

VISION
CREATIVITY
RIGOUR
DISCIPLINE



ANNUAL REPORT 2015


VISION

Our **VISION** as a customer and innovation driven corporation is directed to growth for the four pillars that are our customers, employees, suppliers and shareholders – a corporation leading its North American market with values respected by all its members.

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The annual meeting of shareholders will be held on April 7, 2016 at 10:30 a.m.
at the Omni Mont-Royal Hotel, 1050 Sherbrooke Street West, Montreal, Quebec.



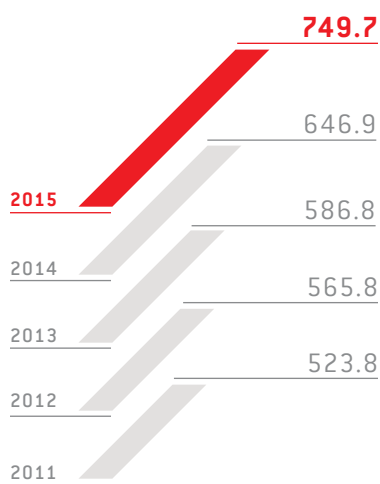
We incorporate **CREATIVITY** into every aspect of our offering and service as a key differentiation factor.

RIGOUR is a value to which we give daily priority to ensure quality execution, ethical and transparent management, and our social and environmental responsibility.

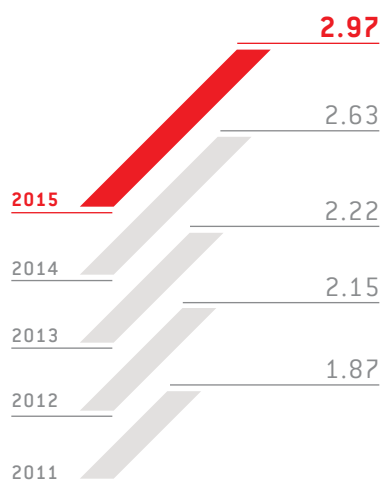
We exercise **DISCIPLINE** as part of our acquisition and integration strategy to meet our goals of creating long-term value.

Internal growth and expansion-by-acquisition

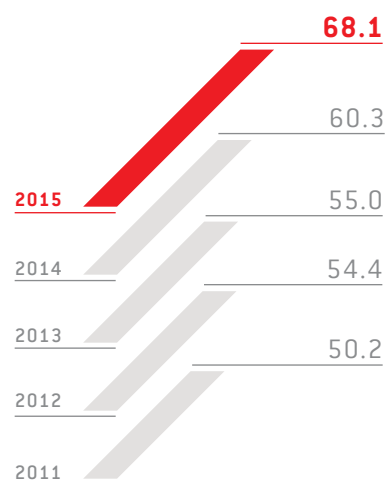
SALES
(in millions of \$)



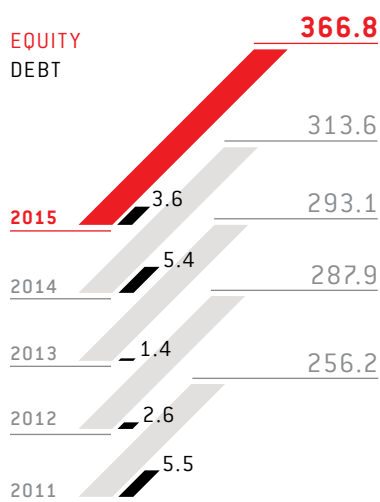
NET EARNINGS PER SHARE
ATTRIBUTABLE TO
SHAREHOLDERS (DILUTED)
(in \$)



CASH FLOWS FROM
OPERATING ACTIVITIES ⁽¹⁾
(in millions of \$)



EQUITY / DEBT
(in millions of \$)



2011-2015 13 ACQUISITIONS

- 2015**
 - Single Source Cabinet Supplies (Dallas, Texas)
 - Cornerstone Hardware & Supplies (Houston, Texas)*
- 2014**
 - Procraft Industrial Ltd. (Maritime Provinces, Canada)
 - PleasantSide Distribution Ltd. (Western Canada)
 - CabinetWare, Inc. (Florida)
 - XM Export-Import Canada Inc. (Quebec)
 - Thruway Hardwood and Plywood Corp. (New York State)
- 2013**
 - Hi-Tech Glazing Supplies (Vancouver)
 - CourterCo Savannah, LLC (Georgia)
- 2012**
 - CourterCo Inc. (Indiana, Kentucky, North Carolina)
- 2011**
 - Outwater Hardware (New Jersey)
 - Madico Inc. (Quebec)
 - Provincial Woodproducts Ltd. (Newfoundland)

(1) Cash flows from operating activities is a non-IFRS measure, as indicated on page 26 of this report.

* Subsequent to year-end (Dec.14, 2015)

Financial highlights

YEARS ENDED NOVEMBER 30

(in thousands of \$, except per share amounts, number of shares and data expressed as a %)

	2015 \$	2014 \$	2013 \$	2012 \$	2011 \$
Sales	749,646	646,909	586,775	565,798	523,786
EBITDA ⁽¹⁾	87,681	77,417	70,373	71,163	67,149
EBITDA margin (%)	11.7	12.0	12.0	12.6	12.8
Net earnings	58,878	52,573	46,657	45,909	40,105
Net earnings attributable to shareholders of the Corporation	58,739	52,393	46,403	45,404	39,726
• basic per share (\$)	3.01	2.67	2.25	2.17	1.89
• diluted per share (\$)	2.97	2.63	2.22	2.15	1.87
Net margin attributable to shareholders of the Corporation (%)	7.8	8.1	7.9	8.0	7.6
Cash flows from operating activities ⁽²⁾	68,052	60,253	54,978	54,403	50,183
• diluted per share (\$)	3.44	3.03	2.63	2.57	2.36
Dividends paid to shareholders of the parent Corporation	11,717	11,023	10,768	10,026	9,267
• per share (\$)	0.60	0.56	0.52	0.48	0.44
Weighted average number of shares outstanding (diluted) (in thousands)	19,781	19,918	20,930	21,137	21,262
As at November 30					
Total assets	449,792	390,721	356,325	349,869	318,676
Working capital	260,579	214,866	204,117	200,088	166,897
Current ratio	4.4	4.0	4.5	4.6	4.0
Equity	366,807	313,553	293,114	287,942	256,187
Return on average equity (%)	17.5	17.5	16.2	16.9	16.5
Book value (\$)	18.56	15.80	14.41	13.65	12.11
Total debt	3,580	5,354	1,354	2,563	5,544
Cash and cash equivalents	29,454	33,721	46,187	51,587	29,095

(1) EBITDA is a non-IFRS measure, as indicated on page 26 of this report.

(2) Cash flows from operating activities and cash flows from operating activities per share are non-IFRS measures, as indicated on page 26 of this report.

MARKET CAPITALIZATION AS AT NOVEMBER 30, 2015: **\$1.4 billion**

APPRECIATION IN SHARE PRICE (RCH) SINCE INITIAL STOCK LISTING: **3,226%**

TOTAL RETURN ON SHARE /10 YEARS*: **260%**

AVERAGE ANNUAL RETURN ON SHARE /10 YEARS*: **13.7%**

THREE-FOR-ONE COMMON SHARE SPLIT,
EFFECTIVE FEBRUARY 29, 2016

*Including dividend reinvestment

IMPORTER, DISTRIBUTOR AND MANUFACTURER OF SPECIALTY HARDWARE AND COMPLEMENTARY PRODUCTS — **NORTH AMERICAN LEADER**

Profile

- We serve a diversified base of over **70,000 customers** consisting of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers, and hardware retailers including renovation superstores.
- More than **1,900 employees** work at Richelieu, of whom close to half are dedicated to sales and marketing, and over 50% are shareholders of the Corporation.
- Our offering consists of over **110,000 products** (SKUs) in a wide variety of categories, including furniture, glass and building decorative and functional hardware, lighting systems, finishing and decorating products, ergonomic workstation components, kitchen and closet storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates, window and door hardware, glass hardware and floor protection products. This offering is completed by the Corporation's subsidiaries, Les Industries Cedan inc. and Menuiserie des Pins Ltée, which manufacture product lines with unique features, including a variety of veneer sheets and edgebanding products, a broad selection of decorative mouldings and components for the window and door industry. In addition, many of our products are manufactured according to our specifications and those of our customers.
- We operate **66 centres** including showrooms and two manufacturing plants in North America. Our diversified offering, one-stop shop service approach, efficient logistics and the many advantages of our transactional website richelieu.com translate into an optimal response time for our customers.
- Our trilingual website **richelieu.com** is a tool unrivalled in the industry, designed to facilitate customers' projects and transactions and inform any visitor about the most comprehensive and innovative product offering in North America.



2015

Our 2015 performance was fuelled by the growth drivers enabling Richelieu to create value over the past decades, specifically innovation, targeted market development, well-integrated strategic acquisitions and operational efficiency.



RICHARD LORD
President and
Chief Executive Officer

At Richelieu, we have a deeply rooted innovation and service culture. In 2015, through our team's disciplined and coordinated actions, we continued to lead the market evolution in North America with an offering unique for its diversity and innovations and distinctive service. We furthered our growth in Canada and the United States and we entered the important Texas market by acquiring two distributors in Dallas and Houston. We continued to invest in operational efficiency and to assess our decisions in light of our results. This way, we can rely on an effective business model well adapted to our customers' needs. Looking to the future, we have ambitious goals for Richelieu.

GROWING RESULTS AND A SOUND FINANCIAL FOOTING TO TAKE ADVANTAGE OF NEW OPPORTUNITIES.

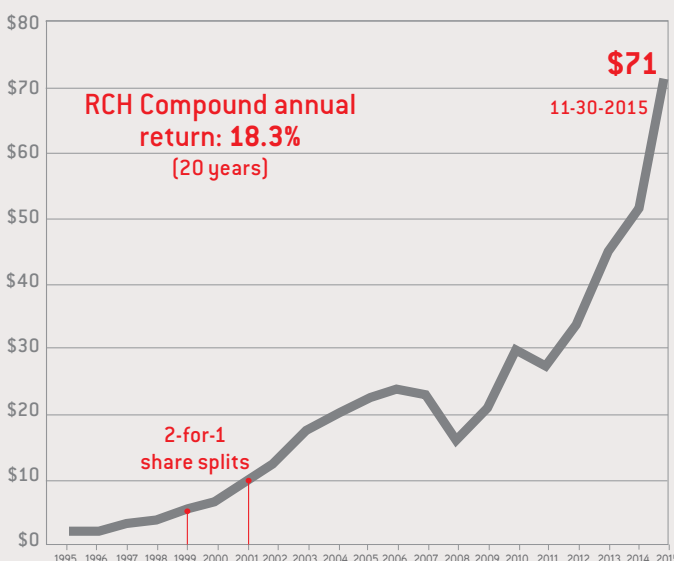
Our strategic decisions are geared to the achievement of a yearly financial performance to ensure the Corporation's solidity, enabling us to invest in innovation, quality of service and acquisitions, with the support of a strong, expert and committed team.

In our two key North American markets — manufacturers and retailers — our sales grew by 15.6% and 17.2% respectively in 2015. In Canada, where our leadership is well established and recognized, our sales increased by 9.1%, of which an excellent internal growth of 8.5%. In the United States, our market development and innovation strategies combined with further synergies through our acquisitions raised our sales by 16.8% in US\$, of which 8.8% from internal growth and 8.0% from acquisitions.

OUR ACQUISITION AND INTEGRATION STRATEGY IS KEY TO OUR GROWTH AND THE STEADY REINFORCEMENT OF OUR POSITIONING IN NORTH AMERICA.

During the year, we paid 20% of 2015 net earnings in dividends. Adding the share repurchases of the first six months, we thus distributed a total of \$20.9 million to our shareholders. We ended the year with an excellent balance sheet, almost no debt, and the liquidity levels required to respect our commitments and take advantage of growth opportunities in the future.

Our market capitalization totalled \$1.4 billion as at November 30, 2015, whereas our share price appreciated by 25.6% within a year, to close at \$71. Over the past decade, the share price has appreciated by an annual average of 13.7%. On January 21, 2016, our Board approved the three-for-one split of all common shares. Effective February 29, 2016, this share split is the third since Richelieu's initial listing. It is in line with our initiatives to favour share ownership by enhancing our share liquidity and affordability for shareholders.



The acquisitions of Single Source in Dallas last June and Cornerstone Hardware in Houston in December – two distributors of specialty hardware for kitchen cabinet manufacturers and residential and commercial woodworkers – offer strong entry points to develop the strategic Texas market. So far, most of our U.S. acquisitions have been made in the high-potential eastern markets; we now aim to extend our foothold into others, including the Sun Belt, as indicated by our most recent transactions.

