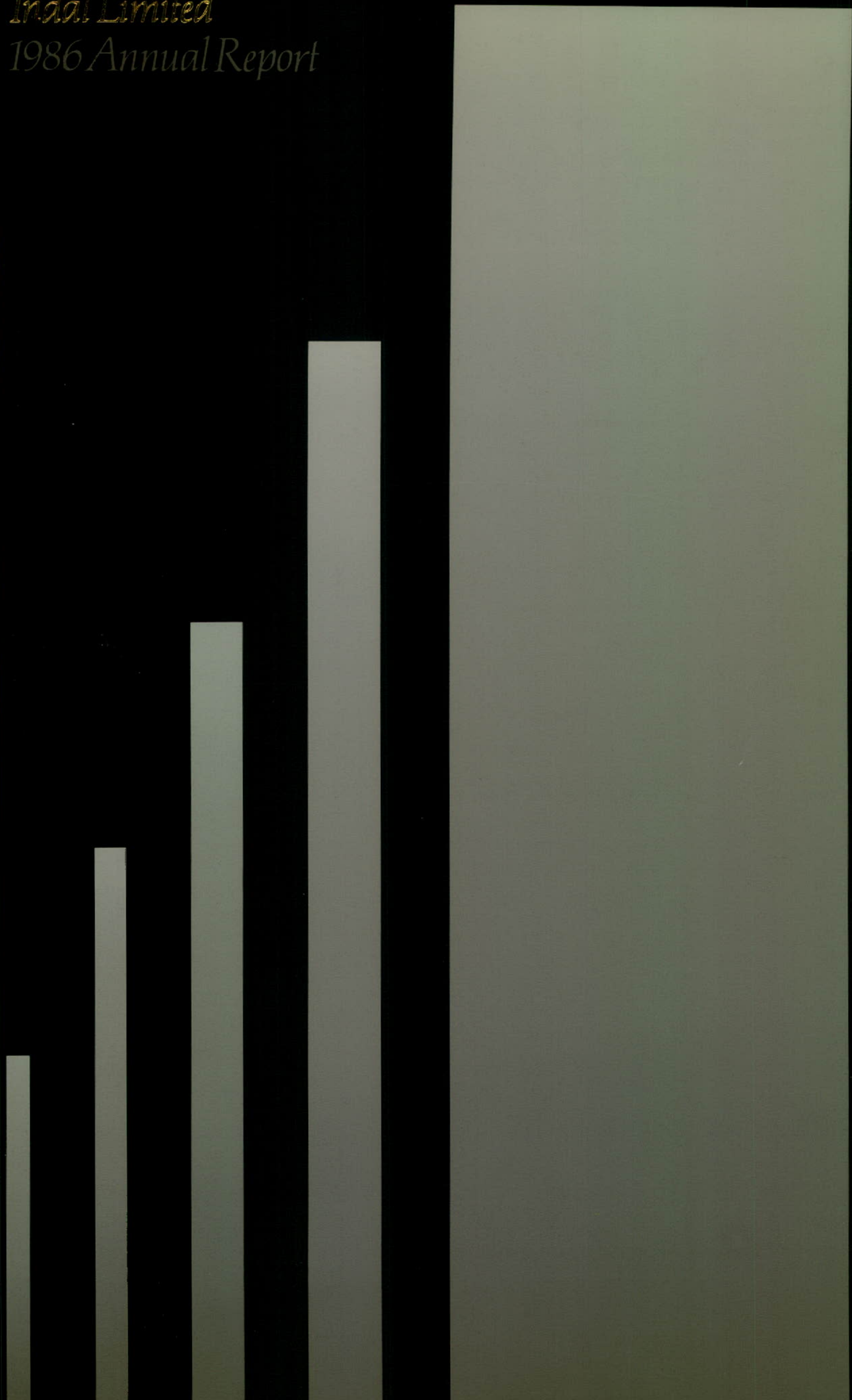
Indal Limited
1986 Annual Report



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McKnight Window Industries· Tempglass Wester
Peachtree Doors Inc· Indal Furniture Systems· Tubeli
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Indal Limited is a diversified industrial company with 35 operating divisions and subsidiaries in Canada and the United States. Founded in 1964 as an extruder of aluminum and a producer of cold rollformed metal products, it currently employs 8,000 people at 61 locations in North America.

Indal divisions and subsidiaries recycle, cast and extrude aluminum; cold rollform and stamp aluminum and steel; diecast aluminum and zinc; temper and laminate glass; and fabricate a broad range of metal, wood and glass products. The output of Indal's plants is sold principally to the following markets: residential construction, which includes new housing and home improvement; non-residential construction; and industrial, which includes automotive and design engineering.

Sixty-one percent of the common shares of Indal Limited are beneficially owned by R.T.Z. Pillar Limited, London, England, a wholly-owned subsidiary of The Rio Tinto-Zinc Corporation PLC, a world-wide mining and industrial company. The balance is held by institutional and individual investors, principally in Canada.

INDAL

Contents

Highlights of the year

ended December 31, 1986

Operating

- The growth rate of Peachtree Doors, Inc. as a major national producer of high quality windows and doors continued to exceed that of the buoyant housing industry in the United States.
- A new plant in Georgia which will produce aluminum extrusions for Peachtree Doors and other customers, reached an advanced stage of construction.
- Fabricated Steel Products Division, which is a Q1 supplier to Ford Motor Company and a Spear 1 supplier to General Motors, was awarded Chrysler Corporation's Pentastar top-quality supplier rating in 1986, and now holds top-quality supplier ratings from all three companies.
- Construction of a second auto parts plant, to provide additional capacity for Fabricated Steel Products Division, began in Ridgetown, Ontario.
- Indalex Division, which is the leading independent extruder of aluminum in Canada, began construction of a major new facility on a new site to which it will begin moving its Toronto operations in 1987.
- Further progress was made with the divestment and rationalization of operations not in the mainstream of Indal's development, or not achieving an acceptable return on investment.

Financial

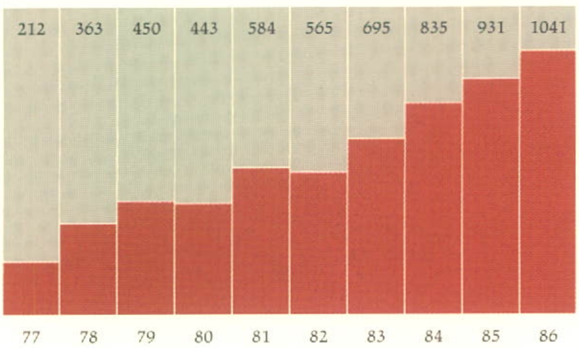
- Sales and net earnings established new records for the third successive year, reaching $1.04 billion and $49 million ($1.01 per share) respectively.
- The percentage of pre-tax earnings to sales (8.7%) and the percentage return of net earnings on average common shareholders' equity (18.6%) again reflected further progress towards the Company's goals of 10% and 20% respectively.
- During the year the Company successfully completed its first major debt offering, raising $50 million on an unsecured basis on the bond market in Canada.
- The Company's strong financial position strengthened further, with shareholders' equity increasing to $279 million and net borrowings of $63 million falling to only 16.8% of total funds employed.
- Dividends paid on the common shares of the Company, as adjusted to reflect the 2 for 1 stock split in May 1986, increased from $0.30 per share in 1985 to $0.40 per share in 1986.

Results of the year

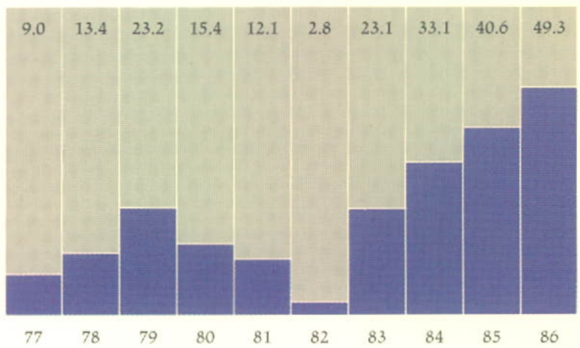
ended December 31, 1986

$ millions except per share information	**1986**	1985	% increase
Operating results			
Sales	**$1,041.2**	$930.7	+11.9%
Gross profit	**268.0**	239.3	+12.0%
Percentage gross profit	**25.7%**	25.7%	
Earnings before income taxes	**91.0**	76.0	+19.7%
Earnings before income taxes as a percentage of sales	**8.7%**	8.2%	
Net earnings	**49.3**	40.6	+21.4%
Financial position			
Common shareholders' equity	**279.5**	252.0	+10.9%
Net borrowings	**62.7**	84.5	−25.8%
Total funds employed	**373.2**	367.9	+ 1.4%
Net borrowings as a percentage of total funds employed	**16.8%**	23.0%	
Average working capital as a percentage of sales	**17.2%**	19.0%	
Percentage return of net earnings on average common shareholders' equity	**18.6%**	17.3%	
Results and financial position per share			
Earnings per share	**$1.01**	$0.83	+21.7%
Dividends per share	**0.40**	0.30	+33.3%
Book value per share	**5.71**	5.16	+10.7%

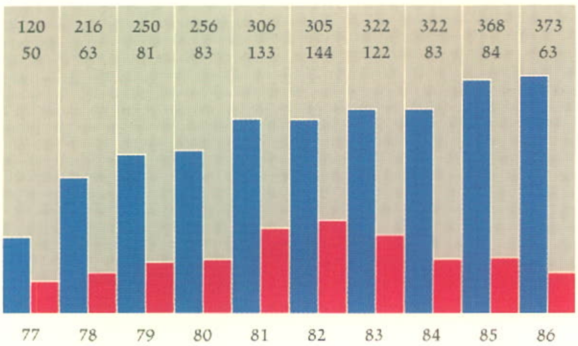
Sales
$ millions



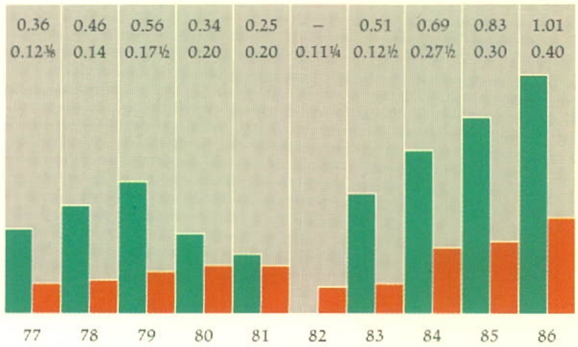
Net earnings
$ millions



Total funds employed
Net borrowings
$ millions



Earnings per share
Dividends per share
$



Report to the Shareholders

Review of 1986

– Results

Sales passed the $1.0 billion mark for the first time in 1986, and your Company's sales and net earnings set new records for the third successive year. Sales increased by 12% from $931 million in 1985 to $1,041 million in 1986, and net earnings increased by 21% from $40.6 million ($0.83 per share) in 1985 to $49.3 million ($1.01 per share) in 1986. With these results, Indal made further progress towards attaining its primary financial goal of averaging 20% return on shareholders' equity, reaching 18.6% in 1986 compared with 17.3% in 1985. As in previous years, your Company continued to attach the greatest importance to maintaining the high quality and the competitiveness of its products, and to giving customers a high standard of service.

– The economy

The 1986 results were achieved against a background of generally favourable economic conditions, although the pace of economic growth in both the United States and Canada was slower than in the previous year.

In the United States, growth in the economy slowed from 3.0% in 1985 to 2.7% in 1986. Inflation declined from 3.5% to 1.9% and interest rates also declined. Regionally, the pattern was mixed, with the economy strongest in the Northeast and Midwest and weakest in the South and South West regions, which were affected by the collapse in oil prices early in the year.

Walter E. Stracey,
Chairman of the Board

In Canada, economic growth was higher than in the United States, but also slowed, from 4.0% in 1985 to 3.1% in 1986. Inflation was 4.1% in 1986 compared with 4.0% in 1985. Interest rates declined, but by less than in the United States, and interest rate spreads between Canada and the United States widened in consequence. Regionally, the pattern was also mixed, with the economy strongest in Ontario and relatively strong in Quebec and British Columbia. Alberta alone recorded a decline in economic activity, reflecting the adverse impact of the collapse in oil prices noted earlier.

– Indal's markets and operations

Sales and earnings from residential construction products reached record levels in both Canada and the United States, with housing starts in both countries achieving their highest levels since 1978. In Eastern Canada, operations generally continued to show strong growth, while in Western Canada, as a result of rationalization of operations over the past two years, there was an appreciable improvement and a return to overall profitability, despite much slower economic growth than in the East. In the United States, your Company consolidated its position as a leading national manufacturer of patio and insulated steel entry doors for the housing industry, and also made further gains in market share in the high quality window market.

Non-residential construction activity in North America in 1986 was varied. Low-rise building was generally strong in the wake of the growth in residential construction and operations serving this sector of the market had a good year. High-rise construction in many of the regional markets in which your Company is represented was weak following extensive overbuilding in recent years, and operations serving that sector of the market had a difficult year. Indal's glass tempering and rollforming operations performed well.

In industrial markets, the automotive and design engineering operations completed another outstanding year. Car and truck production in North America was again high, though slightly lower than in 1985, while Indal's contract sales of shipboard helicopter hauldown and securing systems contributed strongly to results from design engineering. Earnings from aluminum extrusion operations overall were only slightly lower than in 1985, despite strong competitive pressure on selling prices.

It is significant to note that, as in 1984 and 1985, the record earnings in 1986 were achieved despite the adverse impact of Indal's high-cost aluminum supply contract in the United States. The negative impact of this contract on net earnings in 1986 was $6.5 million

($0.13 per share) compared with $9.0 million ($0.18 per share) in 1985. The contract expires in January 1988.

– Capital expenditures

Your Company continues to pursue its policy of favouring investment in successful existing operations. Capital expenditures in 1986 were a record $50 million. The construction of three major plants was started in 1986 – an aluminum extrusion facility on a new site in Mississauga, Ontario for the Toronto operation of the Indalex Division; an aluminum extrusion facility in Georgia, which will produce extrusions for Peachtree Doors, Inc. and other customers; and a second auto parts plant for the Fabricated Steel Products Division, which will provide additional capacity for its rapidly expanding operations. The construction of these plants is well advanced, and all three will commence production during 1987. Capital expenditures also included expansions to provide additional capacity at a number of existing plants, and expenditures on new equipment at existing operations to enable them to reduce costs, improve productivity and increase their return on investment.

– Acquisition and disposal of shares in subsidiaries

During 1986 your Company acquired the outstanding minority shares in Tempglass Eastern, Inc., and entered into agreements to acquire the outstanding minority shares in Lamilite Limited and to increase its holding in Brampton Foundries Limited effective January 1, 1987.

The process of disposing of operations not in the mainstream of Indal's development, or not achieving an acceptable return on investment, continued with the disposal during the year of three small companies and divisions: SealRite Windows Inc. and Replacement Products Industries Corporation in the United States, and Indal Products Maritimes Division in Eastern Canada.

– Financial position

Your Company's financial position has never been stronger. The 21% growth in net earnings in 1986 was achieved with a growth in total funds employed of only 1%, largely as a result of excellent working capital control by operating managers. Shareholders' funds increased by 11% after the payment of dividends of approximately 40% of net earnings; net borrowings declined by 26% and at year-end represented a low 17% of total funds employed. During the year Indal took advantage of its good bond market rating and the reduction in interest rates to raise $50 million of additional capital in Canada by way of ten year unsecured fixed rate debentures, for eventual use in its expansion and acquisition program.

Outlook for 1987

– The economy

The Canadian economy is currently expected to grow by 2.0% in 1987 compared with 3.1% in 1986, and the U.S. economy by 2.6% compared with 2.7% in 1986. Inflation is expected to rise to about 4.6% in Canada and to about 3.5% in the United States. Interest rates are expected to remain stable at or near current levels; consumer spending in 1987 is likely to grow at a slower rate than in 1986 in both countries.

– Indal's markets and operations

The general outlook for your Company in 1987 is positive.

Residential construction operations should have another strong year, with housing starts in Canada and the United States again expected to be high, although perhaps not quite matching the very high levels of 1986. Indal would in any event expect good results from its residential operations in 1987, because of the continuing expansion of Peachtree Doors' participation in the window market in the United States and because of continuing improvement in the performance of its residential operations in Western Canada.

The contribution to earnings from non-residential construction operations is also expected to improve appreciably. Glass tempering and rollforming operations and operations serving the low-rise sector of the market should have another good year. In addition, the overall contribution from non-residential operations will benefit from the elimination of losses in the

J. Norman McKnight,
President and Chief Executive Officer

high-rise sector of the market on contracts bid at very competitive prices in 1984 and 1985 and completed in 1986.

