Annual Report 2009

Richelieu

TABLE OF CONTENTS

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS
will be held on March 25, 2010 at 11am, at the Omni Mont-Royal Hotel
1050 Sherbrooke Street West, Montreal, Quebec.

Long-term vision and common values:

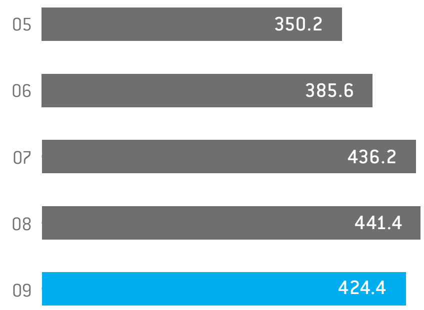
LEADERSHIP AND STRENGTH
CUSTOMER-DRIVEN

Leadership is a team concern and it is the passion for what we do every day with intensity, creativity, and rigour that provides Richelieu with a front-running position and stability through the years. We share the enthusiasm to innovate and excel with our customers, along with strong values of integrity and respect. Together, we overcome challenges and effectively get through more difficult times while remaining profitable and creating value, as was the case in 2009.

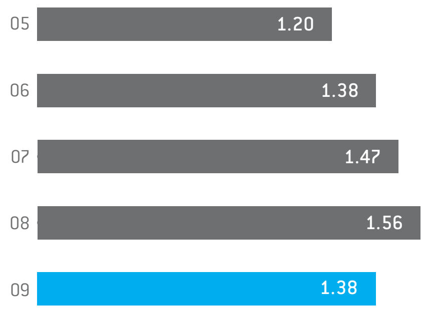
Our operations generate substantial financial resources year after year

STRONG, DEBT-FREE BALANCE SHEET

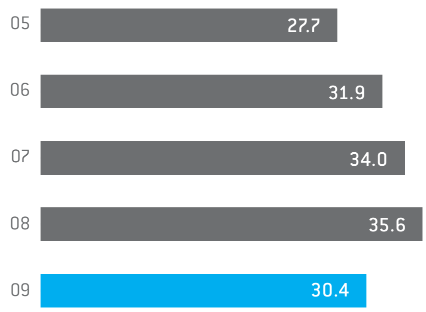
Sales
(in millions of $)



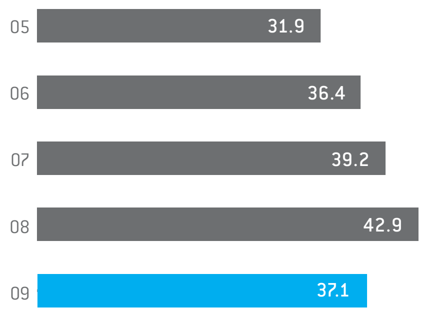
Earnings per share
(in $)



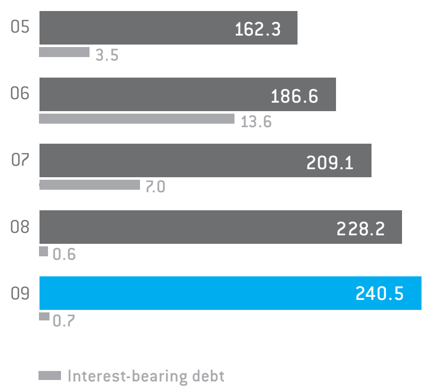
Net earnings
(in millions of $)



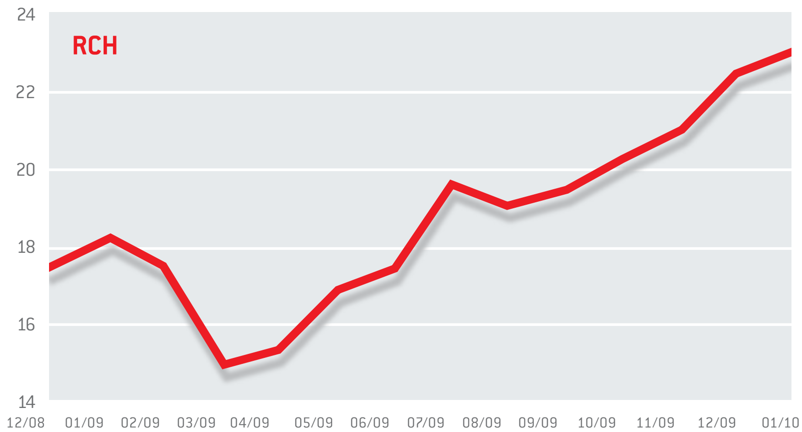
Cash flows from operating activities
(in millions of $)



Shareholders' equity
(in millions of $)



Share performance
(in $)



Financial Highlights

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

	2009 $	2008 $	2007 $	2006 $	2005 $
RESULTS					
Sales	424,375	441,428	436,157	385,631	350,177
EBITDA	51,292	58,248	57,101	53,059	45,785
(% of sales)	12.1	13.2	13.1	13.8	13.1
Net earnings	30,404	35,607	33,954	31,931	27,688
Cash flows from operating activities [1]	37,109	42,907	39,195	36,400	31,923
FINANCIAL POSITION					
Net cash [2]	47,774	5,477	908	(6,671)	16,604
Working capital	150,485	130,865	120,995	103,909	105,927
Total assets	286,491	273,484	258,778	245,002	202,971
Interest-bearing debt	668	649	6,971	13,635	3,499
Shareholders' equity	240,500	228,234	209,096	186,584	162,300
PER SHARE					
Weighted average number of shares outstanding (diluted) (000s)	22,019	22,785	23,080	23,136	23,165
Net earnings ($)	1.38	1.56	1.47	1.38	1.20
Diluted net earnings ($)	1.38	1.56	1.46	1.37	1.19
Cash flows from operating activities [1] ($)	1.69	1.88	1.70	1.57	1.38
Book value ($)	11.04	10.39	9.05	8.09	7.01
Dividends	0.32	0.32	0.28	0.24	0.20
RATIOS					
Return on average equity (%)	13.0	16.3	17.2	18.3	18.4
Interest-bearing debt/shareholders' equity (%)	0.3	0.3	3.3	7.3	2.2

[1] *Before net change in non-cash working capital items*
[2] *Cash net of debt and bank loan*

LISTING OF SHARES (RCH) ON THE TORONTO STOCK EXCHANGE (TSX) IN 1993

APPRECIATION IN SHARE PRICE

882%

since initial stock market listing

MARKET CAPITALIZATION AS AT NOVEMBER 30, 2009

$457.2 million

+ 653%

GROWTH

since initial stock market listing

Profile

Importer, distributor and manufacturer of specialty hardware and complementary products

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

Our customers — More than 40,000 customers in North America: kitchen and bathroom cabinet manufacturers, kitchen dealers, residential and commercial woodworkers, home furnishing manufactures, office and ready-to-assemble furniture manufacturers, renovation superstore chains, and purchasing groups with more than 6,000 hardware retailers.

Our team — More than 1,200 people, close to half of whom focus on sales and marketing, and approximately 60% of whom are Richelieu shareholders.

North American leader

Our products — Some 65,000 products (SKUs) in a wide variety of categories including: kitchen accessories, lighting systems, finishing and decorating products, functional hardware, ergonomic workstations, closet and kitchen storage solutions, sliding doors systems, decorative and functional panels, high-pressure laminates. This offering is complemented by the specialty items manufactured by our two subsidiaries, Cedan Industries Inc. and Menuiserie des Pins Ltée. These include a broad range of veneer sheets and edgebanding products, a variety of decorative mouldings and components for the window and door industry. In addition, some of our products are manufactured in Asia according to our specifications and those of our customers. More than 50% of our overall offering is sold under our brands.

Our network — 50 centres across North America including two manufacturing plants. Our wide array of products, our “one-stop shop” service approach, our logistical efficiency and the numerous advantages of the transactional website richelieu.com translate into an optimal response rate for our customers.

Message to Shareholders

Richard Lord
President and
Chief Executive Officer

In the context of the 2009 economic crisis that affected several of our North American markets, the validity and profitability of the Richelieu business model were confirmed yet again.

We had adjusted our plan of action in order to weather this period of economic slowdown as well as possible – the financial performance we achieved in 2009 is owed to our proactive approach to enhance general efficiency, reduce expenses and optimize customer service.

Under the circumstances, we have every reason to be satisfied with our sales and profitability. Our operations continued to generate substantial cash flows throughout the year, and our already healthy, solid and almost debt-free balance sheet was thereby reinforced.

We also further expanded by opening two new centres in the United States, in Ohio and in Kentucky, and acquiring two distributors, in Calgary and New York State.

We have significant leeway to overcome the challenges ahead in 2010 and to pursue our business strategy.

Operational rigour, profitability, financial strength and flexibility

Our markets in Central and Western Canada and in the United States were all somewhat affected by the crisis, whereas our Eastern Canadian market showed strong resilience. The residential and commercial renovation industry, accountable for most of our growth, suffered a decrease in demand across North America, thus lowering our sales by 3.9% compared to 2008, bringing them to $424.4 million – still a satisfactory performance in a difficult business context.

This result was obtained thanks to our leadership, the concerted efforts of our entire team, including our sales and customer service specialists, our precision marketing, our innovation strategy as well as our "one-stop shop" approach, and the accrued contribution of our transactional website.

We have started to reap the benefits of the investments made over the past three years to grow our positioning within the retail market, and we were able to achieve solid sales growth in this market during the year.

We are constantly in touch with the realities of the economic and business environment, as well as the realities of our organization. We have profitably come through this period by reinforcing our management practices and intensifying our efforts to improve performance in various areas. Expense and operational cost-cutting measures were diligently put in place, many of which will generate recurring savings, such as merging the activities of three of our centres, with those of other centres within our network. These measures were linked to productivity gains within our supply chain, rigorous management of prices in a highly volatile currency market, and increased attentiveness to value-added activities. We were proud to successfully maintain our entire team as well as our customer service excellence throughout this challenging year.

These measures allowed us to generate substantial profit margins and to achieve net earnings of $30.4 million or $1.38 per share for the year. On November 30, 2009, our total cash net of debt stood at $47.8 million and our working capital at $150.5 million for a current ratio of 4.7:1, and we had unused lines of credit of more than $30 million.

Not only did we preserve our market share, but we even increased it despite the slowdown in demand.

The knowledge of our customer needs and our collaborative relationships with world-renowned manufacturers/suppliers are at the heart of our competitive edge.

For many decades now, Richelieu has been a customer-oriented company – and this focus will continue to guide our future strategies and actions. This approach contributes to shape our organization through innovation in our product offering and the way we support our customers in achieving their growth objectives.

As an importer, distributor and manufacturer of specialty products, we serve several tens of thousands of manufacturers and retailers in North America – the product and logistics are therefore two key features of our outstanding service. In 2009, we continued to work diligently to meet our customers' needs and anticipate their expectations.

