

# LEADING THE MARKET EVOLUTION through innovation and service





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**The annual general meeting of shareholders will be held on April 2, 2015 at 10:30 a.m., at the Omni Mont-Royal Hotel, 1050 Sherbrooke Street West, Montreal, Quebec.**



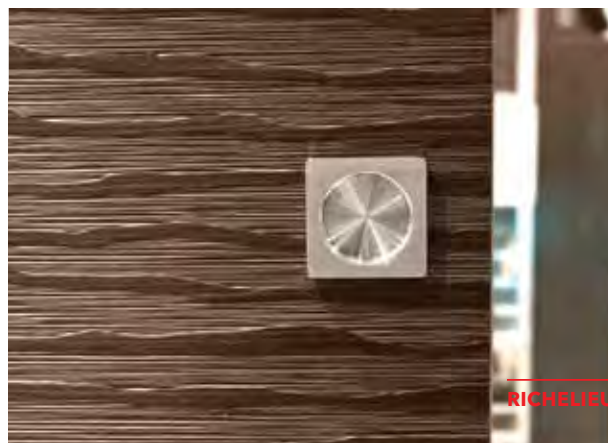
AT RICHELIEU,  
WE ALWAYS HAVE  
THESE QUESTIONS IN MIND:

What creates value  
for our manufacturer  
and retailer customers?

How can we most effectively  
contribute to the successful  
development of their business?

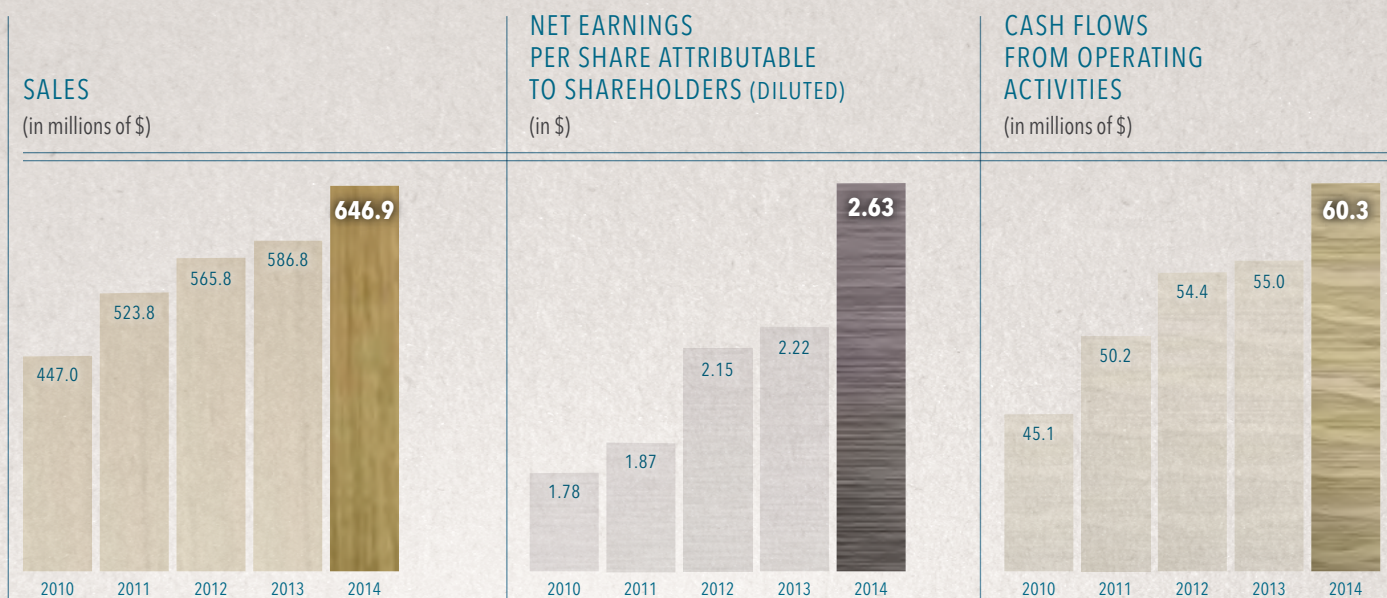
We answer them by:

- understanding their priorities as entrepreneurs, managers, manufacturers and retailers,
- giving them the best access to the most innovative solutions and products worldwide and the unmatched diversity of our offering,
- providing them with our expertise through impeccable multi-access service so their experience at Richelieu exceeds their expectations of efficiency and creativity.



# A PROFITABLE GROWTH STRATEGY

Internal growth and expansion-by-acquisition



## 2010-2014 17 ACQUISITIONS

### 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)

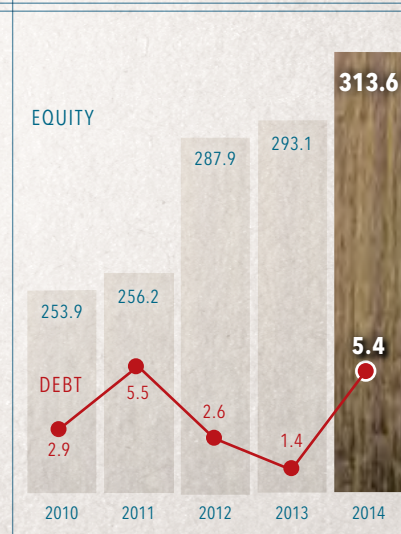
### 2011

Outwater Hardware (New Jersey)  
 Madico Inc. (Quebec)  
 Provincial Woodproducts Ltd. (Newfoundland)

### 2010

Woodland Specialties Inc. (New York State)  
 Raybern Company, Inc. (Connecticut)  
 Gordon Industrial Materials Ltd. (Quebec, Ontario)  
 New Century Distributors Group LLC (New Jersey)  
 E. Kinast Distributors Inc. (Illinois)  
 PJ White Hardwoods Ltd (Alberta, B.C.)

## EQUITY/DEBT (in millions of \$)



# FINANCIAL HIGHLIGHTS

Years ended November 30

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

	2014 \$	2013 \$	2012 \$	2011 \$	2010 <sup>(1)</sup> \$
Sales	646,909	586,775	565,798	523,786	446,963
EBITDA <sup>(2)</sup>	77,417	70,373	71,163	67,149	63,832
EBITDA margin (%)	12.0	12.0	12.6	12.8	14.3
Net earnings	52,573	46,657	45,909	40,105	39,233
Net earnings attributable to shareholders of the Corporation	52,393	46,403	45,404	39,726	38,574
• basic per share (\$)	2.67	2.25	2.17	1.89	1.79
• diluted per share (\$)	2.63	2.22	2.15	1.87	1.78
Net margin attributable to shareholders of the Corporation (%)	8.1	7.9	8.0	7.6	8.6
Cash flows from operating activities <sup>(3)</sup>	60,253	54,978	54,403	50,183	45,059
• diluted per share (\$)	3.03	2.63	2.57	2.36	2.08
Cash dividends paid on shares	11,023	10,768	10,026	9,267	7,768
• per share (\$)	0.56	0.52	0.48	0.44	0.36
Average number of shares outstanding (diluted) (in thousands)	19,918	20,930	21,137	21,262	21,705
As at November 30					
Total assets	390,721	356,325	349,869	318,676	320,816
Working capital	214,866	204,117	200,088	166,897	162,727
Current ratio	4.0	4.5	4.6	4.0	3.7
Equity	313,553	293,114	287,942	256,187	253,869
Return on average equity (%)	17.5	16.2	16.9	16.5	15.9
Book value (\$)	15.80	14.41	13.65	12.11	12.01
Total debt	5,354	1,354	2,563	5,544	2,858
Cash and cash equivalents	33,721	46,187	51,587	29,095	39,289

(1) The financial statements for 2010 have been prepared in accordance with Canadian GAAP. Since 2011, financial statements are prepared in accordance with IFRS.

(2) EBITDA is a non-IFRS measure, as described on page 22 of this report.

(3) Cash flows from operating activities and cash flows per share are non-IFRS measures, as described on page 22 of this report.

Market capitalization as at November 30, 2014: **\$1.1 billion**

Appreciation in share price (RCH) since initial stock listing: **2,548%**

Total return on share/10 years\*: **216%**

Average annual return on share/10 years\*: **12.2%**

\*Including dividend reinvestment

# PROFILE

## Importer, distributor and manufacturer of specialty hardware and complementary products – NORTH AMERICAN LEADER



### **RICHELIEU IS:**

**OVER 70,000 CUSTOMERS** – kitchen and bathroom cabinet manufacturers, kitchen designers, residential and commercial woodworkers, home furnishing manufacturers, office furniture and ready-to-assemble furniture manufacturers, renovation superstores and purchasing groups including over 6,000 hardware retailers.

**MORE THAN 1,800 EMPLOYEES**, of whom close to half are dedicated to sales and marketing, and over 50% are Richelieu shareholders.

**OVER 100,000 PRODUCTS** (SKUs) in a wide variety of categories including: kitchen accessories, lighting systems, finishing and decorating products, functional hardware, ergonomic workstations, closet and kitchen storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates, floor protection products and window and door hardware. This offering is complemented by the specialty items manufactured by our two subsidiaries Cedan Industries Inc. and Menuiserie des Pins Ltée. Those include a broad range of veneer sheets and edgbanding products, along with an extensive selection of decorative moldings and components for the window and door industry. Many of our products are manufactured according to our specifications and those of our customers.



**66 DISTRIBUTION 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](http://richelieu.com) translate into an optimal response rate for our customers.



