Richelieu

Interim Report

Three and nine-month periods ended August 31, 2012

3

Message to shareholders

The performance achieved by Richelieu for the third quarter and first nine months of the financial year attests that our key strategies are still paying off, specifically sustained innovation, acquisitions and efficient integration, quality and availability of our products, as well as high standards of service network-wide and online.

For the quarter, we achieved net earnings attributable to shareholders of $12.8 million, up 11.8%, and for the first nine months of the year, of $32.8 million, up 15.3%. Our third-quarter EBITDA margin stood at 13.2% and our net margin attributable to shareholders at 8.6%. We remain vigilant in regard to our operating profitability, especially that of certain recent acquisitions having a different product mix from Richelieu. During the quarter, we further integrated CourterCo, acquired on May 1st, 2012, by combining our High Point, North Carolina centre's operations with CourterCo's nearby activities in Greensboro, having previously combined our Louisville, Kentucky operations during the last quarter.

Our consolidated sales grew by 9.3% to reach $148.8 million for the third quarter, bringing sales for the first nine months to $420 million. Our Canadian markets continued to make a significant contribution to our growth, yielding increases of 3.5% in the manufacturers market and 5.6% in the retailers and renovation superstores market, stemming entirely from internal growth. Our U.S. activities achieved solid growth, as reflected by the 27.0% (US$) sales increase, of which 13.9% from internal growth. Our performance in the United States results from our market development in both manufacturers and retailers markets, the diversification of our product offering and new synergies, to which was added CourterCo's contribution.

We are satisfied with our results and solid financial position, and we benefit from excellent liquidity to pursue our growth. We will continue to apply our internal growth strategy as well as our expansion through acquisitions, while creating further synergies with our latest acquisitions.

NEXT DIVIDEND PAYMENT

At its meeting on October 4, 2012, our Board of Directors approved the payment of a quarterly dividend of $0.12 per share. This dividend is payable on November 1st, 2012 to shareholders of record as at October 18, 2012.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the third quarter and first nine months ended August 31, 2012 in comparison with the third quarter and first nine months ended August 31, 2011, as well as the Company's financial position at those dates. This report should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the third quarter and first nine months of 2012 as well as the analysis and notes to the audited consolidated financial statements appearing in the 2011 Annual Report. In this management's report, "Richelieu" or the "Company" designate, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions or one of its subsidiaries or divisions. Supplementary information, including certificates for the interim period ended August 31, 2012 signed by the Company's President and Chief Executive Officer and Vice-President and Chief Financial Officer, is available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to October 4, 2012, on which date the unaudited consolidated financial statements and interim 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 International Financial Reporting Standards ("IFRS"), which since December 1, 2011 represent the Canadian generally accepted accounting principles ("GAAP") applicable to the Company. Notes 2 and 12 accompanying the interim consolidated financial statements for the quarter ended August 31, 2012 explain the extent to which the transition to IFRS had an impact on the Company's financial position, operating results and cash flows. The consolidated financial statements for the third quarter and first nine months ended August 31, 2012 have not been audited or reviewed by the Company's auditors.

Richelieu uses earnings before income taxes, interest and amortization ("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 the net earnings attributable to shareholders of the Company, as an indicator of financial performance or cash flows, or as a measure of liquidity. Because EBITDA is not a standardized measurement as prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

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

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 in the Company's 2011 Annual Report (see the "Risk Management" section on pages 32 and 33 of the 2011 Annual Report available on SEDAR at www.sedar.com).

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

GENERAL BUSINESS OVERVIEW
as at August 31, 2012

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 **nearly 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 tackboards, and floor protection products. Richelieu also specializes in the manufacture of a wide variety of veneer sheets and edgebanding products through its subsidiary Cedan Industries Inc., and of components for the window and door industry and mouldings through Menuiserie des Pins Ltée. In addition, 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. Approximately 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 diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;
- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service; and
- expanding in North America through the opening of distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

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

SELECTED CONSOLIDATED QUARTERLY INFORMATION
(Unaudited) (1)

Periods ended August 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	3 months 2012 $	3 months 2011 $	Δ %	9 months 2012 $	9 months 2011 $	Δ %
Sales	**148,782**	136,132	+ 9.3	**419,972**	388,502	+ 8.1
EBITDA (1)	**19,636**	19,153	+ 2.5	**51,533**	48,246	+ 6.8
EBITDA margin (%)	***13.2***	*14.1*		***12.3***	*12.4*	
Net earnings	**12,946**	11,594	+ 11.7	**33,086**	28,668	+ 15.4
Net earnings attributable to shareholders of the Company	**12,761**	11,411	+ 11.8	**32,762**	28,415	+ 15.3
• basic per share ($)	**0.61**	0.54	+ 13.0	**1.57**	1.35	+ 16.3
• diluted per share ($)	**0.60**	0.54	+ 11.1	**1.55**	1.33	+ 16.5
Net margin attributable to shareholders (%)	***8.6***	*8.4*		***7.8***	*7.3*	
Cash flows from operating activities (2)	**15,031**	13,919	+ 8.0	**39,172**	35,255	+ 11.1
• diluted per share ($)	**0.71**	0.66	+ 7.6	**1.85**	1.65	+ 12.1
Cash dividends paid on shares	**2,513**	2,310	+ 8.8	**7,525**	6,965	+ 8.0
• per share ($)	**0.12**	0.11		**0.36**	0.33	
Weighted average number of diluted shares outstanding (in thousands)	**21,209**	21,163		**21,140**	21,308	

Financial position data

As at	August 31, 2012 $	November 30, 2011 $	Δ %
Total assets	**345,244**	318,676	+ 8.3
Working capital	**192,630**	166,897	+ 15.4
Current ratio	***4.3***	*4.0*	
Equity	**279,981**	256,187	+ 9.3
Return on average equity (%)	***16.9***	*16.5*	
Book value ($)	**13.41**	12.29	+ 9.1
Total debt	**2,835**	5,544	– 48.9
Cash and cash equivalents	**41,613**	29,095	+ 43.0

(1) EBITDA is a non-IFRS measure, as described on page 2 of this report.
(2) Cash flows from operating activities and cash flows per share are non-IFRS measures, as described on page 2 of this report.

ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2012 COMPARED WITH THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2011

For the third quarter, Richelieu achieved **consolidated sales** of $148.8 million, an increase of $12.7 million or 9.3% over the corresponding quarter of 2011, of which 6.7% from internal growth and 2.6% from the contribution of CourterCo Inc. ("CourterCo") (Indiana, Kentucky, North Carolina) acquired on May 1st, 2012.

The Company recorded sales of $124.3 million in the **manufacturers** market, compared with $114.3 million for the corresponding period of 2011, an increase of $10.0 million or 8.8%, of which 5.7% from internal growth and 3.1% from the aforementioned acquisition. All its market segments contributed to this growth, especially kitchen and bathroom cabinet manufacturers as well as the residential and commercial woodworking industry, in both Canada and the United States. In the hardware **retailers** and renovation superstores market, Richelieu posted sales of $24.5 million, compared with $21.9 million for the corresponding quarter of 2011, an increase of $2.6 million or 11.9% to which all its geographic markets contributed, thanks notably to its sustained innovation strategy and the greater diversity of its product offering.

In Canada, sales totalled $114.2 million, compared with $110.0 million for the third quarter of 2011, an increase of $4.2 million or 3.9% from internal growth. The markets in Eastern Canada, Ontario and Western Canada contributed to growth with increases of 3.1%, 6.5% and 3.2% respectively for the third quarter. In Canada, the Company's sales to **manufacturers** grew by 3.5% to $92.7 million, compared with $89.6 million for the third quarter of 2011. As for the hardware **retailers** and renovation superstores market, it posted a 5.6% growth, thanks notably to the launch of new products. Consequently, sales to retailers totalled $21.5 million, up from $20.4 million for the corresponding quarter of 2011.

In the United States, sales amounted to US$34.2 million, compared with US$26.9 million for the corresponding quarter of 2011, an increase of US$7.3 million or 27.0%, of which 13.9% from internal growth and 13.1% from CourterCo's contribution. This internal growth is attributable to the constant market penetration efforts and launch of new products; it is all the more appreciable as it was achieved in an economic context that remained relatively difficult. In Canadian dollars, U.S. sales amounted to $34.6 million, compared with $26.2 million for the corresponding quarter of 2011, an increase of 32.1%, of which 18.5% from internal growth and 13.6% from CourterCo. They accounted for 23.2% of consolidated sales for the third quarter of 2012, versus 19.2% of consolidated sales for the corresponding quarter of 2011. Sales to **manufacturers** stood at $31.6 million, an increase of 28.1%, of which 13.8% from internal growth and 14.3% from CourterCo. As for sales to hardware **retailers** and renovation superstores, they grew by 96.5%, reflecting market development efforts, mainly the impact of exceptional sales resulting from the introduction of additional products in retailers' stores during the quarter.

Consolidated sales
(in thousands of $, except exchange rate)

Periods ended August 31,	3 months 2012 $	2011 $	Δ %	9 months 2012 $	2011 $	Δ %
Canada	**114,218**	109,959	+ 3.9	**330,541**	316,491	+ 4.4
United States (CA$)	**34,564**	26,173	+ 32.1	**89,431**	72,011	+ 24.2
(US$)	**34,178**	26,921	+ 27.0	**88,779**	73,687	+ 20.5
Average exchange rate	***1.0113***	*0.9722*		***1.0073***	*0.9773*	
Consolidated sales	**148,782**	136,132	+ 9.3	**419,972**	388,502	+ 8.1

For the first nine months, consolidated sales totalled $420.0 million, an increase of $31.5 million or 8.1% over the first nine months of 2011, of which 5.7% from internal growth and 2.4% from the contribution of Outwater Hardware ("Outwater"), Madico Inc. ("Madico"), Provincial Woodproducts Ltd ("Provincial") and CourterCo.