We have the long-time support of some of the most creative and successful manufacturers/suppliers around the world, with whom we have developed strong collaborative relationships. By further enhancing our offering with innovations that stem from new technologies and designs, we bring to our customers creative opportunities and added value alike.

In 2009, we established new agreements with manufacturers/suppliers to broaden some of the lines that respond well to our market needs, and we further innovated in most of our product categories. Innovations added during the year included stylish and high-performing kitchen hoods, new lines of faucets, sinks and cabinet doors, light, sturdy and ecological honeycomb panels for furniture manufacturing, new linear LED lighting systems, and soon, high-performance electronic locks systems for use in offices and businesses.

In order to achieve our objectives of efficiency and customer service excellence, we consider logistics to be a driver of innovative processes.

To face worldwide competition, our customers are increasingly focused on profitable growth and differentiation. They must be creative in every aspect and at all levels, concentrate on sales and quality, and invest the least possible in inventories. As a partner, Richelieu must continue to distinguish itself by offering unique, practical and efficient service.

Our logistics concept integrates supply and demand management and provides optimal synchronization of all the links of the supply and distribution chain.

One of Richelieu's strengths is delivering orders at the right time, generally within 24 hours, at the right place and under the best conditions – and we have implemented and adapted new technological tools allowing us to exceed this performance, to effect precision marketing and ensure cutting-edge service.

Our integrated supply chain management provides us with more precise knowledge and understanding of our customers' purchasing habits, more efficient stock-keeping unit management for us – and for our customers so they can maintain a minimum of inventories while avoiding inventory shortages – and lower transportation costs: ultimately service responding to our customers' current concerns as well as our quality and efficiency objectives. In 2010 and upcoming years, we will pursue our distribution logistics optimization plan.

Our comprehensive service concept also integrates the numerous advantages of our transactional website *www.richelieu.com*. In 2009, the various technological enhancements added to the website provided outstanding accessibility, browsing and documentation. We also incorporated new sales support tools along with new products and modules, including the special orders module to respond promptly to specific customer needs, while allowing us to expand our product offering without overloading our inventories. With its kitchen accessories, cabinet doors, storage, lighting and special orders modules, unique on the market, this portal simplifies the way our customers, architects and designers do business; it is the most user-friendly and comprehensive specialty hardware website in North America, and is a pillar of our future growth. Throughout 2009, we also continued to invest in the renewal of the sales support tools we provide our customers, namely displays, catalogues and brochures that showcase our product lines along with their specifications, this also includes frequent new editions and updates of these unique quality tools.

Thanks to our efficient logistics, sales support tools and transactional website, our customers can make their sales even before placing their orders.

We began 2010 with a stronger organization and leading market position.

Several times since it began operations, Richelieu showed an outstanding capacity to move its organization forward and to retain strong profitability during economic slowdowns. In 2009, we were compelled to review some ways of doing business and optimize various aspects of our organization in order to achieve immediate results, but also and above all, to reinforce our operational bases and leadership for the long term.

In 2010, we will continue to focus on our development targets. Our primary growth vectors remain innovations – synergies and cross-sales within our network with the acquisitions of the past three years – new market development including the U.S. retail market, ten times larger than in Canada and which we are just starting to penetrate – expansion-by-acquisition in our sector and new distribution centre start-ups in North America respecting our profitability and value creation criteria.

The residential and commercial renovation market remains our primary development target for the short, medium and long term. About 75% of all homes in North America are more than 25 years old, which offers attractive growth potential for the coming years, not to mention commercial renovations, which are an increasing necessity for businesses as well as for institutions, a niche that is fast expanding.

We have the advantage of serving a well-diversified clientele of thousands of businesses active in their communities across Canada and currently in a dozen U.S. states. This extensive customer base provides us with a competitive edge in terms of supply costs and minimizes the risk of depending on a few customers and a specific geographical region, while giving us plenty of room to grow in North America.

We have the advantage of having built a robust and flexible organization, with a proven and effective business model that we steadily improve. All our centres use the same North American marketing program, with supply adjusted to the reality of our market segments. Our customer service is decentralized and handled by local employees, and our entire organization is monitored by a centralized operations control system.

We have the advantage of relying on a highly qualified team of employees who share our objectives – more than half of whom are dedicated to sales and marketing – and more than 60% of whom are also Richelieu shareholders.

We would like to thank all our employees for the quality of their contribution to the vitality, strength and stability of the company. We also thank our directors who share our vision and provide us with their support and expertise. Finally, we would like to thank our customers for the drive and motivation they bring us, and for their loyalty, along with our suppliers for their creativity and reliability.

Innovation continues to spearhead our growth.

We will continue to innovate, to carefully manage our financial resources and to create value for years to come – always giving priority to employee training in order to maintain quality management and customer service excellence. With its strong and flexible organization and its impeccable financial position, Richelieu holds a leading positioning for the future.

(Signé) Richard Lord
President and Chief Executive Officer

Directors

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

Richard Lord
President and Chief Executive Officer
Richelieu Hardware Ltd.

Mathieu Gauvin [1]
Vice-President
RSM Richter Inc.

Robert L. Trudeau [2]
Chairman of the Board
Trudeau Corporation

Denyse Chicoyne [1]
Director of Corporations

Robert Courteau [1]
Senior Vice President Business Solutions
Fujitsu Canada Inc.

Jean Douville [2]
Chairman of the Board
UAP Inc.
Chairman of the Board
National Bank of Canada

Jocelyn Proteau [2]
Director of Corporations

(1) Member of the Audit Committee

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

Officers

Richard Lord
President and Chief Executive Officer

Alain Giasson
Vice-President and Chief Financial Officer

Normand Guindon
Vice-President and General Manager
– Operations

Guy Grenier
Vice-President, Sales and Marketing
– Industrial

Christian Ladouceur
Vice-President, Sales and Marketing
– Retailers

Éric Daignault
General Manager of Divisions

Marion Kloibhofer
General Manager – Central Canada

John Statton
General Manager – Western Canada

Charles White
General Manager – USA

Christian Dion
Manager– Human Resources

Geneviève Quevillon
Manager – Supply Chain
and Logistics

Hélène Lévesque
Corporate Secretary

A solid built organization

focused on innovation and service quality

An integrated customer service concept that sets us apart in our market: a network of 50 integrated centres on the continent to ensure top-quality onsite service, combined with an array of online services available through www.richelieu.com and a unique marketing force for our customers.

Continuous innovation is at the heart of our anticipation process and proactive management.

Innovation
Inspiration

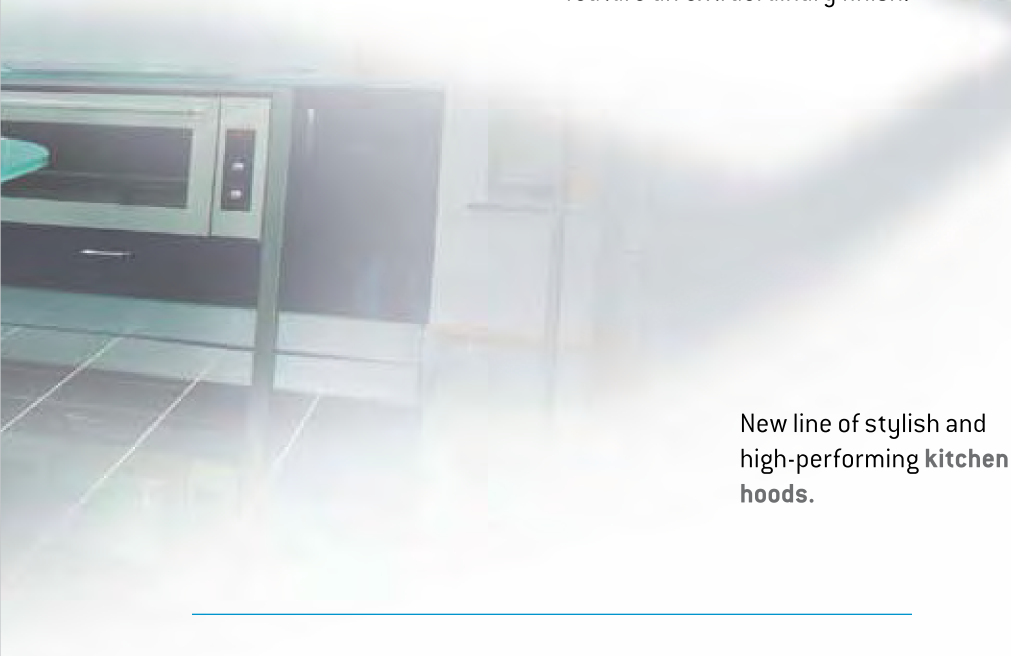
New technologies, new materials, design evolution, ergonomics, ready-to-assemble, space optimization... we are an integral part of a dynamic, innovative industry, where creativity stimulates our growth and that of our customers. All the innovations we introduce yearly generate cross-sales and open up new markets.

More than 50% of our products are sold under our own or exclusive brands.

The new self-adhesine linear LED lighting systems allow users to change the colour of the lighting to fit their moods and offer a very modern decorative touch.

The sliding door system saves on space while being esthetically pleasing – this also applies to the kitchen – a real and very lucrative trend for the future.

The new ecological honeycomb panels are light and sturdy while simplifying handling at the warehouse and during delivery, thus paving the way for a new generation of hardware, and with the high-calibre veneers manufactured by our subsidiary Cedan, feature an extraordinary finish.



New line of stylish and high-performing **kitchen hoods.**

Innovation
Inspiration

Our office solutions can be incorporated into institutional, commercial and residential renovations to design stylish "green" ergonomic environments.

They feature an extensive selection of accessories for easy storage and saving space: keyboard trays, LCD monitor arms, height adjustable tables, lighting, desk storage solutions and other unique systems. Our customers also have access to the Office Solution section at richelieu.com where videos explain how they work.