**A TRILINGUAL TRANSACTIONAL WEBSITE [RICHELIEU.COM](http://RICHELIEU.COM)** unrivalled in the industry, designed to facilitate customers' projects and transactions and inform any visitor about the most comprehensive functional and decorative hardware offering in North America.

# 2014

## Key Creation OF VALUE DRIVERS

**Richelieu has always been customer-oriented and will remain that way.** As a distributor and manufacturer, our mission is to offer our customers the best hardware solutions and products worldwide and to serve them as efficiently as possible. Evolving technologies and design create a steady flow of functional and decorative innovations and, as a leader, Richelieu is at the core of this potential for the benefit of its customers. We are proud of our relationship of trust and cooperation with the world's top manufacturers who are expertise partners. Innovation is a growth driver and quality of service and execution is the key to customer satisfaction. We work hard and invest in it every year. We thereby lead the market's evolution through innovation and service, while looking to the future.



**Richard Lord**  
President and  
Chief Executive Officer

Our strategies aim to create value in order to further innovate and provide customers with first-class service – and to also benefit our other growth pillars, our employees, suppliers and shareholders.

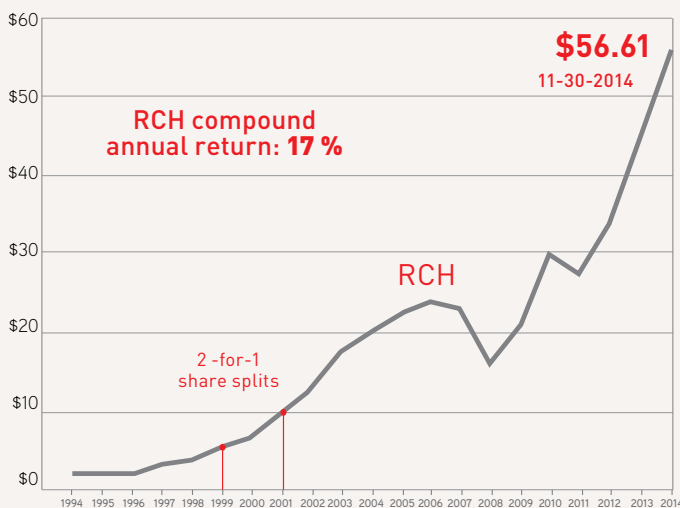
### Profitability and financial solidity

To remain customer-centred, we must maintain the fundamental conditions for the financial solidity of our Corporation. We therefore endeavour to keep a business model that allows us the optimal operational flexibility to best serve our customers. Efficient supply chain management and our innovation and acquisition strategies are essential. Our 2014 results and financial position attest once again to the validity and profitability of our business model along with the commitment and competencies of our teams.

## Creation of value through five new strategic acquisitions

All our market segments contributed to the year's strong performance. Our operations generated solid growth, as total sales and net earnings rose 10.2% and 12.7% respectively. In Canada, where we enjoy a leading position, our sales increased by 7.1%, of which 4.3% from internal growth. In the United States, with the 17 acquisitions closed since we first entered that market, including the two distributors acquired in Florida and New York State in 2014, we further enhanced our positioning, supported by our innovation strategy and attention to quality of service. Our sales grew by 11.6% in U.S. dollars in 2014, of which 8.1% from internal growth and 3.5% from acquisitions.

The growth generated every year by our operations and our rigorous control of expenses and financial discipline sustain Richelieu's good level of liquidity and robust financial bases. We thus assume our responsibility as a quality employer and we can count on a strong dedicated team. **To our shareholders, of which over 50% of our employees, we distributed a total of \$41.4 million in share repurchases and dividends during the year. In addition, our share appreciated 26.7% in 2014. We are proud that our market capitalization topped \$1 billion.**



Our acquisition strategy aims for gains in market share for the long term, the addition of expertise and added value for our customers. It has always been selective and rigorous. We target solid companies in our field, with a complementary product offering and customer base, and a local experienced team ready to commit to our corporate culture. We look to close these acquisitions at a fair price, and it is essential that we integrate them with optimal efficiency while creating operational and sales synergies through our network and richelieu.com. In 2014, we continued to consolidate our positioning and expand our bases in Canada and the United States with five acquisitions that will contribute to our future growth.

The three Canadian distributors who joined us during the year broadened our specialty products offering and our customer base of manufacturers and residential and commercial woodworkers, especially in Eastern and Western Canada. The acquisition of **Procraft**, a diversified finishing products distributor covering the Maritime Provinces, positions us as a major supplier for this product line in North America, while also strengthening our presence in a market where we were already well established. **PleasantSide**, a distributor of specialty glass hardware and other related products present in Saskatoon and Winnipeg, is a good fit with our operations in Western Canada. Finally, **XM**, an architectural window and door hardware distributor operating in Quebec, enhances our positioning in this market segment and complements our line of Onward products.

In the United States, the acquisition of **CabinetWare**, a functional and decorative hardware distributor operating centres in Sarasota, Tampa Bay, Orlando and Jacksonville, increases our presence in the important Florida market with a broader customer base. We are very proud of our coverage of the Florida market, where we operate eight distribution centres.



Lastly, **Thruway**, a solidly positioned distributor with a diversified offering of panels and specialty hardware in New York State, gave us access to the Buffalo market and consolidated our positioning in Syracuse which we already served from a distribution centre.

## Creation of value through sustained innovation in the offering

Our customers rely on operational efficiency and differentiation to compete, grow and prosper. We face the same challenges. It is up to us to support them in their business with the best offering, including easy-to-install and use products, along with differentiating innovations to optimize the performance and durability of their projects.

With our acquired knowledge of our customers and established cooperation with manufacturers who are world leaders in technology and design, we maintain the North American market at the world level by offering the best-performing functional and decorative products. **To anticipate our customers' needs, we take the innovation risk because waiting until we are certain of a product's success before bringing it to market is risking being left behind.** We also have products manufactured according to our customers' specific needs.

Among the innovations we introduced in 2014, our extensive selection of superior-quality decorative panels, manufactured using advanced processes, exceeds current industry standards and is at the forefront of innovation in residential and commercial interior design. Similarly, we added many functional and esthetic innovations to our offering of hardware for glass and for retractable furniture mechanisms, and sliding systems used in manufacturing furniture, closets and other kitchen and office storage space. We continued to diversify our offering of eco-responsible and FSC, Greengard and Leed certified products.

Our product offering stands apart as the most innovative, diversified and comprehensive in North America. It currently far exceeds 100,000 different products, to which are added the countless options allowed by richelieu.com to meet our customers' required specifications in many categories.

## Creation of value through quality of execution and service

Serving over 70,000 manufacturers and retailers through several channels in North America requires that we pay systematic attention to managing our relationship with customers, who are the actual judges of the quality of our execution and service.

Our top priority is always to understand our customers' needs. Our representatives have this expertise and use the most appropriate sales analysis and management tools for our market. Providing the best customer service first entails giving them easy, efficient and creative access to our products. Our customer-centred multi-access service allows personalized contact with our telephone agents, our representatives, the personnel at our 66 one-stop shop centres – or through our trilingual website, easy to access by every electronic device. **For our customers, richelieu.com is a complete ordering management tool that is of an exceptional quality – while enabling us to efficiently fill non-inventory product orders, in cooperation with our suppliers.** In 2014, we continued to reinforce our sales teams and to optimize richelieu.com, which now accounts for a large percentage of our sales.

Our customers also assess our execution quality based on the reliability and efficiency of our order delivery system. Our control system is rigorous. In 2014, we brought further improvements to our distribution logistics so they always remain impeccable and well adapted to our customers' needs throughout North America. We aim for an optimal satisfaction rate.

At Richelieu, quality of service goes beyond a diversified innovative offering and excellent customer response. We take an integrated approach to service, by providing customers with a broad range of sales support tools, including quality brochures on our products and their applications, complete documentation catalogues by category, displays for their points of sale, as well as the modern welcoming showrooms next to our distribution centres. In 2014, we invested in new publications to cover the latest innovations and in several showroom expansions and enhancements.

We will maintain our tradition of innovation and quality of service that are fundamental to Richelieu's dynamics and growth.

We will continue to apply the growth strategy that has been successful over the decades, stimulating internal growth through innovations and the development of our two major markets - manufacturers and retailers including renovation superstores - seizing acquisition opportunities matching our criteria, and enhancing our operational efficiency. Our objective is to remain a quality profitable corporation with a first-class financial position and a good level of liquidity generated by our operations.

There is still great potential in North America, where our market remains fragmented and favourable for acquisitions. Furthermore, the residential and commercial renovation and construction industry should continue to generate projects that will necessitate our innovative solutions. Richelieu is solidly positioned to remain a leader in regard to products, quality of service and e-commerce with richelieu.com.

We have strong fundamentals: an exceptional team, a business model in step with our development, cutting-edge management tools designed for our future growth, a unique product offering, partnership ties with the best manufacturers worldwide, a robust network of centres covering strategic markets across the continent, and the financial solidity to continue growing.

The sustainability of our Corporation depends on our ability to understand our customers' needs and to serve and surprise them with innovations and strong reliable brands they trust. We will continue to meet that commitment in the future.

We thank all our growth partners for their support, and we assure them we are committed to produce good results going forward.



(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<sup>(1)</sup>

Partner  
Richter Advisory Group Inc.

### Jean Douville<sup>(2)</sup>

Chairman of the Board  
UAP Inc.  
Director of Corporations

### Pierre Bourgie<sup>(1)</sup>

President and Chief Executive Officer  
Bourgie Financial Corporation  
(1996) Inc.  
President, Ipso Facto  
Director of Corporations

### Denyse Chicoyne<sup>(2)</sup>

Director of Corporations

### Robert Courteau<sup>(2)</sup>

President and Chief Executive Officer  
SPI Health and Safety Inc.

