



ATTUNED TO
**WORLDWIDE
INNOVATIONS**

**PARTNER IN
YOUR SUCCESS**

2016 ANNUAL REPORT



ATTUNED TO WORLDWIDE INNOVATIONS

INNOVATION IS A COMPLEX PROCESS REQUIRING CREATIVITY, INVESTMENTS, AND A SUSTAINED COMMITMENT ON THE PART OF MANUFACTURERS OF FUNCTIONAL AND DECORATIVE HARDWARE PRODUCTS AND SOLUTIONS. AS TECHNOLOGY AND DESIGN EVOLVE, RESIDENTIAL AND COMMERCIAL RENOVATION AND CONSTRUCTION PROJECTS EVOLVE ALONG WITH THEM, CONSTANTLY RAISING THE BAR FOR FUNCTIONALITY AND QUALITY.

As a leader in global innovation, Richelieu makes change happen.

Through our commitment to investing in innovation and the solid partnerships we have built with leading international manufacturers, we keep the North American market in step with global developments. Through our service, we provide our customers with access to innovations that meet the highest standards of technology and design.

For us, innovation is the foundation for growth, as it is for our customers.

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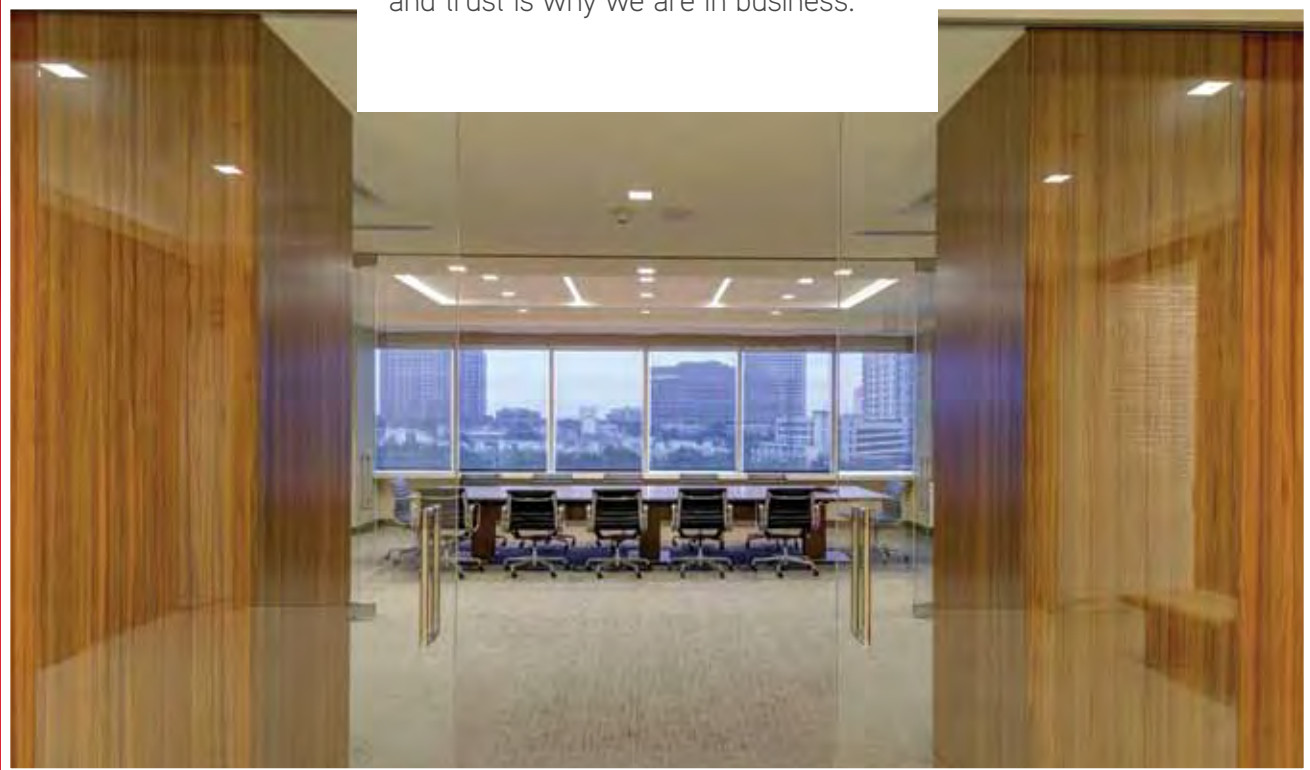
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The annual meeting of shareholders will be held on April 6, 2017 at 10:30 a.m. at the Omni Mont-Royal Hotel, 1050 Sherbrooke Street West, Montreal, Quebec.

PARTNER IN SUCCESS

**WE SERVE OVER 80,000 ACTIVE
CUSTOMERS IN NORTH AMERICA.**

Earning and keeping their satisfaction and trust is why we are in business.



VISION – CREATIVITY – RIGOUR – DISCIPLINE

HAVE BEEN OUR WATCHWORDS SINCE DAY ONE, GUIDING OUR ACTIONS WITH RESPECT TO OUR FOUR PILLARS OF GROWTH: OUR CUSTOMERS, EMPLOYEES, SUPPLIERS, AND SHAREHOLDERS.

Our **VISION** is that of a customer-and innovation-driven corporation focused on long-term growth and value creation.

CREATIVITY is inherent to every aspect of the services, products, and solutions we provide. It's the key to our efficiency and is what sets us apart.

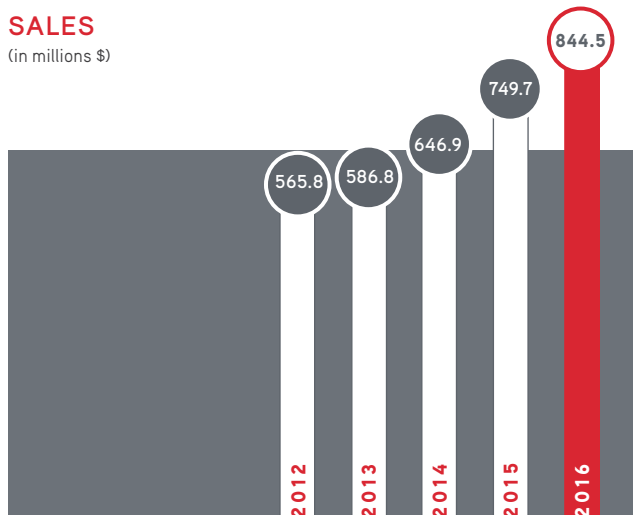
RIGOUR is a value we put into practice every day through our attention to details, quality execution, ethical and transparent management, and social and environmental responsibility.

DISCIPLINE underpins our acquisition and integration strategy and enables us to meet our goals of financial stability and service quality and stay true to our corporate culture, while still respecting the identity of each company we acquire.

A GROWTH STRATEGY THAT ENSURES STABILITY AND SOLIDITY

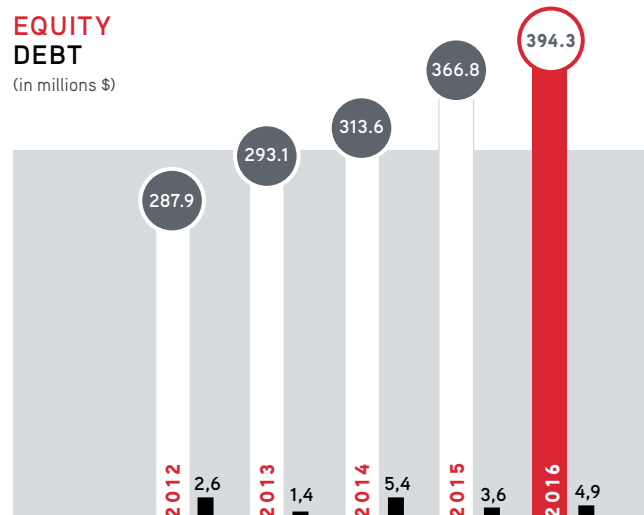
SALES

(in millions \$)



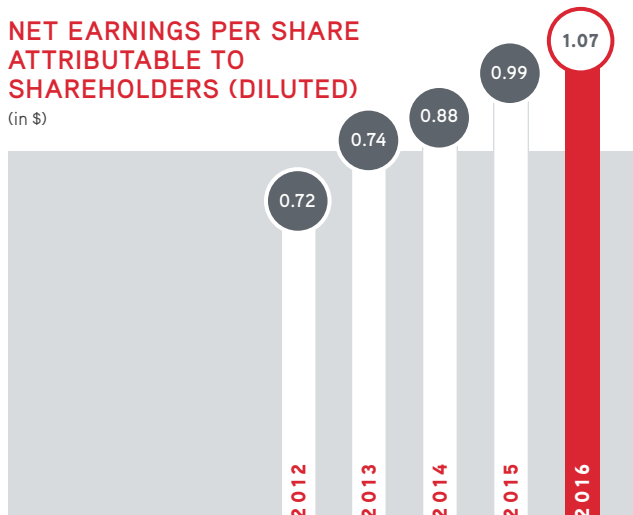
EQUITY DEBT

(in millions \$)



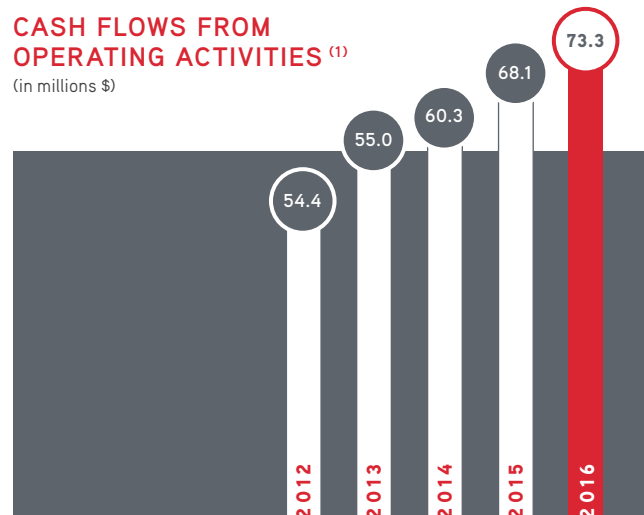
NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS (DILUTED)

(in \$)