Sales to **manufacturers** amounted to $352.0 million, compared with $327.4 million for the corresponding period of 2011, an increase of $24.6 million or 7.5%, of which 4.9% from internal growth and 2.6% from the aforementioned acquisitions. It is to be noted that all the Company's market segments contributed to this growth, with the largest increases stemming from kitchen and bathroom cabinet manufacturers as well as the residential and commercial woodworking industry. Sales to hardware **retailers** and renovation superstores amounted to $67.9 million, compared with $61.1 million for the corresponding period of 2011, an increase of $6.8 million or 11.2% recorded in all markets thanks notably to the sustained innovation strategy and launch of new products.

In Canada, sales stood at $330.5 million, compared with $316.5 million for the first nine months of 2011, an increase of $14.0 million or 4.4%, of which 3.5% from internal growth and 0.9% from Madico and Provincial. All three geographic markets contributed to this growth, with increases of 5.6% in Eastern Canada, 3.5% in Ontario and 3.2% in Western Canada over the first nine months of 2011. In Canada, Richelieu's sales to **manufacturers** reached $267.4 million, an increase of 3.7%, of which 2.7% from internal growth and 1.0% primarily from Provincial's contribution. Sales to hardware **retailers** and renovation superstores totalled $63.1 million, compared with $58.6 million for the first nine months of 2011, up 7.7% thanks notably to the aforementioned factors and Madico's contribution.

In the United States, sales amounted to US$88.8 million, compared with US$73.7 million for the first nine months of 2011, an increase of US$15.1 million or 20.5%, of which 12.0% from internal growth and 8.5% from the contribution of Outwater and CourterCo. In Canadian dollars, U.S. sales stood at $89.4 million, compared with $72.0 million for the first nine months of 2011, an increase of 24.2%, of which 15.4% from internal growth and 8.8% from the two previously mentioned acquisitions. They accounted for 21.3% of consolidated sales for the first nine months of 2012, compared with 18.5% of consolidated sales for the corresponding period of 2011. Sales to **manufacturers** amounted to $84.6 million, an increase of 21.7%, of which 12.8% from internal growth and 8.9% from the contribution of Outwater and CourterCo. As for sales to hardware **retailers** and renovation superstores, they grew by 92.7%, reflecting the market development efforts, including the impact of exceptional sales resulting from the introduction of additional products in retailers' stores during the third quarter.

Consolidated EBITDA and EBITDA margin (in thousands of $, unless otherwise indicated)						
	3 months			9 months		
Periods ended August 31	**2012** **$**	2011 $	Δ %	**2012** **$**	2011 $	Δ %
Sales	**148,782**	136,132	+ 9.3	**419,972**	388,502	+ 8.1
EBITDA	**19,636**	19,153	+ 2.5	**51,533**	48,246	+ 6.8
EBITDA margin (%)	***13,2***	*14.1*		***12.3***	*12.4*	

Third-quarter earnings before income taxes, interest and amortization (EBITDA) grew to $19.6 million, up 2.5% over the corresponding quarter of 2011 due primarily to the sales growth. **The gross profit margin** was down slightly from the third quarter of 2011 subsequent notably to the recent acquisition of CourterCo whose product mix differs from that of Richelieu, the larger proportion of sales recorded in the U.S. markets and the impact of the introduction of additional products in the retailers market. Combined with an increase in expenses related to new marketing programs, these same factors account for **the EBITDA margin** of 13.2%.

Although EBITDA increased, income taxes amounted to $4.9 million, down by $0.7 million from the third quarter of 2011, on account of fluctuations in results by region where the Company and its subsidiaries are subject to tax rates and tax regulations differing from one another.

For the first nine months, earnings before income taxes, interest and amortization (EBITDA) totalled $51.5 million, up 6.8% over the first nine months of 2011. **The gross profit margin** remained relatively stable compared with the first nine months of 2011, as did **the EBITDA margin** which stood at 12.3% versus 12.4% for the corresponding period of the previous year.

Although EBITDA increased, income taxes amounted to $13.0 million, down by $0.9 million from the first nine months of 2011, on account of fluctuations in results by region where the Company and its subsidiaries are subject to tax rates and tax regulations differing from one another.

Consolidated net earnings attributable to shareholders (in thousands of $, unless otherwise indicated)						
	3 months			9 months		
Periods ended August 31	**2012** **$**	2011 $	Δ %	**2012** **$**	2011 $	Δ %
EBITDA	**19,636**	19,153	+ 2.5	**51,533**	48,246	+ 6.8
Amortization of property, plant and equipment and intangible assets	**1,902**	1,983	- 4.1	**5,661**	5,734	- 1.3
Financial cost, net	**(122)**	(32)		**(187)**	(18)	
Income taxes	**4,910**	5,608	- 12.4	**12,973**	13,862	- 6.4
Net earnings	**12,946**	11,594	+ 11.7	**33,086**	28,668	+ 15.4
Net earnings attributable to shareholders of the Company	**12,761**	11,411	+ 11.8	**32,762**	28,415	+ 15.3
Net margin attributable to shareholders (%)	***8.6***	*8.4*		***7.8***	*7.3*	
Non-controlling interests	**185**	183		**324**	253	
Net earnings	**12,946**	11,594	+ 11.7	**33,086**	28,668	+ 15.4

Third-quarter net earnings grew by 11.7%. Considering non-controlling interests, **net earnings attributable to shareholders of the Company** amounted to $12.8 million, up 11.8% over the corresponding quarter of 2011. **The net margin attributable to shareholders** improved to 8.6%. Earnings per share amounted to $0.61 basic and $0.60 diluted, compared with $0.54 basic and diluted for the third quarter of 2011, an increase of 13.0% and 11.1% respectively.

Comprehensive income stood at $10.8 million, on account of a negative adjustment of $2.2 million on translation of the financial statements of the subsidiary in the United States, compared with $11.8 million for the corresponding quarter of 2011, on account of a positive adjustment of $0.2 million on translation of the financial statements of the subsidiary in the United States.

For the first nine months, net earnings grew by 15.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Company** totalled $32.8 million, up 15.3% over the first nine months of 2011. The net margin attributable to shareholders improved to 7.8%. **Earnings per share** amounted to $1.57 basic and $1.55 diluted, compared with $1.35 basic and $1.33 diluted for the first nine months of 2011, an increase of 16.3% and 16.5% respectively.

Comprehensive income stood at $31.6 million, on account of a negative adjustment of $1.5 million on translation of the financial statements of the subsidiary in the United States, compared with $27.5 million for the corresponding period of 2011, 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

(Unaudited)

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

Quarters	1	2	3	4
2012				
Sales	**124,083**	**147,107**	**148,782**	
EBITDA	**13,280**	**18,617**	**19,636**	
Net earnings attributable to shareholders of the Company	**8,004**	**11,997**	**12,761**	
basic per share	**0.38**	**0.57**	**0.61**	
diluted per share	**0.38**	**0.57**	**0.60**	
2011				
Sales	113,192	139,178	136,132	135,284
EBITDA	12,018	17,075	19,153	18,903
Net earnings attributable to shareholders of the Company	6,989	10,015	11,411	11,311
basic per share	0.33	0.48	0.54	0.54
diluted per share	0.33	0.47	0.54	0.54
2010 (Canadian GAAP)				
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

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

FINANCIAL POSITION

Analysis of principal cash flows for the third quarter and first nine months ended August 31, 2012

Change in cash and cash equivalents and capital resources
(in thousands of $)

Periods ended August 31	3 months 2012 $	3 months 2011 $	9 months 2012 $	9 months 2011 $
Cash flows provided by (used for):				
Operating activities	**16,629**	15,935	**28,051**	19,906
Financing activities	**(4,942)**	(4,385)	**(10,572)**	(13,939)
Investing activities	**(759)**	(1,647)	**(4,852)**	(28,504)
Effect of exchange rate fluctuations	**(86)**	(33)	**(109)**	19
Net change in cash and cash equivalents	**10,842**	9,870	**12,518**	(22,518)
Cash and cash equivalents, beginning of period	**30,771**	6,901	**29,095**	39,289
Cash and cash equivalents, end of period	**41,613**	16,771	**41,613**	16,771

As at	August 31 2012 $	November 30 2011 $
Working capital	**192,630**	166,897
Renewable line of credit (CA$)	**26,000**	26,000
Renewable line of credit (US$)	**5,000**	5,000

Operating activities

Third-quarter cash flows related to operating activities (before net change in non-cash working capital balances related to operations) amounted to $15.0 million or $0.71 diluted per share, compared with $13.9 million or $0.66 diluted per share for the third quarter of 2011, an increase of 8.0% primarily reflecting the net earnings growth. Net change in non-cash working capital balances related to operations provided cash flows of $1.6 million, compared with $2.0 million for the third quarter of 2011. Consequently, operating activities provided cash flows of $16.6 million, up 4.4% over the third quarter of 2011.