### Marc Poulin<sup>(1)</sup>

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  
– Sales to Manufacturers Division

### Jeff Crews\*

Vice-President, Business Development,  
Retailers Market, Canada

### Éric Daignault

General Manager of Divisions

### Marion Kloibhofer

General Manager  
– Central Canada

### John Statton

General Manager  
– Western Canada  
and Western United States

### Charles White

Vice-President, General Manager  
– United States

### Christian Dion

Manager – Human Resources

### Geneviève Quevillon

Manager – Logistics and  
Supply Chain

### Yannick Godeau

Legal Affairs and  
Corporate Secretary

\* In charge since January 2015

# LEADING THE MARKET EVOLUTION

through innovation  
and service



All the product and concept illustrations contained in this report feature Richelieu's offering.

# WE INNOVATE THROUGH OUR OPERATING PRACTICES

## OUR CUSTOMERS ARE AT THE CORE OF OUR STRATEGIES

Our business model stems from the integrated vision of our organizational systems and allows sustained interaction between the Corporation's key functions. It must always favour a good level of operational efficiency, efficient market development, the integration of our acquisitions and synergies, the addition of product innovations and optimal customer service. As a distribution and service organization, it is essential that our business model remain adapted to customers' needs.

Our business model is designed to keep us at the forefront through our product offering, quality of service and our ability to give customers a competitive edge.

We have a management information system tailored to present and future growth that interconnects all our centres. As part of this system, high-performance market intelligence tools allow the most comprehensive and mobile customer information management. Thus, our managers and sales representatives can take targeted initiative and we can efficiently bring new product and innovations to market.

We continue to invest in technological tools and methods that standardize and automate our logistics to maximize our efficiency. With the optimal support of technology and our website [richelieu.com](http://richelieu.com), our supply chain integrates innovative methods fostering the management of our inventories and those of our customers.

Our business model incorporates the top e-commerce tool in our industry in North America: [richelieu.com](http://richelieu.com).



# WE INNOVATE THROUGH OUR PRODUCT OFFERING

OUR FUNCTIONAL AND DECORATIVE HARDWARE INNOVATION STRATEGY IS LONG STANDING.

It is based on:

- our determination to offer customers what is best worldwide and to invest the needed resources in innovation, and
- the mutual relationship of trust and cooperation we have developed over the years with manufacturers who are world leaders in their field.

It is modulated according to:

- manufacturers' and retailers' evolving needs, and
- technological advances combined with the worldwide evolution of design.



**KBB** Award Winner  
Decorative Hardware  
Category  
Reader Survey



**Kitchen and bathroom renovations remain a smart investment for both quality of life and reselling a home.**

**"WE ARE NOT IN A KITCHEN OUT OF NECESSITY, BUT FOR PLEASURE."**

*According to renowned designer Terence Conran*

**Our innovations are selected for their high functionality and revolutionary design.**

**As project creators and developers, architects and interior designers are expertise partners of influence with whom we work together and keep informed about our innovative solutions.**



## OUR SOLUTIONS AIM TO SIMPLIFY AND ENHANCE EVERYDAY LIFE.

Through their easy use, technicity and esthetic features, our products promote the development of the simplest to most ambitious residential and commercial concepts. They fully support urban trends, from the latest to most traditional styles.



Our glass hardware products, extensive selection of decorative panels and sliding door systems are on the cutting-edge of innovation in residential and commercial interior design.



Product lines designed specifically to favour layout concepts for small spaces...



... and favour ergonomic work spaces at home and at the office.





**OUR PRIVATE BRANDS AND EXCLUSIVE PRODUCTS ACCOUNT FOR OVER 60% OF OUR OFFERING.**

**We are proud to provide manufacturers and retailers with strong brands they can trust.**

OUR OFFERING OF ECO-RESPONSIBLE, FSC AND GREENGUARD CERTIFIED PRODUCTS IS CONSTANTLY GROWING AND INCLUDES SEVERAL THOUSAND PRODUCTS THAT HELP REDUCE THE ENVIRONMENTAL FOOTPRINT.



We take an eco-responsible approach in all regards at Richelieu, from a streamlined use of packaging, recycled paper and vegetable inks, to energy-efficiency in our offices, warehouses and showrooms, to the ecological management of residual materials and components of out-of-date inventories.



# WE INNOVATE THROUGH OUR MULTI-ACCESS SERVICE AND SALES SUPPORT TOOLS FOR CUSTOMERS

Quality execution is a strategic value that prevails throughout Richelieu. The priority attention we bring to our product offering also encompasses everything related to the offering, notably:

- **THE QUALITY OF OUR RELATIONSHIP WITH CUSTOMERS**, which is no-compromise. First are the availability, listening skills and competencies of our representatives and the people who work in our distribution centres and by telephone. We ensure our management information system provides them with all the data they need for effective follow-up with the customer. Training is one of our priorities and, in 2014, further importance was given to the various training programs designed for the members of our sales and service team, the quality of coaching and spirit of initiative. Our sales and service team is committed to Richelieu's customer orientation and shares its objectives and values.
- **THE QUALITY OF OUR LOGISTICS, DISTRIBUTION CENTRES AND SHOWROOMS**. The essential logistical functions are all automated. We aim for impeccable reliability and delivery within 24 hours following the order. We have a robust network of centres and modern spacious showrooms that warmly welcome customers.





66 INTER-CONNECTED  
CENTRES WITH A  
*ONE-STOP SHOP APPROACH*  
THAT COVER STRATEGIC  
MARKETS IN  
NORTH AMERICA

### CANADA - 36 DISTRIBUTION CENTRES

St. John's, Dartmouth, Moncton, Quebec City (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 PLANTS

Longueuil, Notre-Dame-Des-Pins

### UNITED STATES - 28 DISTRIBUTION CENTRES

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

# richelieu.com



## THE QUALITY OF RICHELIEU.COM

A large proportion of our customers use richelieu.com as a search and selection tool for the full administration of their orders, and many of them have adopted the mobile version. In 2014, we further improved the site's user-friendliness and added functional features to reflect the recent growth of our offering and meet our customers' specific needs. richelieu.com is designed for the easiest surfing, and content disposal for fast searches and interfacing.

richelieu.com is the only trilingual transactional website in our industry in North America. It stands out worldwide for the unmatched number of well-documented products it features, as well as for its creative dimension since our customers can virtually create the products they seek according to their specifications in many categories, using the various options. In addition, they can find on-site installation and use videos for some of our products, giving them immediate and efficient viewing information.

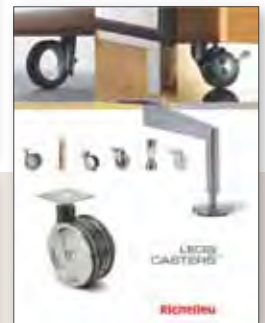
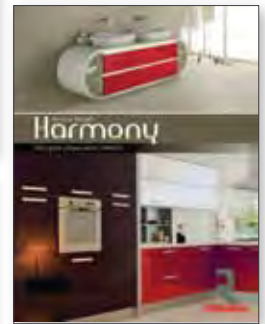




We can supply more than 200 linear feet of hardware displays by store.



**THE QUALITY OF SALES SUPPORT TOOLS FOR OUR CUSTOMERS.** Catalogues, brochures, displays, exhibition booths at international trade fairs and showrooms are all information supports we make available to our customers so they can better know our products and promote them to their customers. In 2014, we spared no effort to continue providing them with effective sales support tools of the highest quality.



# MANAGEMENT'S REPORT

## Management's Discussion and Analysis of Operating Results and Financial Position

Year Ended November 30, 2014

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## HIGHLIGHTS OF THE YEAR ENDED NOVEMBER 30, 2014

Keeping up the momentum of previous years, in 2014 Richelieu benefited from its innovation and acquisition strategies, its market penetration initiatives and the synergies created with its acquisitions. The year was highlighted by strong growth in sales, net earnings and earnings per share, as well as an impeccable financial position. The Corporation also pursued its acquisition strategy by acquiring five distributors during the year – three in Canada and two in the United States – for a total of 17 acquisitions in North America over the past five years, thereby gaining access to new markets and reinforcing its positioning where it was already well established. This solid financial performance yielded significant increase in value for shareholders through share appreciation, share repurchases and dividends. During the year, Richelieu saw its market capitalization rise from \$895.6 million to \$1.1 billion, an appreciation of 23%.

- Consolidated sales totalled \$646.9 million, an increase of 10.2% over 2013, of which 7.1% from internal growth and 3.1% from acquisitions.
- Earnings before income taxes, interest and amortization (EBITDA) amounted to \$77.4 million, up by 10.0%. The EBITDA margin remained stable at 12.0%.
- Net earnings attributable to shareholders grew by 12.9% to \$52.4 million or \$2.67 per share (basic) and \$2.63 (diluted), an increase of 18.7% and 18.5% respectively.
- Cash flows from operating activities (before net change in non-cash working capital balances) increased by 9.6% to \$60.3 million.
- Working capital totalled \$214.9 million, up by 5.3% – a current ratio of 4.0:1.
- Cash and cash equivalents stood at \$33.7 million.
- Total debt amounted to \$5.4 million, including \$3.4 million in short-term debt.
- Repurchase of 667,600 common shares for \$30.4 million and payment of \$11.0 million in dividends to shareholders (representing 21.0% of net earnings attributable to shareholders for the year). The Corporation thereby distributed \$41.4 million to its shareholders in 2014, while retaining the financial resources for its growth in 2015.
- Five acquisitions closed in 2014:

December 2, 2013 – All the outstanding common shares of Procraft Industrial Ltd (“Procraft”), a well-established finishing products distributor in Nova Scotia and New Brunswick.