Industrial operations are likely to experience some pressure on margins in 1987 but should continue to make a very significant contribution to earnings. The adverse impact of Indal's aluminum supply contract in the United States should again decline, since the average market price of aluminum is expected to be higher in 1987 than in 1986.

– Capital expenditures

Capital expenditures in 1987 will exceed the record level of 1986 as the new plants in Ontario and Georgia are completed and equipped, and as existing operations continue to improve productivity with more highly automated and more cost-efficient equipment and systems.

Long-term objectives

There is no change in your Company's long-term objectives as outlined in recent Reports to shareholders. Indal will seek to grow internally and by acquisition in its existing industries and markets in Canada and the United States and, as opportunities arise, in related industries and markets with good potential. Its priorities will continue to be to supply its customers with high quality products at competitive prices and to give them a high standard of service; to earn an above average return for its shareholders; and to contribute to the communities in which its operations are located, by providing its work force with employment and opportunities for advancement in safe and modern working conditions.

Board and senior executive appointments

With effect from January 1, 1987, your Company's President, Mr. J. N. McKnight, was appointed Chief Executive Officer in succession to Mr. W. E. Stracey who remains Chairman of the Board.

Mr. Stracey, who joined your Company in 1964 when Westland Metals Ltd., the company which he co-founded, became a member of the Indal group, and who has been Chairman since 1973, was Chief Executive Officer from 1967 to 1978 and again from August 1983 to December 1986, during a period of reappraisal of your Company's operations and objectives. Mr. McKnight, who joined Indal in 1971 when his former company, McKnight Window Industries Limited, became a member of the Indal group, and who has been a Director since 1983, has held a number of senior appointments within your Company, most recently Executive Vice-President, Canadian Operations from 1978 to 1983, and President and Chief Operating Officer from 1983 to 1986.

With effect from January 1, 1987, Mr. P.G. Selley, who joined your Company in 1966 and who has been a Director and its Chief Financial Officer since 1973, was appointed Executive Vice-President, Finance and Administration, and Mr. D. L. Farnsworth, who joined your Company in 1981 and who has most recently been Vice-President, Corporate Development, was appointed Executive Vice-President, Manufacturing Operations and a Director.

In conclusion

Your Company had another record year in 1986 and further progress was made towards achieving both short-term and long-term objectives. The quality of Indal's sales and earnings has never been higher and your Company is well placed to face the challenges of 1987 and beyond.

In terms of return on shareholders' funds, Indal was within the top twenty of Canada's largest hundred public companies, ranked by sales, in 1984 and 1985 – the latest two years for which this information is currently available. On your behalf, we would like to acknowledge the collective endeavours of Indal's employees throughout the Company, to whom the credit for this achievement and for the record results of 1986 rightly belongs.

On behalf of the Board:

Walter E. Stracey
Chairman

J. Norman McKnight
President and Chief Executive Officer

March 6, 1987

Indal's management philosophy

Indal's approach to the management of its operations over the years has been to combine a high degree of delegated authority to chief operating officers of proven ability, with comprehensive reporting of information on a regular basis to management at the Company's corporate office in Toronto. At each operation, all functions of management report to the chief operating officer, who in turn reports to one of Indal's three Divisional Vice-Presidents at Corporate Office.

Overall responsibility to the President and Chief Executive Officer of the Company for the ongoing management of operations rests with the Executive Vice-President, Manufacturing Operations.

Strong financial and management information systems have always been an important element in Indal's approach to group management, and responsibility to the President and Chief Executive Officer for these systems and for implementation of overall financial policy, rests with the Executive Vice-President, Finance and Administration.

Indal's executive management reports on operating and financial matters directly to the Board of Directors and, where appropriate, through Committees of the Board.

Proposals to the Board concerning the strategic direction of the Company, including major acquisition and investment proposals, are developed by Indal's executive management in consultation with the Company's Chairman.

Executive management is supported by senior corporate managers with functional responsibilities for legal matters, corporate affairs, corporate development, technical services, accounting and planning, management information systems, treasury matters and taxation, audit and financial analysis, pension fund management, employee benefits and risk management.

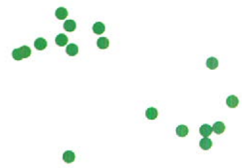
Operating divisions and subsidiaries and group management prepare and update five year plans and prepare budgets annually. Latest forecasts of expected current-year performance are prepared quarterly. Actual performance is compared with budget and with latest forecast projections on a monthly basis.

The performance of operating divisions and subsidiaries is assessed by reference to their goals and objectives, and against plan and budget. Operations are measured in terms of return on investment and pre-tax margin on sales; operating management is in part remunerated based on the operation's earnings.

Operations with exceptional and above average performance are accorded a high degree of autonomy. Operations producing unacceptable results receive a high degree of attention from corporate management aimed at helping achieve improved results, but if an acceptable level of performance is not achieved within a reasonable period of time, alternative courses of action are examined.

On January 1, 1987 Indal's President, Norman McKnight, assumed the additional responsibilities of Chief Executive Officer. Below: Norman McKnight (left) discusses policy with David Farnsworth, Executive Vice-President, Manufacturing Operations and Peter Selley, Executive Vice-President, Finance and Administration.

Residential construction



Segmented sales and operating profit

$ millions	1986	1985	% increase
External sales	**$443.1**	$402.5	+10.1%
Operating profit	**46.6**	39.7	+17.4%
Operating profit percentage of external sales	**10.5%**	9.9%	

The Canadian market

The Canadian residential construction market is fragmented and the Company's operations are regional in nature, operating with low break-even levels within market niches.

Review of 1986

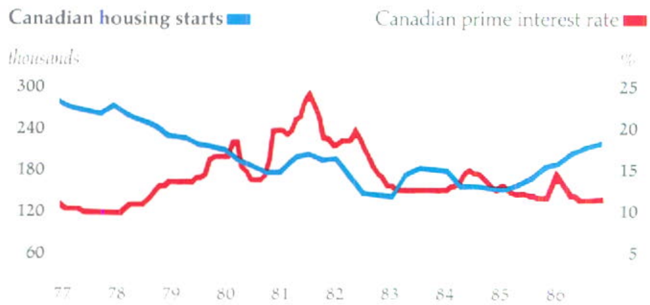
In 1986 mortgage rates declined to their lowest levels for several years and mortgage funds were readily available. Housing starts achieved their highest level since 1978, reaching 199,800 units compared with 165,800 in 1985. In Ontario and Quebec, which account for over 70% of the national total, starts were 26% higher than in 1985. In the Western provinces, starts were 11% higher on average, with British Columbia improving by 15% and Manitoba and Saskatchewan by 11%. In Alberta, where economic activity slowed sharply after the collapse of oil prices early in the year, starts were virtually unchanged.

These trends were reflected in the performance of the Company's residential operations. Sales improved by 25% in Eastern Canada and by 13% in Western Canada. There was a more than commensurate increase in earnings in Eastern Canada, where every operation was profitable, while in Western Canada, operations showed major improvement as a result of rationalization and management changes and made an overall contribution to earnings after four consecutive years of losses.

Canadian housing starts over the past five years have been as follows:

thousands	1982	1983	1984	1985	1986
Atlantic provinces	8.4	14.4	10.8	14.7	15.6
Quebec	23.5	40.3	41.9	48.0	60.3
Ontario	38.5	54.9	48.2	64.9	81.5
Prairie provinces	8.9	13.3	10.5	11.9	13.2
Alberta	26.8	17.1	7.3	8.3	8.5
British Columbia	19.8	22.6	16.2	18.0	20.7
	125.9	162.6	134.9	165.8	199.8

(Source: Canada Mortgage and Housing Corporation)



During the year plant expansions at McKnight Window Industries Division and Peachtree Doors Canada Division in Toronto were completed and, at year-end, Lite Metals Division moved to larger premises in Mississauga. During the third quarter of the year, the Company discontinued the business of its small loss-making Indal Products Maritimes Division in Nova Scotia.

Outlook for 1987

As the year progresses, the overall level of housing starts in Canada is expected to decline slightly from the high level achieved in 1986, with most current forecasts of full-year starts ranging from 180,000 to 200,000 units. Starts in all provinces are likely to be a little lower than in 1986, except perhaps in Ontario, where the number of starts will reflect a carry-over from 1986 in the metro Toronto area; builders were unable to keep up with the large increase in demand there last year. Mortgage rates and the supply of mortgage funds are expected to remain favourable.

Operations in Eastern Canada are expected to produce good results, while further improvement in Western Canada is expected.

Housing starts in Canada as a whole had their best year since 1978, reaching 199,800 units in 1986 compared with 165,800 in 1985. The increase in starts was greatest in Ontario and Quebec, where the number of starts increased by 26%. Opposite: A new subdivision north of Toronto, with windows and doors produced by McKnight Window Industries Division and Peachtree Doors Canada Division.

The United States Market

In contrast to Canada, the United States residential construction market can be served on a national basis. While gross margins are generally higher, so also are distribution and selling expenses.

Review of 1986

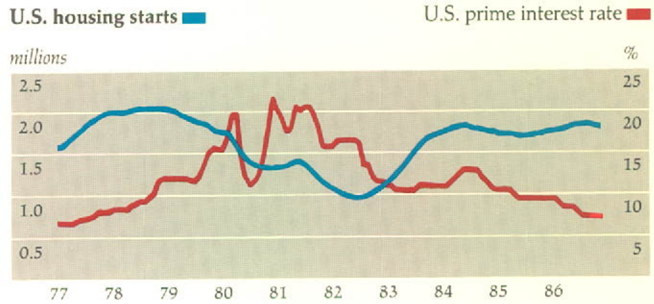
Mortgage rates in the United States declined during 1986, with 30-year conventional home loans dipping to 9.4% by year-end compared with 10.8% at the end of 1985. Housing starts recorded their best level since 1978, reaching 1,807,000 units compared with 1,745,000 in 1985. Starts were in excess of 1.7 million for the fourth consecutive year. The Northeast and Midwest regions showed the strongest growth, averaging 20% over 1985. Starts improved marginally in the West, but registered a decline of 6% in the South, which includes the currently depressed oil-producing states of Texas, Oklahoma and Louisiana. United States housing starts over the past five years have been as follows:

thousands	1982	1983	1984	1985	1986
Northeast	116.7	167.6	204.1	251.7	293.5
Midwest	149.1	217.9	243.4	239.7	295.8
South	591.0	935.2	866.0	782.3	733.1
West	205.4	382.3	436.0	468.2	483.0
Other	9.9	9.4	6.3	3.1	1.6
	1,072.1	1,712.4	1,755.8	1,745.0	1,807.0

(Source: U.S. Department of Commerce – Bureau of the Census)

Indal's principal residential operations in the United States are national in character. Peachtree Doors, Inc., with manufacturing plants in Norcross and Gainesville, Georgia and St. Joseph, Missouri, is a leading producer of high quality patio and insulated steel entry doors for the housing industry in the United States. Since its entry into the market for high quality windows in 1979, Peachtree Doors has quickly also become a leading producer in that market, and has significantly increased its market share in doors and windows overall. Better-Bilt Aluminum Products Co., with manufacturing plants in Smyrna, Tennessee and Prescott, Arizona, is one of the leading national manufacturers of aluminum doors and windows.

In 1986, as in prior years, Peachtree's growth continued to exceed that of the residential market and the company again achieved record sales and earnings. This performance reflected improved productivity and operating efficiencies as well as the increase in market share referred to above. Better-Bilt experienced intense competition in its markets as a result of reduced demand in the oil-producing states in the South.



With the sale during the year of SealRite Windows, Inc. in Lincoln, Nebraska and Replacement Products Industries Corporation in Philadelphia, Pennsylvania, the Company completed its program of disposing of small regional residential operations where exposure would be greatest in the event of a market downturn. While both of these companies were profitable, neither was in the mainstream of Indal's plans for development of its residential building products in the United States.

Outlook for 1987

Housing starts in the United States are expected to be close to or to exceed 1.7 million units for the fifth consecutive year. While the recent tax reform in the United States is likely to be responsible for fewer multi-family projects, it is also likely to contribute to increased single family starts, with mortgage rates continuing to be affordable and mortgage interest remaining tax-deductible. Peachtree Doors will derive benefit from increased national promotion and customer awareness of its high-quality doors and windows and should maintain its profile of rapid growth and increasing market share. Better-Bilt is likely to experience continuing intense market competition, but the overall contribution of the United States residential sector is again expected to be a major one.

Peachtree Doors, Inc. opened its new 100,000 sq. ft. Atlanta Distribution Center in June 1986. As well as having extensive storage space with materials handling, loading and unloading facilities and sales and marketing offices, the Center features a display area for the complete range of Peachtree windows and doors. Opposite: Carolyn Baker, Retail Sales Manager of the Atlanta Distribution Center shows customers the features of a Peachtree awning window.
Photo: Dwight Howard

Non-residential construction

Segmented sales and operating profit

$ millions	**1986**	1985	% increase
External sales	**$201.7**	$192.6	+ 4.7%
Operating profit	**10.8**	12.2	−11.5%
Operating profit percentage of external sales	**5.4%**	6.3%	

The North American market

The Company's operations serving non-residential construction markets supply two main segments of the North American market – commercial high-rise construction and low-rise commercial building. The latter category includes shopping plazas, indoor malls and low-rise office buildings. To some extent these two segments tend to be counter-cyclical to residential construction. Low-rise commercial construction activity in particular tends to lag residential construction by up to two years. The Company also participates in the agricultural and industrial construction markets, rollforming aluminum and steel primarily for use in roofing and siding.

Review of 1986

Low-rise North American commercial markets were again strong in 1986, with development of shopping plazas, indoor malls and low-rise commercial buildings following the strong growth in residential construction over most of the continent. High-rise commercial markets remained weak in many of the regional markets in which the Company is represented, as a result of the extensive overbuilding which has taken place in many major cities.

Markets for the Company's rollformed products were mixed in 1986, with strong agricultural demand for grain storage bins and other products offsetting some softness in industrial markets.

Overall, earnings from the Company's non-residential operations in Canada did not match those of the previous year. Indal Wall Systems Ltd., which manufactures and installs curtainwall and high-rise window systems in commercial buildings in both Canada and the United States, absorbed losses on contracts bid at very competitive prices in 1984 and 1985. Contributions from the Canadian glass operations declined compared with the previous year. Excellent results were recorded by Westland Metals Division, which benefited from increased sales of rollformed agricultural products in the Prairie provinces, where growing conditions and crop yields in 1986 were good, and by Commercial Aluminum Division, which benefited from a strong low-rise commercial market in Ontario.

In the United States, glass tempering operations had generally good results, despite very competitive conditions. The tempering operations in Ohio and Georgia had excellent sales and earnings, while the operation in California made considerable progress towards more acceptable results. The operation in Texas continued to reflect the general decline in activity there. All tempering operations continued to benefit from product innovation and emphasis on product quality and customer service. Results from the Company's Tubelite Division reflected improved results in the second half of the year after a poor first half.

Outlook for 1987

Low-rise commercial non-residential activity is expected to remain strong in Ontario and the North Eastern United States, but to decline in the Southern United States. High-rise activity is expected to remain depressed in both Canada and the United States.

It is anticipated that earnings from low-rise operations will continue to be satisfactory and that the contribution from the high-rise operations of Indal Wall Systems Ltd. will improve, since most of its low margin contracts were completed or provided for in 1986. Glass tempering operations should continue to make an important contribution to earnings. Tempglass, Inc. will complete a major building and plant expansion at its plant in Perrysburg, Ohio, which will enable it to increase its volume and expand the range of its product lines. Rollforming operations are expected to have a year similar to 1986.

Overall, results from non-residential operations should show improvement over 1986.

Growing conditions and crop yields in Western Canada were good in 1986, and there was strong demand for grain storage bins manufactured by Westland Metals Division. Opposite: Chief Westland grain bins manufactured by Westland Metals Division for Galloway Seeds Ltd., Fort Saskatchewan, Alberta.