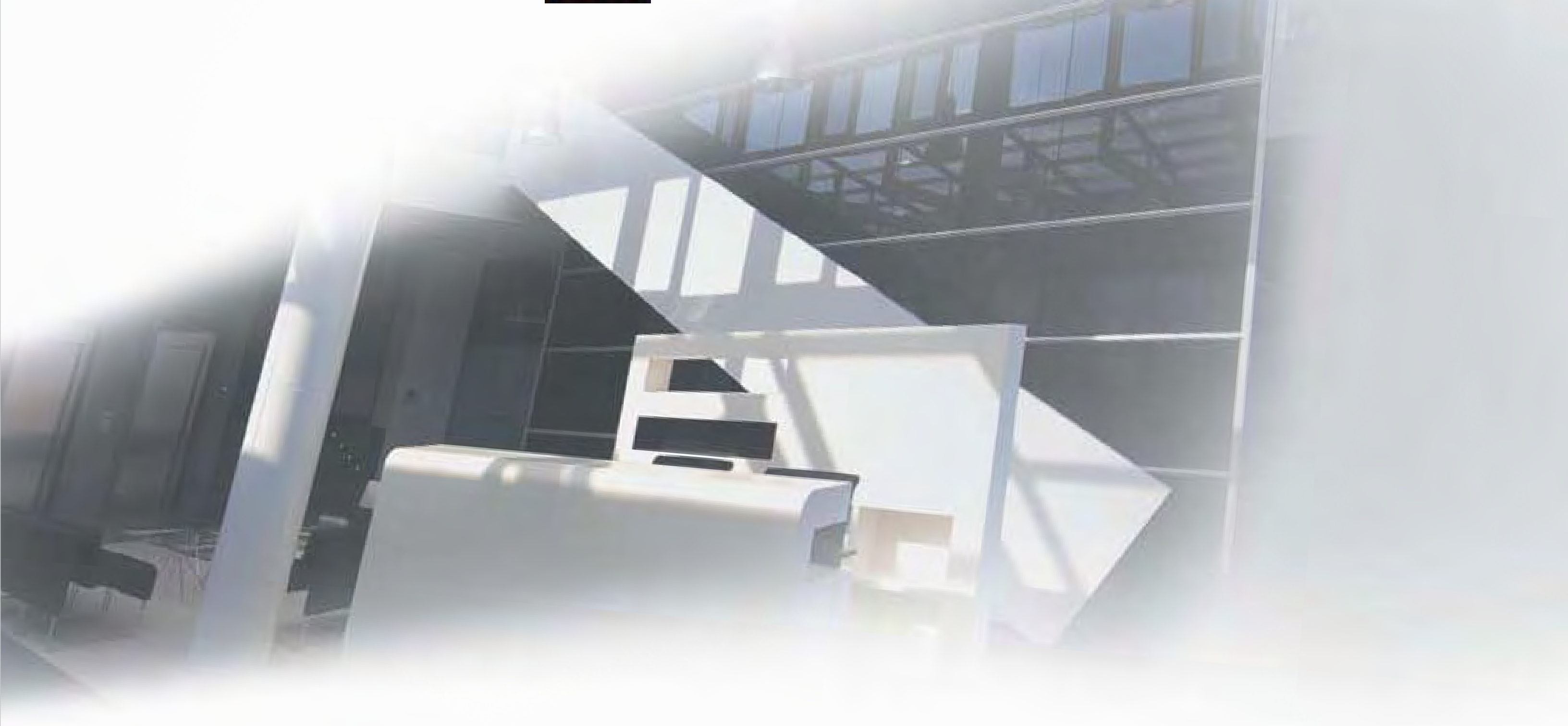
Retractable power unit to easily solve space problems

Versatile storage systems providing space above the work desk

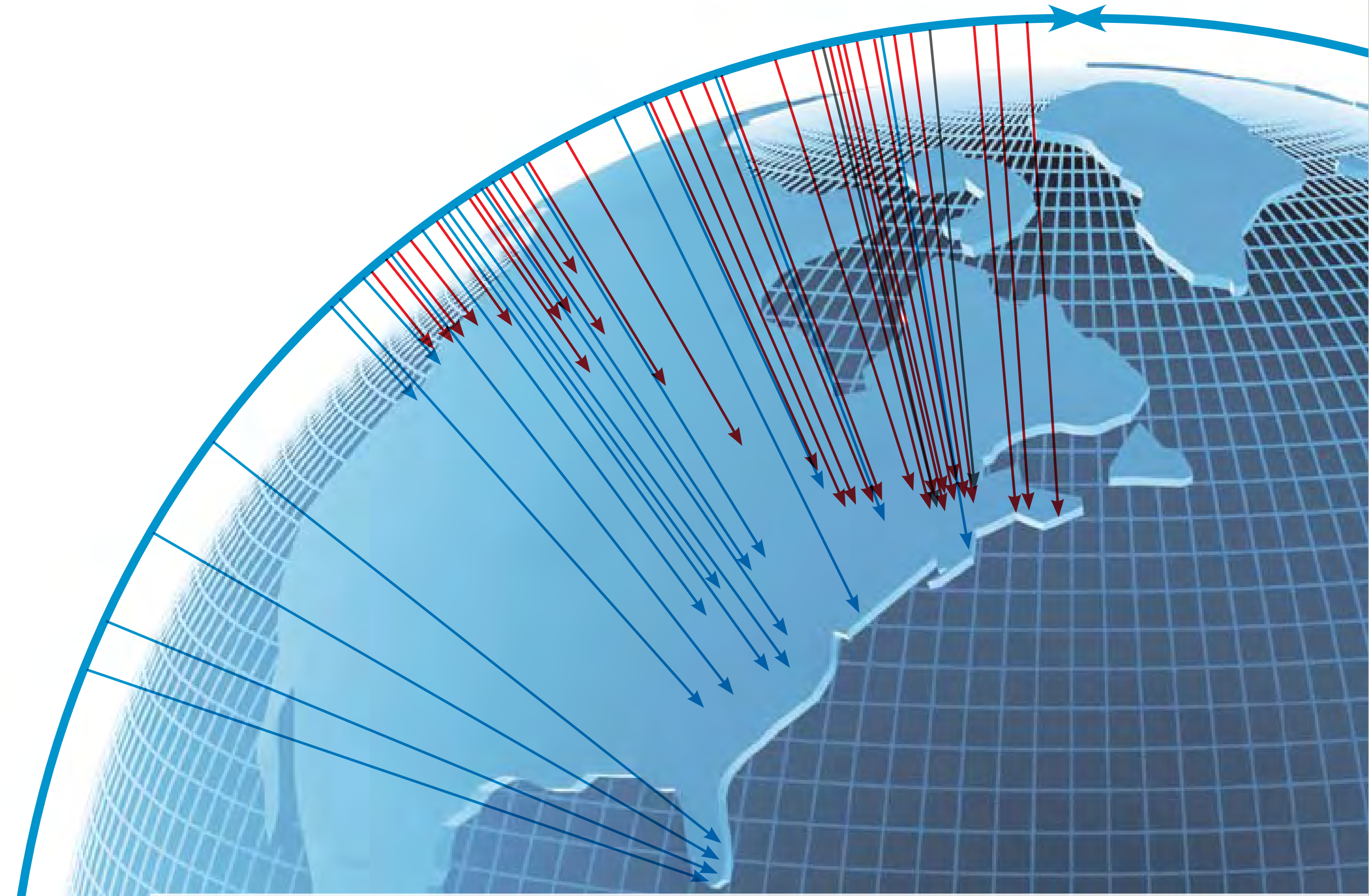
"Green" **keyboard tray** with entirely recyclable components, winner ot the 2009 IIDEX/Neocon Canada Innovation Award

IIDEX NeoCon Canada 2009 AWARD BRONZE

The electronic locks systems are new to the market but will soon become essential for offices and businesses alike



Innovation
Efficiency



30 distribution centres in Canada

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

and 2 manufacturing centres

Longueuil, Notre-Dame-Des-Pins

18 distribution centres in the United States

Boston, New York, Charlotte, Greenville, Atlanta, Columbus, Detroit, Pompano, Riviera Beach, Hialeah, Dania, Nashville, High Point, Seattle, Portland, Cincinnati, Louisville, Syracuse

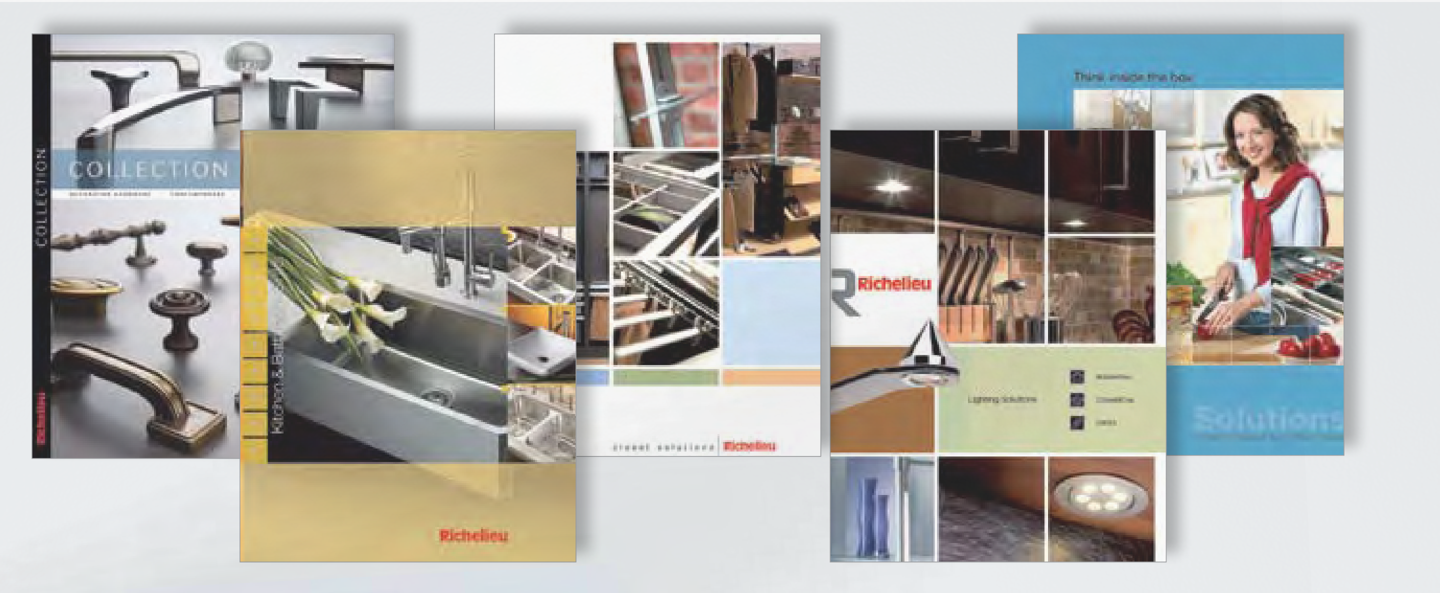
We apply methods that promote efficient and innovative logistics management for our customers, particularly for their inventories, as well as enhancing our own efficiency objectives. We view logistics in a very integrated manner and constantly look to optimize supply management with the help of technological tools and methods that standardize, automate and enhance service and sales administration.

These tools and methods allow us to collect and analyze sales data in order to develop better-targeted strategies in a micro-fragmented market. They also allow us to accurately evaluate the quantities of product needed, to better manage inventories, to automate the shipping of orders, and to reduce transportation costs for our customers and us.

All our North American centres are linked to our integrated management system.

Innovation
Stimulation

In 2009, our transactional website www.Richelieu.com reached an exceptional level of accessibility, browsing and documentation on products – it strategically stands out among all other specialized transactional websites.



In 2009, our website was further optimized with the implementation of documentation tools that significantly increased the information available on all our online products.