May 5, 2014 – The principal net assets of Pleasantside Distribution Ltd (“Pleasantside”), a specialty hardware distributor primarily serving the Western Canadian market.

June 30, 2014 – The principal net assets of CabinetWare, Inc. (“CabinetWare”), a specialty hardware distributor operating four distribution centres in Florida (U.S.), specifically in Sarasota, Tampa Bay, Orlando and Jacksonville, serving an extensive customer base of kitchen cabinet manufacturers and residential and commercial woodworkers.

September 22, 2014 – All the outstanding common shares of XM Export-Import Canada Inc. (“XM”), a specialty hardware distributor based in Quebec.

October 27, 2014 – The principal net assets of Thruway Hardwood and Plywood Corp. (“Thruway”), a distributor of specialty panels and hardware with operations in New York State (U.S.). This acquisition gives Richelieu access to the Buffalo market and strengthens its presence in Syracuse where it already operated a distribution centre.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2014 in comparison with the year ended November 30, 2013, 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, 2014 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, 2014, is available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

The information contained in this management's report accounts for any major event occurring prior to January 22, 2015, 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 2014 Annual Report (see the "Risk Factors" section of this management's report and the 2014 Annual Information Form available on SEDAR at [www.sedar.com](http://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 or the net earnings attributable to shareholders of the Corporation, as an indicator of financial performance 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, 2014

**Richelieu Hardware Ltd. 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, furniture, and window and door manufacturers plus the residential and commercial woodworking industry**, as well as a large customer base of **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 some **100,000 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 functional cabinet hardware and assembly products for furniture and kitchen cabinets and for furniture and closet solutions, window and door hardware, high-pressure laminates, decorative and functional panels, ergonomic workstation components and finishing products. Richelieu also specializes in the manufacturing of a wide variety of veneer sheets and edge-banding products through its subsidiary Cedan Industries Inc., and of components for the window and door industry and mouldings through Menuiserie des Pins Ltée. In addition, many of the Corporation's products are manufactured according to its specifications and those of its customers.

The Corporation employs over 1,800 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	2014 \$	2013 \$	2012 \$	2011 \$	2010 <sup>(1)</sup> \$
Sales	<b>646,909</b>	586,775	565,798	523,786	446,963
EBITDA <sup>(2)</sup>	<b>77,417</b>	70,373	71,163	67,149	63,832
EBITDA margin (%)	<b>12.0</b>	12.0	12.6	12.8	14.3
Net earnings	<b>52,573</b>	46,657	45,909	40,105	39,233
Net earnings attributable to shareholders of the Corporation	<b>52,393</b>	46,403	45,404	39,726	38,574
• basic per share (\$)	<b>2.67</b>	2.25	2.17	1.89	1.79
• diluted per share (\$)	<b>2.63</b>	2.22	2.15	1.87	1.78
Net margin attributable to shareholders of the Corporation (%)	<b>8.1</b>	7.9	8.0	7.6	8.6
Cash flows from operating activities <sup>(3)</sup>	<b>60,253</b>	54,978	54,403	50,183	45,059
• diluted per share (\$)	<b>3.03</b>	2.63	2.57	2.36	2.08
Cash dividends paid on shares	<b>11,023</b>	10,768	10,026	9,267	7,768
• per share (\$)	<b>0.56</b>	0.52	0.48	0.44	0.36
Weighted average number of shares outstanding (diluted) (in thousands)	<b>19,918</b>	20,930	21,137	21,262	21,705
<i>As at November 30</i>					
Total assets	<b>390,721</b>	356,325	349,869	318,676	320,816
Working capital	<b>214,866</b>	204,117	200,088	166,897	162,727
Current ratio	<b>4.0</b>	4.5	4.6	4.0	3.7
Equity	<b>313,553</b>	293,114	287,942	256,187	253,869
Return on average equity (%)	<b>17.5</b>	16.2	16.9	16.5	15.9
Book value (\$)	<b>15.80</b>	14.41	13.65	12.11	12.01
Total debt	<b>5,354</b>	1,354	2,563	5,544	2,858
Cash and cash equivalents	<b>33,721</b>	46,187	51,587	29,095	39,289

(1) The financial statements for the year 2010 have been prepared in accordance with Canadian GAAP. Since 2011, the financial statements are prepared in accordance with IFRS.

(2) EBITDA is a non-IFRS measure as described on page 22 of this report.

(3) Cash flows from operating activities and cash flows per share are non-IFRS measures, as described on page 22 of this report.

## ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2014 COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2013

### Consolidated sales

(in thousands of \$, except exchange rate)

Years ended November 30	2014 \$	2013 \$	Δ %
Canada (CA\$)	<b>471,082</b>	439,834	+ 7.1
United States (CA\$)	<b>175,827</b>	146,941	+ 19.7
(US\$)	<b>159,973</b>	143,337	+ 11.6
Average exchange rate	<b>1.0991</b>	1.0251	
Consolidated sales	<b>646,909</b>	586,775	+ 10.2

Consolidated sales reached \$646.9 million, an increase of \$60.1 million or 10.2% over 2013, of which 7.1% from internal growth and 3.1% from acquisitions.

Sales to **manufacturers** amounted to \$550.9 million, up from \$496.0 million for 2013, an increase of \$54.9 million or 11.1%, of which 7.4% from internal growth and 3.7% from acquisitions. All the Corporation's market segments contributed to this improvement. Sales to hardware **retailers** and renovation superstores grew to \$96.0 million, up by \$5.2 million or 5.7%.

**In Canada**, Richelieu achieved sales of \$471.1 million, compared with \$439.8 million for 2013, an increase of \$31.2 million or 7.1%, of which 4.3% from internal growth and 2.8% from acquisitions. Sales to **manufacturers** amounted to \$386.8 million, an increase of \$27.5 million or 7.7%, reflecting 4.2% from internal growth and 3.5% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 4.7% to \$84.3 million, up from \$80.5 million for 2013.

**In the United States**, sales totalled US\$160.0 million, up by US\$16.6 million or 11.6% over 2013. To internal growth of 8.1% was added growth of 3.5% from acquisitions. Sales to **manufacturers** amounted to US\$149.3 million, an increase of \$16.0 million or 12.0%, of which 8.2% from internal growth and 3.8% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 6.6% (in US\$). In Canadian dollars, U.S. sales grew to \$175.8 million, compared with \$146.9 million for 2013, an increase of 19.7%, of which 15.9% from internal growth and 3.8% from acquisitions. They accounted for 27.2% of 2014 consolidated sales, whereas in 2013, U.S. sales had represented 25.0% of the year's consolidated sales.

### Consolidated EBITDA and EBITDA margin

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2014 \$	2013 \$
Sales	646,909	586,775
EBITDA	77,417	70,372
EBITDA margin (%)	12.0	12.0

**Earnings before interest, income taxes and amortization (EBITDA)** amounted to \$77.4 million, an increase of 10.0% over 2013. The **gross margin** and **EBITDA margin** remained stable in comparison with the 2013 margins despite the lower margin of certain prior acquisitions having a different product mix and the higher proportion of sales in the United States where the product mix also differs.

Income taxes amounted to \$18.0 million, up by \$1.1 million over 2013.

### Consolidated net earnings attributable to shareholders

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2014 \$	2013 \$
EBITDA	77,417	70,373
Amortization of property, plant and equipment and intangible assets	7,123	7,278
Financial costs, net	(294)	(464)
Income taxes	18,015	16,902
Net earnings	52,573	46,657
Net earnings attributable to shareholders of the Corporation	52,393	46,403
Net margin attributable to shareholders of the Corporation (%)	8.1	7.9
Non-controlling interests	180	254
Net earnings	52,573	46,657

**Net earnings** grew by 12.7% over 2013. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$52.4 million, an increase of \$6.0 million or 12.9% over 2013 – equivalent to \$2.67 basic per share and \$2.63 diluted, compared with \$2.25 basic and \$2.22 diluted for 2013, up by 18.7% and 18.5% respectively. The **net margin attributable to shareholders** rose to 8.1% from 7.9% in 2013.

**Comprehensive income** amounted to \$57.3 million, considering a positive adjustment of \$4.7 million on translation of the financial statements of the subsidiary in the United States, compared with \$49.9 million for 2013, considering a positive adjustment of \$3.3 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
<b>2014</b>				
• Sales	136,108	165,155	167,809	177,837
• EBITDA	13,704	19,185	21,054	23,474
• Net earnings attributable 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
<b>2013</b>				
• Sales	126,084	156,240	149,163	155,288
• EBITDA	12,893	18,207	19,050	20,223
• Net earnings attributable 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
<b>2012</b>				
• Sales	124,083	147,107	148,782	145,826
• EBITDA	13,280	18,617	19,636	19,630
• Net earnings attributable to shareholders of the Corporation	8,004	11,997	12,761	12,642
basic per share	0.38	0.57	0.61	0.61
diluted per share	0.38	0.57	0.60	0.60

**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 2014, the reader is referred to the interim management's reports available on SEDAR's website at [www.sedar.com](http://www.sedar.com).

#### **FOURTH QUARTER ENDED NOVEMBER 30, 2014**

Richelieu achieved excellent growth in fourth-quarter **consolidated sales** which amounted to \$177.8 million, an increase of \$22.5 million or 14.5% over the corresponding quarter of 2013, of which 10.4% from internal growth and 4.1% from acquisitions.