We are proud to have closed nineteen acquisitions since first entering the United States in 1999. They have brought significant local skills and a diversified customer base which we continue to grow. Our U.S. customers know they can depend on our reliability and diligence to provide them with innovative, top-performance solutions for their residential and commercial projects. Our 28 centres give them access to all our product categories and a collaborative approach that sets us apart in this market, which accounted for over 30% of our sales in 2015.

We have completed 55 acquisitions thus far in North America, always taking a patient, rigorous and disciplined approach that we will continue to apply in the future. For each of these transactions, we have carefully respected our strategic criteria, including natural compatibility with our operations, entrepreneurial spirit, the sharing of our culture and the potential creation of sales and operational synergies.

OUR CUSTOMERS CHOOSE RICHELIEU FOR ITS DIVERSIFIED, COMPREHENSIVE AND INNOVATIVE OFFERING.

Our leadership attests that we are in the right markets with the right products and the right service. As a distributor and leader, our challenge is to ensure that innovation remains at the heart of our business strategy, as a steady source of opportunities for customers. To maintain the North American market at the world level, we take the risk of innovation in order to provide our customers with the best-performing solutions in the world. In 2015, our offering was further enhanced with innovations selected from the most creative suppliers, who invest in technology and design R&D to ensure excellence and remain at the global forefront.

Our mission is to be a partner in our customers' success by understanding manufacturers' and retailers' challenges and sustaining their creativity and differentiation. We are at the forefront in many functional and decorative categories, such as closet solutions and ergonomic storage spaces for kitchens and offices, sliding door systems, an extensive selection of decorative panels exceeding current industry standards, a diversified offering for today's small living spaces, and a broad range of eco-responsible and FSC, Greengard and Leed certified products.

We are proud to offer top-performing solutions that help North American designers, architects and manufacturers successfully execute even their most challenging residential and commercial projects. We operate two plants in Quebec which complete our offering with specialty products. Furthermore, with our website richelieu.com, we support our customers by providing them with a wide range of options in many product categories, according to their specifications. We can also fill non-inventory product orders in cooperation with our suppliers, allowing outstanding service and leaner management of our own inventories and those of our customers.

OUR CUSTOMERS ALSO CHOOSE RICHELIEU FOR ITS EXPERTISE, PROACTIVE SERVICE AND WEBSITE richelieu.com.

Quality execution is a watchword at every level at Richelieu since it is key to customer satisfaction and our profitability. Like each year, in 2015, we made various upgrades to our multi-access service to remain tuned into our customers' evolving needs and anticipate their expectations. The availability, the convenient access to our products and the reliability and efficiency of our delivery service are uncompromising – as are the listening skills and collaborative spirit of our sales and service team, who benefits from our training programs to support their degree of expertise.

TO PURSUE OUR GROWTH, WE WILL CONTINUE TO CREATE AND SEIZE OPPORTUNITIES MEETING OUR STRATEGIC CRITERIA.

During the year, we invested in remodelling several showrooms adjoining our distribution centres to further reflect ongoing innovations in a quality and modern setting. Our Montreal distribution centre was expanded to adapt to our growing activities, and we also invested in various building improvements to meet growth needs and respect our standards of service.

We use the most relevant technological tools for our operations and our customers' needs, in order to rigorously manage, optimize the efficiency of our logistics chain, further customize our service and target our development initiatives. In 2015, we integrated new state-of-the-art software and equipment into our technology platform to sustain operational efficiency. Our management information systems are designed to support our business model over the long term.

The steady rise in our online sales shows that our customers appreciate the exceptional versatility and scope of our website richelieu.com, not only as a comprehensive purchasing management tool, but also for the relevance of the well-documented and structured information it channels and the interactivity it provides. richelieu.com optimizes our overall efficiency as well as that of our customers, representing significant value-added service and a solid pillar for future growth.

Adjusting to market challenges and changes is part of our day-to-day management. Great potential lies ahead of us, and we have the strengths and resources to develop it. Together, with our team, we will continue to work hard and smart to further develop our markets in North America, driven by our innovation strategy and the opportunity to create sales synergies.

While we focus on internal growth, we will continue to seek and make further acquisitions to access new strategic markets and reinforce our positioning in those where we are present.

To maintain our level of efficiency and quality of service, we will continue to wisely manage our distribution network by way of operational synergies when they become necessary.

With the support of our expert and creative team committed to the Corporation's objectives and values, we will remain firmly customer and innovation driven. We operate with an effective business model that optimizes our customer and supplier relationships and allows us to stay ahead of the market.

We thank our customers, employees, suppliers, shareholders and directors, with regard to whom we are committed to create further value in the future.



(Signed) Richard Lord
President and Chief Executive Officer

DIRECTORS

Jocelyn Proteau

Chairman of the Board
Richelieu Hardware Ltd.
Director of Corporations

Richard Lord

President and Chief Executive Officer
Richelieu Hardware Ltd.

Mathieu Gauvin^[1]

Partner
Richter Advisory Group, Inc.

Jean Douville^[2]

Chairman of the Board
UAP Inc.
Director of Corporations

Sylvie Vachon^[1]

President and Chief Executive Officer
Montreal Port Authority

Denyse Chicoyne^[2]

Director of Corporations

Robert Courteau^[2]

President and Chief Executive Officer
SPI Santé Sécurité inc.

Marc Poulin^[1]

President and Chief Executive Officer
Empire Company Limited
President and Chief Executive Officer
Sobeys Inc.

[1] Member of the Audit Committee

[2] Member of the Human Resources
and Corporate Governance Committee

OFFICERS

Richard Lord

President and Chief Executive Officer

Antoine Auclair

Vice-President and
Chief Financial Officer

Guy Grenier

Vice-President, Sales and Marketing
— Industrial

Geneviève Quevillon

Vice-President —
Supply Chain and Logistics

Jeff Crews

Vice-President,
Business Development
— Retailers Market, Canada

Charles White

Vice-President, General Manager
— United States

Éric Daignault

General Manager of Divisions

Marion Kloibhofer

General Manager
— Central Canada

John Statton

General Manager
— Western Canada and
Western United States

Christian Dion


Manager — Human Resources

Yannick Godeau

Corporate Secretary



By observing society and its behaviours – listening to our customers, suppliers, architects and designers – we can anticipate trends. That is how our vision is shaped and evolves into winning strategies.



Our short and long-term vision ensures us of flexibility and stability.

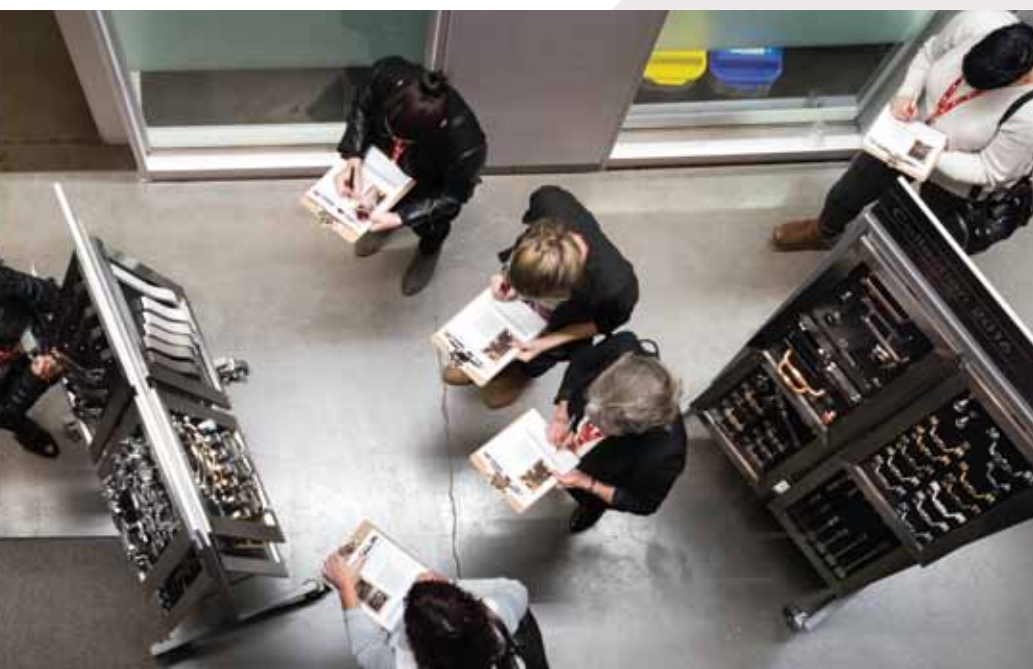




Creativity at every level for
a win-win partnership with
our customers and suppliers.



RIGOUR AND CREATIVITY ARE AT THE HEART OF
OUR KNOW-HOW AND OUR SPECIALTY PRODUCT
MARKETING EXPERTISE.



Our everyday actions and our way of addressing challenges with creativity, rigour and discipline are aligned with our vision.

It is by monitoring changes in our environment and by listening, combined with rigorous analysis and interpretation of results, that we can implement strategies making Richelieu a reliable top-quality innovative Corporation. We are guided by solid core values: respect – integrity – innovative and collaborative spirit – commitment to produce results – social involvement and respect for the environment.

OUR CUSTOMERS AND SUPPLIERS, ARCHITECTS AND DESIGNERS, ARE CONSTANT SOURCES OF INSPIRATION.

In turn, we do our utmost to sustain our customers' creativity and competitiveness. As such, we focus on our expert service and innovative solutions resulting from our collaboration with the most creative suppliers who best understand our market needs.



Visitors are impressed when they come into our showrooms. Our products are very attractive thanks to technological innovation, design and comfort — they definitely meet their needs. We sell happiness!



Richelieu and Panasonic recently entered into an exclusive partnership to bring Panasonic engineered, manufactured, and branded storage and organization solutions to the North American market. Soft down cabinet systems, revolving shoe units, pull-down cabinets, clothes drying systems, revolving closets and combination shelf systems, are among the key innovative space saving solutions. A place for everything in the home.



OUR BUSINESS MODEL REQUIRES CREATIVITY AND DISCIPLINE FROM US TO KEEP IT ALIGNED WITH OUR MARKET NEEDS AND ACHIEVE OUR GROWTH OBJECTIVES.

Simple and flexible, our business model is designed to:

- master the complexity of our supply chain,
- support our innovation and acquisition strategies,
- optimize operational efficiency, and
- continuously improve the service level thanks to our logistics, our sales and service team, our website richelieu.com and a unique marketing program for all our markets allowing a regional offering, where necessary.

AT THE BASE OF OUR CORPORATION IS OUR TEAM WHO IS AN ESSENTIAL SOURCE OF CREATIVITY.

Our team knows our markets, our customers and our suppliers. As an employer, we are committed to maintain a healthy workplace that enhances job satisfaction, promotes professional development and creativity. Everyone is asked to take initiative while remaining aligned with the Corporation's major objectives.





Quality execution and attention to every detail to maintain our customers' trust.



THE GREATEST ATTENTION IS GIVEN TO RIGOROUS METHODS
AND PROCESSES, THE CONTROL OF QUALITY OF SERVICE,
AND EFFICIENT LOGISTICS.



Rigour and discipline for
successful value creation
strategies.



WE TAKE A DISCIPLINED APPROACH FOR EACH OF OUR ACQUISITIONS AND WE RELY ON A WELL-ESTABLISHED INTEGRATION PROCESS.

Our core purpose and values will not change in any way, but we are often faced with changes in the marketplace. **Practical sense, consistency and coordination are rooted in our practices and we ensure that our operational rules are respected corporation-wide.**

In order to achieve our operational and financial objectives and meet our commitments, **we prioritize a lean and flexible organizational structure.** We regularly review our practices and processes to ensure efficient skills and performance management. Our responsibilities, objectives and guidelines are clear and we measure our progress.

Once we have identified an acquisition opportunity, we adopt a cautious and disciplined approach in complying with our specific acquisition criteria. Only by doing so can we ensure the success of the transaction at the right price, and the opportunity to add value through sales and operational synergies.



Our resources are efficiently deployed to provide our customers with optimal service in terms of quality and costs. Our quality service control measures are reliable and designed to identify the necessary adjustments to be made to our service approach.

Our independent governance committees apply rigorous control principles to guarantee our compliance with the current legislation and to ensure fairness and transparency in our core obligations to our customers, suppliers, employees and shareholders.