Segmented sales and operating profit

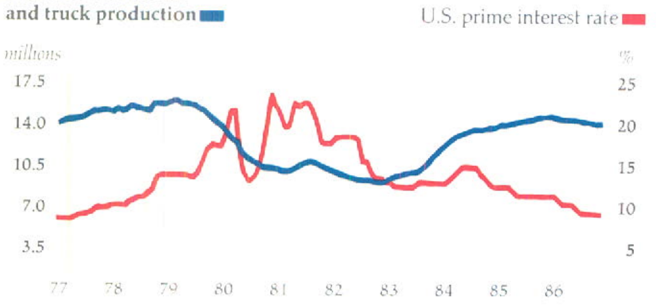
$ millions	1986	1985	% increase
External sales	**$396.4**	$335.6	+18.1%
Operating profit	**50.6**	43.0	+17.7%
Operating profit percentage of external sales	**12.8%**	12.8%	

Review of 1986

Indal Technologies Inc., the Company's design engineering operation, achieved record sales and earnings in 1986. Sales of shipboard helicopter hauldown and securing systems and components were the major contributor to these results.

Fabricated Steel Products Division had another good year, as production of North American cars and trucks responded to increased consumer spending and periodic financing incentive schemes, to reach 13.2 million vehicles for the year – only slightly below the level of 13.6 million vehicles produced in 1985. Construction of a second parts plant for Fabco began in Ridgetown, Ontario during the year. This plant, which will come on stream in 1987, will provide additional capacity for Fabco's expanding business.

North American car and truck production

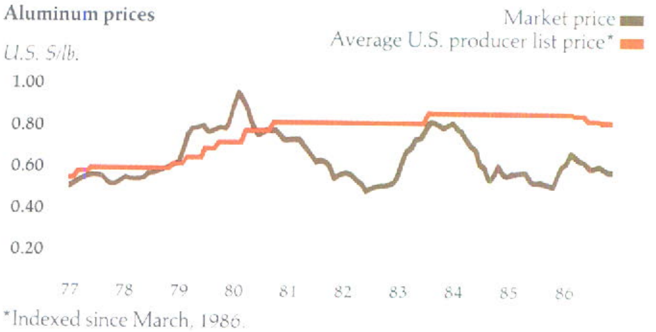


Earnings from aluminum extrusion operations in Canada did not quite match the record levels of 1985, with tighter margins reflecting competitive pressure on selling prices despite higher material costs. In the United States, extrusion results also reflected generally lower selling prices.

The additional cost of aluminum purchased under the Company's high-cost supply contract in the United States declined from $9.0 million, net of tax relief, in 1985 to $6.5 million in 1986.

The construction of two new aluminum extrusion plants began during the year. A new plant is being built in Mississauga, Ontario, to relocate the existing Toronto operations of the Indalex Division, and in the United States a new plant is being constructed near Gainesville, Georgia to produce extrusions for Peachtree Doors, Inc. and other customers. Both these plants will come on stream in 1987.

Aluminum prices



*Indexed since March, 1986.

Outlook for 1987

Indal Technologies Inc. is expected to have another good year, but earnings are likely to be somewhat lower than the record earnings of 1986 as a result of changes in mix and higher spending on product research and business development.

North American car and truck production is expected to total approximately 12.2 million units in 1987 compared with 13.2 million units in 1986, and margins in the industry will be under pressure as it adapts to the existence of the new plants in North America of overseas competitors, and to increased competition from imports. Fabricated Steel Products Division, however, with its reputation for quality and service, and with its expanded facilities coming on stream in 1987, is again expected to make a significant contribution to earnings.

Extrusion operations can expect continuing pressure on selling prices from competition in markets showing only slight growth. However, average aluminum market prices are expected to be higher in 1987 than in 1986 and the adverse impact of the Company's U.S. supply contract, now in its final year, should again decline.

Indal's nine aluminum extrusion operations in Canada and the United States supply standard, custom and fabricated extrusions to a wide range of markets, including construction, transportation, aerospace, defence, telecommunications and consumer durables. Opposite: A computer enclosure component, extruded and fabricated by Mideast Aluminum Industries Division, Dayton, New Jersey, on the assembly line at the Westfield, Massachusetts plant of Digital Equipment Corporation.


digital

Financial review

Changes in accounting policies and methods

In 1986 the Company retroactively changed its policy with respect to the amortization of goodwill. In prior years, goodwill dating back to years previous to 1974 was not amortized, but with effect from 1986, all goodwill is being amortized. Details of this change in accounting policy and its effect on earnings are set out in note 4 to the consolidated financial statements.

In 1986 the Company also changed the actuarial and accounting methods by which its income account provisions for pension costs are determined, so as to bring the methods used in line with those contained in the Canadian Institute of Chartered Accountants' Accounting Recommendation on Pension Costs and Obligations issued during the year. Details of the methods adopted and their effect on earnings are set out in note 8 to the consolidated financial statements. In addition to complying with the disclosure requirements of the new Accounting Standard, which becomes mandatory in 1987, note 8 also provides additional disclosure about the assumptions used in valuing the Company's pension plans and about its methods of funding pension plan obligations.

Balance sheet

The Company's balance sheet at December 31, 1986 was as follows:

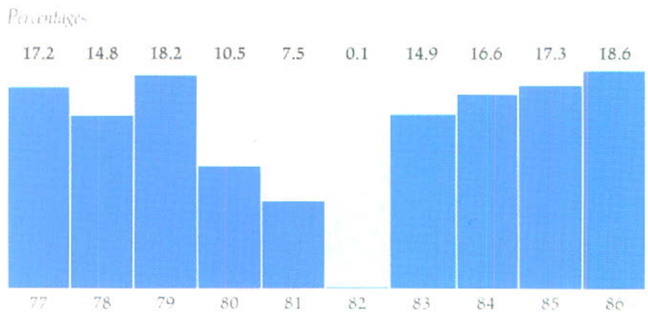
$ millions	**1986**	1985	% change
Net assets:			
Current assets(1)	**$275.0**	$271.9	+1.1%
Current liabilities(1)	**109.4**	100.2	+9.2%
Working capital	**165.6**	171.7	−3.6%
Fixed assets	**172.0**	159.9	+7.6%
Intangible assets	**35.6**	36.3	−1.9%
Total net assets	**$373.2**	$367.9	+1.4%
Funds employed:			
Shareholders' equity	**$279.5**	$252.0	+10.9%
Net borrowings(2)	**62.7**	84.5	−25.8%
Other(3)	**31.0**	31.4	− 1.3%
Total funds employed	**$373.2**	$367.9	+ 1.4%

(1) Current assets exclude cash; current liabilities exclude current portion of long-term liabilities.
(2) Long-term liabilities (including current portion) less cash.
(3) Deferred income taxes, minority shareholders' interests and other long-term credits.

The Company's financial position, already strong, strengthened further in 1986. Shareholders' equity increased from $252.0 million to $279.5 million and the return of net earnings on average common shareholders' equity in 1986 increased from 17.3% to 18.6%.

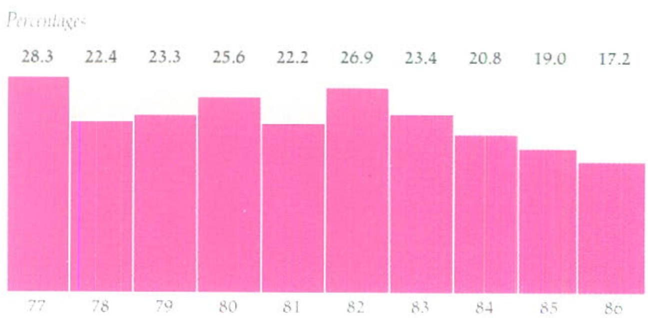
The Company's primary financial goal is to achieve an average rate of return of 20% for this measure of profitability, and over the past four years the rate of return has increased steadily from 14.9% to 18.6%.

Percentage return of net earnings on average common shareholders' equity



Control of working capital continues to improve. Although sales increased by 12% in 1986, working capital declined by almost 4% and the percentage of average working capital to sales improved for the fourth consecutive year. At 17.2%, it has reached its lowest level in the Company's history and is better than Indal's goal of 18%. In 1982 the working capital percentage was a high 26.9%. The improvement from 26.9% to 17.2% is equivalent to a saving in working capital of $100 million and an annual saving in interest costs of approximately $10 million (12 cents per share).

Average working capital as a percentage of sales



Net investment in fixed assets increased in 1986 by $12.1 million, but as a result of the reduction in working capital during the year, total net assets of $373 million at the end of 1986 were only marginally higher than at the end of 1985.

Net borrowings of $62.7 million, comprising long-term liabilities less cash, represented 16.8% of total funds employed, compared with 23.0% at the end of 1985. Indal has considerable unutilized financial capacity and is well placed to take advantage of appropriate acquisition opportunities as these arise.

Earnings statement

The earnings statement for the year was as follows:

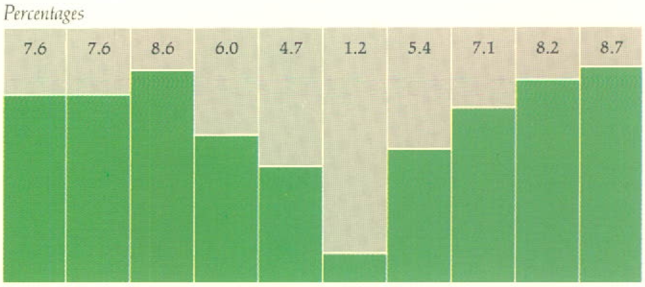
$ millions	1986	%	1985	%
Sales	**$1,041.2**	**100.0**	$930.7	100.0
Gross profit	**268.0**	**25.7**	239.3	25.7
Expenses	**177.0**	**17.0**	163.3	17.5
Pre-tax earnings	**91.0**	**8.7**	76.0	8.2
Income taxes	**38.9**	**3.7**	31.0	3.3
	52.1	**5.0**	45.0	4.9
Minority interests	**1.7**	**0.2**	1.1	0.1
	50.4	**4.8**	43.9	4.8
Losses from discontinued operations	**1.1**	**0.1**	3.3	0.4
Net earnings	**$ 49.3**	**4.7**	$ 40.6	4.4
Earnings per share	**$1.01**		$0.83	

At $1,041.2 million, sales in 1986 were 12% higher than in 1985. If 1985 sales are adjusted so as to exclude those of businesses disposed of during 1986, the increase in sales in 1986 is 16%.

The gross profit percentage remained unchanged at 25.7% of sales. Although competition in certain markets prevented some operations from fully recovering product cost increases, this was offset by cost reductions achieved by other operations.

Total expenses were 8% higher in 1986 than in 1985, but declined as a percentage of sales from 17.5% to 17.0%, leaving pre-tax earnings of 8.7% compared with 8.2% in 1985. The percentage of pre-tax earnings to sales has risen appreciably in each of the last four years and the Company is making good progress towards achieving its stated goal of increasing pre-tax earnings to 10% of sales. Pre-tax earnings of $91.0 million were 20% higher than in 1985.

Earnings before income taxes as a percentage of sales



The Company's income tax rate rose from 40.8% to 42.7%, reflecting the discontinuance of the inventory allowance and the higher rate of surtax on corporate earnings in Canada, and an increase in the effective foreign tax rate.

After minority interests and losses from discontinued operations, net earnings, at $49.3 million, were 21% higher than in 1985 and represented 4.7% of sales compared with 4.4% in 1985.

Segmented information

Sales and operating profit (i.e. earnings before income taxes, interest and corporate costs) by industry segment were as follows:

Sales

$ millions	1986	%	1985	%
Residential construction	**$ 443.1**	**42.5**	$402.5	43.2
Non-residential construction	**201.7**	**19.4**	192.6	20.7
Industrial	**396.4**	**38.1**	335.6	36.1
	$1,041.2	**100.0**	$930.7	100.0

Operating profit

$ millions	1986	% of sales	1985	% of sales
Residential construction	**$ 46.6**	**10.5**	$ 39.7	9.9
Non-residential construction	**10.8**	**5.4**	12.2	6.3
Industrial	**50.6**	**12.8**	43.0	12.8
	$ 108.0	**10.4**	$ 94.9	10.2

Operations serving residential construction markets had generally good results in 1986 and sales and operating profit increased by 10% and 17% compared with 1985.

Operations serving non-residential markets had mixed results, with good results from rollforming in Western Canada, low-rise construction in Eastern Canada and glass tempering in both Canada and the United States, offset by disappointing results from high-rise construction. Sales increased by 5% but operating profit declined by 11%.

Industrial operations also had mixed results, with excellent results from the automotive and design engineering sectors, but some weakness and pressure on margins in most extrusion markets. Sales and operating profit both increased by 18%.

Residential construction and industrial operating profits were both in excess of 10% of sales. Non-residential operating profit, however, was a depressed 5.4% of sales.

Sales and operating profit by geographic segment were as follows:

Sales

$ millions	1986	%	1985	%
Canada	$ 449.6	43.2	$376.9	40.5
United States	591.6	56.8	553.8	59.5
	$1,041.2	100.0	$930.7	100.0

Operating profit

$ millions	1986	% of sales	1985	% of sales
Canada	$ 63.5	14.1	$ 52.8	14.0
United States	44.5	7.5	42.1	7.6
	$ 108.0	10.4	$ 94.9	10.2

With the good results from residential construction, automotive and design engineering operations referred to above, Canadian sales and operating profit in 1986 increased strongly, by 19% and 20% respectively.

Sales and operating profit in the United States in 1986 increased by only 7% and 6% respectively, but if the 1985 comparative figures are adjusted to exclude the sales and operating profit of businesses disposed of in 1986, these increases become 12% and 10%. Even so, sales and operating profit growth rates in the United States in 1986 were much lower than in Canada. A major contributing factor was the slow-down in economic activity in the oil-producing states of Texas, Oklahoma and Louisiana which adversely affected the sales and operating profits of Indal's operations located in or selling into that geographic region of the country.

Operating profit margins in Canada remained strong at 14.1% of sales compared with 14.0% in 1985. Operating profit margins in the United States declined only slightly from 7.6% in 1985 to 7.5% in 1986. Lower margins in the United States as compared with Canada reflect higher selling and distribution expenses in the United States, where each operation's customers tend to be spread over a wider geographic area. Margins in the United States were depressed in 1986 by between 2% and 3% by the additional cost attributable to the Company's aluminum supply contract, which expires in January 1988.

Cash flow

The cash flow for the year was as follows:

$ millions	1986	1985
Earnings before income taxes	$ 91.0	$ 76.0
Taxation payments	(36.7)	(31.0)
	54.3	45.0
Changes in working capital	2.8	(15.7)
Purchase of fixed assets	(49.5)	(35.3)
Sale of fixed assets	8.7	4.0
Depreciation and amortization	25.3	22.0
	(15.5)	(9.3)
Shares in subsidiaries	(2.4)	(1.0)
Acquisition of businesses(1)	—	(10.4)
Disposal of businesses(2)	4.2	(0.8)
	1.8	(12.2)
New long-term liabilities	51.3	4.4
Long-term liabilities repaid	(23.6)	(7.9)
Exchange rate adjustments	(1.2)	5.1
	26.5	1.6
Dividends	(19.6)	(14.7)
Other	(2.0)	5.2
Cash flow	$ 48.3	$ (0.1)

(1) Includes bank advances of businesses acquired.
(2) Includes cash movement of businesses disposed of.

The significant improvement in the Company's cash flow in 1986 was primarily attributable to three factors. Firstly there was a significant increase in sales and earnings without any associated increase in working capital; secondly there was a net cash inflow in 1986 as opposed to a cash outflow in 1985 with respect to the acquisition and disposal of businesses and shares in subsidiaries; and thirdly there was a substantial net cash inflow from long-term funding. In June 1986, the Company raised $50 million by way of a public issue of 10.10% Unsecured Debentures, maturing in 1996.

Dividends paid on the common shares, as adjusted to reflect the stock split in May 1986, amounted to $19.6 million ($0.40 per share) in 1986 compared with $14.7 million ($0.30 per share) in 1985.

Reporting the effects of changing prices

As mentioned in previous Annual Reports, management is firmly of the opinion that there is little value to be derived from presenting financial information adjusted to reflect the effects of changing prices.

Management's report to the shareholders

The accompanying financial statements and all information in the Annual Report have been prepared by management and approved by the Board of Directors of the Company. The financial statements were prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Company are set out on pages 22 and 23. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report.

To assist management in the discharge of these responsibilities, the Company maintains a system of internal control designed to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared. Management believes that the system is appropriate in terms of cost and risk to meet the objectives outlined. The Company's internal audit department, working under the direction of management, monitors the system of internal control to ensure that adequate standards are maintained.

The consolidated financial statements have been examined independently by Coopers & Lybrand on behalf of the shareholders, in accordance with generally accepted auditing standards. Their report below outlines the nature of their examination and expresses their opinion on the consolidated financial statements of the Company.