Sales to **manufacturers** totalled \$152.3 million, up from \$133.4 million for the corresponding period of 2013, an increase of \$18.9 million or 14.2%, of which 9.4% from internal growth and 4.8% from acquisitions. Sales to hardware **retailers** and renovation superstores amounted to \$25.5 million, compared with \$21.9 million for the corresponding quarter of 2013, an increase of \$3.6 million or 16.4%.

**In Canada**, Richelieu recorded sales of \$127.7 million, compared with \$115.9 million for the fourth quarter of 2013, an increase of \$11.8 million or 10.2%, of which 7.7% from internal growth and 2.5% from acquisitions. Sales to **manufacturers** amounted to \$105.3 million, up from \$96.4 million for the fourth quarter of 2013, an increase of \$8.9 million or 9.2%, of which 6.2% from internal growth and 3.0% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to \$22.4 million, up by \$3.0 million or 15.4% due primarily to exceptional seasonal sales.

**In the United States**, sustained market penetration initiatives and product innovations continued to yield benefits. Thus, sales totalled US\$44.8 million, compared with US\$37.9 million for the corresponding quarter of 2013, an increase of US\$6.9 million or 18.2%, of which 10.1% from internal growth and 8.1% from acquisitions. Sales to **manufacturers** amounted to US\$42.0 million, an increase of \$6.5 million or 18.3%, of which 9.7% from internal growth and 8.6% from acquisitions. In the hardware **retailers** and renovation superstores market, Richelieu achieved a 15.1% growth in sales.

In Canadian dollars, U.S. sales grew to \$50.1 million, up from \$39.4 million for the corresponding quarter of 2013, an increase of 27.2%, of which 18.5% from internal growth and 8.7% from acquisitions. They accounted for 28.2% of fourth-quarter consolidated sales, whereas for the same quarter of 2013, U.S. sales had represented 25.4% of the period's consolidated sales.

**Earnings before interest, income taxes and amortization (EBITDA)** grew by 16.1% to \$23.5 million, primarily reflecting the sales growth. The **gross margin** remained stable with the fourth quarter of 2013 and the **EBITDA margin** improved to 13.2% from 13.0%.

Income taxes amounted to \$5.7 million, up by \$0.5 million over the fourth quarter of 2013.

Fourth-quarter **net earnings** rose 19.3%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** grew to \$15.9 million, up by 20.0% over the corresponding quarter of 2013. The **net margin attributable to shareholders** improved to 9.0% from 8.6% for the fourth quarter of 2013. **Net earnings per share** rose to \$0.82 basic and \$0.80 diluted, up from \$0.65 basic and \$0.64 diluted for the fourth quarter of 2013, an increase of 26.2% and 25.0% respectively.

**Comprehensive income** totalled \$19.4 million, considering a positive adjustment of \$3.4 million on translation of the financial statements of the subsidiary in the United States, compared with \$13.9 million for the corresponding quarter of 2013, considering a positive adjustment of \$0.5 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 \$17.9 million or \$0.90 diluted per share, up by 17.9% and 23.3% over the fourth quarter of 2013. Net change in non-cash working capital balances used cash flows of \$4.8 million, reflecting net changes in accounts receivable (\$5.8 million) and accounts payable and other items (\$1.9 million), whereas the change in inventories represented a cash inflow of \$2.9 million. Consequently, operating activities provided cash flows of \$13.1 million, compared with \$19.5 million for the fourth quarter of 2013.

**Financing activities** represented a cash outflow of \$2.5 million, compared with \$24.7 million for the corresponding quarter of 2013. Richelieu repurchased common shares under its normal course issuer bid for \$0.2 million, compared with \$22.0 million in the fourth quarter of 2013. The Corporation also paid shareholder dividends of \$2.7 million, up by 2.6% on account of the dividend increase announced in January 2014. In addition, it issued common shares for \$0.4 million upon the exercise of options under its stock option plan, compared with \$0.1 million in the same quarter of 2013.

**Investing activities** represented a cash outflow of \$6.5 million for the fourth quarter, of which \$4.2 million for the acquisition of XM and Thruway and \$2.3 million for equipment needed for operations, whereas the Corporation had invested \$5.4 million in an acquisition as well as property, plant and equipment during the same quarter of 2013.

## FINANCIAL POSITION

### Analysis of principal cash flows for the year ended November 30, 2014

#### Change in cash and cash equivalents and capital resources

(in thousands of \$)

	2014	2013
Years ended November 30	\$	\$
Cash flows provided by (used for):		
Operating activities	40,465	48,365
Financing activities	(37,413)	(45,816)
Investing activities	(15,433)	(7,898)
Effect of exchange rate fluctuations	(85)	(51)
Net change in cash and cash equivalents	(12,466)	(5,400)
Cash and cash equivalents, beginning of year	46,187	51,587
Cash and cash equivalents, end of year	33,721	46,187
As at November 30	2014	2013
Working capital	214,866	204,117
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) totalled \$60.3 million or \$3.03 diluted per share, up from \$55.0 million or \$2.63 diluted per share for 2013, primarily reflecting the increase in net earnings. Net change in non-cash working capital balances used cash flows of \$19.8 million, reflecting net changes in accounts receivable and inventories of \$25.0 million, whereas accounts payable and other items represented a cash inflow of \$5.2 million. Consequently, operating activities provided cash flows of \$40.5 million, compared with \$48.4 million for 2013.

#### Financing activities

Richelieu repurchased common shares under its normal course issuer bid for a total of \$30.4 million, compared with \$36.6 million in 2013. In addition, it paid shareholder dividends of \$11.0 million, up by 2.4% over 2013, on account of the dividend increase announced in January 2014. The Corporation also issued common shares for \$4.0 million upon the exercise of options under its stock option plan, compared with \$2.3 million in 2013. Consequently, financing activities represented a cash outflow of \$37.4 million, compared with \$45.8 million for 2013.

#### Investing activities

In 2014, Richelieu invested a total of \$15.4 million, of which \$9.9 million in the acquisition of the net assets of Pleasant-side, CabinetWare and Thruway and all the common shares of Procraft and XM, as well as \$5.5 million in equipment needed for operations.

#### Sources of financing

As at November 30, 2014, **cash and cash equivalents** totalled \$33.7 million, compared with \$46.2 million a year earlier. The Corporation posted a **working capital** of \$214.9 million for a current ratio of 4.0:1, compared with \$204.1 million (4.5:1 ratio) as at November 30, 2013.

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 2015. 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 believes 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 2015, and no usual 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, 2014

### Summary of financial position

(in thousands of \$)

	2014	2013
As at November 30	\$	\$
Current assets	285,394	262,251
Non-current assets	105,327	94,074
<b>Total</b>	<b>390,721</b>	<b>356,325</b>
Current liabilities	70,528	58,134
Non-current liabilities	6,640	5,077
Equity attributable to shareholders of the Corporation	309,149	288,845
Non-controlling interests	4,404	4,269
<b>Total</b>	<b>390,721</b>	<b>356,325</b>
Exchange rate on a translation of a subsidiary in the United States	1.144	1.062

### Assets

**Total assets** amounted to \$390.7 million as at November 30, 2014, compared with 356.3 million a year earlier, up by 9.7% or \$34.4 million. This increase resulted from the Corporation's growth and the five acquisitions closed in 2014. **Current assets** grew by 8.8% or \$23.1 million over November 30, 2013, notably reflecting increases of \$19.8 million in inventories, \$15.5 million in accounts receivable and \$0.3 million in prepaid expenses, whereas cash and cash equivalents decreased by \$12.5 million.

### Net cash

(in thousands of \$)

	2014	2013
As at November 30	\$	\$
Current portion of long-term debt	3,352	1,354
Long-term debt	2,002	-
<b>Total</b>	<b>5,354</b>	<b>1,354</b>
Cash and cash equivalents	33,721	46,187
<b>Total cash net of debt</b>	<b>28,367</b>	<b>44,833</b>

The Corporation benefits from an excellent financial position to pursue its business strategy. As at November 30, 2014, **total debt** amounted to \$5.4 million, representing balances payable on acquisitions, of which \$3.4 million in short-term debt.

**Equity attributable to shareholders** totalled \$309.1 million as at November 30, 2014, up from \$288.8 million as at November 30, 2013, an increase of 7.0% stemming mainly from the growth of \$4.5 million in share capital, \$11.9 million in retained earnings and \$4.7 million in accumulated other comprehensive income, less the change of \$0.8 million in contributed surplus. The positive variation of \$11.9 million in retained earnings reflects the effect of the year's net earnings, less share repurchases and dividends paid during the year. As at November 30, 2014, **the book value per share** was \$15.80, compared with \$14.41 as at November 30, 2013.

**Return on average equity** stood at 17.5% as at November 30, 2014, compared with 16.2% a year earlier.

At 2014 year-end, the Corporation's **share capital** consisted of 19,566,286 common shares (20,046,061 shares as at November 30, 2013). The Corporation issued 187,825 common shares at an average price of \$21.16 (124,577 in 2013 at an average price of \$18.34) upon the exercise of options under its stock option plan in 2014. In addition, 667,600 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of \$30.4 million (873,000 common shares for a cash consideration of \$36.6 million in 2013), resulting in a redemption premium of \$29.5 million recorded as a reduction of retained earnings (premium of \$35.4 million in 2013). Finally, the Corporation granted 64,100 stock options during the year (78,000 in 2013). Consequently, as at November 30, 2014, 587,198 stock options were outstanding (711,673 as at November 30, 2013).