For the first nine months, cash flows related to operating activities (before net change in non-cash working capital balances related to operations) totalled $39.2 million or $1.85 diluted per share, compared with $35.3 million or $1.65 diluted per share for the first nine months of 2011, primarily reflecting the increase of $4.4 million in net earnings and the reduction of $0.3 million in deferred taxes. Net change in non-cash working capital balances used cash flows of $11.1 million, compared with $15.3 million for the first nine months of 2011. The changes in accounts receivable, inventories and prepaid expenses represented a cash outflow of $15.4 million, whereas accounts payable and income taxes payable represented a cash inflow of $4.3 million. Consequently, operating activities provided cash flows of $28.1 million, compared with $19.9 million for the first nine months of 2011.

Financing activities

Third-quarter financing activities represented a cash outflow of $4.9 million, compared with $4.4 million for the corresponding quarter of 2011. The Company paid shareholder dividends of $2.5 million, up 8.8% over the corresponding quarter of 2011, on account of the 9.1% dividend increase announced in January 2012. During the quarter, it also repurchased common shares under its normal course issuer bid for $2.5 million, compared with $1.0 million in the third quarter of 2011. Finally, it issued common shares for $0.1 million upon the exercise of stock options under its stock option plan.

For the first nine months, Richelieu paid shareholder dividends of $7.5 million, up 8.0% over the first nine months of 2011, on account of the 9.1% dividend increase announced in January 2012. The Company also issued common shares for $2.3 million upon the exercise of stock options under its stock option plan, compared with $0.8 million during the corresponding period of 2011, and repurchased common shares under its normal course issuer bid for $2.8 million, compared with $6.6 million during the first nine months of 2011. In addition, Richelieu repaid $2.6 million on its long-term debt, compared with $1.2 million during the corresponding period of 2011. Consequently, financing activities represented a cash outflow of $10.6 million, compared with $13.9 million for the first nine months of 2011.

Investing activities

In the third quarter, Richelieu invested $0.8 million in software and equipment required for operations, whereas it had invested $1.6 million in the corresponding quarter of 2011, primarily in the expansion of the Montreal and Laval distribution centres as well as complementary modules to the Company's information technology system.

In the first nine months, the Company invested a total of $4.9 million, of which $2.4 million in the acquisition of the net assets of CourterCo and approximately $2.5 million in software and equipment. It is to be noted that during the first nine months of 2011, the Company had invested $28.5 million, of which $18.5 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 $10.0 million in capital assets, primarily in the expansion of the Montreal and Laval distribution centres as well as complementary modules to the Company's information technology system.

Sources of financing

As August 31, 2012, **cash and cash equivalents** totalled $41.6 million, compared with $16.8 million a year earlier. Furthermore, the Company posted a working capital of $192.6 million for a current ratio of 4.3:1, compared with $166.9 million (4.0:1 ratio) as at November 30, 2011.

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 the rest of the year. 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.

Analysis of financial position as at August 31, 2012

Summary balance sheet
(in thousands of $)

As at	**August 31, 2012 $**	November 30, 2011 $
Current assets	**251,765**	223,059
Non-current assets	**93,479**	95,617
Total	**345,244**	318,676
Current liabilities	**59,135**	56,162
Other liabilities	**6,128**	6,327
Equity	**279,981**	256,187
Total	**345,244**	318,676
Translation exchange rate of a self-sustaining foreign operation in the United States	***0.9857***	*1.0203*

Assets

Total assets amounted to $345.2 million as at August 31, 2012, compared with $318.7 million as at November 30, 2011, an increase of 8.3% or $26.6 million. This increase is attributable to the Company's growth and the acquisition of CourterCo. **Current assets** grew by 12.9% or $28.7 million over November 30, 2011, notably reflecting the increase of $12.6 million in inventories, of $12.5 million in cash and cash equivalents, of $4.3 million in accounts receivable and approximately $0.1 million in prepaid expenses, whereas income taxes receivable decreased by $0.7 million.

Net cash
(in thousands of $)

As at	**August 31, 2012 $**	November 30, 2011 $
Current portion of long-term debt	**2,015**	4,309
Long-term debt	**820**	1,235
Total	**2,835**	5,544
Cash and cash equivalents	***41,613***	*29,095*
Total net cash	**38,778**	23,551

As at August 31, 2012, **total debt** amounted to $2.8 million, including long-term debt of $0.8 million and a current portion of $2.0 million representing balances payable on prior acquisitions.

Equity totalled $280.0 million as at August 31, 2012, up from $256.2 million as at November 30, 2011, an increase of 9.3% stemming mainly from the $22.5 million growth in retained earnings, which amounted to $251.6 million as August 31, 2012, and a $3.3 million growth in share capital, less changes in accumulated other comprehensive income of $1.5 million and the variation of $0.8 million in contributed surplus. At the close of the first nine months of 2012, **the book value per share** was $13.41, compared with $12.29 as at November 30, 2011.

As at August 31, 2012, the Company's **share capital** consisted of 20,871,934 common shares (20,846,709 shares as at November 30, 2011). In the first nine months of the year, the Company issued 109,125 common shares at an average price of $21.19 (49,300 in 2011 at an average price of $16.82) upon the exercise of options under its stock option plan. Also during the nine-month period ended August 31, 2012, 83,900 common shares were purchased for cancellation under the normal course issuer bid for a cash consideration of $2.8 million (225,200 common shares for a cash consideration of $6.6 million in 2011). Furthermore, during the nine-month period ended August 31, 2012, the Company granted 41,000 stock options (51,000 in 2011). Consequently, as at August 31, 2012, 778,250 stock options were outstanding (918,000 as at August 31, 2011).

CONTRACTUAL COMMITMENTS

There were no major changes in Richelieu's contractual commitments outside the normal course of business, compared with those set forth on page 27 of the Company's 2011 Annual Report, available on SEDAR at www.sedar.com. 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.

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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As indicated in the 2011 Annual Report, available on SEDAR at www.sedar.com, management has designed and evaluated internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P) to provide reasonable assurance that the Company's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of *National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings*, the design and the effectiveness of internal controls over financial reporting as at November 30, 2011. In light of this assessment, the Company's management believes that the design and the effectiveness of internal controls over financial reporting (ICFR) are adequate to provide reasonable assurance and that such controls are effective. During the quarter ended August 31, 2012, management evaluated that there were no material changes in the Company's procedures that had or are reasonably likely to have a material impact on its internal control over financial reporting.

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.

SIGNIFICANT ACCOUNTING METHODS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Accounting Standards Board of the Canadian Institute of Chartered Accountants 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's interim consolidated financial statements for the three and nine-month periods ended August 31, 2012 have been established by management in accordance with IFRS. These interim consolidated financial statements have been prepared in accordance with IFRS, including IFRS 1, First-Time Adoption of International Financial Reporting Standards and IAS 34, Interim Financial Reporting. Notes 2 and 12 accompanying the interim consolidated financial statements explain the extent to which the transition to IFRS had an impact on the Company's financial position, operating results and cash flows.

The interim consolidated financial statements were prepared in accordance with the accounting methods that the Company intends to adopt for the establishment of its consolidated financial statements as at November 30, 2012 and require management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and appearing in the accompanying notes, which could be modified. The estimates are based on management's knowledge of current events, on the measures the Company could take in the future and on other factors deemed relevant and reasonable.

Risk factors are described in the "Risk Management" section on pages 32 and 33 of Richelieu's 2011 Annual Report, available on SEDAR at www.sedar.com.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on SEDAR at www.sedar.com.

(Signed) Richard Lord
President and
Chief Executive Officer

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

October 4, 2012

CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

(In thousands of dollars, except earnings per share)

	Notes	For the three-month period ended August 31 2012 $	2011 $	For the nine-month period ended August 31 2012 $	2011 $
Sales		**148,782**	136,132	**419,972**	388,502
Cost of goods sold, and warehousing, selling and administrative expenses	9	**129,146**	116,979	**368,439**	340,256
Earnings before the undernoted		**19,636**	19,153	**51,533**	48,246
Amortization of property, plant and equipment		**1,315**	1,447	**3,911**	4,339
Amortization of intangible assets		**587**	536	**1,750**	1,395
Financial costs, net		**(122)**	(32)	**(187)**	(18)
		1,780	1,951	**5,474**	5,716
Earnings before income taxes		**17,856**	17,202	**46,059**	42,530
Income taxes		**4,910**	5,608	**12,973**	13,862
Net earnings		**12,946**	11,594	**33,086**	28,668
Attributable to:					
Shareholders of the Company		**12,761**	11,411	**32,762**	28,415
Non-controlling interests		**185**	183	**324**	253
		12,946	11,594	**33,086**	28,668
Net earnings per share attributable to shareholders of the Company	6				
Basic		**0.61**	0.54	**1.57**	1.35
Diluted		**0.60**	0.54	**1.55**	1.33

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(In thousands of dollars)

	Notes	For the three-month period ended August 31 2012 $	2011 $	For the nine-month period ended August 31 2012 $	2011 $
Net earnings		**12,946**	11,594	**33,086**	28,668
Other comprehensive income (loss)					
Exchange difference on net investment in a self-sustaining foreign operation	9	**(2,166)**	239	**(1,518)**	(1,241)
Comprehensive income		**10,780**	11,833	**31,568**	27,427
Attributable to:					
Shareholders of the Company		**10,595**	11,650	**31,244**	27,174
Non-controlling interests		**185**	183	**324**	253
		10,780	11,833	**31,568**	27,427