The Company's Audit Committee is appointed by the Board of Directors annually and is comprised of non-management Directors. The Committee meets with management as well as with the internal and external auditors to satisfy itself that each group is properly discharging its responsibilities and to review the financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the financial statements for presentation to the shareholders.

P.G. Selley
Executive Vice-President, Finance and Administration

February 9, 1987

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Indal Limited as at December 31, 1986 and the consolidated statements of earnings and retained earnings and cash flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1986 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting policy with respect to the amortization of goodwill referred to in note 4, and except for the change in the method of determining pension costs and obligations referred to in note 8, on a basis consistent with that of the preceding year.

Coopers & Lybrand
Toronto, Ontario

February 9, 1987

Significant accounting policies

Accounting standards

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all subsidiaries. The operating results of the year of disposal or discontinuance and gains and losses on the disposal or discontinuance of operations are segregated in the consolidated statement of earnings and identified in a note to the consolidated financial statements. All material inter-company items and transactions are eliminated on consolidation. Acquisitions are consolidated from the date of acquisition.

Foreign currency translation

The financial statements of the Company's foreign operations, all of which are considered self-sustaining, are translated into Canadian dollars as follows:

- assets and liabilities – at the rates of exchange in effect at the balance sheet date.
- revenue and expense items – at rates of exchange approximating the average rates of exchange for the year.

Exchange gains and losses arising on the translation of the balance sheets of foreign operations are deferred and taken to the currency translation account in the shareholders' equity section of the consolidated balance sheet.

Transactions of the Company, denominated in foreign currencies, are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in the determination of income of the year except where they arise upon the translation of monetary items which hedge net investment in foreign operations. Such exchange gains or losses are deferred and taken to the currency translation account in the consolidated balance sheet.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Fixed assets

Fixed assets, including expenditures which improve or prolong the useful lives of such assets, are stated at cost. Fixed assets obtained through acquisitions are stated at the values assigned, based on appraisals, at date of acquisition.

Depreciation is computed on a straight-line basis at rates based on the estimated useful lives of the assets. Estimated useful lives generally range from twenty to forty years for buildings, eight to thirteen years for machinery and equipment, three to ten years for office furniture and equipment, and three to four years for motor vehicles. Leasehold improvements are amortized over the terms of the leases, and tools and dies are generally amortized over periods of up to three years.

Maintenance and repair costs of a routine nature are expensed as incurred.

Capital leases

Leases that transfer substantially all the benefits and risks of ownership are capitalized. Other leases are accounted for as operating leases.

Goodwill

Goodwill is amortized on a straight-line basis over its estimated life or forty years, whichever is less. Any goodwill remaining on the disposal or discontinuance of an operation is written off in the year of disposal or discontinuance.

Pension costs and obligations

Commencing in 1986, pension costs are calculated, pro-rated on service, using the accrued benefit method of actuarial valuation with projected earnings, where appropriate.

Pension plans are actuarially valued at least every three years. Adjustments arising on valuation are taken to earnings over the expected average remaining service life of the relevant employee group.

Pension plans are funded using a level contribution method of actuarial valuation. Funding requirements are adjusted to reflect the results of periodic plan actuarial valuations. For funding purposes, surpluses are offset against annual contributions until exhausted, while deficits are funded over periods of up to ten years.

Long-term contracts

Sales and earnings relating to long-term construction and design engineering contracts are recognized on a percentage of completion basis. Full provision is made for estimated losses as soon as these are identified.

Deferred charges

Deferred charges are written off over periods not exceeding five years.

Income taxes

The deferral method is used in accounting for income taxes. Timing differences giving rise to deferred income taxes relate primarily to:

- depreciation and amortization – where the amounts claimed for income tax purposes differ from the amounts written off for accounting purposes.
- accounts receivable holdbacks – where amounts are not taxed until released.
- inventories – where costs determined on a last-in, first-out basis have been restated on consolidation on a first-in, first-out basis.
- recognition of income under long-term contracts – where income is recognized for income tax purposes only when the contract is completed.
- pension costs – where costs provided differ from amounts recognized for income tax purposes.

Investment tax credits are accounted for using the cost reduction approach.

Earnings per common share

Earnings per common share are calculated after deducting dividends on preferred shares, if any, and using the weighted average number of shares outstanding during the year.

Fully diluted earnings per common share are computed as though outstanding stock options had been exercised at the beginning of the year.

Consolidated balance sheet
as at December 31, 1986

$ millions	**1986**	1985
Assets		
Current assets		
Cash	**$ 66.0**	$ 17.7
Accounts receivable	**136.2**	137.7
Inventories (note 2)	**121.0**	117.0
Other accounts receivable and prepaid expenses	**17.8**	17.2
	341.0	289.6
Fixed assets (note 3)		
Land	**13.7**	11.4
Buildings	**81.4**	75.2
Machinery and equipment	**146.4**	135.8
Leasehold improvements	**8.0**	7.4
Office furniture and equipment	**15.6**	11.8
Motor vehicles	**10.4**	10.0
	275.5	251.6
Accumulated depreciation	**(111.6)**	(99.4)
	163.9	152.2
Tools and dies—at cost, less amortization	**8.1**	7.7
	172.0	159.9
Intangible assets		
Goodwill (note 4)	**35.6**	36.3
	$548.6	$485.8

Signed on behalf of the Board:

W.E. Stracey, *Director*
P.G. Selley, *Director*

	1986	1985
Liabilities		
Current liabilities		
Accounts payable and accrued charges	**$ 95.7**	$ 84.3
Income taxes payable	**6.2**	8.2
Other taxes payable	**4.8**	4.2
Deferred income taxes relating to current items	**2.7**	3.5
Current portion of long-term liabilities (note 6)	**3.2**	2.4
	112.6	102.6
Long-term liabilities less current portion (note 6)	**125.5**	99.8
Deferred income taxes	**21.4**	20.7
Minority shareholders' interests in subsidiary companies	**6.1**	6.3
Other long-term credits (note 7)	**3.5**	4.4
	269.1	233.8
Shareholders' equity		
Capital stock (note 9)		
Issued and fully paid		
48,970,000 (1985 – 48,885,000) common shares	**115.6**	115.2
Currency translation account (note 10)	**20.1**	22.7
Retained earnings	**143.8**	114.1
	279.5	252.0
	$548.6	$485.8

Consolidated statements of earnings and retained earnings

for the year ended December 31, 1986

$ millions	1986	%	1985	%
Earnings				
Sales	**$1,041.2**	**100.0**	$930.7	100.0
Cost of sales	**773.2**	**74.3**	691.4	74.3
Gross profit	**268.0**	**25.7**	239.3	25.7
Expenses				
Selling and distribution	**101.3**	**9.7**	92.8	10.0
Administration	**67.2**	**6.5**	62.3	6.7
Financial	**9.4**	**0.9**	9.1	0.9
	177.9	**17.1**	164.2	17.6
	90.1	**8.6**	75.1	8.1
Other income/(expenses) (note 11)	**0.9**	**0.1**	0.9	0.1
Earnings before income taxes (note 12)	**91.0**	**8.7**	76.0	8.2
Income taxes (note 13)	**38.9**	**3.7**	31.0	3.3
Earnings before minority shareholders' interests	**52.1**	**5.0**	45.0	4.9
Minority shareholders' interests	**1.7**	**0.2**	1.1	0.1
Earnings from continuing operations	**50.4**	**4.8**	43.9	4.8
Losses from discontinued operations (note 14)	**1.1**	**0.1**	3.3	0.4
Net earnings	**$ 49.3**	**4.7**	$ 40.6	4.4
Earnings per common share				
Basic				
Continuing operations	**$1.03**		$0.90	
Discontinued operations	**(0.02)**		(0.07)	
	$1.01		$0.83	
Fully diluted	**$1.00**		$0.83	

	1986	1985
Retained earnings		
Balance – beginning of year		
As previously reported	**$ 119.8**	$ 93.5
Effect of change in accounting policy with respect to amortization of goodwill (note 4)	**(5.7)**	(5.3)
As restated	**114.1**	88.2
Net earnings	**49.3**	40.6
	163.4	128.8
Dividends paid on common shares	**19.6**	14.7
Balance – end of year	**$143.8**	$114.1

Consolidated statement of cash flow

for the year ended December 31, 1986

$ millions	**1986**	1985
Internally generated		
Earnings before income taxes	**$91.0**	$76.0
Depreciation and amortization of fixed assets	**25.3**	22.0
Amortization of goodwill	**2.0**	1.4
Taxation payments	**(36.7)**	(31.0)
Proceeds on sale of fixed assets	**8.7**	4.0
Other	**(4.0)**	3.5
	86.3	75.9
Working capital		
Accounts receivable and prepaid expenses	**(2.6)**	(21.5)
Inventories	**(7.9)**	(2.2)
Accounts payable and accrued charges, and other taxes	**13.3**	8.0
	2.8	(15.7)
Cash flow internally generated	**89.1**	60.2
Financing activities		
Issue of common shares	**0.4**	0.7
New long-term liabilities	**51.3**	4.4
Repayment of long-term liabilities	**(23.6)**	(7.9)
Exchange rate adjustments—long-term liabilities	**(1.2)**	5.1
Dividends to shareholders in subsidiary companies	**(0.4)**	(0.4)
Cash flow from financing activities	**26.5**	1.9
Investment activities		
Acquisition of businesses	**–**	(7.2)
Acquisition of shares in subsidiaries	**(2.4)**	(1.0)
Purchase of fixed assets	**(49.5)**	(35.3)
Cash flow from investment activities	**(51.9)**	(43.5)
Cash flow before dividends on common shares	**63.7**	18.6
Dividends paid on common shares	**(19.6)**	(14.7)
Cash flow attributable to continuing operations	**44.1**	3.9
Bank advances of businesses acquired	**–**	(3.2)
Cash movement attributable to discontinued operations		
Operational	**(0.6)**	(0.8)
Sale of businesses	**4.8**	–
Net cash inflow/(outflow)	**48.3**	(0.1)
Opening cash	**17.7**	17.8
Closing cash	**$66.0**	$17.7

Notes to consolidated financial statements

for the year ended December 31, 1986

1. Acquisition of shares in subsidiaries

During the year, the Company acquired the 5% minority interest in Tempglass Eastern, Inc. and reached agreement to purchase the minority shareholding in Lamilite Limited (30%) and a portion of the minority interest in Brampton Foundries Limited (12.5%) on January 1, 1987. The aggregate consideration for these acquisitions, all of which have been reflected in the 1986 financial statements, was $2.4 million, payable in cash.

2. Inventories

$ millions	**1986**	1985
Raw materials	**$ 58.2**	$ 55.7
Work in process	**37.6**	39.1
Finished goods	**25.2**	22.2
	$121.0	$117.0

3. Fixed assets

Assets financed by capital leases, accounted for and depreciated as company-owned facilities and included in fixed assets, are as follows:

$ millions	**1986**	1985
Land and buildings	**$ 8.6**	$ 8.5
Machinery and equipment	**5.7**	6.4
	14.3	14.9
Accumulated depreciation	**(6.4)**	(6.1)
	$ 7.9	$ 8.8

Aggregate future minimum capital lease payments are $16.6 million, payable as follows: 1987 – $1.3 million, 1988 – $1.3 million, 1989 – $1.1 million, 1990 – $1.8 million, 1991 – $1.7 million, thereafter – $9.4 million.

Long-term liabilities (note 6) include $10.7 million in respect of capital leases, being aggregate future payments ($16.6 million) less the portion representing future interest ($5.9 million).

Aggregate future minimum operating lease payments are $44.4 million, payable as follows: 1987 – $10.7 million, 1988 – $8.4 million, 1989 – $6.4 million, 1990 – $4.7 million, 1991 – $4.3 million, thereafter – $9.9 million.

4. Goodwill

$ millions	**1986**	1985
Balance – beginning of year		
As previously reported	**$ 42.0**	$ 36.8
Effect of change in accounting policy with respect to amortization of goodwill (see below)	**(5.7)**	(5.3)
As restated	**36.3**	31.5
Additions	**1.7**	4.8
Amortization	**(2.0)**	(1.4)
Exchange rate adjustments	**(0.4)**	1.4
Balance – end of year	**$ 35.6**	$ 36.3

With effect from January 1, 1986, goodwill resulting from acquisitions or agreements entered into before January 1, 1974 is being amortized on a straight-line basis over its estimated life or forty years, whichever is less. Such goodwill had not previously been amortized. The effect of this change in accounting policy, which has been applied retroactively by restating prior years' figures, is to reduce net earnings by approximately $0.4 million per annum. As a result of this change, all goodwill is now being amortized.

5. Bank facilities

Operating and revolving credit facilities with the Company's bankers are negotiated or extended annually. Facilities available at December 31, 1986 amounted to $150.0 million. At December 31, 1986, there were no borrowings outstanding under these facilities.

6. Long-term liabilities

$ millions	1986	1985
Unsecured, non-redeemable 10.10% Debentures, Series 1, due July 2, 1996	$ 50.0	$ –
8½% Sinking Fund Debentures, Series A, due March 15, 1993 (redeemed June 18, 1986)	–	4.9
U.S. $32.0 million (1985 – U.S. $39.3 million) unsecured bank term loan, repayable in annual instalments from 1989 to 1991, with interest at LIBOR plus from ½% to ⅝% over the balance of the term of the loan. In 1984 the Company entered into separate interest rate swap agreements which effectively convert the interest cost on U.S. $20 million of this loan, from 1987 to 1989, to a fixed rate of approximately 12¼%	44.2	55.0
Mortgages maturing:		
Within 5 years, at interest rates from 8½% to 13½%	10.3	9.6
Within 5-10 years, at interest rates from 9¼% to 10%	1.2	2.2
After 10 years, at 4%	0.6	1.3
U.S. $6.0 million Industrial Revenue Bonds at 10%, repayable from 1991 to 1993	8.3	8.4
Other	3.4	9.5
	118.0	90.9
Capital leases:		
Manufacturing plant and equipment leases payable in varying monthly or annual instalments at interest rates from 7% to 9%. At the end of each lease term the Company has the option to purchase the property and equipment on payment of a nominal sum	10.7	11.3
	128.7	102.2
Less: portion due within one year	3.2	2.4
	$125.5	$ 99.8

The change during the year in long-term liabilities, including the current portion, was as follows:

$ millions	1986	1985
Balance – beginning of year	$102.2	$100.6
New borrowings	51.3	4.4
Repayments	(23.6)	(7.9)
Exchange rate adjustments	(1.2)	5.1
Balance – end of year	$128.7	$102.2

Estimated repayments over the next five years are as follows:
1987 – $3.2 million, 1988 – $2.3 million, 1989 – $15.4 million, 1990 – $18.7 million, 1991 – $15.3 million.

7. Other long term credits

$ millions	1986	1985
Pension cost accrual (note 8)	$ 1.1	$ 2.7
Deferred investment tax credits	2.4	1.7
	$ 3.5	$ 4.4

8. Pension costs and obligations

The Company maintains defined benefit pension plans which provide retirement benefits for essentially all employees, based upon the length of service and, in certain cases, the final average earnings of the employee.

Accounting for pension costs:
In accordance with the Canadian Institute of Chartered Accountants' Accounting Recommendation on Pension Costs and Obligations, the Company has changed its method of determining pension costs, from a level contribution method of actuarial valuation to the accrued benefit method, on a prospective basis from January 1, 1986.

Pension plans have been actuarially valued on the new basis at December 31, 1986, using management's best estimates of the following principal assumptions:

Average return on plan assets	7.0% per annum
Average interest rate	7.0% per annum
Average increase in compensation rates	5.5% per annum

These valuations produced an aggregate net surplus at December 31, 1986 of $14.3 million, reflecting aggregate pension fund assets of $72.3 million and aggregate actuarial present values of accrued pension benefits of $58.0 million. Individual surpluses and deficits making up this net surplus will be amortized to earnings over periods of from thirteen to seventeen years, representing the expected average remaining service lives of the relevant employee groups.

Reflecting these changes, the pension cost for the year ended December 31, 1986, compared with the previous year's cost on the old basis, was as follows:

$ millions	1986	1985
Current service cost	$ 5.2	$ 4.5
Amortization of net surplus on valuation	(1.0)	—
Net interest income on valuation surplus	(0.8)	—
	$ 3.4	$ 4.5

Funding of pension obligations:
The Company funds its pension plan obligations on a level contribution method of actuarial valuation. Funding in 1986 amounted to $5.0 million (1985—$5.7 million).

