Annual Report 2010

Richelieu

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The annual general meeting of shareholders
will be held on March 31, 2011 at 11:00 a.m. at the Omni Mont-Royal Hotel
1050 Sherbrooke Street West, Montreal, Quebec

Customer confidence:

our company-wide incentive

The values we share as a team lead us in everything we do.

Customer focus
Passion, determination, discipline and rigour for a strategic focus on the customer committing all of us at Richelieu.

Innovation
Creative and innovative approach. Anticipation of our customers' needs to support their business and exceed expectations. On the cutting edge of worldwide trends to offer a unique selection of innovations and online solutions.

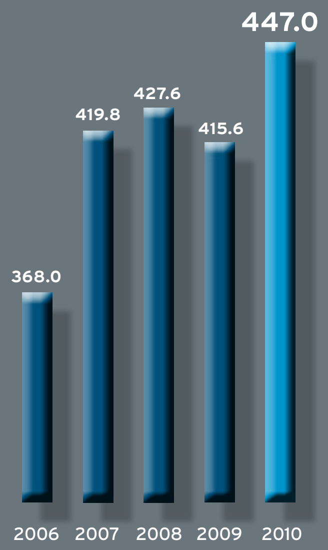
Respect
Respect for our employees, customers, suppliers and shareholders for a sustainable relationship of trust with these four pillars of our growth.

Performance
Impeccable execution, training, team spirit, efficient business model for corporate excellence and outstanding performance.

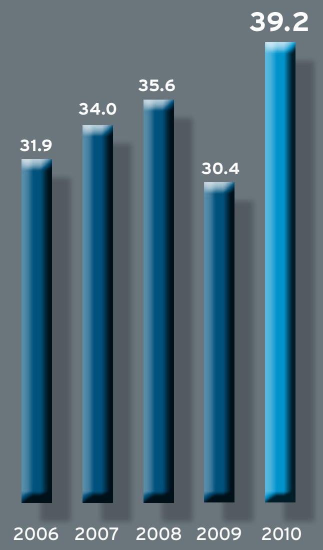
Governance
Integrity, proactive risk management and legal compliance for stability and sound governance.

Robust growth
Stability and solidity

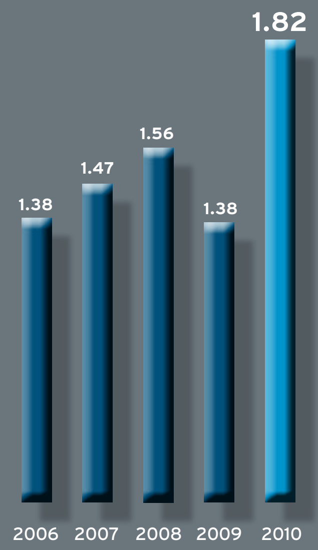
Sales
(in millions of $)



Net earnings
(in millions of $)

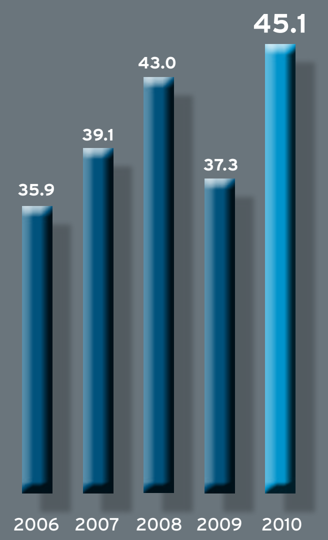


Earnings per share
(in $)

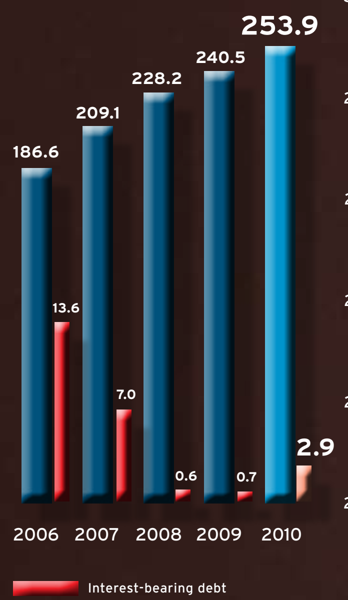


Cash flows
from operating activities

(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)*

	2010 $	2009 $	2008 $	2007 $	2006 $
Results (1)					
Sales	**446,963**	415,592	427,536	419,737	367,968
EBITDA	**63,832**	51,588	58,433	57,267	52,579
EBITDA margin (%)	***14.3***	*12.4*	*13.7*	*13.6*	*14.3*
Net earnings from continuing operations	**38,574**	30,605	35,733	33,908	31,331
■ Basic earnings per share ($)	**1.79**	1.39	1.57	1.47	1.35
■ Diluted earnings per share ($)	**1.78**	1.39	1.56	1.46	1.35
Cash flows from operating activities (2)	**45,059**	37,310	43,033	39,149	35,920
Financial position					
Net cash (3)	**36,431**	47,774	5,477	908	(6,671)
Working capital	**162,727**	150,485	130,865	120,995	103,909
Total assets	**320,816**	286,928	273,484	258,778	245,002
Total interest-bearing debt	**2,858**	668	649	6,971	13,635
Shareholders' equity	**253,869**	240,500	228,234	209,096	186,584
Weighted average number of shares outstanding (diluted) (in thousands)	**21,705**	22,019	22,785	23,080	23,136
Per share					
Net earnings (1)	**39,233**	30,404	35,607	33,954	31,931
■ Basic earnings per share ($)	**1.82**	1.38	1.56	1.47	1.38
■ Diluted earnings per share ($)	**1.81**	1.38	1.56	1.46	1.37
Cash flows from operating activities (2)	**2.08**	1.69	1.88	1.69	1.57
Book value ($)	**12.01**	11.04	10.39	9.05	8.09
Dividends	**0.36**	0.32	0.32	0.28	0.24
Ratios					
Interest-bearing debt/shareholders' equity (%)	**1.1**	0,3	0.3	3.3	7.3
Return on average equity (%)	**15.9**	13.0	16.3	17.2	18.3

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

(2) Before net change in non-cash working capital balances.

(3) Cash net of debt and bank loan.

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

Appreciation in share price since initial stock listing

1,297%

Total return on share/ 10 years*

381.7%

Market capitalization As at November 30, 2010

$631.3 million

2010 appreciation in share price

42.3%

Average annual return on share/10 years*

14.3%

* Including dividend reinvestment

Profile

North American leader

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 team

Some 1,500 people, close to half of whom focus on sales and marketing, and approximately 70% of whom are Richelieu shareholders.

Our customers

About 60,000 customers in North America: kitchen and bathroom cabinet manufacturers, kitchen designers, residential and commercial woodworkers, home furnishing manufacturers, office and ready-to-assemble furniture manufacturers, renovation superstore chains and purchasing groups including more than 6,000 hardware retailers.

Our products

More than 75,000 products (SKUs) in a wide variety of categories including: kitchen accessories, lighting systems, finishing and decorating products, functional hardware, ergonomic workstations, closet and kitchen storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates. 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.

Our suppliers

A solid network of manufacturers in Canada, the United-States and Europe who are among the best innovators and worldwide leaders in their sector, and with whom we have a long-standing partnership to provide our customers with the best. In addition some of our products are manufactured in Asia according to our specifications and those of our customers.

Our network

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

As at January 31, 2011

Message to shareholders

2010 represents a major building step for Richelieu's future, as we posted strong growth and achieved a record expansion, while strengthening our leadership in North America. We closed six acquisitions during the year – two in Canada and four in the United States – followed by two more in January 2011 – and with other projects underway, we are pursuing our positioning strategy for the future.

After meeting the challenges of the 2009 business environment, we started 2010 in a strong position with an increased customer base and a further reinforced organization, and throughout the year, we benefited from our strategy implemented in our Canadian markets over the past years. In the United States, although economic conditions remained difficult, we took advantage of several acquisition opportunities.

Our net earnings grew by 29% and our sales by 7.5%, while our profit margins further improved. After investing $17.7 million in our acquisitions, paying $7.8 million or 20% of net earnings in dividends to shareholders and repurchasing $18.1 million in common shares under our normal course issuer bid, we ended the year with cash of $39.3 million and working capital of $162.7 million. Our share price (RCH) appreciated 42% in 2010 and our market capitalization rose to $631 million.

