Richelieu

Interim Report

Three and six-month periods ended May 31, 2012

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Message to shareholders

Richelieu achieved another good performance in the second quarter, posting solid growth, an excellent financial position and further expansion-by-acquisition. Our growth continues to be driven by our innovation strategy, our acquisitions, the synergies created with them and our operational efficiency initiatives. All these reinforce our market leadership in North America and enhance our potential for the future.

For the three months ended May 31, 2012, we recorded net earnings attributable to shareholders of the Company of $12.0 million, up 19.8% over the corresponding quarter of 2011. Our sales totalled $147.1 million, an increase of 5.7%, of which a solid 4.7% internal growth, to which our two major markets contributed in both Canada and the United States. In the manufacturers market where we increased our sales by 4.5%, our various customer segments performed well, with a stronger contribution by kitchen and bathroom cabinet manufacturers. Thanks notably to the launch of new lines of decorative hardware products, the hardware retailers and renovation superstores market posted a 12.6% sales growth for the second quarter.

After paying shareholder dividends of $2.5 million, up 7.7%, and investing $3.0 million in a new acquisition and various capital and intangible assets, we ended the period with an even stronger financial position, almost no debt and excellent liquidity. At the close of the first six months of 2012, our cash stood at $30.8 million, our working capital at $185.2 million for a current ratio of 4.3:1, and return on average equity at 16.9%.

On May 1st, 2012, we acquired the net assets of CourterCo Inc. Upon acquiring this distributor of specialty and decorative hardware operating in the United States out of its business centres in Indianapolis, Indiana, Louisville, Kentucky and Greensboro, North Carolina, we closed our tenth acquisition in North America – and our sixth in the United States – since 2010. We are pleased to integrate this distributor, which is well established in its markets and appreciated by its base of some 6,000 residential and commercial woodworking customers and kitchen and bathroom cabinet manufacturers. We thus gain access to the Indiana market, strengthen our presence in Kentucky and North Carolina, while adding expertise to our team and increasing our sales by approximately $13 million on an annualized basis. In upcoming periods, we will seek to seize the potential of the synergies brought by this excellent acquisition, for instance by combining our existing operations in these regions. That is what we have already started to do by merging Richelieu's Louisville centre with that of CourterCo. Furthermore, we have consolidated our operations in the Northwestern United States by transferring our Oregon satellite centre's activities to our distribution centre in the Seattle area.

We are pursuing our strategies and our innovation and operational efficiency initiatives. We remain focused on growth and are confident we will achieve a sound performance in the second half of 2012 while creating further value.

NEXT DIVIDEND PAYMENT

At its meeting on July 5, 2012, our Board of Directors approved the payment of a quarterly dividend of $0.12 per share. This dividend is payable on August 2, 2012 to shareholders of record as at July 19, 2012.

Management's discussion and analysis
of operating results and financial position for the second quarter and first half ended May 31, 2012

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the second quarter and first six months ended May 31, 2012 in comparison with the second quarter and first six months ended May 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 second quarter and first six 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 May 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 July 5, 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 May 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 second quarter and first six months ended May 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 continuing operations and cash flows from continuing operations per share. Cash flows from continuing operations are based on the 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 page 32 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 May 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 **61 centres in North America** — 34 distribution centres in Canada, 25 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. Richelieu also specializes in the manufacture of a wide variety of veneer sheets and edgebanding products through its subsidiary Cedan Industries Inc. — of components for the window and door industry and mouldings through Menuiserie des Pins Ltée — and of floor protection products through Madico Distribution Inc. (Quebec) ("Madico"). 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 May 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	3 months 2012 $	3 months 2011 $	Δ %	6 months 2012 $	6 months 2011 $	Δ %
Sales	**147,107**	139,178	+ 5.7	**271,190**	252,370	+ 7.5
EBITDA [1]	**18,617**	17,075	+ 9.0	**31,897**	29,093	+ 9.6
EBITDA margin (%)	***12.7***	*12.3*		***11.8***	*11.5*	
Net earnings	**12,112**	10,101	+ 19.9	**20,140**	17,074	+18.0
Net earnings attributable to shareholders of the Company	**11,997**	10,015	+ 19.8	**20,001**	17,004	+ 17.6
• basic per share ($)	**0.57**	0.48	+18.8	**0.96**	0.81	+18.5
• diluted per share ($)	**0.57**	0.47	+ 21.3	**0.95**	0.80	+18.8
Net margin (%)	***8.2***	*7.2*		***7.4***	*6.7*	
Cash flows from operating activities [2]	**13,884**	12,211	+13.7	**24,141**	21,336	+13.1
• per share ($)	**0.66**	0.57	+15.8	**1.15**	1.00	+15.0
Cash dividends paid on shares	**2,507**	2,328	+ 7.7	**5,012**	4,655	+ 7.7
• per share ($)	**0.12**	0.11		**0.24**	0.22	
Weighted average number of shares outstanding (diluted) (in thousands)	**21,123**	21,367		**21,080**	21,388	