Mastering the risks underlying our operations is critical. We rely on a rigorous operational and financial risk management policy that enables us to assess, anticipate and monitor them with the appropriate procedures and the involvement of each of relevant services.



richelieu.com

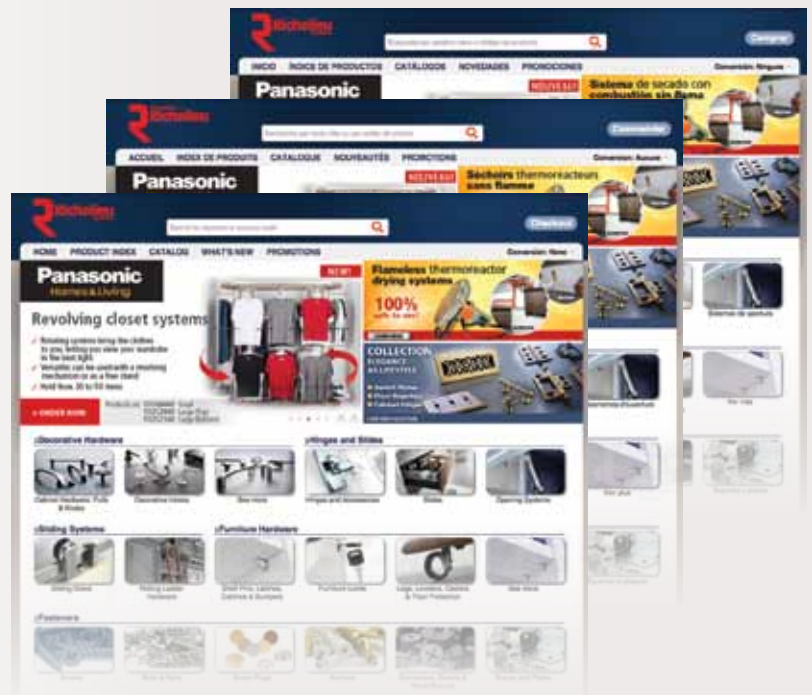
Efficiency • Creativity • Excellence

richelieu.com MAKES OUR ENTIRE OFFERING AVAILABLE TO OUR CUSTOMERS – MANUFACTURERS AND RETAILERS – ARCHITECTS AND DESIGNERS, WHILE ALSO PROVIDING VISITORS WITH THE OPPORTUNITY TO DISCOVER OUR PRODUCTS, ANYWHERE AND ANYTIME, ON SMART COMMUNICATION DEVICES. IT IS THE ONLY TRILINGUAL TRANSACTIONAL WEBSITE IN OUR INDUSTRY IN NORTH AMERICA.

Several distinctive features set richelieu.com apart worldwide:

- easy and friendly access to our complete offering with outstanding product and project search and design tools;
- options allowing the virtual design of products and projects according to specifications required by our customers in many categories – those products are then manufactured by outstanding suppliers selected for their skills and efficiency; and
- assembly and use guidelines provided on video, available at any time on demand.

richelieu.com is an efficient and creative tool, ideal for automation of the entire purchasing function, from product selection to delivery, ensuring reliability and quality and allowing customers to save time and money.



The logistics partner

66 inter-connected centres

ONE-STOP SHOP APPROACH

DELIVERY WITHIN 24 HOURS FOLLOWING RECEIPT OF THE ORDER



CANADA – 36 DISTRIBUTION CENTRES

St. John's, Dartmouth, Moncton, Quebec [3], Montreal, Longueuil [2], Laval [2], Ottawa, Toronto [2], Barrie, Kitchener, Sudbury, Thunder Bay, Winnipeg [2], Regina, Saskatoon [2], Edmonton [2], Calgary [3], Kelowna, Vancouver [5], Victoria [2]

+ 2 MANUFACTURING CENTRES

Longueuil, Notre-Dame-Des-Pins

UNITED STATES – 28 DISTRIBUTION CENTRES

Boston, Hartford, New York, Lincoln Park, Syracuse, Buffalo, Detroit, Cincinnati, Greensboro, Charlotte, Greenville, Atlanta, Savannah, Riviera Beach, Hialeah, Dania, Pompano, Sarasota, Orlando, Tampa Bay, Jacksonville, Nashville, Chicago, Indianapolis, Louisville, Seattle, Dallas, Houston

Management's Report

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Year Ended November 30, 2015

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HIGHLIGHTS OF THE YEAR ENDED NOVEMBER 30, 2015

Richelieu recorded a very good performance and maintained an impeccable financial position in 2015. The sales and net earnings growth was achieved thanks to the sustained innovation and market penetration strategies that distinguish the Corporation and contribute to position it as a market leader in North America. The strategic acquisitions concluded every year leading to sales and operational synergies are another key source of growth. In 2015, two acquisitions were closed in the important Texas market, including one subsequent to year-end, on December 14th. The growth posted during the year further strengthened the Corporation for the future and created shareholder value through stock market performance, share repurchases and dividends. In 2015, Richelieu saw its market capitalization rise to \$1.4 billion. Its share price (RCH/TSX) has appreciated by 25.6% within a year and by an annual average of 13.7% over the last decade.

- **Consolidated sales** totalled \$749.6 million, an increase of 15.9%, of which 13.1% from internal growth and 2.8% from acquisitions.
- **Earnings before income taxes, interest and amortization (EBITDA)**⁽¹⁾ grew by 13.3% to \$87.7 million. The EBITDA margin stood at 11.7%.
- **Net earnings attributable to shareholders** increased by 12.1% to \$58.7 million or \$3.01 per share (basic) and \$2.97 (diluted), up by 12.7% and 12.9% respectively.
- **Cash flows from operating activities**⁽²⁾ (before net change in non-cash working capital balances) grew by 12.9% to \$68.1 million.
- **Working capital** increased by 21.3%, to \$260.6 million – a current ratio of 4.4:1.

- **Cash and cash equivalents** totalled \$29.5 million.
- **Total debt** amounted to \$3.6 million, including \$2.2 million in short-term debt.
- **Repurchase** of 150,600 common shares for \$9.2 million and payment of \$11.7 million in dividends to shareholders (representing 20% of net earnings attributable to shareholders for the year). Richelieu thereby distributed \$20.9 million to its shareholders in 2015, while retaining the financial resources for its growth in 2016.
- **Acquisition**, effective June 18, 2015, of the principal net assets of BD Enterprises, Inc. (doing business under the name Single Source Cabinet Supplies), a Dallas, Texas based specialty hardware distributor serving kitchen cabinet manufacturers and residential and commercial woodworkers.
- **Events after November 30, 2015:**
 - **Acquisition** effective December 14, 2015 of all outstanding common shares of Cabinetmakers Supply, Inc. (doing business as Cornerstone Hardware & Supplies), a Houston, Texas based specialty hardware distributor serving kitchen cabinet manufacturers and residential and commercial woodworkers. The two 2015 acquisitions in the Texas market represent additional sales of approximately \$11 million on an annualized basis.
 - Three-for-one **share split** of all common shares, approved by the Board of Directors on January 21, 2016, effective on February 29, 2016.

(1) (2) EBITDA and cash flows from operating activities are non-IFRS measures, as indicated on page 26 of this report.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2015 in comparison with the year ended November 30, 2014, as well as the Corporation's financial position at those dates. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended November 30, 2015 appearing in the Corporation's Annual Report. In this management's report, "Richelieu" or the "Corporation" designates, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Supplementary information, such as the Annual Information Form, interim management's reports, Management Proxy Circular, certificates signed by the Corporation's President and Chief Executive Officer and Vice-President and Chief Financial Officer, as well as press releases issued during the year ended November 30, 2015, is available on the website of the System for Electronic Document Analysis and Retrieval ["SEDAR"] at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to January 21, 2016, on which date the audited consolidated financial statements and annual management's report were approved by the Corporation's Board of Directors. Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ["IFRS"].

FORWARD-LOOKING STATEMENTS

Certain statements set forth in this management's report, including statements relating to the expected sufficiency of cash flows to cover contractual commitments, to maintain growth and to provide for financing and investing activities, growth outlook, Richelieu's competitive position in its industry, Richelieu's ability to weather the current economic context and access other external financing, the closing of new acquisitions, and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend", "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith, regarding future events, including the assumption that economic conditions and exchange rates will not significantly deteriorate, the Corporation's deliveries will be sufficient to fulfill Richelieu's needs, the availability of credit will remain stable during the year and no extraordinary events will require supplementary capital expenditures.

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are written, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability, as well as other factors set forth in the Corporation's 2015 Annual Report (see the "Risk Factors" section of this management's report and the 2015 Annual Information Form available on SEDAR at www.sedar.com).

Richelieu's actual results could differ materially from those indicated or underlying these forward-looking statements. The reader is therefore recommended not to unduly rely on these forward-looking statements. Forward-looking statements do not reflect the potential impact of special items, any business combination or any other transaction that may be announced or occur subsequent to the date hereof. Richelieu undertakes no obligation to update or revise the forward-looking statements to account for new events or new circumstances, except where provided for by applicable legislation.

NON-IFRS MEASURES

Richelieu uses earnings before interest, income taxes and amortization ["EBITDA"] because this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted financial indicator of a corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income, net earnings or cash flows, or as a measure of liquidities. Because EBITDA is not a standardized measurement as prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

Richelieu also uses cash flows from operating activities and cash flows from operating activities per share. Cash flows from operating activities are based on net earnings plus amortization of property, plant and equipment and intangible assets, deferred tax expense (or recovery) and share-based compensation expense. These additional measures do not account for net change in non-cash working capital items to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations. Therefore, cash flows from operating activities may not be comparable to the cash flows from operating activities of other companies.

GENERAL BUSINESS OVERVIEW as at November 30, 2015

Richelieu is a leading North American importer, distributor and manufacturer of specialty hardware and related products.

Its products are targeted to an extensive customer base of **kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers, and hardware retailers including renovation superstores**. The residential and commercial renovation industry is the Corporation's major source of growth.

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The Corporation's product selection consists of **over 110,000 different items** targeted to a base of **more than 70,000 customers** who are served by **66 centres in North America** — 36 distribution centres in Canada, 28 in the United States and two manufacturing plants in Canada.

Main product categories include furniture, glass and building decorative and functional hardware, lighting systems, finishing and decorating products, ergonomic workstation components, kitchen and closet storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates, window and door hardware, glass hardware and floor protection products. This offering is completed by the Corporation's subsidiaries, Les Industries Cedan inc. and Menuiserie des Pins Ltée, which manufacture product lines with unique features, including a variety of veneer sheets and edgebanding products, a broad selection of decorative mouldings and components for the window and door industry. In addition, many of the Corporation's products are manufactured according to its specifications and those of its customers.

Richelieu employs over 1,900 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. More than 50% of its employees are Richelieu shareholders.

MISSION AND STRATEGY

Richelieu's mission is to create shareholder value and contribute to its customers' growth and success, while favouring a business culture focused on quality of service and results, partnership and entrepreneurship.

To sustain its growth and remain the leader in its specialty market, the Corporation continues to implement the strategy that has benefited it until now, with a focus on:

- continuing to strengthen its product selection by annually introducing diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;
- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service; and
- expanding in North America through the opening of distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

Richelieu's solid and efficient organization, highly diversified product selection and long-term relationships with leading suppliers worldwide position it to compete effectively in a fragmented market consisting mainly of a host of regional distributors who distribute a limited range of products.

FINANCIAL HIGHLIGHTS

(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)

Years ended November 30	2015 \$	2014 \$	2013 \$	2012 \$	2011 \$
Sales	749,646	646,909	586,775	565,798	523,786
EBITDA ⁽¹⁾	87,681	77,417	70,373	71,163	67,149
EBITDA margin (%)	11.7	12.0	12.0	12.6	12.8
Net earnings	58,878	52,573	46,657	45,909	40,105
Net earnings attributable to shareholders of the Corporation	58,739	52,393	46,403	45,404	39,726
• basic per share (\$)	3.01	2.67	2.25	2.17	1.89
• diluted per share (\$)	2.97	2.63	2.22	2.15	1.87
Net margin attributable to shareholders of the Corporation (%)	7.8	8.1	7.9	8.0	7.6
Cash flows from operating activities ⁽²⁾	68,052	60,253	54,978	54,403	50,183
• diluted per share (\$)	3.44	3.03	2.63	2.57	2.36
Cash dividends paid to shareholders of the parent Corporation	11,717	11,023	10,768	10,026	9,267
• per share (\$)	0.60	0.56	0.52	0.48	0.44
Weighted average number of shares outstanding (diluted) (in thousands)	19,781	19,918	20,930	21,137	21,262
As at November 30					
Total assets	449,792	390,721	356,325	349,869	318,676
Working capital	260,579	214,866	204,117	200,088	166,897
Current ratio	4.4	4.0	4.5	4.6	4.0
Equity	366,807	313,553	293,114	287,942	256,187
Return on average equity (%)	17.5	17.5	16.2	16.9	16.5
Book value (\$)	18.56	15.80	14.41	13.65	12.11
Total debt	3,580	5,354	1,354	2,563	5,544
Cash and cash equivalents	29,454	33,721	46,187	51,587	29,095

(1) EBITDA is a non-IFRS measure, as indicated on page 26 of this report.

