ANNUAL REPORT **2011**

Richelieu

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The annual general meeting of shareholders
will be held on March 29, 2012 at 11:00 a.m.,
at the Omni Mont-Royal Hotel,
1050, Sherbrooke Street West, Montreal, Quebec.

A STRONG CUSTOMER CULTURE,

SHARED BY ALL OUR TEAM MEMBERS,

WITH THE CUSTOMER AT THE CORE OF OUR DECISIONS.

OPERATIONAL EFFICENCY

A secure value for our Company and our customers.

A constant focus on lowering costs, managing risk and outstanding customer service.

Built on an ongoing improvement approach, the optimal use of technology, an impeccable quality of execution and sustained growth.

INNOVATION

A secure value for our Company and our customers.

A constant focus on anticipating our customers' product and service needs and providing them with effective and creative solutions on a timely basis and under the best conditions.

It is built on an in-depth understanding of our customers, lasting partnerships with the most renowned and creative manufacturers worldwide and a sustained innovation capacity thanks to a solid, reliable organization.

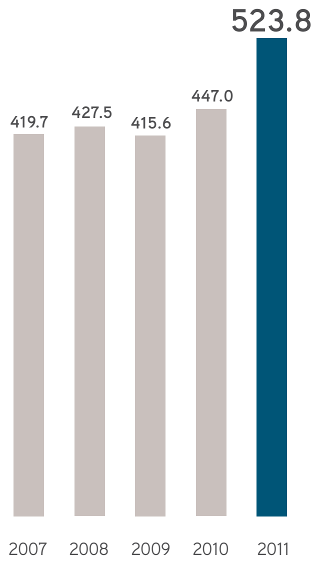
CUSTOMER SERVICE

Earning and retaining our customers' trust is our priority at every level of the Company.

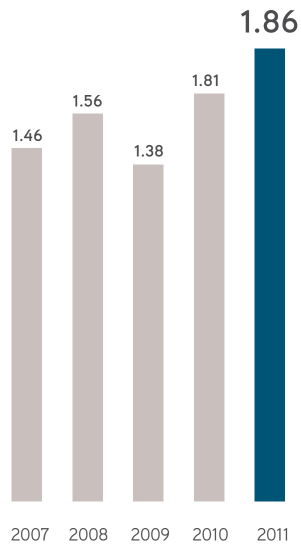
Underlying the quality of our customer service is the commitment and professionalism of our entire team and, in particular, our front-line marketing and sales force.
It is built on the knowledge of customers' needs, the search for excellence through all our sales channels, our distribution logistics, our one-stop shopping and a complete, user-friendly website that facilitates our customers' way of doing business.

SUSTAINED GROWTH
EXPANSION BY ACQUISITION
SOLIDITY – STABILITY

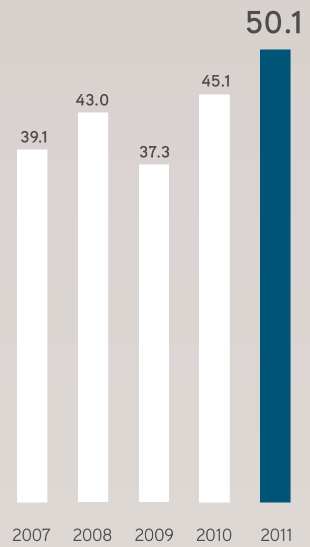
SALES
(in millions of $)



EARNINGS PER SHARE
diluted
(in $)



CASH FLOWS
from operating activities [1]
(in millions of $)



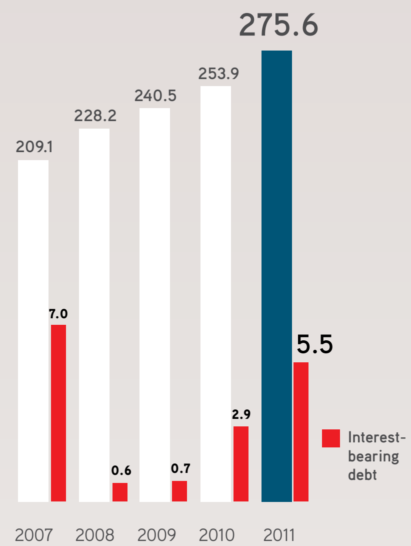
(1) Measure not consistent with generally accepted accounting principles, as described on page 22.

ACQUISITIONS IN NORTH AMERICA

2011
Outwater Hardware (New Jersey)
Madico Inc. (Quebec)
Provincial Woodproducts Ltd (Newfoundland)

2010
Woodland Specialties Inc. (New York State)
Raybern Company, inc. (Connecticut)
Les Matériaux Industriels Gordon Ltée (Quebec, Ontario)
New Century Distributors Group LLC. (New Jersey)
E.Kinast Distributors Inc. (Chicago region)
PJ White Hardwoods Ltd (B.C., Alberta)

SHAREHOLDERS' EQUITY
(in millions of $)



FINANCIAL HIGHLIGHTS

Years ended November 30 *(in thousands of $, except per-share amounts, number of shares and ratios)*

	2011 $	2010 $	2009 $	2008 $	2007 $
RESULTS (1)					
Sales	**523,786**	446,963	415,592	427,536	419,737
EBITDA (2)	**67,319**	63,832	51,588	58,433	57,267
EBITDA margin (2) (%)	***12.9***	*14.3*	*12.4*	*13.7*	*13.6*
Net earnings from continuing operations	**39,492**	38,574	30,605	35,733	33,908
■ Basic Earnings per share ($)	**1.88**	1.79	1.39	1.57	1.47
■ Diluted earnings per share ($)	**1.86**	1.78	1.39	1.56	1.46
Cash flows from continuing activities (2)	**50,057**	45,059	37,310	43,033	39,149
FINANCIAL POSITION					
Net cash (3)	**23,551**	36,431	47,774	5,477	908
Working capital	**167,254**	162,727	150,485	130,865	120,995
Total assets	**344,132**	320,816	286,928	273,484	258,778
Total interest-bearing debt	**5,544**	2,858	668	649	6,971
Shareholders' equity	**275,634**	253,869	240,500	228,234	209,096
Average number of shares outstanding (diluted) (in thousands)	**21,262**	21,705	22,019	22,785	23,080
PER SHARE					
Net earnings (1)					
■ Basic earnings per share ($)	**1.88**	1.82	1.38	1.56	1.47
■ Diluted earnings per share ($)	**1.86**	1.81	1.38	1.56	1.46
Cash flows from continuing activities (2)	**2.35**	2.08	1.69	1.88	1.69
Book value ($)	**13.22**	12.01	11.04	10.39	9.05
Dividends	**0.44**	0.36	0.32	0.32	0.28
RATIOS					
Interest-bearing debt/shareholders' equity	**2.0**	1.1	0.3	0.3	3.3
Return on average equity (%)	**14.9**	15.9	13.0	16.3	17.2

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. Results and cash flows have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

(2) Measure not consistent with generally accepted accounting principles, as described on page 22.

(3) Cash net of debt.

Listing of shares (RCH) on the Toronto Stock Exchange (TSX) in 1993

MARKET CAPITALIZATION
AS AT NOVEMBER 30, 2011

$ 567.4 MILLION

TOTAL RETURN ON SHARE/10 YEARS*

212%

APPRECIATION IN SHARE PRICE
SINCE INITIAL STOCK LISTING

1,173%

AVERAGE ANNUAL RETURN
ON SHARE/10 YEARS*

12.1%

* Including dividend reinvestment

PROFILE

IMPORTER, DISTRIBUTOR AND MANUFACTURER OF SPECIALTY HARDWARE AND COMPLEMENTARY PRODUCTS

OUR MISSION

Remain a top-quality customer-oriented company, respectful of the interests of our other three partners: our team, our suppliers and our shareholders.

OUR CUSTOMERS

Nearly 70,000 customers in North America: kitchen and bathroom cabinet manufacturers, kitchen designers, residential and commercial woodworkers, home furnishing manufacturers, office and ready-to-assemble furniture manufacturers, renovation superstore chains and purchasing groups including more than 6,000 hardware retailers.

OUR TEAM

Some 1,600 people, close to half of whom focus on sales and marketing, and nearly 70% of whom are Richelieu shareholders.

OUR PRODUCTS

More than 90,000 products (SKUs) in a wide variety of categories including: kitchen accessories, lighting systems, finishing and decorating products, functional hardware, ergonomic workstations, closet and kitchen storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates and floor protection products. This offering is complemented by the specialty items manufactured by our two subsidiaries, Cedan Industries Inc. and Menuiserie des Pins Ltée. These include a broad range of veneer sheets and edgebanding products, a variety of decorative moldings and components for the window and door industry.

OUR NETWORK

60 centres across North America including two manufacturing plants. Our wide array of products, our "one-stop shop" service approach, our logistical efficiency and the numerous advantages of the transactional website www.richelieu.com translate into an optimal response rate for our customers.

MESSAGE TO SHAREHOLDERS

In 2011, we successfully met the arising challenges and the growth and value creation commitments we had set, supported by all our team members, nearly 70% of whom are also Richelieu shareholders.

We distinguished ourselves in a very difficult economic context, as we achieved gains in market share in North America. Concurrently, we pursued our positioning strategy for the future through further investments in Canada and the United States, adding three acquisitions to the six businesses acquired in 2010.

Supported by our entire skillful team, we continued to focus on our strong fundamentals: quality execution and customer service, innovation, internal growth combined with expansion through acquisition, and operational efficiency. In particular in the United States where economic conditions remained challenging, we achieved an excellent internal growth of 12.8% in addition to taking advantage of our acquisitions, and our sales in U.S. dollars increased by 52,9% in this high-potential market for Richelieu.

FOR OUR CUSTOMERS, TEAM, SUPPLIERS AND SHAREHOLDERS, WHO ARE THE FOUR PILLARS OF OUR GROWTH, WE UNDERTAKE TO CONSTANTLY ACHIEVE IF NOT EXCEED OUR OPERATIONAL AND FINANCIAL OBJECTIVES BY OPERATING WITH VISION, LOOKING FORWARD AND ALWAYS INNOVATING.

We delivered another strong financial performance by means of our customer orientation, innovation strategy and ability to complete and integrate solid acquisitions. While our 2010 and 2011 acquisitions brought a significant contribution to sales, our results also reflect our sound performance in Canada, despite a decline in the retailers market, as well as the strong growth of the manufacturers and retailers markets in the United States. We expanded our customer segments and developed additional niches with new products. Our sales exceeded $500 million, rising 17.2% to $523.8 million, EBITDA grew by 5.5% to $67.3 million, and we posted diluted earnings per share of $1.86.

Besides investing $18.6 million in our 2011 acquisitions, we redeemed $10.5 million in common shares for cancellation — thus, over the past five years, we have returned $52.9 million by way of share repurchases to our shareholders. In 2011, we paid a total of $9.3 million in dividends. Since 2002, thanks to our sustained increase in results and impeccable financial position, we have raised our shareholder dividends almost every year while pursuing our expansion strategy. Our debt level remained very low at $5.5 million as at November 30, 2011, consisting mainly of balances payable within the near term on acquisitions.

We ended the year with substantial liquid assets, working capital of $167.3 million and net cash of $23.6 million. This liquidity and the cash flows we will generate in 2012 should allow us to continue investing in the most profitable growth opportunities for Richelieu and its shareholders.

ACQUISITIONS ARE A KEY DRIVER OF OUR GROWTH. WE CONTINUE TO INTEGRATE AND BUILD UPON OUR ACQUIRED BUSINESSES, WITH A FOCUS ON SELLING SYNERGIES, OPERATIONAL EFFICIENCIES, AND USING THE BEST PROCESSES, SUPPORTED BY THEIR QUALIFIED TEAMS.

Combining our respective success drivers, creating synergies and sharing our corporate culture are instrumental in a successful integration and service excellence. They are key to achieving our profit and value creation objectives after acquisitions. With the cooperation of the teams that joined us in 2010 and 2011, the integration into our systems and procedures has been completed, and we are now developing further selling synergies.

In early January 2011, we acquired **Outwater**, which operates a specialty and decorative hardware distribution centre in Lincoln Park, New Jersey. Our customer base on the East Coast and across the U.S. market thereby gained several thousand residential and commercial woodworking, kitchen and bathroom cabinet and furniture manufacturers. We welcomed a knowledgeable team with an operational strategy that is fully compatible with ours, notably its "one-stop shop" approach, experienced customer service and proximity. We thus strengthened our presence in the Greater New York-New Jersey Area where we now oversee three high-performance distribution centres.

Acquired in late January 2011, **Madico Inc.** diversified our hardware retailers and renovation superstores offering with several lines of floor protection products, including the well-known Feltac™ brand.

In March 2011, we enhanced our presence in Newfoundland by acquiring **Provincial Woodproducts**, a robust, profitable business that has carved out a dominant position in this province and serves the entire market through its St. John's based distribution centre.