CASH FLOWS FROM OPERATING ACTIVITIES ⁽¹⁾

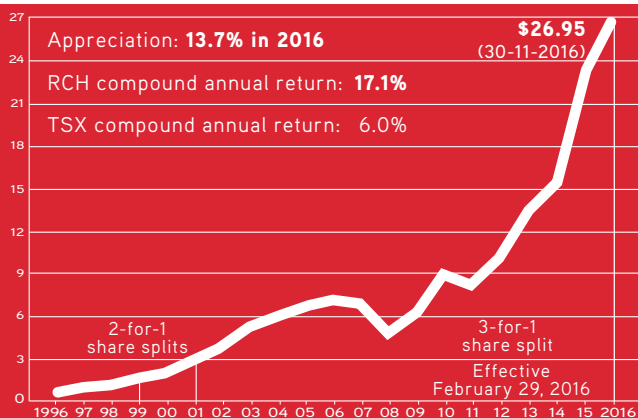
(in millions \$)



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

STOCK MARKET PERFORMANCE

(in \$)



Market capitalization as at November 30, 2016: **\$1.5 BILLION**

Appreciation in share price (RCH) since initial stock listing: **3,682%**

Total return on share / 10 years*: **281.7%**

Average annual return on share / 10 years*: **14.3%**

*Including dividend reinvestment

FINANCIAL HIGHLIGHTS

YEARS ENDED NOVEMBER 30

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

	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Sales	844,473	749,646	646,909	586,775	565,798
EBITDA ⁽¹⁾	94,422	87,681	77,417	70,373	71,163
<i>EBITDA margin (%)</i>	11.2	11.7	12.0	12.0	12.6
Net earnings	63,013	58,878	52,573	46,657	45,909
Net earnings attributable to the shareholders of the Corporation	62,814	58,739	52,393	46,403	45,404
basic per share (\$) ⁽³⁾	1.08	1.00	0.89	0.75	0.72
diluted per share (\$) ⁽³⁾	1.07	0.99	0.88	0.74	0.72
<i>Net margin attributable to the Shareholders of the Corporation (%)</i>	7.4	7.8	8.1	7.9	8.0
Cash flows from operating activities ⁽²⁾	73,296	68,052	60,253	54,978	54,403
diluted per share (\$) ⁽³⁾	1.25	1.15	1.01	0.88	0.86
Dividends paid to shareholders	12,374	11,717	11,023	10,768	10,026
per share (\$) ⁽³⁾	0.213	0.200	0.187	0.173	0.160
Weighted average number of shares outstanding (diluted) (in thousands) ⁽³⁾	58,781	59,343	59,754	62,790	63,411
<i>As at November 30</i>					
Total assets	486,046	449,792	390,721	356,325	349,869
Working capital	280,747	260,579	214,866	204,117	200,088
<i>Current ratio</i>	4.4	4.4	4.0	4.5	4.6
Equity	394,268	366,807	313,553	293,114	287,942
<i>Return on average equity (%)</i>	16.6	17.5	17.5	16.2	16.9
Book value (\$)	6.81	6.19	5.27	4.80	4.55
Total debt	4,864	3,580	5,354	1,354	2,563
Cash and cash equivalents	42,969	29,454	33,721	46,187	51,587

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

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

(3) All share data in this report have been restated to reflect the impact of the three-for-one split of all common shares effective February 29, 2016.

2012-2016 — 13 ACQUISITIONS

2016

Cabinetmakers Supply, Inc. (Houston, Texas)
JFH Corporation (Memphis, Tennessee)
Eveready Hardware Manufacturing Co, Inc.
(Long Island City, New York)
Neils Sorenson Hardware, Inc. (Portland, Maine)

2015

BD Enterprises, Inc. (*Single Source Cabinet Supplies*)
(Dallas, Texas)

2014

Procraft Industrial Ltd. (Maritime Provinces, Canada)
PleasantSide Distribution Ltd. (Western Canada)
CabinetWare, Inc. (Florida)
XM Export-Import Canada Inc. (Quebec)
Thruway Hardwood and Plywood Corp. (New York State)

2013

Hi-Tech Glazing Supplies (Vancouver)
CourterCo Savannah LLC (Georgia)

2012

CourterCo Inc. (Indiana, Kentucky, North Carolina)

NORTH AMERICAN LEADER

in the import, distribution, and manufacturing
of specialty hardware and complementary products



PROFILE



We serve over **80,000 CUSTOMERS**: manufacturers of kitchen and bathroom cabinets, storage and closets, and home and office furnishing; residential and commercial woodworkers; and hardware retailers, including renovation superstores.

We employ over **2,000 PEOPLE** approximately half of whom work in sales and marketing, and over 50% of our employees are corporate shareholders.

We offer over **110,000 PRODUCTS** (SKUs) in a wide variety of categories, including decorative and functional hardware for: furniture, glass, and buildings; lighting systems; finishing and decorating products; ergonomic workstations; kitchen and closet storage solutions; sliding door systems; decorative and functional panels; high-pressure laminates; and floor protection products. Our two subsidiaries, Les Industries Cedan inc. and Menuiserie des Pins Ltée, round out our offering with product lines boasting unique features, including a variety of veneer

sheets and edgebanding products, a wide selection of decorative mouldings, and components for the window and door industry. In addition, many of our products are manufactured according to our specifications and those of our customers.

We operate a network of **69 CENTERS**, including showrooms and two manufacturing plants in North America. Our diversified product offering, one-stop-shop service approach, and efficient logistics, combined with the multiple advantages of our transactional website, optimize customer response time.

Our website, **richelieu.com**, is available in three languages and is the leading tool of its kind in the industry. It was designed to facilitate our customers' projects and transactions and provide users with information on our entire range of products—the most comprehensive and innovative in North America.

2016: GROWTH AND FINANCIAL STABILITY

are the result of our customer-driven approach and rigorous implementation of our innovation, service, market development, and acquisition strategies.



RICHARD LORD

President and Chief Executive Officer

IN 2016, WE CONTINUED TO DELIVER GROWING RESULTS — WITH A STRONG BALANCE SHEET — AND WE COMPLETED FOUR STRATEGIC U.S. ACQUISITIONS WHICH ARE GENERATING SYNERGIES THROUGH THEIR INTEGRATION PROCESS.

FINANCIAL STABILITY IS A FUNDAMENTAL VALUE AT RICHELIEU. IT IS WHAT ENABLES US TO CONTINUE INVESTING IN INNOVATIONS, SERVICE, AND BUSINESS ACQUISITIONS IN ORDER TO CREATE LONG-TERM VALUE FOR OUR CUSTOMERS, EMPLOYEES, SUPPLIERS, AND SHAREHOLDERS.

All of our North American market segments contributed to the 12.6% increase in total sales for 2016, 10.4% of which was internal growth. Our two major markets — manufacturers and retailers, including renovation superstores — saw increases of 13% and 10.9%, respectively. Canadian markets produced solid internal growth of 8.8%, while U.S. sales grew by 15.1% (US\$), 8.2% of which came from internal growth and 6.9% from acquisitions, representing 33.8% of total sales for the fiscal year.

We paid out nearly 20% of net earnings in dividends and distributed a total of \$35.5 million to shareholders, including share repurchases, while pursuing our operational and expansion investment program. With working capital of \$280.7 million, \$43 million in cash, and almost no debt, we have further strengthened our capacity to seize future opportunities. Shareholders benefited from a 13.7% rise in the Richelieu share price over the year and have seen share value grow by an average of 13% per year over the last decade, bringing our market capitalization to \$1.5 billion in 2016.

OUR STRATEGY OF CONSTANT INNOVATION ALLOWS US TO OFFER OUR CUSTOMERS THE VERY BEST PRODUCTS AND SOLUTIONS AVAILABLE IN THE INDUSTRY.

INNOVATION IS THE LEADING DRIVER OF OUR GROWTH, AND THE COMMERCIAL AND RESIDENTIAL RENOVATION INDUSTRY REMAINS OUR MAIN SOURCE OF INCOME.

Innovation in functional and decorative hardware products and solutions has been driving the renovation and construction industry forward for decades now, and the future promises even more exciting changes as we look forward to new generations of products and high-quality innovative systems.

Our customers, manufacturers, and retailers are looking for solutions to optimize their residential and commercial projects and stay a step ahead of their clientele. They can count on Richelieu's commitment and expertise to create the added value that helps them differentiate and keeps their customers coming back for more.

With our leadership and strategy of innovation, we continue to drive change in North America's specialty hardware industry. We remain committed to our customers and attuned to worldwide innovation through our strategic partnerships with some of the world's most innovative and demanding manufacturers, and with architects and designers who are also partners for change.

Our offering grew again in 2016, with new products that combine enhanced functionality with innovative and balanced styling for the residential and commercial markets. We remain the product leader in many categories, including closets, sliding door systems, retractable storage solutions for small living spaces, state-of-the-art lighting systems and products for glass, and unparalleled selection of avant-garde decorative panels and extensive range of ergonomic solutions and environmentally friendly green-certified products.

OUR DISTINCTIVE SERVICE IS KEY TO OUR GROWTH AND IS BASED ON A BUSINESS MODEL ADAPTED TO THE NEEDS OF OUR CUSTOMERS AND ON OUR ABILITY TO LISTEN, INNOVATE, AND DELIVER QUALITY.

WE TAKE A CUSTOMER-DRIVEN APPROACH TO SKILLS MANAGEMENT AT EVERY LEVEL OF THE ORGANIZATION.

As a corporation whose main business is distribution, Richelieu is service-oriented. Our team of over 2,000 employees serves, directly or indirectly depending on their position, more than 80,000 active customers across North America. Our customers expect exceptional service from us at all times, no matter where they are. Aligning talent and expertise is essential for achieving our goals and fulfilling our corporate vision.

We regularly assess service quality using suitable metrics. The quality of our service is the result of a set of key factors that we take very seriously, including:

- Our **ability to listen** to the customer
- **Attention to details** and quality of execution
- Our **close relationship** with our customers, which allows us to provide personalized, expert advice and service through our decentralized network of local teams who know their market
- An extensive sales network providing customers with **multiple channels for accessing our products**: through on-site sales staff, by phone, at our sales outlets and showrooms, and also through our website richelieu.com
- **A central information system** that supplies a constant flow of information across our network, and a **highly efficient supply chain**. Together they ensure interconnectivity with our suppliers and customers, reliable order processing — generally within 24 hours of order placement — and cost control
- **Specialized training** for our service and sales professionals
- **The commitment** of our employees, over 50% of whom are corporate shareholders

OUR BUSINESS ACQUISITION AND INTEGRATION STRATEGY INCREASES OUR ACTIVE PRESENCE IN NORTH AMERICA, OPENS NEW MARKETS, AND FOSTERS INTERNAL GROWTH.