(2) Cash flows from operating activities and cash flows from operating activities per share are non-IFRS measures, as indicated on page 26 of this report.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2015 COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2014

Consolidated sales

(in thousands of \$, except exchange rate)

Years ended November 30	2015 \$	2014 \$	Δ %
Canada	513,743	471,082	+ 9.1
United States (CA\$)	235,903	175,827	+ 34.2
(US\$)	186,815	159,973	+ 16.8
Average exchange rate	1.2628	1.0991	
Consolidated sales	749,646	646,909	+ 15.9

Richelieu achieved **consolidated sales** of \$749.6 million, an increase of 15.9% or \$102.7 million over 2014, of which 13.1% from internal growth and 2.8% from acquisitions. At comparable exchange rates to 2014, the consolidated sales growth would have been 11.2% for 2015.

Thanks to the contribution of all market segments of the Corporation, sales to **manufacturers** amounted to \$637.1 million, an increase of 15.6% or \$86.2 million over 2014, of which 12.4% from internal growth and 3.2% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 17.2% or \$16.5 million to \$112.5 million for 2015. This increase is due primarily to significant market share gains and improved market conditions.

In Canada, sales totalled \$513.7 million, up from \$471.1 million for 2014, an increase of \$42.6 million or 9.1%, of which 8.5% from internal growth and 0.6% from acquisitions. Sales to **manufacturers** amounted to \$416.8 million, an increase of \$30.0 million or 7.8%, of which 7.1% from internal growth and 0.7% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 14.9% to \$96.9 million, up from \$84.3 million for 2014.

In the United States, Richelieu recorded sales of US\$186.8 million, an increase of US\$26.8 million or 16.8% over 2014, of which 8.8% from internal growth and 8.0% from acquisitions. Sales to **manufacturers** reached US\$174.6 million, an increase of \$25.2 million or 16.9%, of which 8.4% from internal growth and 8.5% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 15.7% (in US\$). In Canadian dollars, U.S. sales amounted to \$235.9 million, compared with \$175.8 million for 2014, an increase of 34.2%, of which 25.2% from internal growth and 9.0% from acquisitions. They accounted for 31.5% of 2015 consolidated sales, whereas in 2014, U.S. sales had represented 27.2% of the year's consolidated sales.

Consolidated EBITDA and EBITDA margin

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2015 \$	2014 \$
Sales	749,646	646,909
EBITDA	87,681	77,417
EBITDA margin (%)	11.7	12.0

Earnings before interest, income taxes and amortization (EBITDA) totalled \$87.7 million, an increase of \$10.3 million or 13.3% over 2014. The **gross margin** and **EBITDA margin** declined slightly due to the higher proportion of sales in the United States where the product mix is different, the lower margins of certain acquisitions also having a different product mix, the effect of introducing additional products, mainly in the Canadian retailers market, and the appreciation of the U.S. dollar which had an upward impact on the purchasing cost of certain products before selling price adjustments. Consequently, the **EBITDA margin** stood at 11.7%, compared with 12.0% for 2014.

Income taxes amounted to \$20.5 million, an increase of \$2.5 million over 2014.

Consolidated net earnings attributable to shareholders

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2015 \$	2014 \$
EBITDA	87,681	77,417
Amortization of property, plant and equipment and intangible assets	8,449	7,123
Financial costs, net	(149)	(294)
Income taxes	20,503	18,015
Net earnings	58,878	52,573
Net earnings attributable to shareholders of the Corporation	58,739	52,393
Net margin attributable to shareholders of the Corporation (%)	7.8	8.1
Non-controlling interests	139	180
Net earnings	58,878	52,573

Net earnings grew by 12.0% over 2014. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$58.7 million, up by \$6.3 million or 12.1% over 2014 – equivalent to \$3.01 basic per share and \$2.97 diluted, compared with \$2.67 basic and \$2.63 diluted for 2014, an increase of 12.7% and 12.9% respectively. The **net margin attributable to shareholders** stood at 7.8%, compared with 8.1% for 2014.

Comprehensive income amounted to \$71.0 million, considering a positive adjustment of \$12.2 million on translation of the financial statements of the subsidiary in the United States, compared with \$57.3 million for 2014, considering a positive adjustment of \$4.7 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS (unaudited)

(in thousands of \$, except per-share amounts)

Quarters	1	2	3	4
2015				
• Sales	159,319	190,801	199,457	200,069
• EBITDA	15,706	21,878	24,394	25,703
• Net earnings to shareholders of the Corporation	10,216	14,653	16,340	17,530
basic per share	0.52	0.75	0.84	0.90
diluted per share	0.51	0.74	0.83	0.89
2014				
• Sales	136,108	165,155	167,809	177,837
• EBITDA	13,704	19,185	21,054	23,474
• Net earnings to shareholders of the Corporation	8,859	13,036	14,554	15,944
basic per share	0.44	0.67	0.74	0.82
diluted per share	0.44	0.66	0.73	0.80
2013				
• Sales	126,084	156,240	149,163	155,288
• EBITDA	12,893	18,207	19,050	20,223
• Net earnings to shareholders of the Corporation	8,158	12,140	12,821	13,284
basic per share	0.39	0.59	0.62	0.65
diluted per share	0.39	0.58	0.62	0.64

Quarterly variations in earnings — The first quarter closed at the end of February is generally the year's weakest for Richelieu in light of the smaller number of business days due to the end-of-year holiday period and a wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes a smaller number of business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters respectively ending May 31 and November 30 generally represent the year's most active periods.

Note: For further information about the Corporation's performance in the first, second and third quarters of 2015, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2015

The Corporation achieved good fourth-quarter growth in **consolidated sales**, which amounted to \$200.1 million, an increase of \$22.2 million or 12.5% over the corresponding quarter of 2014, of which 11.2% from internal growth and 1.3% from acquisitions. At comparable exchange rates to the fourth quarter of 2014, the consolidated sales growth would have been 7.1% for the quarter ended November 30, 2015.

Sales to **manufacturers** totalled \$172.0 million, up from \$152.2 million for the corresponding period of 2014, an increase of \$19.8 million or 13.0%, of which 11.5% from internal growth and 1.5% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to \$28.1 million, up by \$2.4 million or 9.3%.

In Canada, the Corporation recorded sales of \$136.5 million, compared with \$127.7 million for the fourth quarter of 2014, an increase of \$8.8 million or 6.9%, entirely from internal growth. Sales to **manufacturers** amounted to \$112.8 million, up from \$105.1 million for the fourth quarter of 2014, an increase of \$7.7 million or 7.3% from internal growth. Sales to hardware **retailers** and renovation superstores grew by 5.1% to \$23.7 million.

In the United States, sales totalled US\$48.1 million, an increase of 7.5%, of which 3.4% from internal growth and 4.1% from acquisitions. Sales to **manufacturers** amounted to US\$44.9 million, an increase of 6.8%, of which 2.5% from internal growth and 4.3% from acquisitions. Sales to hardware **retailers** and renovation superstores rose 18.3%. In Canadian dollars, U.S. sales grew to \$63.6 million, up from \$50.1 million for the corresponding quarter of 2014, an increase of 26.9%, of which 22.1% from internal growth and 4.8% from acquisitions. They accounted for 31.8% of the quarter's consolidated sales, whereas for the fourth quarter of 2014, U.S. sales had represented 28.2% of the period's consolidated sales.

Earnings before interest, income taxes and amortization (EBITDA) grew by 9.5% to \$25.7 million, primarily reflecting the sales growth. The **gross margin** and **EBITDA margin** declined slightly due mainly to the lower gross margins of certain acquisitions having a different product mix, the effect of introducing additional products, and the appreciation of the U.S. dollar which had an upward impact on the purchasing cost of certain products before selling price adjustments. Consequently, the **EBITDA margin** stood at 12.8%, compared with 13.2% for the corresponding quarter of 2014.

Income taxes amounted to \$5.9 million, an increase of \$0.2 million over the fourth quarter of 2014.

Fourth-quarter **net earnings** rose 10.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$17.5 million, up by 9.9% over the corresponding quarter of 2014. The **net margin attributable to shareholders** grew to 8.8%. **Net earnings per share** amounted to \$0.90 basic and \$0.89 diluted, compared with \$0.82 basic and \$0.80 diluted for the fourth quarter of 2014, an increase of 9.8% and 11.3% respectively.

Comprehensive income totalled \$18.9 million, considering a positive adjustment of \$1.3 million on translation of the financial statements of the subsidiary in the United States, compared with \$19.4 million for the corresponding quarter of 2014, considering a positive adjustment of \$3.4 million on translation of the financial statements of the subsidiary in the United States.

Cash flows from operating activities (before net change in non-cash working capital balances) amounted to \$19.7 million or \$0.99 diluted per share, up by 9.7% and 10.0% over the fourth quarter of 2014. Net change in non-cash working capital balances used cash flows of \$5.8 million, reflecting net changes in accounts receivable and other items (\$3.4 million) as well as changes in inventories (\$2.4 million). Consequently, operating activities provided cash flows of \$13.8 million, compared with \$13.1 million for the fourth quarter of 2014.

Financing activities represented a cash outflow of \$1.2 million, compared with \$2.5 million for the corresponding quarter of 2014. Richelieu paid shareholder dividends of \$2.9 million, up by 6.6%, considering the dividend increase announced in January 2015. The Corporation issued common shares for \$2.0 million upon the exercise of options under its stock option plan, compared with \$0.4 million in the same quarter of 2014.

Investing activities represented a cash outflow of \$4.0 million for the fourth quarter of 2015, primarily for the expansion of the Montreal distribution centre, equipment for operational efficiency and software, whereas the Corporation had invested \$6.5 million during the fourth quarter of 2014, of which \$4.2 million in two business acquisitions and \$2.3 million in equipment needed for operations.

FINANCIAL POSITION

Analysis of principal cash flows for the year ended November 30, 2015

Change in cash and cash equivalents and capital resources

(in thousands of \$)

Years ended November 30	2015 \$	2014 \$
Cash flows provided by (used for):		
Operating activities	27,311	40,465
Financing activities	(19,467)	(37,413)
Investing activities	(11,497)	(15,433)
Effect of exchange rate fluctuations	(614)	(85)
Net change in cash and cash equivalents	(4,267)	(12,466)
Cash and cash equivalents, beginning of year	33,721	46,187
Cash and cash equivalents, end of year	29,454	33,721
As at November 30	2015	2014
Working capital	260,579	214,866
Renewable line of credit (CA\$)	26,000	26,000
Renewable line of credit (US\$)	6,000	6,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) amounted to \$68.1 million or \$3.44 diluted per share, compared with \$60.3 million or \$3.03 diluted per share for 2014, primarily reflecting the increase in net earnings. Net change in non-cash working capital balances used cash flows of \$40.7 million, representing net changes in inventories (\$43.0 million) as well as in accounts receivable and other items (\$3.3 million), whereas accounts payable represented a cash inflow of \$5.6 million. Consequently, operating activities provided cash flows of \$27.3 million, compared with \$40.5 million for 2014.

Financing activities

Richelieu repurchased common shares under its normal course issuer bid for \$9.2 million, compared with \$30.4 million in 2014. The Corporation paid shareholder dividends of \$11.7 million, up by 6.3% over 2014, considering the dividend increase announced in January 2015, and issued common shares for \$3.1 million upon the exercise of options under its stock option plan, compared with \$4.0 million in 2014. Consequently, financing activities represented a cash outflow of \$19.5 million, compared with \$37.4 million for 2014.

Investing activities

In 2015, Richelieu invested a total of \$11.5 million, of which \$11.0 million in property, plant and equipment, primarily for the expansion of the Montreal distribution centre, building improvements, equipment for operational efficiency, software and the remodelling of certain showrooms, to which was added the acquisition of the principal net assets of Single Source in the third quarter of 2015. In 2014, Richelieu had invested a total of \$15.4 million, of which \$9.9 million in business acquisitions and \$5.5 million in equipment needed for operations.