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

For the nine-month period ended August 31, 2012 (In thousands of dollars)

	Attributable to shareholders of the Company						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
Notes	6			8			
Balance as at December 1, 2010	17,623	3,906	208,782	—	230,311	3,430	233,741
Net earnings	—	—	28,415	—	28,415	253	28,668
Other comprehensive income (loss)	—	—	—	(1,241)	(1,241)	—	(1,241)
Comprehensive income	—	—	28,415	(1,241)	27,174	253	27,427
Business combinations	—	—	—	—	—	1,532	1,532
Shares repurchased	(201)	—	(6,370)	—	(6,571)	—	(6,571)
Stock options exercised	1,483	(654)	—	—	829	—	829
Share-based compensation expense	—	431	—	—	431	—	431
Dividends	—	—	(6,965)	—	(6,965)	—	(6,965)
Other liabilities	—	—	—	—	—	(1,593)	(1,593)
	1,282	(223)	(13,335)	—	(12,276)	(61)	(12,337)
Balance as at August 31, 2011	**18,905**	**3,683**	**223,862**	**(1,241)**	**245,209**	**3,622**	**248,831**
Balance as at November 30, 2011	19,714	3,586	229,064	103	252,467	3,720	256,187
Net earnings	—	—	32,762	—	32,762	324	33,086
Other comprehensive income (loss)	—	—	—	(1,518)	(1,518)	—	(1,518)
Comprehensive income	—	—	32,762	(1,518)	31,244	324	31,568
Shares repurchased	(91)	—	(2,712)	—	(2,803)	—	(2,803)
Stock options exercised	3,407	(1,095)	—	—	2,312	—	2,312
Share-based compensation expense	—	324	—	—	324	—	324
Dividends	—	—	(7,525)	—	(7,525)	—	(7,525)
Other liabilities	—	—	—	—	—	(82)	(82)
	3,316	(771)	(10,237)	—	(7,692)	(82)	(7,774)
Balance as at August 31, 2012	**23,030**	**2,815**	**251,589**	**(1,415)**	**276,019**	**3,962**	**279,981**

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

(In thousands of dollars)

	Notes	**As at August 31, 2012 $**	As at November 30, 2011 $	As at December 1st, 2010 $
ASSETS				
Current assets				
Cash and cash equivalents		**41,613**	29,095	39,289
Accounts receivable		**76,673**	72,366	65,017
Income taxes receivable		**945**	1,688	—
Inventories		**131,315**	118,753	117,609
Prepaid expenses		**1,219**	1,157	837
		251,765	223,059	222,752
Property, plant and equipment	13	**23,002**	24,927	18,473
Intangible assets	13	**15,806**	16,639	7,420
Goodwill	13	**51,335**	50,748	43,335
Deferred taxes		**3,336**	3,303	2,972
		345,244	318,676	294,952
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**57,120**	51,853	54,612
Income taxes payable		**—**	—	3,741
Current portion of long-term debt		**2,015**	4,309	2,072
		59,135	56,162	60,425
Long-term debt		**820**	1,235	786
Deferred taxes		**3,605**	3,471	—
Other liabilities		**1,703**	1,621	—
		65,263	62,489	61,211
EQUITY				
Share capital	6	**23,030**	19,714	17,623
Contributed surplus	6	**2,815**	3,586	3,906
Retained earnings		**251,589**	229,064	208,782
Accumulated other comprehensive income (loss)	8	**(1,415)**	103	—
Equity attributable to shareholders of the Company		**276,019**	252,467	230,311
Non-controlling interests		**3,962**	3,720	3,430
		279,981	256,187	233,741
		345,244	318,676	294,952

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board:

(Signed) Richard Lord
Director

(Signed) Mathieu Gauvin
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(In thousands of dollars)

	Note	For the three-month period ended August 31 2012 $	2011 $	For the nine-month period ended August 31 2012 $	2011 $
OPERATING ACTIVITIES					
Net earnings		**12,946**	11,594	**33,086**	28,668
Items not affecting cash					
Amortization of property, plant and equipment		**1,315**	1,447	**3,911**	4,339
Amortization of intangible assets		**587**	536	**1,750**	1,395
Deferred taxes		**84**	203	**101**	422
Share-based compensation expense		**99**	139	**324**	431
		15,031	13,919	**39,172**	35,255
Net change in non-cash working capital balances		**1,598**	2,016	**(11,121)**	(15,349)
		16,629	15,935	**28,051**	19,906
FINANCING ACTIVITIES					
Repayment of long-term debt		**(18)**	(1,132)	**(2,556)**	(1,232)
Dividends paid	7	**(2,513)**	(2,310)	**(7,525)**	(6,965)
Common shares issued		**123**	26	**2,312**	829
Common shares repurchased for cancellation		**(2,534)**	(969)	**(2,803)**	(6,571)
		(4,942)	(4,385)	**(10,572)**	(13,939)
INVESTING ACTIVITIES					
Business acquisitions		**—**	—	**(2,386)**	(18,498)
Additions to property, plant and equipment and intangible assets		**(759)**	(1,647)	**(2,466)**	(10,006)
		(759)	(1,647)	**(4,852)**	(28,504)
Effect of exchange rate changes on cash and cash equivalents		**(86)**	(33)	**(109)**	19
Net change in cash and cash equivalents		**10,842**	9,870	**12,518**	(22,518)
Cash and cash equivalents, beginning of period		**30,771**	6,901	**29,095**	39,289
Cash and cash equivalents, end of period		**41,613**	16,771	**41,613**	16,771
Supplementary information					
Income taxes paid		**2,879**	6,114	**12,177**	16,722
Interest paid (received)		**(123)**	23	**(194)**	(30)

See accompanying notes to the interim consolidated financial statements.

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

1. NATURE OF BUSINESS

Richelieu Hardware Ltd. (the "Company") is incorporated under the laws of Québec, Canada. The Company is a distributor, importer, and manufacturer of specialty hardware and complementary products. These products target 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 big box home renovation stores. The Company's head office is located at 7900 Henri-Bourassa Blvd, W., Saint-Laurent, Québec, Canada H4S 1V4.

2. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's interim consolidated financial statements, presented in Canadian dollars, have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), more specifically with IAS 34, *Interim Financial Reporting* and with IFRS 1, *First time Adoption of International Financial Reporting Standards*. Note 12 explains how the transition to IFRS affected the Company's financial position, results and cash flows, and presents reconciliations between IFRS and Canadian generally accepted accounting principles ("GAAP") for equity and comprehensive income for the comparative periods and for the statement of financial position at the IFRS transition date and as at November 30, 2011.

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Company intends to apply when preparing the annual consolidated financial statements as at November 30, 2012 and requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future and other factors deemed relevant and reasonable.

The judgments made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period, are summarized as follows:

- Current assets and liabilities: Inventory impairment, including loss and obsolescence, estimating customer rebates, estimating provisions and contingent liabilities, measuring the allowance for doubtful accounts and the classification of leases require the use of judgment and assumptions that may affect the amounts reported in the interim consolidated financial statements. The underlying estimates and assumptions are reviewed regularly. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in the future periods affected by the revisions. Actual results could differ from those estimates.
- Impairment of non-current assets: Management uses its judgment to determine whether indicators of impairment exist in respect of property, plant and equipment and intangible assets with finite useful lives. In impairment testing of goodwill and intangible assets with indefinite useful lives, value in use and fair value less costs to sell are estimated using a discounted future cash flow model. The application of this method is based on different assumptions as described in note 3.
- Deferred taxes: Deferred tax assets are recognized when it is probable that the Company will have future taxable income against which these tax assets may be offset. In determining these deferred tax assets, assumptions are considered, such as the tax loss carry forward period and the level of future taxable income based on tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

The consolidated financial statements include the accounts of Richelieu Hardware Ltd. and its subsidiaries. Non-controlling interests are recognized in the interim consolidated financial statements following the consolidation of the Menuiserie des Pins Ltd. and Provincial Woodproducts Ltd. subsidiaries in which the Company holds 75% and 85%, respectively, of outstanding common shares. All intercompany balances and transactions are eliminated upon consolidation.

For each acquisition, the Company has elected to measure non-controlling interests either at fair value or at the carrying amount of the share of net identifiable assets used to determine the purchase price allocation. Options to purchase non-controlling interests that meet the definition of a financial liability under IAS 32, *Financial Instruments: Presentation*, are measured at fair value and presented under other liabilities. Gains or losses on remeasurement at each period end are recognized through comprehensive income.

Cash and cash equivalents

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

Accounts receivable

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

Inventories

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

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets

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

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 net earnings in an amount equal to the excess.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized.

Impairment of non-current assets

At the end of each reporting period, the Company must determine whether indicators of impairment exist for its non-current assets, excluding goodwill and intangible assets with indefinite lives. If such indicators exist, the non-current assets are tested for impairment. The Company is required to test goodwill and intangible assets with indefinite lives for impairment at least once a year, whether or not indicators of impairment exist.

Impairment tests are carried out on the asset itself, the cash-generating unit ("CGU") or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has identified 14 CGUs in the U.S. and 10 CGUs in Canada, namely manufacturing or distribution centres or combinations of distribution centres. Goodwill and the supporting assets that cannot be wholly allocated to a single CGU are tested for impairment at the operating segment level.

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

To determine value in use, management makes assumptions regarding revenue growth, the gross margin generated, the working capital required to support operations over the next five years, long-term market growth, and the appropriate discount rate to reflect the time value of money and the risks specific to each CGU not accounted for in cash flows.

