In addition to helping the SCQ achieve better organizational performance, this approach gives the employees the opportunity to understand how they are contributing to the company's success, which is a powerful lever for mobilization.

Creation of centres of expertise

In terms of corporate activities, the extensive business optimization process undertaken in 2014 has continued. This year, changes were made in the organizational structure to create strategic centres for certain kinds of expertise that used to be scattered among different sectors. This process also led to the creation of the Corporate Department of Strategy, Business Intelligence and Innovation, whose mandate includes creating a strategic plan that is shared by all sectors, monitoring trends and business opportunities in the gaming and entertainment sector, targeting innovative projects for Loto-Québec as a whole and supporting their implementation. The creation of this strategic hub led to the dissolution of the Loto-Québec subsidiary Ingenio.



The changes in the business structure stemmed mainly from an extensive internal process called Renouvelons Loto-Québec (Renew Loto-Québec). During that process, all the sectors worked together to develop more efficient work processes and identify innovative entertainment initiatives that could be implemented in the short, medium and long terms.



All activities related to online gaming were brought together under the responsibility of Espacejeux.com to achieve a shared vision, improve the offering and facilitate access for the clients. Previously, online games were managed by either the lottery sector or the casino sector, depending on the type of game.

With the same goal in mind, steps were taken to create a centre for expertise for all the major advertising campaigns. This change allows Loto-Québec to coordinate calls for tenders to advertising agencies more effectively and also provides an opportunity to reflect on a global strategy.

Finally, event betting now also boasts a centre for expertise that oversees the development of the offering, in cooperation with the other business sectors.

Profitable measures

As a State corporation with a commercial vocation, Loto-Québec needs to maximize the return on its investments, for the benefit of the entire community. It was with this in mind that Loto-Québec reviewed its sponsorship strategy, to focus on sponsorships that offer added value on the commercial front and enhance its entertainment offering. Loto-Québec now concentrates its support on events that best reflect these criteria.



Finally, a major examination process was launched at the end of the year to modernize Loto-Québec's technology portfolio. The transformation plan will improve the overall efficiency of the IT sector by adopting the best solutions and making the best decisions for the long-term success of the Corporation's business plan.

LOTO-QUÉBEC NEEDS TO MAXIMIZE THE RETURN ON ITS INVESTMENTS, FOR THE BENEFIT OF THE ENTIRE COMMUNITY.

ORIENTATION 3

To preserve the balance between a responsible approach and the dynamic and competitive commercialization of its products

Responsible commercialization: a global approach

The **2015-2020 Loto-Québec Responsible Commercialization Plan** was approved by the Executive Committee in September 2015. It operationalizes the Corporation's responsible commercialization code and the Government Sustainable Development Strategy 2015-2020. The plan illustrates the progress of the sustainable development principles and their increasing integration in the Loto-Québec business model. This growing maturity over the years has helped the Corporation adapt the approach to its reality and advance from sustainable development to responsible commercialization. The process that led to the adoption of the responsible commercialization plan was inspired by three words: *relevance, consistency and performance.*

Promoting responsible gambling



A new **awareness campaign** on the theme *It's always just up to chance* was launched at Loto-Québec's initiative. Broadcast exclusively online and posted in bars and brasseries to reach young people aged 18 to 35, the campaign reminded players that no matter what beliefs they may have about gambling, it's always just up to chance. Several funny videos were created about different ways people try to control chance.

**NO MATTER WHAT BELIEFS
WE MAY HAVE ABOUT GAMBLING,
IT'S ALWAYS JUST UP TO CHANCE.**



The awareness campaigns broadcast in 2014 were well-rewarded. At the Prix Média 2015 awards, held by Infopresse and the Conseil des directeurs médias du Québec, the campaign called *Contrôle* received an award in the Best Use of Posters category, as well as Grand Prize for the Best Use of Mixed Media. The print version of the *Décider* campaign received a Batches Award in the Responsible Gambling Communications – Print category. The Batches Awards are handed out by the North American Association of State and Provincial Lotteries, to which 52 lottery corporations belong.

Clients can get information on adopting low-risk gaming habits by visiting the **Centre du hasard** information kiosks in the four casinos and two gaming halls. The new playful, interactive version of the kiosks, unveiled in 2014-2015, were visited over 40,000 times in 2015-2016, 10,000 more times than the year before. The Centres du hasard also had the opportunity to go out and meeting the general public and target groups directly, at the Mondial des Jeux Loto-Québec and at several Réseau FADOQ events.

Loto-Québec also designs awareness tools to address the less-known characteristics of games of chance. A video and a brochure were created on widespread myths about blackjack, for example. Similar **tools** were also designed about online gaming and the associated risks.

Also, at a symposium organized by the Research Chair on Gambling Studies at Concordia University, Loto-Québec established a partnership for an activity at the Casino de Montréal. Researchers and students were invited to explore the Casino “backstage” and ask questions about oversight and awareness tools, in particular.

With regard to one practical responsible commercialization measure, Loto-Québec is always ensuring that retailers uphold the law prohibiting the sale of lottery products to people under 18. Loto-Québec requires retailers to ask for proof of age from any client who looks under 25. Materials are provided for people who sell lottery tickets, and the Corporation carries out inspections using mystery shoppers. A series of measures are applied when a breach is observed.



Engaged employees

Many Loto-Québec employees offer time and money to causes they hold dear. Their generosity raised \$224,581 for the 2015 Entraide campaign for Centraide, the Québec division of the Canadian Red Cross and PartenaireSanté-Québec. Entraide is an annual campaign for Québec public service employees and retirees.

The volunteer activities of the Loto-Québec staff are run through the *Le collectif Tous gagnants* program. In 2015-2016, 1,175 employees did 6,645 hours of volunteer work outside of their work hours (these data include the SCQ activities mentioned below). One of the



1,175 EMPLOYEES DID 6,645 HOURS OF VOLUNTEER WORK.

many initiatives was the donation of nearly 350 school bags to children in need. Each employee who wanted to get involved had the responsibility to purchase the school supplies required for the child. About a hundred employees also answered the call for “Operation Santa Claus,” which was to buy a gift for an underprivileged child who had submitted a list of Christmas wishes. Finally, a total of 130 people took part in two blood drives held at the headquarters.



At the casinos, it is the cause of food insecurity that rallies the employees together. An ongoing partnership was set up in 2014 between the SCQ and four Moisson food banks (Laurentides, Montréal, Outaouais and Saguenay–Lac-Saint-Jean). In 2015-2016, the partnership involved 502 employees, who offered 1,687 volunteer hours during their personal time, as well as donations of over \$120,000 and the distribution of 7,000 kg of foodstuffs. The involvement of the SCQ and its staff earned a place in the Moisson Montréal Ambassadors Club for Claude Poisson, then President of Operations.

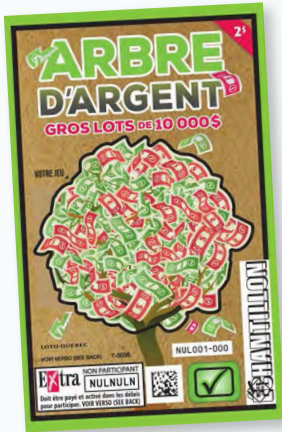
Sustainable footprint

The Loto-Québec headquarters and the Loto-Québec multifunctional complex, both in Montréal, received BOMA BEST Silver certification at the BOMA BEST award ceremonies in November 2015. The casinos in Charlevoix and Lac-Leamy and the Hilton Lac-Leamy are all awaiting certification.

The lottery sector, meanwhile, has taken the initiative to reduce the number of tickets printed. To this end, La Poule aux œufs d'or has been offered on terminals since July 2015. La Mini, which has remained unchanged since 1970, underwent a little revolution this past year, moving from the display stands to the sales terminals. This change allows the Corporation to avoid printing,

packing and distributing several thousand tickets each week.

In December 2015, Loto-Québec launched an instant lottery, Arbre d'argent, printed on paper that is 60% recycled, including 35% post-consumer waste. The use of kraft paper reduces the ecological footprint of the Arbre d'argent ticket and makes it stand out on the display case.



An integral part of the community

Works from the **Collection Loto-Québec** were put on display at activities to promote contemporary visual art. Five exhibits—in Québec City, Rivière-du-Loup, Drummondville, Saint-Bruno-de-Montarville and Montréal—raised the profile of the artists and works in the Collection. The Collection is a principal partner of the Musée d'art contemporain de Montréal and is associated with Québec events such as the Art Souterrain festival and Chromatic. Three cultural and artistic legacy projects supported by the Collection and combining art and environment were inaugurated in 2015, in Jonquière, Rouyn-Noranda and Saint-Jérôme, for the benefit of the community.



LAVOIE, Mélissa. *Héritage du quotidien*, 2015 | Villa Jonquière



Loto-Québec's presence as a sponsor of over 120 **events** also allows it to make contact with residents and current and future clients in all regions of the province, while supporting important gatherings that provide major social and economic benefits in their respective regions. The Corporation paid \$11.5 million in event and social sponsorships this year.

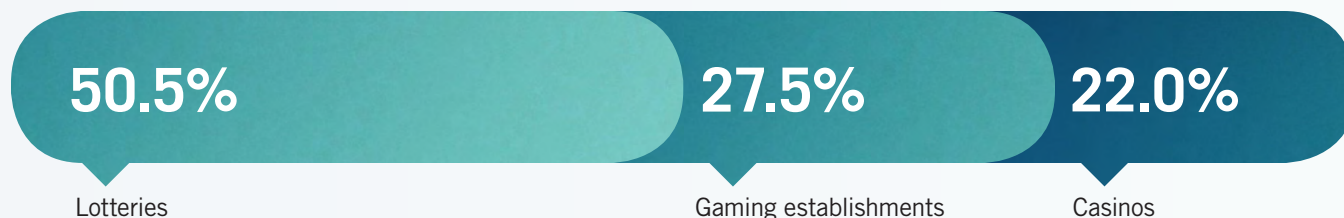
PROCEEDS FROM NETWORK BINGO AND KINZO GO TO OVER 600 NPOs ACROSS THE PROVINCE.

Finally, the proceeds from network bingo and Kinzo go to over 600 non-profit organizations (NPOs) across the province. In 2015-2016, \$6.9 million was handed over, an increase of 17%. The Government of Québec has also confirmed it will go ahead with a pilot project to test people's interest in electronic bingo. This project will be launched in winter 2017. If the public's reaction is positive, electronic bingo may be officially offered in all bingo halls. The additional income would allow Loto-Québec to increase its contributions to the NPOs associated with the bingo halls.

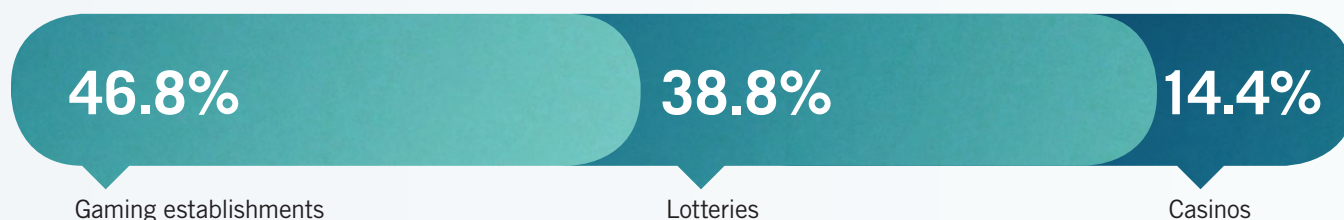
FINANCIAL REVIEW

AS AT MARCH 31, 2016

REVENUES



NET INCOME



Loto-Québec posted consolidated revenues of \$3.560 billion for the 2015-2016 fiscal year. This was an increase of \$222.3 million (+6.7%) compared to the previous year.

The consolidated gross profit totalled nearly \$2.223 billion, compared to \$2.089 billion in 2014-2015, an increase of \$133.2 million (+6.4%). Total expenses, including net financial expenses, stood at \$976.0 million, a figure comparable to that of the previous year, with an increase of only \$7.8 million (+0.8%). Total expenses declined by \$33.8 million (-3.3%) compared to the 2013-2014 fiscal year. Income from operating activities, which totalled \$1.259 billion, increased by \$124.2 million (+10.9%), with increases of 21.3% in the lottery sector, 9.3% in the casino sector and 4.1% in the gaming establishments sector. The consolidated net income was \$1.227 billion, up \$111.2 million (+10.0 %) from the preceding fiscal year.

Lotteries

With sales standing at \$1.798 billion, the lottery sector posted an increase of \$164.0 million (+10.0%) compared to the previous year. This increase stems mainly from the sound performance of Lotto Max, which recorded \$142.4 million more in sales than in 2014-2015. Luck was especially favourable in terms of the number of big jackpots awarded by this lottery: there were 16 jackpots of \$50 million, 6 jackpots of \$55 million and 8 jackpots of \$60 million, as well as a total of 540 Maxmillions, compared to just 9 jackpots of \$50 million and 39 Maxmillions the year before. The winner promotion strategy, which included press briefings and advertising campaigns, also boosted product performance.

Lottery gross profit was \$716.2 million, up \$87.7 million (+14.0%) compared to previous year. This increase stems from increased revenues (+\$63.1 million) and lower payout rates than in the previous year (+\$19.0 million).

In all, \$935.8 million in prizes was awarded to winners, while \$124.8 million went to retailer commissions.

REVENUES

As at March 31

(In thousands of Canadian dollars)	2016	2015	\$ Variation	% Variation
Draw lotteries				
Lotto 6/49	369,171	348,781	20,390	5.8
Lotto Max	360,805	218,435	142,370	65.2
Québec 49	67,195	64,474	2,721	4.2
Québec Max	44,800	31,005	13,795	44.5
Extra	134,927	113,736	21,191	18.6
Banco	162,027	155,452	6,575	4.2
Quotidienne	40,714	41,321	(607)	(1.5)
Tout ou rien	4,971	4,686	285	6.1
Astro	3,261	3,435	(174)	(5.1)
Triplex	3,304	3,772	(468)	(12.4)
Lotto Poker	20,332	23,477	(3,145)	(13.4)
Sprinto	4,217	7,596	(3,379)	(44.5)
Lotto :D	4,600	6,526	(1,926)	(29.5)
Lotto Hockey	361	2,504	(2,143)	(85.6)
Roue de fortune éclair	8,472	16,907	(8,435)	(49.9)
Plinko	6,901	–	6,901	–
Eldorado	2,097	–	2,097	–
La Mini	8,877	9,183	(306)	(3.3)
TV	53,047	60,021	(6,974)	(11.6)
Special editions	40,552	41,135	(583)	(1.4)
Total for draw lotteries	1,340,631	1,152,446	188,185	16.3
Instant lotteries	387,448	425,529	(38,081)	(8.9)
Expérience games	3,633	315	3,318	1,053.3
Event betting	65,878	55,299	10,579	19.1
Total	1,797,590	1,633,589	164,001	10.0

Casinos

The casino sector benefited from a greater emphasis placed on entertainment, especially through major theme promotions with very appealing activities. At \$806.2 million, the sector's revenues increased by \$29.4 million (+3.8%) compared to previous year. The increase in traffic (+5.9%) was greater than the increase in gaming revenues, attesting to the popularity of the entertainment-focused positioning.

REVENUES

As at March 31

(In thousands of Canadian dollars)	2016	2015	\$ Variation	% Variation
Casino de Montréal	472,152	461,337	10,815	2.3
Casino de Charlevoix	38,695	42,087	(3,392)	(8.1)
Casino du Lac-Leamy	244,679	228,102	16,577	7.3
Casino de Mont-Tremblant	15,095	15,412	(317)	(2.1)
Online gaming	35,589	29,871	5,718	19.1
Total	806,210	776,809	29,401	3.8

Gaming establishments

The gaming establishment sector, which includes video lotteries in bars and brasseries, gaming halls, bingo and Kinzo, posted revenues of \$980.3 million in 2015-2016. Compared to the previous year, this represents an increase of \$27.8 million (+2.9 %). The Salon de jeux de Québec's relocation to the Fleur de Lys shopping centre in November 2014 helped increase visitors and revenues. As for bingo halls, their revenues increased by \$4.7 million (+19.3%) thanks to interest raised by new products such as progressive jackpot pull-tab tickets and animated ticket dispensers.

Commissions paid to gaming establishment operators totalled \$200.9 million. The sum of \$6.9 million was turned over to non-profit organizations (NPOs) that hold a bingo licence. These contributions to NPOs increased by \$1.0 million (+17.0%) compared to previous year.

REVENUES

As at March 31

(In thousands of Canadian dollars)	2016	2015	\$ Variation	% Variation
Bars and brasseries	888,448	879,340	9,108	1.0
Gaming halls				
Salon de jeux de Québec	34,931	23,183	11,748	50.7
Salon de jeux de Trois-Rivières	12,604	10,984	1,620	14.7
Total for gaming halls	47,535	34,167	13,368	39.1
Bingo	28,948	24,271	4,677	19.3
Kinzo	15,402	14,707	695	4.7
Total	980,333	952,485	27,848	2.9

Operating expenses

Expenses totalled \$963.7 million, up \$9.0 million (+0.9%) compared to the previous year, despite inflation, increased revenues and costs related to collective agreements.

In the 2014-2015 fiscal year, a massive human, material and financial resource optimization plan was rolled out across the entire organization, to achieve maximum efficiency. The three-year goal of the optimization plan (2014-2015 to 2016-2017) was to achieve recurring efficiency gains of \$100 million compared to the real expenses of 2013-2014. Through a variety of initiatives, this goal is expected to be reached, as efficiency gains of \$95.5 million have already been made in 2015-2016.