Financial position data

As at	May 31, 2012 $	November 30, 2011 $	Δ %
Total assets	**336,775**	318,676	+ 5.7
Working capital	**185,194**	166,897	+ 11.0
Current ratio	***4.3***	*4.0*	
Equity	**274,060**	256,187	+ 7.0
Return on average equity (%)	***16.9***	*16.5*	
Book value ($)	**13.09**	11.93	+ 9.7
Total interest-bearing debt	**3,218**	5,544	−42.0
Cash and cash equivalents	**30,771**	29,095	+ 5.8

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

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2012 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2011

Second-quarter consolidated sales totalled $147.1 million, an increase of $7.9 million or 5.7% over the corresponding quarter of 2011, of which 4.7% from internal growth and 1.0% from the contribution of Provincial Woodproducts Ltd (Newfoundland) ("**Provincial**"), acquired at the beginning of the second quarter of 2011, and CourterCo Inc. (Indiana, Louisville and Greensboro, U.S.) ("**CourterCo**"), acquired on May 1st, 2012.

Sales to **manufacturers** grew to $124.4 million from $119.0 million for the corresponding period of 2011, an increase of $5.4 million or 4.5%, of which 3.3% from internal growth and 1.2% from the aforementioned acquisitions. Most of the Company's markets contributed to this growth, especially kitchen and bathroom cabinet manufacturers. Richelieu achieved sales of $22.7 million in the **hardware retailers** and renovation superstores market, compared with $20.2 million for the same quarter of 2011, an increase of $2.5 million or 12.6% to which all its geographic markets contributed, thanks notably to the launch of new product lines.

In Canada, sales totalled $118.5 million, compared with $113.8 million for the second quarter of 2011, an increase of $4.7 million or 4.2%, of which 3.9% from internal growth and 0.3% from Provincial. The Eastern and Western Canadian markets contributed to growth with increases of 6.1% and 4.0% respectively for the second quarter. In Canada, sales to **manufacturers** grew by 2.4%, of which 2.1% from internal growth, to reach $96.7 million. As for the hardware **retailers** and renovation superstores market, it posted a 12.7% growth due primarily to the aforementioned factor. Consequently, sales to retailers totalled $21.9 million, up from $19.4 million for the corresponding quarter of 2011.

In the United States, sales amounted to US$28.6 million, compared with US$26.3 million for the corresponding quarter of 2011, an increase of US$2.3 million or 8.9%, of which 4.6% from internal growth and 4.3% from CourterCo's contribution for May 2012. The internal sales growth in the U.S. markets was all the more appreciable as it was achieved in an economic context that remains relatively difficult. It is to be noted that the U.S. dollar strengthened in the second quarter of 2012 over the comparable period of 2011. In Canadian dollars, U.S. sales totalled $28.6 million, up from $25.4 million for the corresponding quarter of 2011. They accounted for 19.4% of consolidated sales for the second quarter of 2012. Sales to **manufacturers** stood at $27.7 million, an increase of 12.5%, of which 8.0% from internal growth and 4.5% from CourterCo's contribution. Sales to hardware **retailers** and renovation superstores were up 10.8%.

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

Periods ended May 31,	3 months 2012 $	3 months 2011 $	Δ %	6 months 2012 $	6 months 2011 $	Δ %
Canada	**118,521**	113,764	+ 4.2	**216,285**	206,337	+ 4.8
United States (CA$)	**28,586**	25,414	+12.5	**54,905**	46,033	+ 19.3
(US$)	**28,604**	26,258	+ 8.9	**54,639**	46,963	+ 16.3
Average exchange rate	***0.9994***	*0.9679*		***1.0049***	*0.9802*	
Consolidated sales	**147,107**	139,178	+ 5.7	**271,190**	252,370	+ 7.5

First-half consolidated sales totalled $271.2 million, an increase of $18.8 million or 7.5% over the first six months of 2011, of which 5.2% from internal growth and 2.3% from the contribution of Outwater Hardware (New Jersey) ("Outwater"), Madico and Provincial, to which was added CourterCo's contribution.

Sales to **manufacturers** amounted to $227.7 million, compared with $213.1 million for the corresponding period of 2011, an increase of $14.6 million or 6.9%, of which 4.4% from internal growth and 2.5% from the aforementioned acquisitions. It is to be noted that all the Company's markets contributed to this growth, and the strongest contribution came from kitchen and bathroom cabinet manufacturers. Sales to hardware **retailers** and renovation superstores grew to $43.4 million, compared with $39.3 million for the first half of 2011, an increase of nearly $4.2 million or 10.6% recorded in all markets, thanks notably to the launch of new product lines.

In Canada, sales totalled $216.3 million, compared with $206.3 million for the first half of 2011, an increase of $10.0 million or 4.8%, of which 3.4% from internal growth and 1.4% from Madico and Provincial. All three geographic markets contributed to this growth, with increases of 6.7% in Eastern Canada, 3.3% in Western Canada and 2.7% in Ontario over the first six months of 2011. In Canada, sales to **manufacturers** amounted to $174.7 million, an increase of 3.9% over the first half of 2011, of which 2.4% from internal growth and 1.5% from Madico and Provincial. The hardware **retailers** and renovation superstores market posted a 9.1% growth over the corresponding period of 2011 due primarily to the aforementioned factor. Consequently, sales to retailers totalled $41.6 million, compared with $38.1 million for the first six months of 2011.