Sources of financing

As at November 30, 2015, **cash and cash equivalents** totalled \$29.5 million, compared with \$33.7 million a year earlier. **Working capital** stood at \$260.6 million for a current ratio of 4.4:1, compared with \$214.9 million (4.0:1 ratio) as at November 30, 2014, an increase of 21.3%.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities planned for 2016. The Corporation continues to benefit from an authorized line of credit of CA\$26 million as well as a line of credit of US\$6 million renewable annually and bearing interest respectively at prime and base rates. In addition, the Corporation estimates it could obtain access to other outside financing if necessary.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2016, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

Analysis of financial position at as November 30, 2015

Summary of financial position

(in thousands of \$, except exchange rate)

As at November 30	2015 \$	2014 \$
Current assets	337,308	285,394
Non-current assets	112,484	105,327
Total	449,792	390,721
Current liabilities	76,729	70,528
Non-current liabilities	6,256	6,640
Equity attributable to shareholders of the Corporation	362,885	309,149
Non-controlling interests	3,922	4,404
Total	449,792	390,721
Exchange rate on a translation of a subsidiary in the United States	1.335	1.144

Assets

Total assets amounted to \$449.8 million as at November 30, 2015, up from \$390.7 million a year earlier, an increase of 15.1% or \$59.1 million. **Current assets** grew by 18.2% or \$51.9 million over November 30, 2014, due mainly to the following two factors – the appreciation of the U.S. dollar which had an upward impact on translation of the assets of the subsidiary in the United States – and the increase in inventories resulting from the addition of new products to meet demand subsequent to significant market share gains during the year and the rise in supply costs due to the appreciation of the U.S. dollar.

Net cash

(in thousands of \$)

	2015 \$	2014 \$
As at November 30		
Current portion of long-term debt	2,245	3,352
Long-term debt	1,335	2,002
Total	3,580	5,354
Cash and cash equivalents	29,454	33,721
Total cash net of debt	25,874	28,367

As at November 30, 2015, **total debt** amounted to \$3.6 million, representing balances payable on acquisitions, of which \$2.2 million in short-term debt. The Corporation benefits from an excellent financial position to pursue its growth strategy in North America.

Equity attributable to shareholders totalled \$362.9 million as at November 30, 2015, up from \$309.1 million a year earlier, an increase of 17.4% reflecting the growth of \$3.8 million in share capital, \$38.1 million in retained earnings and \$12.2 million in accumulated other comprehensive income, less the change of \$0.3 million in contributed surplus. The positive variation of 38.1 million in retained earnings represents the effect of the year's net earnings, less share repurchases and dividends paid during the year. As at November 30, 2015, **the book value per share** was \$18.56, up from \$15.80 as at November 30, 2014, an increase of 17.5%.

As at November 30, 2015, **return on average equity** stood at 17.5%.

At 2015 year-end, the Corporation's **share capital** consisted of 19,547,869 common shares (19,566,286 shares as at November 30, 2014). In 2015, upon the exercise of options under the stock option plan, Richelieu issued 132,183 common shares at an average price of \$23.20 (187,825 in 2014 at an average price of \$21.16). In addition, 150,600 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of \$9.2 million (667,600 common shares for a cash consideration of \$30.4 million in 2014), resulting in a redemption premium of \$8.9 million recorded as a reduction of retained earnings (premium of \$29.5 million in 2014). Finally, the Corporation granted 82,300 stock options during the year (64,100 in 2014). Consequently, as at November 30, 2015, 526,215 stock options were outstanding (587,198 as at November 30, 2014).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2015

(in thousands of \$)

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	2,245	1,335	–	3,580
Operating leases	9,905	20,771	4,446	35,122
Total	12,150	22,106	4,446	38,702

For 2016 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2016, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

EVENTS AFTER THE REPORTING DATE

Effective December 14, 2015, Richelieu acquired all the outstanding common shares of Cabinetmakers Supply, Inc. (doing business as Cornerstone Hardware & Supplies), a specialty hardware distributor located in Houston, Texas, that serves a customer base of kitchen cabinet manufacturers and residential and commercial woodworkers.

On January 21, 2016, the Board of Directors approved a three-for-one split of all common shares issued and outstanding of the Corporation, effective on February 29, 2016.

FINANCIAL INSTRUMENTS

Richelieu periodically enters into foreign exchange forward contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated payables or to hedge forecasted purchase transactions. The Corporation has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

Richelieu also uses equity swaps to reduce the effect of fluctuations in its share price on net earnings in connection with its deferred share unit plan.

In notes (1) and (12) of the audited consolidated financial statements for the year ended November 30, 2015, the Corporation presents the information on the classification and fair value of its financial instruments, as well as on their value and management of the risks arising from their use.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has designed and evaluated internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P) to provide reasonable assurance that the Corporation's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of *National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings*, the design and the effectiveness of internal controls over financial reporting as at November 30, 2015. In light of this assessment, they concluded that the design and the effectiveness of internal controls over financial reporting (ICFR and DC&P) were effective. During the year ended November 30, 2015, management ensured that there were no material changes in the Corporation's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and may not prevent or detect mis-statements. In addition, projections of an assessment of effectiveness in future periods carry the risk that controls will become inappropriate as a result of changes in conditions or if the degree of conformity with standards and methods should deteriorate.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Corporation's audited consolidated financial statements for the year ended November 30, 2015 have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable.

The judgments made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period, are valuation of inventory impairment, including loss and obsolescence, goodwill and intangible assets with indefinite useful lives and deferred tax assets requires the use of judgment and assumptions that may affect the amounts reported in the consolidated financial statements. The underlying estimates and assumptions are reviewed regularly. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in the future periods affected by the revisions. Actual results could differ from those estimates.

NEW ACCOUNTING METHODS

Recently Issued

IFRS 15, Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15, *Revenue from Contracts with Customers*, which is a replacement of IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations. Under IFRS 15, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal years beginning on or after January 1st, 2018. Earlier application is permitted.

IFRS 16, Leases

In January 2016, the IASB has published a new standard, IFRS 16 *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 *Leases* and related interpretations and is effective for periods beginning on or after January 1st, 2019, with earlier adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

IAS 1, Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1st, 2016. Earlier application is permitted.

The Corporation will assess the impact this new standard will have on its consolidated financial statements.

RISK FACTORS

Richelieu is exposed to different risks that can have a material adverse effect on its profitability. To offset such risks, the Corporation has adopted various strategies adapted to the major risk factors below:

Economic conditions

The Corporation's business and financial results partly depend on general economic conditions and the economic factors specific to the renovation and construction industry. Any economic downturn could lead to a decline in sales and have an adverse impact on the Corporation's financial performance.

Market and competition

The specialty hardware and renovation products segment is highly competitive. Richelieu has developed a business strategy rooted in a diversified product offering in various targeted niche markets in North America and sourced from suppliers around the world, in creative marketing and in unparalleled expertise and quality of service. Up to now, this strategy has enabled it to benefit from a solid competitive edge. However, if Richelieu were unable to implement its business strategy with the same success in the future, it could lose market shares and its financial performance could be adversely affected.

Foreign currency

Richelieu is exposed to the risks related to currency fluctuations, primarily in regard to foreign-currency denominated purchases and sales made abroad.

The Corporation's products are regularly sourced from abroad. Thus, any increase in foreign currencies (primarily the U.S. dollar and euro) compared with the Canadian dollar tends to raise its supply cost and thereby affect its consolidated financial results. These currency fluctuations related risks are mitigated by the Corporation's ability to adjust its selling prices within a relatively short timeframe so as to protect its profit margins although significant volatility in foreign currencies may have an adverse impact on its sales.

Sales made abroad are mainly recorded in the United States and account for approximately 31% of Richelieu's total sales. Any volatility in the Canadian dollar therefore tends to affect consolidated results. This risk is partially offset by the fact that major purchases are denominated in U.S. dollars.

To manage its currency risk, the Corporation uses derivative financial instruments, more specifically forward exchange contracts in U.S. dollars and euros. There can be no assurance that the Corporation will not sustain losses arising from these financial instruments or fluctuations in foreign currency.

Supply and inventory management

Richelieu must anticipate and meet its customers' supply needs. To that end, Richelieu must maintain solid relationships with suppliers respecting its supply criteria. The inability to maintain such relationships or to efficiently manage the supply chain and inventories could affect the Corporation's financial position. Similarly, Richelieu must track trends and its customers' preferences and maintain inventories that meet their needs, failing to do so could adversely affect its financial performance.

To mitigate its supply-related risks, Richelieu has built solid long-term relationships with numerous suppliers on several continents, most of whom are world leaders.

Acquisitions

Acquisitions in North America remain an important strategic focus for Richelieu. The Corporation will maintain its strict acquisition criteria and pay particular attention to the integration of its acquisitions. Nevertheless, there is no guarantee that a business matching Richelieu's acquisition criteria will be available and there can be no assurance that the Corporation will be able to make acquisitions at the same pace as in the past. However, the fact that the U.S. market remains highly fragmented and that acquisitions are generally of limited size reduces the inherent financial and operational risks.

Credit

The Corporation is exposed to the credit risk related to its accounts receivable. Richelieu has adopted a policy defining the credit conditions for its customers to safeguard against credit losses arising from doing business with them. For each customer, the Corporation sets a specific limit that is regularly reviewed. The diversification of its products, customers and suppliers reasonably safeguards the Corporation against a concentration of its credit risk. No customer of the Corporation accounts for more than 10% of its revenues.

Labour relations and qualified employees

To achieve its objectives, Richelieu must attract, train and retain qualified employees while controlling its payroll. The inability to attract, train and retain qualified employees and to control its payroll could have an impact on the Corporation's financial performance.

Close to 16% of Richelieu's workforce is unionized. The Corporation's policy is to negotiate collective agreements at conditions enabling it to maintain its competitive edge and a positive and satisfactory working environment for its entire team. Richelieu has not experienced any major labour conflicts over the past five years and expects to maintain sound working relations. Any interruption in operations as a result of a labour conflict could have an adverse impact on the Corporation's financial results.

Stability of key officers

Richelieu offers a stimulating working environment and a competitive compensation plan, which help it retain a stable management team. Failure to retain the services of a highly qualified management team could compromise the success of Richelieu's strategic execution and expansion, which could have an adverse impact on its financial results. To adequately manage its future growth, the Corporation adjusts its organizational structure as needed and strengthens the teams at the various levels of its business. It should be noted that more than 50% of its employees, including senior officers, are Richelieu shareholders.

Product liability

In the normal course of business, Richelieu is exposed to various product liability claims that could result in major costs and affect the Corporation's financial position. Richelieu has agreements containing the usual limits with insurance companies to cover the risks of claims associated with its operations.

Crisis management, IT contingency plan and data security

The IT structure implemented by Richelieu enables it to support its operations and contributes to ensure their efficiency. As the occurrence of a disaster, including a major interruption of its computer systems, could affect its operations and financial performance, the Corporation has implemented a crisis management and IT contingency plan to reduce the extent of such a risk. This plan provides among others for an alternate physical location in the event of a disaster, generators in the event of power outages and a relief computer as powerful as the central computer.

A breach of the Corporation's IT security, loss of customer data or system disruption could adversely affect its business and reputation.

Richelieu's business is dependent on its payroll, transaction, financial, accounting and other data processing systems. The Corporation relies on these systems to process, on a daily basis, a large number of transactions. Any security breach in its business processes and/or systems has the potential to impact its customer information, which could result in the potential loss of business. If any of these systems fail to operate properly or become disabled, the Corporation could potentially lose control of customer data and suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or damage to its reputation.

In addition, any issue of data privacy as it relates to unauthorized access to, or loss of, customer and/or employee information could result in the potential loss of business, damage to Richelieu's market reputation, litigation and regulatory investigation and penalties.

To reduce its risk, the Corporation continuously invests in the security of its IT systems, business processes improvements and enhancements to its culture of information security.

SHARE INFORMATION AS AT JANUARY 21, 2016

Issued and outstanding common shares: 19,553,369

Stock options under stock option plan: 520,715

OUTLOOK

In 2016, as in the past, Richelieu will be customer-oriented, focusing on quality of service and innovation. Its two major sources of growth will remain innovation and business acquisition strategies in its sector. The Corporation will pursue its current market development in North America and its efforts to penetrate new territories, especially in the United States. It remains on the lookout for strategic acquisitions to further strengthen its positioning and create additional sales and operational synergies, while giving priority to operational efficiency and sound financial management.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.