Operating expenses for 2015-2016 declined by \$28.1 million (-2.8%) compared to 2013-2014. This reduction is the result of a variety of actions stemming from an overhaul of processes, projects and programs. The effect of these changes is reflected in the payroll (other than social benefits), which dropped \$8.7 million (-2.7%) from 2013-2014, despite costs related to collective agreements. Staff has also been reduced by nearly 10% since 2013-2014.

Net financial expenses

Net financial expenses stood at \$12.4 million, a decrease of \$1.2 million compared to previous year. This difference stems mainly from a lower borrowing volume and a lower average interest rate than in 2014-2015.

Contributions to governments

Loto-Québec's contribution to the Ministère des Finances in the form of dividend stood at \$1.202 billion, \$176.4 million more than in the previous fiscal year. An additional \$25.0 million was paid into the Government of Québec's various designated funds, along with \$97.6 million to the Ministère du Revenu in Québec Sales Tax (QST). Loto-Québec's total contributions to the Government of Québec equalled \$1.325 billion (2015: \$1.214 billion). The Corporation also paid \$16.8 million to the Government of Canada as compensation for the federal government's withdrawal from the lottery sector and \$48.9 million in Goods and Services Tax (GST), for a total of \$65.7 million (2015: \$65.8 million).

CONTRIBUTIONS TO GOVERNMENTS

As at March 31

(In thousands of Canadian dollars)

	2016	2015
Government of Québec		
Dividend	1,202.0	1,025.6
Designated funds ¹	25.0	90.2
Québec Sales Tax	97.6	98.3
Total to Government of Québec	1,324.6	1,214.1
Government of Canada		
Compensation – withdrawal from the lottery sector	16.8	16.5
Goods and Services Tax	48.9	49.3
Total to Government of Canada	65.7	65.8
Total	1,390.3	1,279.9

¹As per the budget tabled at the National Assembly on March 26, 2015, contributions unrelated to Loto-Québec's mission will henceforth be financed through budgetary appropriations.

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31

(In thousands of Canadian dollars)

	2016				
Business segments	Lotteries	Casinos	Gaming establishments	Elimination of intersegment transactions	Consolidated figures
Revenues					
Games	1,797,590	720,858	980,333	–	3,498,781
Restaurants	–	68,777	–	(23,850)	44,927
Accommodations	–	16,575	–	–	16,575
	1,797,590	806,210	980,333	(23,850)	3,560,283
Cost of sales					
Prizes awarded	935,837	–	25,006	–	960,843
Commissions	124,764	5,448	200,888	–	331,100
Printing	20,825	–	1,607	–	22,432
Food and beverages	–	23,324	–	–	23,324
	1,081,426	28,772	227,501	–	1,337,699
Gross profit	716,164	777,438	752,832	(23,850)	2,222,584
Expenses					
Employee benefits	67,903	324,136	37,793	(7,105)	422,727
Depreciation and amortization	22,799	76,763	36,937	–	136,499
Special payments	16,762	–	4,344	–	21,106
Goods and Services Tax	11,973	6,768	14,161	–	32,902
Québec Sales Tax	23,890	13,541	28,254	–	65,685
Other expenses	92,548	156,493	52,442	(16,745)	284,738
	235,875	577,701	173,931	(23,850)	963,657
Income from operating activities	480,289	199,737	578,901	–	1,258,927
Financial revenues	(862)	(1,202)	(82)	–	(2,146)
Financial expenses	4,581	4,961	4,976	–	14,518
Net financial expenses	3,719	3,759	4,894	–	12,372
Share of net loss of entities accounted for using the equity method	–	5,075	–	–	5,075
Write-down – other receivables	–	14,486	–	–	14,486
Net income	476,570	176,417	574,007	–	1,226,994

SUPPLEMENTARY INFORMATION

(In thousands of Canadian dollars)

2015

Business segments	Lotteries	Casinos	Gaming establishments	Elimination of intersegment transactions	Consolidated figures
Revenues					
Games	1,633,589	699,427	952,485	–	3,285,501
Restaurants	–	61,682	–	(24,867)	36,815
Accommodations	–	15,700	–	–	15,700
	1,633,589	776,809	952,485	(24,867)	3,338,016
Cost of sales					
Prizes awarded	867,766	–	20,557	–	888,323
Commissions	115,523	4,255	197,805	–	317,583
Printing	21,812	–	1,293	–	23,105
Food and beverages	–	19,622	–	–	19,622
	1,005,101	23,877	219,655	–	1,248,633
Gross profit	628,488	752,932	732,830	(24,867)	2,089,383
Expenses					
Employee benefits	67,163	320,307	41,816	(7,416)	421,870
Depreciation and amortization	26,839	74,629	37,396	–	138,864
Special payments	16,537	–	4,524	–	21,061
Goods and Services Tax	11,338	7,542	13,899	–	32,779
Québec Sales Tax	22,569	15,078	27,750	–	65,397
Other expenses	88,101	152,607	51,447	(17,451)	274,704
	232,547	570,163	176,832	(24,867)	954,675
Income from operating activities	395,941	182,769	555,998	–	1,134,708
Financial revenues	(790)	(871)	(77)	–	(1,738)
Financial expenses	5,423	3,406	6,469	–	15,298
Net financial expenses	4,633	2,535	6,392	–	13,560
Share of net loss of entities accounted for using the equity method	–	5,345	–	–	5,345
Net income	391,308	174,889	549,606	–	1,115,803

COMPARATIVE RESULTS

CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31

(In thousands of Canadian dollars)	2016	2015	2014	2013	2012
Revenues	3,560,283	3,338,016	3,519,084	3,617,680	3,660,577
Cost of sales					
Lotteries					
Prizes awarded	935,837	867,766	959,390	943,316	930,655
Commissions	124,764	115,523	122,906	122,672	124,007
Printing	20,825	21,812	26,483	27,375	29,992
	1,081,426	1,005,101	1,108,779	1,093,363	1,084,654
Casinos					
Commissions	5,448	4,255	3,783	3,108	2,464
Food and beverages	23,324	19,622	21,269	23,570	25,172
	28,772	23,877	25,052	26,678	27,636
Gaming establishments					
Prizes awarded (bingo and Kinzo)	25,006	20,557	20,019	20,359	18,103
Commissions	200,888	197,805	204,146	212,602	217,310
Printing	1,607	1,293	1,948	2,261	1,731
	227,501	219,655	226,113	235,222	237,144
Total	1,337,699	1,248,633	1,359,944	1,355,263	1,349,434
Gross profit	2,222,584	2,089,383	2,159,140	2,262,417	2,311,143
Operating expenses					
Lotteries	177,213	171,801	182,195	188,054	182,710
Casinos	456,779	448,047	473,890	475,302	476,133
Gaming establishments	94,579	97,787	95,774	87,101	88,373
Depreciation, amortization and net impairment losses	136,499	138,864	136,010	115,681	108,343
Goods and Services Tax	32,902	32,779	34,674	33,030	33,721
Québec Sales Tax	65,685	65,397	69,186	65,924	61,953
	963,657	954,675	991,729	965,092	951,233
Income from operating activities	1,258,927	1,134,708	1,167,411	1,297,325	1,359,910
Net financial expenses	12,372	13,560	18,053	11,813	8,307
Share of net loss of entities accounted					
for using the equity method	5,075	5,345	5,213	6,999	6,491
Write-down – Other receivables	14,486	–	–	–	–
Casinos Développement Europe					
Write-down of loans	–	–	–	–	59,673
Net income	1,226,994	1,115,803	1,144,145	1,278,513	1,285,439



CONSOLIDATED FINANCIAL STATEMENTS

- 32 Management's report
- 33 Independent auditors' report

Consolidated financial statements

- 34 Consolidated statement of comprehensive income
- 35 Consolidated statement of changes in shareholder's equity
- 36 Consolidated statement of financial position
- 37 Consolidated statement of cash flows
- 38 Notes to the consolidated financial statements

MANAGEMENT'S REPORT

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

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

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

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

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

Acting President and Chief Executive Officer,
Loto-Québec

Corporate Vice-President Finance
and Administration, Loto-Québec

(signed)
SIMON PATENAUDE

(signed)
JOHANNE ROCK, CPA, CA

MONTRÉAL, QUÉBEC
JUNE 2, 2016

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Loto-Québec, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information included in the accompanying notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Loto-Québec as at March 31, 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Auditor General of Québec

(signed)
MONTRÉAL, QUÉBEC
JUNE 2, 2016

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

(signed)
GUYLAINE LECLERC, FCPA AUDITOR, FCA
MONTRÉAL, QUÉBEC
JUNE 2, 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2016

(In thousands of Canadian dollars)	2016	2015
Revenues (Note 5)	3,560,283	3,338,016
Cost of sales (Note 5)	1,337,699	1,248,633
Gross profit (Note 5)	2,222,584	2,089,383
Expenses		
Employee benefits (Note 6)	422,727	421,870
Depreciation and amortization (Notes 14 and 15)	136,499	138,864
Special payments (Note 7)	21,106	21,061
Goods and Services Tax	32,902	32,779
Québec Sales Tax	65,685	65,397
Other expenses	284,738	274,704
	963,657	954,675
Income from operating activities	1,258,927	1,134,708
Financial income (Note 8)	(2,146)	(1,738)
Financial expenses (Note 8)	14,518	15,298
Net financial expenses (Note 8)	12,372	13,560
Share of net loss of entities accounted for using the equity method (Note 13)	5,075	5,345
Write-down – other receivables	14,486	–
Net income	1,226,994	1,115,803
Other comprehensive income		
Items that will not be reclassified subsequently to net income:		
Remeasurements of the net defined benefit liability (Note 20)	6,293	22,436
Other comprehensive income	6,293	22,436
Comprehensive income	1,233,287	1,138,239

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended March 31, 2016

(In thousands of Canadian dollars)	Share capital	Retained earnings	Accumulated other comprehensive income	Total
Balance as at April 1, 2014	170	86,300	(3,998)	82,472
Dividend	–	(1,025,556)	–	(1,025,556)
Fonds d'aide à l'action communautaire autonome (Note 9)				
Aide à l'action communautaire autonome	–	(16,300)	–	(16,300)
Aide à l'action humanitaire internationale	–	(3,100)	–	(3,100)
Contributions to the Government of Québec (Note 10)	–	(70,847)	–	(70,847)
Transactions with the shareholder	–	(1,115,803)	–	(1,115,803)
Net income	–	1,115,803	–	1,115,803
Other comprehensive income				
Remeasurements of the net defined benefit liability (Note 20)	–	–	22,436	22,436
Comprehensive income	–	1,115,803	22,436	1,138,239
Balance as at March 31, 2015	170	86,300	18,438	104,908
Dividend	–	(1,201,994)	–	(1,201,994)
Contributions to the Government of Québec (Note 10)	–	(25,000)	–	(25,000)
Transactions with the shareholder	–	(1,226,994)	–	(1,226,994)
Net income	–	1,226,994	–	1,226,994
Other comprehensive income				
Remeasurements of the net defined benefit liability (Note 20)	–	–	6,293	6,293
Comprehensive income	–	1,226,994	6,293	1,233,287
Balance as at March 31, 2016	170	86,300	24,731	111,201

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31, 2016

(In thousands of Canadian dollars)	2016	2015
ASSETS		
Cash and cash equivalents (Note 24)	85,531	80,261
Trade and other receivables (Note 11)	67,392	105,572
Inventories	3,184	3,066
Prepaid expenses	29,527	30,984
Current portion of financial assets related to life annuities (Note 12)	1,140	910
Total current assets	186,774	220,793
Interests in entities accounted for using the equity method, loans and advance (Note 13)	47,374	46,050
Property, plant and equipment (Note 14)	885,702	921,236
Intangible assets (Note 15)	65,899	74,487
Financial assets related to life annuities (Note 12)	87,548	74,082
Total non-current assets	1,086,523	1,115,855
Total assets	1,273,297	1,336,648
LIABILITIES		
Bank loans (Note 16)	451,000	451,981
Dividend payable	72,194	70,556
Accounts payable and accrued liabilities (Note 17)	176,511	166,747
Current portion of financial liabilities related to life annuities (Note 12)	1,140	910
Provisions (Note 18)	40,472	66,897
Deferred revenues	15,957	16,518
Current portion of long-term debt (Note 19)	49,625	75,000
Total current liabilities	806,899	848,609
Long-term debt (Note 19)	257,428	306,779
Net defined benefit and other long-term benefit liability (Note 20)	10,221	2,270
Financial liabilities related to life annuities (Note 12)	87,548	74,082
Total non-current liabilities	355,197	383,131
Total liabilities	1,162,096	1,231,740
SHAREHOLDER'S EQUITY		
Share capital authorized, issued and paid: 1,700 shares with a par value of \$100 each	170	170
Retained earnings	86,300	86,300
Accumulated other comprehensive income	24,731	18,438
Total shareholder's equity	111,201	104,908
Total liabilities and shareholder's equity	1,273,297	1,336,648

ON BEHALF OF THE BOARD

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

(signed)
SIMON PATENAUDE
 ACTING PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended March 31, 2016

(In thousands of Canadian dollars)	2016	2015
OPERATING ACTIVITIES		
Net income	1,226,994	1,115,803
Adjustments for:		
Depreciation and amortization	136,499	138,864
Loss on disposal of property, plant and equipment and intangible assets	5,341	488
Defined benefit and other long-term benefit expense	30,843	22,899
Share of net loss of entities accounted for using the equity method	5,075	5,345
Interest income on loans to Casinos Développement Europe	(957)	(623)
Foreign exchange (gain) loss on loans to Casinos Développement Europe	(1,080)	1,070
Other net financial expenses	12,548	16,113
Write-down – other receivables	14,486	–
Capitalization of defined benefit obligation	(16,599)	(17,442)
Net change in non-cash items (Note 24)	5,797	(19,434)
Interest paid	(14,424)	(17,674)
Interest received	1,189	1,115
Cash flows from operating activities	1,405,712	1,246,524
INVESTING ACTIVITIES		
Increase in loans and advance	–	(9,992)
Additions to property, plant and equipment (Note 14)	(85,993)	(104,144)
Additions to intangible assets (Note 15)	(9,950)	(11,490)
Proceeds from disposal of property, plant and equipment	344	549
Investment, net of distributions, in Manoir Richelieu Limited Partnership and payments to partners	(3,506)	(5,079)
Cash flows used in investing activities	(99,105)	(130,156)
FINANCING ACTIVITIES		
Dividend paid	(1,200,356)	(970,314)
Net change in bank loans	(981)	(10,955)
Increase in long-term debt	–	49,810
Repayment of long-term debt	(75,000)	(100,000)
Contributions to the Government of Québec (Note 10)	(25,000)	(70,847)
Fonds d'aide à l'action communautaire autonome (Note 9)		
Aide à l'action communautaire autonome	–	(16,300)
Aide à l'action humanitaire internationale	–	(3,100)
Cash flows used in financing activities	(1,301,337)	(1,121,706)
Increase (decrease) in cash and cash equivalents	5,270	(5,338)
Cash and cash equivalents, beginning of year	80,261	85,599
Cash and cash equivalents, end of year (Note 24)	85,531	80,261

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

(In thousands of Canadian dollars, unless otherwise indicated)

1 | INCORPORATION AND ACTIVITIES

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

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

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

2 | BASIS OF PREPARATION

a) Statement of compliance

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

The Board of Directors approved the financial statements of Loto-Québec and authorized their release on June 2, 2016.

b) Basis of measurement

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

- Derivative financial instruments, which were measured at fair value;
- Provisions, which were measured at the best estimate to settle the present obligations;
- The net defined benefit liability, which was measured at the present value of the defined benefit obligation, less the fair value of plan assets;
- Other long-term benefits, which were measured at the present value of the defined benefit obligation.

The methods used to measure fair value are discussed in greater detail in Note 23.

c) Functional currency and presentation currency

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

d) Use of estimates and judgments

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

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

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

Internally generated intangible assets

Management must use significant judgment in determining whether software is in the research or development stage. Costs directly attributable to the development stage are accounted for as assets provided that all the criteria are met, while research costs are expensed as incurred.

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

Provisions

The classification of certain provisions as short- or long-term sometimes requires management to use its judgment in determining the most probable timing of cash outflows. Their estimated measurements are discussed in Note 18.

Useful lives of property, plant and equipment and intangible assets

Management reviews the useful lives of assets subject to depreciation and amortization at the end of each fiscal year. As at March 31, 2016, management ascertained that the useful lives represented the expected useful lives of the assets of Loto-Québec. The carrying amounts are analyzed in Notes 14 and 15.

Impairment losses

An impairment loss is recorded in an amount equal to the excess of the carrying amount of a financial asset over the present value of the estimated future cash flows discounted at the original effective interest rate.

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

On measurement of expected future cash flows, management uses assumptions pertaining to operating results. Those assumptions relate to future events and circumstances. The carrying amounts of assets subject to impairment are analyzed in Notes 13, 14 and 15, as necessary.

Fair value of life annuities

Management uses valuation techniques to determine the fair value of life annuities for which quoted prices in an active market are not available. This requires management to make estimates and assumptions based on market data, using observable inputs that market participants would utilize in pricing life annuities. Where such inputs are not observable, management is required to use the best estimate. The fair value of life annuities is presented in Note 23 d).