In the United States, sales amounted to US$54.6 million, compared with US$47.0 million for the first six months of 2011, an increase of US$7.7 million or 16.3%, of which 10.5% from internal growth and 5.8% from Outwater's contribution plus CourterCo's contribution for May 2012. It is to be noted that the U.S. dollar strengthened during the period over the first half of 2011. In Canadian dollars, U.S. sales amounted to $54.9 million, compared with $46.0 million for the first six months of 2011. They accounted for 20.2% of consolidated sales for the first half of 2012. Sales to **manufacturers** amounted to $53.0 million, an increase of 18.2%, of which 12.2% from internal growth and 6.0% from the contribution of Outwater and CourterCo. Sales to hardware **retailers** and renovation superstores were up 62.1%.

Consolidated EBITDA and EBITDA margin
(in thousands of $, unless otherwise indicated)

Periods ended May 31,	3 months 2012 $	3 months 2011 $	Δ %	6 months 2012 $	6 months 2011 $	Δ %
Sales	**147,107**	139,178	+ 5.7	**271,190**	252,370	+ 7.5
EBITDA	**18,617**	17,075	+ 9.0	**31,897**	29,093	+ 9.6
EBITDA margin (%)	***12.7***	*12.3*		***11.8***	*11.5*	

Second-quarter earnings before income taxes, interest and amortization (EBITDA) stood at $18.6 million, up 9.0% over the corresponding quarter of 2011. **The gross profit margin** remained relatively stable compared with the second quarter of 2011. Reflecting the sales growth and a decrease in operating expenses as a percentage of sales, **the EBITDA margin** improved to 12.7% from 12.3% in the second quarter of the previous year. It is to be noted that operating expenses include the acquisition fees of $0.1 million incurred to close the CourterCo transaction.

Although EBITDA increased, income taxes amounted to $4.8 million, remaining relatively stable compared with the second 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.

First-half earnings before income taxes, interest and amortization (EBITDA) amounted to $31.9 million, up 9.6% over the first six months of 2011. **The gross profit margin** remained relatively stable compared with the first half of 2011. Reflecting the sales growth and a decrease in operating expenses as a percentage of sales, **the EBITDA margin** improved to 11.8% from 11.5% in the first six months of the previous year.

Although EBITDA increased, income taxes amounted to $8.1 million, remaining relatively stable compared with the first half 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			6 months		
Periods ended May 31,	**2012 $**	2011 $	Δ %	**2012 $**	2011 $	Δ %
EBITDA	**18,617**	17,075	+ 9.0	**31,897**	29,093	+ 9.6
Amortization of property, plant and equipment and intangible assets	**1,749**	2,036		**3,759**	3,751	
Financial cost, net	**(19)**	49		**(65)**	14	
Income taxes	**4,775**	4,889		**8,063**	8,254	
Net earnings	**12,112**	10,101	+19.0	**20,140**	17,074	+18.0
Net earnings attributable to shareholders of the Company	**11,997**	10,015	+19.8	**20,001**	17,004	+17.6
Net margin (%)	***8.2***	*7.2*		***7.4***	*6.7*	
Non-controlling interests	**115**	86		**139**	70	
Net earnings	**12,112**	10,101	+19.9	**20,140**	17,074	+18.0

Second-quarter net earnings grew by 19.9%. Considering non-controlling interests, **net earnings attributable to shareholders of the Company** totalled $12.0 million, up 19.8% over the corresponding quarter of 2011. **Earnings per share** amounted to $0.57 (basic and diluted), compared with $0.48 basic and $0.47 diluted for the second quarter of 2011, an increase of 18.8% and 21.3% respectively.

Comprehensive income stood at $14.0 million, on account of a positive adjustment of $1.9 million on translation of the financial statements of the subsidiary in the United States, compared with $10.0 million for the corresponding quarter of 2011, on account of a negative adjustment of $0.1 million on translation of the financial statements of the subsidiary in the United States.

First-half net earnings grew by 18.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Company** totalled $20.0 million, up 17.6% over the first six months of 2011. **Earnings per share** amounted to $0.96 basic and $0.95 diluted, compared with $0.81 basic and $0.80 diluted for the first half of 2011, an increase of 18.5% and 18.8% respectively.

Comprehensive income totalled $20.8 million, on account of a positive adjustment of $0.6 million on translation of the financial statements of the subsidiary in the United States, compared with $15.6 million for the first half of 2011, on account of a negative adjustment of $1.5 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**		
EBITDA	**13,280**	**18,617**		
Net earnings attributable to shareholders of the Company	**8,004**	**11,997**		
basic per share	**0.38**	**0.57**		
diluted per share	**0,38**	**0.57**		
2011				
Sales	113,192	139,178	136,132	135,284
EBITDA	12,018	17,073	19,155	18,902
Net earnings attributable to shareholders of the Company	6,989	10,014	11,413	11,309
basic per share	0.33	0.48	0.54	0.54
par action dilué	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 May 31 and November 30 generally represent the year's most active periods.