Our site offers a unique selection of highly diversified hardware products in many categories – each category being like a specialized micro-site allowing our customers to compare products, conduct precise item searches and complete their purchase transactions online.

With the new special orders module implemented in 2009, our customers can now order specific products or components to fit the complexity of their projects. Our site manages their entire orders including transportation costs, delivery times and currency exchanges.

The success of our monthly online communication campaigns reflects the positive reception of our site users. Our monthly online sales now stand at about $5 million, representing about 18% of our sales to manufacturers.

In addition to our showrooms and our involvement in major trade shows, we invest in a wide array of unique-on-the-market sales tools to be used by our customers: catalogue-brochures, displays for their stores, and regularly updated, top-quality and easy-to-use comprehensive catalogues of our products featuring complete specifications and prices.

A proactive marketing and logistics approach: the customer can make the sale even before placing an order.

Richelieu – major supplier to retailers

We serve all small and medium-sized hardware stores and renovation centres in Canada, under various purchasing groups and banners, representing about 6,000 businesses in many locations. We also supply renovation superstores and other major retail chains.

We are able to provide our customers with more than 100 linear feet of hardware displays per store under our own brands: Richelieu, Onward, Reliable, Nystrom and Cedan.

While further developing the Canadian retail market, our next step will bring us towards U.S. retailers who represent strong growth potential for the coming years.

Management's Report

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

(Year Ended November 30, 2009)

CONTENTS

HIGHLIGHTS *of the Year Ended November 30, 2009*

In 2009, Richelieu's operations continued to generate substantial cash flows – the Company further strengthened its balance sheet and expanded its network which now comprises 50 centres in North America. In view of the economic crisis that caused a decline in demand in the United States, Western and Central Canada, Richelieu recorded a satisfactory financial performance. Nevertheless, Eastern Canada was relatively less affected by this slowdown. This performance was achieved thanks to rigorous operational management, tight expense control, ongoing innovation, quality of service and the efficiency of the integrated supply chain management. Supported by its expert and committed team, and considering its excellent liquidity and its healthy and solid balance sheet, the Company is well positioned to take advantage of the recovery and to pursue its business strategy.

- Consolidated sales totalled $424.4 million, down 3.9% from 2008.
- Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) amounted to $51.3 million, compared with $58.2 million in 2008.
- Net earnings stood at $30.4 million or $1.38 per share (basic and diluted), down from $35.6 million or $1.56 per share (basic and diluted) in 2008.
- The EBITDA margin for the fourth quarter of 2009 improved over the corresponding period of 2008 to reach 14.5%.
- Cash flows from operating activities grew by 39.2% to $57.4 million.
- Working capital amounted to $150.5 million for a current ratio of 4.7:1 as at November 30, 2009.
- Richelieu's total interest-bearing debt remained almost nil, at $0.7 million.
- During the year, the Company paid a total of $7.0 million in dividends to its shareholders, representing 23% of the year's net earnings, and purchased common shares outstanding (RCH) under the normal course issuer bid for $4.2 million.
- Richelieu further expanded by way of two new distribution centre start-ups in the United States – in Louisville (Kentucky) and Cincinnati (Ohio) – and the acquisition of the principal assets of Paint Direct Inc. (Calgary, Alberta), a distributor of finishing products, on November 4, 2009.
- *Event subsequent to November 30, 2009* – Acquisition of the principal assets of Woodland Specialties (Syracuse, New York) – a distributor of hardware products, high-pressure laminates, finishing products and other complementary products targeted mainly to kitchen cabinet makers and the commercial woodworking segment.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2009, in comparison with the year ended November 30, 2008, as well as the Company's financial position at those dates. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended November 30, 2009 appearing in the Company's Annual Report. In this management's report, "Richelieu" or the "Company" designates, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Various supplementary documents, such as the Annual Information Form, interim management's reports, Management Proxy Circular, certificates and press releases issued by Richelieu, are available on SEDAR's website at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to January 28, 2010, on which date the audited consolidated financial statements and the annual management's report were approved by the Company's Board of Directors. Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements for the fourth quarter ended November 30, 2009 have not been audited or reviewed by the Company's auditors.

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

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, growth outlook, Richelieu's competitive position in its industry, Richelieu's ability to weather the current economic context, the closing of new acquisitions and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend" "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith, regarding future events, including economic conditions, exchange rate fluctuations, changes in operating expenses, the sufficiency of the Company's deliveries, the availability of credit and the absence of unusual events requiring supplementary capital expenditures.

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are written, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability, as well as other factors set forth herein (see the "Risk Management" section of this management's report and the Annual Information Form, available on SEDAR's website at www.sedar.com).

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

GENERAL BUSINESS OVERVIEW as at November 30, 2009

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 **more than 65,000 stock-keeping units (SKUs)** targeted to a base of **over 40,000 customers** who are served by **50 centres in North America** – 30 distribution centres in Canada, 18 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., and of components for the window and door industry and of mouldings through Menuiserie des Pins Ltée. In addition, some of the Company's products are manufactured in Asia according to its specifications and those of its customers.

The Company employs over 1,200 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. More than 60% 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 introducing every year an average of over 1,000 diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;
- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service; and
- expanding in North America through the opening of distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

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

FINANCIAL HIGHLIGHTS

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

Years ended November 30

	2009 $	2008 $	2007 $	2006 $
Sales	**424,375**	441,428	436,157	385,631
EBITDA	**51,292**	58,248	57,101	53,059
EBITDA margin (%)	***12.1***	*13.2*	*13,1*	*13.8*
Net earnings	**30,404**	35,607	33,954	31,931
▪ basic earnings per share ($)	**1.38**	1.56	1.47	1.38
▪ diluted earnings per share ($)	**1.38**	1.56	1.46	1.37
Cash flows*	**37,109**	42,907	39,195	36,400
▪ per share ($)	**1.69**	1.88	1.70	1.57
Cash dividends paid on shares	**7,032**	7,301	6,463	5,551
▪ per share ($)	**0.32**	0.32	0.28	0.24
Weighted average number of shares outstanding (diluted) (in thousands)	**22,019**	22,785	23,080	23,136
As at November 30				
Total assets	**286,491**	273,484	258,778	245,002
Working capital	**150,485**	130,865	120,995	103,909
Shareholders' equity	**240,500**	228,234	209,096	186,584
Return on average equity (%)	**13.0**	16.3	17.2	18.3
Book value ($)	**11.04**	10.39	9.05	8.09
Total interest-bearing debt	**668**	649	6,971	13,635
Interest-bearing debt to equity ratio (%)	**0.3**	0.3	3.3	7.3
Cash and cash equivalents	**48,442**	6,126	7,879	6,964

* Before net change in non-cash working capital balances

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2009 COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2008

Consolidated sales
(in thousands of $)

Years ended November 30	2009 $	2008 $	Δ %
Canada	**356,637**	365,028	- 2.3
United States (CA$)	**67,738**	76,400	- 11.3
(US$)	**58,503**	73,073	- 19.9
Average exchange rate	***1.1579***	*1.0455*	
Consolidated sales	**424,375**	441,428	- 3.9

For the year ended November 30, 2009, Richelieu recorded a performance that was all the more satisfactory since the year's difficult conditions caused a slowdown, among others, in the residential and commercial renovation industry, which is the Company's primary source of growth. The United States, Western and Central Canada were more affected by this downturn, whereas Eastern Canada was relatively less so, enabling Richelieu to achieve growth this market. Despite this challenging context, the Company maintained a good business volume and recorded **consolidated sales** of $424.4 million for 2009, a decrease of 3.9% from the previous year, of which a 4.5% internal decrease, whereas the growth-by-acquisition was 0.6% [Top Supplies, Inc. ("Top Supplies"), North Carolina, acquired in April 2008 – Acroma Sales Ltd. ("Acroma"), British Columbia, acquired in July 2008 – Paint Direct Inc., Alberta, acquired on November 4, 2009].

The average annual growth in consolidated sales stood at 5.8% for the last five years.

Sales to manufacturers amounted to $345.2 million in 2009, down from $363.2 million in 2008. This 5.0% decline is due primarily to the economic context and more difficult export conditions affecting Canadian manufacturers. Conversely, **sales to hardware retailers** and renovation superstores, recorded mostly in Canada, grew by 1.2% to $79.1 million in 2009. The most significant increase in the retailers market was posted in Western Canada through market penetration efforts made in recent years.

In Canada, sales totalled $356.6 million in 2009, compared with $365.0 million in 2008, a decline of 2.3%, of which a 2.8% internal decrease and a 0.5% growth mainly from the acquisition of Acroma. Sales in Canada accounted for 84.0% of 2009 consolidated sales, compared with 82.7% in 2008.

In the United States, sales totalled US$58.5 million, down 19.9% from the previous year. This decline is attributable to a 20.6% internal decrease, whereas the growth from the contribution of Top Supplies was 0.7%. On account of the exchange rate, sales in the United States amounted to CA$67.7 million, compared with CA$76.4 million for 2008, thereby representing 16.0% of 2009 consolidated sales, versus 17.3% in 2008.

Sales

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

Years ended November 30	2009 $	2008 $
Sales	**424,375**	441,428
EBITDA	**51,292**	58,248
EBITDA margin (%)	**12.1**	13.2

Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) amounted to $51.3 million, down 11.9% from 2008. During the first half, Richelieu's gross margin declined due to the market penetration costs incurred in the first quarter to enhance its offering and presence in the retailers market and to the increase in supply costs that affected second-quarter results. This increase was caused by the weak Canadian dollar in relation to the U.S. dollar during the first quarter, whereas selling prices could not be adjusted accordingly in light of the sudden strengthening of the Canadian dollar in the second quarter. These factors were offset in the second half by an adjustment of selling prices and an improvement in the gross margin in the United States resulting from the mix of products sold. Thus, Richelieu's 2009 gross profit margin was relatively equivalent to the previous year. In a more challenging business context, the Company enhanced its efforts to control expenses and to rigorously manage its selling prices. Considering the year's sales decrease and the exchange loss incurred during the year (versus an exchange gain in 2008) as a result of the strong fluctuations in the Canadian dollar/U.S. dollar exchange rate, the 2009 **EBITDA margin** stood at 12.1%, down 1.1% from 2008.

The average annual EBITDA growth stood at 3.4% for the last five years.

Consolidated net earnings
(in thousands of $, unless otherwise indicated)

Years ended November 30	2009 $	2008 $
EBITDA	51,292	58,248
Amortization of capital and intangible assets	6,411	5,458
Interest	–	104
Income taxes	14,183	16,749
Non-controlling interest	294	330
Net earnings	30,404	35,607
Net profit margin (%)	*7.2*	*8.1*
Comprehensive income	22,579	45,305

Amortization of capital assets increased by $0.9 million due primarily to the expansion completed in 2008, whereas amortization of intangible assets was relatively stable compared with 2008, at $1.3 million.