Net defined benefit and other long-term benefit liability

Net defined benefit and other long-term benefit liability is exposed to uncertainties, particularly with respect to estimating discount rates, inflation rates, rates of compensation increase and mortality rates, which can vary significantly in future valuations of Loto-Québec's defined benefit obligation. This line item is analyzed in Note 20.

3 | CHANGES IN ACCOUNTING POLICIES

New standards and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, new standards and amendments and interpretations of existing standards have been published by the International Accounting Standards Board (IASB), but are not yet effective, and Loto-Québec has not early adopted them.

Management anticipates that all of the pronouncements will be adopted in Loto-Québec's accounting policies for the first annual period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are likely to be relevant for Loto-Québec's financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have a significant impact on Loto-Québec's financial statements.

IFRS 9, *Financial Instruments*

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

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

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

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

IFRS 15, *Revenue from contracts with customers*

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

The new standard:

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

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

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, which will replace IAS 17, *Leases*. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low-value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease components, variable lease payments and optional periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting for leases and introduces new disclosure requirements.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted under certain circumstances. Management of Loto-Québec has not yet determined the impact of this new standard on its consolidated financial statements.

4 | SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

(i) Subsidiaries

The subsidiaries are entities controlled by Loto-Québec. Control exists when Loto-Québec is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over those subsidiaries. The financial statements of subsidiaries are integrated into the consolidated financial statements from the date control is obtained until the date control is lost. The accounting policies of the subsidiaries have been harmonized, as required, with those adopted by Loto-Québec.

The consolidated financial statements include the accounts of Loto-Québec and those of its wholly owned subsidiaries, whose principal places of business are in Québec (Canada), namely:

- Lotim inc.;
- Société des casinos du Québec inc.;
- Casiloc inc.;
- Société des établissements de jeux du Québec inc.;
- Ingenio, filiale de Loto-Québec inc. (dissolved on March 31, 2016);
- Société du jeu virtuel du Québec inc.;
- 9059-3849 Québec inc.;
- Casino Mondial inc.;
- Casino Capital 2006 inc.;
- Nter Technologies, Limited Partnership;
- Nter Technologies Inc.

(ii) Interests in an associate and joint ventures

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

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

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

(iii) Transactions eliminated in the consolidated financial statements

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

b) Foreign currencies

Transactions denominated in foreign currencies are initially recognized in the respective functional currencies of the Loto-Québec entities using the exchange rates in effect on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are converted into the functional currency using the exchange rates in effect at the reporting date.

Foreign exchange gains and losses on loans are reported on a net basis in Financial expenses, while other foreign exchange gains and losses are reported in Other expenses in the consolidated statement of comprehensive income.

c) Revenues**(i) Games**Lotteries

Revenues from sales of lottery tickets are recorded on the date of the draw or, in the case of betting lotteries, on the start date of the event.

Revenues from sales of instant lottery tickets are recognized at the time of activation of strips of tickets.

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

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

Casinos and gaming establishments

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

(ii) Restaurants and accommodations

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

d) Free offer programs for clients

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

- When clients are awarded points exchangeable for cash, a liability is recognized in the amount of the dollar value of the points, and a corresponding amount is recognized as a reduction of revenues. When clients redeem points exchangeable for cash, the value of the liability is reduced. Points are cancelled after 18 months of client account inactivity. Cancelled points are recognized as a reduction from revenues in the consolidated statement of comprehensive income.
- For programs offering points exchangeable for goods and services only, each point accrued is recognized in Deferred revenues, with a corresponding entry in Other expenses in the consolidated statement of comprehensive income. Free offers are available in the client's account for a six- to twelve-month period. Cancelled points are recognized under Other expenses in the consolidated statement of comprehensive income.

e) Cost of sales**(i) Prizes awarded**

Prizes awarded for bingo revenues in the gaming establishments segment and for instant and countrywide revenues in the lottery segment are determined using a theoretical rate applied to sales.

(ii) Commissions

Loto-Québec pays commissions based on a percentage of lottery and bingo revenues and revenues generated from video lottery terminals.

Commissions are recognized in the consolidated statement of comprehensive income when products are sold.

f) Employee benefits**(i) Short-term benefits**

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

(ii) Compulsory public plans

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

Contributions payable under those plans are recognized through net income in the years in which the services are rendered by employees, under Employee benefit expense.

(iii) Defined benefit plans

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

Pension plans

The net defined benefit liability (asset) recognized in the consolidated statement of financial position is equal to the deficit or surplus of defined benefit plans, i.e., the difference between the present value of the defined benefit obligation at the end of the reporting period and the fair value of plan assets, adjusted to take into account the effect, if any, of the asset ceiling. The net defined benefit liability (asset) is calculated separately for each plan. Actuarial valuations, for accounting purposes, are performed by an actuary at the end of each fiscal year. The asset ceiling equals the present value of any economic benefits available in the form of refunds or decreases in future contributions to the plan. An economic benefit is available for Loto-Québec if it can be realized during the life of the plan or when the plan obligations are settled.

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

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

Other long-term benefits

Other long-term benefits consist, among other things, of extended coverage during family and disability leave. The long-term benefit liability consists of the non-pension defined benefit obligation.

The method used to determine the present value of the defined benefit obligation, related current service cost and past service cost of other long-term benefits is the same as that used for pension plans.

Service cost, net interest on the long-term benefit liability and remeasurements of the long-term benefit liability are recognized in net income under Employee benefit expense in the consolidated statement of comprehensive income.

(iv) Termination benefits

Termination benefits are paid following Loto-Québec management's decision to terminate an employee's employment before the normal retirement date or when an employee accepts voluntary redundancy in exchange for termination benefits. Loto-Québec's management recognizes employment termination benefits when it is no longer entitled to withdraw its offer or when it is demonstrably committed, through a detailed formal plan without possibility of withdrawal, to terminate the employment of certain employees. The termination benefits are recognized under Employee benefit expense in the consolidated statement of comprehensive income.

g) Commodity taxes

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

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

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

h) Financial income and financial expenses

Financial income is recognized separately in the consolidated statement of comprehensive income and includes interest income on cash and cash equivalents and on loans to the associate and a joint venture.

Financial expenses are recognized separately in the consolidated statement of comprehensive income and include interest on bank loans and long-term debt, the effect of the unwinding of the discount on provisions, the net change in the fair value of derivative financial instruments and foreign exchange gains and losses on loans. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualified asset are recognized in net income using the effective interest method.

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

i) Financial instruments**(i) Non-derivative financial instruments**

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost in the consolidated statement of financial position using the effective interest method, less net impairment losses. Interest income is recognized in Financial income in the consolidated statement of comprehensive income.

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

Financial liabilities

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

(ii) Derivative financial instruments

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

(iii) Fair value

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

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

The fair value of a financial asset traded in an active market generally reflects the bid price, and the fair value of a financial liability traded in an active market generally reflects the asking price. If the market for a financial instrument is not active, fair value is determined using a valuation technique that makes maximum use of inputs observed from markets. Those valuation techniques include using available information concerning recent market transactions, discounted cash flow analysis and valuation models.

When fair value is determined using valuation models, Loto-Québec uses assumptions regarding the amount and timing of estimated future cash flows and discount rates. Those assumptions are primarily based on external observable market inputs, including factors such as interest rates, credit spreads, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are not available.

j) Operating leases

Where Loto-Québec is the lessee and is not transferred substantially all the risks and rewards of ownership, payments under operating leases are recognized as an expense on a straight-line basis over the lease period. Related costs are recognized as an expense when incurred.

k) Cash and cash equivalents

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

l) Inventories

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

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

m) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

Property, plant and equipment in progress, land and works of art are not depreciated.

Depreciation is recognized under Depreciation and amortization in the consolidated statement of comprehensive income.

n) Intangible assets

(i) Recognition and measurement

Intangible assets consist of software and are measured at cost less any accumulated amortization.

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

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

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

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

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

When significant parts of intangible assets have different useful lives, they are accounted for as separate items of intangible assets.

(ii) Subsequent costs

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

(iii) Amortization

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

Acquired software	10% to 25%
Internally generated software	6.67% to 33.33%

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

IT projects under development are not amortized.

Amortization is recognized under Depreciation and amortization in the consolidated statement of comprehensive income.

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

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

p) Provisions

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

5 | REVENUES, COST OF SALES AND GROSS PROFIT

Business segment	2016				Total
	Lotteries	Casinos	Gaming establishments	Elimination of intersegment transactions	
Revenues					
Games	1,797,590	720,858	980,333	–	3,498,781
Restaurants	–	68,777	–	(23,850)	44,927
Accommodation	–	16,575	–	–	16,575
	1,797,590	806,210	980,333	(23,850)	3,560,283
Cost of sales					
Prizes awarded	935,837	–	25,006	–	960,843
Commissions	124,764	5,448	200,888	–	331,100
Printing	20,825	–	1,607	–	22,432
Food and beverages	–	23,324	–	–	23,324
	1,081,426	28,772	227,501	–	1,337,699
Gross profit	716,164	777,438	752,832	(23,850)	2,222,584

Business segment	2015				Total
	Lotteries	Casinos	Gaming establishments	Elimination of intersegment transactions	
Revenues					
Games	1,633,589	699,427	952,485	–	3,285,501
Restaurants	–	61,682	–	(24,867)	36,815
Accommodation	–	15,700	–	–	15,700
	1,633,589	776,809	952,485	(24,867)	3,338,016
Cost of sales					
Prizes awarded	867,766	–	20,557	–	888,323
Commissions	115,523	4,255	197,805	–	317,583
Printing	21,812	–	1,293	–	23,105
Food and beverages	–	19,622	–	–	19,622
	1,005,101	23,877	219,655	–	1,248,633
Gross profit	628,488	752,932	732,830	(24,867)	2,089,383

6 | EMPLOYEE BENEFITS

	2016	2015
Short-term employee benefits	377,385	373,606
Post-employment benefits	40,796	35,210
Termination benefits	4,546	13,054
	422,727	421,870

7 | SPECIAL PAYMENTS

	2016	2015
Payments to the Government of Canada	16,762	16,537
Payments to participating non-profit organizations (NPOs)	3,475	3,933
Payments to non-participating NPOs	869	591
	21,106	21,061

Payments to the Government of Canada

Following an agreement reached between provincial governments and the Government of Canada regarding the federal government's withdrawal from the administration of lotteries, the provinces pay the federal government an annual amount of \$24,000 in 1979 dollars, which represented \$72,021 in today's dollars for the year ended March 31, 2016 (\$71,150 in 2015).

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

Payments to NPOs

Participating NPOs

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

Non-participating NPOs

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

8 | NET FINANCIAL EXPENSES

	2016	2015
Interest income on loans to Casinos Développement Europe	957	623
Interest income – other	1,189	1,115
Total financial income	2,146	1,738
Interest expense on bank loans ¹	2,663	4,662
Interest expense on long-term debt	11,074	12,566
Loss (gain) on foreign exchange contracts	1,861	(3,000)
Foreign exchange (gain) loss on loans to Casinos Développement Europe	(1,080)	1,070
Total financial expenses	14,518	15,298
Net financial expenses	12,372	13,560

¹Interest expense on bank loans includes \$1,821 (\$3,828 in 2015) with the Caisse de dépôt et placement du Québec.

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

Since April 1, 2015, the contribution paid to the Fonds d'aide à l'action communautaire autonome is no longer financed using Loto-Québec's results, but through budgetary appropriations of the Government of Québec. Previously, the amounts payable to the Fonds d'aide à l'action communautaire autonome were determined by the Government of Québec and prescribed in Loto-Québec's constituting act.

10 | CONTRIBUTIONS TO THE GOVERNMENT OF QUÉBEC

	2016	2015
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation	–	6,000
Ministère de la Santé et des Services sociaux	22,000	52,000
Ministère de la Sécurité publique	3,000	3,472
Ministère de la Culture et des Communications	–	9,375
	25,000	70,847

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

11 | TRADE AND OTHER RECEIVABLES

	2016	2015
Wholesalers agents	–	32,426
Retailers ¹	30,104	22,849
Interprovincial Lottery Corporation	28,892	28,570
Miscellaneous	8,396	21,727
	67,392	105,572

¹ Under an agreement with its retailers, Loto-Québec has an enforceable legal right to offset accrued liabilities payable to a retailer by trade receivables from the retailer and intends to settle the amounts on a net basis. As at March 31, 2016, gross trade receivables and total accrued liabilities offset amounted to \$51,130 (\$40,773 as at March 31, 2015) and \$21,026 (\$17,924 as at March 31, 2015), respectively. The net settlement amount was \$30,104 (\$22,849 as at March 31, 2015).

12 | FINANCIAL ASSETS AND LIABILITIES RELATED TO LIFE ANNUITIES

Loto-Québec offers a life annuity option on its lottery products. When grand 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 \$1,000 (\$837 in 2015) and is reported under Other expenses in the consolidated statement of comprehensive income.

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

For the fiscal year, Loto-Québec made payments to a third party for life annuities totalling \$14,696 (\$7,041 in 2015).

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

	2016	2015
Interests	25,398	26,111
Loans and advance	21,976	19,939
	47,374	46,050

INTERESTS

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

	2016		2015	
	Casinos Développement Europe	MRLP	Casinos Développement Europe	MRLP
Equity interests				
With voting rights	35%	Class A units: 50%	35%	Class A units: 50%
With participating rights	35%	Class A units: 50%	35%	Class A units: 50%
		Class B units: 33%		Class B units: 33%
Carrying amount of interests	–	25,398	–	26,111
Share of Loto-Québec based on its proportion of Class A and B units	–	(1,406)	–	(1,584)
Share of partners based on their proportion of class C units	–	(3,669)	–	(3,761)
Net contribution				
Share of net loss of entities accounted for using the equity method	–	(5,075)	–	(5,345)

Manoir Richelieu Limited Partnership

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

Casinos Développement Europe

The share of unrecognized net income (loss) for the year ended March 31, 2016 was a net loss of \$180 (\$784 in 2015) and an unrecognized cumulative loss of \$964 (\$784 in 2015).

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

	2016		2015	
	Casinos Développement Europe	MRLP	Casinos Développement Europe	MRLP
Total current assets	10,335	6,742	11,030	7,074
Total non-current assets	54,970	93,124	26,284	94,426
Total assets	65,305	99,866	37,314	101,500
Total current liabilities	9,348	5,365	6,456	4,172
Total non-current liabilities	204,973	10,339	173,320	10,500
Total liabilities	214,321	15,704	179,776	14,672
Revenues	15,270	30,454	7,141	29,834
Net and comprehensive loss – generated by Manoir Richelieu	–	(4,273)	–	(4,526)
Share of partners, holders of Class C units	–	3,061	–	2,841
Net and comprehensive loss	(180)	(1,212)	(784)	(1,685)

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

The year-end of Casinos Développement Europe is October 31. However, in accounting for its interest using the equity method, Loto-Québec includes this entity's results available at the date of preparation of its consolidated financial statements, that is for the period from January 1 to December 31. The summarized financial information contained in the above table is presented as at October 31.

LOANS AND ADVANCE

	2016	2015
Casinos Développement Europe		
Loans, in euros, fixed rate of 8%, principal and compound interest, maturing at various dates between April 30, 2017 and May 31, 2021 (2016: €9.8 million; 2015: €9.1 million)	14,468	12,431
MRLP		
Loans, fixed rate of 5%, interest payable annually, without terms of repayment	2,508	2,508
Non-interest bearing advance, maturing on April 13, 2019	5,000	5,000
	21,976	19,939

Management determined that no loans or advances were impaired during the years ended March 31, 2016 and March 31, 2015.

14 | PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Landscaping		Leasehold improvements	Equipment and other	Works of art	In progress ¹	Total
			Parking lots	Interior and exterior					
Cost									
Balance as at April 1, 2014	46,101	441,259	123,053	415,463	71,952	660,952	7,965	16,429	1,783,174
Additions	–	2,806	(11)	19,032	7,183	34,992	310	32,953	97,265
Reclassifications <i>In progress</i> commissioned	–	–	–	10,206	–	576	–	(10,782)	–
Disposals	–	(16,910)	–	(11,009)	–	(49,729)	(8)	–	(77,656)
Balance as at March 31, 2015	46,101	427,155	123,042	433,692	79,135	646,791	8,267	38,600	1,802,783
Additions	–	(154)	–	25,234	214	42,999	–	16,522	84,815
Reclassifications <i>In progress</i> commissioned	–	4,668	–	29,197	–	–	–	(33,865)	–
Disposals	–	(1,871)	–	–	(187)	(47,005)	(392)	–	(49,455)
Balance as at March 31, 2016	46,101	429,798	123,042	488,123	79,162	642,785	7,875	21,257	1,838,143
Accumulated depreciation									
Balance as at April 1, 2014	–	180,258	78,399	196,364	49,644	341,615	–	–	846,280
Depreciation for the year	–	13,230	4,651	24,399	3,570	66,404	–	–	112,254
Disposals	–	(16,910)	–	(10,825)	–	(49,252)	–	–	(76,987)
Balance as at March 31, 2015	–	176,578	83,050	209,938	53,214	358,767	–	–	881,547
Depreciation for the year	–	13,325	4,651	27,545	3,861	67,475	–	–	116,857
Disposals	–	(1,870)	–	–	(187)	(43,906)	–	–	(45,963)
Balance as at March 31, 2016	–	188,033	87,701	237,483	56,888	382,336	–	–	952,441
Net carrying amounts									
As at March 31, 2015	46,101	250,577	39,992	223,754	25,921	288,024	8,267	38,600	921,236
As at March 31, 2016	46,101	241,765	35,341	250,640	22,274	260,449	7,875	21,257	885,702

¹Property, plant and equipment in progress consist of equipment awaiting commissioning totalling \$174 (\$150 in 2015) and buildings undergoing renovations amounting to \$21,083 (\$38,450 in 2015).