Assessing our assets is an ongoing process, especially following this strong expansion period, when we had to merge and expand some distribution centres in order to optimize customer service and improve operational efficiency. Thus, the Montreal centre of Gordonply, acquired in 2010, merged with our Laval distribution centre, and its Mississauga centre with our Barrie, Ontario operations. Every year, we invest in upgrading our facilities in Canada and the United States so we can effectively meet demand and maximize the return on our assets. In 2011, it was our Montreal and Laval distribution centres that benefited from such a major expansion.

OUR INNOVATION STRATEGY GIVES US A DIFFERENTIATION CAPACITY THAT IS UNIQUE IN OUR MARKET IN NORTH AMERICA. IT IS OUR WAY OF CREATING VALUE FOR THE CUSTOMER AND AN INEXHAUSTIBLE SOURCE OF GROWTH.

Our customer base has more than doubled within the past five years, and our overall offering comprises several hundred thousand products in inventory and on special order. We feature an unequalled diversity of categories in our field, including innovations we are exclusive in bringing to market in North America. It is not enough for Richelieu to be a driver of worldwide innovations; we also ensure that customers have the most efficient and easiest access to the most extensive product selection, while minimizing inventories. Our offering is thereby available three ways:

- some 90,000 in-stock items are available at a "one-stop shop";
- other products can be personalized on ordering from a broad diversity of optional features on our website; and
- a variety of special order products via virtual sale are designed jointly with our customers and manufacturers selected for their rigorous operational practices, then delivered through our distribution centres or directly by the manufacturer to the customer. This strategic approach favours streamlined inventory management for us and our customers, while contributing to their differentiation and competitiveness.

Our innovation capacity is rooted in sound management of our product offering. Hence, we always make sure we use the best-performing management tools to minimize inventory costs while aiming for an optimal service rate for our customers.

Numerous innovations combining functionality and design were added to our offering in 2011. These innovations lead to the creation of original, functional and harmonious layout concepts for the residential, commercial and institutional markets. For instance, our new offering of retractable hardware and the latest systems meet the layout needs of smaller living spaces. Our decorative and exclusive hardware categories feature an infinite diversity of traditional and cutting-edge options and account for a large percentage of our sales. As for our woodworking customers, we meet all their hardware requirements, including a broad range of related products such as the powerful cutting and drying tools we have just brought to our offering.

WHAT MAKES US AN IDEAL PARTNER IS OUR WAY OF SERVING CUSTOMERS. OUR BUSINESS MODEL IS BUILT ON CENTRALIZED MANAGEMENT INFORMATION, PROXIMITY TO OUR CUSTOMERS AND LOGISTICS TAILORED TO THEIR NEEDS. OPERATIONAL EFFICIENCY IS MORE THAN EVER KEY TO OUR SUCCESSFUL CUSTOMER SERVICE AND RETURN ON INVESTMENT FOR OUR SHAREHOLDERS.

We want our customers to benefit from an optimal turnover by both our local teams and our remote access services. All our service channels — from our representatives to our telephone order desks and sales counters to our website at richelieu.com — are a priority. In 2011, we invested in new management tools to allow daily monitoring of our service performance efficiency and to adjust ourselves accordingly.

We continuously improve our customer information management to make it ever-more complete and versatile and to bring new lines to market even faster and more efficiently.

Regarding our website, which is unique in the industry and now trilingual following the addition of a Spanish version, it has been fitted out with many product configurators allowing customers to order based on their own specifications in more categories. Some 300 informative videos on using our products have also been added. Our website at richelieu.com is now widely used by customers and very popular as a practical, reliable and efficient management tool.

Operational efficiency will remain a priority in 2012. We will further enhance our methods, procedures and systems at every level, including our supply chain, with the optimal support of technology, to ensure the best allocation of our resources and impeccable quality of service.

As in the past, our customers will be at the core of our decisions. We will continue to execute our growth strategy by building on the same key drivers: internal growth through market expansion, selling synergies with our acquisitions and the ongoing enhancement of our product offering through innovations — and eventually adding any new acquisitions that could strengthen our positioning and contribute to sales and earnings.

We have the best resources, the best offering, a passion for innovation, efficient organizational systems and a large, diversified customer base to meet future challenges.

In 2011, Richelieu received several awards as “Supplier of the Year”. Our team is very proud of this honour and we thank our customers for their acknowledgment.

We wish to thank all the partners who contribute to our growth, our customers, our shareholders, our suppliers and, of course, our team members who share the core values that are key to ensuring Richelieu’s future and lasting market leadership in North America.

(Signed) Richard Lord
President and Chief Executive Officer

LEADER IN NORTH AMERICA SERVING ABOUT 70,000 MANUFACTURER AND RETAILER CUSTOMER

60 CENTRES

CANADA

34 DISTRIBUTION CENTRES

St. John's, Dartmouth, Moncton, Drummondville, Quebec (3), Montreal, Longueuil (2), Laval (2), Ottawa, Toronto (2), Barrie, Kitchener, Sudbury, Thunder Bay, Winnipeg, Regina, Saskatoon, Edmonton (2), Calgary (3), Kelowna, Vancouver (4), Victoria (2)

+ 2 MANUFACTURING CENTRES

Longueuil, Notre-Dame-Des-Pins

UNITED-STATES

24 DISTRIBUTION CENTRES

Boston, Hartford, New York, Avenel, Lincoln Park, Syracuse, Raleigh, Riviera Beach, High Point, Dania, Pompano, Hialeah, Charlotte, Greenville, Cleveland, Columbus, Detroit, Atlanta, Cincinnati, Louisville, Nashville, Chicago, Seattle, Portland

SEVERAL DECADES OF CREATIVE, REWARDING PARTNERSHIP WITH ARCHITECTS AND DESIGNERS

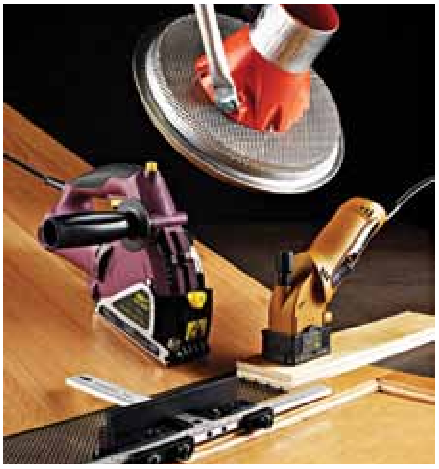
For these specialists, who design their projects by combining aesthetic, technical, functional and ergonomic features, we aim to offer the best service and to partner with them in their concepts. Information sessions on our products and innovations have been developed specifically for them. Thanks to our innovation strategy, our decorative and functional solutions meet the architectural and decorative needs of any residential, commercial or industrial project. Highly creative, versatile concepts are facilitated by our diversified, cutting-edge offering. We value the input of these influential partners and are proud to work in cooperation with them by providing our support.

Sinks, washbassins, faucets and accessories

Closet systems

ACCESS TO OUR PRODUCTS IN MANY WAYS, EASILY AND INSTANTLY

Our customers are mostly small and medium-sized businesses that must constantly attract their customers to maintain a competitive edge. We acknowledge this concern and need for efficiency; hence, we enable them to access all our product categories and the full documentation about our offering, at any time, wherever they may be, and to place their orders using their cell phone or tablet. As well, they have access to – our offering in our 58 showrooms coupled with our distribution centres in North America – through our specialists who meet them on-site – our sales force by phone – and via our website at richelieu.com.