Income taxes amounted to $14.2 million, down by $2.6 million from 2008, mainly reflecting the decline in earnings and the gradual reduction in the Canadian tax rate effective January 1, 2008.

Richelieu posted **net earnings** of $30.4 million for 2009, down 14.6% from 2008. They represented 7.2% of consolidated sales, compared with 8.1% the previous year. **Earnings per share** amounted to $1.38 (basic and diluted), versus $1.56 (basic and diluted) for 2008; the average number of shares outstanding has decreased by approximately 4% over the past 12 months due to the purchase of common shares under Richelieu's normal course issuer bid.

The average annual growth in consolidated net earnings stood at 3.1% for the last five years.

On account of a negative adjustment of $7.8 million on translation of the financial statements of the self-sustaining subsidiary in the United States, **comprehensive income** amounted to $22.6 million for 2009.

SUMMARY OF QUARTERLY RESULTS (unaudited)

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

Quarters		1	2	3	4
2009					
	▪ Sales	**94,152**	**110,083**	**109,434**	**110,706**
	▪ EBITDA	**8,047**	**12,336**	**14,851**	**16,058**
	▪ Net earnings	**4,348**	**7,306**	**8,870**	**9,880**
	basic per share	**0.20**	**0.33**	**0.40**	**0.45**
	diluted per share	**0.20**	**0.33**	**0.40**	**0.45**
2008					
	▪ Sales	96,082	114,845	111,799	118,702
	▪ EBITDA	10,569	14,980	15,811	16,889
	▪ Net earnings	6,628	9,100	9,639	10,240
	basic per share	0.29	0.40	0.42	0.46
	diluted per share	0.29	0.40	0.42	0.46
2007					
	▪ Sales	94,509	116,331	111,921	113,396
	▪ EBITDA	10,470	14,784	15,514	16,333
	▪ Net earnings	5,973	8,651	9,110	10,220
	basic per share	0.26	0.37	0.39	0.44
	diluted per share	0.26	0.37	0.39	0.44

Quarterly variations in earnings — The first quarter ending February 28 or 29 is generally the year's weakest for Richelieu in light of the smaller number of business days due to the end-of-year holiday period and a wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes a smaller number of business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters respectively ending May 31 and November 30 generally represent the year's most active periods.

Note: For further information about the Company's performance in the first, second and third quarters of 2009, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

Fourth quarter ended November 30, 2009

In the fourth quarter, Richelieu improved several of its performance indicators compared with the first three quarters of 2009 and achieved efficiency gains from market development, product mix and inventory management and expense control. The Company recorded good results despite the difficult economic conditions that continued to affect the United States and Western Canada and caused a decline from the same period of the previous year, whereas the Eastern Canadian market posted a slight growth over the same period of the previous year. Fourth-quarter consolidated sales totalled $110.7 million, down 6.7% from the corresponding period of 2008. This variation came from a 6.8% internal decrease and a 0.1% growth reflecting the contribution of Paint Direct acquired in the fourth quarter.

Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) amounted to $16.1 million, down 4.9% from $16.9 million for the fourth quarter of 2008. The gross profit margin improved over the same quarter of 2008. Canadian distribution and manufacturing operations generated a gross margin equivalent to the corresponding quarter of the previous year, whereas U.S. operations yielded a higher gross margin than the same quarter of the previous year due to the mix of products sold. **The EBITDA margin** therefore improved to 14.5% from 14.2% in the same quarter of 2008. In addition to the improvement in the gross margin, this positive variation reflects the reduction in fixed expenses resulting from the implementation of cost-cutting measures.

Net earnings amounted to $9.9 million, down 3.5% from the fourth quarter of the previous year. Driven by the factors indicated for the EBITDA margin, the net profit margin improved to 8.9% from 8.6% for the last three months of the previous year. **Earnings per share** amounted to $0.45 (basic and diluted), compared with $0.46 (basic and diluted) for the fourth quarter of 2008, a decrease of 2.2%.

Cash flows from operating activities (before net change in non-cash working capital balances related to operations) amounted to $10.7 million or $0.48 per share, compared with $12.6 million or $0.55 per share for the fourth quarter of 2008, mainly reflecting the decrease in net earnings and variation in future income taxes. In the current context of slower demand, the Company concentrated on efficient supply management, enabling it to reduce its inventories while maintaining excellent customer service. Consequently, operating activities provided cash flows of $18.6 million, up from $14.6 million for the corresponding period of the previous year.

Financing activities used net cash flows of $5.9 million to pay $1.8 million in shareholder dividends and to purchase common shares under the normal course issuer bid for a consideration of $4.1 million during the fourth quarter.

Investing activities used cash flows of $1.2 million, including $0.7 million for the acquisition of Paint Direct on November 4, 2009 and $0.5 million for various capital assets.

FINANCIAL POSITION

Analysis of principal cash flows for 2009

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

Years ended November 30	2009 $	2008 $
Cash flows provided by (used by):		
Operating activities	57,366	41,221
Financing activities	(11,236)	(34,623)
Investing activities	(3,618)	(8,371)
Effect of exchange rate fluctuations	(196)	20
Net change in cash and cash equivalents	42,316	(1,753)
Cash and cash equivalents, beginning of year	6,126	7,879
Cash and cash equivalents, end of year	48,442	6,126
Working capital	150,485	130,865
Renewable line of credit (CA$)	26,000	26,000
Renewable line of credit (US$)	5,000	–

Operating activities

Operating activities provided cash flows (before net change in non-cash working capital balances related to operations) of $37.1 million or $1.69 per share, compared with $42.9 million or $1.88 per share for 2008, mainly reflecting the decline in net earnings and changes in capital assets and future income taxes. Net change in non-cash working capital balances related to operations represented a cash inflow of $20.3 million, as opposed to a cash outflow of $1.7 million for the previous year. This variation is due primarily to the substantial reduction in inventories and accounts receivable in 2009. Consequently, operating activities provided cash flows of $57.4 million for 2009, compared with $41.2 million for 2008.

Financing activities

During 2009, Richelieu paid a total of $7.0 million in shareholder dividends, representing 23% of the year's net earnings and relatively equivalent to the amount paid the previous year. The Company purchased common shares for cancellation for $4.2 million in 2009, compared with a common share repurchase of $20.1 million in 2008. During the previous year, the Company had repaid $7.4 million in of long-term debt, whereas it repaid $36,000 in long-term debt in 2009. Financing activities thus used total cash flows of $11.2 million in 2009, compared with $34.6 million the previous year.

Investing activities

During the year, Richelieu invested $3.6 million, including $2.9 million mainly in displays targeted to renovation superstores, computer equipment and rolling stock for warehouses, and $0.7 million in the fourth-quarter acquisition of the distributor Paint Direct Inc.

Capital resources

As at November 30, 2009, Richelieu had substantial **cash and cash equivalents**, which amounted to $48.4 million, compared with $6.1 million as at November 30, 2008. The Company also posted a **working capital** of $150.5 million for a current ratio of 4.7:1, compared with $130.9 million and a 4.3:1 ratio at the end of the previous year.

Richelieu estimates that it has the capital resources needed to fulfill its commitments and respect its ongoing obligations in 2010. Its cash flows from operating activities should suffice for the funding requirements arising from its growth strategy and its financing and investing activities planned for the year ending November 30, 2010. Furthermore, Richelieu has an **authorized line of credit** of $26.0 million, renewable annually and bearing interest at the bank's prime rate, and has obtained a new authorized and renewable line of credit of US$5 million bearing interest at the bank's prime rate plus 2%. These lines of credit were unused as at November 30, 2009. In addition, the Company could obtain access to other outside financing if necessary.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2010 and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under "Risk Management".

Balance sheet analysis as at November 30, 2009

Summary balance sheet

(n thousands of $)

As at November 30	2009 $	2008 $
Current assets	**191,620**	170,598
Long-term assets	**94,871**	102,886
Total	**286,491**	273,484
Current liabilities	**41,135**	39,733
Long-term liabilities	**4,856**	5,517
Shareholders' equity	**240,500**	228,234
Total	**286,491**	273,484

Assets

Total assets amounted to $286.5 million as at November 30, 2009, compared with $273.5 million a year earlier, an increase of $13.0 million or 4.8%. The acquisition of Paint Direct represents assets of $1.2 million, as explained in further detail in note 3 accompanying the consolidated financial statements appearing in the Company's Annual Report. As at November 30, 2009, current assets were up by $21,0 million over a year earlier, reflecting a $42.3 million increase in cash and cash equivalents, whereas inventories were down by $15.9 million and accounts receivable by $4.4 million.

Total interest-bearing debt

(in thousands of)

As at November 30	2009 $	2008 $
Current portion of long-term debt	**351**	278
Long-term debt	**317**	371
Total	**668**	649
less cash and cash equivalents	***48,442***	*6,126*
Total cash net of debt	**47,774**	5,477

Richelieu's debt remained almost nil. Deducting cash and cash equivalents, the Company therefore had **total cash net of debt** of $47.8 million at the end of 2009. Richelieu continues to benefit from a healthy and solid financial position, enabling it to pursue its business strategy, particularly by way of business acquisitions in its sector and distribution centre start-ups in North America.

Shareholders' equity

Shareholders' equity totalled $240.5 million as at November 30, 2009, up from $228.2 million as at November 30, 2008; this $12.3 million or 5.4% increase reflects the $19.4 million growth in retained earnings which amounted to $224.0 million as at November 30, 2009 and a contributed surplus of $3.9 million, less accumulated other comprehensive income of $4.3 million. **The book value per share** was $11.04 at the end of 2009, compared with $10.39 as at November 30, 2008.

The total interest-bearing debt to shareholders' equity ratio was stable at 0.3% as at November 30, 2009.

Capital stock

As at November 30, 2009, Richelieu's **capital stock** consisted of 21,779,759 common shares (21,976,409 common shares as at November 30, 2008) and 944,500 options (796,050 options as at November 30, 2008) were outstanding.

During the year, through a normal course issuer bid, the Company purchased 198,200 common shares for cancellation for a consideration of $4.2 million, compared with a total share repurchase of $20.1 million in 2008. During 2009, the Company granted 153,000 options (202,000 in 2008) with an average exercise price of $17.40 per share ($19.88 in 2008) and an average fair value of $4.02 per option ($5.13 in 2008) as determined using the Black & Scholes option pricing model based on an expected dividend yield of 1.7% (1.5% in 2008), an expected volatility of 23% (21% in 2008), a risk-free interest rate of 2.36% (3.67% in 2008) and an expected life of seven years (seven years in 2008).

The compensation expense charged to earnings for the options granted in 2009 amounted to $0.9 million ($1.1 million in 2008).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2009

(in thousands of)

	2010	2011	2012	2013	2014	2015 and thereafter	Total
Long-term debt	351	106	106	105	–	–	668
Operating leases	4,698	4,460	3,597	2,609	1,838	2,860	20,062
Total	**5,049**	**4,566**	**3,703**	**2,714**	**1,838**	**2,860**	**20,730**

For 2010 and the foreseeable future, the Company expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill its requirements, the availability of credit will remain stable in 2010 and no usual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under "Risk Management".