15 | INTANGIBLE ASSETS

	Acquired		Internally generated		Total
	Software	Software	IT projects under development		
Cost					
Balance as at April 1, 2014	52,391	197,169	5,633		255,193
Additions	856	6,985	2,680		10,521
Reclassification of commissioned IT projects	130	4,977	(5,107)		–
Disposals	(584)	(3,512)	–		(4,096)
Balance as at March 31, 2015	52,793	205,619	3,206		261,618
Additions	2,008	6,425	4,814		13,247
Reclassification of commissioned IT projects	23	2,946	(2,969)		–
Disposals	(921)	(4,234)	–		(5,155)
Balance as at March 31, 2016	53,903	210,756	5,051		269,710
Accumulated amortization					
Balance as at April 1, 2014	42,506	121,743	–		164,249
Amortization for the year	4,943	21,667	–		26,610
Disposals	(584)	(3,144)	–		(3,728)
Balance as at March 31, 2015	46,865	140,266	–		187,131
Amortization for the year	3,014	16,628	–		19,642
Disposals	(613)	(2,349)	–		(2,962)
Balance as at March 31, 2016	49,266	154,545	–		203,811
Net carrying amounts					
As at March 31, 2015	5,928	65,353	3,206		74,487
As at March 31, 2016	4,637	56,211	5,051		65,899

16 | BANK LOANS

Current bank loans totalled \$451,000 (\$451,981 in 2015), including \$451,000 (\$270,000 in 2015) from the Caisse de dépôt et placement du Québec, a government body executing fiduciary operations excluded from the Government of Québec's reporting entity. These loans carry interest at fixed rates ranging from 0.78% to 0.80% (0.79% to 0.82% in 2015).

17 | ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Accounts payable and accrued liabilities ¹	76,635	79,138
Lottery prizes payable	7,503	6,371
Salaries payable	72,596	62,464
Employee benefits payable	5,260	4,675
MRLP	3,637	2,781
GST	3,558	3,715
QST	7,322	7,603
	176,511	166,747

¹ Accounts payable and accrued liabilities include accrued interest totalling \$2,631 (\$3,592 in 2015) payable to the Financing Fund of the Government of Québec and \$34 (\$32 in 2015) payable to the Caisse de dépôt et placement du Québec.

18 | PROVISIONS

	2016	2015
Balance as at April 1	66,897	66,276
Provisions made during the year	472,152	407,953
Provisions used during the year	(498,577)	(407,332)
Balance as at March 31	40,472	66,897

Provisions consist of the following:

Provision for winning prizes

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

Provision for unclaimed prizes

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

Provision for progressive jackpots

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

19 | LONG-TERM DEBT

	2016	2015
Loans from the Financing Fund of the Government of Québec, interest payable semi-annually, repayable according to the following maturities and rates:		
December 1, 2015, fixed rate of 4.117%	–	75,000
December 1, 2016, fixed rate of 3.262%	49,625	49,625
December 1, 2017, fixed rate of 1.952%	40,000	40,000
December 1, 2018, fixed rate of 1.608%	50,000	50,000
December 19, 2018, fixed rate of 2.171%	50,000	50,000
December 1, 2020, fixed rate of 4.102%	43,375	43,375
September 1, 2023, fixed rate of 3.133%	25,000	25,000
December 1, 2033, fixed rate of 3.720%	25,000	25,000
December 1, 2043, fixed rate of 3.753%	25,000	25,000
	308,000	383,000
Transaction costs	(947)	(1,221)
	307,053	381,779
Less current portion	(49,625)	(75,000)
	257,428	306,779

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

a) Compulsory public plans

Employees of Loto-Québec, the Société des établissements de jeux du Québec inc. and Nter Technologies, Limited Partnership are members of the RREGOP or the RRPE, both defined benefit plans that include guarantees upon retirement or death.

On January 1, 2016, the employee and employer contribution rate rose to 11.12% (10.50% in 2015) of assessable payroll for the RREGOP while the rate for the RRPE remained at 14.38% (14.38% in 2015).

Contributions to these compulsory public plans amounting to \$10,400 (\$11,598 in 2015) were recognized as an expense in consolidated income for the year. The employer's contributions are equivalent to employee contributions, except for a compensation amount provided for in the RRPE act of 5.73% as at January 1, 2016 (5.73% as at January 1, 2015) of assessable payroll that must be paid into the fund of the participating members of the RRPE, and an equivalent amount in the employer's fund. Accordingly, Loto-Québec will pay an additional amount for the 2016 calendar year corresponding to 11.46% of the assessable payroll (11.46% in 2015).

b) Defined benefit plans

(i) Characteristics of pension plans

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

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

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

Actuarial valuations for funding purposes are prepared to ensure compliance with pension legislation. The most recent actuarial valuations for the Employee Plan and the Executive Plan were prepared as at December 31, 2014. The next valuations will be prepared as at December 31, 2015. The most recent actuarial valuation for the Supplementary Plan was prepared as at March 31, 2015 and the next valuation will be prepared as at March 31, 2016.

(ii) Risks related to pension plans

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

Interest rate risk

A decline in the market yields on high-quality corporate bonds would increase the defined benefit obligation of pension plans, but it is expected that it would be largely offset by an increase in the fair value of the plans' bond portfolio.

Investment risk

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

Plan assets as at March 31, 2016 consist primarily of Canadian and global equities, bonds and real estate. The fair value of plan assets is exposed to their respective markets and returns generated by their respective managers.

Longevity risk

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

Average age at retirement risk

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

Inflation risk

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

Salary risk

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

(iii) Explanation of amounts recognized in the financial statements

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

	2016	2015
Present value of unfunded defined benefit obligation	11,051	10,604
Present value of funded defined benefit obligation	512,268	495,980
Total present value of defined benefit obligation	523,319	506,584
Fair value of plan assets	513,098	504,314
	10,221	2,270

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

			2016	2015
	Pension plans	Other long-term benefits ¹	Total	Total
Defined benefit obligation				
Balance, beginning of year	495,980	10,604	506,584	388,451
Current service cost	27,969	–	27,969	21,267
Interest expense	20,271	–	20,271	19,293
Past service costs	254	–	254	(310)
Employee contributions	16,312	–	16,312	16,444
Benefits paid	(13,979)	–	(13,979)	(8,730)
Actuarial (gains) losses	(34,539)	447	(34,092)	70,169
Balance, end of year	512,268	11,051	523,319	506,584
Fair value of plan assets				
Balance, beginning of year	504,314	–	504,314	369,202
Interest income	19,498	–	19,498	17,913
Return on plan assets excluding interest income	(28,517)	–	(28,517)	93,153
Employer contributions	16,599	–	16,599	17,442
Employee contributions	16,312	–	16,312	16,444
Benefits paid	(13,979)	–	(13,979)	(8,730)
Plan administration expenses	(1,129)	–	(1,129)	(1,110)
Balance, end of year	513,098	–	513,098	504,314
Net defined benefit and other long-term benefit liability				
	(830)	11,051	10,221	2,270

¹The defined benefit obligation for other long-term benefits was \$10,604 as at March 31, 2015.

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

	2016		2015	
	Allocation %	Fair value \$	Allocation %	Fair value \$
Cash	1.3	6,787	1.8	8,836
Bonds	60.3	309,115	60.8	306,565
Canadian equities	9.7	49,874	9.6	48,453
International equities	20.1	103,217	20.1	101,456
Real estate funds	8.6	44,105	7.7	39,004
	100.0	513,098	100.0	504,314

The fair value of all investments is derived from inputs that can be corroborated by observable market data for the full term of the assets.

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

	2016		2015
	Pension plans	Other long-term benefits	Total
Service costs	28,223	–	28,223
Net interest expense	773	–	773
Plan administration expenses	1,400	–	1,400
Actuarial losses (gains) related to other long-term benefits	–	447	447
Post-employment and other long-term benefits	30,396	447	30,843
			20,957
			1,380
			1,275
			(713)
			22,899

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

	2016	2015
Actuarial losses arising from changes in demographic assumptions	–	(557)
Actuarial gains (losses) arising from changes in financial assumptions	42,087	(71,714)
Actuarial (losses) gains arising from plan experience	(7,548)	1,389
Return on plan assets excluding interest income	(28,246)	93,318
Remeasurements of the net defined benefit liability	6,293	22,436

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

	2016		2015	
	Pension plans	Other long-term benefits	Pension plans	Other long-term benefits
Defined benefit obligation as at March 31				
Discount rate	4.00%	3.60%	3.80%	3.35%
Inflation rate	1.50%	1.50%	2.00%	2.00%
Rate of compensation increase	2.50%	2.50%	3.00%	3.00%

For the defined benefit obligation as at March 31, 2016 and March 31, 2015, the mortality assumptions are based on 120% for male Employee Plan members, 100% for female Employee Plan members, 100% for male Executive Plan and Supplemental Plan members, and 95% for female Executive Plan and Supplemental Plan members of the mortality rates derived from the Canadian pensioners' mortality (CPM) 2014 Public Sector Mortality Table (CPM2014Publ) and the CPM Improvement Scale B (CPM-B).

Average life expectancy at age 65 as at March 31, 2016 is:

	2016		2015	
	Female	Male	Female	Male
Employee Plan	24.6 yrs	21.4 yrs	24.6 yrs	21.4 yrs
Executive Plan and Supplemental Plan	25.0 yrs	22.7 yrs	24.9 yrs	22.7 yrs

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

Significant actuarial assumptions used in determining the defined benefit obligation of pension plans consist of the discount rate, inflation rate, rate of compensation increase and mortality rates. The calculation of the defined benefit obligation is sensitive to these assumptions.

The table below summarizes the impact of changes in these actuarial assumptions on the defined benefit obligation of pension plans as at March 31, 2016:

	2016		2015	
Discount rate	Increase to 5.00%	Decrease to 3.00%	Increase to 4.80%	Decrease to 2.80%
(Decrease) increase in defined benefit obligation	(89,842)	108,789	(78,662)	93,350
Inflation rate	Increase to 2.50%	Decrease to 0.50%	Increase to 3.00%	Decrease to 1.00%
Increase (decrease) in defined benefit obligation	39,354	(63,771)	24,402	(23,096)
Rate of compensation increase	Increase to 3.50%	Decrease to 1.50%	Increase to 4.00%	Decrease to 2.00%
Increase (decrease) in defined benefit obligation	6,553	(6,253)	5,790	(5,531)
Mortality rate	Increase to 110% of rates	Decrease to 90% of rates	Increase to 110% of rates	Decrease to 90% of rates
(Decrease) increase in defined benefit obligation	(6,476)	7,059	(5,169)	5,659

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

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

Based on the result of the most recent actuarial valuation of each of those pension plans, Loto-Québec expects to make contributions totalling \$17,449 during the next fiscal year.

The weighted average duration of the defined benefit obligation of pension plans as at March 31, 2016 was 19.8 years (19.0 years in 2015).

21 | CAPITAL MANAGEMENT

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

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

	2016	2015
Bank loans	451,000	451,981
Long-term debt	307,053	381,779
Share capital	170	170
Retained earnings	86,300	86,300
	844,523	920,230

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

Loto-Québec assumes full responsibility for financing its activities. Throughout the year, it pays a dividend to its shareholder, the Québec Minister of Finance, in the form of periodic advances. The declared dividend is deducted from shareholder's equity for the year, and corresponds to the net income for the year, from which are deducted the contributions to the Government of Québec, and during the fiscal years preceding the year ended March 31, 2016, the payments to the Fonds d'aide à l'action communautaire autonome. As a result of this distribution method, Loto-Québec must rely on external financing sources.

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

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

The capital management objectives, policies and procedures have not changed since March 31, 2015.

22 | CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent liabilities

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

b) Commitments

(i) Leases

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

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

	2016	2015
Less than 1 year	32,438	33,743
1 to 5 years	99,167	103,992
More than 5 years	14,135	30,205
	145,740	167,940

(ii) Contributions to the Government of Québec

Ministère de la Santé et des Services sociaux (MSSS)

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the MSSS to make an annual contribution of \$22,000 into a specified purpose account of the Government of Québec to fund prevention measures, treatment services, research programs and awareness campaigns to counter compulsive gambling.

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

Ministère de la Sécurité publique (MSP)

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the MSP to make an annual contribution of \$3,000 into a specified purpose account of the Government of Québec to fund intensive control measures and activities that will be implemented by the Régie des alcools, des courses et des jeux to, among other things, ensure the management of control measures regarding access to video lottery terminals.

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

23 | FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Risk management policy

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

a) Credit risk

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

Loto-Québec's management considers the credit quality of all of the above financial assets, which are not impaired or past due as at each annual reporting date, that is, March 31, to be sound.

Management considers that Loto-Québec has no other significant exposure to credit risk. Past due accounts represented 1% of accounts receivable in 2016 and 2015.

b) Liquidity risk

Liquidity risk is the risk that Loto-Québec will be unable to meet its financial obligations as they fall due. Loto-Québec manages liquidity risk by monitoring its operating requirements and using its credit facilities. Loto-Québec prepares budget and cash forecasts to ensure it has sufficient funds to meet its obligations.

Contractual cash flows related to Loto-Québec's financial liabilities were as follows:

	2016					
	Carrying amount	Total contractual cash flows	Less than 12 months	Maturity		
				1 to 2 years	2 to 5 years	More than 5 years
Financial liabilities						
Bank loans	451,000	451,080	451,080	–	–	–
Dividend payable	72,194	72,194	72,194	–	–	–
Accounts payable and accrued liabilities	76,635	76,635	76,635	–	–	–
MRLP	3,637	3,637	3,637	–	–	–
Lottery prizes payable	7,503	7,503	7,503	–	–	–
Long-term debt	307,053	374,631	58,345	47,101	158,557	110,628
	918,022	985,680	669,394	47,101	158,557	110,628

2015

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

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

c) Market risk

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

(i) Foreign exchange risk

Loto-Québec has loans denominated in euros in Casinos Développement Europe, with a carrying amount of \$14,468 (€9,791) as at March 31, 2016 (\$12,431 (€9,131) in 2015).

On March 31, 2015, Loto-Québec entered into a foreign exchange forward contract denominated in euros amounting to \$27,098 (€19,951) maturing on March 31, 2016. This forward contract was purchased to protect Loto-Québec against any future changes in the foreign exchange rate with respect to those loans. A similar hedge maturing on March 31, 2017 for an amount of \$15,433 (€10,484) was renewed.

The weakening of the Canadian dollar against the euro during the year resulted in an increase of \$1,080 in the value of the loans (decrease in value of \$1,070 in 2015). This foreign exchange gain was offset by a loss on the foreign exchange forward contract denominated in euros of \$1,861 (gain of \$3,000 in 2015).

Moreover, Loto-Québec carries out other transactions in foreign currencies, but does not hold or issue financial instruments to manage the foreign exchange risk arising from such transactions. However, this risk has no significant influence on Loto-Québec's results and financial position.

The impact of foreign exchange hedging transactions on net income is recognized under Financial expenses in the consolidated statement of comprehensive income.

(ii) Interest rate risk

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

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

In addition, bank loans are taken out to meet temporary liquidity needs for a period of less than 365 days from financial institutions, the Caisse de dépôt et placement du Québec or the Minister of Finance. Those loans are managed so as to reduce the cash flow risk related to the interest paid.

d) Fair value

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

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

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

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets related to life annuities (Level 2)	88,688	113,168	74,992	105,083
Loans to Casinos Développement Europe and MRLP (Level 2)	16,976	16,976	14,939	14,939
Advance to MRLP (Level 2)	5,000	5,000	5,000	5,000
Loans and receivables	110,664	135,144	94,931	125,022
Financial liabilities related to life annuities (Level 2)	88,688	113,168	74,992	105,083
Long-term debt (Level 2)	307,053	328,990	381,779	412,864
Non-derivative financial liabilities	395,741	442,158	456,771	517,947

As at March 31, 2016 and 2015, Loto-Québec held no Level 3 financial instruments recognized at fair value.

(i) Loans and receivables

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

(ii) Non-derivative financial liabilities

The fair value of the non-derivative financial liabilities, including the fair value of financial liabilities related to life annuities and the long-term debt, is based on the present value of future cash flows of the principal and the interests, discounted at the market interest rate at the year-end.

(iii) Derivatives

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

The fair value of the foreign exchange contract was measured using Level 2 inputs. The fair value of this contract as at March 31, 2016 and 2015 was nil as it took effect on those dates. The foreign exchange contract was entered into with the Financing Fund of the Government of Québec.