[Signed] Richard Lord
President and
Chief Executive Officer



[Signed] Antoine Auclair
Vice-President and
Chief Financial Officer

January 21, 2016

MANAGEMENT'S REPORT

Related to the consolidated financial statements

The consolidated financial statements of Richelieu Hardware Ltd. (the "Corporation") and other financial information included in this Annual Report are the responsibility of the Corporation's management. These consolidated financial statements have been prepared by management in accordance with IFRS and approved by the Board of Directors.

The Corporation maintains accounting and internal control systems which, in management's opinion, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation's activities.

The Board of Directors fulfills its responsibility regarding the consolidated financial statements included in the Annual Report, primarily through its Audit Committee. This committee which meets periodically with the Corporation's managers and external auditors, has reviewed the consolidated financial statements of the Corporation and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Corporation's external auditors, Ernst & Young LLP, Chartered Professional Accountants.

Montreal, Canada, January 21, 2016



(Signed) Richard Lord

President and Chief Executive Officer



(Signed) Antoine Auclair

Vice-President and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the shareholders of **Richelieu Hardware Ltd.**

We have audited the accompanying consolidated financial statements of **Richelieu Hardware Ltd.**, which comprise the consolidated statements of financial position as at November 30, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

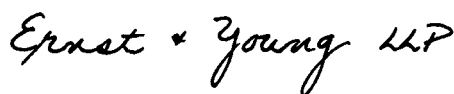
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Richelieu Hardware Ltd.** as at November 30, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



(Signed) Ernst & Young LLP

Montreal, Canada, January 21, 2016

¹ CPA auditor, CA, public accountancy permit no. A120803

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT NOVEMBER 30
(In thousands of dollars)

	Notes	2015 \$	2014 \$
ASSETS			
Current assets	3		
Cash and cash equivalents		29,454	33,721
Accounts receivable		99,975	93,874
Inventories		206,449	156,488
Prepaid expenses		1,430	1,311
		337,308	285,394
Non-current assets	3		
Property, plant and equipment	4	27,963	22,895
Intangible assets	5	21,325	20,987
Goodwill	5	58,329	57,669
Deferred taxes	9	4,867	3,776
		449,792	390,721
LIABILITIES AND EQUITY			
Current liabilities	3		
Accounts payable and accrued liabilities		71,787	64,437
Income taxes payable	9	2,697	2,739
Current portion of long-term debt	7	2,245	3,352
		76,729	70,528
Non-current liabilities			
Long-term debt	7	1,335	2,002
Deferred taxes	9	3,020	2,762
Other liabilities		1,901	1,876
		82,985	77,168
Equity			
Share capital	8	33,566	29,762
Contributed surplus	8	1,265	1,576
Retained earnings		308,904	270,826
Accumulated other comprehensive income	11	19,150	6,985
Equity attributable to shareholders of the Corporation		362,885	309,149
Non-controlling interests		3,922	4,404
		366,807	313,553
		449,792	390,721

Commitments and contingencies [note 10]

Events after the reporting date [note 17]

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



[Signed] Director



[Signed] Director

CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED NOVEMBER 30
(In thousands of dollars, except earnings per share)

	Notes	2015 \$	2014 \$
Sales		749,646	646,909
Operating expenses excluding amortization and financial costs	8, 12	661,965	569,492
Earnings before amortization, financial costs and income taxes		87,681	77,417
Amortization of property, plant and equipment		5,806	5,043
Amortization of intangible assets		2,643	2,080
Financial costs, net		(149)	(294)
		8,300	6,829
Earnings before income taxes		79,381	70,588
Income taxes	9	20,503	18,015
Net earnings		58,878	52,573
Net earnings attributable to:			
Shareholders of the Corporation		58,739	52,393
Non-controlling interests		139	180
		58,878	52,573
Net earnings per share attributable to shareholders of the Corporation	8		
Basic		3.01	2.67
Diluted		2.97	2.63

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED NOVEMBER 30
(In thousands of dollars)

	Notes	2015 \$	2014 \$
Net earnings		58,878	52,573
Other comprehensive income that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	11	12,165	4,749
Comprehensive income		71,043	57,322
Comprehensive income attributable to:			
Shareholders of the Corporation		70,904	57,142
Non-controlling interests		139	180
		71,043	57,322

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED NOVEMBER 30
(In thousands of dollars)

	Attributable to shareholders of the Corporation				Total \$	Non-controlling interests \$	Total equity \$
	Share capital \$	Contributed surplus \$	Retained earnings \$	Accumulated other comprehensive income \$			
<i>Notes</i>	8			11			
Balance as at November 30 th , 2013	25,288	2,356	258,965	2,236	288,845	4,269	293,114
Net earnings	—	—	52,393	—	52,393	180	52,573
Other comprehensive incomes	—	—	—	4,749	4,749	—	4,749
Comprehensive income	—	—	52,393	4,749	57,142	180	57,322
Shares repurchased	(856)	—	(29,509)	—	(30,365)	—	(30,365)
Stock options exercised	5,330	(1,355)	—	—	3,975	—	3,975
Share-based compensation expense	—	575	—	—	575	—	575
Dividends [note 16]	—	—	(11,023)	—	(11,023)	—	(11,023)
Other liabilities	—	—	—	—	—	(45)	(45)
	4,474	(780)	(40,532)	—	(36,838)	(45)	(36,883)
Balance as at November 30th, 2014	29,762	1,576	270,826	6,985	309,149	4,404	313,553
Net earnings	—	—	58,739	—	58,739	139	58,878
Other comprehensive incomes	—	—	—	12,165	12,165	—	12,165
Comprehensive income	—	—	58,739	12,165	70,904	139	71,043
Shares repurchased	(236)	—	(8,944)	—	(9,180)	—	(9,180)
Stock options exercised	4,040	(973)	—	—	3,067	—	3,067
Share-based compensation expense	—	662	—	—	662	—	662
Dividends [note 16]	—	—	(11,717)	—	(11,717)	(596)	(12,313)
Other liabilities	—	—	—	—	—	(25)	(25)
	3,804	(311)	(20,661)	—	(17,168)	(621)	(17,789)
Balance as at November 30th, 2015	33,566	1,265	308,904	19,150	362,885	3,922	366,807

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED NOVEMBER 30
(In thousands of dollars)

	Notes	2015 \$	2014 \$
OPERATING ACTIVITIES			
Net earnings		58,878	52,573
Items not affecting cash			
Amortization of property, plant and equipment		5,806	5,043
Amortization of intangible assets		2,643	2,080
Deferred taxes		(399)	(685)
Share-based compensation expense	8	1,124	1,242
		68,052	60,253
Net change in non-cash working capital balances		(40,741)	(19,788)
		27,311	40,465
FINANCING ACTIVITIES			
Repayment of long-term debt		(1,041)	—
Dividends paid to shareholders of the parent Corporation	16	(11,717)	(11,023)
Other dividends paid		(596)	—
Common shares issued	8	3,067	3,975
Common shares repurchased for cancellation	8	(9,180)	(30,365)
		(19,467)	(37,413)
INVESTING ACTIVITIES			
Business acquisitions	3	(511)	(9,897)
Additions to property, plant and equipment and intangible assets	4, 5	(10,986)	(5,536)
		(11,497)	(15,433)
Effect of exchange rate changes on cash and cash equivalents		(614)	(85)
Net change in cash and cash equivalents		(4,267)	(12,466)
Cash and cash equivalents, beginning of period		33,721	46,187
Cash and cash equivalents, end of period		29,454	33,721
Supplementary information			
Income taxes paid		20,721	16,871
Interest received, net		(149)	(294)

See accompanying notes to the consolidated financial statements.

NATURE OF BUSINESS

Richelieu Hardware Ltd. [the "Corporation"] is incorporated under the laws of Quebec, Canada. The Corporation is a distributor, importer, and manufacturer of specialty hardware and complementary products. Its products are targeted to an extensive customer base of kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworkers, as well as a large customer base of hardware retailers, including renovation superstores. The Corporation's head office is located at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, Canada, H4S 1V4.

1. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's consolidated financial statements, presented in Canadian dollars, have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"].

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable.

The judgments made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period are the valuation of inventory impairment, including loss and obsolescence, goodwill and intangible assets with indefinite useful lives and deferred tax assets require the use of judgment and assumptions that may affect the amounts reported in the consolidated financial statements. The underlying estimates and assumptions are reviewed regularly. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in the future periods affected by the revisions. Actual results could differ from those estimates.

The Corporation's consolidated financial statements have been properly prepared within the reasonable limits of materiality in accordance with the accounting policies summarized below:

Consolidation

The consolidated financial statements include the accounts of Richelieu Hardware Ltd. and its subsidiaries described in note 13. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with an initial term of three months or less. Cash and cash equivalents were classified in "financial assets at fair value through net earnings" and measured at fair value. Gains (losses) arising from remeasurement at each period-end are recorded in the consolidated statement of earnings.

Accounts receivable

Accounts receivable are classified in "loans and receivables" and carried at cost, which is equivalent to fair market value on initial recognition. Subsequent measurements are recorded at amortized cost using the effective interest method. For the Corporation, this measurement is usually equivalent to cost due to their short-term maturities.

Inventories

Inventories, which consist primarily of finished goods, are valued at the lower of average cost and net realizable value. Net realizable value is the expected selling price in the normal course of business, less estimated costs to sell. The Corporation uses judgment when estimating the effect of certain factors on the net realizable value of inventory, such as inventory obsolescence and loss. The quantity, age and condition of inventory are measured and assessed regularly during the year.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives. The main components have different useful lives and are amortized separately. The amortization method and useful life estimates are reviewed annually.

Buildings	20 years
Leasehold improvements	Lease terms, maximum 5 years
Machinery and equipment	5-10 years
Rolling stock	5 years
Furniture and fixtures	3-5 years
Computer equipment	3-5 years

Intangible assets

Intangible assets are acquired assets that lack physical substance and that meet the specified criteria for recognition apart from goodwill and property, plant and equipment. Intangible assets consist mainly of purchased or internally developed software, customer relationships, non-competition agreements and trademarks. Software and customer relationships are amortized on a straight-line basis over their useful lives of 3 and 10-20 years, respectively, while non-competition agreements are amortized over the terms of the agreements. Trademarks have an indefinite life and are therefore not amortized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and corresponds to the development potential of the acquired businesses, combined with the Corporation's operations and from the expected synergies and expanding of the product offering and network. Goodwill is not amortized.

Impairment of non-current assets

At the end of each reporting period, the Corporation must determine whether indicators of impairment exist for its non-current assets, excluding goodwill and intangible assets with indefinite useful lives. If such indicators exist, the non-current assets are tested for impairment. When the impairment test indicates that the carrying amount of the tangible or intangible asset exceeds its recoverable amount, an impairment loss is recognized in net earnings in an amount equal to the excess.

The Corporation is required to test goodwill and intangible assets with indefinite lives for impairment at least once a year, whether or not indicators of impairment exist. Impairment tests are carried out on the asset itself, the cash-generating unit ["CGU"] or group of CGUs as at November 30. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and the supporting assets that cannot be wholly allocated to a single CGU are tested for impairment at the group of CGUs level.

Impairment tests consist in a comparison between the carrying and recoverable amounts of an asset, CGU or group of CGUs. The recoverable amount is the higher of value in use and fair value less costs to sell. Where the carrying amount exceeds the recoverable amount, an impairment loss equal to the excess is recognized in net earnings. Impairment losses related to CGUs or groups of CGUs are allocated proportionately to the assets of the CGU or group of CGUs; however, the carrying amount of the assets is not reduced below the higher of their fair value less costs to sell and their value in use.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other than for goodwill, if a reversal of an impairment loss occurs, it must be recognized immediately in net earnings. Reversals of impairment losses related to a CGU or group of CGUs are allocated proportionately to the assets of the CGU or group of CGUs. On reversal of an impairment loss, the increased recoverable amount of an asset must not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in respect of the asset in prior years.

In impairment testing of goodwill and intangible assets with indefinite useful lives, value in use is estimated using a discounted future cash flow model. The application of this method is based on different assumptions such as estimated future cash flows as described in note 5.

Other financial liabilities

Accounts payable and accrued liabilities and long-term debt are classified in "other financial liabilities" and are initially recorded at fair value. They are subsequently measured at amortized cost using the effective interest method. For the Corporation, this measurement is usually equivalent to cost. Options to purchase non-controlling interests that correspond to the definition of a financial liability are measured at fair value and presented under other liabilities.

Revenue recognition

Revenues are recognized when finished products are shipped to customers. They are measured at the fair value of the consideration received or receivable, net of returns and discounts granted.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are accounted for based on estimated taxes recoverable or payable that would result from the recovery or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to be in effect in the years in which the temporary differences are expected to reverse. Changes in these balances are recognized in net earnings in the year in which they arise.