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

Other liabilities

Accounts payable and accrued liabilities are classified in "other financial liabilities" and are initially recorded at fair value. They are subsequently measured at amortized cost using the effective interest method. For the Company, this measurement is usually equivalent to cost.

Provisions

Provisions are recorded when the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Company will be required to settle the obligation and if the amount of the obligation can be reasonably estimated. The provision recorded is the best estimate of the cash outflow required to settle the present obligation at the end of the reporting period. Where a provision is measured based on the estimated cash flows required to settle the present obligation, its carrying amount is equal to the discounted value of these cash flows.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the best estimates at that date and are reported under accounts payable and accrued liabilities.

Where a potential outflow of resources embodying economic benefits arising from a present obligation is deemed improbable or to have low probability, no liability is recognized.

Revenue recognition

Revenues are recognized when finished products are shipped to customers. Customer rebates are accounted for as a reduction of sales.

Income taxes

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

Foreign currency translation

The consolidated financial statements are presented in the Company's functional currency, which is the Canadian dollar. The Company follows the temporal method of translating 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 the end of the reporting period and the other items in the statements of financial position and earnings are translated at the exchange rates in effect at the date of transaction. Exchange gains and losses are reflected through net earnings for the year.

The 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 end of the reporting period. Revenues and expenses are translated at the rate in effect at the date of transaction. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

Foreign exchange forward contracts

The Company periodically enters into foreign exchange forward contracts with major financial institutions to partially hedge the effects of changes in foreign exchange rates related to foreign currency liabilities, as well as to hedge anticipated purchase transactions. The Company does not use derivatives for speculative purposes.

The Company uses hedge accounting only when IFRS documentation criteria are met. Derivative financial instruments designated as cash flow hedges are classified as available-for-sale financial assets and liabilities and are measured at fair value, which is the instruments' approximate settlement value at market rates. Gains and losses on remeasurement at each year-end are recorded in comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

If the instrument is not designated and documented as a hedge, changes in fair value are recognized in the statement of consolidated earnings for the year. Assets or liabilities related to financial instruments are included in accounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

Share-based payment

The Company recognizes stock-based compensation and other share-based payments in net earnings using the fair value method for stock options granted. The Black & Scholes model is used to determine the grant date fair value of stock options. Compensation expense is recorded over the stock options' vesting period.

The Company offers a deferred share unit ("DSU") plan to its directors who can elect to receive part or all of their compensation in DSUs. DSUs earn dividend equivalents in the form of additional DSUs at the same rate as dividends paid on the Corporation's common shares. The value of DSUs is redeemable for cash only when a director ceases to be a member of the Board. The financial liability resulting from the plan is measured at fair value at each period-end and changes are charged to the consolidated statement of earnings.

Net earnings per share

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

4. CHANGES IN ACCOUNTING METHODS

The IASB recently issued new standards with effective dates for fiscal years 2013 and thereafter, as presented below.

IFRS 9, *Financial Instruments*

In November 2009, the International Accounting Standard Board ("IASB") published IFRS 9, *Financial Instruments*. This new standard simplifies the classification and measurement of financial assets set out in IAS 39, *Financial Instruments: Recognition and Measurement*. Financial assets are to be measured at amortized cost or fair value. They are to be measured at amortized cost if the two following conditions are met:

(a) The assets are held within a business model whose objective is to collect contractual cash flows; and

(b) The contractual cash flows are solely payments of principal and interest on the outstanding principal.

All other financial assets are to be measured at fair value through earnings. The entity may, if certain conditions are met, elect to use the fair value option instead of measurement at amortized cost. As well, the entity may choose upon initial recognition to measure non-trading equity investments at fair value through comprehensive income. Such a choice is irrevocable.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39. For financial liabilities measured at fair value through earnings using the fair value option, the amount of change in a liability's fair value attributable to changes in its credit risk is recognized directly in other comprehensive income.

In December 2011, the IASB deferred the mandatory effective date of IFRS 9 to fiscal years beginning on or after January 1st 2015. Early adoption is permitted under certain conditions. An entity is not required to restate comparative financial periods for its first time application of IFRS 9, but must comply with the new disclosure requirements.

IFRS 10, *Consolidated Financial Statements*

In May 2011, the IASB published IFRS 10, *Consolidated Financial Statements*, which supersedes SIC-12, *Consolidation – Special Purpose Entities* and certain parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

(a) Power over the investee;

(b) Exposure or rights to variables returns from involvement with the investee;

(c) The ability to use power over the investee to affect the amount of the investor's returns.

IFRS 10 will be applied to fiscal years beginning on or after January 1, 2013 with earlier adoption permitted under certain conditions.

IFRS 12, *Disclosure of Interests in Other Entities*

In May 2011, the IASB published IFRS 12, *Disclosure of Interests in Other Entities* which requires that an entity disclose information on the nature of and risks associated with its interests in other entities (i.e., subsidiaries, joint arrangements, associates and unconsolidated structured entities) and the effects of those interests on its financial statements. IFRS 12 will be applied to fiscal years beginning on or after January 1, 2013 with earlier adoption is permitted under certain conditions. Entities may, without early adoption of IFRS 12, elect to incorporate only some of the required disclosures in their financial statements.

IFRS 13, *Fair Value Measurement*

In May 2011, the IASB published IFRS 13, *Fair Value Measurement* to establish a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements. IFRS 13 will be applied to fiscal years beginning on or after January 1, 2013 with earlier adoption permitted.

IAS 1, *Presentation of Financial Statements*

In June 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*. Items of other comprehensive income and the corresponding tax are required to be grouped into those that will and will not subsequently be reclassified to earnings. These amendments will be applied to fiscal years beginning on or after July 1st, 2012 with earlier adoption permitted.

IAS 32, *Financial Instruments: Presentation*

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* clarifying the requirements for offsetting financial assets and liabilities. The amendments shall be applied to annual periods beginning on or after January 1st, 2014. The IASB also issued amendments to IFRS 7, *Financial Instruments: Disclosure* improving disclosure on offsetting of financial assets and liabilities. These amendments shall be applied to annual and interim periods beginning on or after January 1st, 2013.

At present, the Company is assessing the impact of the above-mentioned amendments on its income, financial position and cash flows.

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

5. BUSINESS ACQUISITIONS

2012

On May 1st, 2012, the Company purchased the net assets of CourterCo Inc. ("CourterCo") for a cash consideration of $2,386 ($2,415 US), and a balance of sale of $606 ($613 US). From its 3 locations in United States, Indianapolis (Indiana), Louisville (Kentucky), and Greensboro (North Carolina), this business serves a base of residential and commercial woodworkers customers and kitchen, bathroom cabinet and furniture manufacturers.

Since the acquisition, CourterCo generated sales of $4,680 and earnings before income taxes of $100. If CourterCo had been acquired on December 1, 2011, management believes that the sales and the profit before interests, amortization and income taxes included in the consolidated statement of earnings would have approximately been $10 500 and $100 respectively, assuming that temporary adjustments made as at May 1st, 2012 would have been the same on December 1st, 2011.

2011

On January 10, 2011, the Company acquired the principal net assets of Outwater Hardware ("Outwater") for a cash consideration of $8,748 (US$8,800), excluding acquisition costs, and a consideration payable of $2,920 (US$2,937). Located in Lincoln Park in the U.S. state of New Jersey, this company manages a distribution center of specialized and decorative hardware, which serves residential and commercial woodworkers, kitchen and bathroom cabinet makers and furniture manufacturers.

On January 31, 2011, the Company acquired all of the outstanding common shares of Madico Inc. for a cash consideration of $2,770, excluding acquisition costs, and a consideration payable of $95. Located in the Québec City area in Québec, Canada, this company develops and distributes floor protection products to an extensive network of hardware retailers and renovation superstores mainly in Canada and the U.S.

On March 14, 2011, the Company acquired 85% of the outstanding common shares of Provincial Woodproducts Ltd. for a cash consideration of $7,200, excluding acquisition costs, and a consideration payable of $1,481. Based in St. John's, Newfoundland and Labrador, Canada, the company operates a distribution centre specializing in hardware, finishing and hardwood flooring products.

Summary of acquisitions

These transactions were accounted for using the acquisition method and the results of operations are included in the consolidated financial statements as of the respective acquisition date for each acquisition. The preliminary purchase price allocation for Courterco and the final purchase price allocations of Outwater, Madico Inc. and Provincial Woodproducts Ltd., at the transaction date, are summarized as follows:

	2012	2011
	$	$
Net assets acquired		
Accounts receivable	**1,509**	3,924
Inventories	**1,930**	4,296
Prepaid expenses	**24**	227
Current assets	**3,463**	8,447
Property, plant and equipment	**66**	2,744
Software	**—**	9
Customer relationships	**439**	8,102
Trademark	**205**	1,013
Non-competition agreement	**57**	665
Goodwill	**316**	7,279
	4,546	28,259
Current liabilities assumed	**1,556**	2,713
Deferred taxes	**—**	1,504
Non-controlling interests	**—**	1,532
Net assets acquired	**2,990**	22,510
Consideration		
Cash, net of cash acquired	**2,384**	18,014
Considerations payable	**606**	4,496
	2,990	22,510

As at November 30, 2011, the Company finalized the purchase price allocation for its 2010 business acquisitions, which resulted in a $517 increase in goodwill.