24 | CONSOLIDATED CASH FLOWS

	2016	2015
Cash and cash equivalents as at March 31		
Cash on hand – Casinos	64,319	62,309
Cash	21,212	17,952
	85,531	80,261
Net change in non-cash items		
Trade and other receivables	23,694	(8,307)
Inventories	(118)	348
Prepaid expenses	1,457	(3,232)
Financial assets related to life annuities	(13,696)	(6,204)
Accounts payable and accrued liabilities	7,750	(11,393)
Financial liabilities related to life annuities	13,696	6,204
Provisions	(26,425)	621
Deferred revenues	(561)	2,529
	5,797	(19,434)
Additional information		
Additions to property, plant and equipment funded by accounts payable and accrued liabilities	15,717	16,895
Additions to intangible assets funded by accounts payable and accrued liabilities	3,824	527
Share of partners, holders of Class C units, in MRLP included in accounts payable and accrued liabilities	3,637	2,781

25 | RELATED PARTIES

a) Related party transactions and balances

Given that the Government of Québec is its sole shareholder, Loto-Québec is related to all Government of Québec departments and special funds as well as all agencies and public enterprises directly or indirectly controlled by the Government of Québec or subject to either joint control or significant influence by the Government of Québec. Except for transactions disclosed in the financial statements that were initially recognized at fair value, no individually or collectively significant transactions have been entered into by Loto-Québec with those related parties.

b) Key management personnel compensation

Key management personnel includes members of the Board of Directors and certain officers of Loto-Québec. In addition to their salaries, Loto-Québec typically provides other short-term benefits to officers and contributes on their behalf to post-employment benefit plans, such as pension and other long-term benefit plans.

Key management personnel received the following compensation:

	2016	2015
Short-term employee benefits	3,393	2,764
Post-employment and other long-term benefits	513	409
	3,906	3,173

MEASURING EFFICIENCY AND PERFORMANCE

BENCHMARKING

As required by the *Act respecting the governance of state-owned enterprises*, Loto-Québec carries out annual efficiency and performance assessments. The Board of Directors is responsible for ensuring that the steps for measuring efficiency and performance, including benchmarking with similar organizations, are undertaken by the Corporation and that this information is included in the annual report.

The benchmarking exercise involved eight government organizations across Canada: British Columbia Lottery Corporation; Western Canada Lottery Corporation; Alberta Gaming and Liquor Commission; Saskatchewan Liquor and Gaming Authority; Manitoba Liquor and Lotteries Corporation; Ontario Lottery and Gaming Corporation; Atlantic Lottery Corporation; and Nova Scotia Provincial Lotteries and Casino Corporation.

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

LAST YEAR'S RESULTS AND FINDINGS

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

Lotteries

In 2015-2016, the level of satisfaction with lottery products among the adult population was 88%—just shy of excellence, which starts at the 90% threshold. The purchase of lottery tickets among 18-to-34-year-olds was 51% (target: 53%) and 74% among adults aged 35 and over (target: 75%).

Casinos

With the focus on entertainment, the Société des casinos du Québec attaches great importance to customer service. The percentage of casino staff who have taken the Résolument client course is well above the annual objective, with a cumulative result of 92%, compared to the target of 85%. This is reflected in the penetration rate, which aims to keep existing customers and develop new ones. The penetration rate achieved this year was 19.0%, while the target set was 15.7%. The fact that the increase in traffic (+5.9%) exceeds the increase in gaming income proves the popularity of the entertainment-focused positioning.

Gaming establishments

For the Société des établissements de jeux du Québec, the number of active establishments and the number of active gaming seats are below target. This is due to a reduction in the number of terminals in the bar and brasserie network. On March 31, 2016, 1,811 establishments were active, compared to a target of 1,896, and 11,729 gaming seats were active, compared to a target of 12,000. The Corporation is guided by the following principles: channelling the existing offer in Quebec and mitigating the risks that could potentially lead to excessive gambling behaviours. Consequently, in comparison to other Canadian jurisdictions, the latest figures available (2014-2015) indicate that Loto-Québec ranks last among the eight jurisdictions in terms of video lottery expenditures. Contributions to non-profit organizations from the bingo earnings reached \$6.9 million, exceeding the \$4.6 million target by 17%.

Responsible gambling

Loto-Québec's World Lottery Association Level 4 Certification—the highest level awarded for responsible gambling—was renewed in 2012, confirming the Corporation's responsible gambling efforts. The recertification is valid until 2016. Loto-Québec is in the process of renewing this recognition, which is expected to become official in fall 2016. Loto-Québec is also moving forward with sustainable development measures, which are supported by an action plan and specific indicators.

FOLLOW-UP ON THE ACTIONS OUTLINED IN THE 2015-2020 RESPONSIBLE COMMERCIALIZATION PLAN

FOR THE 2015-2016 FISCAL YEAR

As required under the *Sustainable Development Act*, Loto-Québec is reporting, in this section, on the activities carried out in 2015-2016 for each of the 13 actions in its 2015-2020 Responsible Commercialization Plan (RCP). This first RCP (formerly known as the sustainable development action plan) operationalizes the responsible commercialization code *Nos règles du jeu* adopted in fall 2014 by the Board of Directors, and the Government Sustainable Development Strategy 2015-2020, adopted in fall 2015. Although the actions taken under the 2013-2015 sustainable development action plan continued during all the fiscal year, this accounting is based on the 2015-2020 RCP, that was launched in the second quarter.

The RCP involves five horizontal objectives. Their classification is not a prioritization in the usual sense and aims primarily to reflect the order in which the orientations and the objectives were formulated in the Government Strategy.

The five objectives establish that the staff members constitute the foundation of the RCP, and thus, the employees must be mobilized and equipped for the target results to be achieved. Next come the objectives related to responsible gambling and the integrity of the games, which are both unique to Loto-Québec's area of activity. The fourth objective is more global and pursues continuous performance improvement in the financial, social and environmental senses. This objective also includes the management system and performance evaluation. Finally, the fifth objective concerns the engagement of the stakeholders, which is the very basis of the creation of shared value.

ACTION 1

Organizational objective: Provide our employees with a stimulating workplace

Action: Mobilize our employees to achieve our business objectives

MEASURES	INDICATORS	TARGETS	STATUS
1. Communicate our business objectives and strategic priorities, drawing a connection with responsible commercialization	Percentage of employees who connect responsible commercialization and business objectives	85% of employees	Ongoing
2. Highlight the employees' contribution to the achievement of our results	Number of communications related to the recognition of employees directly involved in responsible commercialization projects	Four annual communications	Ongoing

RESULTS FOR THE YEAR

1. A survey on responsible commercialization was drafted. It will be conducted in the fall of each year.
2. A communication was issued in fall 2015.

FURTHER INFORMATION

1. An internal communications plan was developed in fall 2015, and intranet communications to illustrate the practical application of the responsible commercialization principles in our operations began in February 2016.
2. These communications highlighted the accomplishments of the team that worked on renewing the BOMA BEST certification of two of the Corporation's buildings.

ACTION 2

Organizational objective: Provide our employees with a stimulating workplace

Action: Anchor responsible commercialization in our organizational culture

MEASURES	INDICATORS	TARGETS	STATUS
1. Integrate relevant actions from the responsible commercialization plan into the strategic plans and annual action plans of the business units	Percentage of annual action plans that include actions from the responsible commercialization plan	100% of plans	Ongoing
2. Provide our employees with responsible commercialization tools	Percentage of employees who feel they are equipped to contribute to at least one of the responsible commercialization objectives	80% of employees	Ongoing
3. Continue our responsible gambling awareness and training efforts with our employees	Percentage of employees trained in responsible gambling	95% of active employees	Ongoing

RESULTS FOR THE YEAR

1. A total of 100% of the units in question have included actions from the responsible commercialization plan in their plans.
2. The benchmark percentage will be established when the responsible commercialization survey is conducted in fall 2016.
3. A proportion of 91.7% of the employees have taken the Level-1 workshop on responsible gambling awareness.

FURTHER INFORMATION

The Loto-Québec corporate social responsibility governance structure, created in April 2014, constitutes the foundation of this action. It is made up of the corporate social responsibility committee, which has the mandate to help optimize and prioritize corporate social responsibility measures in Loto-Québec's operations. The committee is led by the Vice President of Responsible Gambling and Social Commitment and the committee members are the directors of the business units, as well as the Corporate Vice President of Strategy, Innovation and Public Affairs. This committee also oversees the work of the three steering committees, which are made up of directors of Loto-Québec's corporate and business units and which have the mandate to ensure consistency in the social responsibility measures and support the Corporation's accountability in this regard. Within the responsible commercialization framework, the committees are divided as follows:

- Responsible gambling
- Environment and society
- Community relations

ACTION 3

Organizational objective: Optimize responsible gambling measures at every step of our commercialization activities

Action: Provide a dynamic and competitive offer including the principles of responsible gambling

MEASURE	INDICATOR	TARGET	STATUS
Take the principles of responsible gambling into account in the design, approval and evaluation of our games	Percentage of new games evaluated	100% of new games	Ongoing

RESULT FOR THE YEAR

A total of 100% of the games have been evaluated.

FURTHER INFORMATION

In preparation of our request to renew Loto-Québec's World Lottery Association (WLA) certification, we conducted a review of all our evaluation processes.

ACTION 4

Organizational objective: Optimize responsible gambling measures at every step of our commercialization activities

Action: Enforce the responsible commercialization framework with our retailers, raise player awareness of low-risk gaming behaviours in our gaming establishments and take action with players who show signs of gambling problems

MEASURES	INDICATORS	TARGETS	STATUS
1. Foster the improvement of our retailers' responsible commercialization practices	To be determined	To be determined	To be implemented
2. Increase the reach of our awareness tools within our establishments	Number of contacts made with clients at the Centre du hasard information kiosks	15% increase by 2020	Ongoing
3. Continue our efforts to support players with problems	Percentage of new self-excluded clients interested in at least one of our assistance services	20% of self-excluded clients by 2020	Ongoing

RESULTS FOR THE YEAR

1. To come in 2016-2017
2. In total, 40,464 clients visited the Centre du hasard information kiosks in 2015-2016, an increase of 37% (29,637) over 2014-2015.
3. A total of 56.3% of contracts include the services of a counsellor, an increase of 45.5% over the previous year.

FURTHER INFORMATION

1. A meeting was held in May 2016 to begin the review of the two recognition programs for retailers.
3. After a tour to visit the security teams in the gaming establishments, with the help of Morneau Shepell, Loto-Québec noted a significant increase in self-excluded clients' interest in the services of a self-exclusion counsellor.

ACTION 5

Organizational objective: Optimize responsible gambling measures at every step of our commercialization activities

Action: Develop and communicate relevant information so that players can make informed decisions about their participation in gaming activities and have fun without losing control of their gaming habits

MEASURE	INDICATOR	TARGET	STATUS
Improve the awareness rate of information about responsible gambling among players	Percentage of players who know the basic messages about responsible gambling	To be determined	Ongoing

RESULT FOR THE YEAR

To come in 2016-2017

FURTHER INFORMATION

An evaluation of the awareness rate and the target will be carried out in 2016-2017 after a survey is conducted.

ACTION 6

Organizational objective: Guarantee the integrity of our games and their distribution channels

Action: Communicate the rules of all gaming activities and products

MEASURE	INDICATOR	TARGET	STATUS
Disclose the rules of all our games or products on lottery tickets, on our websites, in our gaming establishments and at our points of sale	Percentage of games for which the rules are available to players (online, at our retailers or in our establishments)	100% of games	Ongoing

RESULTS FOR THE YEAR

A total of 100% of the games and gaming devices launched in 2015-2016 in the casinos, on Espacejeux.com and at the Société des établissements de jeux du Québec (SEJQ) were certified (video lottery terminals in bars, brasseries and taverns and in gaming halls). Verifying the clarity and compliance of the gaming rules is part of the certification process.

FURTHER INFORMATION

Action 7 outlines the steps to take to enforce the gaming and product rules.

ACTION 7

Organizational objective: Guarantee the integrity of our games and their distribution channels

Action: Implement oversight measures that enforce these rules

MEASURES	INDICATORS	TARGETS	STATUS
1. Maintain information security management systems (ISMS) and apply best security and integrity practices	World Lottery Association (WLA) security control standard certification (ISO/IEC 27001: 2005 certification)	Certification maintenance (annual follow-up and renewal every three years)	Ongoing
2. Maintain security measures to protect the Corporation's assets and games (surveillance, analysis, monitoring, compliance with official documents)	Monitoring of measures	100% of our facilities	Ongoing

RESULTS FOR THE YEAR

1. The ISO/IEC 27001: 2013 certification was renewed in May 2015 for all facilities, and the WLA certification earned in 2014 is maintained.
2. Security monitoring measures were taken at all facilities.

FURTHER INFORMATION

1. The certification attests that the candidate meets all the requirements of ISO/IEC 27001: 2005 and the 111 additional security requirements established by the WLA, including 90 controls specific to lottery and gaming security and integrity. It will have to be renewed in 2017.
2. The Corporate Security and Prevention Department establishes measures related to various aspects of security, such as building surveillance, employee awareness of how to handle crisis situations, additions and updates to security camera coverage, investigations related to different types of events (assaults, theft, vandalism, fraud) and surveillance and monitoring by a specialized team, to protect the integrity of the games.

ACTION 8

Organizational objective: Guarantee the integrity of our games and their distribution channels

Action: Ensure all players are treated equally

MEASURES	INDICATORS	TARGETS	STATUS
1. Have our processes, games and random number generators certified in accordance with the rules and regulations in effect, as well as standards we have adopted, by external independent specialists	Percentage of compliance for new games	100%	Ongoing
2. Maintain the minimum control standards for key lottery processes, in keeping with Interprovincial Lottery Corporation (ILC) standards	ILC attestation	Maintenance of the attestation	Ongoing

RESULTS FOR THE YEAR

1. A total of 100% of the games and gaming devices launched in 2015-2016 in the casinos, on Espacejeux.com and at the SEJQ (video lottery terminals in bars, brasseries and taverns and in the gaming halls) are compliant.
2. The certification process for compliance with the ILC standards was successfully completed in March 2016.

FURTHER INFORMATION

1. The games, gaming devices and random number generators (RNG) of the following subsidiaries and business units are certified in accordance with the laws and regulations in effect, as well as the standards adopted by Loto-Québec, by external independent specialists: Société des casinos du Québec (games, gaming devices and RNG), Espacejeux.com (games and RNG), SEJQ (games, gaming devices and RNG) and Lotteries (RNG for electronic draws).

ACTION 9

Organizational objective: Continue the drive to improve our overall performance

Action: Contribute to the vitality of communities and improve the performance of our social programs

MEASURES	INDICATORS	TARGETS	STATUS
1. Optimize the benefits of our sponsorships for our organization and the community	Percentage of events that attain the sustainability threshold	85% of sponsored events	Ongoing
2. Optimize the presentation of artworks from the Collection Loto-Québec (in connection with Agenda 21 de la culture du Québec)	Attendance rate at Collection presentation events	20% increase by 2020	Ongoing

RESULTS FOR THE YEAR

1. In total, 81.2% of sponsored events attained the sustainability threshold.
2. For the 2015-2016 reference year, there were 114,336 visitors at the 7 Collection presentation events.

FURTHER INFORMATION

1. A slight decrease was observed in comparison to 2014-2015 (83.3%), but the event organizers are still deeply motivated. At Les Vivats – Les prix Loto-Québec pour les événements responsables, 25% of the finalists were sponsored events, as were 56% of the winners. A considerable increase has been noted since 2010-2011 (only 48.1% of the events attained the sustainability threshold in the beginning).
2. Loto-Québec is now trying to reach out to the people where they live, to bring them into contact with the artists and artworks from the Collection. In this vein, the Collection contributed to seven exhibitions. For example, artworks from the Collection were on display at the Art Souterrain festival, introducing several important pieces to a wider public.

ACTION 10

Organizational objective: Continue the drive to improve our overall performance

Action: Efficiently and effectively manage our resources

MEASURE	INDICATOR	TARGET	STATUS
Introduce a responsible commercialization continuous improvement system and report on its effects on the environment and society	Dollars saved through the responsible commercialization process	\$20 million in savings thanks to the responsible commercialization approach by 2020	Ongoing

RESULT FOR THE YEAR

A method was defined to standardize the calculation method for different types of projects. It is being validated with pilot projects carried out by several business and corporate units.

FURTHER INFORMATION

This action is in direct connection with Action 11.

ACTION 11

Organizational objective: Continue the drive to improve our overall performance

Action: Optimize our acquisition, operation and infrastructure management initiatives

MEASURES	INDICATORS	TARGETS	STATUS
1. Develop responsible commercialization criteria for projects and calls for tenders; develop synergies to reduce costs and impacts	Number of projects improved	100% of structuring projects	Ongoing
	Percentage of calls for tenders for products and services evaluated (excluding calls for tenders for food products and consultation services) to ascertain the possibility of including responsible procurement criteria	100% of calls for tenders	Ongoing
2. Implement an improvement process for our information and communications technologies	Number of improvements implemented based on a known green IT repository	10 improvements by 2020	Ongoing
3. Strengthen the global performance management system of our infrastructures	BOMA BEST certifications	Maintenance of certifications	Ongoing

RESULTS FOR THE YEAR

- Six pilot projects are underway.
A total of 100% of calls for tenders were evaluated.
- The reference model to identify improvement options was chosen (Gartner model).
- Two buildings had their BOMA BEST certification renewed in fall 2015.

FURTHER INFORMATION

- An eight-criteria grid for corporate social responsibility was developed and is being validated through six projects involving ten business and corporate units.
The Corporate Procurement team was trained in October on the 2015-2020 RCP objectives and on the criteria sheet designed for landscaping upkeep.
- The green IT questionnaire to identify the starting point was analyzed and will be completed at the beginning of the 2016-2017 fiscal year to establish the priority improvements.
- The two buildings were rated Silver in the second version of BOMA BEST certification. The certification process provided the opportunity to perfect our real estate management practices in terms of preventive maintenance and asset maintenance planning.