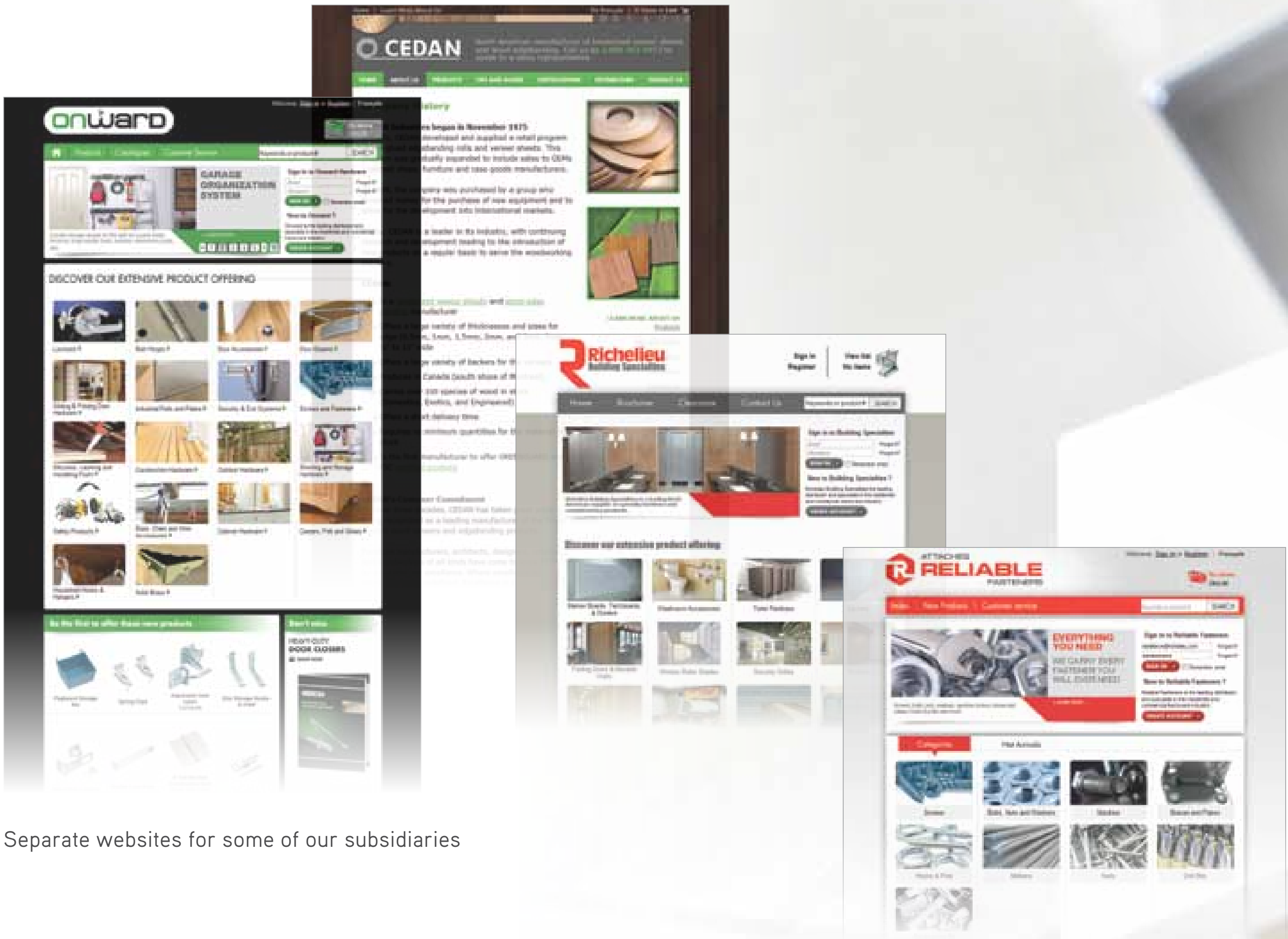
New line of specialized tools

Sofa-bed mecanisms

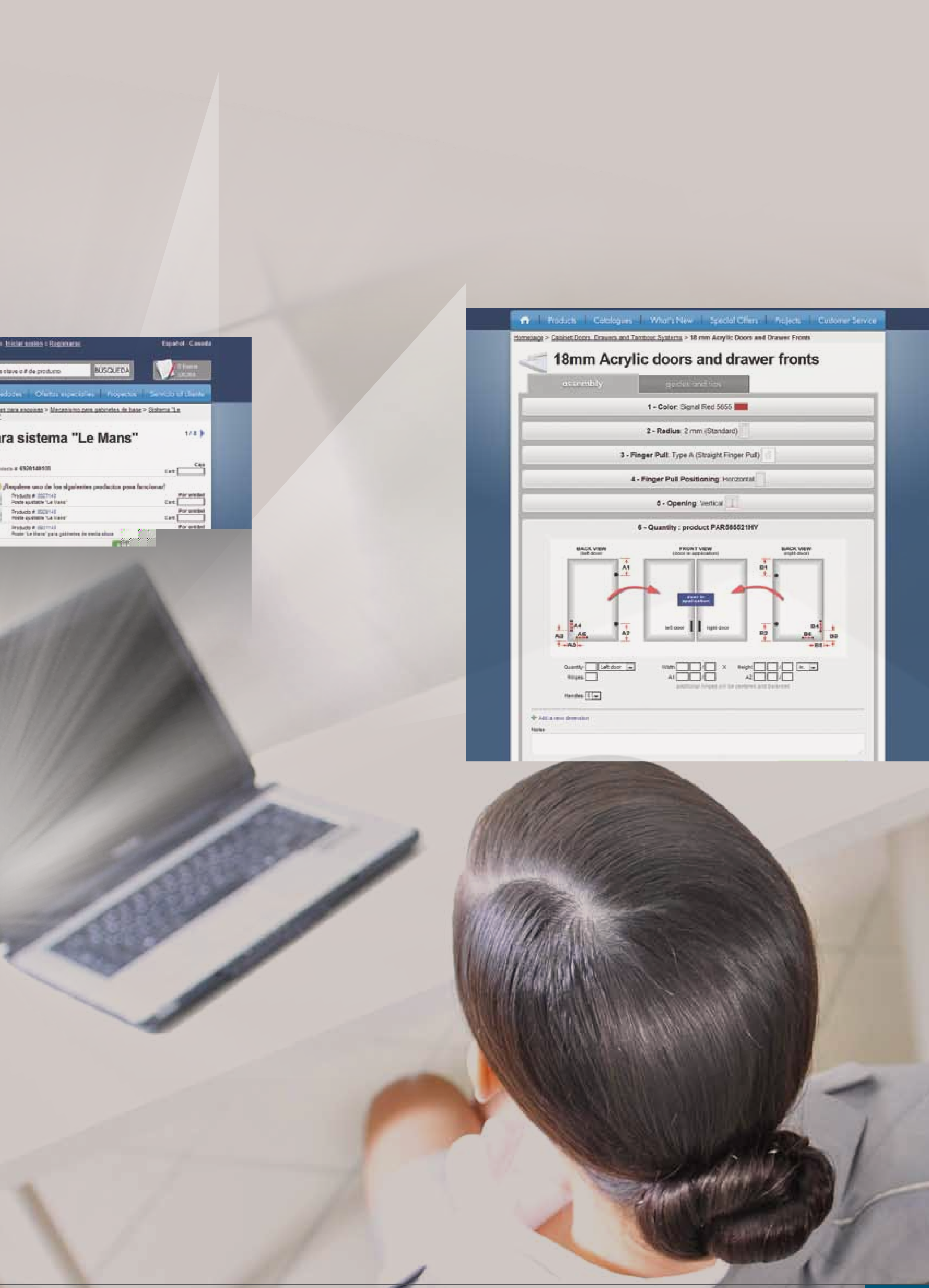
Closet rod lights

RICHELIEU.COM THE MOST COMPLETE AND BEST DOCUMENTED TRANSACTIONAL TOOL IN OUR FIELD

Online orders and sales increased by 30% and 22% respectively over 2010, and by 40% and 37% over 2009, attesting to the unrivalled quality of our website. Featuring in-depth documentation about our products, including configurators and hundreds of how-to-use videos, this ergonomic, trilingual and easy-to-access site is ideally suited to the business of our manufacturer and retailer customers, who can use it to select products, place orders and directly pay their bills. Our products are configured so our customers, architects, designers and any visitor seeking a source of inspiration can view them “in action”. Following our expansion in recent years, separate sites have been set up for some of our subsidiaries.



Separate websites for some of our subsidiaries


Español · Canadá
BÚSQUEDA
Ofertas especiales
Proyectos
Servicio al Cliente
ra sistema "Le Mans"
Products
Catalogues
What's New
Special Offers
Projects
Customer Service
18mm Acrylic doors and drawer fronts
assembly
1 - Color: Signal Red 5655
2 - Radius: 2 mm (Standard)
3 - Finger Pull: Type A (Straight Finger Pull)
4 - Finger Pull Positioning: Horizontal
5 - Opening: Vertical

DISTRIBUTION LOGISTICS DESIGNED ACCORDING TO CUSTOMER ISSUES AND OUR EARNINGS OBJECTIVE

From selecting products through the most creative and best-known manufacturers worldwide, to meeting and anticipating our customers' needs, to order-taking, to just-in-time delivery to the customer – every stage of our supply chain is managed to add value for the customer and Richelieu.

We are efficiently supported by our marketing, logistics and supply chain teams along with cutting-edge IT tools, allowing us to bring our products to market more rapidly, at the lowest cost, and to provide customers with the best service, in view of "perfect order processing".

Decorative metal panels


Richelieu
Richelieu
Richelieu

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Although social and environmental principles have long-since been incorporated into our strategy, operations and involvement with our business partners, certain environmental issues have become more of a concern in recent years. Supported by our committed team, our control measures and the optimal use of technology, we comply with sustainable development principles and the environmental legislation.

Social responsibility – Our corporate culture is rooted in ethical conduct and sound governance – the values of respect and excellence, initiative, creativity and innovation – a compensation policy allowing us to retain the best resources, strict compliance with safety measures and the development of professional competencies through our training programs. This culture values partnership and fosters our team members' satisfaction, productivity and corporate competitiveness. We ensure it is maintained and shared by the new teams who join us following acquisitions.

Environmental responsibility – As such, our distribution and manufacturing operations have a minimal impact on the environment, but every business has an impact, no matter how minor it may be. Therefore, our team has developed strong environmental awareness, which as much as possible entails maintaining a paperless worksite, holding training sessions and meetings by teleconference, emailing management's reports, reducing packaging, using recycled paper and vegetable ink, and systematically recycling waste, containers and the metal or plastic of obsolete inventories. As well, our customers increasingly place their orders and pay their bills at richelieu.com, greatly reducing paper use and printing requirements.

Extended offering of "green" certified products – From the time they were first recognized, we have integrated high-quality "green" certified decorative and functional hardware products into our offering, which now includes a large number. We point notably to our FSC, Greenguard and LEED certified products – green panels made of formaldehyde-free bamboo, wide range of low-wattage LED lighting systems, diversified offering of solvent-free, water-based finishing products and glues, and products made from recycled materials such as the lightweight, sturdy honeycomb panels used by our customers, for instance in manufacturing shelves and various types of furniture.

FSC
GREENGUARD Environmental Institute
LEED CANADA POUR LES HABITATIONS

DIRECTORS

Robert Chevrier
Chairman of the Board
Richelieu Hardware Ltd.
President
Roche Management Company Inc.
Director of Corporations

Richard Lord
President and Chief Executive Officer
Richelieu Hardware Ltd.

Mathieu Gauvin (1)
Vice-President
RSM Richter Inc.

Jean Douville (2)
Chairman of the Board
UAP Inc.
Chairman of the Board
National Bank of Canada
Director of Corporations

Pierre Bourgie (1)
President and Chief Executive Officer
Bourgie Financial Corporation (1996) Inc.
President, Ipso Facto
Director of Corporation

Denyse Chicoyne (1)
Director of Corporations

Robert Courteau (2)
President and Chief Executive Officer
Courteau Mainville Management Inc.

Jocelyn Proteau (2)
Director of Corporations

(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

Normand Guindon
Vice-President and General Manager
— Operations

Guy Grenier
Vice-President, Sales and Marketing
— Sales to Manufacturers Division

Christian Ladouceur
Vice-President, Sales and Marketing
— Sales to Retailers Division

Éric Daignault
General Manager of Divisions

Marion Kloibhofer
General Manager
— Central Canada

John Statton
General Manager
— Western Canada

Charles White
General Manager
— United States

Christian Dion
Manager — Human Resources

Geneviève Quevillon
Manager — Logistics and Supply Chain

Hélène Lévesque
Corporate Secretary

Management's Report

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

Year Ended November 30, 2011

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Highlights of the Year Ended November 30, 2011

For Richelieu, 2011 was distinguished by sales that exceeded $500 million following a 17.2% growth, by higher earnings and by new investments for the future. While maintaining an impeccable financial position, the Company closed three acquisitions in 2011, adding to the six businesses acquired in 2010, invested to repurchase outstanding common shares for a consideration of $10.5 million, and paid shareholder dividends of $9.3 million. Despite the unfavourable economic climate in 2011, Richelieu distinguished itself with market share gains in North America, in addition to taking advantage of its 2010 and 2011 acquisitions. In particular in the United States, affected by the persistent economic slowdown, it posted excellent internal growth and strong growth-by-acquisition, and thereby reached US$100 million in sales. Overall, this performance was achieved thanks to its customer service and quality execution oriented culture, the effectiveness of its business model, the dynamism and expertise of its sales force, the selling synergies with acquired companies, and its ability to market innovations that anticipate customers' needs and build upon its unequalled diversity of products.

- Consolidated sales reached $523.8 million, up by 17.2% over 2010.
- Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) (1) amounted to $67.3 million, an increase of 5.5%.
- Net earnings from continuing operations stood at $39.5 million - which works out to $1.88 per share (basic) and $1.86 (diluted), compared with $1.79 per share (basic) and $1.78 (diluted) in 2010, up by 5.0% and 4.5% respectively.
- The EBITDA margin stood at 12.9%, compared with 14.3% for 2010.
- Cash flows related to operating activities grew to $38.5 million, up by 9.0% over 2010.
- Working capital stood at $167.3 million, an increase of 2.8% over November 30, 2010 – for a current ratio of 4.0:1, and cash and cash equivalents totalled $29.1 million.
- Interest-bearing debt amounted to $5.5 million at year-end, of which $1.2 million in long-term debt.
- Richelieu paid a total of $9.3 million in dividends to its shareholders, an increase of 19.3% and representing 23.5% of 2011 net earnings, and repurchased outstanding common shares (RCH) under its normal course issuer bid for a consideration of $10.5 million.
- Three new acquisitions were closed in 2011: the principal net assets of Outwater Hardware (Lincoln Park, New Jersey, U.S.), all the outstanding common shares of Madico Inc. (Quebec City, Qc), and 85% of the outstanding common shares of Provincial Woodproducts Ltd. (St-John's, Newfoundland).

(1) Measure not consistent with generally accepted accounting principles, as described on page 22.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2011 in comparison with the year ended November 30, 2010, as well as the Company'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, 2011 appearing in the Company's Annual Report. In this management's report, "Richelieu" or the "Company" designates, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Various supplementary documents, such as the Annual Information Form, interim management's reports, Management Proxy Circular, certificates signed by the Company'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, 2011, are available on SEDAR's website at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to January 26, 2012, on which date the audited consolidated financial statements and the annual management's report were approved by the Company'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 Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements for the fourth quarter ended November 30, 2011 have not been audited or reviewed by the Company's auditors.

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

Richelieu also uses cash flows from continuing operations and cash flows from continuing operations per share. Cash flows from continuing operations are based on net earnings from continuing operations plus amortization of capital assets and intangible assets, future income tax expense (or recovery), non-controlling interest and stock-based compensation expense, all attributable to continuing operations. 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.

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, the optimization of the synergies arising therefrom and their impact on sales and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend" "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith, regarding future events, including the assumption that economic conditions and exchange rates will not significantly deteriorate, changes in operating expenses will not increase significantly, the Company's deliveries will be sufficient to fulfill Richelieu's needs, the availability of credit will remain stable during the fiscal 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 herein (see the "Risk Management" section of this management's report and the Annual Information Form, available on SEDAR's website 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.

GENERAL BUSINESS OVERVIEW as at November 30, 2011

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

Its products are targeted to an extensive customer base of **kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworking industry**, as well as a large customer base of **hardware retailers, including renovation superstores**. The residential and commercial renovation industry is the Company'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 Company's product selection consists of **some 90,000 different items** targeted to a base of **near 70,000 customers** who are served by **60 centres in North America** – 34 distribution centres in Canada, 24 in the United States and two manufacturing plants in Canada.

Main product categories include functional cabinet hardware and assembly products for the manufacture of furniture and kitchen cabinets, decorative hardware products, high-pressure laminates, decorative and functional panels, kitchen accessories, ergonomic workstation components, finishing products, whiteboards and tack-boards. Richelieu also specializes in the manufacture of a wide variety of veneer sheets and edgebanding products through its subsidiary Cedan Industries Inc. – of components for the window and door industry and mouldings through Menuiserie des Pins Ltée – and of floor protection products through Madico Distribution Inc. In addition, some of the Company's products are manufactured in Asia according to its specifications and those of its customers.