FINANCIAL INSTRUMENTS

Richelieu periodically enters into forward exchange contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated payables or to hedge forecasted purchase transactions. The Company has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

In the notes 1) and 12) of the audited consolidated financial statements for the year ended November 30, 2009, the Company presents the information on the classification and the fair value of its financial instruments as well as their significance and the risks arising from their use.

CONTROLS AND PROCEDURES

Pursuant to *Multilateral Instrument – Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109"), the Company has filed certificates signed by the President and Chief Executive Officer and the Vice-President and Chief Financial Officer that notably attest to the design and effectiveness of internal controls over financial reporting and disclosure controls and procedures based on an assessment of such controls and procedures as at November 30, 2009.

Internal Controls over Financial Reporting

Management has designed internal controls over financial reporting to provide reasonable assurance that the Company's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with Canadian GAAP. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of MI 52-109, the design of internal controls over financial reporting as at November 30, 2009. (This assessment was conducted using the reference framework and criteria established in the Internal Control – Integrated Framework document published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).)

In light of this assessment, the Company's management believes that the design of internal controls over financial reporting is adequate to provide reasonable assurance and that such controls are effective.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and cannot forecast or detect inaccuracies. In addition, projections of an assessment of effectiveness in future periods carry the risk that controls will become inappropriate as a result of changes in conditions or if the degree of conformity with standards and methods should deteriorate.

The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have also made an assessment to determine whether any changes were made to internal controls over financial reporting during the quarter ended November 30, 2009 that have had or could reasonably be assumed to have had a material impact on such controls. No changes of this type have been identified.

Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure that the information used internally and disclosed in this management's report, the consolidated financial statements and related annual filings is adequately recorded, processed, summarized and reported to the Audit Committee and the Board of Directors of the Company.

Effectiveness of the Internal Control over Financial Reporting

The President and Chief Executive Officer and the Vice-President and Chief Financial Officer of Richelieu have assessed the effectiveness of the Company's disclosure controls and procedures within the meaning of MI 52-109 and have concluded that they were adequately designed and effective, and that they ensured the integrity and reliability of the financial information to be reported at the end of 2009.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the CICA's Accounting Standards Board confirmed that publicly-accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The Company will have to present its interim and annual financial statements for the year ending November 30, 2012 in accordance with IFRS. The following table presents the activities undertaken and planned in order for the Company to disclose its financial reporting in compliance with IFRS.

Activities	Key Phases	Status as of November 30, 2009
Preparation for changeover to IFRS	▪ Development of changeover plan ▪ Awareness of senior officers ▪ Assignment of resources to project ▪ Establishment of means of communicating the progress achieved	▪ Phases completed
Analysis and assessment of impact on Richelieu	▪ Determination of differences between Richelieu's accounting policies (established in accordance with Canadian GAAP) and IFRS ▪ Selection of accounting policies in accordance with IFRS ▪ Selection of choices of accounting policies for the initial application of IFRS (IFRS # 1) ▪ Identification of IT infrastructure requirements, or changes to such infrastructures if needed	▪ Identification of material differences between Canadian GAAP and IFRS ▪ Examination of possible choices for the initial application of IFRS ▪ In-depth analysis of IFRS underway to identify the choices of accounting policies, and identification of new disclosure requirements
Design and preparation of production of IFRS financial reporting	▪ Quantification of impact of changeover to IFRS, including effects of the initial adoption of IFRS ▪ Training of key Finance Department personnel ▪ Development of a financial statement model, including notes	▪ Phase planned for 2011
Other effects	▪ Internal control over financial reporting process – Review and approval of changes related to conversion to IFRS ▪ Impact on business affairs – review of business and banking agreements and renegotiation as needed	▪ Process for review and approval for changes has been established

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

Goodwill

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

Capital assets

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

Intangible assets

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

Impairment of long-lived assets

Long-lived assets, excluding goodwill and intangible assets with indefinite useful lives, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value (net recoverable value). If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the net recoverable value. The use of different assumptions in applying the discounted cash flows method could result in different fair values and, consequently, different carrying amounts for long-lived assets as well as results of operations.

Inventories

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

Income taxes

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

Foreign currency

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

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

CHANGES IN ACCOUNTING POLICIES

- *Adopted in 2009*

Inventories

In March 2007, the Canadian Institute of Chartered Accountants (CICA) adopted the new Section 3031 "Inventories", which has replaced Section 3030 "Inventories". This standard is the Canadian equivalent to IAS 2, "Inventories", of the International Framework Reporting Standards ("IFRS"). The new section prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost and requires reversal of previous write-downs when there is a subsequent increase in the value of inventories.

This new section has been effective since December 1, 2008 and did not have a material effect on the Company's consolidated financial statements during the year ended November 30, 2009.

Goodwill and intangible assets

In February 2008, the CICA issued the new Section 3064 "Goodwill and Intangible Assets" which replaces Section 3062 "Goodwill and Other Intangible Assets" as well as Section 3450 "Research and Development Expenses".

Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets (including research and development costs).

This new section has been effective since December 1, 2008 and did not have a material impact on the Company's consolidated financial statements during the year ended November 30, 2009.

- *Adopted in 2008*

Capital and financial instruments

As of December 1, 2007, the Company adopted three handbook sections issued by the CICA.

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, summary quantitative data about what is manages as capital and whether it complied with all externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 "Financial Instruments – Disclosures" modifies the disclosure requirements for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation". This section requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, their nature and extent of risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 "Financial Instruments – Presentation" carries forward unchanged the presentation requirements of Section 3861 "Financial Instruments – Disclosure and Presentation".

The adoption of these recommendations did not have any material effect on the Company's results, financial position or cash flows.

RISK MANAGEMENT

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

Economic conditions

Richelieu's operations and financial results partly depend on general economic conditions and the economic factors specific to the renovation and construction industry. Any economic downturn can lead to a decline in sales and have an adverse impact on the Company's financial performance. Richelieu's business in the United States and some Canadian markets has slowed down due to more challenging economic conditions. If these adverse conditions were to endure or further deteriorate, sales recorded in the United States and the financial results of the Company's U.S. operations could be further affected.

Over the years, Richelieu has nevertheless remained profitable, even during economic slowdowns, as was the case in 2009.

Market and competition

The specialty hardware and renovation products segment is highly competitive. Richelieu has developed a business strategy rooted in a product offering that is unmatched in various targeted niche markets in North America and sourced from suppliers around the world, in creative marketing and in unparalleled expertise and quality of service. Up to now, this strategy has enabled it to benefit from a solid competitive edge. However, if Richelieu were unable to implement its business strategy with the same success in the future, it could lose market share and its financial performance could be adversely affected.

Foreign currency

Richelieu is exposed to the risks related to currency fluctuations, primarily in regard to foreign-currency denominated purchases and sales made abroad.

The Company's products are regularly sourced from abroad through its import business. Thus, any increase in foreign currencies (U.S. dollar and the Euro) compared with the Canadian dollar tends to raise its supply cost and thereby affect its consolidated financial results. These currency fluctuation related risks are mitigated by the Company's ability to rapidly adjust its selling prices so as to protect its profit margins, although an increase in foreign currencies can have a negative impact on its sales, especially when markets are highly volatile.

Sales made abroad are mainly recorded in the United States and account for 16.0% of total sales. Any decline in the Canadian dollar therefore tends to affect consolidated results. This risk is partially offset by the fact that major purchases are denominated in U.S. dollars.

To manage its currency risk, the Company uses derivative financial instruments, more specifically forward exchange contracts in U.S. dollars and Euros. There can be no assurance that the Company will not sustain losses arising from these financial instruments or fluctuations in foreign currency.

Supply and inventory management

Richelieu must anticipate and meet its customers' supply needs. To that end, the Company must maintain solid relationships with suppliers respecting its supply criteria. The inability to maintain such relationships or to efficiently manage the supply chain and inventories could affect the Company's financial position. Similarly, Richelieu must track trends and its customers' preferences and maintain inventories meeting their needs, failing which its financial performance could be adversely affected.

To mitigate its supply-related risks, Richelieu has built solid long-term relationships with numerous suppliers on several continents, most of whom are world leaders.

Acquisitions

Acquisitions in North America remain an important strategic focus for Richelieu. The Company will maintain its acquisition criteria and pay special attention to the integration of acquisitions. Nevertheless, there is no guarantee that a business matching Richelieu's acquisition criteria will be available and there can be no assurance that the Company will be able to make acquisitions at the same pace as in the past. However, note that the U.S. market is highly fragmented and acquisitions are smaller sized, which reduces the inherent financial and operational risks.

Credit

The Company is exposed to the credit risk related to its accounts receivable. Richelieu has adopted a policy defining the credit conditions for its customers to safeguard against credit losses arising from doing business with them. For each customer, the Company sets a specific limit that is regularly reviewed. The diversification of its products, customers and suppliers protects Richelieu against a concentration of its credit risk. None of its customers accounts for more than 10% of its revenues.

Labour relations and qualified employees

To achieve its objectives, Richelieu must attract, train and retain qualified employees while controlling its payroll. The inability to attract, train and retain qualified employees and to control its payroll could have an impact on the Company's financial performance.

About one-quarter of Richelieu's workforce is unionized. The Company's policy is to negotiate collective agreements at conditions enabling it to maintain its competitive edge and a positive and satisfactory working environment for its entire team. Richelieu has not experienced any major labour conflicts over the past five years. Any interruption in operations as a result of a labour conflict could have an adverse impact on the Company's financial results.

Stability of key officers

Richelieu offers a stimulating working environment and a competitive compensation plan, which help it retain a stable management team. Failure to retain the services of a highly qualified management team could compromise the success of Richelieu's strategic execution and expansion, which could have an adverse impact on its financial results. To adequately manage its future growth, the Company adjusts its organizational structure as needed and strengthens the teams at the various levels of its business. It should be noted that more than 60% of its employees, including senior officers, are Richelieu shareholders.

Product liability

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

Crisis management and IT contingency plan

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

SHARE PRICE

In 2009, the share price underwent unusual fluctuations due primarily to the conditions prevailing on stock markets. The share price fluctuated between $13.56 and $22.99, and the trading volume on the Toronto Stock Exchange totalled 3,800,000 shares. The closing share price was $20.99 on November 30, 2009, compared with $15.74 on November 30, 2008. Richelieu's share price has increased by 882% since its 1993 listing on the stock market. It should also be pointed out that the Company has paid shareholder dividends since 2002 and that the dividends paid in 2009 represented more than 23% of the year's net earnings.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On December 1, 2009, the Company acquired the principal net assets of Woodland Specialties Inc. for a consideration of $0.5 million, excluding acquisition fees. Based in Syracuse (New York, U.S.), Woodland is a distributor of hardware products, high-pressure laminates, finishing products and other complementary products targeted mainly to kitchen cabinet makers and the commercial woodworking segment.