We achieved this performance thanks to the creativity and quality execution of our reliable team, supported by our efficient business model - and I am proud that about 70% of our employees are also Richelieu shareholders. Our growth strategy, based on innovation, internal growth and business acquisitions, allows us to offer customers an outstanding variety of products and innovative business solutions to sustain their competitive edge. This strategy has remained basically unchanged for more than two decades.

It provides solidity and stability through value creation year after year, making us a distributor widely sought by suppliers worldwide and trusted by our customers with whom we have a win-win business partnership.

In 2010, we further invested in the most profitable areas of our operations, including our transactional website richelieu.com which features a renewed look. All our improvements are designed to optimize its efficiency — from product selection, orders and specific project configuration to direct payment. We further enhanced our online special orders module, which gives our customers immediate access to numerous product combinations facilitating their project execution, while enabling us to increase our offering and sales without necessarily adding to our inventories.

We continue to focus on operational rigour and to strive for excellence in all our sales channels.

richelieu.com supports us as an agent for change in the specialty hardware market. It is a robust and flexible solution tailored to our industry and our markets. It has all the potential to serve our customers in the most complete, efficient and innovative way. We view it as a definite source of satisfaction for our customers and of exponential growth for Richelieu. **In 2010, our online sales to manufacturers grew by more than 37% and reached some $6 million monthly.**

We continue to focus on operational rigour and to strive for excellence in all our sales channels, specifically:

- our representatives' on-site presence at the customer's,
- telephone orders,
- our sales counters and showrooms,
- our EDI system, and
- our website richelieu.com, now also accessible on mobile devices and tablet PCs.

By supplying our customers with these various channels to obtain our products and advice, no matter where they are, we can better meet their needs and earn their loyalty.

Thanks to the proximity provided by our 60 centres, our *one-stop shopping* approach, our efficient logistics, our website richelieu.com and our sales aid tools, our customers can make their sales before they even place their orders with Richelieu. For their business and ours, the mutual benefits are obvious, especially with regard to inventory and cost management efficiency and to quality of service.

We also closed a record number of acquisitions in 2010. We are proud our organization has the opportunity to integrate good businesses that represent an attractive investment and position us for the future. All of them contribute expertise, regional market knowledge, customers, results and products. Thus, we gained access to new geographic markets and expanded our bases in regions where we were already present.

Acquisitions closed in 2010 and January 2011: Gordonply ■ PJ White ■ Woodland ■ Raybern ■ New Century ■ E. Kinast ■ Outwater ■ Madico

The acquisition of **Gordonply** enhanced our ability to serve hardware retailers and renovation superstores as well as manufacturers in Quebec and Ontario, with its offering of door manufacturing components, decorative wall panels and other specialty products.

PJ White Hardwoods increased our presence in British Columbia and Alberta in the kitchen cabinet and architectural woodworking market.

Subsequent to year-end, on February 1, 2011, we closed the acquisition of **Madico**, a Canadian leader in floor protection products, including the famous line of Feltac felt pads. Madico serves an extensive customer base of hardware retailers and renovation superstores, primarily in Canada and the United States.

In the United States, after opening a new distribution centre in **Raleigh**, North Carolina, we reinforced our foothold in New York State by acquiring **Woodland**.

With **Raybern**, a distributor of decorative and architectural hardware, finishing products and high-pressure laminates for kitchen cabinet makers and the residential and commercial woodworking industry, we are now present in Connecticut.

The acquisition of **New Century** strengthened our bases in New Jersey.

With **E. Kinast**, we entered the Greater Chicago Area while expanding our offering of finishing products. Finally, **Outwater**, acquired at the beginning of January 2011, also serves a solid customer base in New Jersey while distributing its products in 50 U.S. states.

Based on the agreements signed in 2010, another upcoming acquisition should add to these to yield total additional sales of approximately $100 million on an annualized basis.

We are pleased to welcome these new teams to Richelieu and to benefit from their collaboration and their skills in order to create synergies in 2011 and future years. We already share core values and all our best practices will be combined.

Our two growth drivers remain internal growth and new acquisitions. In 2011, along with the integration of recently acquired business and creation of synergies, we will continue to focus on the following strategic priorities:

- **innovation** – it is by enhancing our offering with products selected from the top-performing and most innovative manufacturers and designers that we can anticipate our customers' needs and remain an agent for change in our North American market. **Innovation is an infinite source of growth for Richelieu and its customers**. We are proud of the rewarding cooperation and long-standing relationships of trust we have with these leading global suppliers;
- **the expansion of our existing markets and the penetration of new territories** through market development and possibly centre start-ups; and
- **the closing of new acquisitions** positioning us to serve new market segments.

We acknowledge the outstanding work and commitment of all our team members, and I am pleased to share the honour of my recognition as *2010 President and Chief Executive Officer of the Year*, awarded by the newsmagazine Les Affaires. We thank our directors, our shareholders, our customers and our suppliers, who are key partners for our growth, and we welcome our new colleagues. Richelieu's customer focus is its greatest strength, and we are better positioned than ever for the future.

(Signed) Richard Lord
President and Chief Executive Officer

A solid network of strategically located centres serving some 60,000 customers in North America.

2010 and 2011 acquisitions

60 centres*

Canada

35 distribution centres

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

+ 2 manufacturing centres

Longueuil, Notre-Dame-Des-Pins

United States

23 distribution centres

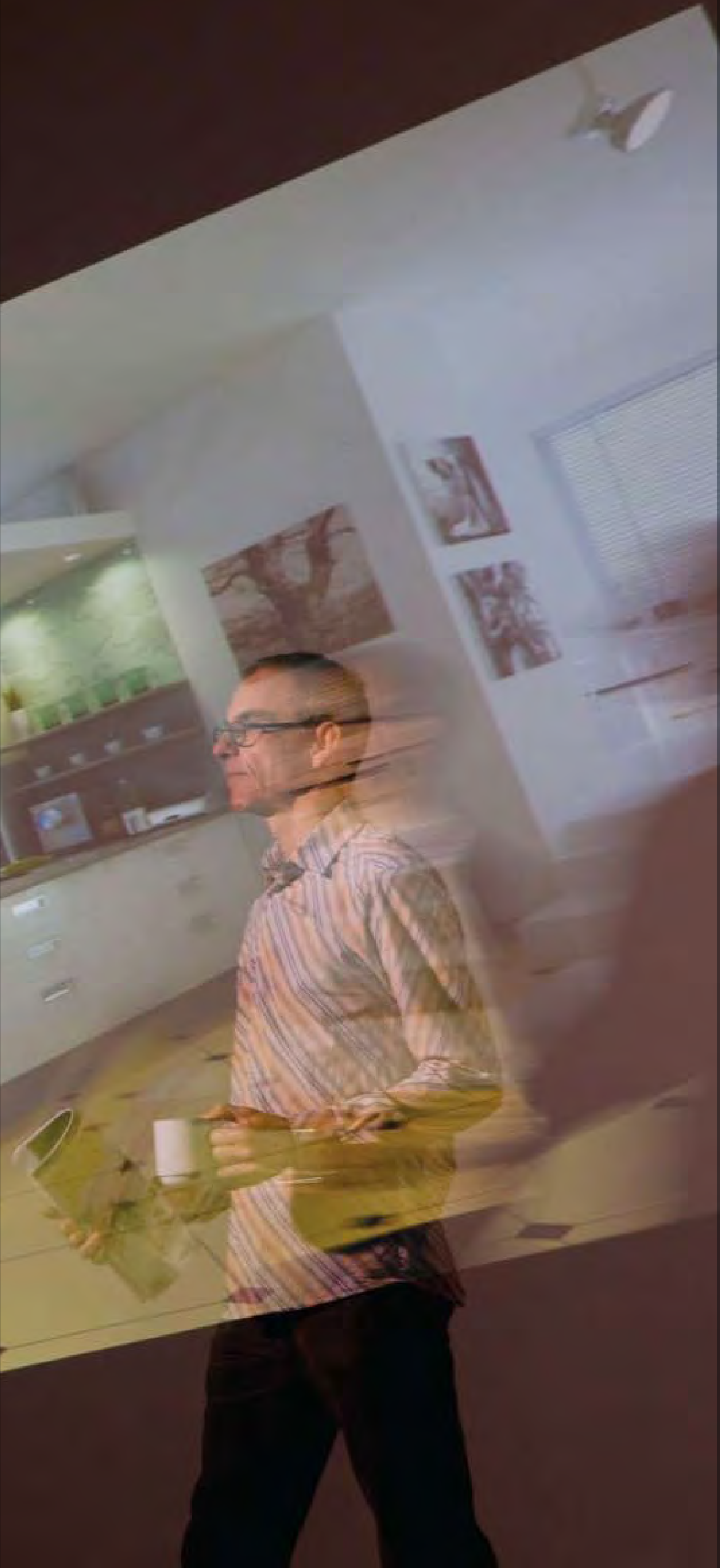
Boston, Hartford, New York, Avenel, Lincoln Park, Syracuse, Raleigh, Riviera Beach, High Point, Dania, Pompano, Hialeah, Charlotte, Greenville, Columbus, Detroit, Atlanta, Cincinnati, Louisville, Nashville, Chicago, Seattle, Portland

All our distribution centres are connected to our central operations control system and each is paired with a well-documented, modern and friendly product showroom.