The Company employs about 1,600 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. Nearly 70% 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 Company continues to implement the strategy that has benefited it until now, with a focus on:

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

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

FINANCIAL HIGHLIGHTS (audited) (1)

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

Years ended November 30	2011 $	2010 $	2009 $	2008 $
Sales	523,786	446,963	415,592	427,536
EBITDA	67,319	63,832	51,588	58,433
EBITDA margin (%)	*12.9*	*14.3*	*12.4*	*13.7*
Net earnings from continuing operations (1)	39,492	38,574	30,605	35,733
▪ basic earnings per share ($)	1.88	1.79	1.39	1.57
▪ diluted earnings per share ($)	1.86	1.78	1.39	1.56
Cash flows from continuing operations (2)	50,057	45,059	37,310	43,033
▪ per share ($)	2.35	2.08	1.69	1.88
Net earnings (1)	39,492	39,233	30,404	35,607
▪ basic earnings per share ($)	1.88	1.82	1.38	1.56
▪ diluted earnings per share ($)	1.86	1.81	1.38	1.56
Cash dividends paid on shares	9,267	7,768	7,032	7,301
▪ per share ($)	0.44	0.36	0.32	0.32
Weighted average number of shares outstanding (diluted) (in thousands)	21,262	21,705	22,019	22,785
As at November 30				
Total assets	344,132	320,816	286,928	273,484
Working capital	167,254	162,727	150,485	130,865
Shareholders' equity	275,634	253,869	240,500	228,234
Return on average equity (%)	14.9	15.9	13.0	16.3
Book value ($)	13.22	12.01	11.04	10.39
Total interest-bearing debt	5,544	2,858	668	649
Total interest-bearing debt to equity ratio (%)	2.0	1.1	0.3	0.3
Cash and cash equivalents	29,095	39,289	48,442	6,126

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. Results and cash flows have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

(2) Cash flows from continuing operations and cash flows from continuing operations per share are non-GAAP measures. The cash flows from continuing operations presented above consist of cash flows related to operating activities and exclude the net change in non-cash working capital balances. The reader is referred to non-GAAP measures on page 22 of this report.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2011 COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2010

Consolidated sales [1]

(in thousands of $, except exchange rates)

Years ended November 30	2011 $	2010 $	%
Canada	424,609	379,086	+ 12.0
United States (CA$)	99,177	67,877	+ 46.1
(US$)	100,454	65,720	+52.9
Average exchange rate	*0.9873*	*1.0328*	
Consolidated sales	523,786	446,963	+ 17.2

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

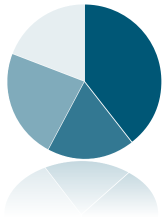
Richelieu achieved **consolidated sales** of $523.8 million, an increase of $76.8 million or 17.2% over 2010, of which 1.2% from internal growth and 16.0% from the acquisitions closed in 2010 and 2011.

Sales to **manufacturers** grew to $446.6 million from $370.6 million in 2010, an increase of $76.0 million or 20.5%, of which 2.4% from internal growth and 18.1% from acquisitions. All the Company's customer segments and geographic markets made a solid contribution to this growth, with the strongest participation by the kitchen cabinet manufacturers and residential and commercial woodworking segments. In the hardware **retailers** and renovation superstores market, Richelieu recorded sales of $77.2 million, compared with $76.4 million for 2010. This 1.0% growth is attributable to the contribution of Gordonply and Madico in Canada, and to the retailers market in the United States, which Richelieu started to successfully penetrate, notably in the second half of the year. These contributions offset the 7.2% internal decrease in Canada caused by the adverse spring 2011 weather conditions and the economic uncertainty affecting consumer confidence, as indicated by retailers themselves.

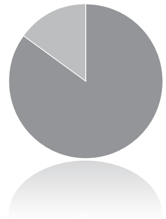
In Canada, sales totalled $424.6 million, up from $379.1 million for 2010. This $45.5 million or 12.0% growth fully reflects the contribution of Gordonply, PJ White, Madico and Provincial. Sales to **manufacturers** grew to $350.7 million, compared with $303.8 million for 2010, an increase of $46.9 million or 15.4%, of which 1.8% from internal growth and 13.6% from acquisitions. Sales to **retailers** amounted to $73.9 million, compared with $75.3 million for 2010, a decrease of 1.9% caused by the two previously mentioned factors.

In the United States, sales were up by 52.9% or US$34.7 million to US$100.5 million. This strong increase came from an excellent internal growth of 12.8% plus 40.1% from the contribution of Raybern, New Century, E.Kinast and Outwater. In Canadian dollars, sales rose to $99.2 million from $67.9 million for 2010. They accounted for 18.9% of 2011 consolidated sales. Sales to **manufacturers** amounted to $95.9 million, compared with $66.8 million for 2010, an increase of $29.1 million or 43.6%. Sales to **retailers** more than tripled to reach $3.3 million.

Sales



Eastern Canada and Atlantic Provinces 39.5%
Ontario 18.5%
Western Canada 23.0%
United States 19.0%



Manufacturers 85%
Retailers 15%

Consolidated EBITDA and EBITDA margin [1]

(in thousands of $, unless otherwise indicated)

Years ended November 30	2011 $	2010 $
Sales	523,786	446,963
EBITDA	67,319	63,832
EBITDA margin (%)	*12.9*	*14.3*

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) totalled $67.3 million, up by 5.5% over 2010, due notably to the sales growth. **The gross profit margin** was brought down by certain acquisitions closed in 2010 and 2011 that yield lower profit margins than Richelieu because of their different product mix and the gross margin of operations in the United States where the current economic context exerted downward pressures on product selling prices. These two main factors, combined with higher marketing expenses for various product lines and the rise in operating costs related to the recent acquisitions, affected the **EBITDA margin from continuing operations** which stood at 12.9%, compared with 14.3% for 2010.

Income taxes increased by $0.7 million to $19.4 million on account of fluctuations in results by region where the Company and its subsidiaries are subject to tax authorities imposing tax rates differing from one another.

Consolidated net earnings [1]

(in thousands of $, unless otherwise indicated)

Years ended November 30	2011 $	2010 $
EBITDA	67,319	63,832
Amortization of capital assets and intangible assets	8,045	6,463
Financial costs	(13)	(201)
Income taxes	19,416	18,698
Non-controlling interest	379	298
Net earnings from continuing operations	39,492	38,574
Net profit margin (%) from continuing operations	*7.5*	*8.6*
Net earnings from discontinued operations	–	659
Net earnings	39,492	39,233
Net profit margin (%)	*7.5*	*8.8*
Comprehensive income	39,438	37,990

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

The Company posted **net earnings from continuing operations** of $39.5 million, up by 2.4% over $38.6 million for 2010, excluding a gain net of taxes of $0.7 million from discontinued operations or $0.03 per share recognized in the first quarter of 2010. **Earnings from continuing operations per share** amounted to $1.88 (basic) and $1.86 (diluted), compared with $1.79 (basic) and $1.78 (diluted) for 2010, excluding the earnings per share from discontinued operations of $0.03, an increase of 5.0% and 4.5% respectively.

Comprehensive income stood at $39.4 million, on account of a negative adjustment of less than $0.1 million on translation of the financial statements of the subsidiary in the United States, compared with $38.0 million for 2010, on account of a negative adjustment of $1.2 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS (1) (unaudited)

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

Quarters	1	2	3	4
2011				
■ **Sales**	**113,192**	**139,178**	**136,132**	**135,284**
■ **EBITDA**	**12,063**	**17,194**	**19,155**	**18,907**
■ **Net earnings**	**7,004**	**10,006**	**11,300**	**11,182**
basic per share	**0.33**	**0.48**	**0.54**	**0.53**
diluted per share	**0.33**	**0.47**	**0.53**	**0.53**
2010 (2)				
■ Sales	95,183	117,960	115,957	117,863
■ EBITDA	10,880	18,764	17,054	17,134
■ Net earnings	7,002	11,502	10,348	10,381
basic per share	0.32	0.53	0.48	0.49
diluted per share	0.32	0.53	0.48	0.48
2009				
■ Sales	91,924	107,900	107,181	108,587
■ EBITDA	8,077	12,593	14,929	15,989
■ Net earnings	4,348	7,306	8,870	9,880
basic per share	0.20	0.33	0.40	0.45
diluted per share	0.20	0.33	0.40	0.45

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows reported in previous periods have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

(2) Earnings per share (basic and diluted) account for the contribution of the discontinued operations of $0.03 per share for the first quarter of 2010.

Quarterly variations — The first quarter ending February 28 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 Company's performance in the first, second and third quarters of 2011, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2011

Consolidated sales totalled $135.3 million for the fourth quarter, up by $17.4 million over the corresponding quarter of 2010, an increase of 14.8%, of which 2.1% from internal growth and 12.7% from the contribution of PJ White (acquired on November 30, 2010), Outwater, Madico and Provincial Woodproducts (acquired during the first half of 2011).

In Canada, the Company's sales grew to $108.4 million, an increase of $9.8 million or 10.0% reflecting the contribution of the various segments of its primary market, namely **manufacturers**, where sales rose 14.4% to $91.8 million in the fourth quarter. Its three geographic markets (Eastern, Central and Western Canada) contributed to growth, with a greater increase in Western Canada due among others to the benefits of the PJ White acquisition. Sales decreased by $1.7 million in the **retailers** market due notably to the economic uncertainty affecting consumer confidence, as indicated by retailers themselves.

In the United States, sales totalled US$26.5 million, an increase of 40.0% over the fourth quarter of 2010, of which a strong internal growth of 15.0% and 25.0% from the contribution of Outwater. Considering the effect of exchange rates, sales expressed in Canadian dollars amounted to $26.9 million, up by 39.2% over $19.3 million for the corresponding quarter of 2010. In the **manufacturers** market, Richelieu recorded sales of $25.8 million, an increase of $6.8 million or 36.1%. Sales to **retailers** tripled to $1.1 million in the fourth quarter.

Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) grew to $18.9 million, up by 10.3% over $17.1 million for the fourth quarter of 2010, due notably to the sales growth. The gross profit margin remained at the same level as in the corresponding quarter of 2010 despite the lower gross margin of the recent acquisitions. Although these acquisitions contributed to results and represent a sound investment and a positioning for the future, the profit margins of some of them are lower than those of Richelieu because of their operating costs. The integration of these acquisitions aim to create synergies and gradually improve their profit margins. The **EBITDA margin** stood at 14.0%, compared with 14.5% for the same quarter of 2010.

Net earnings totalled $11.2 million, up by 7.7% over the fourth quarter of 2010. The net profit margin stood at 8.3% as it was affected by the aforementioned factors, compared with 8.8% for the fourth quarter of the previous year. **Earnings per share** amounted to $0.53 (basic and diluted), compared with $0.49 (basic) and $0.48 (diluted) for the fourth quarter of 2010, an increase of 8.2% and 10.4% respectively.

Cash flows related to operating activities (before net change in non-cash working capital balances related to operations) were $14.7 million or $0.70 per share, up from $11.0 million or $0.51 per share for the fourth quarter of 2010, primarily reflecting the growth in net earnings and fluctuation in future income taxes. Net change in non-cash working capital balances related to operations represented a cash inflow of $3.9 million, as opposed to a cash outflow of $3.5 million for the corresponding quarter of 2010. Changes in accounts receivable, inventories and prepaid expenses represented a cash inflow of $6.1 million, whereas changes in accounts payable, income taxes payable and the derivative financial instruments represented a cash outflow of $2.2 million. Consequently, operating activities provided cash flows of $18.6 million, compared with $7.5 million for the corresponding quarter of the previous year.

Financing activities used net cash flows of $5.8 million, following the repurchase of common shares under the normal course issuer bid for a consideration of $3.9 million during the quarter, the payment of shareholder dividends for a total of $2.3 million and a repayment of long-term debt of $0.2 million. In addition, the exercise of options provided cash flows of $0.7 million, compared with $0.1 million for the corresponding quarter of 2010.

Investing activities used cash flows of $0.8 million, primarily for various capital expenditures during the quarter.

FINANCIAL POSITION

Analysis of principal cash flows

Change in cash and cash equivalents and capital resources (1)

(in thousands of $)

Years ended November 30	2011 $	2010 $
Cash flows provided by (used for):		
Operating activities	**38,528**	35,360
Financing activities	**(19,690)**	(25,621)
Investing activities	**(29,295)**	(21,106)
Effect of exchange rate fluctuations	**263**	(41)
Net change in cash and cash equivalents	**(10,194)**	(11,408)
Cash flows from discontinued operations	**–**	2,255
Cash and cash equivalents, beginning of year	**39,289**	48,442
Cash and cash equivalents, end of year	**29,095**	39,289
Working capital	**167,254**	162,727
Renewable line of credit (CA$)	**26,000**	26,000
Renewable line of credit (US$)	**5,000**	5,000

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

Operating activities

Cash flows related to operating activities (before net change in non-cash working capital balances related to operations) were $50.1 million or $2.35 per share, up from $45.1 million or $2.08 per share for 2010, primarily reflecting the increase of $0.9 million in net earnings from continuing operations, of $1.6 million in amortization of capital and intangible assets related to the recent acquisitions, and of $2.6 million in future income taxes. Net change in non-cash working capital balances related to operations used cash flows of $11.5 million, compared with $9.7 million for 2010. Changes in accounts receivable, prepaid expenses, accounts payable, income taxes payable and the derivative financial instruments represented a cash outflow of $14.3 million, whereas changes in inventories represented a total cash inflow of $2.8 million for 2011. Consequently, operating activities provided cash flows of $38.5 million, compared with $35.4 million for 2010.