ACTION 12

Organizational objective: Continue the drive to improve our overall performance

Action: Optimize the publication of our responsible commercialization performance

MEASURES	INDICATORS	TARGETS	STATUS
1. Develop responsible commercialization indicators and integrate them into our performance evaluation process	Quarterly submission of dashboards to the governance structure committees	Annual report on our responsible commercialization performance	Ongoing
2. Optimize the publication of our responsible commercialization performance	Satisfaction percentage of visitors to the Corporate Responsibility section of the lotoquebec.com website	To be determined	Ongoing

RESULTS FOR THE YEAR

1. An operational monitoring dashboard is being finalized.
2. To come

FURTHER INFORMATION

1. A first presentation of the operational monitoring dashboard was made to the governance structure committee members in early June 2016.
2. The Corporate Responsibility section of the Loto-Québec website was reviewed in summer 2015 and a satisfaction survey for visitors was developed in winter 2016. It will be posted in the first quarter of 2016-2017. The target will be determined after the survey results are analyzed.

ACTION 13

Organizational objective: Encourage dialogue with stakeholders based on a vision of complementary roles

Action: Enhance our relationships with our stakeholders

MEASURES	INDICATORS	TARGETS	STATUS
1. Step up all communications activities, with special emphasis on digital platforms as the principal means of interaction with our audiences	Engagement rate on the business units' social media platforms (for our products)	To be determined	To be implemented
	Engagement rate on the corporate units' social media platforms	To be determined	To be implemented
2. Develop projects to improve social programs in connection with our stakeholders	Number of new projects carried out in partnership with external stakeholders	10 projects by 2020	Ongoing

RESULTS FOR THE YEAR

1. The methodology to determine the engagement rates and targets was developed in the first quarter of 2016-2017.
2. Six partnerships were created.

FURTHER INFORMATION

1. Since the adoption of the RCP in August 2015, several communications about responsible commercialization have been broadcast on Loto-Québec's social media platforms, including Facebook, Twitter and the new Loto-Québec blog, toutunblogue.com. A total of 22 articles related to responsible commercialization have been posted on the blog. Among the topics broached, the issue of game integrity was handled in the most playful and entertaining manner to date. For example, two posts were published about what goes on backstage at *La Poule aux oeufs d'or*. The issue dealt with draw integrity.
2. Loto-Québec cooperated on responsible gambling projects with the Réseau FADOQ in the Outaouais region, the Mondial des jeux Loto-Québec, the Salon de l'Homme and the Research Chair on Gambling Studies Symposium.

In collaboration with Novae, Loto-Québec also launched the first social innovation competition, MOUVEMENT, which offers coaching as well as grants in money and services to encourage entrepreneurs, organizations and ordinary citizens to create projects that will have a practical impact on their community.

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

PREAMBLE

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

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

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

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

1 | DEFINITIONS

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

- a) “Act”: the *Act Respecting the Société des loteries du Québec* (L.R.Q., c. S-13.1), as amended and modified from time to time
- b) “Association”: a group of persons having a common goal other than that of generating profits for the benefit of its members
- c) “Board”: the Board of Directors of the Corporation or of one of its subsidiaries
- d) “Code”: this Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries
- e) “Committee”: the Board’s Governance and Ethics Committee, as prescribed by the *Act Respecting the Governance of State-Owned Enterprises*
- f) “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
- g) “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
- h) “Contract”: a draft agreement
- i) “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
- j) “Corporation”: Loto-Québec
- k) “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
- l) “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
- m) “Manager”: with respect to the Corporation, any contract executive whose conditions of employment are subject to approval by the Board
- n) “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

- o) “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
- p) “Spouse”: husbands and wives, as well as persons living together maritally for more than one year
 - q) “Subsidiary”: any company wholly owned by the Corporation

2 | GENERAL PROVISIONS

- 2.1 The present Code is intended to maintain and strengthen public trust with respect to the integrity and impartiality of the Corporation’s administration, encourage transparency within the Corporation, and to instil a sense of responsibility in its Directors and its Managers.
- 2.2 The present Code is also intended to establish ethical principles and rules of professional conduct for the Corporation. The ethical principles take into account the Corporation’s mission, the values on which its actions are based, and its general principles of management. The rules of professional conduct relate to the duties and obligations of Directors and of Managers, clarifying and illustrating them in an indicative manner.
- 2.3 The present Code is applicable to Directors and to Managers of the Corporation and its subsidiaries, all of whom are required to respect its provisions.
- 2.4 The present Code has been established in accordance with the Act, the Corporation’s internal governance regulation and the Regulation. It reflects and, as applicable, completes the provisions of the aforementioned.
- 2.5 The Board approves the present Code upon the recommendation of the Committee, which is responsible for its review.
- 2.6 In the context of the present Code, the prohibition of an act includes the attempt to commit the act and participation in or inducement to commit the act.
- 2.7 The Corporation shall take all necessary measures to ensure the confidentiality of information provided by Directors and Managers in conjunction with the application of the present Code.

3 | ETHICAL PRINCIPLES AND GENERAL RULES OF PROFESSIONAL CONDUCT

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

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

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

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

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

- 3.3 Directors and Managers are required to collaborate with the Chairman of the Board or the Committee on questions of ethics or professional conduct whenever asked to do so.
- 3.4 In exercising their functions, Directors and Managers are required to keep their knowledge current and employ independent professional judgement in the best interests of the Corporation.
- They are required to be familiar with, promote the respect of, and conform to the present Code, applicable laws and regulations, and policies, directives and rules as set forth by the Corporation. They are also required to keep themselves informed as to the economic, social and political climate in which the Corporation acts.
- 3.5 Directors and Managers are required to maintain relations with all persons and with the Corporation based on respect, cooperation and professionalism.
- 3.6 Directors and Managers shall make decisions in a manner so as to ensure and maintain the relationship of trust with clients, suppliers and partners of the Corporation, as well as with the Government.
- 3.7 In exercising their functions, Directors and Managers must respect the Corporation's mission, vision and strategic directions set out in its strategic plan.
- 3.8 Directors and Managers may not, either directly or indirectly, offer, solicit or accept an undue favour or benefit for themselves or any persons related to a Director or Manager or a third party, nor can they accept any gift, any hospitality or any benefit other than what is customary and of modest value. Any gift, any hospitality or any benefit that does not correspond to these criteria must be returned to the donor or to the State.
- 3.9 Door prizes in excess of \$100 won by any Directors or Managers must be returned to the event organizers if the Corporation has paid event participation costs. Persons accompanying Directors or Managers in such cases are subject to the same rule.
- 3.10 In carrying out their functions, Directors and Managers must seek to defend only the Corporation's interests, to the exclusion of their own or those of a third party.
- 3.11 Directors and Managers shall not undertake any obligations to third parties nor afford them any guarantees with respect to any vote that they may be called upon to participate in or any decision whatsoever that the Board may be called upon to render.
- 3.12 A vote by a Director that is in violation of the provisions of the present Code or that is lodged while the Director is in default with respect to the production of the declaration mentioned in Section 4.11 may not be considered a deciding vote.
- 3.13 Directors or Managers who assume responsibilities in other entities may occasionally find themselves in situations of Conflict of interest. Whenever the present Code does not provide for the specific situation, they must determine whether their actions meet the behavioural standard the Corporation may reasonably expect in such circumstances. They must also determine if a reasonably informed person would conclude that their interests in the other entity are liable to influence their decisions and affect their objectivity and impartiality when discharging their duties to the Corporation.
- 3.14 Within a reasonable delay of assuming their position, Directors and Managers are required to organize their personal affairs so as not to prejudice the exercise of their functions and avoid incompatibility or Conflict of interest between their personal interests and the duties of their position. As applicable, they are required to take all necessary measures in order to comply with the provisions of the present Code.
- 3.15 Directors and Managers may not mix the Corporation's assets with their own. They may not utilize the Corporation's assets or Confidential information received in the course of carrying out their functions for personal or third party profit. These obligations remain in effect even after they have ceased to occupy their functions.
- 3.16 Directors and Managers are bound by discretion with respect to all Confidential information to which they are party in the exercise of their functions and are required to respect the confidential nature of information received at all times. Furthermore, Board deliberations, positions held by, and votes taken by its members are confidential.

- 3.17 Directors and Managers are required to respect any and all restrictions and apply protective measures with regard to Confidential information as follows:
- They must only convey Confidential information to authorized persons.
 - If they use a system of electronic mail, they must comply with all practices and directives issued or approved by the Corporation regarding the storage, use and transmission of information by this system. They must not forward Confidential information received from the Corporation via this system to anyone.
 - They are responsible for taking measures to protect the confidentiality of information to which they have access. These measures include:
 - Not allowing documents containing Confidential information to be casually seen by third parties or unauthorized employees
 - Taking appropriate measures to ensure the physical protection of documents
 - Avoiding discussions in public that could reveal Confidential information
 - Identifying documents that may circulate as containing Confidential information that must be treated as such
 - Discarding any and all confidential documents using appropriate means (shredding, archiving, etc.) whenever they are no longer necessary for the execution of their mandate as Directors or Managers
- 3.18 While exercising their functions, Directors and Managers may not have dealings with any persons that have ceased being a Director or Manager of the Corporation for less than one year if such persons are acting on behalf of another party with respect to a procedure, negotiation or any other operation to which the Corporation is party and about which such persons possess information that is not publicly available.
- 3.19 Once no longer exercising their functions, no Director or Manager may disclose any Confidential information received, or provide anyone with advice based on Confidential information unavailable to the public concerning the Corporation or any other organization or Enterprise with which they had direct and substantial relations during the year preceding the date on which their functions were terminated. During the course of the 12 months following this date, they are prohibited from acting on or on behalf of others relative to any procedure, negotiation or other operation to which the Corporation is party and about which they possess Confidential information not available to the public.
- 3.20 Directors or Managers who intend to become electoral candidates are required to inform the Chairman of the Board of their intention.
- If the Chairman of the Board or the President and Chief Executive Officer has such intentions, they must so inform the Secretary General of the Executive Committee.
- 3.21 In exercising their functions, Directors and Managers must make decisions independently of all partisan considerations.

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

Prevention of conflicts of interest

- 4.1 Directors and Managers must avoid placing themselves in situations of conflict between their personal interests and their official duties, or in situations that may cast reasonable doubt as to their ability to discharge their duties with uncompromised loyalty.
- Directors and Managers must avoid situations in which they or Related persons could profit directly or indirectly from a contract signed by the Corporation or by influencing decisions taken by them in accordance with their official functions within the Corporation.
- Full-time Directors or Managers of the Corporation or of any of its subsidiaries are also required to avoid taking positions or being bound by engagements that may prevent them from fully giving their duties the time and attention that would normally be required.
- Other Directors are required to ensure that they are able to devote the appropriate time and attention to the exercise of their functions reasonably required in the circumstances.
- 4.2 Directors and Managers with full-time duties within the Corporation may not possess direct or indirect interests in an organization, Enterprise or Association that create a conflict between their personal interests and the interests of the Corporation. If they do, they may be subject to dismissal. However, such dismissal shall not take place if the interest accrues through an inheritance or gift that is diligently renounced or disposed of. In the interval, Sections 4.5, 4.6, 4.8 and 4.11 shall apply.
- All other Directors holding interests in an Enterprise must comply with Sections 4.5, 4.6, 4.8 and 4.11. Failure to do so may make them subject to dismissal.

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

- be or have been (during the three years preceding the date of their nomination) employed by the Corporation or be related to a person described in Section 1.n) that has been so employed.
- be employed by the Government, a Government agency, or a Government Enterprise within the meaning of Sections 4 and 5 of the *Auditor General Act* (R.S.Q. c. V-5.01).
- have any relations as determined by the Government under Section 5 of the *Act Respecting the Governance of State-Owned Enterprises*.

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

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

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

Renunciation and abstention

4.5 Directors or Managers who:

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

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

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

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

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

- a) at which the contract or matter of concern is being discussed;
- b) subsequent to when Directors with no previous interest in the contract or matter acquire such interest;
- c) subsequent to when Directors acquire an interest in an already concluded contract;
- d) subsequent to when any and all persons with an interest in the contract or matter under study become Directors.

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

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

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

- 4.8 Directors and Managers must make the disclosure required under Section 4.5 as soon as they have any knowledge of a contract that falls within the bounds of this section and that, in the normal course of the Corporation's business, does not require Director approval.
- 4.9 Sections 4.5 through 4.8 also apply to cases where such interest is held by a Person related to a Director or Manager.
- 4.10 Directors and Managers shall denounce all rights they may possess against the Corporation or any of its subsidiaries in writing to the Chairman of the Board, indicating their nature and value, as soon as such rights come into existence or as soon as they become aware of them.
- 4.11 Within 30 days of their nomination, and on March 31 of each year in which they remain in service, Directors and Managers must forward a declaration in the form prescribed in Appendix 2 to the Chairman of the Board containing the following information:
- a) The names of any and all Enterprises in which they directly or indirectly hold securities or equity (including shares), stipulating the nature and quantitative and proportional amounts of securities held, as well as their equity value
 - b) The names of any and all Enterprises in which they exercise functions or in which they have a direct or indirect interest in the form of a claim, right, priority, mortgage or significant financial or commercial benefit
 - c) To the best of their knowledge, the information stipulated in the preceding sections concerning their employer and the body corporate, corporation or Enterprise of which they are owner, shareholder, Director, Manager or controller
 - d) The name of any and all Associations in which they exercise functions or of which they are members, stipulating their functions, as applicable, as well as the purposes of the Association

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

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

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

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

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

- 4.13 Directors and Managers may notify the Corporation in advance of Board of Directors discussions pertaining to specific corporations or other entities from which they wish to be excluded.
- 4.14 In all cases where a matter may engender a Conflict of interest related to the function of a Director or Manager, or in the case of a corporation or entity declared by Directors or Managers under Section 4.13, the Secretary shall apply the deliberative procedures concerning conflicts of interest as prescribed in Appendix 3 of this Code.
- 4.15 Directors may not accept fees from the Corporation or from any of its subsidiaries for consulting or any other similar services.

Dispensations

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

5 | APPLICATION OF THE CODE

- 5.1 The present Code is an integral part of the professional duties of Directors and Managers.
- Directors and Managers undertake to become familiar and comply with it, as well as with any directive or particular instruction that may be supplied as to its application. In addition, they must confirm their adherence to the Code each year.
- In case of any doubt as to the scope or application of a provision, Directors and Managers are required to consult the Committee.
- 5.2 Within 30 days of the adoption of a substantive amendment of the present Code by the Board, all Directors and Managers must submit the attestation described in Appendix 4 to the Chairman of the Board and the Secretary of the Corporation.
- 5.3 New Directors and Managers must each do the same within 30 days of their taking office.
- 5.4 The Associate Secretary General responsible for senior positions at the Ministère du Conseil exécutif is the competent authority for the application of the present Code with respect to the Chairman of the Board and other Directors appointed by the Government.
- 5.5 The Chairman of the Board is the competent authority with respect to all Directors and Managers of subsidiaries in which the Corporation holds 100% of the shares.
- 5.6 The Committee may, as it sees fit, provide dispensation to a Director or Manager from one or more of the provisions of the present Code if it is of the opinion that such dispensation does not prejudice the objectives of the present Code as described in Section 2.1 and that the provisions of the Act and the Regulation have been met.
- The Committee designates the Secretary to assist it in this function.
- 5.7 The Committee may advise Directors and Managers as to the interpretation of the provisions of the present Code and their application to particular or even hypothetical cases. It is not required to limit an opinion to the terms of the request.
- 5.8 The Committee must:
- review the present Code on an annual basis and submit any changes for approval to the Board;
 - engage and oversee the process of preparing and assessing the Code of Ethics and Rules of Professional Conduct;
 - ensure that the Directors and the Managers are provided with information and training about the contents and application procedures of the present Code;
 - give its opinion and offer its support to the Board (Corporation) and to any and all Directors or Managers confronted with a problem;
 - handle any requests for information related to the present Code;
 - investigate any irregularity with respect to the present Code on its own initiative or upon receipt of an allegation.
- 5.9 The Committee may consult with and receive opinions from outside advisers or experts on any matter it deems relevant.
- 5.10 The Committee and the competent authority concerned shall preserve the anonymity of complainants, petitioners and informers except when there exists manifest intention to the contrary. They cannot be bound to reveal information likely to identify such persons except if required by law or by a court of law.
- 5.11 The Secretary shall assist the Committee and the Chairman of the Board in matters concerning the application of the present Code.
- The Secretary shall maintain archives containing declarations, disclosures and attestations required to be submitted under the provisions of the present Code, as well as reports, decisions and advisory opinions with respect to ethics and professional conduct. Moreover, the Secretary is required to take all necessary measures to ensure the confidentiality of information supplied by Directors and Managers pursuant to the application of the present Code.
- 5.12 Directors or Managers who are aware of or suspect the existence of a violation of the present Code, including the use of or irregular communication of Confidential information or an undisclosed Conflict of interest, are required to report this to the Committee.
- Such disclosure is to be made confidentially and must include the following information:
- The identity of the perpetrator or perpetrators of the violation
 - A description of the violation
 - The date or period of time over which the violation took place
 - A copy of any documents that support the claim

- 5.13 Directors and Managers of the Corporation may, on their own initiative, submit a complaint against any Director or Manager to the competent authority.
- 5.14 In order for an appropriate decision to be taken in an emergency situation requiring rapid intervention, or in case of presumed gross negligence, the competent authority may provisionally remove Directors or Managers accused of breaches of ethics or professional conduct from their functions with remuneration.
- 5.15 Whenever a Director or Manager is accused of a breach of ethics or professional conduct, the Committee is responsible for gathering all pertinent information. The Committee shall report its conclusions to the appropriate competent authority and recommend any appropriate action that may be required.
- 5.16 Directors and Managers are not deemed to have violated the provisions of the present Code if prior favourable opinion has been obtained from the Committee under the following conditions:
- a) Notification is received prior to the occurrence of events on which it is based
 - b) The Board has been notified
 - c) All pertinent facts have been fully revealed to the Committee in an exact and complete manner
 - d) Directors or Managers have complied with all the requirements of the notification

6 | DISCIPLINARY PROCESS

- 6.1 If it concludes that a violation of the Act, the Regulation, or the present Code has occurred, the competent authority may impose one of the following penalties:
- a) In the case of a Manager, any appropriate penalty up to and including dismissal
 - b) In the case of a Director, reprimand, suspension without remuneration for a maximum of three months, or dismissal

Notwithstanding the preceding, when the competent authority is the Associate Secretary General as defined in Section 5.4, the penalty shall be imposed by the Secretary General of the Executive Committee. In addition, if the proposed penalty is the dismissal of a Public Administrator named or designated by the Government, it may only be imposed by the latter. In that case, the Secretary General of the Executive Committee may immediately suspend the Public Administrator for a period not exceeding 30 days without remuneration.