We deliver an average of over 6,000 orders network-wide daily and our showrooms welcome more than 2,000 visitors every day.

* As at January 31, 2011

The product innovations we consistently introduce into our offering are a core driver of our internal growth. We work jointly with architects and designers who are important and influential partners.

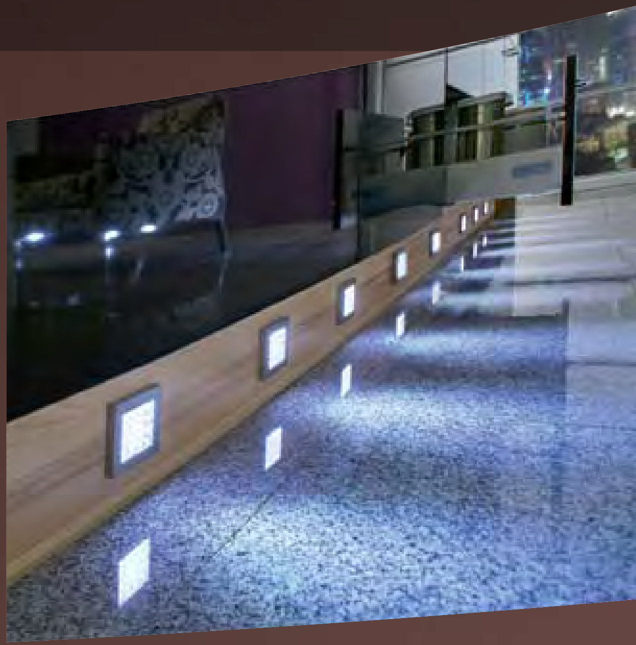


In 2010, we further enhanced our offering in several product categories by increasing the variety of cabinet doors, sliding doors, pocket doors, lighting systems, kitchen accessories, decorative hardware and we created product families of matching floor registers, hinges and wall plates ... while also considerably expanding our special orders offering.

Kitchen and bathroom renovations remain the best investment to increase the value of a home, especially when it comes time to resell.

Space management requires efficiency and ergonomic layout.

Closet systems incorporate a large number of functional and decorative hardware products and remain a high-potential niche.



Richelieu is a major supplier for hardware retailers, renovation centres and renovation superstores in Canada.

With impeccable execution, we contribute to our customers' success by offering them products that yield a good return per linear foot.

In addition to major renovation chains to which we can supply some 200 linear feet of displays, we serve more than 6,000 retailers who account for approximately 60% of the market in Canada, through major purchasing groups.

In the heat of the action, Richelieu is close at hand.

In 2010

Growth in number of online orders: **41%**

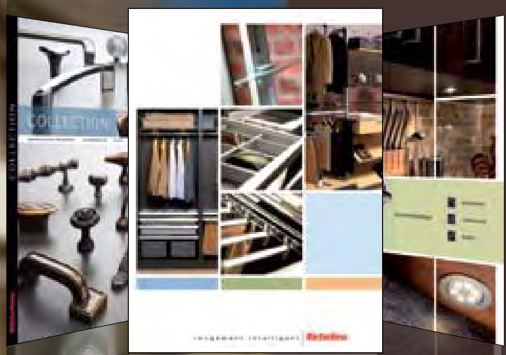
Monthly sales reaching **≈ $6 million**

Sales growth (manufacturers market): **37%**

Number of single visits: **2.8 million**

Pages viewed: **39 million**

Our site now features a user-friendly mobile interface and can be accessed by our customers at any time, wherever they are. They have immediate access to their account, can select and order the products they need the simplest and fastest way, chose direct payment if they wish, while also benefiting from structured, comprehensive and easy-to-access technical information.



A unique website in the functional and decorative hardware industry showcasing Richelieu's complete and ever-growing product offering.

DIRECTORS

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

Richard Lord
President and Chief Executive Officer
Richelieu Hardware Ltd.

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

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

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

Denyse Chicoyne (1)
Director of Corporations

Robert Courteau (2)
Senior Vice-President,
Business Solutions
Fujitsu Canada Inc

Jocelyn Proteau (2)
Director of Corporations

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

OFFICERS

Richard Lord
President and Chief Executive Officer

Alain Giasson
Vice-President and
Chief Financial Officer

Normand Guindon
Vice-President and General Manager
– Operations

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

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

Éric Daignault
General Manager of Divisions

Marion Kloibhofer
General Manager
– Central Canada

John Statton
General Manager
– Western Canada

Charles White
General Manager
– United States

Christian Dion
Manager – Human Resources

Geneviève Quevillon
Manager – Logistics and Supply Chain

Hélène Lévesque
Corporate Secretary

Management's report

Management's discussion and analysis of operating results and financial position

(Year ended November 30, 2010)

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Highlights of the Year Ended November 30, 2010

During 2010, Richelieu achieved solid growth while investing for the future. The Company drew upon all its strengths to take advantage of the growth of the Canadian economy, while seizing expansion opportunities in the United States to reinforce its positioning so as to benefit from the economic recovery as soon as possible. Its operations continued to generate substantial cash flows throughout the year, during which the Company acquired six businesses in North America, signed other acquisition agreements, repurchased common shares for cancellation for a consideration of $18.1 million, paid shareholder dividends equivalent to 20% of net earnings, and pursued its investments in various improvements to continue offering differentiated service that is valued by its customers. Its financial position was further strengthened at year-end, and the RCH share price increased by 42% during the 12-month period ended November 30, 2010.

- Consolidated sales totalled $447.0 million, up 7.5% over 2009.
- Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) amounted to $63.8 million, up 23.7%.
- Net earnings stood at $39.2 million, an increase of 29.0% which works out to $1.82 per share (basic) and $1.81 (diluted), compared with $1.38 per share (basic and diluted) in 2009.
- The EBITDA margin improved to 14.3% from 12.4% in 2009.
- Cash flows from operating activities grew by 20.8% to $45.1 million.
- Working capital amounted to $162.7 million for a current ratio of 3.7:1 as at November 30, 2010, and cash and cash equivalents totalled $39.3 million.
- Richelieu's interest-bearing debt remained very low, standing at $2.9 million at the end of 2010, of which $0.8 million in long-term debt.
- During the year, the Company paid a total of $7.8 million in dividends to its shareholders, representing 20% of 2010 net earnings, and repurchased common shares (RCH) under its normal course issuer bid for a consideration of $18.1 million.
- Richelieu acquired the principal assets of six businesses during the year, specifically Woodland Specialties Inc. (Syracuse, New York), Raybern Company, Inc. (Rocky Hill, Connecticut), Gordon Industrial Materials Ltd. (Montreal, Quebec and Mississauga, Ontario), New Century Distributors Group LLC (Avenel, New Jersey), E. Kinast Distributors Inc. (Hanover Park, Chicago, Illinois) and PJ White Hardwoods Ltd. (Vancouver, Victoria, B.C. and Edmonton, Calgary, Alberta).
- *Event subsequent to November 30, 2010* – On January 10, 2011, the Company acquired the principal assets of Outwater Hardware (Lincoln Park, New Jersey).

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2010 in comparison with the year ended November 30, 2009, 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, 2010 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 27, 2011, 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, 2010 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, the optimization of the synergies arising therefrom and their impact on sales and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend" "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants.