FINANCIAL POSITION

Analysis of principal cash flows for the second quarter and first six months ended May 31, 2012

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

Periods ended May 31,	3 months 2012 $	3 months 2011 $	6 months 2012 $	6 months 2011 $
Cash flows provided by (used for):				
Operating activities	**8,830**	8,830	**11,422**	3,971
Financing activities	**(930)**	(7,461)	**(5,630)**	(9,554)
Investing activities	**(2,991)**	(12,592)	**(4,093)**	(26,857)
Effect of exchange rate fluctuations	**91**	1	**(23)**	52
Net change in cash and cash equivalents	**5,000**	(11,222)	**1,676**	(32,388)
Cash and cash equivalents, beginning of period	**25,771**	18,123	**29,095**	39,289
Cash and cash equivalents, end of period	**30,771**	6,901	**30,771**	6,901

As at	May 31 2012 $	November 30 2011 $
Working capital	**185,194**	166,897
Renewable line of credit (CA$)	**26,000**	26,000
Renewable line of credit (US$)	**5,000**	5,000

Operating activities

Second-quarter cash flows related to operating activities (before net change in non-cash working capital balances related to operations) amounted to $13.9 million or $0.66 per share, compared with $12.2 million or $0.57 per share for the second quarter of 2011, an increase of 13.7% primarily reflecting the $2.0 million increase in net earnings and the $0.3 million decrease in amortization of capital and intangible assets due to the fact that the equipment and tooling acquired three years ago have now been fully amortized. Net change in non-cash working capital balances related to operations used cash flows of $5.1 million, compared with $3.4 million in the second quarter of 2011. This net change for the quarter primarily reflects the $9.0 million increase in accounts receivable related mainly to the sales growth and the $1.7 million decrease in accounts payable, whereas inventories, prepaid expenses and income taxes receivable represented a total net decrease of $5.7 million. Consequently, operating activities provided cash flows of $8.8 million, similar to those for the second quarter of 2011.

First-half cash flows related to operating activities (before net change in non-cash working capital balances related to operations) totalled $24.1 million or $1.15 per share, compared with $21.3 million or $1.00 per share for the first six months of 2011, an increase of 13.1% primarily reflecting the $3.1 million increase in net earnings. Net change in non-cash working capital balances related to operations used cash flows of $12.7 million, compared with $17.4 million in the first half of 2011. This net change for the period primarily reflects the increase of $8.0 million in accounts receivable (mainly related to the sales growth), of $3.3 million in inventories (notably related to the acquisition closed in May 2012 and the increase in demand for the period), and of $1.6 million in income taxes receivable and prepaid expenses, whereas accounts payable represented an increase of $0.3 million. Consequently, operating activities provided cash flows of $11.4 million for the first six months, compared with $3.9 million for the first half of 2011.

Financing activities

In the second quarter, Richelieu paid shareholder dividends of $2.5 million, up 7.7% over the corresponding quarter of 2011, on account of the 9.1% dividend increase announced in January 2012. The Company also issued common shares for $1.6 million upon the exercise of stock options under its stock option plan. Consequently, financing activities represented a cash outflow of $0.9 million, compared with $7.5 million for the corresponding quarter of 2011 when it had repurchased common shares under its normal course issuer bid for a consideration of $5.6 million.

In the first half, Richelieu repaid a total of $2.5 million long-term debt, compared with $0.1 million in the first six months of 2011, and paid shareholder dividends of $5.0 million, up 7.7% over the corresponding period of 2011, on account of the 9.1% dividend increase announced in January 2012. The Company also issued common shares for $2.2 million upon the exercise of stock options under its stock option plan, compared with $0.8 million in the corresponding period of 2011, and repurchased common shares under its normal course issuer bid for a consideration of $0.3 million, compared with $5.6 million in the first half of 2011. Consequently, financing activities represented a cash outflow of $5.6 million, compared with $9.6 million for the first six months of 2011.

Investing activities

In the second quarter, Richelieu invested a total of $3.0 million, of which $2.4 million in the acquisition of the net assets of CourterCo and $0.6 million mostly in software and operational equipment, whereas it had invested $12.6 million in the corresponding quarter of 2011, of which $7.5 million in the acquisition of Provincial and $5.1 million in capital assets, primarily for the expansion of the Montreal and Laval distribution centres as well as complementary modules to the Company's information technology system.

In the first half, Richelieu invested a total of $4.1 million, of which $2.4 million in the acquisition of the net assets of CourterCo and $1.7 million mostly in software and operational equipment, whereas it had invested $26.9 million in the first six months of 2011, 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 plus $8.4 million in capital assets, primarily for 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 at May 31, 2012, **cash and cash equivalents** totalled $30.8 million, compared with $29.1 million as at November 30, 2011. The Company posted a **working capital** of $185.2 million for a current ratio of 4.3:1, compared with $167.3 million (4.0:1 ratio) as at November 30, 2011.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations in the second half of 2012 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 May 31, 2012

Situation financière sommaire
(in thousands of $)

As at	May 31, 2012 $	November 30, 2011 $
Current assets	**241,485**	223,059
Non-current assets	**95,290**	95,617
Total	**336,775**	318,676
Current liabilities	**56,291**	56,162
Other liabilities	**6,424**	6,327
Equity	**274,060**	256,187
Total	**336,775**	318,676
Translation exchange rate of a self-sustaining foreign operation in the United States	***1.0329***	*1.0203*

Assets

As at May 31, 2012, **total assets** amounted to $336.8 million, compared with $318.7 million as at November 30, 2011, an increase of 5.7% reflecting the Company's growth and the acquisition of CourterCo, which generated an increase of $4.5 million. **Current assets** grew by 8.3% or $18.4 million compared with November 30, 2011. This growth notably reflects the increase of $9.7 million in accounts receivable, $5.4 million in inventories, $1.7 million in cash and cash equivalents, $1.3 million in taxes receivable and $0.4 million in prepaid expenses.