On December 29, 2009, the Company decided to discontinue its ceramic distribution activities and entered into a selling agreement to dispose of its inventories for a conditional consideration of $2.8 million. The closing date of this transaction is scheduled for January 29, 2010. During the year ended November 30, 2009, the ceramic distribution activities recorded sales of $8.8 million.

SHARE INFORMATION AS AT JANUARY 28, 2010

Issued common shares	21,783,559
Share options under share option plan	970,700

GROWTH OUTLOOK

More than ever, Richelieu enjoys a solid leadership positioning in its business sector, thanks to: – an innovation strategy enabling it to enhance its offering with products sourced from the world's most creative and best-known manufacturers in order to always better serve its customers –acquisitions closed almost annually while respecting strict criteria of compatibility and profitability – and the synergies developed with its acquisitions and the marketing of innovations through its network of 50 centres in North America. In 2010, Richelieu will focus on internal growth while seeking the best expansion opportunities in North America. Its primary growth drivers remain:

- the residential and commercial renovation market, especially the kitchen and bathroom cabinet makers and residential and commercial woodworking segments;
- hardware retailers and renovation superstore chains;
- the constantly evolving trends in design, technology, ergonomics, closet solutions and decoration worldwide, which represent a significant and sustained source de growth;
- the home and office furniture manufacturers segment, where Richelieu could still win major market share; and
- acquisitions in North America matching Richelieu's criteria of complementarity, profitability and synergies as well as its objective of creating shareholder value.

The growth outlook set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rate will not deteriorate significantly, operating expenses will not increase considerably, deliveries will meet the Company's requirements, the availability of credit will remain stable in 2010 and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under "Risk Management".

SUPPLEMENTARY INFORMATION

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

(Signed) Alain Giasson
Vice-President and Chief Financial Officer
January 28, 2010

Management's Report

Related to the consolidated financial statements

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

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

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

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

Montreal, Canada
January 8, 2010

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

(Signed) **Alain Giasson**
Vice-President
and Chief Financial Officer

Auditors' Report

To the Shareholders of
Richelieu Hardware Ltd.

We have audited the consolidated balance sheets of **Richelieu Hardware Ltd.** (the "Company") as at November 30, 2009 and 2008, the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Montreal, Canada
January 8, 2010

Ernst & Young LLP [1]

(Signed) Ernst & Young LLP
Chartered accountants

[1] CA auditor permit N° 17959

Consolidated Balance Sheets

As at November 30
(in thousands of dollars)

	2009 $	2008 $
ASSETS		
Current assets		
Cash and cash equivalents	48,442	6,126
Accounts receivable	55,793	60,236
Inventories	87,058	102,963
Prepaid expenses	327	1,273
	191,620	170,598
Capital assets *(note 4)*	19,569	21,915
Intangible assets *(notes 3 et 5)*	12,853	15,199
Goodwill *(note 3)*	62,449	65,772
	286,491	273,484
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	40,108	38,774
Income taxes payable	676	681
Current portion of long-term debt *(note 7)*	351	278
	41,135	39,733
Long-term debt *(note 7)*	317	371
Future income taxes *(note 9)*	1,407	2,308
Non-controlling interest	3,132	2,838
	45,991	45,250
Shareholders' equity		
Capital stock *(note 8)*	16,916	17,105
Contributed surplus *(note 8)*	3,922	3,037
Retained earnings	223,986	204,591
Accumulated other comprehensive income *(note 11)*	(4,324)	3,501
	240,500	228,234
	286,491	273,484

Commitments *(note 10)*
Subsequent events *(note 14)*

See accompanying notes.

On behalf of the Board:

(Signed) **Richard Lord**
Director

(Signed) **Mathieu Gauvin**
Director

Consolidated Statements of Earnings

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

	2009 $	2008 $
Sales	**424,375**	441,428
Cost of sales and warehouse, selling and administrative expenses	**373,083**	383,180
Earnings before the following	**51,292**	58,248
Amortization of capital assets	**5,063**	4,159
Amortization of intangible assets	**1,348**	1,299
Interests, net	**–**	104
	6,411	5,562
Earnings before income taxes and non-controlling interest	**44,881**	52,686
Income taxes *(note 9)*	**14,183**	16,749
Earnings before non-controlling interest	**30,698**	35,937
Non-controlling interest	**294**	330
Net earnings	**30,404**	35,607
Earnings per share *(note 8)*		
Basic	**1.38**	1.56
Diluted	**1.38**	1.56

See accompanying notes.

Consolidated Statements Retained Earnings

Years ended November 30
(in thousands of dollars)

	2009 $	2008 $
Net earnings	**30,404**	35,607
Retained earnings, beginning of year	**204,591**	195,511
Dividends	**(7,032)**	(7,301)
Premium on redemption of common shares for cancellation *(note 8)*	**(3,977)**	(19,226)
Retained earnings, end of year	**223,986**	204,591

See accompanying notes.

Consolidated Statements of Comprehensive Income

Years ended November 30
(in thousands of dollars)

	2009 $	2008 $
Net earnings	**30,404**	35,607
Other comprehensive income		
Translation adjustment of the net investment in self-sustaining foreign operations	**(7,825)**	9,698
Comprehensive income	**22,579**	45,305

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended November 30
(in thousands of dollars)

	2009 $	2008 $
OPERATING ACTIVITIES		
Net earnings	30,404	35,607
Non-cash items		
Amortization of capital assets	5,063	4,159
Amortization of intangible assets	1,348	1,299
Future income taxes	(885)	457
Non-controlling interest	294	330
Stock-based compensation expense	885	1,055
	37,109	42,907
Net change in non-cash working capital balances related to operations	20,257	(1,686)
	57,366	41,221
FINANCING ACTIVITIES		
Repayment of long-term debt	(36)	(7,401)
Dividends paid	(7,032)	(7,301)
Issue of common shares	8	203
Redemption of common shares for cancellation	(4,176)	(20,124)
	(11,236)	(34,623)
INVESTING ACTIVITIES		
Business acquisition *(note 3)*	(706)	(1,094)
Additions to capital assets	(2,912)	(7,277)
	(3,618)	(8,371)
Effect of exchange rate fluctuations on cash and cash equivalents	(196)	20
Net change in cash and cash equivalents	42,316	(1,753)
Cash and cash equivalents, beginning of year	6,126	7,879
Cash and cash equivalents, end of year	48,442	6,126
Supplemental information		
Income taxes paid	15,269	17,149
Interest paid (received), net	(129)	458

See accompanying notes.

NATURE OF BUSINESS

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

1) SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

The consolidated financial statements include the accounts of Richelieu Hardware Ltd. and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with an initial term of three months or less. Cash and cash equivalents were categorized as financial instruments in the category of assets held for trading and are recorded at fair value. Gains (losses) arising from the valuation at each period-end are recorded in the consolidated statement of earnings.

Accounts receivable

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

Inventories

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

Capital assets

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

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

Intangible assets

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

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

Impairment of long-lived assets

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

Goodwill

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

Other financial liabilities

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

Revenue recognition

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

Income taxes

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

Foreign currency

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

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

Forward exchange contracts

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

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

1) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock-based compensation and other stock-based payments

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

Earnings per share

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

2) CHANGES IN ACCOUNTING POLICIES

Adopted in 2009

Inventories

In March 2007, the Canadian Institute of Chartered Accountants ("CICA") adopted the new Section 3031, "Inventories", which has replaced Section 3030, "Inventories". This standard is the Canadian equivalent to IAS 2, "Inventories", of the International Framework Reporting Standards ("IFRS"). The new Section prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost and requires reversal of previous write-downs when there is a subsequent increase in the value of inventories.

The new standard was applied on December 1, 2008 and did not have a significant impact on the results, financial position, or cash flow of the Company's fiscal year ended on November 30, 2009.

Goodwill and Intangible Assets

In February 2008, the CICA issued a Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets", as well as Section 3450, "Research and Development Costs".

The Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets (including research and development costs).

The new standard was applied on December 1, 2008 and did not have a significant impact on the results, financial position, or cash flow of the Company's fiscal year ended on November 30, 2009.

Adopted in 2008

Capital and Financial Instruments

As of December 1, 2007, the Company adopted three handbook sections issued by the CICA:

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, summary quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, "Financial Instruments – Disclosures", modifies the disclosure requirements for financial instruments that were included in Section 3861, "Financial Instruments – Disclosure and Presentation". The standards require entities to provide disclosures in their financial statements that enables users to evaluate the significance of financial instruments on its financial position and performance, their nature and extent of risks to which it is exposed during the period and at the balance sheets date and how the risks are managed.

Section 3863, "Financial Instruments – Presentation", carries forward unchanged the presentation requirements of the Section 3861, "Financial Instruments – Disclosure and Presentation".

The adoption of these guidelines did not have any material effect on the Company's results, financial position or cash flows.

3) BUSINESS ACQUISITIONS

2009

On November 4, 2009, the Company acquired the principal net assets of Paint Direct Inc. for a consideration of $952, including acquisition fees, and a balance of sales of $246. This Company based in Calgary is specialized in the distribution of finishing products.

2008

On April 7, 2008, the Company acquired the principal net assets of Top Supplies Inc. for a consideration in cash of $261 (US $258), including acquisition fees, and a balance of sale of US $400. Based at High Point in North Carolina, this distributor of decorative hardware and related products mainly serves a customer base of home office manufacturers and commercial woodworking manufacturers.

On July 28, 2008, the Company acquired the principal net assets of Acroma Sales Ltd. for a consideration in cash of $833, including acquisition fees, and a balance of sale of $113. This company, which has two business sites in British Columbia (Vancouver and Kelowna) is specialised in the distribution of finishing products for kitchen and office manufacturers.