In 2016, we continued to improve our processes and technological tools to get to know our customers better in order to serve them more efficiently and provide them with new business opportunities. We pride ourselves on helping customers stay competitive by effectively controlling inventory costs while at the same time offering more choice and flexibility, including for non-stock items. This is due in part to the “long tail” strategy we use in conjunction with our website to optimize our product offering and stock management, while minimizing costs. Our customers truly appreciate the trilingual **richelieu.com** website. Not only is it the most comprehensive in our industry, it is also a highly useful tool for product selection and design and for order processing.

In 2016, we expanded our presence in **Texas** through a second acquisition in this major market, with the purchase of **Cornerstone Hardware**, a Houston-based specialty hardware distributor whose clientele includes kitchen manufacturers and residential and commercial woodworkers. We then increased our market share in **Tennessee** — where we already had a presence with a center in Nashville — by acquiring **JFH Corporation**, a specialty hardware distributor in Memphis. Our position in this market will help extend our reach to neighboring states, including Mississippi, Arkansas, and Alabama. We also stepped up our presence in **New York City**, adding to our existing center in the city by acquiring **Eveready Hardware**, a specialty hardware distributor strategically located in Long Island City, near Manhattan, which serves kitchen and bathroom cabinet manufacturers, woodworkers, and a significant number of storage and closet manufacturers. We completed our fourth acquisition of the financial year with **Neils Sorenson Hardware**, a specialty hardware distributor serving kitchen cabinet and furniture manufacturers and woodworkers in Portland, **Maine**.

**OUR GROWTH STRATEGY
REMAINS ROOTED IN BUSINESS ACQUISITIONS**

58 ACQUISITIONS

Canada: 36

United States: 22

Over the years, we have made 58 acquisitions in North America, all of which are compatible with our activities and corporate culture.

Of these acquisitions, nine were completed over the past three years, seven of them in the United States and two in Canada, and represent approximately \$50 million in sales. In addition to expanding our customer base, increasing sales, and adding to our specialized product offering, these acquisitions bring us new skills and a greater understanding of local markets, promoting close customer relationships.

As part of our integration approach, we proceed with respect and care, pooling best practices and consolidating our systems. Our main goals are to optimize customer service, foster internal growth, and improve profitability by developing sales synergies within our network, and operational synergies when conditions allow.

TO SUSTAIN OUR INNOVATION AND GROWTH DYNAMIC, WE WILL MOVE AHEAD WITH OUR STRATEGIES IN A RIGOROUS AND FORSIGHT WAY — WHILE MAINTAINING OUR BUSINESS MODEL ADAPTED TO OUR CUSTOMERS' NEEDS.

A consistent, high quality end-to-end customer experience is at the core of our strategy.

Our mission remains the same: make business easier for our customers — manufacturers and retailers — by providing them with the best product offering, optimal service, and the most effective sales tools.

Our extensive North American network of interconnected centers — our one-stop-shop approach — and our strategic mix of local and online service — give us the flexibility to respond in real time and reliably meet the needs of our customers, no matter where they are.

Our goals for 2017 and beyond remain unchanged: achieve internal growth and conclude acquisitions that add long-term value to Richelieu.

We will continue to show consistent leadership in improving operational efficiency and focus on innovation throughout our organization with a view to meeting and exceeding customer expectations.

Every effort will be made to meet future challenges. Richelieu is here to grow and prosper with the help of all the members of our exceptional team, whom we thank for their outstanding quality of work and their commitment. We would also like to thank our customers, our suppliers, our shareholders, and all our other business partners.



(Signed) Richard Lord
President and Chief Executive Officer

DIRECTORS

Jocelyn Proteau
Chairman of the Board
Richelieu Hardware Ltd.
Corporate Director

Richard Lord
President and Chief Executive Officer
Richelieu Hardware Ltd.

Denyse Chicoyne ⁽²⁾
Corporate Director

Robert Courteau ⁽²⁾
President
Courteau Mainville Management Inc.

Pierre Pomerleau ⁽¹⁾
President and Chief Executive Officer
Pomerleau Group

Mathieu Gauvin ⁽¹⁾
Partner
Richter Advisory Group Inc.

Marc Poulin ⁽¹⁾
Corporate Director

Sylvie Vachon ⁽²⁾
President and Chief Executive Officer
Montreal Port Authority

(1) Member of the Audit Committee

(2) Member of the Human Resources
and Corporate Governance Committee

OFFICERS

Richard Lord
President and Chief Executive Officer

Antoine Auclair
Vice-President and Chief Financial Officer

Guy Grenier
Vice-President, Sales and Marketing
— Industrial

Geneviève Quevillon
Vice-President
— Logistics and Supply Chain

Jeff Crews
Vice-President, Business Development
— Retailers Market, Canada

Craig Ratchford
Vice-President, General Manager
— United States

Éric Daignault
General Manager of Divisions

Marion Kloibhofer
General Manager
— Central Canada

John Statton
General Manager
— Western Canada
and Western United States

Christian Dion
Manager — Human Resources

Yannick Godeau
Legal Affairs and Corporate Secretary

RESIDENTIAL



FUNCTIONALITY
 ERGONOMY
 ELEGANCE

Pull-out shelf

Decorative hardware

Whether it is for an addition or a full or partial transformation, kitchen and bathroom renovations give the best return on investment in terms of resale value.

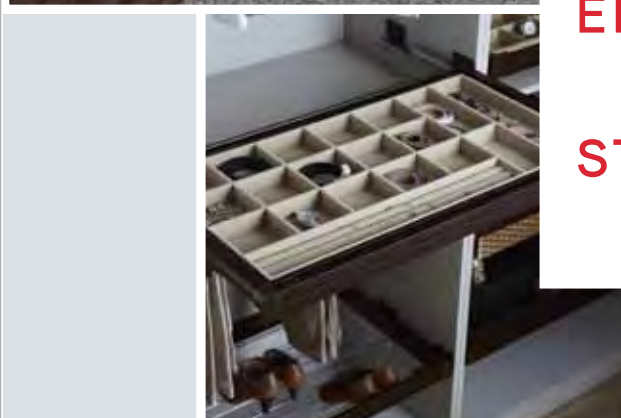
All of the concepts in this report incorporate Richelieu products: decorative panels, storage solutions, sliding door systems, lighting systems, knobs and pulls, and functional, finishing, and decorative hardware.



ORGANIZATION

EFFICIENCY

STYLE



Revolving system |

We are a leader in storage systems and closet hardware and we serve a large clientele of closet design specialists.



Wall bed

Our foldaway systems and specialty hardware products make even the smallest spaces more functional and comfortable.

Our product offering includes pull-out tables and foldaway beds paired with storage spaces, sofas convertible into bunkbeds, and wall units that maximize the layout of small spaces.



Our ergonomic products and systems optimize storage solution functionality with clean contemporary designs ideal for any configuration and style of decor.



For small and large areas alike, attractive and functional sliding door systems are excellent options. They help optimize space, add visual appeal, and do not require maintenance.

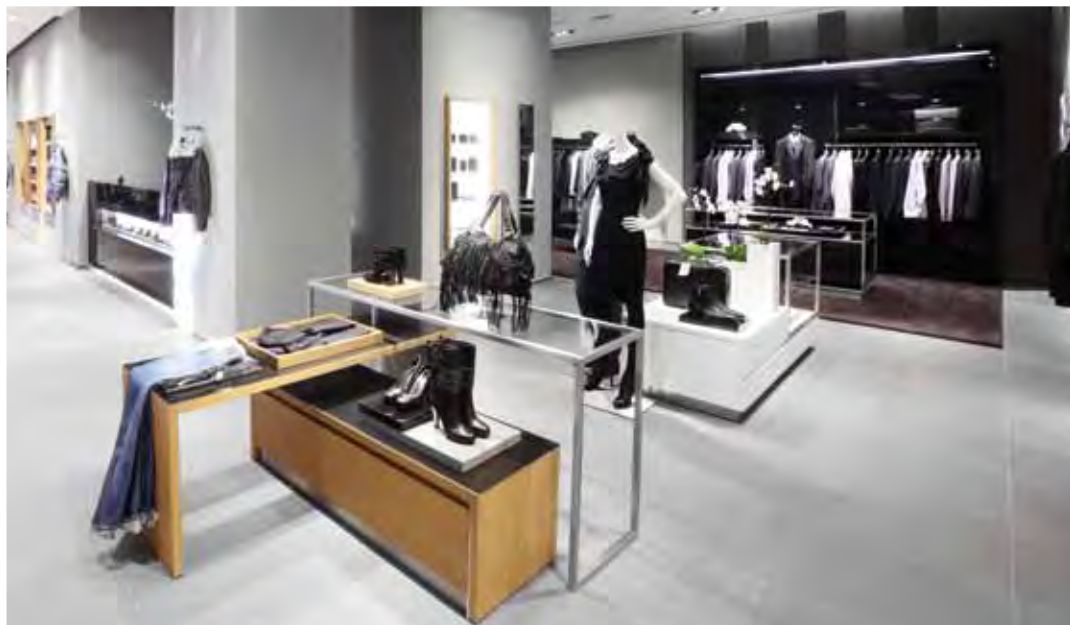




ARCHITECTS AND DESIGNERS

Partners
in expertise
and innovation





Every residential and commercial renovation project has a unique potential that architects and designers strive to showcase, using their expertise and ingenuity. We are proud to contribute to their inspiration and help their projects come to life with innovative solutions and functional products that meet the highest quality standards.

COMMERCIAL • INSTITUTIONAL



SUSTAINABILITY

FUNCTIONALITY

ESTHETICS



LED lighting



Antimicrobial pull

Our extensive offering for commercial and institutional renovation and construction projects includes technologically advanced products on the cutting edge of design. Our resolutely inspired solutions help make these renovations functional and esthetic, whether they are classic or original.

Photo: Xavier Dachez

INSPIRATION
TRENDY STYLE
CONCEPT

Contemporary metal knob

We work with the most experienced and demanding manufacturers in the world to provide our customers with inspiring and functional solutions designed to optimize their workspace concepts.

Architecture and decor are the elements that set commercial and institutional spaces apart. To bring their ideas to life, designers and manufacturers can rely on our diversified and top-quality innovative offering which includes beautiful functional products in harmony with the spirit of the space.



Our comprehensive specialty and decorative glass hardware offering contains high-tech products that are made from top quality raw materials and meet the most exacting industry, domestic, and commercial standards. It includes shower door hinges, specialty tools, and doors and window parts.



Innovative products that make it easy to create elegant, high-quality decorative surfaces.



Decorative acrylic panel



RETAILERS

Every day, we proudly serve thousands of small and mid-sized stores, renovation centers, and major retail chains across Canada and the United States.