These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith, regarding future events, including 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, 2010

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 70,000 stock-keeping units (SKUs)** targeted to a base of **some 60,000 customers** who are served by **58 centres in North America** – 34 distribution centres in Canada, 22 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 about 1,500 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. Approximately 70% of its employees are Richelieu shareholders.

MISSION AND STRATEGY

Richelieu's mission is to create shareholder value and contribute to its customers' growth and success, while favouring a business culture focused on quality of service and results, partnership and entrepreneurship.

To sustain its growth and remain the leader in its specialty market, the Company continues to implement the strategy that has benefited it until now, with a focus on:

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

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

FINANCIAL HIGHLIGHTS (1)

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

Years ended November 30	**2010 $**	2009 $	2008 $	2007 $
Sales	**446,963**	415,592	427,536	419,737
EBITDA	**63,832**	51,588	58,433	57,267
EBITDA margin (%)	***14.3***	*12.4*	*13.7*	*13.6*
Net earnings from continuing operations	**38,574**	30,605	35,733	33,908
▪ basic earnings per share ($)	**1.79**	1.39	1.57	1.47
▪ diluted earnings per share ($)	**1.78**	1.39	1.56	1.46
Cash flows from continuing operations (2)	**45,059**	37,310	43,033	39,149
▪ per share ($)	**2.08**	1.69	1.88	1.69
Net earnings	**39,233**	30,404	35,607	33,954
▪ basic earnings per share ($)	**1.82**	1.38	1.56	1.47
▪ diluted earnings per share ($)	**1.81**	1.38	1.56	1.46
Cash dividends paid on shares	**7,768**	7,032	7,301	6,463
▪ per share ($)	**0.36**	0.32	0.32	0.28
Weighted average number of shares outstanding (diluted) (in thousands)	**21,705**	22,019	22,785	23,080
As at November 30				
Total assets	**320,816**	286,928	273,484	258,778
Working capital	**162,727**	150,485	130,865	120,995
Shareholders' equity	**253,869**	240,500	228,234	209,096
Return on average equity (%)	**15.9**	13.0	16.3	17.2
Book value ($)	**12.01**	11.04	10.39	9.05
Total interest-bearing debt	**2,858**	668	649	6,971
Total interest-bearing debt to equity ratio (%)	**1.1**	0.3	0.3	3.3
Cash and cash equivalents	**39,289**	48,442	6,126	7,879

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

(2) Before net change in non-cash working capital balances.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2010 COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2009

Consolidated sales
(in thousands of $)
Years ended November 30

	2010 $	2009 $	%
Canada	**379,086**	347,854	+ 9.0
United States (CA$)	**67,877**	67,738	+ 0.2
(US$)	**65,720**	58,503	+ 12.3
Average exchange rate	***1.0328***	*1.1579*	
Consolidated sales	**446,963**	415,592	+ 7.6

Consolidated sales totalled $447.0 million, up by $31.4 million or 7.6% over 2009. Throughout 2010, Richelieu benefited from the robustness of Canadian markets thanks to its strong organization, its extensive and diversified product offering including innovations unique in North America and its distinctive quality of service. In the United States, where the business environment remained challenging due to the unfavourable economic conditions during the year, the Company pursued its intensive development and expansion-by-acquisition efforts. The increase in consolidated sales came from a 4.1% internal growth and a 3.5% growth from acquisitions [Paint Direct Inc. ("Paint Direct") (Alberta) and Woodland Specialties, Inc. ("Woodland") (New York), acquired on November 4 and December 1, 2009 respectively – Raybern Company, Inc. ("Raybern") (Connecticut), acquired on April 26, 2010 – Gordon Industrial Materials Ltd. ("Gordon") (Quebec and Ontario), acquired on July 14, 2010 – New Century Distributors Group LLC ("New Century") (New Jersey), acquired on August 30, 2010 – and E. Kinast Distributors Inc. ("E. Kinast") (Chicago), acquired on September 27, 2010].

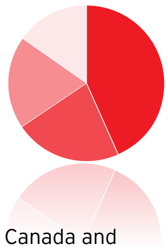
The average annual growth in consolidated sales was 5.0% for the last five years.

Sales to manufacturers amounted to $369.7 million in 2010, compared with $344.9 million in 2009, an increase of $24.8 million or 7.2%. Solid growth was achieved in all market segments, including the home and office furniture niches across Canada. **Sales to hardware retailers** and renovation superstores, recorded mostly in Canada, grew by $6.6 million or 9.3% to $77.3 million in 2010. Thanks notably to the market penetration efforts made in recent years, the most significant increases in the retailers market were posted in Ontario and Eastern Canada.

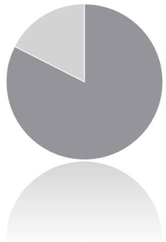
In Canada, sales totalled $379.1 million in 2010, compared with $347.9 million in 2009, an increase of $31.2 million or 9.0%, of which 7.0% from internal growth and 2.0% from the acquisition of Paint Direct and Gordon. Canadian sales accounted for 84.8% of 2010 consolidated sales, compared with 83.7% in 2009.

In the United States, sales totalled US$65.7 million, up by US$7.2 million or 12.3% over the previous year. This increase stemmed entirely from the contribution of the Woodland, Raybern, New Century and E. Kinast acquisitions. Considering the effect of exchange rates, sales in the United States amounted to CA$67.9 million, compared with CA$67.7 million for 2009, thereby representing 15.2% of 2010 consolidated sales, compared with 16.3% in 2009.

Sales



Eastern Canada and Atlantic Provinces 44%
Ontario 22%
Western Canada 19%
United States 15%



Manufacturers 83%
Retailers 17%

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

Years ended November 30	**2010** $	2009 $
Sales	**446,963**	415,592
EBITDA	**63,832**	51,588
EBITDA margin (%)	***14.3***	*12.4*

Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) amounted to $63.8 million, up by $12.2 million or 23.7% over the previous year. The gross profit margin improved thanks to the strengthening Canadian dollar in 2010, the product mix sold in Canada during the second half of the year and the lower retailers market penetration costs than in 2009, as well as the fact that the Company is now reaping the benefits of these market developments in Canada. Combined with these positive factors, the increase in consolidated sales and tight cost control measures raised the EBITDA margin to 14.3%, up from 12.4% for 2009. Excluding the $1.7 million allowance in recognition of the President and Chief Executive Officer's 23 years of service at Richelieu, the year's EBITDA margin would have been 14.7%.

The average annual EBITDA growth was 6.9% for the last five years.

Consolidated net earnings (in thousands of $, unless otherwise indicated) Years ended November 30	**2010** **$**	2009 $
EBITDA	**63,832**	51,588
Amortization of capital and intangible assets	**6,463**	6,411
Interest	**(201)**	—
Income taxes	**18,698**	14,278
Non-controlling interest	**298**	294
Net earnings from continuing operations	**38,574**	30,605
Net profit margin (%) from continuing operations	***8.6***	*7.4*
Net earnings (loss) from discontinued operations	**659**	(201)
Net earnings	**39,233**	30,404
Net profit margin (%)	***8.8***	*7.3*
Comprehensive income	**37,990**	22,579

Income taxes increased by $4.4 million to $18.7 million, due to the earnings growth.

Net earnings totalled $39.2 million, up by $8.8 million or 29.0% over 2009. This increase reflects the various aforementioned factors for the EBITDA plus a non-recurring after-tax gain of $0.7 million on the disposal of the ceramic sales activities, as indicated in note 13 *(Discontinued operations)* accompanying the consolidated financial statements for 2010.

The net profit margin improved considerably to 8.8% of consolidated sales, up from 7.3% for the previous year. **Earnings per share** amounted to $1.82 (basic) and $1.81 (diluted), an increase of 31.9% and 31.2% respectively, including the contribution of the discontinued operations of $0.03 per share for 2010, compared with a negative impact of $0.01 per share for 2009.

The average annual growth in consolidated net earnings was 7.2% for the last five years.

Comprehensive income totalled $38.0 million for 2010, on account of a negative adjustment of $1.2 million on translation of the financial statements of the self-sustaining subsidiary in the United States, compared with $22.6 million for 2009, on account of a negative adjustment of $7.8 million on translation of this same subsidiary's financial statements.