### CONTRACTUAL COMMITMENTS

#### Summary of contractual financial commitments as at November 30, 2014

(in thousands of \$)

	Less than a year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	3,352	2,002	-	5,354
Operating leases	8,204	15,297	150	23,651
<b>Total</b>	<b>11,556</b>	<b>17,299</b>	<b>150</b>	<b>29,005</b>

For 2015 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 the Richelieu's requirements, the availability of credit will remain stable in 2015, and no usual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

## 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, 2014, 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, 2014. 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, 2014, 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 misstatements. 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, 2014 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 summarized as follows:

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

### Adopted in 2014

#### IFRS 10, Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements*, was issued as a replacement of SIC-12, *Consolidation - Special Purpose Entities* and certain parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

- a) power over the investee;
- b) exposure or rights to variable returns from involvement with the investee; and
- c) the ability to use power over the investee to affect the amount of the investor's returns.

## NEW ACCOUNTING METHODS (cont'd)

### IFRS 12, Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities*, requires that an entity disclose information on the nature of and risks associated with interests in other entities (i.e. subsidiaries, joint arrangements, associates and unconsolidated structured entities) and the effect of those interests on its financial statements.

### IFRS 13, Fair Value Measurement

IFRS 13, *Fair Value Measurement*, establishes a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements.

### IAS 32, Financial Instruments: Presentation

Amendments to IAS 32, *Financial Instruments: Presentation*, clarify the requirements for offsetting financial assets and liabilities. The IASB has also issued amendments to IFRS 7, *Financial Instruments: Disclosure*, improving disclosure on offsetting of financial assets and liabilities.

These amendments were applied on December 1<sup>st</sup>, 2013 and did not have any impact on the Corporation's consolidated financial statements.

## Recently Issued

### IFRS 15, Revenue from Contracts with Customers

In May 2014, the 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 1<sup>st</sup>, 2017. 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 27% 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 meeting their needs, failing which its financial performance could be adversely affected.

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.



## **RISK FACTORS (cont'd)**

### **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.

## SHARE PRICE

In 2014, the share price fluctuated between \$42.01 and \$57.50, and the volume traded on the Toronto Stock Exchange totalled approximately 3 million shares. The closing price was \$56.61 as at November 30, 2014, compared with \$44.68 as at November 30, 2013, reflecting a 26.7% appreciation. Richelieu's share price has increased by 2,548% since its listing on the stock market in 1993. It should also be pointed out that the Corporation has paid shareholder dividends since 2002 and that the dividends paid in 2014 represented 21.0% of net earnings attributable to shareholders.

## SHARE INFORMATION AS AT JANUARY 22, 2015

Issued and outstanding common shares: 19,590,794

Stock options under stock option plan: 643,890

## OUTLOOK

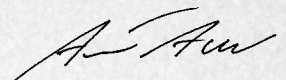
During 2015, Richelieu will pursue its market penetration initiatives and its innovation strategy in North America so as to continue driving its internal growth. It also remains on the lookout for strategic acquisitions that could further strengthen its positioning and yield new sales and operational synergies, consistent with its further earnings and financial position improvement objectives.

## 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](http://www.sedar.com).



**(Signed) Richard Lord**  
President and  
Chief Executive Officer



**(Signed) Antoine Auclair**  
Vice-President and  
Chief Financial Officer

January 22, 2015

## 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.

Richelieu Hardware Ltd. 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.

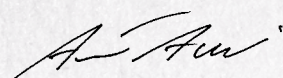
The Board of Directors fulfills its responsibility regarding the consolidated financial statements included in the Annual Report, primarily through its Audit Committee. This committee which meets periodically with the Corporation's managers and external auditors, has reviewed the consolidated financial statements of Richelieu Hardware Ltd. 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 22, 2015



(Signed) Richard Lord



(Signed) Antoine Auclair

President and Chief Executive Officer 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, 2014 and 2013 and the consolidated statements of earnings, 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

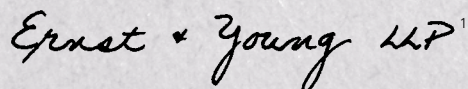
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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, 2014 and 2013 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 22, 2015

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A120803

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at November 30  
(In thousands of dollars)

	Notes	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	33 721	46 187
Accounts receivable		93 874	78 343
Inventories		156 488	136 746
Prepaid expenses		1 311	975
		<b>285 394</b>	<b>262 251</b>
<b>Non-current assets</b>			
Property, plant and equipment	3, 4	22 895	22 291
Intangible assets	3, 5	20 987	15 661
Goodwill	3, 5	57 669	52 788
Deferred taxes	9	3 776	3 334
		<b>390 721</b>	<b>356 325</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	3	64 437	56 462
Income taxes payable	9	2 739	318
Current portion of long-term debt	7	3 352	1 354
		<b>70 528</b>	<b>58 134</b>
<b>Non-current liabilities</b>			
Long-term debt	7	2 002	–
Deferred taxes	9	2 762	3 246
Other liabilities		1 876	1 831
		<b>77 168</b>	<b>63 211</b>
<b>Equity</b>			
Share capital	8	29,762	25,288
Contributed surplus	8	1,576	2,356
Retained earnings		270,826	258,965
Accumulated other comprehensive income	11	6,985	2,236
Equity attributable to shareholders of the Corporation		<b>309,149</b>	<b>288,845</b>
Non-controlling interests		4,404	4,269
		<b>313,553</b>	<b>293,114</b>
		<b>390,721</b>	<b>356,325</b>

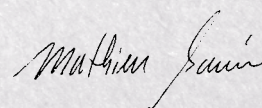
Commitments and contingencies (*note 10*)

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	2014 \$	2013 \$
<b>Sales</b>		<b>646,909</b>	586,775
Cost of goods sold, warehousing, selling and administrative expenses	8, 12	<b>569,492</b>	516,402
<b>Earnings before amortization, financial costs and income taxes</b>		<b>77,417</b>	70,373
Amortization of property, plant and equipment		<b>5,043</b>	5,060
Amortization of intangible assets		<b>2,080</b>	2,218
Financial costs, net		<b>(294)</b>	(464)
		<b>6,829</b>	6,814
<b>Earnings before income taxes</b>		<b>70,588</b>	63,559
Income taxes	9	<b>18,015</b>	16,902
<b>Net earnings</b>		<b>52,573</b>	46,657
<b>Net earnings attributable to:</b>			
Shareholders of the Corporation		<b>52,393</b>	46,403
Non-controlling interests		<b>180</b>	254
		<b>52,573</b>	46,657
<b>Net earnings per share attributable to shareholders of the Corporation</b>	8		
Basic		<b>2.67</b>	2.25
Diluted		<b>2.63</b>	2.22

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended November 30  
(In thousands of dollars)

	Notes	2014 \$	2013 \$
<b>Net earnings</b>		<b>52,573</b>	46,657
<b>Other comprehensive income that will be reclassified to net earnings</b>			
Exchange differences on translation of foreign operations	11	<b>4,749</b>	3,286
<b>Comprehensive income</b>		<b>57,322</b>	49,943
<b>Comprehensive income attributable to:</b>			
Shareholders of the Corporation		<b>57,142</b>	49,689
Non-controlling interests		<b>180</b>	254
		<b>57,322</b>	49,943

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended November 30  
(In thousands of dollars)

Notes	Attributable to shareholders of the Corporation				Total \$	Non-controlling interests \$	Total equity \$
	Share capital \$	Contributed surplus \$	Retained earnings \$	Accumulated other comprehensive income (loss) \$			
	8			11			
<b>Balance as at November 30<sup>th</sup>, 2012</b>	23,349	2,761	258,775	(1,050)	283,835	4,107	287,942
Net earnings	–	–	46,403	–	46,403	254	46,657
Other comprehensive income	–	–	–	3,286	3,286	–	3,286
<b>Comprehensive income</b>	–	–	46,403	3,286	49,689	254	49,943
Shares repurchased	(1,151)	–	(35,445)	–	(36,596)	–	(36,596)
Stock options exercised	3,090	(805)	–	–	2,285	–	2,285
Share-based compensation expense	–	400	–	–	400	–	400
Dividends ( <i>note 16</i> )	–	–	(10,768)	–	(10,768)	–	(10,768)
Other liabilities	–	–	–	–	–	(92)	(92)
	1,939	(405)	(46,213)	–	(44,679)	(92)	(44,771)
<b>Balance as at November 30<sup>th</sup>, 2013</b>	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 income	–	–	–	4,749	4,749	–	4,749
<b>Comprehensive income</b>	–	–	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 ( <i>note 16</i> )	–	–	(11,023)	–	(11,023)	–	(11,023)
Other liabilities	–	–	–	–	–	(45)	(45)
	4,474	(780)	(40,532)	–	(36,838)	(45)	(36,883)
<b>Balance as at November 30<sup>th</sup>, 2014</b>	29,762	1,576	270,826	6,985	309,149	4,404	313,553

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30  
(In thousands of dollars)

	Notes	2014 \$	2013 \$
<b>OPERATING ACTIVITIES</b>			
Net earnings		52,573	46,657
Items not affecting cash			
Amortization of property, plant and equipment		5,043	5,060
Amortization of intangible assets		2,080	2,218
Deferred taxes		(685)	(354)
Share-based compensation expense	8	1,242	1,397
		60,253	54,978
Net change in non-cash working capital balances		(19,788)	(6,613)
		40,465	48,365
<b>FINANCING ACTIVITIES</b>			
Repayment of long-term debt		–	(737)
Dividends paid	16	(11,023)	(10,768)
Common shares issued	8	3,975	2,285
Common shares repurchased for cancellation	8	(30,365)	(36,596)
		(37,413)	(45,816)
<b>INVESTING ACTIVITIES</b>			
Business acquisitions	3	(9,897)	(4,447)
Additions to property, plant and equipment and intangible assets		(5,536)	(3,451)
		(15,433)	(7,898)
Effect of exchange rate changes on cash and cash equivalents		(85)	(51)
<b>Net change in cash and cash equivalents</b>		<b>(12,466)</b>	<b>(5,400)</b>
Cash and cash equivalents, beginning of the year		46,187	51,587
<b>Cash and cash equivalents, end of the year</b>		<b>33,721</b>	<b>46,187</b>
<b>Supplementary information</b>			
Income taxes paid		16,871	16,351
Interest received, net		(294)	(464)

See accompanying notes to the consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2014 and 2013 (amounts are in thousands of dollars, except per-share amounts)

### 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 woodworking industry, 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 summarized as follows:

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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2014 and 2013 (amounts are in thousands of dollars, except per-share amounts)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 notes 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 of 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 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.