Deferred tax assets are recognized when it is probable that the Corporation will have future taxable income against which these tax assets may be offset. In determining these deferred tax assets, assumptions are considered, such as the period for tax loss carry forwards to be completely used up and the level of future taxable income in accordance with tax planning strategies.

Foreign currency translation

Monetary assets and liabilities of the Corporation are translated at the exchange rate in effect at the end of the reporting period and the other items in the statements of financial position and earnings are translated at the exchange rates in effect at the date of transaction. Foreign exchange gains and losses are recognized in net earnings in the year in which they arise.

The assets and liabilities of the U.S. subsidiary are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Revenues and expenses are translated at the rate in effect at the date of transaction. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

Derivative financial instruments

The Corporation periodically enters into foreign exchange forward contracts with financial institutions to partially hedge the effects of changes in foreign exchange rates related to foreign currency liabilities, as well as to hedge anticipated purchase transactions.

The Corporation enters into equity swaps to reduce its exposure on net earnings related to the fluctuations in the Corporation's share price relating to its deferred share unit.

The Corporation does not use derivatives for speculative purposes. The Corporation uses hedge accounting only when IFRS documentation criteria are met. Derivative financial instruments designated as cash flow hedges are classified as available-for-sale financial assets and liabilities and are measured at fair value, which is the instruments' approximate settlement value at market rates. Gains and losses on remeasurement at each year-end are recorded in comprehensive income. If the instrument is not designated and documented as a hedge, changes in fair value are recognized in the statement of consolidated earnings for the year. Assets or liabilities related to financial instruments are included in *Accounts receivable* or *Accounts payable and accrued liabilities* in the consolidated statements of financial position.

Fair value measurements hierarchy

Fair value measurements of assets and liabilities recognized at fair value in the consolidated statements of financial position or whose fair value is presented in the notes to the financial statements are categorized in accordance with the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in 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 observable market data (unobservable inputs).

Share-based payment

The Corporation offers a stock option plan to its directors, officers and key employees. The subscription price of each share issuable under the plan is equal to the market price of the shares five days prior to the day the option was granted and must be paid in full at the time the option is exercised. Options vest at a rate of 25% per year starting one year after grant date and expire on the tenth anniversary of the grant date.

The Corporation recognizes stock-based compensation and other share-based payments in net earnings using the fair value method for stock options granted. The Black & Scholes model is used to determine the grant date fair value of stock options. The application of this method is based on different assumptions such as risk free interest rate, expected life, volatility and dividend yield as described in note 8.

Deferred share unit plan

The Corporation offers a deferred share unit ("DSU") plan to its directors who can elect to receive part or all of their compensation in DSUs. The value of DSUs is redeemable for cash only when a director ceases to be a member of the Board. The number of DSUs granted to a director equals the compensation amount to be converted in DSUs divided by the average closing price of the Shares on the Toronto Stock Exchange for the five (5) business days immediately preceding the date of the payment. The DSU liability is measured at fair value at each closing date on the basis of the number of outstanding share units and the market price of the Company's common shares is included in *Accounts payable and accrued liabilities*. The Corporation has entered into equity swaps to reduce its exposure on net earnings related to the fluctuations of the Corporation's share price. The net effect of the equity swaps mostly offsets the impact of the change in the Corporation's share price and is included in the *Operating expenses*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2015 and 2014 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Net earnings per share

Net earnings per share are calculated based on the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method and take into account all the elements that have a dilutive effect.

2. CHANGES IN ACCOUNTING METHODS

Recently issued

IFRS 15, Revenue from contracts with customers

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 *Revenue from Contracts with Customers* which is a replacement of IAS 18 Revenue, IAS 11, *Construction Contracts* and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal years beginning on or after January 1st, 2018. Earlier application is permitted.

IFRS 16, Leases

In January 2016, the IASB has published a new standard, IFRS 16 *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 Leases and related interpretations and is effective for periods beginning on or after January 1st, 2019, with earlier adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

IAS 1, Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1st, 2016. Earlier application is permitted.

The Corporation will assess the impact these new standards will have on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

2015

On June 18, 2015, the Corporation purchased the net assets of BD Enterprises, Inc. (doing business as Single Source Cabinet Supplies [«Single Source»]), a distributor of specialty hardware that serves a customer base of kitchen cabinet manufacturers and residential and commercial woodworkers in Dallas, Texas.

Since its acquisition Single Source generated sales of \$2,000. If this acquisition had been completed on December 1st 2014, management estimates that generated sales would have been approximately \$4,500.

2014

On October 27, 2014, the Corporation purchased the principal net assets of Thruway Hardwood and Plywood Corp., a distributor of specialty panels and hardware that operates two distribution centers in New York State, United States.

On September 22, 2014, the Corporation acquired all of the outstanding common shares of XM Export-Import Canada Inc., a distributor of specialty hardware that operates in Quebec, Canada.

On June 30, 2014, the Corporation purchased the principal net assets of CabinetWare Inc. This business serves a customer base of residential and commercial woodworkers and kitchen, bathroom cabinet and furniture manufacturers from its four locations in Florida, United States.

On May 5, 2014, the Corporation purchased the principal net assets of Pleasantside distribution Ltd., a distributor of specialty hardware that operates in the Western Canadian market.

On December 2, 2013, the Corporation acquired all of the outstanding common shares of Procraft Industrial Ltd., a distributor of finishing products serves a customer base of residential and commercial woodworker's and kitchen cabinet manufacturers, in the Maritime Provinces of Canada.

These transactions were accounted for using the acquisition method and the results of operations are included in the consolidated financial statements as of their respective acquisition date.

Summary of acquisitions

The purchase price allocations, at the transaction dates are summarized as follows:

	2015 \$	2014 \$
Current assets acquired	977	6,221
Non current assets acquired	511	11,345
	1,488	17,566
Current liabilities assumed	932	3,619
Net assets acquired	556	13,947
Considerations		
Cash, net of cash acquired	511	9,897
Considerations payable [note 7]	45	4,050
	556	13,947

During the year ended November 30, 2015, balances of sale were reduced by \$1,297 as a result of purchase price adjustments on acquisitions from previous years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2015 and 2014 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

4. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings \$	Leasehold improvements \$	Machinery and equipment \$	Rolling stock \$	Furniture and fixtures \$	Computer equipment \$	Total \$
Net carrying amount as at November 30 th , 2013	3,652	9,230	716	4,000	1,835	2,280	578	22,291
Acquisitions	—	529	126	2,074	918	954	405	5,006
Acquisitions through business combinations	—	—	13	52	345	45	26	481
Amortization	—	(1,306)	(341)	(1,107)	(746)	(1,152)	(391)	(5,043)
Effect of changes in foreign exchange rates	—	—	26	35	17	77	5	160
Net carrying amount as at November 30 th , 2014	3,652	8,453	540	5,054	2,369	2,204	623	22,895
Cost	3,652	22,496	4,434	26,013	8,393	14,329	10,207	89,524
Accumulated amortization	—	(14,043)	(3,894)	(20,959)	(6,024)	(12,125)	(9,584)	(66,629)
Net carrying amount as at November 30 th , 2014	3,652	8,453	540	5,054	2,369	2,204	623	22,895
	Land \$	Buildings \$	Leasehold improvements \$	Machinery and equipment \$	Rolling stock \$	Furniture and fixtures \$	Computer equipment \$	Total \$
Net carrying amount as at November 30 th , 2014	3,652	8,453	540	5,054	2,369	2,204	623	22,895
Acquisitions	—	3,778	520	2,410	1,305	1,557	707	10,277
Acquisitions through business combinations	—	—	33	53	44	17	12	159
Amortization	—	(1,383)	(405)	(1,111)	(998)	(1,459)	(450)	(5,806)
Effect of changes in foreign exchange rates	—	—	45	111	119	144	19	438
Net carrying amount as at November 30 th , 2015	3,652	10,848	733	6,517	2,839	2,463	911	27,963
Cost	3,652	26,274	5,032	28,587	9,861	16,047	10,945	100,398
Accumulated amortization	—	(15,426)	(4,299)	(22,070)	(7,022)	(13,584)	(10,034)	(72,435)
Net carrying amount as at November 30 th , 2015	3,652	10,848	733	6,517	2,839	2,463	911	27,963

5. INTANGIBLE ASSETS AND GOODWILL

	Software \$	Non-competition agreements \$	Customer relationships \$	Trademarks \$	Total \$	Goodwill \$
Net carrying amount as at November 30 th , 2013	615	586	10,794	3,666	15,661	52,788
Acquisitions	530	—	—	—	530	—
Acquisitions through business combinations	—	801	4,872	631	6,304	4,560
Amortization	(518)	(256)	(1,306)	—	(2,080)	—
Effect of changes in foreign exchange rates	—	4	442	126	572	321
Net carrying amount as at November 30 th , 2014	627	1,135	14,802	4,423	20,987	57,669
Cost	5,740	2,552	28,416	4,423	41,131	57,669
Accumulated amortization	(5,113)	(1,417)	(13,614)	—	(20,144)	—
Net carrying amount November 30 th , 2014	627	1,135	14,802	4,423	20,987	57,669
Net carrying amount as at November 30 th , 2014	627	1,135	14,802	4,423	20,987	57,669
Acquisitions	709	—	—	—	709	—
Acquisitions through business combinations	—	—	352	—	352	—
Amortization	(458)	(461)	(1,724)	—	(2,643)	—
Effect of changes in foreign exchange rates	—	86	1,480	354	1,920	660
Net carrying amount as at November 30 th , 2015	878	760	14,910	4,777	21,325	58,329
Cost	6,451	2,632	31,789	4,777	45,649	58,329
Accumulated amortization	(5,573)	(1,872)	(16,879)	—	(24,324)	—
Net carrying amount November 30 th , 2015	878	760	14,910	4,777	21,325	58,329

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2015 and 2014 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

5. INTANGIBLE ASSETS AND GOODWILL (cont'd)

For impairment test purposes, the carrying value of goodwill and intangible assets has been allocated to CGUs or groups of CGUs. The carrying amounts of goodwill for the three CGUs that are significant in comparison with the total carrying amount of goodwill are \$14.4 million, \$11.8 million and \$8.3 million respectively while \$23.8 million is allocated across multiple CGUs or groups of CGUs with carrying values of goodwill that are not significant in comparison with total carrying amount of goodwill. The carrying amounts of intangible assets with indefinite useful lives is allocated across multiple CGUs or groups of CGUs and the amount allocated is not individually significant in comparison with the total carrying amount. The recoverable value of the CGUs or groups of CGUs was determined on the basis of their value in use, which was calculated using forecasted cash flows before taxes over a period of five years, discount rates before taxes between 12.5% and 13% and a terminal value calculated at a rate of 2%. Main assumptions are based on historical data. No reasonably possible change to the main assumptions used for the impairment tests would result in a carrying amount higher than the recoverable amount.

6. BANK INDEBTEDNESS

The Corporation has a line of credit with a Canadian banking institution with an authorized amount of \$26 million in Canadian dollar and \$6 million in US dollar, bearing interest at the bank's prime and base rates, which were respectively 2.7% and 3.75% as at November 30, 2015 [3% and 3.75% in 2014]. The line of credit is renewable annually.

7. LONG-TERM DEBT

	2015 \$	2014 \$
Business acquisition considerations payable not bearing interests, including US\$ 2,624 [US\$ 2,714 in 2014];	3,580	5,354
Current portion of long-term debt	2,245	3,352
Long-term debt	1,335	2,002

Next years' principal payments on long-term debt are \$2,245 in 2016 and \$1,335 in 2017.

8. SHARE CAPITAL

Authorized

Unlimited number of:

Common shares, participating, entitling the holder to one vote per share.

Non voting first and second ranking preferred shares issuable in series, the characteristics of which are to be determined by the Board of Directors.

Issued

	2015 \$	2014 \$
19,547,869 common shares [19,566,286 – 2014]	33,566	29,762

During 2015, the Corporation issued 132,183 common shares [2014 – 187,825] at an average price of \$23.20 per share [2014 – \$21.16] pursuant to the exercise of options under the stock option plan. The weighted average share price at the date of exercise of options was \$66.69 [\$47.03 in 2014]. In addition, during 2015, the Corporation, through a normal course issuer bid, purchased 150,600 common shares for cancellation in consideration of \$9,180 [2014 – 667,600 common shares for consideration of \$30,365] which resulted in a premium on the redemption in the amount of \$8,944 recorded in retained earnings [premium of \$29,509 in 2014].