SUMMARY OF QUARTERLY RESULTS (1) (Unaudited)

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

Quarters	**1**	**2**	**3**	**4**
2010 (2)				
■ **Sales**	**95,183**	**117,960**	**115,957**	**117,863**
■ **EBITDA**	**10,880**	**18,764**	**17,054**	**17,134**
■ **Net earnings**	**7,002**	**11,502**	**10,348**	**10,381**
basic per share	**0.32**	**0.53**	**0.48**	**0.49**
diluted per share	**0.32**	**0.53**	**0.48**	**0.48**
2009				
■ Sales	91,924	107,900	107,181	108,587
■ EBITDA	8,077	12,593	14,929	15,989
■ Net earnings	4,348	7,306	8,870	9,880
basic per share	0.20	0.33	0.40	0.45
diluted per share	0.20	0.33	0.40	0.45
2008				
■ Sales	92,119	111,147	108,619	115,651
■ EBITDA	10,603	15,150	15,804	16,877
■ 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

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

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

Quarterly variations 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 2010, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

Fourth quarter ended November 30, 2010

Consolidated sales totalled $117.9 million for the fourth quarter, up by $9.3 million over the corresponding quarter of 2009, an increase of 8.5%, of which 1.6% from internal growth and 6.9% from the contribution of Paint Direct, Woodland, Raybern, Gordon and New Century for the full period as well as E. Kinast for about two months. In Canada, Richelieu's sales grew by 5.4% to $98.6 million thanks to the contribution of all its market segments, especially in Eastern Canada and Ontario, as well as the acquisition of Paint Direct and Gordon which accounted for 4.0% of the quarter's growth. In the United States, sales amounted to US$18.9 million, an increase of 33.3% over the fourth quarter of 2009, of which 6.9% from internal growth and 26.5% from acquisitions. Considering the effect of exchange rates, sales expressed in Canadian dollars stood at $19.3 million, up 27.7% over $15.1 million for the corresponding quarter of 2009.

Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) amounted to $17.1 million, compared with $16.0 million for the fourth quarter of 2009, an increase of 7.2%. The gross profit margin declined slightly from the corresponding quarter of 2009. Although the latest acquisitions contributed to results and represent a sound investment and a positioning for the future, the profit margins of some of them are not the same as Richelieu's because of their product mix. However, integration objectives have been set to allow the margins of the acquired businesses to gradually improve. **The EBITDA margin** stood at 14.5%, compared with 14.7% for the corresponding quarter of 2009.

Net earnings totalled $10.4 million, up 5.1% over the fourth quarter of 2009. On account of the aforementioned factors, the net profit margin slipped to 8.8% from 9.1% for the fourth quarter of the previous year. **Earnings per share** amounted to $0.49 (basic) and $0.48 (diluted), compared with $0.45 (basic and diluted) for the fourth quarter of 2009, an increase of 8.9% and 6.7% respectively.

Cash flows from operating activities (before net change in non-cash working capital balances related to operations) grew to $11.0 million or $0.51 per share, up from $10.7 million or $0.48 per share for the fourth quarter of 2009, mainly reflecting the increase in net earnings less the variation in future income taxes. Net change in non-cash working capital balances related to operations represented a cash outflow of $3.5 million, as opposed to a cash inflow of $8.3 million for the corresponding quarter of 2009. This variation reflects an increase in accounts receivable, inventories, accounts payable and prepaid expenses totalling $6.2 million, whereas income taxes payable and the fair value of derivative financial instruments represented a variance of $2.7 million. Consequently, operating activities provided cash flows of $7.5 million, compared with $19.0 million for the corresponding quarter of the previous year.

Financing activities used net cash flows of $8.7 million for the repurchase of common shares under the normal course issuer bid for a consideration of $6.6 million, the payment of $1.9 million in shareholder dividends and a repayment of $0.2 million in long-term debt.

Investing activities used cash flows of $13.0 million, including $11.8 million for the acquisition of E. Kinast and PJ White. A consideration of $1.2 million was invested in various capital assets during the quarter.

FINANCIAL POSITION

Analysis of principal cash flows

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

Years ended November 30	2010 $	2009 $
Cash flows provided by (used by):		
Operating activities	35,360	59,511
Financing activities	(25,621)	(11,236)
Investing activities	(21,106)	(3,618)
Effect of exchange rate fluctuations	(41)	(196)
Net change in cash and cash equivalents	(11,408)	44,461
Cash flows from discontinued operations	2,255	(2,145)
Cash and cash equivalents, beginning of year	48,442	6,126
Cash and cash equivalents, end of year	39,289	48,442
Working capital	162,727	150,485
Renewable line of credit (CA$)	26,000	26,000
Renewable line of credit (US$)	5,000	5,000

Operating activities

Operating activities provided cash flows (before net change in non-cash working capital balances related to operations) of $45.1 million or $2.08 per share, compared with $37.3 million or $1.69 per share for 2009, mainly reflecting the net earnings growth. Net change in non-cash working capital balances related to operations represented a cash outflow of $9.7 million, as opposed to a cash inflow of $22.2 million for 2009. This variation mainly reflects the increase in inventories to meet the growth in demand as well as an increase in prepaid expenses totalling $20.2 million, whereas accounts receivable, accounts payable, income taxes payable and the change in the fair value of derivative financial instruments represented a variance of $10.5 million. Consequently, operating activities provided cash flows of $35.4 million, compared with $59.5 million for 2009.

Financing activities

For 2010, financing activities represented a cash outflow of $25.6 million, compared with $11.2 million for the previous year. The Company paid $7.7 million in dividends to its shareholders, a growth of $0.7 million reflecting the 12.5% increase in the quarterly dividend announced on January 28, 2010. In addition, Richelieu repurchased 696,000 common shares for cancellation through its normal course issuer bid for a consideration of $18.1 million, compared with the repurchase of 198,200 common shares for approximately $4.2 million during the previous year.

Investing activities

During the year, Richelieu invested $21.1 million, including $17.7 million to acquire the principal assets of Woodland, Raybern, Gordon, New Century, E. Kinast and PJ White. The balance was allocated to various leasehold improvements, equipment to enhance the distribution centres' productivity and showrooms.

Capital resources

As at November 30, 2010, Richelieu had substantial **cash and cash equivalents** totalling $39.3 million, and posted a **working capital** of $162.7 million for a current ratio of 3.7:1, compared with $150.5 million and 4.7:1 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 2011. 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, 2011. Furthermore, Richelieu has an **authorized line of credit** of $26.0 million, renewable annually and bearing interest at the bank's prime rate, and an **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, 2010. In addition, the Company believes it could obtain access to other outside financing if necessary.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2011 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, 2010

Summary balance sheet
(in thousands of $)

As at November 30	2010 $	2009 $
Current assets	**222,752**	191,620
Long-term assets	**98,064**	95,308
Total	**320,816**	286,928
Current liabilities	**60,025**	41,135
Long-term liabilities	**6,922**	5,293
Shareholders' equity	**253,869**	240,500
Total	**320,816**	286,928

Assets

As at November 30, 2010, total assets amounted to $320.8 million, compared with $286.9 million a year earlier, an increase of $33.9 million or 11.8%. The acquisitions closed in 2010 represent net assets acquired of $20.1 million, as explained in further detail in note 2 (Business acquisitions) accompanying the consolidated financial statements for 2010. As at November 30, 2010, current assets were up by $31.1 million or 16.2% over a year earlier, due primarily to the acquisitions closed during the year.

Net cash

(in thousands of $)

As at November 30	2010 $	2009 $
Current portion of long-term debt	**2,072**	351
Long-term debt	**786**	317
Total	**2,858**	668
Cash and cash equivalents	***39,289***	*48,442*
Total net cash	**36,431**	47,774

Richelieu's indebtedness remained very low during the year, standing at $2.9 million as at November 30, 2010. Deducting cash and cash equivalents, the Company thus posted **total net cash** of $36.4 million after closing six acquisitions representing a $17.7 million investment and repurchasing common shares for cancellation for $18.1 million. The Company 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 $253.9 million as at November 30, 2010, up from $240.5 million as at November 30, 2009; this $13.4 million or 5.6% increase reflects the $13.9 million growth in retained earnings which amounted to $237.9 million and a contributed surplus of $3.9 million, less accumulated other comprehensive income of $5.6 million. **The book value per share** was $12.01 at the end of 2010, compared with $11.04 as at November 30, 2009.