We are committed to providing retailers with quality and variety through strong brands, efficient and reliable service, and a complete range of informative sales tools.



SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Richelieu is an environmentally friendly corporation, with a commitment to the communities we work in.

As a corporation, we care about our environmental impact, which is why we have implemented a waste management program that enables us to reduce our environmental footprint and promote sustainable development principles.

Under the program, all of our sites are analyzed for the type of waste materials they generate, and the level of waste recovery and optimization. To promote responsible behaviour, the program incorporates new waste collection equipment, clear signage, and awareness training for employees. Obsolete and non-functioning computer equipment is sent for recycling, and certificates of destruction are provided for hard drives. We work closely with our suppliers and distribution centers regarding the packaging used to ship products in order to reduce waste and optimize transportation. Our partnerships with transporters also enable us to collectively reduce our carbon footprint.

Our pool of printers optimization and sustainable printing initiative, coupled with our ink cartridge recycling program, enables us to reduce our environmental impact and printing costs through simple measures like print tracking and control and the elimination of paper reports. We use these steps to promote best practices and reduce paper waste.

To minimize our greenhouse gas emissions, we encourage employees to use videoconferencing as much as possible in order to cut back on business travel. We give preference to white roofing when replacing roofs on our buildings, a measure that enhances employee comfort in the summer and reduces the urban heat island effect.

We support causes that contribute to the well-being of the communities we work in. Our social focus is primarily on education, youth culture and sports, health, and heritage conservation, either through financial support or volunteer initiatives by our local teams. Every year, we reaffirm and broaden our commitment to community and charitable organizations that support these vital causes. Throughout our North American network, we share a culture built on partnership, mutual assistance, and a set of fundamental values that guide our economic and social actions. These values include sound governance, service excellence, mutual respect, independence, and the importance of generating growth for our employees, customers, suppliers, and shareholders. We draw upon them to establish and maintain trusting relationships with our partners and a compensation policy that help us attract and retain the best people. We also prioritize professional development and the application of strict workplace safety measures. Our economic and social roles are intimately linked.

Our social focus is primarily on education, youth culture and sports, health, and heritage conservation, either through financial support or volunteer initiatives by our local teams. Every year, we reaffirm and broaden our commitment to community and charitable organizations that support these vital causes. Throughout our North American network, we share a culture built on partnership, mutual assistance, and a set of fundamental values that guide our economic and social actions. These values include sound governance, service excellence, mutual respect, independence, and the importance of generating growth for our employees, customers, suppliers, and shareholders. We draw upon them to establish and maintain trusting relationships with our partners and a compensation policy that help us attract and retain the best people. We also prioritize professional development and the application of strict workplace safety measures. Our economic and social roles are intimately linked.

Richelieu offers an extensive range of eco-friendly and green-certified products that meet LEED project requirements.

We select quality products that provide outstanding environmental performance in order to support our manufacturing customers in their green renovation and construction projects and help retailers and renovation superstores meet the steadily growing demand for such products.



Ecological veneer



LED light

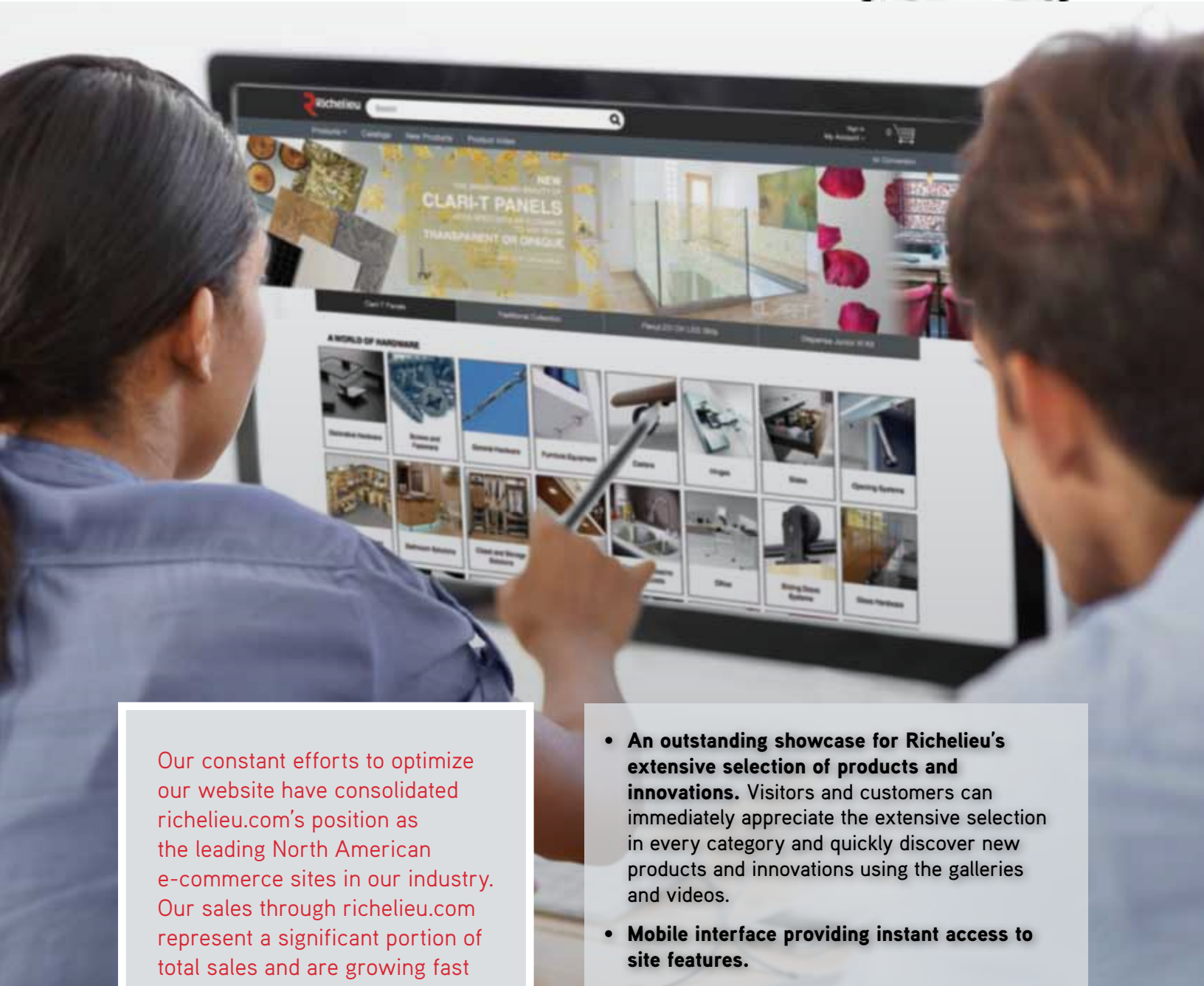


Ecological finishing products



EXCELLENCE IN E-COMMERCE

- The only trilingual transactional site in North America in our market
- Outstanding efficiency in finding and selecting products
- Virtual product and project design to customer specifications with instructions on use and installation
- Automated management of the overall purchasing function



Our constant efforts to optimize our website have consolidated richelieu.com's position as the leading North American e-commerce sites in our industry. Our sales through richelieu.com represent a significant portion of total sales and are growing fast every year.

- **An outstanding showcase for Richelieu's extensive selection of products and innovations.** Visitors and customers can immediately appreciate the extensive selection in every category and quickly discover new products and innovations using the galleries and videos.
- **Mobile interface providing instant access to site features.**
- **Time savings for customers** thanks to a complete online order history and overall management ensuring quality and reliability.

A STRONG NETWORK OF 69 INTERCONNECTED CENTERS

A logistics function adapted to customer needs

- cost effectiveness in supply, stock and distribution management
- accurate management information
- optimal use of resources and assets

CANADA

36 DISTRIBUTION CENTRES

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

2 MANUFACTURING CENTERS

Longueuil
Notre-Dame-Des-Pins

UNITED STATES

31 DISTRIBUTION CENTERS

Atlanta	Indianapolis
Boston	Jacksonville
Buffalo	Lincoln Park
Charlotte	Louisville
Chicago	Memphis
Cincinnati	Nashville
Dallas	New York (2)
Dania	Orlando
Detroit	Pompano
Hartford	Portland
Hialeah	Riviera Beach
Greensboro	Sarasota
Greenville	Savannah
Houston	Seattle
	Syracuse
	Tampa Bay

MANAGEMENT'S REPORT

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

Year Ended November 30, 2016

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HIGHLIGHTS OF THE YEAR ENDED NOVEMBER 30, 2016

Richelieu pursued its growth and expansion in 2016, as reflected by its increased financial performance, excellent financial position, and four strategic acquisitions in the U.S. Its innovation and market development strategies, its customer approach, and the quality of its service contributed to growth in its main market segments in Canada and the U.S. Strong internal growth was complemented by acquisition-driven growth in the U.S., where Richelieu now operates 31 distribution centers generating nearly 34% of total sales. The performance posted during the year further strengthened its market positioning for the future while creating value for shareholders. In 2016, Richelieu saw its market capitalization rise to \$1.5 billion. Its share price (RCH/TSX) has appreciated by 13.7% over the course of the year and by an annual average of 13% over the last decade.

- **Consolidated sales** totalled \$844.5 million, an increase of 12.6%, of which 10.4% from internal growth and 2.2% from acquisitions.
- **Earnings before income taxes, interest and amortization (EBITDA)⁽¹⁾** grew by 7.7% to \$94.4 million. The EBITDA margin stood at 11.2%.
- **Net earnings attributable to shareholders** increased by 6.9% to \$62.8 million or \$1.08 per share (basic) and \$1.07 (diluted), up by 8.0% and 8.1% respectively.
- **Cash flows from operating activities⁽¹⁾** (before net change in non-cash working capital balances) grew by 7.7% to \$73.3 million.
- **Working capital** increased by 7.7% to \$280.7 million, a current ratio of 4.4:1.
- **Cash and cash equivalents** totalled \$43 million.
- **Total debt** stood at \$4.9 million, including \$4.3 million in short-term debt.
- **Repurchase** of 1,004,700 common shares for \$23.1 million and payment of \$12.4 million in dividends to shareholders (representing 19.7% of net earnings attributable to shareholders for fiscal 2016). Richelieu thus distributed \$35.5 million to shareholders in 2016 while retaining the financial resources necessary for growth in 2017.