The pension cost accrual at December 31, 1986 consisted of the balance of pension account transactions of earlier years, reduced by the excess cash contributions made in 1986, as follows:

$ millions	1986	1985
Balance—beginning of year	$ 2.7	$ 2.7
Excess cash contributions for 1986	(1.6)	—
Balance—end of year	$ 1.1	$ 2.7

9. Capital stock

Authorized share capital:
The authorized share capital of the Company consists of an unlimited number of preferred shares of no par value, issuable in series, and an unlimited number of common shares of no par value.

Issued share capital:
There are no issued preferred shares.
The issued and fully paid common shares of the Company increased during the year as follows:

thousands of shares/$ millions	Shares	**1986**	1985
Balance—beginning of year	48,885	**$115.2**	$114.5
Exercise of stock options	85	**0.4**	0.7
Balance—end of year	48,970	**$115.6**	$115.2

The weighted average number of shares outstanding during the year was 48,939,000 (1985—48,802,000).

Stock options:
At December 31, 1986, stock options were outstanding in respect of 514,000 common shares of the Company. These options are exercisable by members of senior management of the Company and its subsidiaries (some of whom are also Directors or Officers of the Company) at from $3.375 to $14.625 per share and expire on various dates from 1987 to 1993.

The numbers quoted in this note have been adjusted where appropriate to reflect the 2 for 1 stock split which took place on May 30, 1986.

10. Currency translation account

$ millions	**1986**	1985
Balance—beginning of year	**$ 22.7**	$ 13.9
Translation of balance sheets of self-sustaining foreign operations	**(3.4)**	11.9
Translation of foreign currency loans hedging net investment in foreign operations	**0.8**	(3.1)
Balance—end of year	**$ 20.1**	$ 22.7

11. Other income/(expenses)

$ millions	**1986**	1985
Profit on sale of fixed assets	**$ 2.3**	$ 1.3
Amortization of goodwill	**(2.0)**	(1.4)
Reorganization costs	**(1.5)**	(1.2)
Business interruption insurance recovery	**0.8**	1.4
Other	**1.3**	0.8
	$ 0.9	$ 0.9

12. Earnings before income taxes

Earnings before income taxes are stated after charging:

$ millions	**1986**	1985
Net interest on (cash)/bank advances	**$ (1.5)**	$ (0.6)
Interest on long-term liabilities	**11.7**	10.6

13. Income taxes

$ millions	1986	1985
Canadian		
Current income taxes	**$ 20.3**	$ 15.0
Deferred income taxes	**0.6**	1.1
	20.9	16.1
Foreign		
Current income taxes	**17.0**	13.1
Deferred income taxes	**1.0**	1.8
	18.0	14.9
Total		
Current income taxes	**37.3**	28.1
Deferred income taxes	**1.6**	2.9
	$ 38.9	$ 31.0

Of the total amount of deferred income taxes, $2.4 million (1985 – $2.2 million) relates to non-current items.

The Company's effective income tax rate varied from the basic Canadian corporate tax rate as follows:

percentages	1986	1985
Canadian corporate tax rate	**45.8%**	45.6%
Effect of lower effective foreign tax rate	**(3.0)**	(3.7)
Effect of inventory allowance	**(0.1)**	(0.7)
Effect of non-deductible goodwill amortization and appraisal-surplus depreciation	**1.0**	1.0
Adjustment of amounts previously provided	**(0.5)**	(0.7)
Other	**(0.5)**	(0.7)
	42.7	40.8

Deferred income taxes arise from timing differences. The sources and tax effects of these timing differences and other movements through the deferred income taxes account are as follows:

$ millions	1986	1985
Tax depreciation and amortization in excess of accounting depreciation and amortization	**$ 1.0**	$ 2.2
Accounts receivable holdbacks	**(0.7)**	1.0
Provisions for doubtful debts and pension contributions not currently deductible for income tax purposes	**0.7**	0.1
Deferred recognition for income tax purposes of profit on long-term contracts	**(0.2)**	0.3
Inventories restated on a first-in, first-out basis	**(0.5)**	(0.1)
Adjustment of amounts previously provided and other items	**1.3**	(0.6)
Deferred income taxes provision of the year	**1.6**	2.9
Other adjustments	**(1.7)**	0.7
	$ (0.1)	$ 3.6

14. Losses from discontinued operations

SealRite Windows, Inc. and Replacement Products Industries Corporation and the business of Indal Products Maritimes Division were disposed of during the year. The operating results and the losses incurred upon disposal have been segregated and stated separately in the consolidated statement of earnings. Comparative figures reflect operating losses and losses relating to the discontinuance of the business of Indal Products Division and disposal of the business of Kabinart Corporation.

$ millions	**1986**	1985
Sales	**$ 16.4**	$ 15.9
Operating (earnings)/losses	**(1.6)**	2.6
Losses on disposal or discontinuance	**3.6**	3.4
	2.0	6.0
Income tax recovery	**0.9**	2.7
	$ 1.1	$ 3.3

15. Segmented information

Segmented information is set out on pages 34 and 35.

16. Commitments and contingencies

Minority shareholders in two subsidiaries have the option to require the Company to purchase their shareholdings at prices based on the earnings of these companies. In respect of these subsidiaries the options were not yet exercisable at December 31, 1986 and hence the total potential cost cannot be determined.

A Canadian subsidiary of the Company received federal and provincial income tax assessments totalling $4.0 million including interest and penalties in respect of the years 1971-1976. Certain of these assessments alleged that additional income was earned in those years and the remainder alleged that the subsidiary failed to withhold tax on amounts paid or credited to a non-resident corporation. In January 1986, judgement was given against the Company in the Trial Division of the Federal Court of Canada. Based on the advice of Counsel, the Company has appealed this judgement. No provision for these assessments has been made in the financial statements. In the event that the Company loses its appeal, any material payment resulting therefrom would be charged against retained earnings as a prior period adjustment.

The Company is a defendant in various other lawsuits as at December 31, 1986 and while the amount of any ultimate liability cannot be determined, the Company is of the opinion that there will be no material adverse effect on its financial position.

At December 31, 1986, capital commitments in respect of fixed asset additions amounted to $27.3 million.

17. Related party transactions

There were no material transactions during the year between the Company and related parties.

18. Restatement of comparative figures

Comparative figures have been restated where appropriate to conform to the current year's presentation.

Segmented information

for the year ended December 31, 1986

By industry segment

$ millions	Total 1986	Total 1985	Residential construction 1986	Residential construction 1985	Non-residential construction 1986	Non-residential construction 1985	Industrial 1986	Industrial 1985
Total sales	**$1,069.1**	$959.0	**$443.3**	$402.6	**$209.3**	$200.6	**$416.5**	$355.8
Inter-segment sales	**(27.9)**	(28.3)	**(0.2)**	(0.1)	**(7.6)**	(8.0)	**(20.1)**	(20.2)
External sales	**1,041.2**	930.7	**443.1**	402.5	**201.7**	192.6	**396.4**	335.6
% increase	**+11.9%**		**+10.1%**		**+4.7%**		**+18.1%**	
% of total external sales	**100%**	100%	**42.5%**	43.2%	**19.4%**	20.7%	**38.1%**	36.1%
Operating profit	**108.0**	94.9	**46.6**	39.7	**10.8**	12.2	**50.6**	43.0
% increase	**+13.8%**		**+17.4%**		**−11.5%**		**+17.7%**	
% of total operating profit	**100%**	100%	**43.1%**	41.8%	**10.0%**	12.9%	**46.9%**	45.3%
Operating profit % of external sales	**10.4%**	10.2%	**10.5%**	9.9%	**5.4%**	6.3%	**12.8%**	12.8%
Identifiable assets	**546.7**	509.6	**224.9**	208.5	**110.2**	104.7	**211.6**	196.4
% of total identifiable assets	**100%**	100%	**41.1%**	40.9%	**20.2%**	20.6%	**38.7%**	38.5%
Depreciation and amortization	**24.3**	21.2	**6.7**	6.7	**5.1**	4.8	**12.5**	9.7
Capital expenditures	**47.7**	35.2	**10.4**	13.7	**6.9**	5.7	**30.4**	15.8

– Operating profit reconciles with earnings before income taxes as follows:

$ millions	1986	1985
Operating profit	**$108.0**	$ 94.9
Consolidation eliminations	**(0.8)**	(3.9)
Corporate expense	**(6.0)**	(5.0)
Interest expense	**(10.2)**	(10.0)
Earnings before income taxes	**$ 91.0**	$ 76.0

– Identifiable assets reconcile with total assets as follows:

$ millions	1986	1985
Identifiable assets	**$546.7**	$509.6
Consolidation eliminations	**(43.0)**	(50.4)
Corporate assets	**44.9**	26.6
Total assets	**$548.6**	$485.8

By geographic segment

	Total		Canada		United States	
$ millions	**1986**	1985	**1986**	1985	**1986**	1985
Total sales	**$1,069.1**	$959.0	**$471.0**	$396.7	**$598.1**	$562.3
Inter-segment sales	**(27.9)**	(28.3)	**(21.4)**	(19.8)	**(6.5)**	(8.5)
External sales	**1,041.2**	930.7	**449.6**	376.9	**591.6**	553.8
% increase	**+11.9%**		**+19.3%**		**+6.8%**	
% of total external sales	**100%**	100%	**43.2%**	40.5%	**56.8%**	59.5%
Operating profit	**108.0**	94.9	**63.5**	52.8	**44.5**	42.1
% increase	**+13.8%**		**+20.3%**		**+5.7%**	
% of total operating profit	**100%**	100%	**58.8%**	55.6%	**41.2%**	44.4%
Operating profit % of external sales	**10.4%**	10.2%	**14.1%**	14.0%	**7.5%**	7.6%
Identifiable assets	**546.7**	509.6	**223.0**	204.7	**323.7**	304.9
% of total identifiable assets	**100%**	100%	**40.8%**	40.2%	**59.2%**	59.8%
Depreciation and amortization	**24.3**	21.2	**9.3**	7.4	**15.0**	13.8
Capital expenditures	**47.7**	35.2	**23.6**	11.4	**24.1**	23.8

– The segmented information reflects the classes of business determined by the Directors:

Residential construction:	Products for use in residential construction, including new housing and home improvement.
Non-residential construction:	Products for use in industrial, commercial, institutional and agricultural construction.
Industrial:	Products principally for incorporation as parts or sub-assemblies in industrial products.

– Canadian export sales, primarily to customers in the United States, were $189.8 million (1985 – $140.0 million) and represented 42.2% (1985 – 37.1%) of Canadian external sales of $449.6 million (1985 – $376.9 million).

– Inter-segment sales are accounted for at prices comparable to open market prices.

Quarterly financial information (unaudited)

for the year ended December 31, 1986

$ millions	Sales 1986	Sales 1985	Gross profit 1986	Gross profit 1985	Gross profit percentage 1986	Gross profit percentage 1985
First quarter	**$ 221.7**	$192.0	**$ 51.8**	$ 44.5	**23.4%**	23.2%
Second quarter	**265.7**	235.5	**66.2**	60.2	**24.9**	25.6
Third quarter	**284.6**	256.9	**76.1**	68.9	**26.7**	26.8
Fourth quarter	**269.2**	246.3	**73.9**	65.7	**27.5**	26.7
	$1,041.2	$930.7	**$268.0**	$239.3	**25.7**	25.7

$ millions except per share data	Net earnings 1986	Net earnings 1985	Earnings per share 1986	Earnings per share 1985	Dividends per share 1986	Dividends per share 1985
First quarter	**$ 5.4**	$ 3.0	**$ 0.11**	$ 0.06	**$ 0.10**	$0.07½
Second quarter	**11.5**	10.4	**0.24**	0.21	**0.10**	0.07½
Third quarter	**15.0**	14.6	**0.30**	0.30	**0.10**	0.07½
Fourth quarter	**17.4**	12.6	**0.36**	0.26	**0.10**	0.07½
	$ 49.3	$ 40.6	**$ 1.01**	$ 0.83	**$ 0.40**	$0.30

$ except numbers of shares	Market price of common shares — High 1986	High 1985	Low 1986	Low 1985	Thousands of shares traded 1986	Thousands of shares traded 1985
First quarter	**$ 12¾**	$ 7 7/16	**$ 9¼**	$ 5½	**1,164**	1,904
Second quarter	**18¼**	8	**12¾**	6¼	**2,194**	778
Third quarter	**16½**	8⅞	**13½**	7⅝	**1,470**	1,546
Fourth quarter	**14¼**	9 11/16	**11½**	7⅝	**1,915**	1,158
	$ 18¼	$ 9 11/16	**$ 9¼**	$ 5½	**6,743**	5,386

Notes:

- Sales, gross profits and gross profit percentages for the first three quarters of the year have been restated to exclude figures for operations disposed of or discontinued during the year.
- 1985 figures have been restated to give retroactive effect to the change in accounting policy with respect to the amortization of goodwill effective January 1, 1986.
- Figures have been restated to reflect the 2 for 1 stock split in May 1986.
- High/low market prices reflect prices quoted on The Toronto Stock Exchange.
- The number of shares traded reflects the combined volume of shares traded on the Toronto and Montreal stock exchanges.
- Fully diluted earnings per share are the same as basic earnings per share except in the fourth quarter of 1986 and for the full year 1986, in respect of which they were $0.35 and $1.00 respectively.

The Company's design engineering operation, Indal Technologies Inc. in Mississauga, Ontario is the world leader in the field of helicopter hauldown, assist and rapid securing systems, which enable shipboard helicopters to take off and land safely in rough seas and bad weather conditions. Opposite: A Japanese naval helicopter landing at sea on the flight deck of the guided missile destroyer 'Isoyuki,' using one of the hauldown and rapid securing systems supplied to the Japanese Defense Agency by Indal Technologies through its agent in Japan, Mitsubishi Corporation.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Ten year financial summary

$ millions except per share information	1986	1985
Operating results		
Sales	**$1,041.2**	$930.7
Gross profit	**268.0**	239.3
Percentage gross profit	**25.7%**	25.7%
Earnings before income taxes	**91.0**	76.0
Earnings before income taxes as a percentage of sales	**8.7%**	8.2%
Net earnings	**49.3**	40.6
Dividends on preferred shares	–	–
Dividends on common shares	**19.6**	14.7
Financial position		
Net assets:		
Working capital	**165.6**	171.7
Fixed assets	**172.0**	159.9
Intangible assets	**35.6**	36.3
Total net assets	**373.2**	367.9
Funds employed:		
Common shareholders' equity	**279.5**	252.0
Preferred shares	–	–
Net borrowings	**62.7**	84.5
Deferred income taxes, minority interests and other long-term credits	**31.0**	31.4
Total funds employed	**373.2**	367.9
Current ratio	**3.0:1**	2.8:1
Net borrowings as a percentage of total funds employed	**16.8%**	23.0%
Average working capital as a percentage of sales	**17.2%**	19.0%
Percentage return of net earnings on average common shareholders' equity	**18.6%**	17.3%
Results and financial position per share		
Earnings per share	**$1.01**	$0.83
Dividends per share	**0.40**	0.30
Book value per share	**5.71**	5.16
Cash flow		
Purchase of fixed assets	**49.5**	35.3
Depreciation and amortization of fixed assets	**25.3**	22.0
Net cash inflow/(outflow) before dividends on common shares	**67.9**	14.6
Common shares outstanding (millions)		
During year (weighted average, adjusted for stock splits)	**48.9**	48.8
At year end	**49.0**	24.4

Notes:

- Figures prior to 1985 have been restated to exclude the operating results of the year of disposal or discontinuance of operations. In addition, figures prior to 1979 have been restated to exclude earnings from the metal trading operation, which was accounted for by the equity method after 1978, and which was discontinued in 1982.
- Figures prior to 1986 have been restated to give retroactive effect to the change in the method of accounting for the amortization of goodwill with effect from January 1, 1986.
- Percentage return on average common shareholders' equity is calculated using net earnings after preferred dividends and the average of opening and closing common shareholders' equity.
- Figures prior to 1986 have been restated to reflect the 2 for 1 stock split in May 1986. Figures prior to 1983 have also been restated to reflect the 2 for 1 stock split in that year.