Financing activities

For 2011, the Company paid shareholder dividends of $9.3 million, up by 19.3% over 2010. This growth primarily reflects the increase in the quarterly dividend from $0.09 to $0.11 announced on January 27, 2011. It also repaid $1.4 million in long-term debt, compared with $0.2 million in 2010. Common shares were issued for a consideration of $1.5 million upon the exercise of options under the share option plan, compared with $0.5 million for 2010, and shares were repurchased for cancellation under the normal course issuer bid for a consideration of $10.5 million, compared with $18.1 million in 2010. Therefore, financing activities represented a cash outflow of $19.7 million, compared with $25.6 million for 2010.

Investing activities

In 2011, the Company invested a total of $29.3 million, of which $18.6 million in the acquisition of the net assets of Outwater, the shares of Madico and 85% of the common shares of Provincial, as well as $10.7 million in capital assets, primarily the expansion of the Montreal and Laval distribution centres.

Sources of financing

As at November 30, 2011, **cash and cash equivalents** totalled $29.1 million, compared with $39.3 million a year earlier. The Company posted **a working capital** of $167.3 million for a current ratio of 4.0:1, compared with $162.7 million and a 3.7:1 ratio as at November 30, 2010.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities planned for 2012. Furthermore, the Company continues to benefit from **an authorized line of credit** of $26 million, renewable annually and bearing interest at the bank's prime rate, as well as **a line of credit** of US$5 million bearing interest at prime rate plus 2%. In addition, the Company estimates it could obtain access to other outside financing if necessary.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2012, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under "Risk Management".

Balance sheet analysis as at November 30, 2011

Summary balance sheet (1)

(in thousands of $)

As at November 30	2011 $	2010 $
Current assets	**223,016**	222,752
Long-term assets	**121,116**	98,064
Total	**344,132**	320,816
Current liabilities	**55,762**	60,025
Long-term liabilities	**12,736**	6,922
Shareholders' equity	**275,634**	253,869
Total	**344,132**	320,816
(1) Foreign exchange rate of a self-sustaining operation in the United States	***1.0203***	*1.0266*

Assets

Total assets amounted to $344.1 million as at November 30, 2011, up from $320.8 million a year earlier, an increase of 7.3% primarily reflecting the effect of acquisitions closed during the year. **Current assets** were up by $0.3 million over November 30, 2010. This position reflects the $10.2 million decrease in cash and cash equivalents, whereas accounts receivable, prepaid expenses and income taxes receivable were up by $9.3 million and inventories by only $1.1 million due to the ongoing improvement of the supply chain, which largely limited the increases arising from the acquisitions and the growth in demand.

Net cash

(in thousands of $)

As at November 30	2011 $	2010 $
Current portion of long-term debt	4,309	2,072
Long-term debt	1,235	786
Total	5,544	2,858
Cash and cash equivalents	*29,095*	*39,289*
Net cash	23,551	36,431

The Company benefits from an excellent financial position to pursue its business strategy. Its **total interest-bearing debt** remained very low at $5.5 million, of which $1.2 million in long-term debt and a current portion of $4.3 million representing solely the balances payable on acquisitions. As at November 30, 2011, the Company therefore posted **net cash** of $23.6 million.

As at November 30, 2011, **shareholders' equity** totalled $275.6 million, up from $253.9 million a year earlier, an increase of 8.6% mainly reflecting the $20.0 million growth in retained earnings which rose to $258.0 million and a $2.1 million increase in capital stock. **The book value per share** stood at $13.22 at 2011 year-end, compared with $12.01 as at November 30, 2010.

The total interest-bearing debt to equity ratio stood at 2.0% as at November 30, 2011, compared with 1.1% a year earlier.

As at November 30, 2011, Richelieu's **capital stock** consisted of 20,846,709 common shares (21,135,209 shares as at November 30, 2010). During 2011, the Company issued 84,300 common shares at an average exercise price of $18.24 (51,450 in 2010 at an average exercise price of $9.72) upon the exercise of options under its share option plan. Also during 2011, 372,800 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of $10.5 million (696,000 common shares for a cash consideration of $18.1 million in 2010). Finally, during 2011, the Company granted 51,000 share options (35,000 in 2010). As at November 30, 2011, 883,000 share options were outstanding (918,300 as at November 30, 2010).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2011

(in thousands of $)

	2012	2013	2014	2015	2016	2017 and thereafter	Total
Long-term debt	4,309	415	820	–	–	–	5,544
Operating leases	6,593	5,501	4,264	3,113	2,122	1,328	22,921
Total	**10,902**	**5,916**	**5,084**	**3,113**	**2,122**	**1,328**	**28,465**

For 2012 and the foreseeable future, the Company 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 its requirements, the availability of credit will remain stable in 2012, and no usual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under "Risk Management".

FINANCIAL INSTRUMENTS

Richelieu periodically enters into forward exchange 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 Company has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

In notes (1), (9) and (11) of the audited consolidated financial statements for the year ended November 30, 2011, the Company 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.

CONTROLS AND PROCEDURES

Pursuant to *Multilateral Instrument – Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109"), the Company has filed certificates signed by the President and Chief Executive Officer and the Vice-President and Chief Financial Officer that notably attest to the design and effectiveness of internal controls over financial reporting and disclosure controls and procedures based on an assessment of such controls and procedures as at November 30, 2011.

Internal controls over financial reporting

Management has designed and evaluated the effectiveness of internal controls over financial reporting (ICFR) to provide reasonable assurance that the Company's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with Canadian GAAP. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of NI 52-109, the design and the effectiveness of internal controls over financial reporting as at November 30, 2011. [This assessment was conducted using the reference framework and criteria established in the *Internal Control – Integrated Framework* document published by the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO).] In light of this assessment, the Company's management believes that the design and the effectiveness of internal controls over financial reporting (ICFR) is adequate to provide reasonable assurance and that such controls are effective.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and cannot forecast or detect inaccuracies. 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.

The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have also made an assessment to determine whether any changes were made to internal controls over financial reporting during the fourth quarter of the year ended November 30, 2011 that have had or could reasonably be assumed to have had a material impact on such controls. No changes of this type have been identified.

Disclosure controls and procedures

The Company has established and maintained disclosure controls and procedures (DC&P) to ensure that the information used internally and disclosed in this management's report, the consolidated financial statements and related other annual filings is adequately recorded, processed, summarized and reported to the Audit Committee and the Board of Directors of the Company. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer of Richelieu have assessed the effectiveness of the Company's disclosure controls and procedures (DC&P) within the meaning of MI 52-109 and have concluded that they were adequately designed and effective, and that they ensured the integrity and reliability of the financial information to be reported as at November 30, 2011, in accordance with Canadian GAAP.

SIGNIFICANT ACCOUNTING METHODS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

Significant accounting methods and estimates are described on page 31 of the Company's 2011 Annual Report.

In February 2008, the CICA's Accounting Standards Board confirmed that publicly-accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011.

The Company will present its interim and annual financial statements in accordance with IFRS as of the first quarter of 2012.

The information presented below is produced solely to help the reader better understand the Company's IFRS changeover plan and the expected effects on its financial statements and may not be appropriate for any other purposes. The differences with respect to the significant accounting methods and estimates of the impacts are neither complete nor definitive, reflect management's assumptions, estimates and expectations at the date of this report, and could therefore be amended.

Changeover plan

The following table presents the status of the activities undertaken in order for the Company to disclose its financial information in accordance with IFRS.

Activities	Key phases	Status as November 30, 2011
Preparation for changeover to IFRS	■ Development of changeover plan ■ Awareness of senior officers ■ Assignment of resources to project ■ Establishment of means of communicating the progress achieved	■ Phases completed
Analysis and assessment of impact on Richelieu	■ Determination of differences between Richelieu's accounting methods (established in accordance with Canadian GAAP) and IFRS ■ Selection of accounting methods in accordance with IFRS ■ Selection of accounting methods for the initial application of IFRS (IFRS 1) ■ Identification of IT infrastructure requirements, or changes to such infrastructures if needed	■ Material differences between Canadian GAAP and IFRS identified ■ Possible choices for the initial application of IFRS determined ■ Possible choices for accounting methods under IFRS determined ■ The Company has determined that the IT infrastructure requirements were minor
Design and preparation of production of IFRS financial reporting	■ Quantification of the impact of the changeover to IFRS, including the effects of the first-time adoption of IFRS ■ Development of a financial statements model, including notes ■ Training of key Finance Department personnel	■ Quantification of the impact of the changeover to IFRS completed ■ Preparation of the financial statements model in progress ■ The Company's team has sufficient knowledge as to the application of IFRS
Other effects	■ Internal control over financial reporting process and communication of such information – review and approval of changes related to the changeover to IFRS ■ Impact on business affairs – review of business and banking agreements and renegotiation as needed	■ The Company has retained the services of experts to facilitate the transition ■ Management provides the Audit Committee with quarterly reports on the status of advancement of the project and its assessment of the effects on the opening balance sheet ■ The Company has not identified material impact on its banking agreements as well as on its internal control environment

IFRS changeover's effects

Opening balance sheet

The following table presents a summary of the major impact of the application of accounting methods in accordance with IFRS on the opening balance sheet as at December 1, 2010, based on the expected effects arising from the conclusions on the differences between the Company's accounting methods and IFRS in effect at that date.

Consolidated balance sheet as at December 1, 2010 (unaudited)**

(in thousands of dollars)

	Canadian GAAP $	Asset impairment*	Other liabilities, provisions and income taxes*	Reclassifications*	IFRS $
ASSETS					
Current assets	**222,752**	—	—	—	**222,752**
Capital assets	**19,132**	(659)	—	—	**18,473**
Future income tax assets	**2,327**	—	645	—	**2,972**
Intangible assets and goodwill	**76,605**	(25,850)	—	—	**50,755**
	320,816	(26,509)	645	—	**294,952**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	**60,025**	—	400	—	**60,425**
Long-term debt	**786**	—	—	—	**786**
Future income tax liabilities	**2,706**	—	(2,706)	—	**—**
Non-controlling interest	**3,430**	—	—	(3,430)	**—**
	66,947	—	(2,306)	(3,430)	**61,211**
Equity					
Capital Stock	**17,623**	—	—	—	**17,623**
Contributed surplus	**3,906**	—	—	—	**3,906**
Retained earnings	**237,907**	(26,509)	2,951	(5,567)	**208,782**
Accumulated other comprehensive income	**(5,567)**	—	—	5,567	**—**
Equity attributable to the Company's shareholders	**253,869**	(26,509)	2,951	—	**230,311**
Non-controlling interest	**—**	—	—	3,430	**3,430**
	253,869	(26,509)	2,951	3,430	**233,741**
	320,816	(26,509)	645	—	**294,952**

* These items account for the adjustments and choices made under IFRS 1 *First-Time Adoption of International Financial Reporting Standards*. Solely the principal changes are presented, based on the differences identified as at November 30, 2011. The Company's estimates are preliminary and are subject to amendment.

** The information presented below is produced solely to help the reader better understand the effects of the changeover to IFRS on the Company's consolidated financial statements and may not be appropriate for any other purposes. The differences with respect to the significant accounting methods and estimates of the impacts are neither complete nor definitive, reflect management's assumptions, estimates and expectations at the date of this report, and could therefore be amended.

IAS 36 *Impairment of Assets*

Accounting method under GAAP	Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of comparison between the fair value of the reporting unit to which goodwill is assigned with its carrying amount. When the carrying amount of a reporting unit exceeds its fair value, the fair value of any goodwill assigned to the reporting unit is compared with its carrying amount to measure the amount of the impairment loss, if any. Any impairment loss is charged to earnings in the year in which the loss is incurred. Intangible assets with indefinite useful lives are tested for impairment annually or more often if events or changes in circumstances indicate that they might be impaired. When the impairment test reveals that the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. Long-lived assets, excluding goodwill and intangible assets with indefinite useful lives, are tested for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable by comparing their carrying amount with their expected net undiscounted future cash flows from use together with their residual value. The impairment loss is the amount by which the carrying amount of the impaired assets exceeds their fair value and, if any, is charged to earnings.
Accounting method under IFRS	The Company must review intangible assets with indefinite useful lives, including goodwill, at least once annually to determine whether their recoverable value exceeds their book value. Recoverable value is defined as fair value less selling costs, or value in use, which is the discounted value of the future cash flows associated with the assets. The recoverable value of goodwill and intangible assets acquired is assessed according to the value in use of the cash-generating unit to which such assets are allocated.

IAS 36 ***Impairment of Assets***

Impact on opening balance sheet	The impairment test in accordance with GAAP is conducted at the level of the reporting unit that encompasses several distribution centres in a region, thereby benefiting from the cash flows of distribution centres with no intangible assets and goodwill. Contrary to the impairment test in accordance with GAAP, the impairment test in accordance with IFRS is conducted at a lower level, being the level where the cash inflows largely independent from other groups of assets are generated, which corresponds to the distribution centre level in several cases. Due to the expected application of the new policy, the value in use of certain cash-generating units, and accordingly the recoverable value, is lower than the book value. The recoverable value of acquired goodwill and intangible assets is measured based on the value in use of the cash-generating unit to which such assets are assigned. The estimate of the value in use, and accordingly the conclusion of the impairment test, is subject to the assumptions used regarding the growth of revenues, the gross margin generated, the working capital required to support operations over the next five years, the long-term market growth, and the appropriate discount rate to reflect the value of money over time and the risks specific to each cash-generating unit not accounted for in cash flows. Accordingly, an impairment loss of \$26.5 million (US\$25.8 million) was charged against the carrying amount of certain assets acquired in the United States between 2003 and 2010.
Accounting impact on continuing operations	This accounting method will reduce the assets amortization expenses and could give rise to more frequent adjustments to the Company's results, in connection with the assets acquired as part of a business combination. The impairment of amortizable assets (tangible and intangible) could give rise to a recovery in value of up to a maximum of the initially recognized cost.