Four (4) acquisitions during the year:

- *August 18, 2016* - Principal net assets of Neils Sorenson Hardware, Inc., a specialized hardware distributor in Portland, Maine;
- *May 16, 2016* - Principal net assets of Eveready Hardware Manufacturing Co., Inc., a specialized hardware distributor in Long Island City, New York;
- *April 18, 2016* - Principal net assets of JFH Corporation, a specialized hardware distributor in Memphis, Tennessee;
- *December 14, 2015* - All outstanding common shares of Cabinetmakers Supply, Inc. (doing business as Cornerstone Hardware & Supplies), a specialized hardware distributor in Houston, Texas.

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

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2016 in comparison with the year ended November 30, 2015, 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, 2016 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, 2016, is available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to January 19, 2017, 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. Assumptions are 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 2016 Annual Report (see the "Risk Factors" section on page 33 of the 2016 Annual Report available on SEDAR at www.sedar.com).

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

NON-IFRS MEASURES

Richelieu uses earnings before interest, income taxes and amortization ("EBITDA") because this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted financial indicator of a Corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income 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. Since 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, 2016

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

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

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The Corporation's product selection consists of **over 110,000 different items** targeted to a base of **more than 80,000 customers** who are served by **69 centres in North America** with 36 distribution centres in Canada, 31 distribution centres in the United States and two manufacturing plants in Canada.

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

The Corporation employs over 2,000 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 offering a limited range of products.

FINANCIAL HIGHLIGHTS

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

	2016	2015	2014	2013	2012
Years ended November 30	\$	\$	\$	\$	\$
Sales	844,473	749,646	646,909	586,775	565,798
EBITDA ⁽¹⁾	94,422	87,681	77,417	70,373	71,163
EBITDA margin (%)	11.2	11.7	12.0	12.0	12.6
Net earnings	63,013	58,878	52,573	46,657	45,909
Net earnings attributable to shareholders of the Corporation	62,814	58,739	52,393	46,403	45,404
• basic per share (\$) ⁽³⁾	1.08	1.00	0.89	0.75	0.72
• diluted per share (\$) ⁽³⁾	1.07	0.99	0.88	0.74	0.72
Net margin attributable to the shareholders of the Corporation (%)	7.4	7.8	8.1	7.9	8.0
Cash flows from operating activities ⁽²⁾	73,296	68,052	60,253	54,978	54,403
• diluted per share (\$) ⁽³⁾	1.25	1.15	1.01	0.88	0.86
Dividends paid on shares	12,374	11,717	11,023	10,768	10,026
• per share (\$) ⁽³⁾	0.213	0.200	0.187	0.173	0.160
Weighted average number of shares outstanding (diluted) (in thousands) ⁽³⁾	58,781	59,343	59,754	62,790	63,411
As at November 30					
Total assets	486,046	449,792	390,721	356,325	349,869
Working capital	280,747	260,579	214,866	204,117	200,088
Current ratio	4.4	4.4	4.0	4.5	4.6
Equity attributable to shareholders of the Corporation	394,268	366,807	313,553	293,114	287,942
Return on average equity (%)	16.6	17.5	17.5	16.2	16.9
Book value (\$)	6.81	6.19	5.27	4.80	4.55
Total debt	4,864	3,580	5,354	1,354	2,563
Cash and cash equivalents	42,969	29,454	33,721	46,187	51,587

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

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

(3) All share data in this report have been restated to reflect the impact of the three-for-one split of all common shares effective February 29, 2016.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2016 COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2015

Consolidated sales

(in thousands of \$, except exchange rate)

	2016	2015	
Years ended November 30	\$	\$	Δ (%)
Canada	559,137	513,743	+ 8.8
United States (CA\$)	285,336	235,903	+ 21.0
(US\$)	215,028	186,815	+ 15.1
Average exchange rate	1.3270	1.2628	
Consolidated sales	844,473	749,646	+ 12.6

Consolidated sales reached \$844.5 million, an increase of \$94.8 million or 12.6% over 2015, of which 10.4% from internal growth and 2.2% from acquisitions. At comparable exchange rates to 2015, the consolidated sales growth would have been 10.8% for the year ended November 30, 2016.

Sales to **manufacturers** grew to \$721.1 million, compared with \$638.4 million for 2015, an increase of \$82.7 million or 13.0%, of which 10.3% from internal growth and 2.7% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 10.9% or \$12.1 million to total \$123.4 million. In **Canada**, Richelieu achieved sales of \$559.1 million, compared with \$513.7 million for 2015, up by \$45.4 million or 8.8% from internal growth resulting primarily from market development efforts and, to a lesser extent, from the increase in selling prices to mitigate the impact of the appreciation in the U.S. dollar and the euro. Sales to **manufacturers** rose to \$450.3 million, up by \$33.6 million or 8.1% from internal growth. Sales to hardware **retailers** and renovation superstores reached \$108.8 million, compared with \$97.0 million, up by \$11.8 million or 12.2% over 2015.

In the United States, the Corporation recorded sales of US\$215.0 million, compared with US\$186.8 million for 2015, an increase of US\$28.2 million or 15.1%, of which 8.2% from internal growth and 6.9% from acquisitions. Sales to **manufacturers** totalled US\$204.1 million, compared with US\$175.6 million, an increase of US\$28.5 million or 16.2% over 2015, of which 8.9% from internal growth and 7.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 2.7% from the previous year. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to \$285.3 million, compared with \$235.9 million for 2015, an increase of 21.0%. They accounted for 33.8% of consolidated sales of 2016, whereas they had represented 31.5% of the year's consolidated sales in 2015.

Consolidated EBITDA and EBITDA margin

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2016	2015
	\$	\$
Sales	844,473	749,646
EBITDA	94,422	87,681
EBITDA margin (%)	11.2	11.7

Earnings before income taxes, interest and amortization (EBITDA) totalled \$94.4 million, up by \$6.7 million or 7.7% over 2015. The **gross margin** and the **EBITDA margin** were mainly affected by the higher purchasing costs of certain products attributable to the appreciation of the U.S. dollar and the euro during the first semester of 2016, the higher proportion of sales in the United States where the product mix is different, and the lower margins of certain acquisitions also having a different product mix. The **EBITDA margin** stood at 11.2%, compared with 11.7% for 2015. Income taxes amounted to \$21.8 million, an increase of \$1.3 million over 2015.

Consolidated net earnings attributable to shareholders

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2016	2015
	\$	\$
EBITDA	94,422	87,681
Amortization of property, plant and equipment and intangible assets	9,601	8,449
Financial costs, net	31	(149)
Income taxes	21,777	20,503
Net earnings	63,013	58,878
Net earnings attributable to shareholders of the Corporation	62,814	58,739
Net margin attributable to the shareholders of the Corporation (%)	7.4	7.8
Non-controlling interests	199	139
Net earnings	63,013	58,878

Net earnings grew by 7.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$62.8 million, up by 6.9% over 2015. **Net earnings per share** amounted to \$1.08 basic and \$1.07 diluted, compared with \$1.00 basic and \$0.99 diluted for 2015, an increase of 8.0% and 8.1% respectively. **Comprehensive income** totalled \$63.8 million, considering a positive adjustment of \$0.8 million on translation of the financial statements of the subsidiary in the United States, compared with \$71.0 million for 2015, considering a positive adjustment of \$12.2 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS

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

Trimestres	1	2	3	4
2016				
• Sales	188,909	217,413	220,155	217,996
• EBITDA	16,710	23,074	25,942	28,696
• Net earnings attributable to shareholders of the Corporation	10,861	15,408	17,331	19,214
basic per share	0.19	0.27	0.30	0.33
diluted per share	0.18	0.26	0.30	0.33
2015				
• Sales	159,319	190,801	199,457	200,069
• EBITDA	15,706	21,878	24,394	25,703
• Net earnings attributable to shareholders of the Corporation	10,216	14,653	16,340	17,530
basic per share	0.17	0.25	0.28	0.30
diluted per share	0.17	0.25	0.28	0.30
2014				
• 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	0.15	0.22	0.25	0.27
diluted per share	0.15	0.22	0.24	0.27

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 2016, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2016

Fourth-quarter consolidated sales amounted to \$218.0 million, compared with \$200.1 million for the corresponding quarter of 2015, an increase of \$17.9 million or 9.0%, of which 6.5% from internal growth and 2.5% from acquisitions. At comparable exchange rates to the fourth quarter of 2015, the consolidated sales growth would have been 8.8% for the quarter ended November 30, 2016.

Richelieu achieved sales of \$187.1 million in the **manufacturers** market, compared with \$172.4 million for the fourth quarter of 2015, an increase of \$14.7 million or 8.5%, of which 5.6% from internal growth and 2.9% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$30.9 million, up by \$3.2 million or 11.6% over the fourth quarter of 2015.

In Canada, Richelieu recorded sales of \$144.7 million, an increase of \$8.2 million or 6% over the fourth quarter of 2015, entirely from internal growth, resulting primarily from market development efforts and, to a lesser extent, from the increase in selling prices to mitigate the impact of the appreciation in the U.S. dollar and the euro. Sales to **manufacturers** amounted to \$117.5 million, an increase of 4.2%. Sales to hardware **retailers** and renovation superstores grew to \$27.2 million, up by \$3.5 million or 14.8%, partially due to exceptional seasonal sales.

In the United States, sales totalled US\$55.3 million, compared with US\$48.1 million for the fourth quarter of 2015, an increase of US\$7.2 million or 15%, of which 7.3% from internal growth and 7.7% from acquisitions. Sales to **manufacturers** amounted to US\$52.5 million, an increase of US\$7.4 million or 16.4% over the fourth quarter of 2015, of which 8.2% from internal growth and 8.2% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 6.7% from the corresponding quarter of 2015. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at \$73.3 million, an increase of 15.3%. They accounted for 33.6% of consolidated sales for the fourth quarter of 2016, whereas they had represented 31.8% of the period's consolidated sales for the fourth quarter of 2015.

Earnings before income taxes, interest and amortization (EBITDA) amounted to \$28.7 million, up by \$3.0 million or 11.6% over the fourth quarter of 2015. The **gross margin** and the **EBITDA margin** improve slightly over the fourth quarter of 2015 which was impacted by the cost of introducing additional products in stores. The **EBITDA margin** stood at 13.2%, compared with 12.8% for the fourth quarter of 2015.

Income taxes amounted to \$7.0 million, an increase of \$1.1 million over 2015.

Net earnings grew by 9.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$19.2 million, up by 9.6% over the fourth quarter of 2015. **Net earnings per share** rose to \$0.33 basic and diluted, compared with \$0.30 basic and diluted for the fourth quarter of 2015, an increase of 10.0%.