Net cash
(in thousands of $)

As at	May 31, 2012 $	November 30, 2011 $
Current portion of long-term debt	**1,984**	4,309
Long-term debt	**1,234**	1,235
Total	**3,218**	5,544
Cash and cash equivalents	***30,771***	*29,095*
Total net cash	**27,553**	23,551

Total interest-bearing debt amounted to $3.2 million, including long-term debt of $1.2 million and a current portion of long-term debt of $2.0 million representing solely the balances payable on acquisitions. Deducting this total debt, net cash amounted to $27.6 million as at May 31, 2012. The Company continues to benefit from an excellent financial position to pursue its business strategy in its sector.

Equity amounted to $274.1 million as at May 31, 2012, compared with $256.2 million as at November 30, 2011, an increase of 7.0% stemming mainly from the $14.7 million growth in retained earnings, which totalled $243.8 million as at May 31, 2012, and a $3.2 million increase in share capital, plus changes in accumulated other comprehensive income of $0.6 million and less the variation of $0.8 million in contributed surplus. At the close of the first six months, **the book value per share** was $13.09, compared with $11.93 as at November 30, 2011.

As at May 31, 2012, the Company's **share capital** consisted of 20,940,959 common shares (20,846,709 shares as at November 30, 2011). In the first six months of the year, the Company issued 103,250 common shares at an average price of $21.20 (47,800 in 2011 at an average price of $16.80) upon the exercise of stock options under its stock option plan. Also during the first six months ended May 31, 2012, 9,000 common shares were purchased for cancellation under the Company's normal course issuer bid. As at May 31, 2012, 819,750 stock options were outstanding (883,000 as at November 30, 2011), notably considering the 41,000 stock options granted in the first six months of 2012 (50,000 in the first half of 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 (IFR) is adequate to provide reasonable assurance and that such controls are effective. During the quarter ended May 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 six-month periods ended May 31, 2012 have been established by management in accordance with IFRS. These interim consolidated financial statements are 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 page 32 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

July 5, 2012

CONSOLIDATED STATEMENTS OF EARNINGS (unaudited)

(In thousands of dollars, except earnings per share)

	Notes	For the three-month period ended May 31 2012 $	2011 $	For the six-month period ended May 31 2012 $	2011 $
Sales		**147,107**	139,178	**271,190**	252,370
Cost of goods sold, and warehousing, selling and administrative expenses	9	**128,490**	122,103	**239,293**	223,277
Earnings before the undernoted		**18,617**	17,075	**31,897**	29,093
Amortization of property, plant and equipment		**1,161**	1,533	**2,596**	2,892
Amortization of intangible assets		**588**	503	**1,163**	859
Financial costs, net		**(19)**	49	**(65)**	14
		1,730	2,085	**3,694**	3,765
Earnings before income taxes		**16,887**	14,990	**28,203**	25,328
Income taxes		**4,775**	4,889	**8,063**	8,254
Net earnings		**12,112**	10,101	**20,140**	17,074
Attributable to:					
Shareholders of the Company		**11,997**	10,015	**20,001**	17,004
Non-controlling interests		**115**	86	**139**	70
		12,112	10,101	**20,140**	17,074
Net earnings per share attributable to shareholders of the Company	6				
Basic		**0.57**	0.48	**0.96**	0.81
Diluted		**0.57**	0.47	**0.95**	0.80

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 May 31 2012 $	2011 $	For the six-month period ended May 31 2012 $	2011 $
Net earnings		**12,112**	10,101	**20,140**	17,074
Other comprehensive income (loss)					
Exchange difference on net investment in a self-sustaining foreign operation	9	**1,868**	(85)	**648**	(1,480)
Comprehensive income		**13,980**	10,016	**20,788**	15,594
Attributable to:					
Shareholders of the Company		**13,865**	9,930	**20,649**	15,524
Non-controlling interests		**115**	86	**139**	70
		13,980	10,016	**20,788**	15,594