For the three and nine months periods ended August 31, 2012, the Company finalized the purchase price allocation for businesses acquired during the 2011 comparable periods, which resulted respectively in a $0 and $396 increase in goodwill.

6. SHARE CAPITAL

Authorized

An unlimited number of:

Common shares.

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

Issued

	As at August 31, 2012	As at November 30, 2011
	$	$
20,871,934 common shares (November 30, 2011: 20,846,709)	**23,030**	19,714

During the nine-month period ended August 31, 2012, the Company issued 109,125 common shares (2011: 49,300) at an average price of $21.19 per share (2011: $16.82) following the exercise of options under the share option plan. During the nine-month period ended August 31, 2012, under a normal course issuer bid, the Company also repurchased 83,900 common shares for cancellation for a consideration of $2,803 (2011: 225,200 for a consideration of $6 571), resulting in a share redemption premium of $2 712, which was recognized as a reduction of retained earnings (2011: $6 370).

Stock option plan

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

During the nine-month period ended August 31, 2012, the Company granted 41,000 stock options (2011: 51,000) with an average exercise price of $27.43 per share (2011: $30.49) and an average fair value of $6.56 per option (2011: $8.76) determined using the Black & Scholes option pricing model with an expected dividend yield of 1.75% (2011: 1.5%), expected volatility of 25% (2011: 25%), a risk-free interest rate of 2.31% (2011: 3.71%) and an expected life of 7 years (2011: 7 years). Stock option compensation expense charged to net earnings for the three and nine-month periods ended August 31, 2012 amounted to $99 and $324 respectively (2011: $139 and $431). As at August 31, 2012, 778,250 options were outstanding with exercise price varying from $14.50 to $30.45 for a weighted average of $21.39 (918,000 as at November 30, 2011 with exercise price varying from $11.35 to $30.68 for a weighted average of $21.21).

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

6. SHARE CAPITAL (Cont'd)

Net earnings per share

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

	For the three-month period ended		For the nine-month period ended	
	August 31, 2012	August 31, 2011	**August 31, 2012**	August 31, 2011
Weighted average number of shares outstanding – Basic circulation	**20,932**	20,978	**20,897**	21,079
Dilutive effect under stock option plan	**277**	185	**243**	229
Weighted average number of shares outstanding – Diluted	**21,209**	21,163	**21,140**	21,308

For the nine-month period ending August 31, 2012, the computation of diluted net earnings per share includes all outstanding options (2011: excludes the weighted average of 51,000 options with an exercise price exceeding the average market share price for the period because of their anti-dilutive effect).

7. DIVIDENDS

For the three and nine-month periods ended August 31, 2012, the Company paid a dividend of $0.12 per common share per quarter (2011: $0.11 per share per quarter) for a total amount of $2,513 and $7,525 (2011: $2,310 and $6,965).

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) and the changes that occurred during the three and nine-month periods ended August 31, 2012 and 2011 were as follows:

	For the three-month period ended		For the nine-month period ended	
	August 31, 2012 $	August 31, 2011 $	**August 31, 2012 $**	August 31, 2011 $
Balance, beginning of period	**751**	(1,480)	**103**	—
Exchange differences on net investment in a self-sustaining foreign operation	**(2,166)**	239	**(1,518)**	(1,241)
Balance, end of period	**(1,415)**	(1,241)	**(1,415)**	(1,241)

9. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Credit risk

The Company sells its products to numerous customers in Canada, and in a lesser proportion in the United States. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Company. The average days outstanding of accounts receivable, as at August 31, 2012, is acceptable given the industry in which the Company operates.

The Company performs ongoing credit evaluations of customers and generally does not require collateral. The allowance for doubtful accounts has increased by $178 and $819 during the three and nine-month periods ended August 31, 2012 for a total of $5,825(decrease by $397 and increased by $202 during the three and nine-month periods ended August 31, 2011 for a total of $4,809).

Market risk

The Company's foreign exchange risk exposure arises from foreign currency purchases and sales, mainly in U.S. dollars. Administrative expenses for the three and nine-month periods ended August 31, 2012 included a foreign exchange loss of $31 and gain $140, (2011:gain of $261 and a loss of $384, compared with the same periods last year).

The Company's policy is to protect the purchase and selling prices related to its commercial operations by partially hedging its exposure through derivative financial instruments. Foreign exchange forward contracts are used to protect its operations from exposure to exchange rate fluctuations. The main exchange risks are covered through 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 limiting the exposure to exchange rate fluctuations. The Company's risk management policy does not permit speculative trades.

As at August 31, 2012, a 1% decrease in value of the Canadian dollar against the U.S. dollar and the euro, with all other variables remaining constant, would have had no significant effect on consolidated net earnings (2011: no significant effect) and would have increased other comprehensive income by $725 (2011: $547). Exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Company's financial instruments as at the reporting date.

For the three and nine-month periods ending August 31, 2012, the consolidated statements of comprehensive income include a foreign exchange loss of $2,166 and $1,518 (2011: gain of $239 and loss of $1,241) on the net investment in a self-sustaining foreign operation resulting mainly from the translation of the net long-term investment in that operation.

Liquidity risk

The Company manages its risk of not being able to settle its financial liabilities on a timely basis by taking into account its operational needs and by using different financing tools, as required. In recent years, the Company has financed its growth, acquisitions and shareholder payouts using cash generated by operating activities.

Current period expenses

For the three and nine-month periods ended August 31, 2012, inventory charged to cost of goods sold related to import, distribution and manufacturing activities amounted to $104,679 and $296,995 (2011: $95,686 and $275,352). This amount includes an obsolescence expense of $865 and $1,938 (2011: $287 and $1,285). For the three and nine-month periods ended August 31, 2012, employee benefit expenses amounted to $20,727 and $60,781 (2011: $18,636 and $55,146).

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

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

Claims

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

10. GEOGRAPHIC INFORMATION

During the three and nine-month periods ended August 31, 2012, nearly 78% of sales were made in Canada (2011: 81%). The Company's sales abroad, almost entirely to U.S. customers, amounted to $34,564 and $89,431 respectively (2011: $26,173 and $72,011) in Canadian dollars compared to $34,178 and $88,779 (2011: $26,921 and $73,687) in US dollars.

As at August 31, 2012, property, plant and equipment totalled $23,002 (November 30, 2011: $24,927), of which $2,002 (November 30, 2011: $2,019) related to assets located in the U.S. In addition, intangible assets located in the U.S. amounted to $8,087 out of the Company's total of $15,806 (November 30, 2011: $8,158 out of $16,639) and goodwill stood at $3,798 out of the Company's total of $51,335 (November 30, 2011: $3,212 out of $50,748), which when expressed in U.S. dollars amounted to $8,204 (November 30, 2011: $7,996) and $3,853 (November 30, 2011: $3,148), respectively.

11. CAPITAL MANAGEMENT

The Company's objectives are:

- Maintain a low debt ratio to preserve its capacity to pursue its growth both internally and through acquisitions
- Provide an adequate return to shareholders

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

For the nine-month period ended August 31, 2012, the Company achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1% (interest-bearing debt/shareholder's equity)
- Return on average shareholder's equity of 16.9% over the last 12 months

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

12. IFRS ADOPTION

These financial statements are the first consolidated financial statements of the Company prepared under IFRS for the three and nine months periods ended August 31, 2012. The IFRS transition date is December 1, 2010. These interim consolidated financial statements were prepared using the IFRS accounting policies of the Company presented in Note 3. The main adjustments made to convert the consolidated financial statements for the year ended November 30, 2011 and the statement of financial position as at December 1, 2010 prepared under Canadian GAAP before the transition to IFRS are explained below.

To prepare the consolidated statement of financial position as at December 1, 2010, the Company has elected to use the following exemptions to retrospective application as at the transition date, as allowed under IFRS 1.

Business combinations

IFRS 3, *Business Combinations*, may be adopted retrospectively or prospectively. Retrospective application requires restatement of some or all of the business combinations that occurred before the transition date. The Company made use of this exemption and did not restate its acquisitions prior to the transition date.

Share-based payment

An entity may apply IFRS 2, *Share-based Payment*, only to equity instruments that are unvested at the transition date. The Company elected to not apply IFRS 2 to equity instruments granted and vested before the date of transition to IFRS.

Cumulative exchange differences

Retrospective application of IFRS would require the Company to determine cumulative exchange differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary or associate was formed or acquired. However, IFRS 1 allows cumulative foreign exchange gains and losses to be reset to zero at the transition date. The Company elected to reset its net foreign exchange losses totalling $5.6 million as at December 1, 2010 to zero. Net foreign exchange losses were reclassified to retained earnings at the transition date.