The total interest-bearing debt to shareholders' equity ratio was stable at 1.1% as at November 30, 2010.

Capital stock

As at November 30, 2010, Richelieu's **capital stock** consisted of 21,135,209 common shares (21,779,759 common shares as at November 30, 2009) and 918,300 options (944,500 options as at November 30, 2009) were outstanding.

During the year, through a normal course issuer bid, the Company repurchased 696,000 common shares for cancellation for a consideration of $18.1 million, compared with a total share repurchase of $4.2 million in 2009. During 2010, the Company granted 35,000 options (153,000 in 2009) with an average exercise price of $22.98 per share ($17.40 in 2009) and an average fair value of $6.52 per option ($4.02 in 2009) as determined using the Black & Scholes option pricing model based on an expected dividend yield of 1.5% (1.7% in 2009), an expected volatility of 25% (23% in 2009), a risk-free interest rate of 3.72% (2.36% in 2009) and an expected life of seven years (seven years in 2009).

The compensation expense charged to earnings for the options granted in 2010 amounted to $0.8 million ($0.9 million in 2009).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2010
(in thousands of $)

	2011	2012	2013	2014	2015	2016 and thereafter	Total
Long-term debt	2,072	580	103	103	—	—	2,858
Operating leases	6,343	5,237	4,081	2,925	1,995	1,799	22,380
Total	**8,415**	**5,817**	**4,184**	**3,028**	**1,995**	**1,799**	**25,238**

For 2011 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 2011 and no usual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under "Risk Management".

FINANCIAL INSTRUMENTS

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

In notes 1 and 11 of the audited consolidated financial statements for the year ended November 30, 2010, the Company presents the information on the classification and fair value of its financial instruments as well as their value and management of the risks arising from their use.

CONTROLS AND PROCEDURES

Pursuant to *Multilateral Instrument – Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109"), the Company has filed certificates signed by the President and Chief Executive Officer and the Vice-President and Chief Financial Officer that notably attest to the design and effectiveness of internal controls over financial reporting and disclosure controls and procedures based on an assessment of such controls and procedures as at November 30, 2010.

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 NI 52-109, the design of internal controls over financial reporting as at November 30, 2010. [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 fourth quarter of the year ended November 30, 2010 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.

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 2010.

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, 2010
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 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 ▪ The following table presents the preliminary conclusions for the majority of IFRS standards and interpretation that differs from the Company's accounting policies
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	▪ Quantification of the impact resulting from the changeover to IFRS in progress
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	▪ Internal control over the financial reporting process in compliance with IFRS will have to be added during the preparation of the opening balance sheet and for the first reporting of the financial statements

The Company has identified differences between its accounting policies and IFRS. The following table presents the Company's preliminary conclusions in regards to those identified differences:

Accounting policies	Comparison between IFRS and GAAP on the Company's activities as at November 30, 2010	Preliminary conclusions
Business combinations	▪ According to IFRS, the acquisitions costs incurred for the closing of transactions must be recorded as expenses while Canadian GAAP allows those costs to be taken into consideration with the purchase price allocation	▪ There will be no impact on business combination concluded prior to the IFRS changeover date since the Company chose to benefit from the exemption related to retroactive application (IFRS 1) ▪ Acquisition costs incurred on transactions closed will be expensed starting with the application of IFRS
Fixed and intangible assets	▪ Fixed assets must be amortized based on their components, while Canadian GAAP are less restrictive ▪ Following the first adoption of IFRS, the Company will have the choice to measure fixed and intangible assets using the cost model or the reevaluation model	▪ Based on the significance and the nature of the Company's fixed assets, this change will not have a significant impact on the financial statements prepared in accordance with IFRS ▪ In order to avoid variations in the Company's results, the cost method will be applied to fixed assets
Assets impairment tests	▪ Canadian GAAP requires that the impairment test be conducted at the level of reporting units; ▪ Based on IFRS, the impairment test must be conducted at the level of the cash generating unit, that is the lowest level of group of assets that generates cash inflows that are largely independent from other group of assets ▪ Depreciation charges accorded for under IFRS, applicable to other assets than goodwill and intangible assets without a definite life, must be reversed when events indicates that the situation no longer prevails, without exceeding the initial cost	▪ The Company is presently estimating the impact of those modifications
Other liabilities, provisions and contingent liabilities	▪ IFRS requires that a provision must be recorded when it is probable (>50%) that the Company will settle an liability with a cash outflow that can be reliably estimated ▪ These liabilities must be presented in the notes to the financial statements ▪ Based on Canadian GAAP, the recognition criteria for similar situations requires a higher level of certainty	▪ These differences should not have a significant impact on the results of the Company
Share-based payments	▪ To comply with IFRS, since the stock option awards vests gradually, each bracket must be considered as a separate award ▪ Canadian GAAP allows stock option awards that vest gradually to be considered as one award	▪ The Company does not anticipate significant impact

The Company monitors closely the progress of the IASB's work (International Accounting Standard Board) who should adopt during the second quarter of 2011 a new standard applicable to leases. If adopted, the actual standard project on leases would require the recognition of assets and liabilities arising from leases. The commercial facilities leased by the Company are actually accounted for as operating leases (note 9 of the November 30, 2010 financial statements). If adopted, this standard project could have a significant impact on the Company's financial statements presented in compliance with IFRS.

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 the discount rate and cash flows. The use of different assumptions when applying the discounted cash flows method could result in different fair values and, consequently, different carrying amounts for goodwill as well as results of operations.

Capital assets

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

Intangible assets

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

Impairment of long-lived assets

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

Inventories

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

Income taxes

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

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 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 Company's financial results could be further affected.

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 more than 15% 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 approximately 70% of its employees, including senior officers, are Richelieu shareholders.

Product liability

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

Crisis management and IT contingency plan

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

SHARE PRICE

In 2010, the share price posted a significant increase, fluctuating between \$20.50 and \$31.48, and the trading volume on the Toronto Stock Exchange totalled 4.9 million shares. The closing share price was \$29.87 on November 30, 2010, compared with \$20.99 as at November 30, 2009. Richelieu's share price has increased by 1,297% 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 2010 represented approximately 20% of the year's net earnings.

EVENT SUBSEQUENT TO BALANCE SHEET DATE

On January 10, 2011, the Company acquired the principal net assets of Outwater Hardware ("Outwater") for a cash consideration of US\$8.8 million, excluding acquisition fees, and a balance of sale of US\$2.9 million. Located in Lincoln Park, New Jersey, U.S., this company manages a major specialty and decorative hardware distribution centre that serves nearly 18,000 residential and commercial woodworking customers, kitchen and bathroom cabinet makers and furniture manufacturers across 50 states.

SHARE INFORMATION AS AT JANUARY 27, 2011

Issued and outstanding common shares	21,150,709
Share options under share option plan	922,800

GROWTH OUTLOOK

Richelieu continues to consolidate its leadership positioning in its sector in North America, thanks mainly to:

- an innovation strategy that enables it to diversify its offering of products sourced from the world's most creative and best-known manufacturers in order to always better serve its customers and anticipate their needs;
- acquisitions compatible with its operational and financial objectives and development of the sales synergies arising therefrom across its network; and
- its focus on execution and service quality, supply management as well as the design and implementation of targeted and effective marketing programs.

Its primary growth drivers remain:

- residential and commercial renovation (kitchen and bathroom cabinet makers and the residential and commercial working segment);
- hardware retailers and renovation superstore chains;
- evolving trends in technology and design, which represent a sustained source of growth;
- home and office furniture manufacturers, a segment in which Richelieu could still win major market share; and
- expansion through acquisitions and centre start-ups in North America matching its value creation objectives.

The growth outlook 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 meet the Company's requirements, the availability of credit will remain stable in 2011 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 27, 2011

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.