#### 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2014 and 2013 (amounts are in thousands of dollars, except per-share amounts)

### 2. CHANGES IN ACCOUNTING METHODS

#### ADOPTED IN 2014

##### IFRS 10, Consolidated Financial Statements

The IASB published IFRS 10, *Consolidated Financial Statements*, which supersedes SIC-12, *Consolidation – Special Purpose Entities* and certain parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

- a) power over the investee;
- b) exposure or rights to variable returns from involvement with the investee;
- c) the ability to use power over the investee to affect the amount of the investor's returns.

##### IFRS 12, Disclosure of Interests in Other Entities

The IASB published IFRS 12, *Disclosure of Interests in Other Entities* which requires that an entity disclose information on the nature of and risks associated with its interests in other entities (i.e., subsidiaries, joint arrangements, associates and unconsolidated structured entities) and the effects of those interests on its financial statements.

##### IFRS 13, Fair Value Measurement

The IASB published IFRS 13, *Fair Value Measurement* to establish a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements.

##### IAS 32, Financial Instruments: Presentation

The IASB issued amendments to IAS 32, *Financial Instruments: Presentation* clarifying the requirements for offsetting financial assets and liabilities. The IASB also issued amendments to IFRS 7, *Financial Instruments: Disclosure* improving disclosure on offsetting of financial assets and liabilities.

These amendments were applied on December 1<sup>st</sup>, 2013 and did not impact the consolidated financial statements of the Corporation.

#### RECENTLY ISSUED

##### IFRS 15, Revenue from contracts with customers

In May 2014, the 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 1, 2017. Earlier application is permitted. The Corporation will assess the impact this new standard will have on its consolidated financial statements.

### 3. BUSINESS ACQUISITIONS

#### 2014

On October 27, 2014, the Corporation purchased the principal net assets of Thruway Hardwood and Plywood Corp. («Thruway») for a cash consideration of \$2,986 (\$2,610 US), and a balance of sale of \$675 (\$590 US). Thruway is 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. («XM») for a cash consideration of \$1,163 and a balance of sale of \$387. XM is a distributor of specialty hardware that operates in Quebec, Canada.

On June 30, 2014, the Corporation purchased the principal net assets of CabinetWare Inc. ("CabinetWare") for a cash consideration of \$2,860 (US\$2,500), and a balance of sale of \$2,288 (US\$2,000). This business serves a customer base of residential and commercial woodworkers and kitchen, bathroom cabinet and furniture manufacturers from its 4 locations in Florida, United States.

On May 5, 2014, the Corporation purchased the principal net assets of Pleasantside distribution Ltd. («Pleasantside») for a cash consideration of \$1,850 and a balance of sale of \$450. Pleasantside is 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. ("Procraft") for a cash consideration of \$1,350 and a balance of sale of \$250. This distributor of finishing products serves a customer base of residential and commercial woodworker's and kitchen cabinet manufacturers, in the Maritime Provinces of Canada.

Since their acquisition, Thruway, XM, CabinetWare, Pleasantside and Procraft jointly generated sales of \$12,800. If these acquisitions had been completed on December 1<sup>st</sup> 2013, management estimates that generated sales would have been approximately \$27,000.

#### 2013

On September 3, 2013, the Corporation purchased the principal net assets of Hi-Tech Glazing Supplies ("Hi-Tech") for a cash consideration of \$4,150 and a balance of sale of \$500. This Corporation based in Vancouver, Canada, is a distributor of door and window hardware, which serves the British Columbia market.

On March 21, 2013, the Corporation purchased the principal net assets of CourterCo Savannah LLC ("Savannah") for a cash consideration of \$297 (\$290 US). This distributor of speciality and decorative hardware product operates a distribution center based in Savannah (Georgia, United States) and serves a base of residential and commercial woodworkers customers and kitchen, bathroom cabinet and furniture manufacturers.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2014 and 2013 (amounts are in thousands of dollars, except per-share amounts)

### 3. BUSINESS ACQUISITIONS (Cont'd)

#### Summary of acquisitions

The purchase price allocations, at the transaction dates of acquisitions closed in 2014 and 2013, are summarized as follows:

	2014 \$	2013 \$
<b>Net assets acquired</b>		
Accounts receivable	2,594	694
Inventories	3,619	2,253
Prepaid expenses	8	–
	<b>6,221</b>	2,947
Property, plant and equipment	481	137
Customer relationships	4,872	1,332
Non-competition agreement	801	162
Trademark	631	96
Goodwill	4,560	1,117
	<b>17,566</b>	5,791
Current liabilities assumed	3,619	844
<b>Net assets acquired</b>	<b>13,947</b>	4,947
<b>Considerations</b>		
Cash, net of cash acquired	9,897	4,447
Considerations payable (note 7)	4,050	500
	<b>13,947</b>	4,947

During the year ended November 30, 2014, balances of sale were reduced by \$50 as a result of purchase price adjustments on acquisitions from previous years. Goodwill deductible for tax purposes with regards to current year acquisitions amounts to \$3,700.

### 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 <sup>th</sup> , 2012	3,652	9,708	1,069	4,819	1,481	2,289	722	23,740
Acquisitions	–	797	6	371	862	879	372	3,287
Acquisitions through business combinations	–	–	–	33	57	47	–	137
Amortization	–	(1,275)	(395)	(1,267)	(586)	(1,015)	(522)	(5,060)
Effect of changes in foreign exchange rates	–	–	36	44	21	80	6	187
Net carrying amount as at November 30 <sup>th</sup> , 2013	3,652	9,230	716	4,000	1,835	2,280	578	22,291
Cost	3,652	21,967	4,322	23,670	7,156	13,118	9,663	83,548
Accumulated amortization	–	(12,737)	(3,606)	(19,670)	(5,321)	(10,838)	(9,085)	(61,257)
Net carrying amount as at November 30 <sup>th</sup> , 2013	3,652	9,230	716	4,000	1,835	2,280	578	22,291

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2014 and 2013 (amounts are in thousands of dollars, except per-share amounts)

### 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Land \$	Buildings \$	Leasehold improvements \$	Machinery and equipment \$	Rolling stock \$	Furniture and fixtures \$	Computer equipment \$	Total \$
Net carrying amount as at November 30 <sup>th</sup> , 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 <sup>th</sup> , 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 <sup>th</sup> , 2014	3,652	8,453	540	5,054	2,369	2,204	623	22,895

### 5. INTANGIBLE ASSETS AND GOODWILL

	Software \$	Non-competition agreements \$	Customer relationships \$	Trademarks \$	Total \$	Goodwill \$
Net carrying amount as at November 30 <sup>th</sup> , 2012	1,168	542	10,425	3,466	15,601	51,405
Acquisitions	164	–	–	–	164	–
Acquisitions through business combinations	–	162	1,332	96	1,590	1,117
Amortization	(717)	(127)	(1,374)	–	(2,218)	–
Effect of changes in foreign exchange rates	–	9	411	104	524	266
Net carrying amount as at November 30 <sup>th</sup> , 2013	615	586	10,794	3,666	15,661	52,788
Cost	5,209	1,697	22,494	3,666	33,066	52,788
Accumulated amortization	(4,594)	(1,111)	(11,700)	–	(17,405)	–
Net carrying amount November 30 <sup>th</sup> , 2013	615	586	10,794	3,666	15,661	52,788
Net carrying amount as at November 30 <sup>th</sup> , 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 <sup>th</sup> , 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 <sup>th</sup> , 2014	627	1,135	14,802	4,423	20,987	57,669

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2014 and 2013 (amounts are in thousands of dollars, except per-share amounts)

### 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 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%. 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 3% and 3.75% as at November 30, 2014 and 2013. The line of credit is renewable annually.

### 7. LONG-TERM DEBT

	2014	2013
	\$	\$
Business acquisition considerations payable not bearing interests, including US\$ 2,714 (US\$181 in 2013);	5,354	1,354
Current portion of long-term debt	3,352	1,354
Long-term debt	2,002	–

Next years' principal payments on long-term debt are \$3,352 in 2015, \$858 in 2016 and \$1,144 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

	2014	2013
	\$	\$
19,566,286 common shares (20,046,061 – 2013)	29,762	25,288

During 2014, the Corporation issued 187,825 common shares (2013 – 124,577) at an average price of \$21.16 per share (2013 – \$18.34) pursuant to the exercise of options under the stock option plan. The weighted average share price at the date of exercise of options was \$47.03 (\$39.17 in 2013). In addition, during 2014, the Corporation, through a normal course issuer bid, purchased 667,600 common shares for cancellation in consideration of \$30,365 (2013 – 873,000 for a consideration of \$36,596) which resulted in a premium on the redemption in the amount of \$29,509 recorded in retained earnings (premium of \$35,445 in 2013).