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

For the six-month period ended May 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	—	—	17,004	—	17,004	70	17,074
Other comprehensive income (loss)	—	—	—	(1,480)	(1,480)	-	(1,480)
Comprehensive income	—	—	17,004	(1,480)	15,524	70	15,594
Business combinations	—	—	—	—	—	1,532	1,532
Shares repurchased	(168)	—	(5,439)	—	(5,607)	—	(5,607)
Stock options exercised	1,441	(638)	—	—	803	—	803
Share-based compensation expense	—	292	—	—	292	—	292
Dividends	—	—	(4,655)	—	(4,655)	—	(4,655)
Other liabilities	—	—	—	—	—	(1,552)	(1,552)
	1,273	(346)	(10,094)	—	(9,167)	(20)	(9,187)
Balance as at May 31, 2011	**18,896**	**3,560**	**215,692**	**(1,480)**	**236,668**	**3,480**	**240,148**
Balance as at November 30, 2011	19,714	3,586	229,064	103	252,467	3,720	256,187
Net earnings	—	—	20,001	—	20,001	139	20,140
Other comprehensive income (loss)	—	—	—	648	648	—	648
Comprehensive income	—	—	20,001	648	20,649	139	20,788
Shares repurchased	(9)	—	(260)	—	(269)	—	(269)
Stock options exercised	3,211	(1,022)	—	—	2,189	—	2,189
Share-based compensation expense	—	225	—	—	225	—	225
Dividends	—	—	(5,012)	—	(5,012)	—	(5,012)
Other liabilities	—	—	—	—	—	(48)	(48)
	3,202	(797)	(5,272)	—	(2 867)	(48)	(2,915)
Balance as at May 31, 2012	**22,916**	**2,789**	**243,793**	**751**	**270,249**	**3,811**	**274,060**

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

(In thousands of dollars)

	Notes	**As at May 31, 2012 $**	As at November 30, 2011 $	As at December 1st, 2010 $
ASSETS				
Current assets				
Cash and cash equivalents		**30,771**	29,095	39,289
Accounts receivable		**82,043**	72,366	65,017
Income taxes receivable		**2,950**	1,688	—
Inventories		**124,160**	118,753	117,609
Prepaid expenses		**1,561**	1,157	837
		241,485	223,059	222,752
Property, plant and equipment	13	**23,696**	24,927	18,473
Intangible assets	13	**16,728**	16,639	7,420
Goodwill	13	**51,530**	50,748	43,335
Deferred taxes		**3,336**	3,303	2,972
		336,775	318,676	294,952
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**54,307**	51,853	54,612
Income taxes payable		**—**	—	3,741
Current portion of long-term debt		**1,984**	4,309	2,072
		56,291	56,162	60,425
Long-term debt		**1,234**	1,235	786
Deferred taxes		**3,521**	3,471	—
Other liabilities		**1,669**	1,621	—
		62,715	62,489	61,211
EQUITY				
Share capital	6	**22,916**	19,714	17,623
Contributed surplus	6	**2,789**	3,586	3,906
Retained earnings		**243,793**	229,064	208,782
Accumulated other comprehensive income (loss)	8	**751**	103	—
Equity attributable to shareholders of the Company		**270,249**	252,467	230,311
Non-controlling interests		**3,811**	3,720	3,430
		274,060	256,187	233,741
		336,775	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)

For the six-month period ended May 31, 2012 (In thousands of dollars)

	Notes	For the three-month period ended May 31		For the six-month period ended May 31	
		2012	2011	**2012**	2011
		$	$	**$**	$
OPERATING ACTIVITIES					
Net earnings		**12,112**	10,101	**20,140**	17,074
Items not affecting cash					
Amortization of property, plant and equipment		**1,161**	1,533	**2,596**	2,892
Amortization of intangible assets		**588**	503	**1,163**	859
Deferred taxes		**(77)**	(63)	**17**	219
Share-based compensation expense		**100**	137	**225**	292
		13,884	12,211	**24,141**	21,336
Net change in non-cash working capital balances		**(5,054)**	(3,381)	**(12,719)**	(17,365)
		8,830	8,830	**11,422**	3,971
FINANCING ACTIVITIES					
Repayment of long-term debt		**—**	(95)	**(2,538)**	(95)
Dividends paid	7	**(2,507)**	(2,328)	**(5,012)**	(4,655)
Common shares issued		**1,577**	569	**2,189**	803
Common shares repurchased for cancellation		**—**	(5,607)	**(269)**	(5,607)
		(930)	(7,461)	**(5,630)**	(9,554)
INVESTING ACTIVITIES					
Business acquisitions		**(2,386)**	(7,493)	**(2,386)**	(18,498)
Additions to property, plant and equipment and intangible assets		**(605)**	(5,099)	**(1,707)**	(8,359)
		(2,991)	(12,592)	**(4,093)**	(26,857)
Effect of exchange rate changes on cash and cash equivalents		**91**	1	**(23)**	52
Net change in cash and cash equivalents		**5,000**	(11,222)	**1,676**	(32,388)
Cash and cash equivalents, beginning of period		**25,771**	18,123	**29,095**	39,289
Cash and cash equivalents, end of period		**30,771**	6,901	**30,771**	6,901
Supplementary information					
Income taxes paid		**3,958**	3,271	**8,681**	10,608
Interest received		**(22)**	3	**(71)**	(53)

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.

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 carryforward 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. If the instrument is not designated and documented as a hedge,

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 in 2013, as presented below.

IFRS 9, *Financial Instruments*

In November 2009, the 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. However, 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.

IFRS 9 will be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

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 January 1, 2013 with earlier adoption permitted.

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

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.

During the six-month period ending May 31, 2012, this acquisition generated sales of $1,126 and a profit before income taxes of $18. 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 $6.7 million and $0.1 million respectively, assuming that temporary adjustments made as at May 1st, 2012 would have been the same on December 1st, 2011.