Montréal, Canada
January 10, 2011

(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, 2010 and 2009, 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Montréal, Canada
January 10, 2011

Ernst & Young LLP[1]

(Signed) Chartered accountants

[1] CA auditor permit No. 17959

Consolidated balance sheets

As at November 30
(In thousands of dollars)

	2010	2009
	$	$
ASSETS		
Current assets *(note 2)*		
Cash and cash equivalents	**39,289**	48,442
Accounts receivable	**65,017**	55,793
Inventories	**117,609**	87,058
Prepaid expenses	**837**	327
	222,752	191,620
Capital assets *(notes 2 and 3)*	**19,132**	19,569
Intangible assets *(notes 2 and 4)*	**13,242**	12,853
Future income taxes *(note 8)*	**2,327**	437
Goodwill *(note 2)*	**63,363**	62,449
	320,816	286,928
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities *(note 2)*		
Accounts payable and accrued liabilities	**52,641**	40,108
Income taxes payable	**5,312**	676
Current portion of long-term debt *(note 6)*	**2,072**	351
	60,025	41,135
Long-term debt *(note 6)*	**786**	317
Future income taxes *(note 8)*	**2,706**	1,844
Non-controlling interest	**3,430**	3,132
	66,947	46,428
Shareholders' equity		
Capital stock *(note 7)*	**17,623**	16,916
Contributed surplus *(note 7)*	**3,906**	3,922
Retained earnings	**237,907**	223,986
Accumulated other comprehensive income *(note 10)*	**(5,567)**	(4,324)
	253,869	240,500
	320,816	286,928

Commitments *(note 9)*
Event subsequent to balance sheet date *(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)

	2010 $	2009 $
Sales	**446,963**	415,592
Cost of sales and warehouse, selling and administrative expenses	**383,131**	364,004
Earnings before the following	**63,832**	51,588
Amortization of capital assets	**5,160**	5,063
Amortization of intangible assets	**1,303**	1,348
Financial costs, net	**(201)**	–
	6,262	6,411
Earnings before income taxes, non-controlling interest and discontinued operations	**57,570**	45,177
Income taxes *(note 8)*	**18,698**	14,278
Earnings before non-controlling interest and discontinued operations	**38,872**	30,899
Non-controlling interest	**298**	294
Net earnings from continued operations	**38,574**	30,605
Net earnings (net loss) from discontinued operations *(note 13)*	**659**	(201)
Net earnings	**39,233**	30,404
Earnings per share *(note 7)*		
Basic		
From continued operations	**1.79**	1.39
From discontinued operations	**0.03**	(0.01)
	1.82	1.38
Diluted		
From continued operations	**1.78**	1.39
From discontinued operations	**0.03**	(0.01)
	1.81	1.38

See accompanying notes.

Consolidated statements of retained earnings

Years ended November 30
(In thousands of dollars)

	2010 $	2009 $
Net earnings	**39,233**	30,404
Retained earnings, beginning of year	**223,986**	204,591
Dividends	**(7,768)**	(7,032)
Premium on redemption of common shares for cancellation *(note 7)*	**(17,544)**	(3,977)
Retained earnings, end of year	**237,907**	223,986

See accompanying notes.

Consolidated statements of comprehensive income

Years ended November 30
(In thousands of dollars)

	2010 $	2009 $
Net earnings	**39,233**	30,404
Other comprehensive income		
Translation adjustment of the net investment in self-sustaining foreign operations	**(1,243)**	(7,825)
Comprehensive income	**37,990**	22,579

See accompanying notes.

Consolidated statements of cash flows

Years ended November 30
(In thousands of dollars)

	2010 $	2009 $
OPERATING ACTIVITIES		
Net earnings from continued operations	38,574	30,605
Non-cash items		
Amortization of capital assets	5,160	5,063
Amortization of intangible assets	1,303	1,348
Future income taxes	(1,031)	(885)
Non-controlling interest	298	294
Stock-based compensation expense	755	885
	45,059	37,310
Net change in non-cash working capital balances related to operations	(9,699)	22,201
	35,360	59,511
FINANCING ACTIVITIES		
Repayment of long-term debt	(246)	(36)
Dividends paid	(7,768)	(7,032)
Issue of common shares	500	8
Redemption of common shares for cancellation	(18,107)	(4,176)
	(25,621)	(11,236)
INVESTING ACTIVITIES		
Business acquisition *(note 2)*	(17,684)	(706)
Additions to capital assets	(3,422)	(2,912)
	(21,106)	(3,618)
Effect of exchange rate fluctuations on cash and cash equivalents	(41)	(196)
Net change in cash and cash equivalents	(11,408)	44,461
Cash flows from discontinued operations	2,255	(2,145)
Cash and cash equivalents, beginning of year	48,442	6,126
Cash and cash equivalents, end of year	39,289	48,442
Supplemental information		
Income taxes paid	15,093	15,269
Interest received, net	(179)	(129)

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 year are recorded in the consolidated statement of earnings.

Accounts receivable

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

Inventories

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

Capital assets

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

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

Intangible assets

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

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

Impairment of long-lived assets

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

Goodwill

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

Other financial liabilities

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

Revenue recognition

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

Income taxes

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

Foreign currency

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

Assets and liabilities of the 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 year are recorded in the comprehensive income. If the instrument does not qualify as a hedge, the derivative is recorded on the balance sheet at fair value, with changes in fair value recognized in current earnings. The assets or liabilities related to those financial instruments are included in accounts receivable or accounts payable and accrued liabilities on the consolidated balance 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. BUSINESS ACQUISITIONS

2010

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

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

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

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

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

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

2009

On November 4, 2009, the Company acquired the principal net assets of Paint Direct Inc. for a cash 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.

Summary of acquisitions

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 final purchase price allocations of Paint Direct Inc. and Woodland Specialties Inc. combined to the preliminary purchase price allocations of the other acquisitions are as follows:

	PJ White	Others	2010	2009
	$	$	$	$
Net assets acquired				
Current assets	10,542	9,882	20,424	473
Capital assets	510	847	1,357	97
Intangible assets	—	1,835	1,835	343
Goodwill	170	1,338	1,508	246
	11,222	13,902	25,124	1,159
Current liabilities assumed	1,629	3,351	4,980	207
Net assets acquired	9,593	10,551	20,144	952
Consideration				
Cash	9,269	8,415	17,684	706
Balances of sale payable	324	2,136	2,460	246
	9,593	10,551	20,144	952

Goodwill

	2010	2009
	$	$
Balance at the beginning of the year	62,449	65,772
Goodwill accounted for during the year	1,508	246
Exchange rate variations	(594)	(3,569)
Balance at the end of the year	63,363	62,449

3. CAPITAL ASSETS

	2010		2009	
	Cost $	Accumulated amortization	Cost $	Accumulated amortization
Lands	3,546	—	3,546	—
Buildings	14,076	8,194	13,482	7,416
Leasehold improvements	3,142	2,368	2,916	2,090
Machinery and equipment	20,119	15,192	18,254	13,810
Rolling stock	4,948	3,788	4,540	3,383
Furniture and fixtures	9,575	7,330	8,415	5,597
Computer equipment	7,550	6,952	7,188	6,476
	62,956	43,824	58,341	38,772
Accumulated amortization	(43,824)		(38,772)	
	19,132		19,569	

4. INTANGIBLE ASSETS

	2010			2009		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Intangible assets with definite useful live						
Softwares	2,995	(2,437)	558	2,900	(2,164)	736
Non-competition agreements	605	(415)	190	428	(312)	116
Customer relationships	11,970	(3,880)	8,090	10,908	(3,001)	7,907
	15,570	(6,732)	8,838	14,236	(5,477)	8,759
Intangible assets with indefinite useful live						
Trademarks	4,404	—	4,404	4,094	—	4,094
	19,974	(6,732)	13,242	18,330	(5,477)	12,853

5. BANK LOAN

The Company has an available authorized line of credit in the amount of $26 million (2009 – $26 million) which bears interest at the bank's prime rate, which was 3.00% at November 30, 2010 (2009 – 2.25%) and is renewable annually. The Company also has an available authorized line of credit in the amount of $5 million US (2009 – $5 million US) with an American Bank, which bears interest at the bank's prime rate of 3.25% (2009 – 3.25%) plus 2.00% and is renewable annually.

6) LONG-TERM DEBT

	2010	2009
	$	$
Business acquisitions balances payable, bearing interest at either variable rates based on prime rates in Canada and the United States of America, which vary from 2.00% to 2.25% as at November 30, 2010 (between 1.25% and 2.25% as at November 30, 2009) or at fixed rates varying from 0 to 3% and maturing at various dates until 2014	**2,858**	668
Current portion	**2,072**	351
	786	317

The principal instalments due on long term debt are as follows: 2011 – $2,072, $580 in 2012 and $103 in 2013 and 2014.

7. CAPITAL STOCK

Authorized

An unlimited number of:

Common shares.