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

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

- 6.3 In case of a violation as described in Section 4.2, the dismissal of the offender shall be placed on the record by competent authorities.
- 6.4 Directors and Managers are required to account for any and all profits made or benefits received due to or on the occasion of any violation of the provisions of the present Code, and they must reimburse the Corporation.
- 6.5 Any vote by Directors provided in violation of the provisions of the present Code or related to any such violation, or while the Directors are in default with respect to the production of the declaration mentioned in Section 4.11, shall not be a deciding vote.

7 | EFFECTIVE DATE

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

POLICIES ON LANGUAGE AND THE AWARDING OF CONTRACTS, AND WORKFORCE ACT

LANGUAGE POLICY

Making language quality a top priority

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

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

AWARDING OF CONTRACTS

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

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

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

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

In 2014-2015, in keeping with the Act, Loto-Québec adopted a directive on service contracts and submitted it to the Conseil du trésor. Under this directive, in 2015-2016, the President and Chief Executive Officer of Loto-Québec authorized 79 service contracts for over \$25,000, with a total value of \$17,532,234. None of these contracts were concluded with a natural person.

LOTO-QUÉBEC WORKFORCE* AS AT MARCH 31, 2016

Category	Number of employees
Management staff	115
Professional staff	533
Office, technical and similar staff	355
Labourers, maintenance and service staff	27
Interns	1
Total	1,031

*Excluding subsidiaries

For the period from April 1, 2015, to March 31, 2016, the staffing level did not exceed the target set by the government.

ACCESS TO INFORMATION AND PROTECTION OF PERSONAL INFORMATION

ACCESS TO INFORMATION

In 2015-2016, Loto-Québec received 187 access to information requests. Of the requests processed, 102 were accepted, 25 were partially accepted and 26 were declined. The Corporation did not possess any documents related to 20 of the requests. Two further requests were withdrawn during processing. As of March 31, 2016, 12 requests were still pending.

Two requests were sent to the Commission d'accès à l'information for review and are awaiting a hearing.

In general, the reasons for declining access to documents held by Loto-Québec were that they related to third parties who did not consent to their disclosure or that they contained personal or business information. Requests were answered within the deadline set by law.

Also this year, in compliance with the Regulation respecting the distribution of information and the protection of personal information, the Corporation voluntarily disclosed information on its website.

PROTECTION OF PERSONAL INFORMATION

Under the stewardship of the information management committee, the principles of the protection of personal information were communicated through training courses, memos to employees and in relation to specific cases. The related guidelines were also reviewed.

BOARD OF DIRECTORS AND CORPORATE SECRETARIAT



HÉLÈNE F. FORTIN
FCPA, FCA, ICD.D

Montréal
Chairwoman of the Board
of Directors of Loto-Québec
Partner, LF&B CPA inc.

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

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

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



GÉRARD BIBEAU

Saint-Antoine-de-Tilly
President and Chief Executive
Officer of Loto-Québec

APPOINTMENT: NOVEMBER 7, 2011
END OF TERM: APRIL 3, 2016

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



SIMON PATENAUDE

Brossard
Acting President and
Chief Executive Officer
of Loto-Québec

APPOINTMENT: APRIL 4, 2016
END OF TERM: UNDETERMINED

After earning a Bachelor's degree in Business Administration and graduate studies in management sciences at HEC Montréal, Simon Patenaude worked as a marketing research consultant for several years. He began his career at Loto-Québec in 1984 in the Marketing Department and climbed the ranks to General Manager of Marketing in 2001. Twelve years later, he was appointed Corporate Vice President of Communications and Public Affairs, later returning to the lotteries sector as Vice President of Sales and Marketing, and then President of Operations, a position he has held since March 2015. Mr. Patenaude sits on the Board of the Interprovincial Lottery Corporation and has been a member of the organizing committees for the 2004 North American Association of State and Provincial Lotteries Conference and the 2012 World Lottery Summit.

**ALAIN ALBERT**

Magog
Corporate Director

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

Chairman of the Human Resources Committee and member of the Commercial Affairs Committee

Alain Albert holds a Master's degree in Counselling from the University of Maine, a Bachelor's degree with specialization in educational and career counselling from the Université du Québec à Montréal and a Bachelor of Arts degree from the Université de Montréal. A retired administrator, Mr. Albert has accumulated over 30 years of experience in the Québec civil service. From 1981 to 2005, he worked at the Commission de la santé et de la sécurité du travail, notably as Vice President of Partner Relations and Expertise during his last 11 years there. Since 2007, he has been a member of the Board of the Société de l'assurance automobile du Québec, where he chairs the Human Resources and Customer Service committees and sits on the Governance and Ethics Committee.

**DONALD M. BASTIEN**

Montréal
Corporate Director

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

Member of the Human Resources Committee and the Commercial Affairs Committee

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

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

Montréal
Corporate Director

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

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

Holding a Bachelor's degree in Accounting from the Université du Québec à Montréal, Paule Bouchard was a partner at the accounting firm Richter LLP, where she was in charge of the Professional Practice Group. Ms. Bouchard was a member of Richter's Board of Directors from 2007 to 2015. She has more than 25 years of experience in Canadian, U.S. and international accounting and auditing standards and their practical applications. During her career, she has sat on numerous committees for the Ordre des comptables professionnels agréés du Québec and the Canadian Institute of Chartered Accountants. Ms. Bouchard is a director for several corporations. She presides over the Audit Committee of the Société du parc Jean-Drapeau, and is a member of the Finance and Information Resource Management committees of the Université de Sherbrooke, and chairs the Fondation Le Chaînon Audit Committee.

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

**ANDRÉ DICAIRE**

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

APPOINTMENT: APRIL 29, 2010
END OF TERM: APRIL 20, 2016

*Member of the Audit
Committee, the Governance
and Ethics Committee, and the
Commercial Affairs Committee*

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

**LYNDA DURAND
ASC**

Montréal
Co-President and Co-Owner,
Productions Ostar inc.

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

*Chairwoman of the Governance
and Ethics Committee, and
member of the Commercial
Affairs Committee*

Lynda Durand holds a Bachelor of Law degree from the Université de Sherbrooke and was admitted to the Québec Bar in 1984. With over 25 years of experience in the legal field, Me Durand worked in private practice in Sherbrooke from 1986 to 1990. In addition to her practice, she taught negotiation techniques at the École du Barreau. From 1990 to 1997, she was Vice President of Legal Services, Communications and Material Resources at the Government of Québec's Commission de la santé et de la sécurité du travail. Since 1997, Me Durand has been Co-President of the Ostar inc. television production company. She is the first woman to chair the Board of Directors of the Université de Sherbrooke since the institution was founded. She also sits on the Board of Directors of the Orchestre symphonique de Montréal. Her sense of service led her to join the Board of Governors of the Canadian Red Cross. Moreover, in January 2014, she was named by the Ministère de l'Éducation, du Loisir et du Sport to a task force studying concussions. In 2013, she received the title of Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés.

**JEAN ANDRÉ ÉLIE**

Montréal
Corporate Director

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

*Member of the Audit
Committee and the Commercial
Affairs Committee*

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

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



NATHALIE GOODWIN
LL. B., ASC

Montréal
Attorney and Partner,
Agence Goodwin

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

*Member of the Human
Resources Committee
and the Commercial
Affairs Committee*

A Université de Montréal law graduate and member of the Québec Bar since 1990, Nathalie Goodwin is a partner at Agence Goodwin, a company she founded with two associates and which specializes in representing artists who work in various fields on all continents. The company also launches projects internationally in a wide range of artistic endeavours. Ms. Goodwin provides legal advice on representation, development and negotiations. She is also a shareholder and director of the Compagnie des Deux Chaises inc. She was a member of the Board of Directors of the Association Littéraire et Artistique Internationale Canada from 1995 to 1998 and, from 2009 to 2010, of the Société générale de financement. From 2008 to 2012, she has served on the Board of Directors of Alliance Films inc. and has chaired the company's Human Resources Committee. In 2013, she received the title of Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés.



MEL HOPPENHEIM
C.M.

Montréal
Corporate Director

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

*Member of the Governance
and Ethics Committee, and the
Commercial Affairs Committee*

Mel Hoppenheim is a leading figure in the movie industry, both in Québec and throughout the rest of Canada. He founded Concordia University's Mel Hoppenheim School of Cinema, which enrolls more than 500 students each year. Mr. Hoppenheim holds an honorary doctorate from Concordia University. He is also one of the co-founders of the Institut national de l'image et du son (INIS). Involved in the funding of numerous charitable and community organizations, he sits on the boards of the Montreal Children's Hospital and the Montreal Heart Institute Foundation. In 2015, Mr. Hoppenheim was invested into the Order of Canada (C.M.).



SERGE LABEL
ASC

Québec City
Attorney, BCF LLP

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

*Member of the Governance
and Ethics Committee, and the
Commercial Affairs Committee*

A Université Laval law graduate since 1982, member of the Québec Bar since 1983 and an Administrateur de sociétés certifiés (ASC) (certified corporate director) by the Collège des sociétés since 2008, Serge LeBel specializes in litigation and business law. A member of several boards of directors and corporate advisory boards, Me LeBel has always been actively involved in community affairs, within organizations such as the Fondation Québec Jeunes, the Canadian Red Cross in Québec, the YWCA de Québec, the École d'entrepreneuriat de Québec, the Fondation de l'entrepreneuriat, as well as the Chambre de commerce et d'industrie de Québec's Institut du mentorat entrepreneurial. He has also been an active member of the Lions Club since 1985.

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



ANIE PERRAULT
LL. L., ASC

Saint-Bruno-de-Montarville
Executive Manager, BIOQuébec

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

*Member of the Human
Resources Committee and the
Commercial Affairs Committee*

An attorney by training, Anie Perrault is currently Executive Manager of BIOQuébec and a part-time member of the Canadian Human Rights Tribunal. She was a city councillor for the Ville de Bromont from 2009 to 2015. In February 2013, Ms. Perrault received the title of Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés. She sits on the Board of the Théâtre de l'Opsis and on the Research Ethics Committee of Genome Québec. From 2006 to 2011, she was President of her own communications firm, Communications Anie Perrault, and from 2001 to 2006, she held the position of Vice President of Communications at Genome Canada. Previously, she was National Director of Communications and Public Affairs for Canada's Research-Based Pharmaceutical Companies (Rx&D). From 1998 to 2000, Ms. Perrault was Press Officer, Director of Communications and Senior Advisor to the Right Honourable Joe Clark. Additionally, she was Policy Advisor to various Members of Parliament from 1989 to 1992 and from 1995 to 1998. From 1992 to 1995, Ms. Perrault practised law in Montréal at Davis Ward Phillips & Vineberg.



LYNNE ROITER

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

A graduate of Université Laval's Law Faculty and member of the Québec Bar since 1972, Lynne Roiter joined Loto-Québec in 1985 as Director of Legal Affairs. Prior to that, she practiced her profession as lawyer at the Commission des droits de la personne, the Régie de l'assurance automobile du Québec and in private practice. Since November 1996, she has served as Loto-Québec's Corporate Secretary and Vice President of Legal Affairs. She is also Corporate Secretary of the World Lottery Association, an organization comprised of more than 140 public lottery corporations from some 80 different countries around the world.

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

BOARD OF DIRECTORS AND COMMITTEE REPORTS

MANDATE

The mandate of the Board of Directors is to oversee Loto-Québec's operations in compliance with the provisions of its act of incorporation and the related regulations, as well as the other laws and regulations governing the Corporation. The Board ensures that Loto-Québec takes the necessary measures to achieve the objectives arising from its mission. To do so, it adopts gaming regulations and approves Loto-Québec's principal policies, orientations and annual business plan and also monitors the progress of the organization's corporate responsibility actions and establishes the risk management oversight policies related to its operations.

The Board is supported in its decision-making process by three statutory committees: the Audit Committee, the Governance and Ethics Committee, and the Human Resources Committee, and it is authorized to form other committees in accordance with its needs. For example, it formed the Commercial Affairs Committee in 2008-2009 and the Ad Hoc Committee for the Recruitment of the New President and Chief Executive Officer in 2015-2016, after Gérard Bibeau announced his departure. Each of these committees makes recommendations to the Board in its area of expertise.

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

COMPOSITION

As of March 31, 2016, the Board had 12 members, all appointed by the Government of Québec. All are independent members, except for the President and Chief Executive Officer.

ATTENDANCE

Regular meetings of the Board of Directors are scheduled at the beginning of the fiscal year, while special meetings are held as needed over the course of the year. The manner in which advance notice is given to members for committee meetings varies according to individual committee requirements.

During the 2015-2016 fiscal year, the Board of Directors held 10 regular meetings and 2 special meetings. A closed session without management present was held at the end of each Board and committee meeting.

DIRECTOR ATTENDANCE REPORT AS OF MARCH 31, 2016

Members	Board of Directors		Audit Committee	Governance and Ethics Committee	Human Resources Committee		Commercial Affairs Committee	Ad Hoc Recruitment Committee
	Regular 10	Special 2	Regular 6	Regular 2	Regular 5	Special 2	Regular 3	Regular 9
Hélène F. Fortin	10/10	2/2	6/6	2/2	5/5	2/2	3/3	9/9
Alain Albert	9/10	2/2	–	–	5/5	2/2	3/3	9/9
Donald M. Bastien	10/10	2/2	–	–	5/5	2/2	3/3	–
Paule Bouchard	8/10	1/2	6/6	–	–	–	3/3	8/9
André Dicaire	9/10	2/2	6/6	2/2	–	–	2/3	–
Lynda Durand	10/10	2/2	–	2/2	–	–	3/3	7/9
Jean André Élie	10/10	2/2	6/6	–	–	–	3/3	–
Nathalie Goodwin	9/10	2/2	–	–	5/5	2/2	2/3	–
Mel Hoppenheim	2/10	1/2	–	1/2	–	–	0/3	–
Serge LeBel	9/10	2/2	–	2/2	–	–	1/3	–
Anie Perrault	9/10	2/2	–	–	5/5	2/2	3/3	–

Excused absences.

REMUNERATION

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

REMUNERATION OF THE INDEPENDENT DIRECTORS

Directors	Total Remuneration
Hélène F. Fortin ^{1, 2, 3, 4, 5 and 6}	\$60,653.50
Alain Albert ^{3, 4 and 5}	\$22,672.70
Donald M. Bastien ^{3 and 4}	\$20,300.00
Paule Bouchard ^{1, 4 and 5}	\$26,299.77
André Dicaire ^{1, 2 and 4}	\$14,183.45
Lynda Durand ^{2, 4 and 5}	\$24,588.00
Jean André Élie ^{1 and 4}	\$20,300.00
Nathalie Goodwin ^{3 and 4}	\$19,442.00
Mel Hoppenheim ^{2 and 4}	\$11,148.00
Serge LeBel ^{2 and 4}	\$16,296.00
Anie Perrault ^{3 and 4}	\$19,728.00
	\$255,611.42

As of March 31, 2016

¹Audit Committee

²Governance and Ethics Committee

³Human Resources Committee

⁴Commercial Affairs Committee

⁵Ad Hoc Recruitment Committee

⁶Pension plan committees for employees and for management and professional staff of the Société des casinos du Québec

ACTIVITIES

STRATEGIC PLANNING AND BUSINESS PLAN

At each meeting of the Board of Directors, Loto-Québec management reported on the progress of the Corporation's business in relation to the 2015-2016 business plan and principal current projects. This year, the Board also approved the 2014-2015 annual report¹ and the 2016-2017 action plan.

The topics it dealt with in the last year include:

- The internal project relating to the client of tomorrow
- The transformation of the lottery ticket distribution model
- The reopening of the Cabaret du Casino de Montréal
- The opening of a L'Atelier de Joël Robuchon restaurant at the Casino de Montréal
- The provisions of Bill 74 on the screening of illegal online gaming sites and on the distribution of video lottery terminals
- The pilot project for electronic bingo
- Investments in two casinos in France

In addition, during the last fiscal year, the Board approved game rules for lotteries, casinos and gaming establishments, including online gaming.