	1984	1983	1982	1981	1980	1979	1978	1977
	$834.8	$694.9	$565.1	$583.5	$442.6	$450.1	$363.3	$212.2
	211.7	173.6	129.3	144.9	109.6	116.3	92.5	55.0
	25.4%	25.0%	22.9%	24.8%	24.8%	25.8%	25.5%	25.9%
	59.3	37.5	6.9	27.6	26.6	38.9	27.6	16.2
	7.1%	5.4%	1.2%	4.7%	6.0%	8.6%	7.6%	7.6%
	33.1	23.1	2.8	12.1	15.4	23.2	13.4	9.0
	1.8	1.9	2.6	2.5	2.2	1.8	1.1	0.1
	12.6	5.3	4.3	7.7	7.7	6.7	3.6	3.1
	152.2	167.6	144.9	152.8	118.2	123.6	108.4	60.8
	138.3	122.8	126.5	119.0	105.5	94.9	76.6	46.5
	31.5	31.2	33.8	34.1	31.9	31.2	31.2	12.7
	322.0	321.6	305.2	305.9	255.6	249.7	216.2	120.0
	216.7	158.9	126.5	128.7	126.7	124.4	110.4	56.1
	–	25.0	25.0	25.0	25.0	25.0	25.0	1.1
	82.6	122.0	144.3	132.6	83.1	80.6	62.7	49.6
	22.7	15.7	9.4	19.6	20.8	19.7	18.1	13.2
	322.0	321.6	305.2	305.9	255.6	249.7	216.2	120.0
	2.7:1	2.6:1	2.0:1	2.4:1	3.0:1	2.5:1	3.1:1	1.6:1
	25.7%	37.9%	47.3%	43.3%	32.5%	32.3%	29.0%	41.3%
	20.8%	23.4%	26.9%	22.2%	25.6%	23.3%	22.4%	28.3%
	16.6%	14.9%	0.1%	7.5%	10.5%	18.2%	14.8%	17.2%
	$0.69	$0.51	$ –	$0.25	$0.34	$0.56	$0.46	$0.36
	0.27½	0.12½	0.11¼	0.20	0.20	0.17½	0.14	0.12⅜
	4.45	3.73	3.28	3.34	3.30	3.25	2.89	2.18
	30.5	15.9	22.9	22.5	21.8	32.9	20.2	10.6
	18.0	16.3	15.9	14.7	12.0	10.9	8.2	5.8
	31.6	26.8	8.4	(17.0)	23.0	(15.3)	35.7	(3.8)
	45.0	41.8	38.6	38.5	38.4	38.3	26.7	24.9
	24.3	21.3	9.7	9.6	9.6	9.6	9.6	6.5

New plants under construction

Construction of three new plants began in 1986. All three will be completed and go into production in 1987. These new plants, at a total cost of approximately $55 million, will provide state-of-the-art production facilities for three of the Company's major divisions.

Indalex Division

The Company's Indalex Division is constructing a new 260,000 sq. ft. aluminum extrusion plant in Mississauga, Ontario, to which it will begin relocating its Toronto operation in 1987. The existing leased plant would not be able to accommodate the changes necessary to enable Indalex to maintain product quality and customer service, particularly during peak periods, as the business expands.

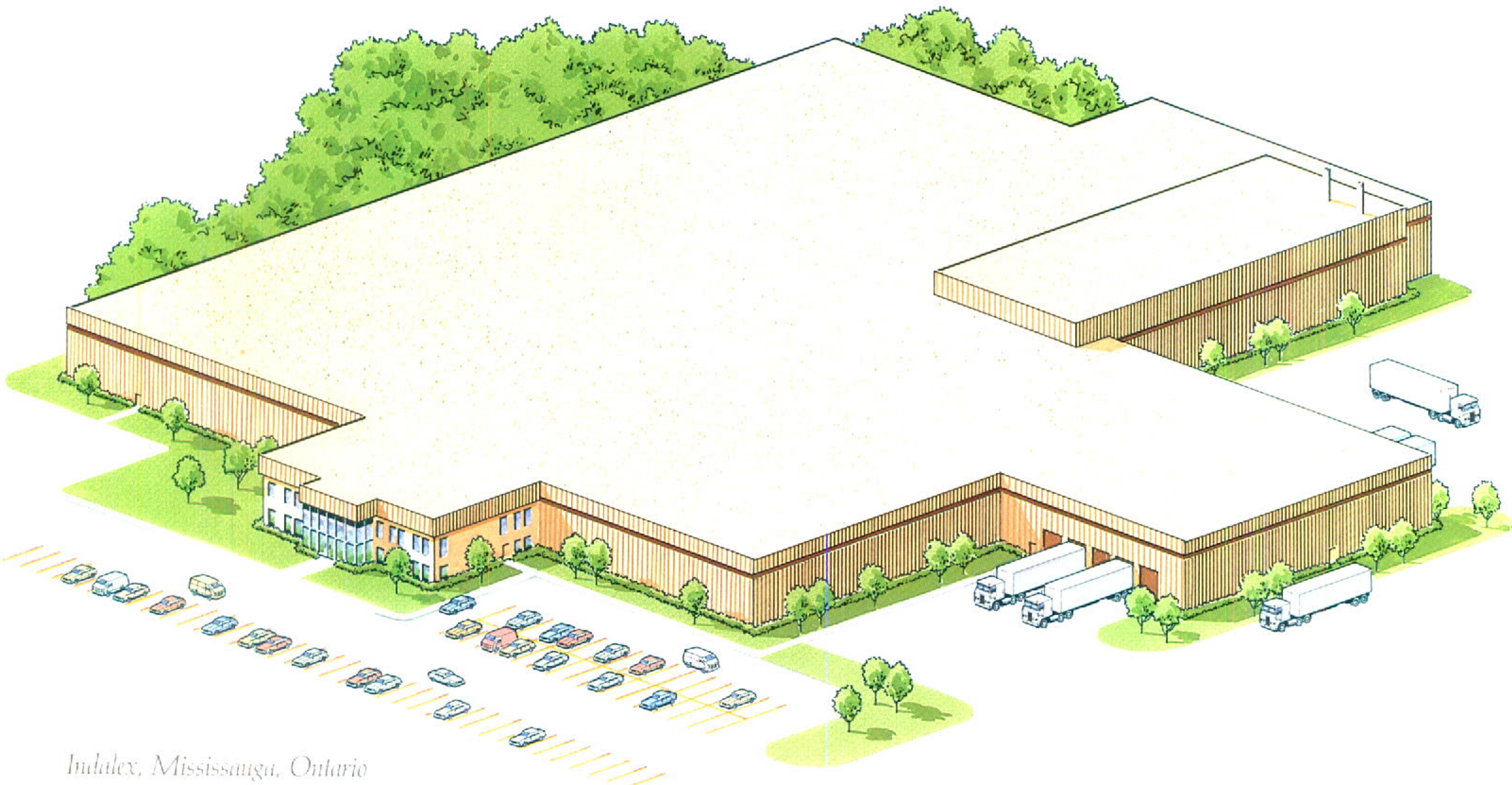
The new plant is being constructed and equipped in two phases, so as not to disrupt ongoing service to customers during the transition. Phase one will be completed and production is scheduled to begin in July 1987; phase two will be completed by the end of the year. New equipment will include an aluminum log furnace and log-shearing equipment, two extrusion presses, automated material handling equipment and a vertical paint line. Existing equipment will also be transferred in stages from the Toronto plant. Significant quality improvements, productivity gains and inventory reductions are anticipated. The Indalex Division also has plants in Montreal, Calgary and Port Coquitlam.

Indal Extrusion Division

Indal Extrusion Division, which was set up in 1986, is the Company's first greenfield aluminum extrusion operation in the United States. The Company already has four aluminum extrusion operations in the United States; in California, Mississippi, New Jersey and Pennsylvania.

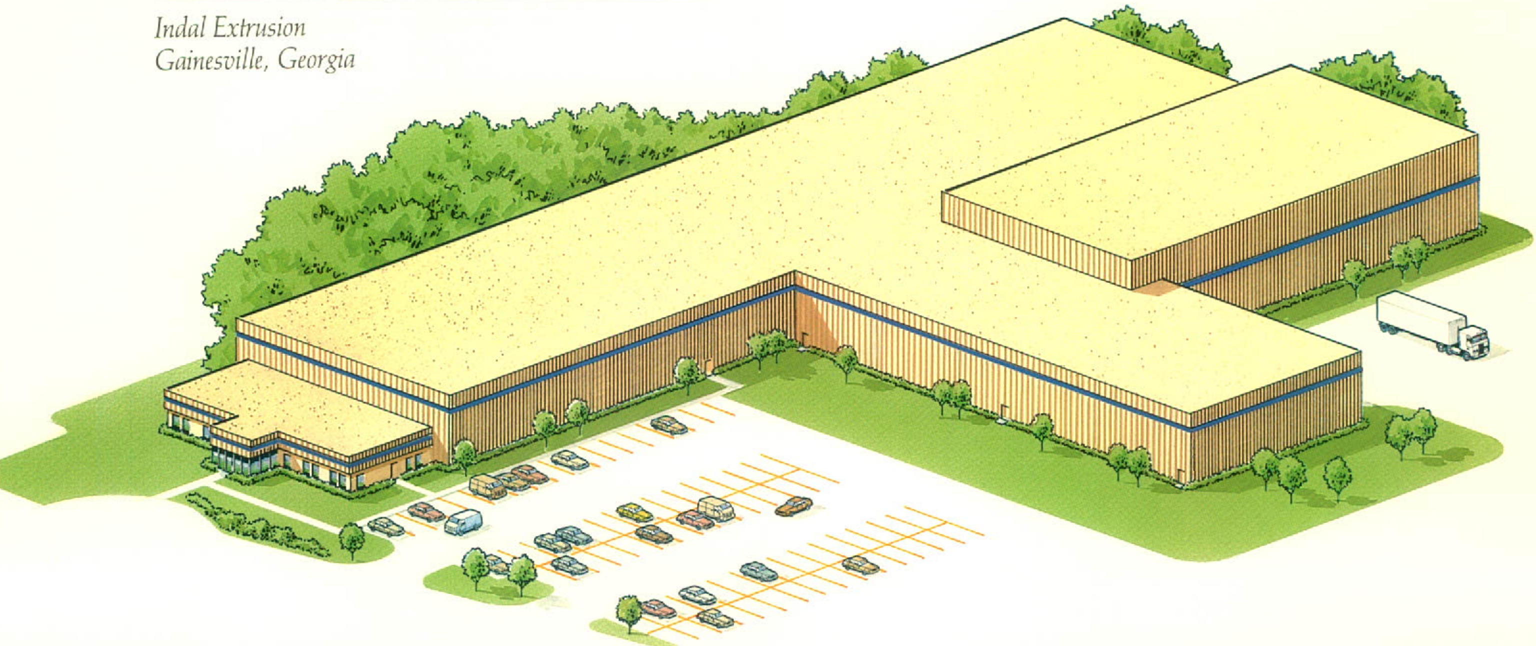
Indal Extrusion Division is constructing a new 115,000 sq. ft. extrusion and finishing plant near Gainesville, Georgia, which will commence production in the third quarter of 1987.

The operation's new equipment will include an aluminum log furnace and log-shearing equipment, an extrusion press, automated material handling



Indalex, Mississauga, Ontario

Indal Extrusion
Gainesville, Georgia



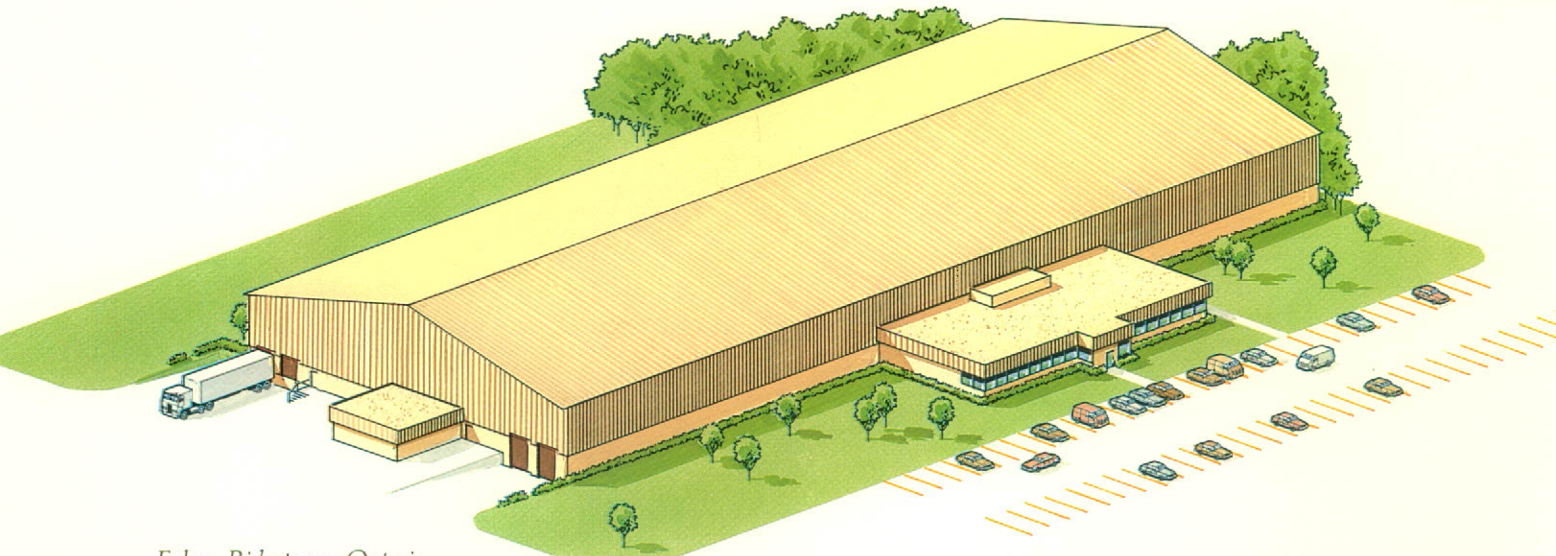
equipment, and a vertical paint line. The plant will initially supply a major part of the current aluminum extrusion requirements of Peachtree Doors, Inc. for its window and door lines and eventually will also sell to other customers. The plant will be expanded as required to provide additional capacity as the operation's business develops.

Fabricated Steel Products Division

The Company's Fabricated Steel Products Division is constructing a new 54,000 sq. ft. auto parts plant in Ridgetown, Ontario. Fabco's main plant is located in Windsor, Ontario.

The new plant, which is scheduled to come on stream in May 1987, will provide stamping and assembly capacity for 1988 model-year orders already received from General Motors, American Motors and Chrysler, and provide capacity for further requirements after 1988. The plant will make extensive use of robotics and quick die change equipment.

Fabco, which is a Q 1 supplier to Ford Motor Company, a Spear 1 supplier to General Motors and a Pentastar supplier to Chrysler Corporation, is the only North American supplier in its commodity group to hold top quality ratings from all three of the major North American auto companies.