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

5. BUSINESS ACQUISITIONS (Cont'd)

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 six months periods ended May 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 May 31, 2012 $	As at November 30, 2011 $
20,940,959 common shares (November 30, 2011: 20,846,709)	**22,916**	19,714

During the six-month period ended May 31, 2012, the Company issued 103,250 common shares (2011: 47,800) at an average price of $21.20 per share (2011: $16.80) following the exercise of options under the share option plan. During the six-month period ended May 31, 2012, under a normal course issuer bid, the Company also repurchased 9,000 common shares for cancellation for a consideration of $269 (2011: 188,880 for a consideration of $5,607), resulting in a share redemption premium of $260, which was recognized as a reduction of retained earnings (2011: $5,439).

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 six-month period ended May 31, 2012, the Company granted 41,000 stock options (2011: 50,000) with an average exercise price of $27.43 per share (2011: $30.54) 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 six-month periods ended May 31, 2012 amounted to $100 and $225 respectively (2011: $137 and $292). As at May 31, 2012, 819,750 options were outstanding with exercise price varying from $9.97 to $30.68 for a weighted average of $21.57 (883,000 as at November 30, 2011 with exercise price varying from $7.28 to $30.68 for a weighted average of $21.25).

(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 three months ending		For six months ending	
	As at May 31, 2012	As at May 31, 2011	**As at May 31, 2012**	As at May 31, 2011
Weighted average number of shares outstanding – Basic	**20,903**	21,114	**20,879**	21,130
Dilutive effect under stock option plan	**220**	253	**201**	258
Weighted average number of shares outstanding – Diluted	**21,123**	21,367	**21,080**	21,388

For the six-month period ending May 31, 2012, the computation of diluted net earnings per share excludes the weighted average of 15,000 options with an exercise price exceeding the average market share price for the period because of their anti-dilutive effect (2011: 20,000).

7. DIVIDENDS

For the three and six-month periods ended May 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 $2,507 and $5,012 (2011: $2,328 and $4,655).

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	For three months ending		For six months ending	
	As at May 31, 2012 $	As at May 31, 2011 $	**As at May 31, 2012 $**	As at May 31, 2011 $
Balance, beginning of period	**(1,117)**	(1,395)	**103**	—
Exchange differences on net investment in a self-sustaining foreign operation	**1,868**	(85)	**648**	(1,480)
Balance, end of period	**751**	(1,480)	**751**	(1,480)

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 May 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 $641 during the three and six-month periods ended May 31, 2012 for a total of $5,647.

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 six-month periods ended May 31, 2012 included a foreign exchange gain of $209 and $171, compared with a loss of $102 and $645 during 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 May 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 $734 (2011: $541). 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 six-month periods ending May 31, 2012, the consolidated statements of comprehensive income include a foreign exchange gain of $1,868 and $648 (2011: loss of $85 and $1,480) 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 six-month periods ended May 31, 2012, inventory charged to cost of goods sold related to import, distribution and manufacturing activities amounted to $103,793 and $192,316 (2011: $98,532 and $179,666). This amount includes an obsolescence expense of $595 and $1,073 (2011: $544 and $998). For the three and six-month periods ended May 31, 2012, employee benefit expenses amounted to $20,823 and $40,054 (2011: $19,398 and $36,511).

(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 six-month periods ended May 31, 2012, nearly 80% of sales were made in Canada (2011: 82%). The Company's sales abroad, almost entirely to U.S. customers, amounted to $28,586 and $54,905 respectively (2011: $25,414 and $46,033) in Canadian dollars compared to $28,604 and $54,639 (2011: $26,258 and $46,963) in US dollars.

As at May 31, 2012, property, plant and equipment totalled $23,696 (November 30, 2011: $24,927), of which $1,959 (November 30, 2011: $2,019) related to assets located in the U.S. In addition, intangible assets located in the U.S. amounted to $8,637 out of the Company's total of $16,728 (November 30, 2011: $8,158 out of $16,639) and goodwill stood at $3,994 out of the Company's total of $51,530 (November 30, 2011: $3,212 out of $50,748), which when expressed in U.S. dollars amounted to $8,362 (November 30, 2011: $7,996) and $3,867 (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 six-month period ended May 31, 2012, the Company achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.2% (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 six months periods ended May 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	**November 30, 2011 $**	December 1, 2010 $
Equity under Canadian GAAP		**275,634**	253,869
Impairment of assets – impairment losses of property, plant and equipment, intangible assets and goodwill	(a), (c)	**(26,509)**	(26,509)
Amortization and other	(a), (c)	**408**	—
Other liabilities	(e)	**(400)**	(400)
Deferred taxes	(b)	**3,334**	3,351
		(23,167)	(23,558)
Equity attributable to shareholders of the Company under IFRS		**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		
		GAAP	Adjustments	IFRS
	Note	$	$	$
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 CONSOLIDATED STATEMENTS OF EARNINGS