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

Issued

	2010	2009
	$	$
21,153,209 Common shares (2009 – 21,779,759)	**17,623**	16,916

During 2010, the Company issued 51,450 common shares (2009 – 1,550) at an average price of $9.72 per share (2009 – $5.15) pursuant to the exercise of options under the share option plan. In addition, during 2010, the Company, through a normal course issuer bid, purchased 696,000 common shares for cancellation in consideration of $18,107 (2009 – 198,200 for a consideration of $4,176), which resulted in a premium on the redemption in the amount of $17,544 as recorded in the consolidated statements of retained earnings (premium of $3,977 in 2009).

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, 2010, 269,275 options (2009 – 294,525) were still available to be granted.

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

	Options #	Exercise price per share	Agregate
		$	$
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 22.13	(59)
Outstanding, November 30, 2009	944,500	5.15 to 24.76	18,658
Granted	35,000	22.92 to 23.37	804
Exercised	(51,450)	5.15 to 22.13	(500)
Cancelled	(9,750)	17.44 to 24.76	(200)
Outstanding, November 30, 2010	**918,300**	**7.28 to 24.76**	**18,762**

The table below summarizes information regarding the share options outstanding as at November 30, 2010.

	Options outstanding			Exercisable options	
Range in exercise price (in dollars)	Number of options (in thousands)	Weighted average remaining period (years)	Weighted average exercise price (in dollars)	Number of options (in thousands)	Weighted average exercise price (in dollars)
7.28 to 9.96	17,000	0.28	7.67	17,000	7.67
9.97 to 14.50	56,000	2.19	14.16	56,000	14.16
14.51 to 21.69	399,000	7.09	18.86	189,625	19.21
21.70 to 24.76	446,300	5.40	23.12	372,925	22.97
	918,300	**5.84**	**20.44**	**635,550**	**20.66**

During the year 2010, the Company granted 35,000 options (2009 – 153,000) with an average exercise price of $22.98 per share (2009 – $17.40) and an average fair value of $6.52 per option (2009 – $4.02) as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.5% (2009 – 1.7%), a volatility of 25% (2009 – 23%), a risk free interest rate of 3.72% (2009 – 2.36%) and an expected life of 7 years (2009 – 7 years). The compensation expense charged to earnings for the options granted in 2010 amounted to $755 (2009 – $885).

Earnings per share

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

	2010	2009
	$	$
Weighted average number of shares outstanding - Basic	**21,547**	21,965
Dilutive effect under stock option plan	**158**	54
Weighted average number of shares outstanding - Diluted	**21,705**	22,019

Outstanding options to purchase 146,500 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.

8. INCOME TAXES

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

	2010	2009
	$	$
Current	**19,729**	15,163
Future		
Temporary differences	**(1,001)**	(874)
Impact of tax rate changes	**(30)**	(11)
	18,698	14,278

8. INCOME TAXES (continued)

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

	2010	2009
	$	$
Combined statutory rates	30.01%	31.03%
Income taxes at combined statutory rates	17,277	14,021
Increase (decrease) resulting from:		
Impact of tax rate changes on future taxes	(30)	(11)
Impact of statutory rates changes for the subsidiary outside Canada	1,094	(180)
Stock-based compensation expense	226	274
Other non-deductible expenses	118	109
Other	13	65
	18,698	14,278

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:

	2010	2009
	$	$
Future income taxes		
Translation of foreign exchange rates, other reserves only recognized for tax purposes upon disbursement and other tax attributes	4,111	2,757
Excess of the tax value of fixed assets over their carrying value	1,222	921
Excess of the intangible assets and goodwill's accounting value over their tax value	(5,712)	(5,085)
Net amount	(379)	(1,407)

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

	2010	2009
	$	$
Future income tax assets	2,327	437
Future income tax liabilities	(2,706)	(1,844)
	(379)	(1,407)

9. COMMITMENTS

(a) Leases

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

	$
2011	6,343
2012	5,237
2013	4,081
2014	2,925
2015	1,995
2016 and thereafter	1,799
	22,380

(b) Forward exchange contracts

As at November 30, 2010, the Company held the following forward exchange contracts having maturities of dates between December 2010 and February 2011.

Type	Currency in thousands	Average exchange rate
Purchase	5,750 Euro	1.3885

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	2010	2009
	$	$
Balance at the beginning of the year	(4,324)	3,501
Translation adjustment of the net investment in self-sustaining foreign operations	(1,243)	(7,825)
Balance at the end of the year	(5,567)	(4,324)

11. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair values

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

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, 2010, the fair value of the forward exchange contracts resulted in a loss of approximately $321 (gain of approximately $29 as at November 30, 2009), representing the amount the Company would disburse on settlement of these contracts at spot rates.

Credit risk

The Company sells its products to numerous customers in Canada, and in a lesser proportion in the United States of America. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Company. The average days outstanding of accounts receivable as at November 30, 2010 is acceptable given the specific industry in which the Company evolves.

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

	2010	2009
	$	$
Balance at the beginning of the year	4,602	3,661
Allowance for doubtful accounts	1,508	2,302
Write-offs	(1,453)	(1,196)
Exchange rate variations	(50)	(165)
Balance at the end of the year	4,607	4,602

The balance of accounts receivable of the Company that are overdue for more than 60 days, but which were not provided for, totals $871 ($667 in 2009).

As at November 30, 2010 and 2009, no customer accounted for more than 10% of the total accounts receivable.

11. FINANCIAL INSTRUMENTS AND OTHER INFORMATION (continued)

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, 2010, an exchange gain of $300 (2009 – $325 loss).

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, 2010, 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 $56 ($6 – 2009) and increased the consolidated comprehensive income by $483 ($470 – 2009). 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, 2010, the statements of comprehensive income include a foreign exchange loss of $1,243 (loss of $7,825 as at November 30, 2009) 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, 2010, the amount of inventories recorded as expenses from the distribution, imports and manufacturing activities totals $306,004 (2009 – $298,547). An expense of $1,544 (2009 – $577) for obsolescence is included in this amount.

12. GEOGRAPHIC INFORMATION

During the year ended November 30, 2010, near 85% of sales had been done in Canada. The Company's sales to foreign countries, almost entirely directed to the United States, amounted to $67,877 (2009 – $67,738) in Canadian dollars and to $65,720 (2009 – $58,503) in US dollars.

As at November 30, 2010, out of a total amount of $19,132 in capital assets (2009 – $19,569), $1,696 (2009 – $968) are located in the USA. In addition, intangible assets located in the USA amounted to $9,389 (2009 – $8,398) and goodwill at $21,324 (2009 – $20,768) in Canadian dollars, and respectively amounted to $9,145 (2009 – $7,956) and to $20,772 (2009 – $19,674) in US dollars.

13. DISCONTINUED OPERATIONS

On December 29, 2009, the Company decided to discontinue its ceramic distribution activities and entered into a selling agreement, carried out on January 29, 2010, to dispose of its inventories for a consideration of $2,495. The Company has realized a gain, net of income taxes, of $650 through this transaction, which was included in the profit from discontinued operations disclosed in the consolidated statement of earnings of the year ended November 30, 2010. During that year, the ceramic distribution activities classified as discontinued operations generated sales of $1,471 and realized pre-tax earnings of $13.

The comparative figures included in the consolidated statements of earnings and cash flow have been adjusted to reflect the classification of the results from the ceramic distribution activities as discontinued operations.

14. SUBSEQUENT EVENT

Business acquisition

On January 10, 2011, the Company acquired the principal net assets of Outwater Hardware for a consideration in cash of US $8,812, excluding acquisition fees, and a balance of sale of US $2,938. Located in Lincoln Park in New Jersey (USA), this company manages an important distribution center of specialized and decorative hardware, which serves near 18,000 residential and commercial woodworking customers, kitchen and toilet cabinet makers and furniture manufacturers across 50 states.

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, 2010, the Company achieved the following results regarding its capital management objectives:

- a debt/equity ratio: 1.1% (2009 – 0.3%) (interest-bearing debt/shareholders'equity)
- a return on shareholders' equity of 15.9% for the last 12 months (13.0% for the 12 previous months)

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

16. COMPARATIVE FIGURES

Some figures disclosed for the fiscal year ended November 30, 2009 have been reclassified accordingly to the presentation adopted for the fiscal year ended November 30, 2010.

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