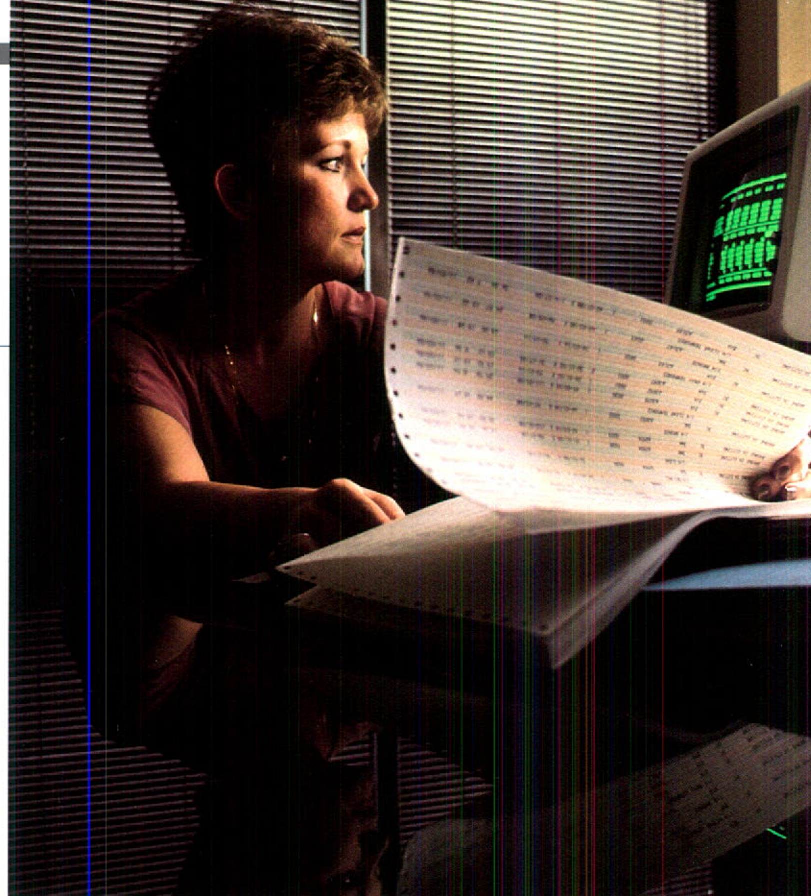
Fabco, Ridgetown, Ontario

Computer applications at Indal

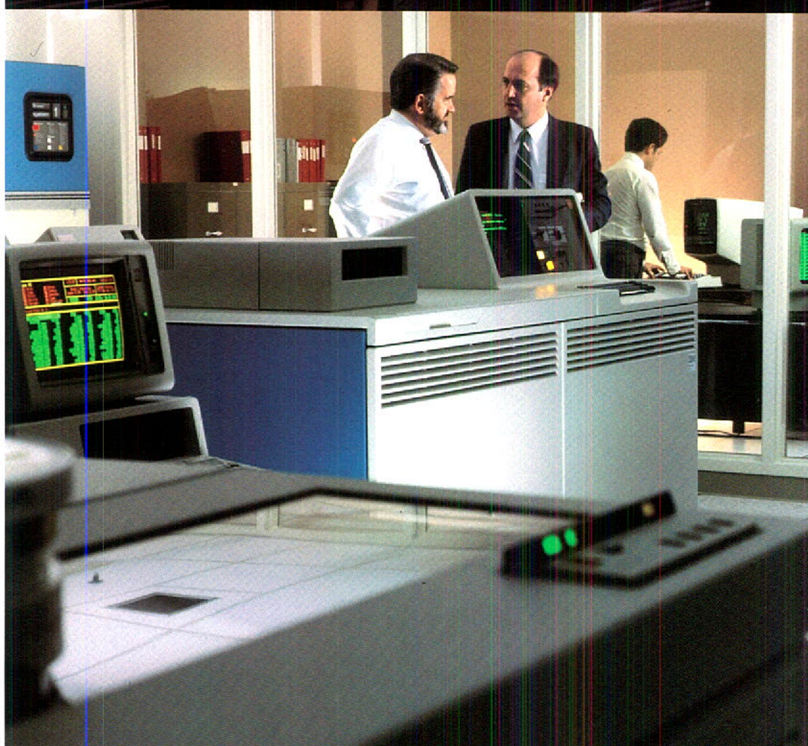
Indal has always encouraged its operating divisions and subsidiaries to invest in state-of-the-art systems and technology to reduce operating costs, increase efficiency, improve quality and provide high levels of customer service.

Computers and telecommunications networks are playing an increasingly important role in all aspects of Indal's operations. Traditionally used to support the Company's planning, accounting and management information systems, they are increasingly being used to control order processing, production, inventories and delivery schedules and in the design and manufacture of products.

These two pages illustrate just a few of the many applications of computer technology being used today by Indal and its divisions and subsidiaries .



Operating divisions and subsidiaries process accounting and financial information on their own computers. Data is transmitted electronically to Indal's corporate office in Toronto for consolidation. Above right: Gail Williams, Accountant at Tempglass Eastern, Inc. in Atlanta, Georgia, submits monthly financial information to Indal's data base in Toronto.



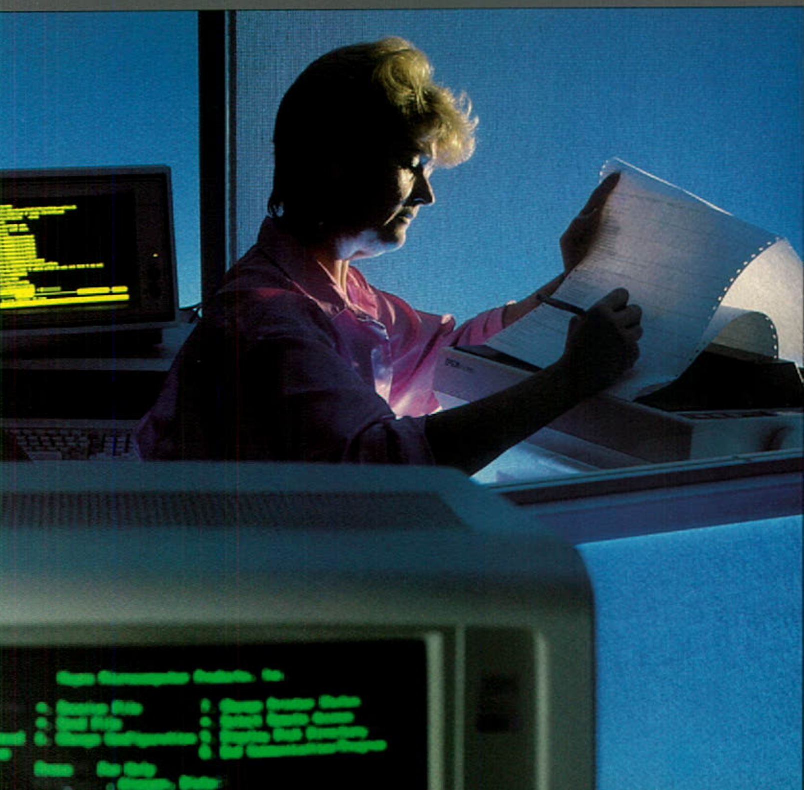
Indal's operations are interconnected by a Company-wide communications network utilizing micro computers. Indal Computer Services Division in Toronto provides systems development and a wide range of information processing services for the Company's operating divisions and subsidiaries, and for its corporate office. Right: Kevin Wright, Operations Manager, discusses scheduling with Ray Connell, Manager of Indal Computer Services Division (centre) in the main computer room. Also in the photograph: Mike Wood, Systems Analyst, reviews recent systems enhancements.

Indal's cash resources and requirements across Canada and the United States are concentrated daily to maximize the efficiency of the Company's cash management, and daily information is transmitted electronically between Indal's corporate office in Toronto and the Company's cash management banks. Left: Nicole Brooks, Indal's Cash Management Coordinator, discusses a position report with one of the Company's operating divisions.

Computer and telecommunications facilities enable important information to be passed quickly and accurately between Indal's operations and their customers and suppliers. Fabricated Steel Products Division has direct computer links with all its major customers. Right: Vicki Cornellier, Supervisor of Computer Operations at Fabco's Windsor, Ontario plant is sending advance shipping information to Ford Motor Company in Dearborn, Michigan.

A computer support group of experienced consultants at Indal's corporate office helps operating divisions and subsidiaries plan and develop computer systems. Above: Chris Formela, a Group Systems Consultant (second from left), discusses a computer project with Commercial Aluminum Division systems committee members (left to right) Ced Rackett, Bernie Leaman and John Kassies.

The use of computers in product design is playing an increasingly important role at many Indal operations. During 1986 all Indal's extrusion operations installed Computer Assisted Design (CAD) systems to improve design efficiency and customer service. Above right: John Ellard works at Mideast Aluminum Industries Division in Dayton, New Jersey on the design of a high-tolerance aluminum extrusion for the Aeronutronic Division of Ford Aerospace and Communications Corporation.



Computer Assisted Manufacturing (CAM) systems are today helping Indal achieve increased yields and higher efficiencies in its manufacturing processes. Micro processors are being used to regulate aluminum remelt and glass tempering furnaces; to control extrusion presses; and for bar-coding. Robotics, programmable controllers and numerically-controlled machines are being used for forming, fabrication and assembly operations at Indal's auto parts, woodworking and major door and window plants. All Indal's glass tempering operations use computers to group customer orders so as to minimize offcut wastage, and use computer-controlled equipment to ensure accuracy in cutting to customer specifications. Above: Bob Syroka, a cutting line Group Leader, inspects glass on a computer-controlled cutting table at Tempglass Inc.'s plant in Perrysburg, Ohio.

Historical review

This brief account of Indal's development to date is provided for new shareholders and others who may not be familiar with the Company's history.

Overview

Indal was incorporated in 1964 as the wholly-owned subsidiary of a United Kingdom publicly quoted company which was acquired in 1970 by The Rio Tinto-Zinc Corporation PLC and subsequently renamed R.T.Z. Pillar Limited. The first public issue of Indal's common shares was in 1969 and the listing of its shares on the Toronto and Montreal stock exchanges dates from that time. Since then there have been several share issues, and the stock has been split on a 2 for 1 basis on three occasions. R.T.Z. Pillar Limited remains the Company's principal shareholder, beneficially holding 61% of the issued and fully paid common shares. The balance is held by institutional and individual investors, principally in Canada.

Indal has grown both through new ventures and by acquisition, but with the greatest part of its growth coming from the subsequent expansion of earlier successful investments. Operations established or acquired have generally added to the Company's product range, or extended existing products to new markets. Some investments have also been made in order to broaden the Company's industrial base. The Company's development has been in products for residential and non-residential construction markets and for a wide range of industrial markets, including automotive and design engineering. The Company's principal raw materials are aluminum, steel, glass, zinc and wood, and from them Indal manufactures products for the markets mentioned above, using processes such as extruding, stamping, casting, cold rollforming, tempering, woodworking and fabrication.

Stages of growth

In reviewing the Company's development to date, three stages of growth can be identified.

Stage 1

Stage 1 reflects the period from 1964 to approximately 1970. The Company's initial acquisitions in 1964 were in the extruding of aluminum and the cold rollforming of steel. The Indalex Division (with plants today in Montreal, Toronto, Mississauga, Calgary and Port Coquitlam) and the Westland Metals Division (with plants today in Edmonton, Calgary, Vancouver and Saskatoon) date back to these beginnings. Subsequent acquisitions in Stage 1 were principally in areas related to one or other of these two processes, and the establishment of the Alumiprime, C.R. Metal Products and Eastland Metals Divisions in Ontario, and the acquisition of the Commercial Aluminum, Fasco and Lite Metals Divisions in Ontario and of the Hialco Mfg. Division in British Columbia date from this period. Products in Stage 1 were principally aluminum extrusions and cold rollformed steel, and products fabricated from these materials such as residential and non-residential aluminum windows, doors, entrance systems, and curtainwall; aluminum ladders; and cold rollformed industrial roofing and siding for the agricultural, mining and forest industries.

Stage 2

Stage 2 marked the expansion of the Company into product areas representing some measure of diversification. Stages 1 and 2 overlapped, with Stage 2 reflecting the period from 1968 to approximately 1975. In 1968 Indal acquired its design engineering operation, Indal Technologies Inc. in Mississauga, Ontario, which today manufactures structural aluminum products, shipboard helicopter hangars, helicopter hauldown and rapid securing systems and wind turbines. Indal Furniture Systems Division in Toronto, manufacturing office partition systems, was established in 1969. Indal Building Products Division (with operations today in Calgary, Edmonton, Medicine Hat, Red Deer, Regina and Saskatoon) and McKnight Window Industries Division in Toronto, came into the group in 1969 and 1971 respectively, marking the Company's entry into the field of residential wood windows.

In 1972 Indal's acquisition of its Fabricated Steel Products Division in Windsor, Ontario, marked the Company's entry into the field of automotive stampings and fabricated products. In that year, Indal Wall Systems Ltd. in Winnipeg joined the group. Indal Wall Systems manufactures and installs curtainwall and specialty systems, and today has operations in Winnipeg, Toronto and Chicago. In 1973 further product diversification took place when Indal established the business which today operates as Peachtree Doors Canada Division, manufacturing residential steel entry door systems. In the following year, Indal established Airlite Glass Insulating Division in Toronto, to produce insulated glass units, and added glass tempering to its industrial processes, with the formation of its Tempglass Division in Toronto. In 1975 the Indalloy Division in Toronto was established to recycle aluminum scrap.

These acquisitions and new ventures in Stage 2 not only added considerable breadth to the Company's product range but also contributed to the continuing growth of the original Stage 1 businesses.

Stage 3

Stages 2 and 3 also overlapped to some extent, with Stage 3 representing the period from 1973 to 1981 during which Indal extended operations to the United States. The first step was taken in 1973 with the establishment of a zinc diecasting operation, North American Die Casting Corp., in Fredericksburg, Virginia. During the years that followed, Indal acquired or established operations in the United States in many of the product areas in which it had developed in Canada in Stages 1 and 2.

The most important acquisitions in the United States have been those of Peachtree Doors, Inc. with manufacturing plants in Norcross, Georgia and St. Joseph, Missouri, and Better-Bilt Aluminum Products Co. in Smyrna, Tennessee. Both companies were acquired in 1978 and are today major operations selling to the housing industry in the United States. Peachtree Doors manufactured entry and patio doors, and in 1979 Indal expanded its operations with the establishment of a new wood processing and high quality wood window manufacturing plant in Gainesville, Georgia. In 1981 Indal also expanded Better-Bilt's operations with the establishment of a new plant in Prescott, Arizona to serve western markets in the United States. Better-Bilt manufactures prime and replacement aluminum doors and windows.

Between 1976 and 1980 Indal established four glass tempering operations in the United States; Tempglass Inc. in Ohio, Tempglass Eastern, Inc. in Georgia, Tempglass Southern, Inc. in Texas and Tempglass Western, Inc. in California. In 1977 Mideast Aluminum Industries Division, with aluminum extrusion and fabrication operations in New Jersey and Pennsylvania, came into the group.

In 1981 Indal acquired its Indal Aluminum, Indal Aluminum Gulfport and Tubelite Divisions from their previous owner. These divisions (in California, Mississippi and Michigan respectively) recycle, extrude and fabricate aluminum products for residential, non-residential and many industrial markets. Indal Tool Inc. was formed in 1984 in Illinois to manufacture extrusion dies for Indal's extrusion plants in Canada and the United States.

Indal today

Since 1983, emphasis has been on the rationalization and divestment of those operations in both Canada and the United States which have not been, or have not remained, sufficiently successful or have not been in the mainstream of Indal's development. A number of operations have been closed, sold or merged with successful operations elsewhere in the Company.

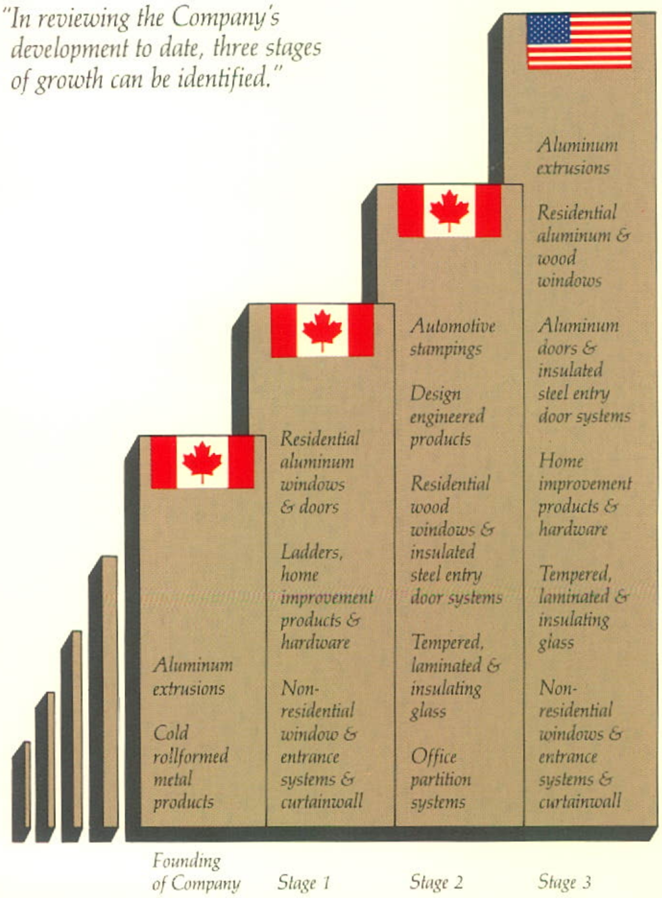
In 1985, Indal acquired two small companies in Ontario – Lamilite Limited and Brampton Foundries Limited, which laminate glass and produce castings for general industrial applications, respectively. As reported earlier, two new aluminum extrusion plants in Ontario and Georgia and a new auto parts plant in Ontario are currently nearing completion and all three plants will come on stream in 1987.

Many of Indal's operations were acquired in stages from their previous owner-managers. Wherever possible, Indal sought to initially acquire only a majority interest, with the previous owners continuing as management and as minority partners, with put options on their minority shareholdings. Nearly all these minority interests have now been acquired by the Company as a result of these put options having been exercised.