#### Stock option plan

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.

As at November 30, 2014, 82,300 options (2013 – 145,650) were still available to be granted.

Changes in stock options are summarized as follows:

	Number of options	Exercise price per share \$
Outstanding, November 30, 2012	762,000	14.50 to 30.68
Granted	78,000	38.14
Exercised	(124,577)	14.50 to 30.45
Cancelled	(3,750)	27.43 to 38.14
<b>Outstanding, November 30, 2013</b>	<b>711,673</b>	<b>15.89 to 38.14</b>
Granted	64,100	43.51 to 47.98
Exercised	(187,825)	15.89 to 38.14
Cancelled	(750)	38.14
<b>Outstanding, November 30, 2014</b>	<b>587,198</b>	<b>16.72 to 47.98</b>

The table below summarizes information regarding the stock options outstanding as at November 30, 2014:

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	388,973	2.70	21.33	388,973	21.33
24.77 – 30.44	37,500	7.14	27.44	19,000	27.45
30.45 – 38.14	96,625	7.74	36.36	35,344	34.49
38.15 – 47.98	64,100	9.20	45.26	–	–
	<b>587,198</b>	<b>4.52</b>	<b>26.80</b>	<b>443,317</b>	<b>22.64</b>

During 2014, the Corporation granted 64,100 options (2013 – 78,000) with an average exercise price of \$45.26 per share (2013 – \$38.14) and an average fair value of \$11.70 per option (2013 – \$9.95) as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.3% (2013 – 1.34%), a volatility of 25% (2013 – 25%), a risk free interest rate of 2.29% (2013 – 2.04%) and an expected life of 7 years (2013 – 7 years). The compensation expense in 2014 related to options amounted to \$575 (2013 – \$400) is recognized under *Cost of goods sold, warehousing, selling and administrative expenses*.

#### 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 financial liability resulting from the plan of \$4,463 (2013 – \$3,156) is presented under the *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. As at November 30, 2014, the fair value of the equity swaps amounted to an asset of \$400 (2013 – None) 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 2014 amounted to \$667 (2013 – \$997) and is recognized under *Cost of goods sold, warehousing, selling and administrative expenses*.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2014 and 2013 (amounts are in thousands of dollars, except per-share amounts)

### 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 \$461 for 2014 (2013 - \$413) and is recognized under *Cost of goods sold, warehousing, selling and administrative 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:

	2014	2013
Weighted average number of shares outstanding - Basic	19 654	20 632
Dilutive effect under stock option plan	264	298
Weighted average number of shares outstanding - Diluted	19 918	20 930

The computation of diluted net earnings per share includes all outstanding options as at November 30, 2014 and 2013.

### 9. INCOME TAXES

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

	2014	2013
	\$	\$
Current	18,700	17,256
Deferred:		
Related to temporary differences	907	772
Deferred tax assets not previously recognized	(1,592)	(1,126)
	18,015	16,902

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

	2014	2013
	%	%
Combined statutory rates	26.90	26.87
Income taxes at combined statutory rates	18,988	17,076
Increase (decrease) resulting from:		
Impact of statutory rates changes for the subsidiary outside Canada	327	353
Share-based compensation	154	108
Non-deductible expenses	102	115
Deferred tax assets not previously recognized	(1,592)	(1,126)
Other	36	376
	18,015	16,902

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:

	2014	2013
	\$	\$
<b>Deferred taxes</b>		
Translation of foreign exchange currencies, reserves recognized for tax purposes only upon disbursement and other tax attributes	4,319	3,080
Excess of the tax value of property, plant and equipment over their net carrying value	1,699	1,593
Excess of the net carrying value of intangible assets and goodwill over their tax value	(5,004)	(4,585)
<b>Net amount</b>	<b>1,014</b>	<b>88</b>

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

	2014	2013
	\$	\$
Deferred tax assets	3,776	3,334
Deferred tax liabilities	(2,762)	(3,246)
	1,014	88

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

	2014	2013
	\$	\$
Balance at the beginning of the year, net	88	(333)
In net earnings	685	354
Other	241	67
Balance at the end of the year, net	1,014	88

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 \$21,000 as at November 30, 2014 (\$23,400 - 2013) of which \$3,300 and \$2,600 will expire respectively in 2030 and 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 2020. The future minimum payments, excluding incidental costs for which the Corporation is responsible, are as follows:

	\$
Less than a year	8,204
Between 1 and 5 years	15,297
More than 5 years	150
	<b>23,651</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2014 and 2013 (amounts are in thousands of dollars, except per-share amounts)

### 10. COMMITMENTS AND CONTINGENCIES (Cont'd)

#### (b) Foreign exchange forward contracts

As at November 30, 2014, the Corporation held the following foreign exchange forward contracts having maturity dates in December 2014 and January 2015.

Type	Currency in thousands	Average exchange rate
Purchase	3,400 Euros	1.42

#### (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 (LOSS)

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

	2014	2013
	\$	\$
Balance at the beginning of the year	2,236	(1,050)
Exchange differences on translation of foreign operations	4,749	3,286
<b>Balance at the end of the year</b>	<b>6,985</b>	<b>2,236</b>

### 12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

#### Fair value

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, 2014, the fair value of the foreign exchange forward contracts amounted to an asset of \$6 (gain of approximately \$75 as at November 30, 2013), 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 risk

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, 2014 and 2013 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, 2014 and 2013 is as follows:

	2014	2013
	\$	\$
Balance at the beginning of the year	5,024	5,032
Allowance for doubtful accounts	1,984	1,797
Write-offs	(1,536)	(1,940)
Exchange rate variations and other	463	135
<b>Balance at the end of the year</b>	<b>5,935</b>	<b>5,024</b>

The balance of accounts receivable of the Corporation that are overdue for more than 60 days, but which were not provided for, totals \$930 (\$863 in 2013).

As at November 30, 2014 and 2013, no customer accounted for more than 10% of the total accounts receivable.

#### Market risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in U.S. dollars and Euros. Administrative charges included, for the year ended November 30, 2014, an exchange gain of \$1,300 (2013 - gain of \$600).

The Corporation's policy is to maintain its purchase price 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, 2014 and 2013, on translation of monetary assets and liabilities, a decrease of 1% 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 \$962 (\$838 - 2013). 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, 2014 and 2013.

#### 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.

#### Current fiscal year expenses

During the year ended November 30, 2014, the amount relating to inventories recorded as expenses from the distribution, imports and manufacturing activities totals \$463,010 (2013 - \$419,846). An expense of \$2,483 (2013 - \$1,750) for inventory obsolescence is included in this amount. Salaries and related charges of \$94,241 (2013 - \$85,984) are included in the *Cost of goods sold, warehousing, selling and administrative expenses*.

### 13. RELATED PARTY INFORMATIONS

#### Scope of consolidation

Names	Country of incorporation	Equity interest %	Voting rights %
Richelieu America Ltd.	U.S.	100	100
Richelieu Finances Ltd. <sup>(1)</sup>	Canada	100	100
Cedan Industries Inc.	Canada	100	100
Distributions 20/20 inc.	Canada	100	100
Provincial Woodproducts Ltd.	Canada	85	85
Menuiserie des Pins Ltd.	Canada	75	75

<sup>(1)</sup> Richelieu Finances Ltd. is the owner of 100% of the shares of Richelieu Hardware Canada Ltd.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2014 and 2013 (amounts are in thousands of dollars, except per-share amounts)

### 13. RELATED PARTY INFORMATIONS (Cont'd)

#### Executive officers' compensation

	2014	2013
	\$	\$
Short-term employee benefits	3,026	2,473
Other long-term benefits	565	509
Share-based compensation	18	16
	<b>3,609</b>	<b>2,998</b>

Accounts payable and accrued liabilities include a retirement allowance amounting to \$2,100 payable to an executive officer.

### 14. GEOGRAPHIC INFORMATION

During the year ended November 30, 2014, near 73% of sales had been made in Canada (2013 - 75%). The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to \$175,827 (2013 - \$146,941) in Canadian dollars and to \$159,973 (2013 - \$143,337) in U.S. dollars.

As at November 30, 2014, out of a total amount of \$22,895 in property, plant and equipment (2013 - \$22,291), \$3,026 (2013 - \$3,019) are located in the United States. In addition, intangible assets located in the United States amounted to \$11,885 (2013 - \$7,841) and goodwill to \$7,909 (2013 - \$4,154) in Canadian dollars and to \$10,389 (2013 - \$7,384) and goodwill to \$6,913 (2013 - \$3,911) 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;
- 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, 2014, the Corporation achieved the following results regarding its capital management objectives:

- debt/equity ratio: 1.7% (2013 - 0.5%) (Long-term debt/Equity);
- return on average shareholder's equity of 17.5% over the last 12 months (2013 - 16.2% for the last 12 months).

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

### 16. DIVIDENDS

For the year ended November 30, 2014, the Corporation paid a quarterly dividend of \$0.14 per common share (2013 - quarterly dividend of \$0.13 per share) for a total amount of \$11,023 (2013 - \$10,768). The Board of Directors approved on January 22, 2015 the payment of a quarterly dividend of \$0.15 per common share for the 1<sup>st</sup> quarter of 2015.

### 17. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2014 (including the comparative figures) were approved for issue by the Board of Directors on January 22, 2015.



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