IAS 12 Income Taxes

Accounting method under IFRS	The adjustments to the opening balance sheet gave rise to the recognition of supplementary future income tax assets. This standard limits the recognition of future income tax assets to the amount likely to be realized.
Impact on opening balance sheet	Accordingly, certain future income tax assets were not recognized as it is more likely than not that the advantages will materialize in the years subsequent to the opening balance sheet.

IFRS 3 ***Business combinations***

Acquisition fees and exemption under IFRS 1

Accounting method under GAAP	Acquisition fees incurred by the purchaser to conclude a business combination are included in the purchase price allocation and, as a consequence, are capitalized on the balance sheet.
Accounting method under IFRS	The purchaser must expense all cost incurred in the context of a business combination during the period in which the services were rendered.
Impact on opening balance sheet	IFRS 1 grants the Company the choice to apply IFRS 3 only to business combinations that occurs on or after December 1, 2010. Therefore, there is no impact on the opening balance sheet.
Accounting impact on continuing activities	Acquisition fees incurred during fiscal year 2011 that were considered in the purchase price allocations of the businesses acquired totals \$0.2 million. These costs will be expensed in the comparative of the consolidated statement of income presented in compliance with IFRS for the fiscal year ending on November 30, 2012.

Reclassifications

Foreign currency translation and non-controlling interests

Accounting method under IFRS	a) IAS 21 requires the Company to recognize certain translation differences as other comprehensive income and to accumulate them as a separate component of equity. Based on IFRS 1, the Company is not required to comply with these provisions for the existing accumulated translation differences as at December 1, 2010 and the accumulated amount of such differences is deemed nil at that date. b) IFRS 10 requires non-controlling interest to be presented as a component of equity in the consolidated statement of financial position, separate from the shareholders' equity of the parent company.
Impact on opening balance sheet	a) The cumulative amount of translation differences is deemed nil as at December 1, 2010, the counterpart having reduced retained earnings. b) Total liabilities are reduced by the balance of non-controlling interest, which is reclassified as equity.

Other effects from the changeover to IFRS

Capital assets and intangible assets

Comparisons between IFRS and GAAP	Following the initial application of IFRS, the Company will have the option of measuring capital assets and intangible assets using the cost model or the re-evaluation model. Capital assets must be amortized based on their key components, whereas GAAP requirements are less restrictive.
Impact on the Company	Based on the significance and the nature of the Company's capital assets, the cost model will be applied to evaluate its capital assets and intangible assets. This change will not have a material impact on the Company's financial statements prepared in accordance with IFRS.

Other liabilities, provisions and contingent liabilities

Comparisons between IFRS and GAAP	IFRS require a provision to be recorded when it is likely (>50%) that the Company will settle an obligation with a cash outflow which can be reliably estimated. Such provisions must be disclosed in the notes to consolidated financial statements. Based on GAAP, the recognition criteria for similar situations require a greater level of certainty.
Impact on the Company	This change will not have a material impact on the Company's financial statements prepared in accordance with IFRS as at November 30, 2011.

Share-based payments

Comparisons between IFRS and GAAP	To comply with IFRS, since the stock option awards vest gradually, each bracket must be considered as a separate award. GAAP allows stock options that vest gradually to be considered as one award.
Impact on the Company	This change will not have a material impact on the Company's financial statements prepared in accordance with IFRS as at November 30, 2011.

IASB project

The Company is closely monitoring the progress of the work of the IASB (International Accounting Standards Board), which is expected to adopt a new standard applicable to leases during the 2012 fiscal year. If adopted, the current standard project would require the recognition of assets and liabilities arising for such leases. The commercial facilities leased by the Company are currently accounted for (under Canadian GAAP) as operating leases (note 9 to the financial statements for the year ended November 30, 2011). If adopted, this standard project could have a material impact on the Company's consolidated financial statements presented in accordance with IFRS.

SIGNIFICANT ACCOUNTING METHODS AND ESTIMATES

The preparation and presentation of the consolidated financial statements and other financial information contained in this report require management to make estimates, assumptions and enlightened judgments. The Company's estimates are based upon assumptions which it believes to be reasonable, such as those based upon past experience. These estimates constitute the basis for the judgments regarding the carrying amounts of assets and liabilities that would not otherwise be readily available through other sources. Use of different methods might have yielded different amounts than those presented. Actual results could differ from these estimates.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the fair value of the reporting unit to which goodwill is assigned with its carrying amount. The Company uses the discounted cash flows method to determine the fair value of its reporting units, which requires estimates and assumptions regarding the discount rate and cash flows. The use of different assumptions when applying the discounted cash flows method could result in different fair values and, consequently, different carrying amounts for goodwill as well as results of operations.

Capital assets

Capital assets are recorded at cost. Amortization is computed under the straight-line method over their useful lives for the Company, represented by the period during which it is estimated that an asset will contribute to future cash flows. The use of different assumptions with regard to useful life could result in different carrying amounts for these assets as well as for amortization expenses.

Intangible assets

Intangible assets with limited useful lives are recorded at cost and amortized on a straight-line basis over their useful lives. The amortization method and estimate of useful lives of the intangible assets are re-evaluated annually. Intangible assets with indefinite useful lives, such as trademarks, are recorded at cost and are not amortized. Non-amortizable intangible assets are tested for impairment annually or more often if events or changes in circumstances indicate that they might be impaired. When the impairment test reveals that the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess.

Impairment of long-lived assets

Long-lived assets, excluding goodwill and intangible assets with indefinite useful lives, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the carrying amount of the assets exceeds the non-discounted cash flows, an impairment loss is recognized in an amount equal to the excess of the carrying amount of the assets over their fair value. Fair value is estimated using the discounted cash flows method, which requires estimates and assumptions regarding the discount rate and cash flows. The use of different assumptions in applying the discounted cash flows method could result in different fair values and, consequently, different carrying amounts for long-lived assets as well as results of operations.

Inventories

Inventories, which consist primarily of finished goods, are valued at the lower of average cost and net realizable value. A provision for loss in value is recorded when, based on past experience and current market conditions, it is believed that certain product costs will not be recovered. The establishment of such provision requires management to make estimates that could have an impact on the inventory valuation reported in the consolidated balance sheet as well as on results of operations.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income 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. Future tax assets and liabilities are measured using the enacted tax rates that are expected to be in effect in the years when the temporary differences are expected to reverse. Determination of future income taxes requires the use of estimates, assumptions and judgments which, if applied differently, could result in different carrying amounts for future income taxes in the consolidated balance sheet and income taxes in the consolidated statement of earnings.

Foreign currency

The Company follows the temporal method to translate its foreign currency balances and transactions into Canadian dollars, excluding the accounts of its self-sustaining foreign subsidiary. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at year-end and the other items in the consolidated balance sheet and consolidated statement of earnings are translated at the exchange rates in effect at the transaction date. Foreign exchange gains and losses are included in net earnings for the year.

Since September 1, 2007, assets and liabilities of the U.S. subsidiary classified as self-sustaining from a financial and operational standpoint are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate in effect during the year. Foreign exchange gains and losses are included in a separate component of accumulated other comprehensive income.

RISK MANAGEMENT

Richelieu is exposed to different risks that can have an impact on its profitability. To offset them, the Company has adopted various strategies adapted to the major risk factors below.

Economic conditions

Richelieu's operations and financial results partly depend on general economic conditions and the economic factors specific to the renovation and construction industry. Any economic downturn can lead to a decline in sales and have an adverse impact on the Company'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 product offering that is unmatched 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 share 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 Company's products are regularly sourced from abroad through its import business. Thus, any increase in foreign currencies (U.S. dollar and the Euro) compared with the Canadian dollar tends to raise its supply cost and thereby affect its consolidated financial results. These currency fluctuation related risks are mitigated by the Company'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 can have an adverse impact on its sales.

Sales made abroad are mainly recorded in the United States and account for some 20% of 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 Company uses derivative financial instruments, more specifically forward exchange contracts in U.S. dollars and Euros. There can be no assurance that the Company 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, the Company 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 Company'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 Company will maintain its acquisition criteria and pay special attention to the integration of 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 Company will be able to make acquisitions at the same pace as in the past. However, note that the U.S. market is highly fragmented and acquisitions are smaller sized, which reduces the inherent financial and operational risks.

Credit

The Company 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 Company sets a specific limit that is regularly reviewed. The diversification of its products, customers and suppliers protects Richelieu against a concentration of its credit risk. None of its customers 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 Company's financial performance.

About one-quarter of Richelieu's workforce is unionized. The Company'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 Company'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 Company adjusts its organizational structure as needed and strengthens the teams at the various levels of its business. It should be noted that nearly 70% 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 Company'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 and IT contingency plan

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 Company 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.

SHARE PRICE

In 2011, the share price fluctuated between \$24.35 and \$31.75 and the trading volume on the Toronto Stock Exchange reached approximately 3 million shares. The closing price was \$27.22 on November 30, 2011, compared with \$29.87 as at November 30, 2010. Richelieu's share price has increased by 1,173% since its 1993 listing on the stock market. It should also be pointed out that the Company has paid shareholder dividends since 2002 and that the dividends paid in 2011 represented 23.5% of the year's net earnings.

SHARE INFORMATION AS AT JANUARY 26, 2012

Issued and outstanding shares	20,855,459
Share options under share option plan	914,250

OUTLOOK

In 2012, management plans to pursue its growth strategy by way of marketing innovations and products complementary to its offering, further developing its North American manufacturers and retailers markets, and closing acquisitions in so far as sound opportunities arise in line with its criteria. The Company will also continue to integrate the acquisitions closed in 2010 and 2011, emphasizing operational efficiency and selling synergies.

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 26, 2012

MANAGEMENT'S REPORT

Related to the consolidated financial statements

The consolidated financial statements of Richelieu Hardware Ltd. (the "Company") and other financial information included in this annual report are the responsability of the Company's management. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and approved by the Board of Directors.

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

The Board of Directors fulfills its responsability regarding the consolidated financial statements included in the annual report, primarily through its audit committee. This committee which meets periodically with the Company's managers and external auditors, has reviewed the consolidated financial statements of Richelieu Hardware Ltd. and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Company's external auditors, Ernst & Young LLP, chartered accountants.

Montreal, Canada
January 26, 2012

(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 balance sheets as at November 30, 2011 and 2010 and the consolidated statements of earnings and retained earnings, comprehensive income 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 Canadian generally accepted accounting principles, 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 audit 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, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

January 26, 2012

Ernst & Young LLP [1]

(Signed Ernst & Young LLP) Chartered Accountants

[1] CA auditor permit No. 20404

CONSOLIDATED BALANCE SHEETS

As at November 30
(In thousands of dollars)

	2011 $	2010 $
ASSETS		
Current assets *(note 2)*		
Cash and cash equivalents	29,095	39,289
Accounts receivable	72,366	65,017
Income taxes receivable	1,645	—
Inventories	118,753	117,609
Prepaid expenses	1,157	837
	223,016	222,752
Capital assets *(notes 2 and 3)*	25,399	19,132
Intangible assets *(notes 2 and 4)*	22,189	13,242
Future income taxes *(note 8)*	2,658	2,327
Goodwill *(note 2)*	70,870	63,363
	344,132	320,816
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities *(note 2)*	51,453	54,212
Income taxes payable	—	3,741
Current portion of long-term debt *(note 6)*	4,309	2,072
	55,762	60,025
Long-term debt *(note 6)*	1,235	786
Future income taxes *(notes 2 and 8)*	6,160	2,706
Non-controlling interest *(note 2)*	5,341	3,430
	68,498	66,947
Shareholders' equity		
Capital stock *(note 7)*	19,714	17,623
Contributed surplus	3,586	3,906
Retained earnings	257,955	237,907
Accumulated other comprehensive income *(note 10)*	(5,621)	(5,567)
	275,634	253,869
	344,132	320,816

Commitments *(note 9)*

See accompanying notes.