A progress report on the corporate responsibility initiatives set out in the 2015-2020 Loto-Québec Responsible Commercialization Plan was tabled at every Board meeting.

¹The Board of Directors approved the 2015-2016 annual report at its meeting of June 2, 2016.

FINANCIAL RESULTS AND INTERNAL CONTROLS

At each of its ordinary meetings, the Board reviewed a presentation on the financial statements and their highlights. On the recommendation of the Audit Committee, the Board approved the financial statements for the year ended March 31, 2015¹ as well as the 2016-2017 operating budgets.

On the recommendation of the Audit Committee, the Board adopted Loto-Québec's efficiency and performance evaluation measures, which will be used for the benchmarking exercise with other lottery corporations.

The Board also approved the dissolution of Ingenio and, at the same time, the name of the new Corporate Vice President's Office of Strategy, Innovation and Public Affairs.

The Board moreover ensured that Loto-Québec met its commitment to protecting its clients in terms of the sale of alcohol in casino gaming areas and accountability in this regard. No complaints related to the sale of alcohol in gaming areas were filed in 2015-2016.

On the recommendation of the Audit Committee, the Board also approved changes to various internal operational policies related to its areas of competence.

After every Audit Committee meeting, the Board of Directors received a verbal report on the committee's activities.

CORPORATE GOVERNANCE

During the 2015-2016 fiscal year, the Board of Directors enforced the Corporation's governance regulations and policies. On the recommendation of the Governance and Ethics Committee, it approved amendments to the Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries. The Board also conducted the annual review of its operations.

After every Governance and Ethics Committee meeting, the Board of Directors received a verbal report on the committee's activities.

HUMAN RESOURCES MANAGEMENT

Throughout the 2015-2016 fiscal year, the Board of Directors monitored various policies relating to personnel management, in cooperation with the Human Resources Committee. For example, it approved a freeze on the salary structure of the President and Chief Executive Officer as well as the senior executives for 2015-2016. It also approved the remuneration parameters for non-union personnel and managers at Loto-Québec and its subsidiaries for 2016-2017. The directors also ratified the results of the incentive program for 2014-2015 and the program's terms of application for 2015-2016, for all employees targeted.

The changes in the job description as well as competence and experience profile for the President and Chief Executive Officer were also approved by the Board, which monitored the activities of the Ad Hoc Committee for the Recruitment of the President and Chief Executive Officer. While awaiting a permanent appointment, the Board recommended an interim candidate to the government.

The Board's other decisions includes the approval of several organizational changes, recommendations concerning the President of Lottery Operations, the nomination of the President of Operations for the Société des établissements de jeux du Québec (SEJQ) and the abolition of the position of Vice President of Sales and Marketing in the Office of the President of Lottery Operations – (POL), the nomination of the President of Operations for the Société des casinos du Québec (SCQ) and the Acting General Manager of the Casino de Montréal, as well as the abolition of the position of Chief Operating Officer at the SCQ.

A member of the Board continued to sit on the SCQ's employee and executive and professional pension plan committees as a representative of the Loto-Québec Board of Directors.

The Board also approved the 2015-2016 action plan for individuals with disabilities.

On the recommendation of the Human Resources Committee, the Board approved changes to various internal operational policies related to the committee's areas of authority.

After every Human Resources Committee meeting, the Board of Directors received a verbal report on the committee's activities.

¹At its meeting of June 2, 2016, and upon recommendation by the Audit Committee, the Board of Directors approved the financial statements of the Corporation for the year ended March 31, 2016.

AUDIT COMMITTEE REPORT

MANDATE AND COMPOSITION

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

As of March 31, 2016, the Audit Committee was composed of four independent members.

Chairwoman: Paule Bouchard, FCPA Auditor, FCA

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

All the members have the requisite experience and skills in accounting or finance.

ACTIVITIES

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

- Approved Loto-Québec's quarterly financial statements and monitored the budget
- Reviewed the Corporation's 2014-2015 financial statements with the co-auditors, namely the Auditor General of Québec and Raymond Chabot Grant Thornton LLP, and recommended their approval to the Board of Directors^{1,2}
- Conducted a follow-up on the application of the International Financial Reporting Standards (IFRS)
- Recommended that the Board rule that no bonuses be paid for 2014-2015
- Recommended that the Board adopt the Loto-Québec efficiency and performance evaluation measures for the benchmarking exercise
- Took note of the evolution in the cost of the SCQ pension plans
- Monitored the internal control certification programs
- Approved the resource optimization audit approach and ensured that resource optimization was incorporated into the auditing mandates
- Conducted a follow-up on integrated business risk management and the crisis management plan
- Ensured that the Internal Auditing Department was able to perform its role independently of Loto-Québec management
- Approved and monitored Internal Auditing's 2015-2016 annual work plan
- Monitored the activities of the groups responsible for information technologies and security
- Reviewed the operational policies for which it is responsible, and recommended that the Board of Directors approve the required changes
- Carried out the annual review of its mandate
- Evaluated its performance in relation to its mandate

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

¹On the recommendation of the Board of Directors, the government renewed the contract with Raymond Chabot Grant Thornton LLP, which will audit the financial statements for the fiscal years ending March 31, 2016 and 2017. The firm's audit fees for the 2015-2016 financial statements came to \$481,175, in compliance with its proposal.

²At its meeting of June 1, 2016, the Audit Committee reviewed the 2015-2016 financial statements with the external co-auditors and recommended their approval to the Board of Directors.

GOVERNANCE AND ETHICS COMMITTEE REPORT

MANDATE AND COMPOSITION

The Governance and Ethics Committee assists the Board of Directors in developing and applying the best ethics and corporate governance practices. 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 Loto-Québec's policies are reviewed on an annual basis by the appropriate Board committees. It also develops expertise and experience profiles for the appointment of Board members, with the exception of the President and Chief Executive Officer, and recommends them to the Board. It is responsible for reviewing its charter on an annual basis and for recommending any appropriate changes to the Board.

As of March 31, 2016, the Governance and Ethics Committee was composed of five independent members.

Chairwoman: Lynda Durand

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

ACTIVITIES

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

- Concluded that the Loto-Québec governance rules were in compliance
- Reviewed the Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries and recommended that the Board of Directors approve the necessary amendments
- Reviewed the Code of Ethics for Employees of Loto-Québec and its Subsidiaries
- Reviewed, at each of its meetings, complaints received by the Corporate Secretary and the measures put in place for the reporting line, as well as investigating and making any required recommendations
- Monitored the conflict of interest statements of the Corporation's directors and senior executives
- Reviewed the new director intake program and the members' professional development program
- Reviewed the members' competence and experience profiles
- Reviewed the composition of the committees
- Conducted the annual review of the operational evaluation criteria that apply to the Board of Directors, its committees and members, the process used and the evaluation form
- Conducted the annual review of the Board's operations
- Reviewed the operational policies under its governance and ensured that all other committees did so as well
- Carried out the annual review of its mandate
- Evaluated its performance in relation to its mandate

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

HUMAN RESOURCES COMMITTEE REPORT

MANDATE AND COMPOSITION

The Human Resources Committee is charged with examining the human resources policies and strategic orientations and making the required recommendations to the Board of Directors, as well as monitoring the implementation of the related actions. It also sees to the implementation of remuneration norms and scales for Loto-Québec managers and employees and helps with succession planning for the corporate management personnel. The committee is also tasked with developing the competence and experience profile and assessment criteria for the President and Chief Executive Officer, as well as recommending the remuneration for the position, within the parameters established by the government. It is responsible for reviewing its charter on an annual basis and for recommending any appropriate changes to the Board.

As of March 31, 2016, the Human Resources Committee was composed of five independent members.

Chairwoman: Alain Albert

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

ACTIVITIES

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

- Recommended that the Board not allow any increase in the salary structures for the President and Chief Executive Officer and senior executives for 2015-2016
- Recommended that the Board approve the remuneration parameters for non-union personnel and managers at Loto-Québec and its subsidiaries for 2016-2017
- Recommended that the Board approve the results of the incentive program for 2014-2015 and its terms of application for 2015-2016, for all employees targeted
- Recommended that the Board approve the recommendations with regard to the President of Lottery Operations
- Recommended that the Board approve the nomination of the President of Operations of the SEJQ and the abolition of the position of Vice President of Sales and Marketing of the POL
- Recommended that the Board approve the nomination of the President of Operations of the SCQ and of the Acting General Manager of the Casino de Montréal, as well as the abolition of the position of Chief Operating Officer of the SCQ
- Took note of the evolution in the cost of the SCQ pension plans
- Monitored the employee mobilization initiative
- Monitored the succession identification program
- Monitored the return to work program for a retired employee
- Monitored the corporate volunteer program
- Recommended that the Board approve the 2015-2016 action plan for individuals with disabilities
- Reviewed the operational policies for which it is responsible, and recommended that the Board of Directors approve the required changes
- Carried out the annual review of its mandate
- Evaluated its performance in relation to its mandate

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

REMUNERATION AND BENEFITS OF THE FIVE HIGHEST-PAID EXECUTIVES OF THE CORPORATION FOR THE FISCAL YEAR ENDING ON MARCH 31, 2016

Name and title	Salary received	Incentive remuneration	Vehicle	Additional benefits ¹	Group insurance plan
G�rard Bibeau President and Chief Executive Officer	\$376,930	\$56,540	\$18,002	\$2,500	\$6,998
Claude Poisson President of Operations Soci�t� des casinos du Qu�bec	\$287,003	\$71,529	\$18,967	\$2,500	\$7,994
Carole Drolet President of Operations Soci�t� des �tablissements de jeux du Qu�bec	\$250,000	\$66,350	\$3,628	\$2,500	\$3,884
Simon Patenaude President of Operations Lotteries	\$250,000	\$64,750	\$4,196	\$2,500	\$6,735
Lynne Roiter Corporate Secretary and Vice President of Legal Affairs	\$235,392	\$60,731	\$4,590	\$2,500	\$3,495

PENSION PLAN AND SUPPLEMENTARY BENEFITS PROGRAM
Basic pension plan

- Mr. Bibeau is a member of the Retirement Plan for Senior Officials – Civil Service.
- Mr. Poisson, Mr. Patenaude, Ms. Drolet and Ms. Roiter are members of the Government of Qu bec's Pension Plan for Management Personnel.
- The contribution and pension are calculated based on the usual provisions of their membership plans.

Supplementary pension plan

- Mr. Poisson, Mr. Patenaude, Ms. Drolet and Ms. Roiter are members of the Loto-Qu bec's Supplemental Pension Plan for Executive Management, which provides for a pension based on the average salary of the three best years of service, with an accumulation rate of 2.5% a year. This pension is reduced by the benefit offered under the basic plan.

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

COMMERCIAL AFFAIRS COMMITTEE REPORT

MANDATE AND COMPOSITION

The Commercial Affairs Committee was formed in 2008-2009, on the recommendation of the Governance and Ethics Committee. All members of the Board of Directors initially sat on this committee, which had a dual mandate: discuss the Corporation's commercial activities and better equip directors in their respective roles with customized training on matters concerning Loto-Québec's activities. At the end of the 2011-2012 fiscal year, again on the recommendation of the Governance and Ethics Committee, the Board reviewed the composition and mandate of the Commercial Affairs Committee. It must now be made up of at least three independent members. Its new mandate consists of handling the Corporation's main strategic affairs, conducting in-depth discussions on matters related to commercial practices or important operational issues and handling any other business that the Board may refer to it.

As of March 31, 2016, the Commercial Affairs Committee was composed of 11 independent members.

Chairwoman: Hélène F. Fortin, FCPA, FCA

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

ACTIVITIES

During the last fiscal year, the Commercial Affairs Committee met three times. The meetings dealt mainly with customer renewal and the development of the information technology sector.

AD HOC COMMITTEE FOR THE RECRUITMENT OF THE NEW PRESIDENT AND CHIEF EXECUTIVE OFFICER

MANDATE AND COMPOSITION

The mandate of the Ad Hoc Committee for the Recruitment of the New President and Chief Executive Officer is to ensure that the selection process for this position is effective and diligent and to make recommendations to the Board of Directors.

As of March 31, 2016, the Ad Hoc Committee for the Recruitment of the New President and Chief Executive Officer was composed of four independent members.

Chairwoman: Hélène F. Fortin, FCPA, FCA

Members: Alain Albert, Paule Bouchard, FCPA Auditor, FCA, and Lynda Durand

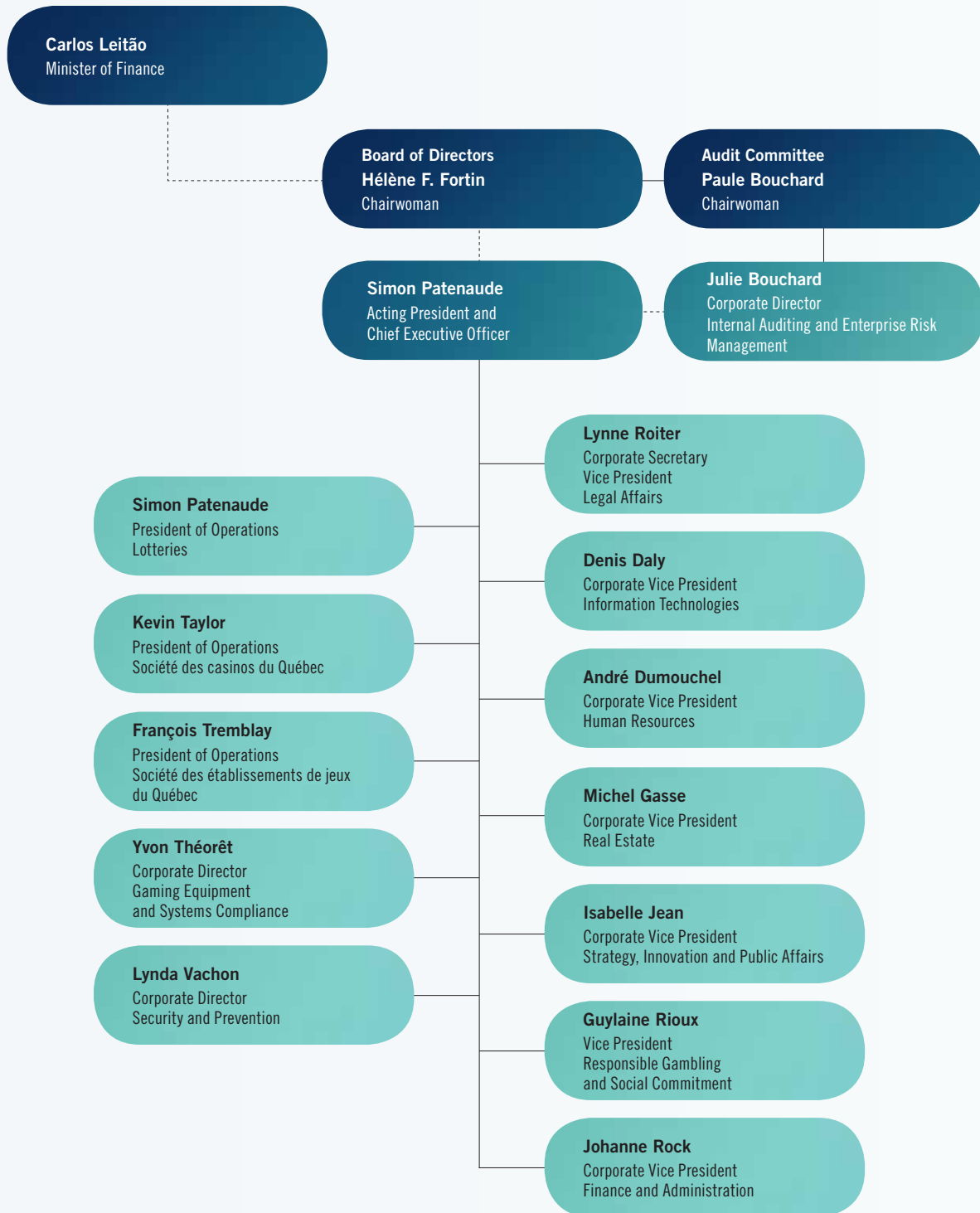
ACTIVITIES

In the last fiscal year, the ad hoc committee met nine times. At these meetings, it:

- Selected a specialized executive recruitment firm, after a call for tenders
- Reviewed the job description and the competence and experience profile for the President and Chief Executive Officer and recommended that the Board approve the required changes
- Targeted potential candidates
- Supervised the due diligence process for the candidates
- Met with the selected candidates

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

CORPORATE STRUCTURE



Loto-Québec's 2015-2016 Annual Report is produced
by the Corporate Vice President's Office of Strategy,
Innovation and Public Affairs.

Concept and design:
Interactive, Graphic and Audiovisual Communications Department

*Une version française de ce document
est disponible sur le site Web de Loto-Québec.*

Legal Deposit
Bibliothèque et Archives nationales du Québec, 2016
ISBN: 978-2-550-75771-9 (printed version)
ISBN: 978-2-550-75772-6 (digital version)
ISSN: 0709-5740





LOTO
QUÉBEC

lotoquebec.com



CERTIFIED - LEVEL 4
RESPONSIBLE GAMING FRAMEWORK
2012 - 2016

CERTIFIED
SECURITY CONTROL STANDARD
VALID UNTIL JUNE 9, 2017