Comprehensive income amounted to \$21.8 million, considering a positive adjustment of \$2.6 million on translation of the financial statements of the subsidiary in the United States, compared with \$18.9 million for the fourth quarter of 2015, considering a positive adjustment of \$1.3 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 \$21.6 million or \$0.37 per share, compared with \$19.7 million or \$0.33 per share for the fourth quarter of 2015, an increase of 10.0% stemming primarily from the net earnings growth. Net change in non-cash working capital balances represented a cash inflow of \$6.1 million, reflecting the change in accounts receivable and payable (\$1.9 million), whereas the change in inventories and other items represented a cash inflow of \$8.0 million. Consequently, operating activities provided cash flows of \$27.7 million, compared with \$13.8 million for the fourth quarter of 2015.

Financing activities used cash flows of \$2.9 million, compared with \$1.2 million for the fourth quarter of 2015. This change mainly reflects the common shares issued of \$2.0 million in the fourth quarter of 2015 comparatively to \$0.2 million for the corresponding quarter of 2016.

Investing activities represented a cash outflow of \$2.8 million for equipment to improve operational efficiency.

FINANCIAL POSITION

Analysis of principal cash flows for the year ended November 30, 2016

Change in cash and cash equivalents and capital resources

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2016 \$	2015 \$
Cash flows provided by (used for):		
Operating activities	66,529	27,311
Financing activities	(33,431)	(19,467)
Investing activities	(19,749)	(11,497)
Effect of exchange rate fluctuations	166	(614)
Net change in cash and cash equivalents	13,515	(4,267)
Cash and cash equivalents, beginning of year	29,454	33,721
Cash and cash equivalents, end of year	42,969	29,454
As at November 30		
Working capital	280,747	260,579
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) reached \$73.3 million or \$1.25 diluted per share, compared with \$68.1 million or \$1.15 diluted per share for 2015, an increase of 7.7% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$6.8 million, primarily representing changes in accounts receivable (\$8.9 million) whereas inventories, accounts payable and other items represented a cash inflow of \$2.1 million. Consequently, operating activities provided cash flows of \$66.5 million compared with \$27.3 million for 2015.

Financing activities

Financing activities used cash flows of \$33.4 million, compared with \$19.5 million for 2015. During the year, Richelieu repurchased common shares for cancellation for \$23.1 million, compared with \$9.2 million in 2015. The Corporation paid dividends to shareholders of \$12.4 million, up by 5.6% over 2015.

Investing activities

Investing activities represented a total cash outflow of \$19.7 million, of which \$9.3 million for business acquisitions and \$10.5 million for the expansion of some distribution centres, the purchase of computer hardware and equipment to improve operational efficiency.

Sources of financing

As at November 30, 2016, **cash and cash equivalents** amounted to \$43.0 million, compared with \$29.5 million as at November 30, 2015. The Corporation posted a **working capital** of \$280.7 million for a current ratio of 4.4 : 1, compared with \$260.6 million (4.4:1 ratio) as at November 30, 2015.

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 between now and the end of 2017. The Corporation continues to benefit from an authorized line of credit of \$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, Richelieu considers 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 2017, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

Analysis of financial position as at November 30, 2016

Summary of financial position

(in thousands of \$, except exchange rate)

As at November 30	2016 \$	2015 \$
Current assets	362,803	337,308
Non-current assets	123,243	112,484
Total	486,046	449,792
Current liabilities	82,056	76,729
Non-current liabilities	5,679	6,256
Equity attributable to shareholders of the Corporation	394,268	362,885
Non-controlling interests	4,043	3,922
Total	486,046	449,792
Exchange rate on translation of a subsidiary in the United States	1.343	1.335

Assets

Total assets amounted to \$486.0 million as at November 30, 2016, compared with \$449.8 million as at November 30, 2015. **Current assets** increased by 7.6% or \$25.5 million from November 30, 2015. This increase resulted from the Corporation's growth and the four acquisitions closed in 2016.

Cash position

(in thousands of \$)

	2016	2015
As at November 30	\$	\$
Current portion of long-term debt	4,336	2,245
Long term-debt	528	1,335
Total debt	4,864	3,580
<i>Cash and cash equivalents</i>	<i>42,969</i>	<i>29,454</i>

As at November 30, 2016, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was \$4.9 million, of which \$0.5 million in long-term debt and \$4.3 million in short-term debt representing balances payable on acquisitions and financing contracts for equipment.

Equity attributable to shareholders of the Corporation totalled \$394.3 million as at November 30, 2016, compared with \$362.9 million as at November 30, 2015, an increase of \$31.4 million stemming primarily from a growth of \$27.9 million in retained earnings which amounted to \$336.8 million, and of \$2.6 million in share capital and contributed surplus, whereas accumulated other comprehensive income increased by \$0.8 million. As at November 30, 2016, **the book value per share** was \$6.81, up by 10.0% over November 30, 2015 and the return on average shareholder's equity was 16.6%.

As at November 30, 2016, the Corporation's **share capital** consisted of 57,920,466 common shares (58,643,607 shares as at November 30, 2015). In 2016, upon the exercise of options under the stock option plan, Richelieu issued 281,559 common shares at an average price of \$8.42 (396,549 in 2015 at an average price of \$7.73). In addition, 1,004,700 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of \$23.1 million (451,800 common shares for a cash consideration of \$9.2 million in 2015).

The Corporation granted 356,500 stock options during the year (246,900 in 2015). Consequently, as at November 30, 2016, 1,650,086 stock options were outstanding (1,578,645 as at November 30, 2015).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2016

(in thousands of \$)

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	4,336	528	—	4,864
Operating leases	10,917	23,598	4,012	38,527
Total	15,253	24,126	4,012	43,391

For 2017 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2017, and no unusual 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, 2016, 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, 2016. 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, 2016, 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, 2016 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

Recently issued

IFRS 15, Revenue from contracts with customers

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

IFRS 16, Leases

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

The Corporation will assess the impact these new standards 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 34% 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.

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 15% 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. Any interruption in operations as a result of a labour conflict could have an adverse impact on the Corporation's financial results.

Stability of key officers

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

Product liability

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

Crisis management, IT contingency plan and data security

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

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

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

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

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

SHARE INFORMATION AS AT JANUARY 19, 2017

Issued and outstanding common shares :	57,933,441
Outstanding stock options :	1,968,611

OUTLOOK

In 2017, as in the past, Richelieu will be customer-oriented, focusing on quality of service and innovation. Its two major sources of growth will remain innovation and business acquisition strategies in its sector. The Corporation will pursue its current market development in North America and its efforts to penetrate new territories, especially in the United States. It remains on the lookout for strategic acquisitions to further strengthen its positioning and create additional sales and operational synergies, while giving priority to operational efficiency and sound financial management.

SUPPLEMENTARY INFORMATION

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



(Signed) Richard Lord
President and
Chief Executive Officer



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

January 19, 2017

MANAGEMENT'S REPORT

Related to the consolidated financial statements

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

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

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

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

Montreal, Canada, January 19, 2017



(Signed) Richard Lord
President and Chief Executive Officer



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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Richelieu Hardware Ltd., which comprise the consolidated statements of financial position as at November 30, 2016 and 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

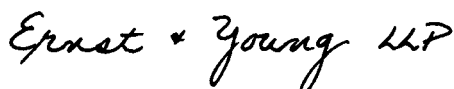
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Richelieu Hardware Ltd. as at November 30, 2016 and 2015 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 19, 2017

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at November 30

[In thousands of dollars]

	Notes	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	3	42,969	29,454
Accounts receivable		109,867	99,975
Inventories		207,803	206,449
Prepaid expenses		2,164	1,430
		362,803	337,308
Non-current assets			
Property, plant and equipment	3	33,258	27,963
Intangible assets	4	22,881	21,325
Goodwill	5	62,256	58,329
Deferred taxes	5	4,848	4,867
	9	486,046	449,792
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	3	75,764	71,787
Income taxes payable	9	1,956	2,697
Current portion of long-term debt	7	4,336	2,245
		82,056	76,729
Non-current liabilities			
Long-term debt	3	528	1,335
Deferred taxes	7	3,239	3,020
Other liabilities	9	1,912	1,901
		87,735	82,985
Equity			
Share capital	8	36,050	33,566
Contributed surplus	8	1,417	1,265
Retained earnings		336,835	308,904
Accumulated other comprehensive income	11	19,966	19,150
Equity attributable to shareholders of the Corporation		394,268	362,885
Non-controlling interests		4,043	3,922
		398,311	366,807
		486,046	449,792

Commitments and contingencies [note 10]

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors :



(Signed) Richard Lord
Director



(Signed) Mathieu Gauvin
Director

CONSOLIDATED STATEMENTS OF EARNING

Years ended November 30

[In thousands of dollars, except earnings per share]

	Notes	2016 \$	2015 \$
Sales		844,473	749,646
Operating expenses excluding amortization	8, 12	750,051	661,965
Earnings before amortization, financial costs and income taxes		94,422	87,681
Amortization of property, plant and equipment		6,497	5,806
Amortization of intangible assets		3,104	2,643
Financial costs, net		31	(149)
		9,632	8,300
Earnings before income taxes		84,790	79,381
Impôts sur le résultat	9	21,777	20,503
Income taxes		63,013	58,878
Net earnings attributable to:			
Shareholders of the Corporation		62,814	58,739
Non-controlling interests		199	139
		63,013	58,878
Net earnings per share attributable to shareholders of the Corporation	8		
Basic		1.08	1.00
Diluted		1.07	0.99

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended November 30

[In thousands of dollars]

	Notes	2016 \$	2015 \$
Net earnings		63,013	58,878
Other comprehensive income that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	11	816	12,165
Comprehensive income		63,829	71,043
Comprehensive income attributable to:			
Shareholders of the Corporation		63,630	70,904
Non-controlling interests		199	139
		63,829	71,043

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended November 30

[In thousands of dollars]

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
Notes	8			11			
Balance as at November 30, 2014	29,762	1,576	270,826	6,985	309,149	4,404	313,553
Net earnings	—	—	58,739	—	58,739	139	58,878
Other comprehensive income	—	—	—	12,165	12,165	—	12,165
Comprehensive income	—	—	58,739	12,165	70,904	139	71,043
Shares repurchased	(236)	—	(8,944)	—	(9,180)	—	(9,180)
Stock options exercised	4,040	(973)	—	—	3,067	—	3,067
Share-based compensation expense	—	662	—	—	662	—	662
Dividends [note 16]	—	—	(11,717)	—	(11,717)	(596)	(12,313)
Other liabilities	—	—	—	—	—	(25)	(25)
	3,804	(311)	(20,661)	—	(17,168)	(621)	(17,789)
Balance as at November 30, 2015	33,566	1,265	308,904	19,150	362,885	3,922	366,807
Net earnings	—	—	62,814	—	62,814	199	63,013
Other comprehensive income	—	—	—	816	816	—	816
Comprehensive income	—	—	62,814	816	63,630	199	63,829
Shares repurchased	(578)	—	(22,509)	—	(23,087)	—	(23,087)
Stock options exercised	3,062	(692)	—	—	2,370	—	2,370
Share-based compensation expense	—	844	—	—	844	—	844
Dividends [note 16]	—	—	(12,374)	—	(12,374)	(67)	(12,441)
Other liabilities	—	—	—	—	—	(11)	(11)
	2,484	152	(34,883)	—	(32,247)	(78)	(32,325)
Balance as at November 30, 2016	36,050	1,417	336,835	19,966	394,268	4,043	398,311