On behalf of the Board:

(Signed) Richard Lord
Director

(Signed) Mathieu Gauvin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended November 30
(In thousands of dollars, except earnings per share)

	2011 $	2010 $
Sales	523,786	446,963
Cost of sales and warehouse, selling and administrative expenses	456,467	383,131
Earnings before the following	67,319	63,832
Amortization of capital assets	5,906	5,160
Amortization of intangible assets	2,139	1,303
Financial costs, net	(13)	(201)
	8,032	6,262
Earnings before income taxes, non-controlling interest and discontinued operations	59,287	57,570
Income taxes *(note 8)*	19,416	18,698
Earnings before non-controlling interest and discontinued operations	39,871	38,872
Non-controlling interest	379	298
Net earnings from continuing operations	39,492	38,574
Net earnings from discontinued operations *(note 13)*	—	659
Net earnings	39,492	39,233
Earnings per share *(note 7)*		
Basic		
From continuing operations	1.88	1.79
From discontinued operations	—	0.03
	1.88	1.82
Diluted		
From continuing operations	1.86	1.78
From discontinued operations	—	0.03
	1.86	1.81

See accompanying notes.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended November 30
(In thousands of dollars)

	2011 $	2010 $
Net earnings	39,492	39,233
Retained earnings, beginning of year	237,907	223,986
Dividends	(9,267)	(7,768)
Premium on redemption of common shares for cancellation *(note 7)*	(10,177)	(17,544)
Retained earnings, end of year	257,955	237,907

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended November 30
(In thousands of dollars)

	2011 $	2010 $
Net earnings	39,492	39,233
Other comprehensive income		
Translation adjustment of the net investment in self-sustaining foreign operations	(54)	(1,243)
Comprehensive income	39,438	37,990

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30
(In thousands of dollars)

	2011 $	2010 $
OPERATING ACTIVITIES		
Net earnings from continuing operations	39,492	38,574
Non-cash items		
Amortization of capital assets	5,906	5,160
Amortization of intangible assets	2,139	1,303
Future income taxes	1,573	(1,031)
Non-controlling interest	379	298
Stock-based compensation expense	568	755
	50,057	45,059
Net change in non-cash working capital balances related to operations	(11,529)	(9,699)
	38,528	35,360
FINANCING ACTIVITIES		
Repayment of long-term debt	(1,444)	(246)
Dividends paid	(9,267)	(7,768)
Issue of common shares	1,538	500
Redemption of common shares for cancellation	(10,517)	(18,107)
	(19,690)	(25,621)
INVESTING ACTIVITIES		
Business acquisition *(note 2)*	(18,575)	(17,684)
Additions to capital assets	(10,720)	(3,422)
	(29,295)	(21,106)
Effect of exchange rate fluctuations on cash and cash equivalents	263	(41)
Net change in cash and cash equivalents	(10,194)	(11,408)
Cash flows from discontinued operations	—	2,255
Cash and cash equivalents, beginning of year	39,289	48,442
Cash and cash equivalents, end of year	29,095	39,289
Supplemental information		
Income taxes paid	23,074	15,093
Interest received, net	(24)	(179)

See accompanying notes.

NATURE OF BUSINESS

Richelieu Hardware Ltd. [the "Company"] acts as a distributor, importer, and manufacturer of specialty hardware and complementary products. These products are targeted to an extensive customer base of kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworking industry, as well as a large customer base of retailers, including renovation product superstores.

1. SIGNIFICANT ACCOUNTING METHODS

The Company's consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates. The Company's consolidated financial statements have been properly prepared within the reasonable limits of materiality and in conformity with the accounting methods summarized below:

Consolidation

The consolidated financial statements include the accounts of Richelieu Hardware Ltd. and its subsidiaries. Non-controlling interests are accounted for in the consolidated financial statements upon the consolidation of the subsidiaries Menuiserie Des Pins Ltd. and Provincial Woodproducts Ltd. for which the Company owns respectively 75% and 85% of all the outstanding common shares. 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 categorized as financial instruments in the category of assets held for trading and are recorded at fair value. Gains (losses) arising from the valuation at each year are recorded in the consolidated statement of earnings.

Accounts receivable

Accounts receivable are categorized as financial instruments in the category of loans and receivables. They are recorded at cost, which approximates their fair market value upon initial recognition. Subsequent valuations are done at amortized cost using the effective interest method. For the Company, such valuation is usually equivalent to the cost due to their short term date of maturity.

Inventories

Inventories, which consist primarily of finished goods, are valued at the lower of average cost and net realizable value.

Capital assets

Capital assets are recorded at cost. Amortization is computed under the straight line method over their estimated useful lives.

Buildings	20 years
Leasehold improvements	Over the terms of the leases, maximum 5 years
Machinery and equipment	5 to 10 years
Rolling stock	5 years
Furniture and fixtures	3 to 5 years
Computer equipment	3 to 5 years

Intangible assets

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

Intangible assets with indefinite lives are tested for impairment annually or more often if events or changes in circumstances indicate that the asset might be impaired. When the impairment test indicates that the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess.

Impairment of long-lived assets

Long-lived assets, excluding goodwill and intangible assets with indefinite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable by comparing their carrying amount with their expected net undiscounted future cash flows from use together with their residual value. The impairment loss is the amount by which the carrying amount of the asset exceeds its fair value and, if any, is charged to earnings.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the fair value of the reporting unit to which goodwill is assigned with its carrying amount. When the carrying amount of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. Any impairment loss is charged to earnings in the year in which the loss is incurred.

Other financial liabilities

Accounts payable and accrued liabilities are categorized as financial instruments in the category of other financial liabilities and are initially recorded at their fair value. Subsequent valuations are done at amortized cost using the effective interest rate method. For the Company, such valuation is usually equivalent to the cost.

Revenue recognition

Revenues are recognized when the finished products are shipped to the customers.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income 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. Future tax assets and liabilities are measured using the enacted tax rates that are expected to be in effect in the years when the temporary differences are expected to reverse. Changes in these balances are charged to earnings of the year in which they arise.

Foreign currency

The Company follows the temporal method to translate its foreign currency balances and transactions into Canadian dollars, excluding the accounts of its self-sustaining foreign subsidiary. Under this method, monetary assets and liabilities are translated at the rates of exchange in effect at year-end and the other items in the balance sheets and statements of earnings are translated at the exchange rates in effect at the date of transaction. Exchange gains and losses are included in net earnings for the year.

Assets and liabilities of the U.S. subsidiary classified as self-sustaining from a financial and operational standpoint are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate in effect during the year. Foreign exchange gains and losses are included in the consolidated statements of comprehensive income.

Forward exchange contracts

The Company periodically enters into forward exchange contracts with major financial institutions to partially hedge the effects of foreign currency fluctuations related to foreign currency denominated payables and also to hedge anticipated purchase transactions. The Company does not enter into derivatives for speculative purposes. The Company uses hedge accounting only when documentation criteria required under Canadian generally accepted accounting principles are met. The derivative financial instruments designated as cash flow hedges are categorized as financial assets and liabilities available for sale. They are accounted for at fair value, which represents approximately the amount that would be recovered should these instruments be settled at market rates, and gains and losses resulting from the valuation at each year are recorded in the comprehensive income. If the instrument does not qualify as a hedge, the derivative is recorded on the balance sheet at fair value, with changes in fair value recognized in current earnings. The assets or liabilities related to those financial instruments are included in accounts receivable or accounts payable and accrued liabilities on the consolidated balance sheets.

(Amounts are in thousands of dollars, except per-share amounts])

1. SIGNIFICANT ACCOUNTING METHODS (Cont'd)

Stock-based compensation and other stock-based payments

The Company recognizes stock-based compensation expense and other stock-based payments in earnings based on the fair value method for stock options granted. The Black & Scholes model is used to determine the fair value on the award date of stock options. The compensation expense is recorded over the vesting period against contributed surplus as well as the amount attributable to the exercised stock options.

Earnings per share

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. BUSINESS ACQUISITIONS

2011

On January 10, 2011, the Company acquired the principal net assets of Outwater Hardware ("Outwater") for a consideration in cash of $8,820 (US$8,871), including acquisition fees, and a balance of sale of $2,920 (US$2,937). This Company based in Lincoln Park (New Jersey, United States) operates a specialty and decorative hardware distribution centre that serves a base of some 18,000 residential and commercial woodworking customers and kitchen, bathroom and furniture manufacturers.

On January 31, 2011, the Company acquired all the outstanding common shares of Madico Inc. for a consideration in cash of $2,814, including acquisition fees, and a balance of sale of $95. This Company based in the Quebec city area [Quebec, Canada] develops and distributes floor protection products and serves a customer base of hardware retailers and renovation superstores, mainly in Canada and in the United States.

On March 14, 2011, the Company acquired 85% of the outstanding common shares of Provincial Woodproducts Ltd. for a cash consideration of $7,296, including acquisition fees, and a balance of sale of $1,481. This Company based in St-John's (Newfoundland, Canada) operates a distribution centre of hardware, finishing products, panels and hardwood floors.

2010

On December 1, 2009, the Company acquired the principal net assets of Woodland Specialties Inc. for a consideration is cash of $621 (US$596), including the acquisition fees. This company based in Syracuse, New York, is specialized in the distribution of hardware products, high-pressure laminates, finishing products and other complementary products targeted mainly to kitchen cabinet makers and the commercial woodworking segment.

On April 26, 2010, the Company acquired the principal net assets of Raybern Company, inc. for a consideration in cash of $1,145 (US$1,126), including acquisition fees and a balance of sale of $184 (US$181). Established in Rocky Hill, Connecticut, this distributor of architectural and decorative hardware, finishing products, high-pressure laminates and other complementary products mainly serves kitchen cabinet makers and the residential and commercial woodworking segment.

On July 14, 2010, the Company acquired the principal net assets of Gordon Industrial Materials Ltd. for a consideration in cash of $3,465, including acquisition fees, and a balance of sale of $882. With its distribution centres in Montreal (Quebec) and Mississauga (Ontario), Gordon is a leading distributor of products for the manufacturing of doors, decorative wall panels and other specialty products serving the hardware retailers, including renovation superstores and industrial markets.

On August 30, 2010, the Company acquired the principal net assets of New Century Distributors Group LLC for a consideration in cash of $692 (US$652), including acquisition fees, and a balance of sale of $437 (US$412). Located in Avenel, New Jersey, this distributor of specialized hardware products serves kitchen cabinet makers and residential and commercial woodworking customers.

On September 27, 2010, the Company acquired the principal net assets of E. Kinast Distributors Inc. for a consideration in cash of $2,492 (US$2,423), including acquisition fees, and a balance of sale of $633 (US$616). Located in Hanover Park in the Chicago area, Illinois, this hardware, laminates, finishing products and complementary products distributor serves kitchen cabinet makers and residential and commercial woodworking customers.

On November 30, 2010, the Company acquired the principal net assets of PJ White Hardwoods Ltd. for a consideration in cash of $9,269, including acquisition fees, and a balance of sale of $324. This Company, with its head office in Vancouver (B.C.), operates a distribution center there and three others located in Victoria (B.C.), Edmonton and Calgary (Alberta). PJ White distributes a large variety of materials, decorative hardware as well as hardware products aimed at manufacturers and residential and commercial woodworking customers.

Summary of acquisitions

These transactions were accounted for using the purchase method and the results of operations are included in the consolidated financial statements from the acquisition dates. The final purchase price allocations of the 2010 acquisitions combined to the preliminary purchase price allocations of the 2011 acquisitions are as follows:

	Outwater	Other	2011	2010
	$	$	$	$
Net assets acquired				
Accounts receivable	1,512	2,459	3,971	7,840
Inventories	2,085	2,353	4,438	12,431
Prepaid	—	227	227	153
Fixed assets	1,168	1,585	2,753	1,357
Non-competition agreements	167	498	665	186
Customer relationships	4,461	3,641	8,102	1,263
Trademarks	501	512	1,013	386
Goodwill	1,937	5,163	7,100	1,508
	11,831	16,438	28,269	25,124
Liabilities assumed				
Accounts payable	91	2,417	2,508	4,980
Future income tax liabilities	—	1,504	1,504	—
Non-controlling interests	—	1,532	1,532	—
Net assets acquired	11,740	10,985	22,725	20,144
Consideration				
Cash, net of cash acquired	8,820	9,409	18,229	17,684
Balance of sale payable	2,920	1,576	4,496	2,460
	11,740	10,985	22,725	20,144

During the fiscal year ended November 30, 2011, the Company disbursed an amount of $346 and reduced the balance of sale by $414 as a result of purchase price adjustments on acquisitions. The Company also finalized the purchase price allocations of the businesses acquired in 2010 resulting in an increase of goodwill by $517.

Goodwill

	2011	2010
	$	$
Balance at the beginning of the year	63,363	62,449
Goodwill accounted for during the year	7,617	1,508
Exchange rate variations	(110)	(594)
Balance at the end of the year	70,870	63,363

As at November 30, 2011, the goodwill deductible for tax purposes totalled $29,791 (2010 – $29,992).