RECONCILIATIONS OF EQUITY

	Note	**August 31, 2011 $**	November 30, 2011 $	December 1, 2010 $
Equity under Canadian GAAP		**267,649**	275,634	253,869
Impairment of assets – impairment losses of property, plant and equipment, intangible assets and goodwill	(a), (c)	**(26,509)**	(26,509)	(26,509)
Amortization and other	(a), (c)	**1,135**	408	—
Other liabilities	(e)	**(400)**	(400)	(400)
Deferred taxes	(b)	**3,334**	3,334	3,351
		(22,440)	(23,167)	(23,558)
Equity attributable to shareholders of the Company under IFRS		**245,209**	252,467	230,311

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

12. IFRS ADOPTION (Cont'd)

RECONCILIATION OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 1, 2010		
		GAAP	Adjustments	IFRS
	Note	$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		39,289	—	**39,289**
Accounts receivable		65,017	—	**65,017**
Inventories		117,609	—	**117,609**
Prepaid expenses		837	—	**837**
		222,752	—	**222,752**
Property, plant and equipment	(a)	19,132	(659)	**18,473**
Intangible assets	(a)	13,242	(5,822)	**7,420**
Goodwill	(a), (c)	63,363	(20,028)	**43,335**
Deferred taxes	(e)	2,327	645	**2,972**
		320,816	(25,864)	**294,952**
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)	54,212	400	**54,612**
Income taxes payable		3,741	—	**3,741**
Current portion of long-term debt		2,072	—	**2,072**
		60,025	400	**60,425**
Long-term debt		786	—	**786**
Deferred taxes	(a), (b)	2,706	(2,706)	**—**
Non-controlling interests	(d)	3,430	(3,430)	**—**
		66,947	(5,736)	**61,211**
Equity				
Share capital		17,623	—	**17,623**
Contributed surplus		3,906	—	**3,906**
Retained earnings		237,907	(29,125)	**208,782**
Accumulated other comprehensive income (loss)	(d)	(5,567)	5,567	**—**
Equity attributable to shareholders of the Company		253,869	(23,558)	**230,311**
Non-controlling interests	(d)	—	3,430	**3,430**
		253,869	(20,128)	**233,741**
		320,816	(25,864)	**294,952**

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

12. IFRS ADOPTION (Cont'd)

RECONCILIATION OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at November 30, 2011		
	Note	GAAP $	Adjustments $	IFRS $
ASSETS				
Current assets				
Cash and cash equivalents		29,095	—	29,095
Accounts receivable		72,366	—	72,366
Income taxes receivable		1,645	43	1,688
Inventories		118,753	—	118,753
Prepaid expenses		1,157	—	1,157
		223,016	43	223,059
Property, plant and equipment	(a)	25,399	(472)	24,927
Intangible assets	(a)	22,189	(5,550)	16,639
Goodwill	(a), (c)	70,870	(20,122)	50,748
Deferred taxes	(e)	2,658	645	3,303
		344,132	(25,456)	318,676
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)	51,453	400	**51,853**
Current portion of long-term debt		4,309	—	**4,309**
		55,762	400	**56,162**
Long-term debt		1,235	—	**1,235**
Deferred taxes	(a), (b)	6,160	(2,689)	**3,471**
Other liabilities	(d)	—	1,621	**1,621**
Non-controlling interests	(d)	5,341	(5,341)	**—**
		68,498	(6,009)	**62,489**
Equity				
Share capital		19,714	—	**19,714**
Contributed surplus	(d)	3,586	—	**3,586**
Retained earnings		257,955	(28,891)	**229,064**
Accumulated other comprehensive income (loss)	(d)	(5,621)	5,724	**103**
Equity attributable to shareholders of the Company		275,634	(23,167)	**252,467**
Non-controlling interests		—	3,720	**3,720**
		275,634	(19,447)	**256,187**
		344,132	(25,456)	**318,676**

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

12. IFRS ADOPTION (Cont'd)

RECONCILIATIONS OF CONSOLIDATED STATEMENTS OF EARNINGS

		Year ended November 30, 2011		
		GAAP	Adjustments	IFRS
	Note	$	$	$
Sales		523,786	—	**523,786**
Cost of goods sold, and warehousing, selling and administrative expenses	(c)	456,467	170	**456,637**
Earnings before the undernoted		67,319	(170)	**67,149**
Amortization of property, plant and equipment	(a)	5,906	(132)	**5,774**
Amortization of intangible assets	(a)	2,139	(229)	**1,910**
Financial costs, net		(13)	—	**(13)**
		8,032	(361)	**7,671**
Earnings before income taxes		59,287	191	**59,478**
Income taxes	(b)	19,416	(43)	**19,373**
Net earnings		39,871	234	**40,105**
Attributable to:				
Shareholders of the Company		39,492	234	**39,726**
Non-controlling interests		379	—	**379**
		39,871	234	**40,105**
Net earnings per share attributable to shareholders of the Company				
Basic		1.88	0.01	**1.89**
Diluted		1.86	0.01	**1.87**

RECONCILIATIONS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended November 30, 2011		
		GAAP	Adjustments	IFRS
	Note	$	$	$
Net earnings		39,871	234	**40,105**
Other comprehensive income (loss)				
Exchange difference on net investment in a self-sustaining foreign operation	(d)	(54)	157	**103**
Comprehensive income		39,817	391	**40,208**

RECONCILIATIONS OF CONSOLIDATED CASH FLOWS

		Year ended November 30, 2011		
		GAAP	Adjustments	IFRS
	Note	$	$	$
Operating activities	(c)	38,528	(215)	**38,313**
Investing activities		(19,690)	—	**(19,690)**
Financing activities	(c)	(29,295)	215	**(29,080)**

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

12. IFRS ADOPTION (Cont'd)

RECONCILIATIONS OF QUATERLY CONSOLIDATED STATEMENTS OF EARNINGS

		Three-month period ended August 31, 2011			Nine-month period ended August 31, 2011		
	Note	GAAP $	Adjust-ments $	IFRS $	GAAP $	Adjust-ments $	IFRS $
Sales		136,132	—	**136,132**	388,502	—	**388,502**
Cost of goods sold, and warehousing, selling and administrative expenses	(c)	116,977	2	**116,979**	340,090	166	**340,256**
Earnings before the undernoted		19,155	(2)	**19,153**	48,412	(166)	**48,246**
Amortization of property, plant and equipment	(a)	1,500	(53)	**1,447**	4,405	(66)	**4,339**
Amortization of intangible assets	(a)	597	(61)	**536**	1,559	(164)	**1,395**
Financial costs, net		(32)	—	**(32)**	(18)	—	**(18)**
		2,065	(114)	**1,951**	5,946	(230)	**5,716**
Earnings before income taxes		17,090	112	**17,202**	42,466	64	**42,530**
Income taxes	(b)	5,607	1	**5,608**	13,903	(41)	**13,862**
Net earnings		11,483	111	**11,594**	28,563	105	**28,668**
Attributable to:							
Shareholders of the Company		11,300	111	**11,411**	28,310	105	**28,415**
Non-controlling interests		183	—	**183**	253	—	**253**
		11,483	111	**11,594**	28,563	105	**28,668**
Net earnings per share attributable to shareholders of the Company							
Basic		0.54	—	**0.54**	1.34	0.01	**1.35**
Diluted		0.53	0.01	**0.54**	1.33	—	**1.33**

RECONCILIATIONS OF QUATERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three-month period ended August 31, 2011			Nine-month period ended August 31, 2011		
	Note	GAAP $	Adjust-ments $	IFRS $	GAAP $	Adjust-ments $	IFRS $
Net earnings		11,483	111	**11,594**	28,563	105	**28,668**
Other comprehensive income (loss)							
Exchange difference on net investment in a self-sustaining foreign operation	(d)	572	(333)	**239**	(2,252)	1,011	**(1,241)**
Comprehensive income		12,055	(222)	**11,833**	26,311	1,116	**27,427**

RECONCILIATIONS OF CONSOLIDATED CASH FLOWS

		Three-month period ended August 31, 2011			Nine-month period ended August 31, 2011		
	Note	GAAP $	Adjust-ments $	IFRS $	GAAP $	Adjust-ments $	IFRS $
Operating activities	(c)	15,935	—	**15,935**	19,906	—	**19,906**
Investing activities		(4,385)	—	**(4,385)**	(13,939)	—	**(13,939)**
Financing activities	(c)	(1,647)	—	**(1,647)**	(28,504)	—	**(28,504)**

12. IFRS ADOPTION (Cont'd)

(a) IAS 36, *Impairment of assets*

GAAP accounting policy	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. 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. 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, if any, and is charged to earnings.
IFRS accounting policy	The Company is required to review intangible assets with indefinite useful lives, including goodwill, to determine whether the recoverable amount exceeds the carrying amount. The recoverable amount is the higher of fair value less costs to sell and its value in use, which is the present value of the future cash flows associated with the assets. The recoverable amount of goodwill and intangible assets acquired is measured based on the value in use of the CGU to which the assets were allocated.
Impact on opening statement of financial position	The GAAP impairment test is carried out at the level of the operating unit that includes several distribution centres in a region, thereby benefiting from the cash flows of the distribution centres which have no intangible assets or goodwill. Unlike the GAAP impairment test, the IFRS impairment test is performed at a lower level, specifically at the level where cash inflows largely independent of other groups of assets are generated, which is the distribution centre level in several cases. Due to the anticipated adoption of the new accounting policy, the value in use of certain CGUs, and thus the recoverable amount, is lower than their carrying amount. Estimates of value in use, and, in turn, impairment test conclusions, are sensitive to assumptions made regarding revenue growth, gross margin generated, working capital requirements to support operations over the next five years, long-term market growth, and the appropriate discount rate to reflect the time value of money and the risks specific to each CGU not accounted for in cash flows. In light of the foregoing, a $26.5 million impairment expense [US$25.8 million] was recognized as a reduction of the carrying amounts of certain assets acquired in the U.S. from 2003 to 2010.
Implications for fiscal 2011	This accounting policy reduces the asset amortization expense by $0.4 million and could give rise to more frequent adjustments to the Company's results, in relation to the assets acquired in connection with business combinations. Impairment losses on (tangible and intangible) assets subject to amortization may give rise to reversals of impairment losses up to a maximum of the initially recognized cost.