These transactions were accounted for using the purchase method and the results of operations are included in the financial statements from the acquisition dates. The purchase price allocations are as follows:

Summary of acquisitions

	2009	2008
	$	$
Net assets acquired		
Current assets	**473**	888
Capital assets	**97**	64
Intangible assets	**343**	303
Goodwill	**246**	639
	1,159	1,894
Current liabilities assumed	**207**	287
Net assets acquired	**952**	1,607
Consideration		
Cash	**706**	1,094
Balances of sale payable *(note 7)*	**246**	513

4) CAPITAL ASSETS

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	**$**	$	$
Land	**3,546**	**—**	3,566	—
Buildings	**13,482**	**7,416**	13,247	6,631
Leasehold improvements	**2,916**	**2,090**	2,745	1,839
Machinery and equipment	**18,254**	**13,810**	17,721	12,566
Rolling stock	**4,540**	**3,383**	4,494	2,989
Furniture and fixtures	**8,415**	**5,597**	7,414	4,139
Computer equipment	**7,188**	**6,476**	6,749	5,854
	58,341	**38,772**	55,933	34,018
Accumulated amortization	**(38,772)**		(34,018)	
	19,569		21,915	

5) INTANGIBLE ASSETS

	2009			2008		
	Cost $	Accu-mulated amor-tization $	Net book value $	Cost $	Accu-mulated amor-tization $	Net book value $
Intangible assets with definite useful live						
Softwares	2,900	2,164	736	2,759	1,873	886
Non-competition agreements	428	312	116	446	234	212
Customer relationships	10,908	3,001	7,907	11,863	2,254	9,609
	14,236	5,477	8,759	15,068	4,361	10,707
Intangible assets with indefinite useful live						
Trademarks	4,094	—	4,094	4,492	—	4,492
	18,330	5,477	12,853	19,560	4,361	15,199

6) BANK LOAN

The Company has an available authorized line of credit in the amount of $26 million (2008 – same amount) which bears interest at the bank's prime rate, which was 2.25% at November 30, 2009 (2008 – 4.00%) and is renewable annually. The Company also has an available authorized line of credit in the amount of $5 million US (none in 2008) with an American Bank, which bears interest at the bank's prime rate of 3.25% plus 2.00% and is renewable annually.

7) LONG TERM DEBT

	2009 $	2008 $
Business acquisitions balances payable, bearing interest at variable rates based on prime rates in Canada and the United States of America, which vary from 1,25% to 2.25% as at November 30, 2009 (3% as at November 30, 2008) and maturing at various dates until 2013	668	649
Less: Current portion	351	278
	317	371

The principal instalments due on long term debt are as follows: 2010 – $351, $106 in 2011 and 2012 and $105 in 2013.

8) CAPITAL STOCK

Authorized

An unlimited number of:

Common shares.

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

Issued

	2009 $	2008 $
21,779,759 Common shares (2008 – 21,976,409)	16,916	17,105

During 2009, the Company issued 1,550 common shares (2008 – 30,700) at an average price of $5.15 per share (2008 – $6.62) pursuant to the exercise of options under the share option plan. In addition, during 2009, the Company, through a normal course issuer bid, purchased 198,200 common shares for cancellation in consideration of $4,176 (2008 – 1,155,028 for a consideration of $20,124), which resulted in a premium on the redemption in the amount of $3,977 as recorded in the consolidated statements of retained earnings (premium of $19,226 in 2008).

Share option plan

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

As at November 30, 2009, 294,525 options (2008 – 444,525) were still available to be granted.

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

	Options	Exercise price per share $	Aggregate $
Outstanding, November 30, 2007	640,000	4,26 to 24.76	12,615
Granted	202,000	15.89 to 22.88	4,015
Exercised	(30,700)	4.26 to 11.35	(203)
Cancelled	(15,250)	22.13 to 24.37	(364)
Outstanding, November 30, 2008	796,050	5.15 to 24.76	16,063
Granted	153,000	16.72 to 17.44	2,662
Exercised	(1,550)	5.15	(8)
Cancelled	(3,000)	14.58 to 22.12	(59)
Outstanding, November 30, 2009	**944,500**	**5.15 to 24.76**	**18,658**

The table below summarizes information regarding the share options outstanding as at November 30, 2009.

	Options outstanding			Exercisable options	
Range in exercise price (in dollars)	**Number of options** (in thousands)	**Weighted average remaining period** (years)	**Weighted average exercise price** (in dollars)	**Number of options** (en milliers)	**Weighted average exercise price** (in dollars)
5.15 to 9.96	57,700	1.20	7.48	57,700	7.48
9.97 to 14.50	59,000	3.14	14.02	59,000	14.02
14.51 to 21.69	407,000	8.10	18.85	102,750	19.49
21.70 to 24.76	420,800	6.06	23.12	325,425	22.79
	994,500	**6.46**	**19.76**	**544,875**	**19.59**

During the year 2009, the Company granted 153,000 options (2008 – 202,000) with an average exercise price of $17.40 per share (2008 – $19.88) and an average fair value of $4.02 per option (2008 – $5.13) as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.7% (2008 – 1.5%), a volatility of 23% (2008 – 21%), a risk free interest rate of 2.36% (2008 – 3.67%) and an expected life of 7 years (2008 – 7 years). The compensation expense charged to earnings for the options granted in 2009 amounted to $885 (2008 – $1,055).

8) CAPITAL STOCK (continued)

Earnings per share

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

	2009 $	2008 $
Weighted average number of shares outstanding – Basic	21,965	22,785
Dilutive effect under stock option plan	54	86
Weighted average number of shares outstanding – Diluted	22,019	22,871

Outstanding options to purchase 641,800 common shares with the exercise price exceeding the average market price for the year has been excluded from the computation of diluted earnings because their effect would have been anti-dilutive.

9) INCOME TAXES

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

	2009 $	2008 $
Current	15,068	16,292
Future		
Temporary differences	(874)	697
Impact of tax rate changes	(11)	(240)
	14,183	16,749

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

	2009 $	2008 $
Combined statutory rates	31.03%	31.58%
Income taxes at combined statutory rates	13,926	16,638
Increase (decrease) resulting from:		
Impact of tax rate changes on future taxes	(11)	(240)
Impact of statutory rates changes for the subsidiary	(180)	104
outside Canada	274	327
Stock-based compensation expense	109	68
Other non-deductible expenses	65	(148)
Other	14,183	16,749

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

	2009 $	2008 $
Long term future tax assets		
Translation of foreign exchange rates and other reserves only recognized for tax purposes upon disbursement	2,757	1,681
Excess of the tax value of fixed assets over their carrying value	921	656
	3,678	2,337
Long term future tax liabilities		
Excess of the intangible assets and goodwill's accounting value over their tax value	5,085	4,645
Long term net future tax liabilities	1,407	2,308

10) COMMITMENTS

(a) Leases

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

	$
2010	4,698
2011	4,460
2012	3,597
2013	2,609
2014	1,838
2015 and thereafter	2,860
	20,062

(b) Forward exchange contracts

As at November 30, 2009, the Company held the following forward exchange contracts having maturities of dates between December 2009 and February 2010.

Type	Currency in thousands	Average exchange rate
Purchase	4,700 Euros	1.5777

11) ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated other comprehensive income including the following items and the changes that occured during the year were as follows:

	2009 $	2008 $
Balance at the beginning of the year	3,501	(6,197)
Translation adjustment of the net investment in self-sustaining foreign operations	(7,825)	9,698
Balance at the end of the year	(4,324)	3,501

12) FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair values

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

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

As at November 30, 2009, the fair value of the forward exchange contracts resulted in a gain of approximately $29 (approximately $5 as at November 30, 2008), representing the amount the Company would receive on settlement of these contracts at spot rates.

Credit risk

The Company sells its products to numerous customers in Canada, and in a lesser proportion in the United States of America. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Company. The average days outstanding of accounts receivable as at November 30, 2009 is acceptable given the specific industry in which the Company evolves.

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

12) FINANCIAL INSTRUMENTS AND OTHER INFORMATION (continued)

The Company performs ongoing credit evaluations of customers and generally does not require collateral. The allowance for doubtful accounts for the year ended November 30, 2009 is as follows:

	2009 $	2008 $
Balance at the beginning of the year	**3,661**	3,503
Allowance for doubtful accounts	**2,302**	1,601
Write-offs	**(1,196)**	(1,617)
Exchange rate variations	**(165)**	174
Balance at the end of the year	**4,602**	3,661

The balance of accounts receivable of the Company that are overdue for more than 60 days, but which were not provided for, totals $667 ($1,069 in 2008).

As at November 30, 2009 and 2008, no customer accounted for more than 10% of the total accounts receivable.

Market risk

The Company's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and the net positioning in US dollars from its American subsidiary until August 31, 2007. Administrative charges included, for the year ended November 30, 2009, an exchange loss of $325 (2008 – $1,084 gain).

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

As at November 30, 2009, a decrease of 1% of the Canadian dollar against the US dollar and the Euro, all other variables remaining the same, would have increased the consolidated earnings by $6 ($3 in 2008) and increased the consolidated comprehensive income by $470 ($531 in 2008). The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Company's financial instruments as of the balance sheet date.

As at November 30, 2009, the statements of comprehensive income include a foreign exchange loss of $7,825 (gain of $9,698 as at November 30, 2008) on the net investment in self-sustaining foreign operation resulting mainly from the conversion of the long-term investment in that operation.

Liquidity risk

The Company manages its risk of not being able to settle its financial liabilities when required by taking into account its operational needs and by using different financing tools, if required. During the previous years, the Company has financed its growth, its acquisitions, and its payout to shareholders by using the cash generated by the operating activities.

Current period expenses

During the year ended November 30, 2009, the amount of inventories recorded as expenses from the distribution, imports and manufacturing activities totals $298,547. An expense of $577 for obsolescence is included in this amount.

13) GEOGRAPHIC INFORMATION

During the year ended November 30, 2009, more than 84% of sales had been done in Canada. The Company's sales to foreign countries, almost entirely directed to the United States, amounted to $67,738 (2008 – $76,400) in Canadian dollars and to $58,503 (2008 – $73,073) in US dollars.

As at November 30, 2009, out of a total amount of $19,569 in capital assets (2008 – $21,915), $968 (2008 – $1,088) are located in the USA. In addition, intangible assets located in the USA amounted to $8,398 (2008 – $10,459) and goodwill at $20,768 (2008 – $24,337) in Canadian dollars, and respectively amounted to $7,956 (2008 – $8,455) and to $19,674 (2008 – same amount) in US dollars.

14) SUBSEQUENT EVENTS

Business acquisition

On December 1, 2009, the Company acquired the principal net assets of Woodland Specialties Inc. for a consideration of $464, excluding acquisition fees. This business (Syracuse, New York) is a distributor of hardware products, high-pressure laminates, finishing products and other complementary products targeted mainly to kitchen cabinet makers and the commercial woodworking segment.

Disposal of assets

On December 29, 2010, the Company decided to discontinue its ceramic distribution activities and entered into a selling agreement to dispose of its inventories for a conditional consideration of $2,800. The closing date of this transaction is scheduled for January 29, 2010. For the year ended November 30, 2009 sales of the ceramic distribution activities amounted to $8,783.

15) MANAGEMENT OF CAPITAL

The Company's objectives are as follows:

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

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

For the year ended November 30, 2009, the Company achieved the following results regarding its capital management objectives:

- a debt/equity ratio: 0.3% (2008- 0.3%) (interest-bearing debt/ shareholders'equity)
- a return on shareholders' equity of 13.0% over the last 12 months (16.3% for the 12 previous months)

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

Les objectifs de gestion du capital sont demeurés inchangés comparativement à l'exercice précédent.

16) COMPARATIVE FIGURES

Some figures disclosed for the fiscal year ended November 30, 2008 have been reclassified accordingly to the presentation adopted during the fiscal year ended November 30, 2009.

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