		Three-month period ended on May 31, 2011			Six-month period ended on May 31, 2011		
	Note	GAAP $	Adjust-ments $	IFRS $	GAAP $	Adjust-ments $	IFRS $
Sales		139,178	—	**139,178**	252,370	—	**252,370**
Cost of goods sold, and warehousing, selling and administrative expenses	(c)	121,984	119	**122,103**	223,113	164	**223,277**
Earnings before the undernoted		17,194	(119)	**17,075**	29,257	(164)	**29,093**
Amortization of property, plant and equipment	(a)	1,569	(36)	**1,533**	2,905	(13)	**2,892**
Amortization of intangible assets	(a)	562	(59)	**503**	962	(103)	**859**
Financial costs, net		49	—	**49**	14	—	**14**
		2,180	(95)	**2,085**	3,881	(116)	**3,765**
Earnings before income taxes		15,014	(24)	**14,990**	25,376	(48)	**25,328**
Income taxes	(b)	4,922	(33)	**4,889**	8,296	(42)	**8,254**
Net earnings		10,092	9	**10,101**	17,080	(6)	**17,074**
Attributable to:							
Shareholders of the Company		10,006	9	**10,015**	17,010	(6)	**17,004**
Non-controlling interests		86	—	**86**	70	—	**70**
		10,092	9	**10,101**	17,080	(6)	**17,074**
Net earnings per share attributable to shareholders of the Company							
Basic		0.48	—	**0.48**	0.81	—	**0.81**
Diluted		0.47	—	**0.47**	0.80	—	**0.80**

RECONCILIATIONS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three-month period ended on May 31, 2011			Six-month period ended on May 31, 2011		
	Note	GAAP $	Adjust-ments $	IFRS $	GAAP $	Adjust-ments $	IFRS $
Net earnings		10,092	9	**10,101**	17,080	(6)	**17,074**
Other comprehensive income (loss)							
Exchange difference on net investment in a self-sustaining foreign operation	(d)	(150)	65	**(85)**	(2,824)	1,344	**(1,480)**
Comprehensive income		9,942	74	**10,016**	14,256	1,338	**15,594**

RECONCILIATIONS OF CONSOLIDATED CASH FLOWS

		Three-month period ended on May 31, 2011			Six-month period ended on May 31, 2011		
	Note	GAAP $	Adjust-ments $	IFRS $	GAAP $	Adjust-ments $	IFRS $
Operating activities	(c)	8,740	90	**8,830**	3,971	—	**3,971**
Investing activities		(7,461)	—	**(7,461)**	(9,554)	—	**(9,554)**
Financing activities	(c)	(12,502)	(90)	**(12,592)**	(26,857)	—	**(26,857)**

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	Les frais d'acquisition, soit les frais encourus par l'acquéreur pour conclure une transaction d'acquisition d'entreprise, sont inclus dans la répartition du prix payé et, en conséquence capitalisés au bilan.
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	IFRS 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 improvements	Machinery and equipment	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	568	18,474
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)	(2)	3
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 relationships	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:

Noms	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.

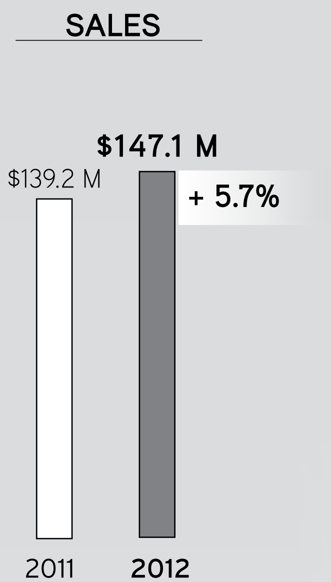
14. APPROVAL OF FINANCIAL STATEMENTS

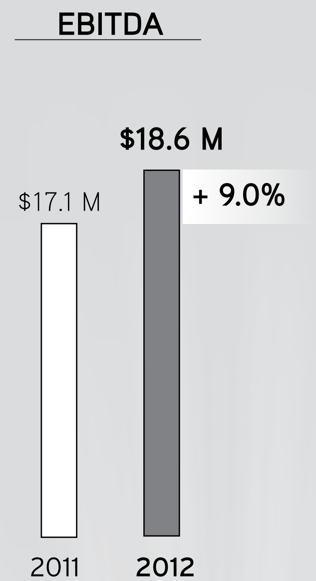
The consolidated financial statements for the six-month period ended May 31, 2012 (including the comparative figures) were approved for issue by the Board of Directors on July 5, 2012.

15. COMPARATIVE FIGURES

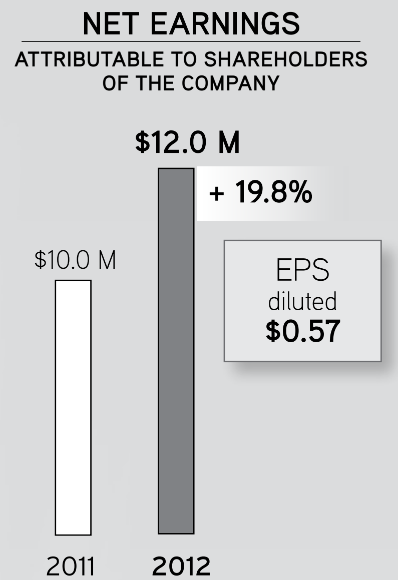
Certain figures for the three and six-month periods ended May 31, 2011 and the year ended November 30, 2011 have been reclassified to conform to the presentation adopted in the three and six-month periods ended May 31, 2012.

Six-month periods
ended on May 31, 2011 and 2012





EBITDA margin
12.3% **12.7%**



Net margin
7.2% **8.2%**

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