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30

[In thousands of dollars]

	Notes	2016 \$	2015 \$
OPERATING ACTIVITIES			
Net earnings		63,013	58,878
Items not affecting cash			
Amortization of property, plant and equipment		6,497	5,806
Amortization of intangible assets		3,104	2,643
Deferred taxes		(525)	(399)
Share-based compensation expense	8	1,207	1,124
		73,296	68,052
Net change in non-cash working capital balances		(6,767)	(40,741)
		66,529	27,311
FINANCING ACTIVITIES			
Repayment of long-term debt		(273)	(1,041)
Dividends paid to Shareholders of the Parent Corporation	16	(12,374)	(11,717)
Other dividends paid		(67)	(596)
Common shares issued	8	2,370	3,067
Common shares repurchased for cancellation	8	(23,087)	(9,180)
		(33,431)	(19,467)
INVESTING ACTIVITIES			
Business acquisitions	3	(9,294)	(511)
Additions to property, plant and equipment and intangible assets	4, 5	(10,455)	(10,986)
		(19,749)	(11,497)
Effect of exchange rate changes on cash and cash equivalents		166	(614)
Net change in cash and cash equivalents		13,515	(4,267)
Cash and cash equivalents, beginning of year		29,454	33,721
Cash and cash equivalents, end of year		42,969	29,454
Supplementary information			
Income taxes paid		23,240	20,721
Interest paid (received), net		31	(149)

See accompanying notes to the consolidated financial statements.

November 30, 2016 and 2015 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

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, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers and 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 judgements made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period are the valuation of inventory impairment, including loss and obsolescence, goodwill and intangible assets with indefinite useful lives and deferred tax assets require the use of judgement 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 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 losses. 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 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 useful 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 determines 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 useful lives for impairment at least once a year, whether or not indicators of impairment exist. Impairment tests are carried out on the asset itself, the cash-generating unit ["CGU"] or group of CGUs as at November 30. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and the supporting assets that cannot be wholly allocated to a single CGU are tested for impairment at the group of CGUs level.

Impairment tests consist in a comparison between the carrying and recoverable amounts of an asset, CGU or group of CGUs. The recoverable amount is the higher of value in use and fair value less costs to sell.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 note 5.

Other financial liabilities

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

Revenue recognition

Revenues are recognized when 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 at the tax rates that are expected to apply 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 to the extent that 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 carrying forwards to be completely used up and the level of future taxable income in accordance with tax planning strategies.

Leases

Leases are classified as finance leases if substantially all risks and rewards incidental to ownership are transferred to the lessee. At the moment of initial recognition, the lessee records the leased item as an asset at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability to the lessor is recorded in the consolidated statement of financial position as a finance lease obligation. In subsequent periods, the asset is depreciated on a straight-line basis over the term of the lease and interest on the obligation is expensed through net earnings.

Leases are classified as operating leases if substantially all risks and rewards incidental to ownership are not transferred to the lessee. The lease payments are recognized as an expense on a straight-line basis over the lease term.

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 fluctuations in foreign exchange rates related to foreign currency liabilities, as well as to hedge anticipated purchase transactions.

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

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

Fair value measurements hierarchy

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

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

Share-based payment

The Corporation offers a stock option plan to its directors, officers and key employees. The subscription price of each share issuable under the plan is equal to the weighted average market price of the shares five (5) business 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.

November 30, 2016 and 2015 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Deferred share unit plan

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

Net earnings per share

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

2. CHANGES IN ACCOUNTING METHODS

Recently issued

IFRS 15, Revenue from contracts with customers

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

IFRS 16, Leases

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

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

3. BUSINESS ACQUISITIONS

2016

Effective August 18, 2016, the Corporation purchased the principal net assets of Neils Sorenson Hardware, Inc., a specialty hardware distributor located in Portland, Maine.

Effective May 16, 2016, the Corporation purchased the principal net assets of Eveready Hardware Manufacturing Co., Inc., a specialty hardware distributor located in Long Island City, New York.

Effective April 18, 2016, the Corporation purchased the principal net assets of JFH Corporation, a specialty hardware distributor located in Memphis, Tennessee.

Effective December 14, 2015, the Corporation acquired all outstanding common shares of Cabinetmakers Supply, Inc. (doing business as Cornerstone Hardware & Supplies), a specialty hardware distributor located in Houston, Texas.

Those 4 acquisitions jointly generated sales of \$14,500. If these acquisitions had all been completed as of December 1st 2015, management considers that generated sales would have been approximately \$19,000.

2015

On June 18, 2015, the Corporation purchased the principal net assets of BD Enterprises, Inc. (doing business as Single Source Cabinet Supplies) a specialty hardware distributor located in Dallas, Texas.

Summary of acquisitions

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

	2016	2015
	\$	\$
Current assets acquired	4,111	977
Non current assets acquired	8,641	511
	12,752	1,488
Current liabilities assumed	1,574	932
Non-current liabilities assumed	784	—
Net assets acquired	10,394	556
Considerations		
Cash, net of cash acquired	9,294	511
Considerations payable [note 7]	1,100	45
	10,394	556

During the year ended November 30, 2016, balances of sale were reduced by \$701 as a result of purchase price adjustments on acquisitions from previous years.

November 30, 2016 and 2015 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

4. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Leasehold improvements	Machinery and equipment	Rolling stock	Furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Net carrying amount as at November 30 th , 2014	3,652	8,453	540	5,054	2,369	2,204	623	22,895
Acquisitions	—	3,778	520	2,410	1,305	1,557	707	10,277
Acquisitions through business combinations	—	—	33	53	44	17	12	159
Amortization	—	(1,383)	(405)	(1,111)	(998)	(1,459)	(450)	(5,806)
Effect of changes in foreign exchange rates	—	—	45	111	119	144	19	438
Net carrying amount as at November 30 th , 2015	3,652	10,848	733	6,517	2,839	2,463	911	27,963
Cost	3,652	26,274	5,032	28,587	9,861	16,047	10,945	100,398
Accumulated amortization	—	(15,426)	(4,299)	(22,070)	(7,022)	(13,584)	(10,034)	(72,435)
Net carrying amount as at November 30 th , 2015	3,652	10,848	733	6,517	2,839	2,463	911	27,963

	Lands	Buildings	Leasehold improvements	Machinery and equipment	Rolling stock	Furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Net carrying amount as at November 30 th , 2015	3,652	10,848	733	6,517	2,839	2,463	911	27,963
Acquisitions	—	1,317	1,095	3,820	1,850	1,089	2,124	11,295
Acquisitions through business combinations	—	—	191	126	23	70	76	486
Amortization	—	(1,462)	(441)	(1,545)	(1,185)	(1,226)	(638)	(6,497)
Effect of changes in foreign exchange rates	—	—	—	3	5	1	2	11
Net carrying amount as at November 30 th , 2016	3,652	10,703	1,578	8,921	3,532	2,397	2,475	33,258
Cost	3,652	27,591	6,515	32,752	10,838	17,641	12,695	111,684
Accumulated amortization	—	(16,888)	(4,937)	(23,831)	(7,306)	(15,244)	(10,220)	(78,426)
Net carrying amount as at November 30 th , 2016	3,652	10,703	1,578	8,921	3,532	2,397	2,475	33,258

Additions during the year include \$1,056 of property, plant and equipment under finance contract.

5. INTANGIBLE ASSETS AND GOODWILL

	Softwares	Non-competition agreements	Customer relationships	Trademarks	Total	Goodwill
	\$	\$	\$	\$	\$	\$
Net carrying amount as at November 30 th , 2014	627	1,135	14,802	4,423	20,987	57,669
Acquisitions	709	—	—	—	709	—
Acquisitions through business combinations	—	—	352	—	352	—
Amortization	(458)	(461)	(1,724)	—	(2,643)	—
Effect of changes in foreign exchange rates	—	86	1,480	354	1,920	660
Net carrying amount as at November 30 th , 2015	878	760	14,910	4,777	21,325	58,329
Cost	6,451	2,632	31,789	4,777	45,649	58,329
Accumulated amortization	(5,573)	(1,872)	(16,879)	—	(24,324)	—
Net carrying amount as at November 30 th , 2015	878	760	14,910	4,777	21,325	58,329

	Softwares	Non-competition agreements	Customer relationships	Trademarks	Total	Goodwill
	\$	\$	\$	\$	\$	\$
Net carrying amount as at November 30 th , 2015	878	760	14,910	4,777	21,325	58,329
Acquisitions	216	—	—	—	216	—
Acquisitions through business combinations	20	561	3,290	440	4,311	3,844
Amortization	(495)	(602)	(2,007)	—	(3,104)	—
Effect of changes in foreign exchange rates	1	7	104	21	133	83
Net carrying amount as at November 30 th , 2016	620	726	16,297	5,238	22,881	62,256
Cost	6,686	3,353	35,274	5,238	50,551	71,023
Accumulated amortization	(6,066)	(2,627)	(18,977)	—	(27,670)	(8,767)
Net carrying amount as at November 30 th , 2016	620	726	16,297	5,238	22,881	62,256

November 30, 2016 and 2015 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

5. INTANGIBLE ASSETS AND GOODWILL (cont'd)

For impairment test purposes, the carrying value of goodwill and intangible assets has been allocated to CGUs or groups of CGUs. The carrying amounts of goodwill for the three CGUs that are significant in comparison with the total carrying amount of goodwill are \$14.4 million, \$11.2 million and \$9 million respectively while \$27.7 million is allocated across multiple CGUs or groups of CGUs with carrying values of goodwill that are not significant in comparison with total carrying amount of goodwill.

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

6. BANK INDEBTEDNESS

The Corporation has lines of credit with a Canadian banking institution with respective authorized amount of \$26 million in Canadian dollar and \$6 million in US dollar, bearing interest at the bank's prime and base rates, which were respectively 2.70% and 4% as at November 30, 2016 [2.70% and 3.75% in 2015]. Those lines of credit are renewable annually.