3. CAPITAL ASSETS

	2011		2010	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Land	3,652	—	3,546	—
Buildings	20,176	9,468	14,076	8,194
Leasehold improvements	4,074	2,756	3,142	2,368
Machinery and equipment	22,557	17,004	20,119	15,192
Rolling stock	5,827	4,275	4,948	3,788
Furniture and fixtures	10,584	8,908	9,575	7,330
Computer equipment	8,475	7,535	7,550	6,952
	75,345	49,946	62,956	43,824
Accumulated amortization	49,946		43,824	
	25,399		19,132	

4. INTANGIBLE ASSETS

	2011			2010		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Intangible assets with definite useful live						
Softwares	4,296	3,046	1,250	2,995	2,437	558
Non-competition agreements	1,272	547	725	605	415	190
Customer relationships	20,141	5,339	14,802	11,970	3,880	8,090
	25,709	8,932	16,777	15,570	6,732	8,838
Intangible assets with indefinite useful live						
Trademarks	5,412	—	5,412	4,404	—	4,404
	31 121	8 932	22 189	19 974	6 732	13 242

5. BANK LOAN

The Company has an available authorized line of credit in the amount of $26 million (2010 – $26 million) which bears interest at the bank's prime rate, which was 3.00% at November 30, 2011 (2010 – 3.00%) and is renewable annually. The Company also has an available authorized line of credit in the amount of US$5 million (2010 – US$5 million) with an American Bank, which bears interest at the bank's prime rate of 3.25% (2010 – 3.25%) plus 2.00% and is renewable annually.

6. LONG TERM DEBT

	2011 $	2010 $
Business acquisitions balances payable		
Not bearing interests, including US$3,132 (US$797 in 2010)	4,983	2,024
US$150 (US$412 in 2010) bearing interests at a fixed rate of 2.00% (2.00% in 2010)	153	423
US$400 (US$400 in 2010) bearing interests at a variable rate of 2.25% based on the prime rate less 1.00% (2.25% in 2010)	408	411
Balances payable	5,544	2,858
Less : current portion	4,309	2,072
	1,235	786

The principal instalments due on long term debt are as follows: $4,309 in 2012 and $415 in 2013 and $820 in 2014.

7. CAPITAL STOCK

Authorized

An unlimited number of:

Common shares.

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

Issued

	2011 $	2010 $
20,846,709 Common shares (21,153,209 in 2010)	19,714	17,623

During 2011, the Company issued 84,300 common shares (2010 – 51,450) at an average price of $18.24 per share (2010 – $9.72) pursuant to the exercise of options under the share option plan. In addition, during 2011, the Company, through a normal course issuer bid, purchased 372,800 common shares for cancellation in consideration of $10,517 (2010 – 696,000 for a consideration of $18,107), which resulted in a premium on the redemption in the amount of $10,177 as recorded in the consolidated statements of retained earnings (premium of $17,544 in 2010).

Share option plan

The Company has a share option plan for its directors, officers and key employees. The subscription price of each share issued under the plan is equal to the market price of the shares five days prior to the day the option was granted and must be paid in full at the time the option is exercised. Options may be exercised one year after they were granted on the basis of 25% per year and may not extend beyond ten years from the date they were granted.

As at November 30, 2011, 220,275 options (2010 – 269,275) were still available to be granted.

In the last two years, transactions involving options are summarized as follows:

	Options #	Exercise price per share $	Total $
Outstanding, November 30, 2009	944,500	5.15 to 24.76	18,658
Granted	35,000	22.92 to 23.37	804
Exercised	(51,450)	5.15 to 22.13	(500)
Cancelled	(9,750)	17.44 to 24.76	(200)
Outstanding, November 30, 2010	**918,300**	**7.28 to 24.76**	**18,762**
Granted	**51,000**	**27.93 to 30.68**	**1,555**
Exercised	**(84,300)**	**7.28 to 24.76**	**(1,538)**
Cancelled	**(2,000)**	**7.28 to 17.44**	**(20)**
Outstanding, November 30, 2011	**883,000**	**7.28 to 30.68**	**18,759**

The table below summarizes information regarding the share options outstanding as at November 30, 2011.

	Options outstanding			Exercisable options	
Range in exercise price (in dollars)	Number of options (in thousands)	Weighted average remaining period (years)	Weighted average exercise price (in dollars)	Number of options (in thousands)	Weighted average exercise price (in dollars)
9.97 – 14.50	51,000	1.30	14.44	51,000	14.44
14.51 – 21.69	375,200	6.06	18.82	260,725	13.22
21.70 – 24.76	405,800	4.49	23.20	378,800	21.67
24.77 – 30.68	51,000	9.27	30.49	—	—
	883,000	**5.25**	**21.25**	**690,525**	**16.41**

7. CAPITAL STOCK (Cont'd)

During the year 2011, the Company granted 51,000 options (2010 – 35,000) with an average exercise price of $30.49 per share (2010 – $22.98) and an average fair value of $8.73 per option (2010 – $6.52) as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.5% (2010 – 1.5%), a volatility of 25% (2010 – 25%), a risk free interest rate of 3.69% (2010 – 3.72%) and an expected life of 7 years (2010 – 7 years). The compensation expense charged to earnings for the options granted in 2011 amounted to $568 (2010 – $755).

Earnings per share

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

	2011	2010
	$	$
Weighted average number of shares outstanding – Basic	21,036	21,547
Dilutive effect under stock option plan	226	158
Weighted average number of shares outstanding – Diluted	21,262	21,705

Outstanding options to purchase 50,000 common shares with the exercise price exceeding the average market price for the year has been excluded from the computation of diluted earnings because their effect would have been anti-dilutive (2010 – 146,500).

8. INCOME TAXES

The main components of the provision for income taxes are as follows:

	2011	2010
	$	$
Current	17,843	19,729
Future		
Temporary differences	1,624	(1,001)
Impact of tax rate changes	(51)	(30)
	19,416	18,698

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

	2011	2010
	$	$
Combined statutory rates	28.44%	30.01%
Income taxes at combined statutory rates	16,862	17,277
Increase (decrease) resulting from:		
Impact of tax rate changes on future taxes	(51)	(30)
Impact of statutory rates changes for the subsidiary outside Canada	(175)	1,094
Stock-based compensation expense	162	226
Other non-deductible expenses	79	118
Valuation allowance on tax attributes	2,619	—
Other	(80)	13
	19,416	18,698

As at November 30, 2011, the tax attributes for which a valuation allowance was recorded were composed of income tax losses other than capital tax losses, which expire between 2029 and 2031.

Future income taxes in the balance sheets reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The major components of future tax assets and liabilities of the Company were as follows:

	2011	2010
	$	$
Future income taxes		
Translation of foreign exchange rates, other reserves only recognized for tax purposes upon disbursement and other tax attributes	2,634	4,111
Excess of the tax value of fixed assets over their carrying value	1,579	1,222
Excess of the intangible assets and goodwill's accounting value over their tax value	(7,715)	(5,712)
Net amount	(3,502)	(379)

The net future income taxes included the following as at November 30:

	2011	2010
	$	$
Future income tax assets	2,658	2,327
Future income tax liabilities	(6,160)	(2,706)
	(3,502)	(379)

9. COMMITMENTS

[a] Leases

The Company is committed with respect to operating leases for warehouse and office premises expiring on various dates up to 2018. The future minimum payments, excluding executory costs for which the Company is responsible, are as follows:

	$
2012	6,593
2013	5,501
2014	4,264
2015	3,113
2016	2,122
2017 and thereafter	1,328
	22,921

[b] Forward exchange contracts

As at November 30, 2011, the Company held the following forward exchange contracts having maturities of dates between December 2011 and February 2012.

Type	Currency in thousands	Average exchange rate
Purchase	4,000 Euro	1.3884

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated other comprehensive income, including the following items and the changes that occurred during the years ended November 30, 2011 and 2010, were as follows:

	2011	2010
	$	$
Balance at the beginning of the year	(5,567)	(4,324)
Translation adjustment of the net investment in self-sustaining foreign operations	(54)	(1,243)
Balance at the end of the year	(5,621)	(5,567)

11. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair values

The carrying value of the cash and cash equivalents, accounts receivable and accounts payable are a reasonable estimate of their fair value because of their short maturity.

(Amounts are in thousands of dollars, except per-share amounts])

11. FINANCIAL INSTRUMENTS AND OTHER INFORMATION (Cont'd)

The carrying value of long-term debt approximates their fair value either because of the floating rate nature of some loans or because management estimates that the loans payable with fixed interest rates have no significant differences between their fair value and their carrying value, based on rates currently available to the Company on loans with similar terms and remaining maturities.

As at November 30, 2011, the fair value of the forward exchange contracts resulted in a loss of approximately $54 (loss of approximately $321 as at November 30, 2010), representing the amount the Company would disburse on settlement of these contracts at spot rates.

Credit risk

The Company sells its products to numerous customers in Canada, and in a lesser proportion in the United States of America. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Company. The average days outstanding of accounts receivable as at November 30, 2011 is acceptable given the specific industry in which the Company evolves.

The Company performs ongoing credit evaluations of customers and generally does not require collateral. The allowance for doubtful accounts for the years ended November 30, 2011 and 2010 is as follows:

	2011	2010
	$	$
Balance at the beginning of the year	4,607	4,602
Allowance for doubtful accounts	2,438	1,508
Write-offs	(2,017)	(1,453)
Exchange rate variations	(22)	(50)
Balance at the end of the year	5,006	4,607

The balance of accounts receivable of the Company that are overdue for more than 60 days, but which were not provided for, totals $1,186 ($871 in 2010).

As at November 30, 2011 and 2010, no customer accounted for more than 10% of the total accounts receivable.

Market risk

The Company's foreign currency exposure arises from purchases and sales transacted mainly in U.S. dollars. Administrative charges included, for the year ended November 30, 2011, an exchange gain of $297 (2010 – gain of $300).

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

As at November 30, 2011, a decrease of 1% of the Canadian dollar against the U.S. dollar and the Euro, all other variables remaining the same, would have increased the consolidated earnings by $125 ($56 – 2010) and increased the consolidated comprehensive income by $570 ($483 – 2010). The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Company's financial instruments as of the balance sheet date.

As at November 30, 2011, the statements of comprehensive income include a foreign exchange loss of $54 (loss of $1,243 as at November 30, 2010) on the net investment in self-sustaining foreign operation resulting mainly from the conversion of the long-term investment in that operation.

Liquidity risk

The Company 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 Company has financed its growth, its acquisitions, and its payout to shareholders by using the cash generated by the operating activities.

Current fiscal year expenses

During the year ended November 30, 2011, the amount of inventories recorded as expenses from the distribution, imports and manufacturing activities totals $366,242 (2010 – $306,004). An expense of $472 (2010 – $1,544) for obsolescence is included in this amount.

12. GEOGRAPHIC INFORMATION

During the year ended November 30, 2011, near 81% of sales had been done in Canada (2010 – 85%). The Company's sales to foreign countries, almost entirely directed to the United States, amounted to $99,177 (2010 – $67,877) in Canadian dollars and to $100,454 (2010 – $65,720) in U.S. dollars.

As at November 30, 2011, out of a total amount of $25,399 in capital assets (2010 – $19,132), $2,492 (2010 – $1,696) are located in the USA. In addition, intangible assets located in the USA amounted to $13,708 (2010 – $9,389) and goodwill at $23,190 (2010 – $21,324) in Canadian dollars.

13. DISCONTINUED OPERATIONS

On December 29, 2009, the Company decided to discontinue its ceramic distribution activities and entered into a selling agreement, carried out on January 29, 2010, to dispose of its inventories for a consideration of $2,495. The Company has realized a gain, net of income taxes, of $650 through this transaction, which was included in the profit from discontinued operations disclosed in the consolidated income statement of the 2010 fiscal year. During that year, the ceramic distribution activities classified as discontinued operations generated sales of $1,471 and realized pre-tax earnings of $13.

14. MANAGEMENT OF CAPITAL

The Company's objectives are as follows:

- to maintain a low debt ratio to preserve its capacity to pursue its growth both internally and by acquisition
- to provide an adequate return to its shareholders

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

For the year ended November 30, 2011, the Company achieved the following results regarding its capital management objectives:

- a debt/equity ratio: 2.0% (2010 – 1.1%) (interest-bearing debt/shareholders'equity)
- a return on shareholders' equity of 14.9% over the last 12 months (15.9% for the 12 previous months)

The capital management objectives remain the same as for the previous fiscal year.

15. COMPARATIVE FIGURES

Some figures disclosed for the fiscal year ended November 30, 2010 have been reclassified accordingly to the presentation adopted during the fiscal year ended November 30, 2011.

Transfer Agent and Registrar
Computershare Trust Company of Canada

Auditors
Ernst & Young LLP
800 René-Lévesque Blvd. West
Suite 1900
Montreal, Quebec, H3B 1X9

Head Office
Richelieu Hardware Ltd.
7900 Henri-Bourassa Blvd. West
Saint-Laurent, Quebec, H4S 1V4
Telephone: 514 336-4144
Fax: 514 832-4002

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