Stock option plan

Changes in stock options are summarized as follows:

	Number of options	Exercise price per share \$
Outstanding, November 30, 2013	711,673	15.89 to 38.14
Granted	64,100	43.51 to 47.98
Exercised	(187,825)	15.89 to 38.14
Cancelled	(750)	38.14
Outstanding, November 30, 2014	587,198	16.72 to 47.98
Granted	82,300	56.49
Exercised	(132,183)	16.72 to 43.51
Cancelled	(11,100)	22.31 to 56.49
Outstanding, November 30, 2015	526,215	16.72 to 56.49

As at November 30, 2015, 11,100 options [2014 – 82,300] were still available to be granted.

The table below summarizes information regarding the stock options outstanding as at November 30, 2015:

Range in exercise price (in dollars)	Options outstanding			Exercisable options	
	Number of options	Weighted average remaining period (years)	Weighted average exercise price (in dollars)	Number of options	Weighted average exercise price (in dollars)
16.72 – 24.76	269,590	2.17	21.00	269,590	21.00
24.77 – 30.44	33,125	6.16	27.43	24,844	27.43
30.45 – 38.14	81,850	6.83	36.73	48,425	35.76
38.15 – 56.49	141,650	8.74	51.70	15,213	45.35
	526,215	4.91	32.12	358,072	24.48

During 2015, the Corporation granted 82,300 options [2014 – 64,100] with an average exercise price of \$56.49 per share [2014 – \$45.26] and an average fair value of \$12.42 per option [2014 – \$11.70] as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.1% [2014 – 1.3%], a volatility of 21% [2014 – 25%], a risk free interest rate of 1.48% [2014 – 2.29%] and an expected life of 7 years [2014 – 7 years]. The maximum term of options granted is January 22, 2025. The compensation expense in 2015 related to stock options amounted to \$662 [2014 – \$575] is recognized under *Operating expenses*.

Deferred share unit plan

The financial liability resulting from the plan of \$6,022 [2014 – \$4,463] is presented under the *Accounts payable and accrued liabilities*. As at November 30, 2015, the fair value of the equity swaps amounted to an asset of \$57 [2014 – \$400] and is presented under *Accounts receivable*. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data. The compensation expense for the DSUs in 2015 amounted to \$462 [2014 – \$667] and is recognized under *Operating expenses*.

Number of DSUs	2015	2014
Outstanding, beginning of year	78,335	70,216
Granted	6,350	8,119
Outstanding, end of year	84,685	78,335

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2015 and 2014 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

8. SHARE CAPITAL (cont'd)

Share purchase plan

The Corporation has a share purchase plan entitling any employees to purchase shares up to a maximum percentage of their total compensation in cash. The Corporation contributes an amount equivalent to a percentage of any amounts invested by the employee to the purchase of additional shares. The Corporation's contribution is determined annually. Compensation expense related to the share purchase plan amounted to \$530 for 2015 [2014 – \$461] and is recognized under *Operating expenses*.

Net earnings per share

Basic net earnings per share and diluted net earnings per share were calculated based on the following number of shares:

	2015	2014
Weighted average number of shares outstanding – Basic	19,520	19,654
Dilutive effect under stock option plan	261	264
Weighted average number of shares outstanding – Diluted	19,781	19,918

The computation of diluted net earnings per share includes all outstanding options as at November 30, 2015.

9. INCOME TAXES

The main components of the income taxes expense are as follows:

	2015 \$	2014 \$
Current	20,902	18,700
Deferred:		
Related to temporary differences	1,698	907
Deferred tax assets not previously recognized	(2,097)	(1,592)
	20,503	18,015

The effective income tax rate differs from the combined statutory rates for the following reasons:

	2015 \$	2014 \$
Combined statutory rates	26.90%	26.90%
Income taxes at combined statutory rates	21,353	18,988
Increase (decrease) resulting from:		
Impact of statutory rates changes for the subsidiary outside Canada	716	327
Share-based compensation	171	154
Non-deductible expenses	102	102
Deferred tax assets not previously recognized	(2,097)	(1,592)
Other	258	36
	20,503	18,015

Deferred taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The major components of deferred tax assets and liabilities of the Corporation were as follows:

	2015 \$	2014 \$
Deferred taxes		
Translation of foreign exchange currencies, reserves recognized for tax purposes only upon disbursement and other tax attributes	5,305	4,319
Excess of the tax value of Property, plant and equipment over their net carrying value	1,654	1,699
Excess of the net carrying value of intangible assets and goodwill over their tax value	(5,112)	(5,004)
Net amount	1,847	1,014

The net deferred taxes included the following as at November 30:

	2015 \$	2014 \$
Deferred tax assets	4,867	3,776
Deferred tax liabilities	(3,020)	(2,762)
	1,847	1,014

The net deferred taxes for the years ended November 30 is detailed as follows:

	2015 \$	2014 \$
Balance at the beginning of the year, net	1,014	88
In net earnings	399	685
Other	434	241
Balance at the end of the year, net	1,847	1,014

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets was recognised to the consolidated statement of financial position is \$18,900 as at November 30, 2015 [\$21,000 – 2014] of which \$1,100 will expire in 2031.

10. COMMITMENTS AND CONTINGENCIES

[a] Leases

The Corporation has commitments under operating leases for warehouse and office premises expiring on various dates up to 2025. The future minimum payments, excluding incidental costs for which the Corporation is responsible, are as follows:

	\$
Less than a year	9,905
Between 1 and 5 years	20,771
More than 5 years	4,446
	35,122

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2015 and 2014 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

10. COMMITMENTS AND CONTINGENCIES (cont'd)

[b] Foreign exchange forward contracts

As at November 30, 2015, the Corporation held the following foreign exchange forward contracts having maturity dates in December 2015 and January 2016.

Type	Currency in thousands	Average exchange rate
Purchase	3,800 euros	1.44

[c] Claims

In the normal course of business, various proceedings and claims are instituted against the Corporation. Management believes that any forthcoming settlement in respect of these claims will not have a material effect on the Corporation's financial position or consolidated net earnings.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

The variance in the accumulated other comprehensive income balances is as follows:

	2015 \$	2014 \$
Balance at the beginning of the year	6,985	2,236
Exchange differences on translation of foreign operations	12,165	4,749
Balance at the end of the year	19,150	6,985

12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair values

The carrying value of long-term debt approximates their fair value because of the short maturity on balances of sale payable. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data.

As at November 30, 2015, the fair value of the foreign exchange forward contracts amounted to a liability of \$114 [an asset of \$6 as at November 30, 2014], representing the amount the Corporation would collect on settlement of these contracts at spot rates. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data.

Credit risks

The Corporation sells its products to numerous customers in Canada, and in a lesser proportion in the United States. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Corporation. The average days outstanding of accounts receivable, as at November 30, 2015 and 2014 is acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluations of customers and generally does not require collateral. The allowance for doubtful accounts for the years ended November 30 are as follows:

	2015 \$	2014 \$
Balance, beginning of year	5,935	5,024
Allowance for doubtful accounts	689	1,984
Write-offs	(1,340)	(1,536)
Exchange rate variations and other	570	463
Balance, end of year	5,854	5,935

The balance of accounts receivable of the Corporation that are overdue for more than 60 days, but which were not provided for, totals \$568 [\$930 in 2014].

As at November 30, 2015 and 2014, no customer accounted for more than 10% of the total accounts receivable.

Market risks

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in U.S. dollars and Euros. Operating expenses included, for the year ended November 30, 2015, an exchange gain of \$1,460 [2014 – gain of \$1,300].

The Corporation's policy is to maintain its purchase and selling prices by mitigating its exposure by use of derivative financial instruments. To protect its operations from exposure to exchange rate fluctuations, foreign exchange contracts are used. Major exchange risks are covered by a centralized cash flow management. Exchange rate risks are managed in accordance with the Corporation's policy on exchange risk management. The goal of this policy is to protect the Corporation's profits by eliminating the exposure to exchange rate fluctuations. The Corporation's policy does not allow speculative trades.

As at November 30, 2015, on translation of monetary assets and liabilities, a decrease of 5% of the Canadian dollar against the U.S. dollar and the Euro, all other variables remaining the same, would have had no significant effect on consolidated net earnings and would have increased the consolidated comprehensive income by \$5,642 [a decrease of 1% of the Canadian dollar against the U.S. dollar and the Euro, would have had no significant effect on consolidated net earnings and would have increased consolidated comprehensive income by \$962 – 2014]. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as of November 30, 2015 and 2014.

Liquidity risk

The Corporation manages its risk of not being able to settle its financial liabilities when required by taking into account its operational needs and by using different financing tools, if required. During the previous years, the Corporation has financed its growth, its acquisitions, and its payout to shareholders by using the cash generated by the operating activities.

Operating expenses excluding amortization and financial charges

	2015 \$	2014 \$
Inventories from the distribution, imports and manufacturing activities	540,768	463,010
Salaries and related charges	105,092	94,241
Other charges	16,105	12,241
	661,965	569,492

An expense of \$2,776 [2014 – \$2,483] for inventory obsolescence is included in inventories from the distribution, imports and manufacturing activities.

13. RELATED PARTY INFORMATION

Scope of consolidation

Names	Country of incorporation	Equity interest %	Voting rights %
Richelieu America Ltd.	United States	100	100
Richelieu Finances Ltd. ⁽¹⁾	Canada	100	100
Les Industries Cedan inc.	Canada	100	100
Distributions 20/20 inc.	Canada	100	100
Provincial Woodproducts Ltd.	Canada	85	85
Menuiserie des Pins Ltd.	Canada	75	75

⁽¹⁾ Richelieu Finance Ltd. is the owner of 100% of the shares of Richelieu Hardware Canada Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2015 and 2014 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

13. RELATED PARTY INFORMATIONS (cont'd)

Executive officers' compensation

	2015 \$	2014 \$
Short-term employee benefits	3,360	3,130
Other long-term benefits	560	565
Share-based compensation	440	422
	4,360	4,117

Accounts payable and accrued liabilities include a retirement allowance amounting to \$2,200 payable to an executive officer.

14. GEOGRAPHIC INFORMATION

During the year ended November 30, 2015, near 69% of sales had been made in Canada [2014 – 73%]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to \$235,903 [2014 – \$175,827] in Canadian dollars and to \$186,815 [2014 – \$159,973] in U.S. dollars.

As at November 30, 2015, out of a total amount of \$27,963 in property, plant and equipment [2014 – \$22,895], \$2,730 [2014 – \$3,026] are located in the United States. In addition, intangible assets located in the United States amounted to \$12,796 [2014 – \$11,885] and goodwill to \$9,231 [2014 – \$7,909] in Canadian dollars and to \$9,581 [2014 – \$10,389] and goodwill to \$6,913 [2014 – \$6,913] in US dollars.

15. CAPITAL MANAGEMENT

The Corporation's objectives are:

- maintain a low debt ratio to preserve its capacity to pursue its growth both internally and through acquisitions; and
- provide an adequate return to shareholders.

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

For the year ended November 30, 2015, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1% [2014 – 1.7%] [Long-term debt/Equity]
- Return on average shareholder's equity of 17.5% over the last 12 months [2014 – 17.5% over the last 12 months]

The Corporation's capital management objectives remained unchanged from the previous fiscal year.

16. CASH DIVIDENDS PAID TO SHAREHOLDERS OF THE PARENT CORPORATION

For the year ended November 30, 2015, the Corporation paid dividends of \$11,717 to shareholders of the parent Corporation (\$11,023 in 2014), equivalent to a quarterly dividend of \$0.15 per common share [2014 – quarterly dividend of \$0.14 per share]. The Board of Directors approved on January 21, 2016 the payment of a quarterly dividend of \$0.16 per common share for the 1st quarter of 2016.

17. EVENTS AFTER THE REPORTING DATE

Effective December 14, 2015, Richelieu acquired all the outstanding common shares of Cabinetmakers Supply, Inc. (doing business as Cornerstone Hardware & Supplies), a specialty hardware distributor located in Houston, Texas, that serves a customer base of kitchen cabinet manufacturers and residential and commercial woodworkers.

On January 21, 2016, the Board of Directors approved a three-for-one split of all issued and outstanding common shares of the Corporation. This share split will become effective on February 29, 2016 at the close of trading on the Toronto Stock Exchange.

18. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2015 [including the comparative figures] were approved for issue by the Board of Directors on January 21, 2016.

19. COMPARATIVE FIGURES

Certain figures disclosed for the year ended November 30, 2014 have been reclassified to conform to the presentation adopted during the year ended November 30, 2015.

Transfer Agent and Registrar

Computershare Trust Company of Canada

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