(b) IAS 12, *Income taxes*

IFRS accounting policy	Adjustments made to the opening statement financial position triggered the recognition of additional deferred tax assets and resulted in the write-off of deferred tax liabilities. This standard limits the recognition of deferred tax assets to the amount that is probable to be realized.
Impact on opening statement of financial position	As a result, the deferred tax liabilities were written off and certain deferred tax assets have not been recognized since it is not probable that the benefits will be realized in subsequent years.

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

12. IFRS ADOPTION (Cont'd)

(c) IFRS 3, *Business Combinations* – Acquisition-related costs and IFRS 1 exemption

GAAP accounting policy	Acquisition-related costs, or the costs the acquirer incurs to effect a business combination, are included in the allocation of the price paid and are therefore capitalized in the balance sheet.
IFRS accounting policy	All costs incurred in connection with a business combination are to be accounted for by the acquirer as expenses during the period in which the services were received.
Impact on opening statement of financial position	IFRS 1 offers the election of applying IFRS 3 solely to business combinations beginning on or after December 1, 2010. As a result, there is no effect on the opening statement of financial position.
Implications for fiscal 2011	Acquisition-related costs recognized in fiscal 2011 and factored into the allocation of the purchase price of business acquired totalled $0.2 million. These costs were recognized as expenses in the consolidated statement of earnings for the year ended November 30, 2011.

(d) Reclassifications: Foreign currency translation and non-controlling interests

IFRS accounting policy	IAS 21 requires the Company to recognize some translation differences in other comprehensive income and accumulate these in a separate component of equity. Under IFRS 1, the Company need not comply with these requirements for cumulative translation differences that existed as at December 1, 2010 if the differences are deemed to be zero at that date. IFRS 10 requires non-controlling interests to be presented in equity in the consolidated statement of financial position, separately from equity attributable to shareholders of the company. Options to purchase non-controlling interests that correspond to the definition of a financial liability according to IAS 32, *Financial Instruments: Presentation*, are measured at fair value and presented under other liabilities.
Impact on opening statement of financial position	Cumulative translation differences are deemed to be zero as at December 1, 2010, as the consideration was recognized as a reduction of retained earnings. Total liabilities were reduced by the balance of non-controlling interests pertaining to transactions under which there were no non-controlling interest purchase options and the balance was reclassified to equity.

(e) Other liabilities, provisions and contingent liabilities

Comparisons between IFRS and GAAP	IIFRS require a provision to be recorded when it is probable (>50%) that the Company will settle an obligation with a cash outflow that can be reliably estimated. Such provisions must be disclosed in the notes to consolidated financial statements. Under GAAP, the recognition criteria for similar situations require a greater level of certainty.
Impact on opening statement of financial position	The balance of provisions was reviewed and adjusted when the IFRS recognition criteria were met.

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

13. ADDITIONAL ANNUAL INFORMATION

This note presents financial information as at November 30, 2011 taking into account adjustments recognized on conversion to IFRS as described in note 12.

Property, plant and equipment

	Land	Buildings	Leasehold improve-ments	Machinery and equip-ment	Rolling stock	Furniture and fixtures	Computer equipment	Total
Net carrying amount								
Balance as at December 1, 2010	3,546	5,882	722	4,633	1,048	2,075	567	18,473
Acquisitions	—	4,964	175	1,665	873	913	880	9,470
Acquisitions through business combinations	106	1,045	818	541	134	60	40	2,744
Amortization	—	(1,188)	(422)	(1,533)	(584)	(1,478)	(568)	(5,773)
Disposals and write-offs	—	—	—	—	—	—	9	9
Effect of changes in foreign exchange rates	—	(1)	17	(4)	(2)	(5)	(1)	4
Net carrying amount								
Balance as at November 30, 2011	**3,652**	**10,702**	**1,310**	**5,302**	**1,469**	**1,565**	**927**	**24,927**
Cost	3,652	20,170	4,082	22,557	5,827	10,583	8,475	75,346
Accumulated amortization	—	(9,468)	(2,772)	(17,255)	(4,358)	(9,018)	(7,548)	(50,419)
Net carrying amount								
Balance as at November 30, 2011	**3,652**	**10,702**	**1,310**	**5,302**	**1,469**	**1,565**	**927**	**24,927**

Intangible assets and goodwill

	Software	Non-competition agreements	Customer rela-tionships	Trademarks	Total	Goodwill
Net carrying amount						
Balance as at December 1, 2010	558	138	4,450	2,273	7,419	43,335
Acquisitions	1,250	—	—	—	1,250	—
Acquisitions through business combinations	9	665	8,102	1,013	9,789	6,884
Fair-value adjustment of business combinations	—	—	—	—	—	517
Amortization	(567)	(130)	(1,213)	—	(1,910)	—
Effect of changes in foreign exchange rates	—	—	82	9	91	12
Balance as at November 30, 2011	**1,250**	**673**	**11,421**	**3,295**	**16,639**	**50,748**
Cost	4,297	1,272	20,141	3,295	29,005	50,748
Accumulated amortization	(3,047)	(599)	(8,720)	—	(12,366)	—
Net carrying amount as at November 30, 2011	**1,250**	**673**	**11,421**	**3,295**	**16,639**	**50,748**

For impairment testing purposes, the carrying amount of goodwill was allocated to the CGUs and goodwill and supporting assets that cannot be wholly allocated to a single CGU were tested for impairment at the operating segment level. Note 12 describes impairment recognized as a reduction of goodwill on first-time IFRS adoption.

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

13. ADDITIONAL ANNUAL INFORMATION (Cont'd)

Related party information

The Company has significant interests in the following subsidiaries:

Names	Country of incorporation	Equity interest %	Voting rights %
Richelieu America Ltd.	U.S.	100	100
Richelieu Finances Ltd.	Canada	100	100
Richelieu Hardware Canada Ltd.	Canada	100	100
Cedan Industries Inc.	Canada	100	100
Distributions 20-20 inc.	Canada	100	100
Provincial Woodproducts Ltd.	Canada	85	85
Menuiserie des Pins Ltd.	Canada	75	75

Senior executive officer compensation for the year ended November 30, 2011 is as follows:

	2011 $
Short-term employee benefits	2,708
Other long-term benefits	343
Share-based payment	17
	3,068

Accounts payable include a retirement allowance amounting to $1,800 payable to a senior executive officer.

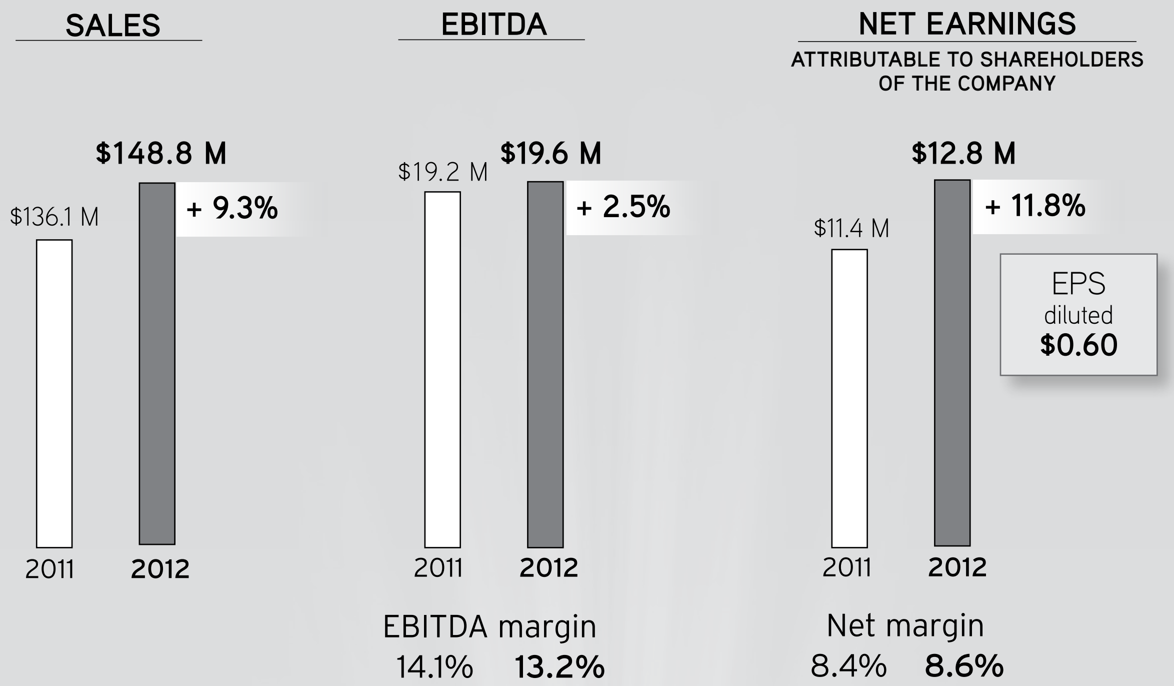
14. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the nine-month period ended August 31, 2012 (including the comparative figures) were approved for issue by the Board of Directors on October 4, 2012.

15. COMPARATIVE FIGURES

Certain figures for the three and nine-month periods ended August 31, 2011 and the year ended November 30, 2011 have been reclassified to conform to the presentation adopted in the three and nine-month periods ended August 31, 2012.

Third quarters
ended August 31, 2011 and 2012



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