7. LONG-TERM DEBT

	2016	2015
	\$	\$
Non-interest bearing financing contract, repayable in 24 equal installments	1,056	—
Business acquisition considerations payable, not bearing interests, including US\$ 2,835 [US\$ 2,624 in 2015]	3,808	3,580
	4,864	3,580
Current portion of long-term debt	4,336	2,245
Long-term debt	528	1,335

Next years' principal payments on long-term debt are 4,336 \$ in 2017 and 528 \$ in 2018.

8. SHARE CAPITAL

As at February 29, 2016, the Corporation carried out a 3-for-1 stock split of its common shares. All information pertaining to shares have been retroactively restated to reflect the effect of the stock split.

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	2016	2015
	\$	\$
57,920,466 common shares [58,643,607 - 2015]	36,050	33,566

During 2016, the Corporation issued 281,559 common shares [396,549 in 2015] at an average price of \$8.42 per share [\$7.73 in 2015] pursuant to the exercise of options under the share option plan. The weighted average share price at the date of exercise of options was \$25.60 [\$22.23 in 2015]. In addition, during 2016, the Corporation, through a normal course issuer bid, repurchased 1,004,700 common shares for cancellation in consideration of \$23,087 [451,800 common shares in consideration of \$9,180 in 2015], which resulted in a premium on the redemption in the amount of \$22,509 recorded in retained earnings [premium of \$8,944 in 2015].

Stock option plan

Changes in stock options are summarized as follows:

	Number of options	Weighted average share price
		\$
Outstanding, November 30, 2014	1,761,594	8.93
Granted	246,900	18.83
Exercised	(396,549)	7.73
Cancelled	(33,300)	12.66
Outstanding, November 30, 2015	1,578,645	10.70
Granted	356,500	22.31
Exercised	(281,559)	8.42
Cancelled	(3,500)	18.93
Outstanding, November 30, 2016	1,650,086	13.58

The table below summarizes information regarding the stock options outstanding as at November 30, 2016:

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)
5.57 - 10.06	645,486	2.06	6.85	645,486	6.85
10.07 - 14.07	228,525	5.87	12.30	180,488	12.19
14.08 - 18.08	179,550	7.21	15.12	89,775	15.12
18.09 - 26.29	596,525	8.87	20.90	60,506	18.83
	1,650,086	5.61	13.58	976,255	9.34

During 2016, the Corporation granted 356,500 options [246,900 in 2015] with an average exercise price of \$22.31 per share [\$18.83 in 2015] and an average fair value of \$4.21 per option [\$4.14 in 2015] as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.0% [1.1% in 2015], a volatility of 20% [21% in 2015], a risk free interest rate of 1.24% [1.48% in 2015] and an expected life of 7 years [7 years in 2015] and 3,500 options were cancelled. The compensation expense related to stock options amounted to \$844 [\$662 in 2015] and is recognized under *Operating expenses excluding amortization*.

November 30, 2016 and 2015 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

8. SHARE CAPITAL (cont'd)

Deferred share unit plan

The financial liability resulting from the DSU plan of \$5,847 [\$6,022 in 2015] is presented under the *Accounts payable and accrued liabilities*. As at November 30, 2016, the fair value of the equity swaps amounted to an asset of \$467 [\$57 as at November 30, 2015] 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 2016, amounted to \$363 [\$462 in 2015] and is recognized under *Operating expenses excluding amortization*.

Number of DSUs	2016	2015
Outstanding, beginning of year	254,055	235,005
Settled	(53,676)	—
Granted	16,565	19,050
Outstanding, end of year	216,944	254,055

Share purchase plan

Compensation expense related to the share purchase plan amounted to \$610 for 2016 [\$530 in 2015] and is recognized under *Operating expenses excluding amortization*.

Net earnings per share

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

	2016	2015
Weighted average number of shares outstanding - Basic	58,051	58,560
Dilutive effect under stock option plan	730	783
Weighted average number of shares outstanding - Diluted	58,781	59,343

The computation of diluted net earnings per share includes all outstanding options as at November 30, 2016.

9. INCOME TAXES

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

	2016	2015
	\$	\$
Current	22,302	20,902
Deferred:		
Related to temporary differences	1,719	1,698
Deferred tax assets not previously recognized	(2,244)	(2,097)
	21,777	20,503

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

	2016	2015
	\$	\$
Combined statutory rates	26.90%	26.90%
Income taxes at combined statutory rates	22,809	21,353
Increase (decrease) resulting from:		
Impact of statutory rates changes for the subsidiary outside Canada	506	716
Share-based compensation	191	171
Non-deductible expenses	141	102
Deferred tax assets not previously recognized	(2,244)	(2,097)
Other	374	258
	21,777	20,503

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:

	2016	2015
	\$	\$
Deferred taxes		
Translation of foreign exchange currencies, reserve recognized for tax purposes only upon disbursement and other tax attributes	5,835	5,305
Excess of the tax value of Property, plant and equipment over their net carrying value	1,459	1,654
Excess of the net carrying value of intangible assets and goodwill over their tax value	(5,685)	(5,112)
Net amount	1,609	1,847

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

	2016	2015
	\$	\$
Deferred tax assets	4,848	4,867
Deferred tax liabilities	(3,239)	(3,020)
	1,609	1,847

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

	2016	2015
	\$	\$
Balance at the beginning of the year, net	1,847	1,014
In net earnings	525	399
Business acquisitions	(784)	—
Other	21	434
Balance at the end of the year, net	1,609	1,847

November 30, 2016 and 2015 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

9. INCOME TAXES (cont'd)

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets was recognized to the consolidated statement of financial position is \$15,700 as at November 30, 2016 [\$18,900 in 2015].

10. COMMITMENTS AND CONTINGENCIES

[a] Leases

The Corporation has commitments under operating leases for warehouse and office premises expiring on various dates up to 2026. The future minimum payments, excluding incidental costs for which the Corporation is responsible, are as follows:

	\$
Less than a year	10,917
Between 1 and 5 years	23,598
More than 5 years	4,012
	38,527

[b] Foreign exchange forward contracts

As at November 30, 2016, the Corporation held the following foreign exchange forward contracts having maturity dates in December 2016 and January 2017.

Type	Currency in thousands	Average exchange rate
Purchase	3,625 euros	1.45
Purchase	\$US 2,838	1.29

[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 COMPREHENSIVE INCOME

The accumulated other comprehensive income, including the following items and their variances, were as follows:

	2016	2015
	\$	\$
Balance at the beginning of the period	19,150	6,985
Exchange differences on translation of foreign operations	816	12,165
Balance at the end of the period	19,966	19,150

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, 2016, the fair value of the foreign exchange forward contracts amounted to an asset of \$228 [liability of \$114 as at November 30, 2015] 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, 2016 and 2015 is deemed acceptable given the industry in which the Corporation operates.

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

	2016	2015
	\$	\$
Balance, beginning of year	5,854	5,935
Allowance for doubtful accounts	1,337	689
Write-offs	(1,118)	(1,340)
Exchange rate variations and other	250	570
Balance, end of year	6,323	5,854

The balance of accounts receivable of the Corporation that are overdue for more than 60 days, but which were not provided for, totals \$563 [\$568 in 2015]. As at November 30, 2016 and 2015, 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 US dollars and Euros. Operating expenses included, for the year ended November 30, 2016, an exchange gain of \$1,057 [gain of \$1,460 in 2015].

The Corporation's policy is to maintain the purchase prices and selling prices of its commercial activities by mitigating its exposure through 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 reducing the exposure to exchange rate fluctuations. The Corporation's policy does not allow speculative trades.

As at November 30, 2016, a decrease of 5% of the Canadian dollar against the US dollar and the euro on translation of monetary assets and liabilities, all other variables remaining the same, would have had no significant impact on consolidated net earnings [would have had no significant impact on consolidated net earnings as at November 30, 2015] and would have increased the consolidated comprehensive income by \$6,154 [\$5,642 as at November 30, 2015]. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as at November 30, 2016.

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.

12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Operating expenses excluding amortization

	2016	2015
	\$	\$
Inventories from the distribution, imports and manufacturing activities	614,003	540,768
Salaries and related charges	117,965	105,092
Other charges	18,083	16,105
	750,051	661,965

An expense of \$1,959 [\$2,776 in 2015] for inventory obsolescence is included in Inventories from the distribution, imports and manufacturing activities.

13. RELATED PARTY INFORMATION

Scope of consolidation

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

⁽¹⁾ Richelieu Finances Ltée is the owner of 100% of Richelieu Hardware Canada Ltd.

Executive officers' compensation

	2016	2015
	\$	\$
Short-term employee benefits	3,501	3,360
Other long-term benefits	557	560
Share-based compensation	458	440
	4,516	4,360

Accounts payable and accrued liabilities include a retirement allowance amounting to \$2,300 payable to an executive officer.

14. GEOGRAPHIC INFORMATION

During the year ended November 30, 2016, nearly 66% of sales had been made in Canada [69% in 2015]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to \$285,336 [\$235,903 in 2015] in Canadian dollars and to \$215,028 [\$186,815 in 2015] in US dollars.

As at November 30, 2016, out of the total amount in property, plant and equipment, \$3,080 [\$2,730 in 2015] are located in the United States. In addition, intangible assets located in the United States amounted to \$15,410 [\$12,796 in 2015] and goodwill to \$13,159 [\$9,231 in 2015] in Canadian dollars and to \$11,476 [\$9,581 in 2015] and to \$9,799 [\$6,913 in 2015] in US dollars.

15. CAPITAL MANAGEMENT

The Corporation's objectives are:

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

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. For the year ended November 30, 2016 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.2% [1.0% in 2015] [Long-term debt/Equity]
- Return on average shareholder's equity of 16.6% over the last 12 months [17.5% as at November 30, 2015]

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

16. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the year ended November 30, 2016, the Corporation paid a quarterly dividend of \$0.0533 per share to common shareholder [quarterly dividend of \$0.05 per share in 2015] for a total amount of \$12,374 [\$11,717 in 2015]. The Board of Directors approved on January 19, 2017 the payment of a quarterly dividend of \$0.0567 per common share for the 1st quarter of 2017.

17. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2016 (including the comparative figures) were approved for issue by the Board of Directors on January 19, 2017.

18. COMPARATIVE FIGURES

All information pertaining to shares have been retroactively restated to reflect the effect of the 3-for-1 stock split effective on February 29, 2016.

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Computershare Trust Company of Canada

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