Indal's approach to acquisitions, having proved largely successful in the past, is likely to remain the basis of its acquisition policy in the future. The Company will continue to seek businesses to buy which meet its acquisition criteria of having a good track record in related industries or markets, good long-term potential for growth and good continuing management, and which are available at realistic prices.

However it is expected that, as in the past, the Company's future growth will come mainly from the subsequent expansion of earlier successful investments.

"In reviewing the Company's development to date, three stages of growth can be identified."



Principal operating divisions and subsidiaries

Canada

Residential

Alumiprime Division,
Toronto, Ont.
H. Lazar, President
Aluminum prime windows and patio doors

Fasco Products Division,
Toronto, Ont.
J. E. Faveri, President
Storm and patio door hardware and aluminum home improvement products

Hialco Mfg. Division,
Port Coquitlam, Kelowna and Nanaimo, B.C.
W. J. de Koning,
Executive Vice-President and General Manager
Aluminum prime windows and patio doors

Indal Building Products Division,
Calgary, Edmonton, Medicine Hat and Red Deer, Alta. and Regina and Saskatoon, Sask.
C. M. Kline, Chairman
A. J. Rankin, President and Chief Executive Officer
Aluminum, vinyl and wood prime windows, doors and insulating glass units

Indal Furniture Systems Division,
Toronto, Ont.
A. W. Stokes, President
Office panel systems, furniture components and acoustic office screens

Lite Metals Division,
Mississauga, Ont.
R. A. Englhardt, Vice-President and General Manager
Aluminum ladders

McKnight Window Industries Division, Toronto, Ont.
D. R. Williams, President
Wood and vinyl windows and doors

Peachtree Doors Canada Division,
Toronto, Ont.
G. R. Kerr, President
Residential insulated steel entry door systems

Non-residential

Airlite Glass Insulating Division,
Toronto, Ont.
J. Shapiro, President
Insulating glass units

Commercial Aluminum Division,
Toronto, Ont. and Calgary, Alta.
B. R. Leaman, President
Aluminum store fronts, entrances, window systems and curtainwall

C. R. Metal Products Division,
Toronto, Ont.
G. Berdan, President
Cold rollformed metal products

Eastland Metals Division,
Mississauga, Ont.
G. R. Grant, President
Cold rollformed steel and aluminum products including industrial and agricultural siding and roofing

Indal Wall Systems Ltd.,
Winnipeg, Man.; and Toronto, Ont.
R. K. Waldron, Chairman and Chief Executive Officer
H. R. Resar, President
Curtainwall and specialty systems

Lamilite Limited,
Orangeville, Ont.
I. R. Moore, President
Glass laminating

Tempglass Division, Toronto, Ont.
I. R. Moore, President
Glass tempering and processing

Westland Metals Division,
Edmonton and Calgary, Alta.; Vancouver, B.C.; and Saskatoon, Sask.
R. N. Benson, President
Cold rollformed steel and aluminum products including industrial and agricultural siding and roofing and grain bins

Industrial

Brampton Foundries Limited,
Brampton, Ont. (87.5% owned)
J. W. Wright, Chairman and Chief Executive Officer
J. F. Sullivan, President and Chief Operating Officer
Aluminum castings for general industrial applications

Fabricated Steel Products Division,
Windsor and Ridgetown, Ont.
J. R. Davidson, President and Chief Executive Officer
Automotive stampings and fabricated products

Indalex Division,
Toronto and Mississauga, Ont; Montreal, P.Q.; Calgary, Alta.; and Port Coquitlam, B.C.
K. B. Carruthers, President
Aluminum extrusions, finishing and fabrication

Indalloy Division,
Toronto, Ont.
L. Kozierok, President
Aluminum recycling and billet casting

Indal Technologies Inc.,
Mississauga, Ont.
M. R. Maynard, Chairman
G. R. Rutledge, President and Chief Executive Officer
Design engineering, structural products, shipboard helicopter hangars, helicopter hauldown and rapid securing systems and wind turbines

United States

Better-Bilt Aluminum Products Co.,
Smyrna, TN; and Prescott, AZ
L. M. Moffatt, President
Aluminum patio and storm doors, aluminum prime and storm windows and aluminum screen doors

North American Die Casting Corp.,
Fredericksburg, VA
S. H. Ruderfer, President
Zinc diecast products

Peachtree Doors, Inc.,
Norcross, Gainesville and Atlanta, GA; and St. Joseph, MO
(90% owned)
J. R. Hewell, Jr., Chairman and Chief Executive Officer
C. B. Jennings, Jr., President and Chief Operating Officer
Residential windows and doors

Indal Wall Systems Inc.,
Chicago, IL
R. K. Waldron, Chairman and Chief Executive Officer
H. R. Resar, President
Curtainwall and specialty systems

Tempglass, Inc.,
Perrysburg, OH
I. D. Fintel, President and Chief Executive Officer
Glass tempering and processing

Tempglass Eastern, Inc.,
Norcross, GA
J. G. Mulvanerty, President
Glass tempering and processing

Tempglass Southern, Inc.,
Grand Prairie, TX
G. L. Christman, President
Glass tempering and processing

Tempglass Western, Inc.,
Fremont, CA
R. B. Kolberg, Vice-President and General Manager
Glass tempering and processing

Tubelite Division of Indal Inc.,
Reed City, MI; Dallas, TX;
New York, NY; and Denver CO.
P. J. Leonardi, President
Aluminum extrusions and fabrication, revolving doors and aluminum windows and doors

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Indal Aluminum Division
of Indal Inc., City of Industry and City of Commerce, CA
J. B. Teets, President
Aluminum recycling and billet casting, and aluminum extrusions and fabrication

Indal Aluminum Gulfport Division
of Indal Inc., Gulfport, MS
D. R. DeLano, President
Aluminum recycling and billet casting and aluminum extrusions and fabrication

Indal Tool, Inc.,
Elgin, IL
R. B. Sowers, General Manager
Extrusion dies

Mideast Aluminum Industries
Division of Indal Inc.,
Dayton, NJ; and Mountaintop, PA
J. K. Casey, President
Aluminum extrusions, finishing and fabrication

Indal Extrusion Division
of Indal Inc.,
Gainesville, GA
T. P. Johnson, President
Aluminum extrusions and finishing

Glossary

Product and market terms

Architectural products or systems: *Large window and entrance systems for commercial and industrial buildings.*

Cladding: *Steel and aluminum sheet produced in a variety of profiles by cold rollforming for use as roofing and siding on agricultural, commercial and industrial buildings.*

Curtainwall: *Windows, panels and frames assembled and affixed to the outer walls of multi-storey buildings.*

Design engineering: *Products designed and engineered for custom applications.*

Double-hung windows: *Windows consisting of two sashes which slide vertically past each other, held in any open position by balancing devices.*

Glazing: *Glass installed in window and door frames.*

Helicopter hauldown systems: *Systems engineered by Indal Technologies Inc. which enable helicopters to land safely on the flight decks of ships in rough seas and bad weather conditions.*

Insulated steel entry doors: *Residential entry doors manufactured from stamped steel panels on a wood frame with a centre core of insulating material.*

Insulating glass units: *Energy-efficient products comprising two or three sheets of glass separated by metal spacers and thoroughly sealed, for use in windows and doors.*

Primary aluminum: *Aluminum made from alumina as opposed to secondary aluminum made from recycled scrap.*

Prime windows: *Windows installed in new buildings or extensions to existing buildings.*

Replacement windows: *Windows for installation in existing buildings to upgrade insulating characteristics and lower maintenance requirements.*

Shipboard helicopter hangars: *Hangars to house helicopters on the decks of ships.*

Spandrel glass: *Opaque glass produced by coating glass with paint, then passing it through a high-temperature furnace to bake on the coating.*

Thresholds: *Adjustable strips at the base of entry door frames, used to prevent air filtration.*

Weatherstripping: *Plastic or metal strip used to reduce air filtration around door and window frames.*

Wind turbines: *Wind-driven rotary blade systems producing the motive power for electrical generators.*

Manufacturing and production terms

Aluminum billet casting: *Pouring molten aluminum into long, vertical, cylindrical moulds which form the metal into log-shaped sections which are then cut into shorter lengths, called billets, for use in aluminum extruding.*

Aluminum extruding: *Forcing preheated and softened aluminum billet horizontally through a steel die under pressure from a hydraulic ram. The aluminum takes on the shape of the die as it emerges from the press and is cut into lengths for use in fabrication processes.*

Aluminum recycling: *Sorting and remelting aluminum scrap for aluminum billet casting. (see above)*

Die: *A press tool, usually made of steel, which matches within very close tolerances either two or three dimensions of a metal product and which imparts its shape to the metal passing through the press process. An extrusion die has the form of the two-dimensional extruded section; a pressure-casting die has the complete form of a three-dimensional product.*

Glass laminating: *Making safety glass by sandwiching and bonding an interlayer of clear, flexible material with two outer layers of plain or tempered glass. Can also be used to make multi-layer product for use as vandal-proof or bullet-resistant glass.*

Glass tempering: *Passing sheets of glass through a high-temperature furnace and then air-cooling them rapidly. This strengthens the glass and changes its molecular structure so that if broken, it will shatter into a myriad of tiny, crystal-like and relatively harmless fragments.*

Steel or aluminum cold rollforming: *Passing coiled sheets of steel or aluminum through a series of roller dies that form the metal into sections of various shapes and sizes for use in construction products and general manufacturing.*

Steel stamping: *Placing and punching metal blanks in punch presses containing dies, so that the processed blanks, called stampings, have the shape of the die.*

Zinc diecasting: *Forcing molten zinc under pressure into the cavities of moulds or dies that shape the metal to their pattern. Door handles, window locks and other hardware are made in this manner.*

A number of Indal divisions and subsidiaries have participated in Vancouver's recent major construction projects. Westland Metals Division supplied the cold rollformed steel used in the construction of a number of the pavilions at Expo 86 (centre foreground); Indalex Division supplied aluminum components for the roofing fabric clamping mechanism for B.C. Place, Vancouver's domed stadium; and Indal Wall Systems Ltd. supplied and installed the curtainwall for the new Pan Pacific Hotel at Canada Place (shoreline beyond domed stadium). Photo: Stefan Schulhof

Corporate directory

Directors

- ● Derek Edwards
  Chairman and Chief Executive, R.T.Z. Pillar Limited
- David L. Farnsworth
  Executive Vice-President, Manufacturing Operations, Indal Limited
- Michael M. Freeman
  Finance Director, R.T.Z. Pillar Limited
- James R. Hewell, Jr.
  Chairman and Chief Executive Officer, Peachtree Doors, Inc.
- Leo P. Larkin, Jr.
  Partner, Rogers & Wells, Attorneys
- ● J. Ross LeMesurier
  Company Director
- G. Allan MacKenzie
  Executive Vice-President and Chief Executive Officer, Gendis Inc.
- ● J. Norman McKnight
  President and Chief Executive Officer, Indal Limited
- George H. Montague
  Vice-President, Consolidated Talcorp Limited
- ▲● J. Derek Riley
  Company Director
- ▲ Alastair H. Ross
  President, Allaro Resources Ltd.
- ▲● Simon B. Scott, Q.C.
  Partner, Borden & Elliot, Barristers and Solicitors
- Peter G. Selley
  Executive Vice-President, Finance and Administration, Indal Limited
- ● Walter E. Stracey
  Chairman, Indal Limited

● Member of the Executive Committee
▲ Member of the Audit Committee
■ Officer

Officers and Senior Corporate Management

- ■ Walter E. Stracey
  Chairman
- ■ J. Norman McKnight
  President and Chief Executive Officer
- ■ Peter G. Selley
  Executive Vice-President, Finance and Administration
- ■ David L. Farnsworth
  Executive Vice-President, Manufacturing Operations
- S. Glen Abray
  Divisional Vice-President, North American Residential and Consumer
- Andrew C. Deruchie
  Manager, Audit and Financial Analysis
- ■ George A. Godwin
  Corporate Counsel and Secretary
- ■ John D. Hillery
  Vice-President, Investments and Assistant Secretary
- Vincent J. Howcroft
  Vice-President, Corporate Affairs
- Richard J. Lasiuk
  Manager, Employee Benefits
- Kerin H. S. Lloyd
  Vice-President, Technical Services
- William J. MacDonald
  Divisional Vice-President, North American Extrusions and Recycling
- W. Lyle Muir
  Vice-President, Risk Management
- Peter Suurtamm
  Vice-President, Management Information Systems
- A. M. Gordon Turnbull
  Vice-President, Treasurer
- Allan G. Wakefield
  Divisional Vice-President, North American Non-residential and Glass
- James R. Webster
  Vice-President, Corporate Development
- Peter E. Wyatt
  Vice-President, Senior Controller

Corporate Office

4000 Weston Road
Weston, Ontario M9L 2W8
Telephone (416) 743-1400
Telecopier (416) 746-1311
Telex 065-27290

Auditors

Coopers & Lybrand, Toronto.

Principal Bankers

The Toronto-Dominion Bank
Canadian Imperial Bank of Commerce

General Counsel

Borden & Elliot, Toronto
Rogers & Wells, New York

Design: Carpenter & Company Inc. Photography: Gabe Palmer (Except pages 12, 37 and 49) Printed in Canada by: Arthurs-Jones Lithographing Ltd.

Shareholder information

The Company
The Company was incorporated under the laws of Canada on October 9, 1964.

Capital stock
At December 31, 1986 the issued capital stock of the Company comprised 48,970,000 fully paid common shares.

Listing of stock
The common shares of the Company were listed on the Toronto and Montreal stock exchanges on March 24, 1969. The shares are listed on these exchanges under the stock symbol "ICL".

Transfer agents and registrars
The transfer agents and registrars for the common shares of the Company are The Royal Trust Company at its offices in Toronto, Montreal, Winnipeg, Calgary, Regina and Vancouver.

Principal issues of common shares
The principal issues of common shares since listing in 1969 have been as follows:

Year		*Issue price*	*Thousands of shares*
1969	Public issue	$15.00	150
1972	Rights issue: 1 for 2	9.75	479
1974	Rights issue: 1 for 3	10.50	539
1975	Rights issue: 1 for 3	9.25	752
1977	Stock split: 2 for 1		3,046
1978	Public issue	12.75	3,000
1983	Private placement	16.50	950
1983	Stock split: 2 for 1		10,632
1984	Private placement	10.65	3,000
1986	Stock split: 2 for 1		24,471

Trading of stock
The following table sets out the high and low prices of the Company's common shares on The Toronto Stock Exchange and the number of shares traded on the Toronto and Montreal stock exchanges over the past five years:

Year	*High*	*Low*	*Thousands of shares*
1982	$3 7/8	$2 3/8	3,640
1983	6 13/16	3 7/8	6,250
1984	6 7/8	5	4,348
1985	9 11/16	5 1/2	5,386
1986	18 1/4	9 1/4	6,743

The figures in the above table have been adjusted to reflect stock splits prior to 1987.

Investment data
The following table sets out the averages of the high and low prices of the Company's common shares on The Toronto Stock Exchange, the dividends paid per share and the average dividend yields based on these average share prices:

Year	*Average share price*	*Dividends paid*	*Dividend yield*
1969	$2.01	$0.02 1/2	1.2%
1970	1.08	0.02 1/2	2.3
1971	1.10	0.02 1/2	2.3
1972	1.63	0.03 3/4	2.3
1973	1.56	0.07 1/2	4.8
1974	1.35	0.09 3/4	7.3
1975	1.37	0.11 1/4	8.2
1976	1.65	0.11 1/2	7.0
1977	2.11	0.12 3/8	5.9
1978	3.16	0.14	4.4
1979	3.39	0.17 1/2	5.2
1980	3.72	0.20	5.4
1981	3.88	0.20	5.2
1982	3.13	0.11 1/4	3.6
1983	5.35	0.12 1/2	2.3
1984	5.94	0.27 1/2	4.6
1985	7.60	0.30	3.9
1986	13.75	0.40	2.9

The figures in the above table have been adjusted to reflect stock splits prior to 1987.

Financial calendar

Financial year end:	December 31
Quarterly results:	late April, July and October
Quarterly reports:	late April, July and October
Annual results:	mid February
Annual Report:	early April
Annual meeting:	early May
Dividend payments:	March 15, June 15, September 15 and December 15

1986 Annual Report
Additional copies of the 1986 Annual Report may be obtained from the Secretary, Indal Limited, 4000 Weston Road, Weston, Ontario M9L 2W8.

1987 Annual Meeting
The 1987 annual meeting of the common shareholders of the Company will be held on May 6, 1987 at 4:00 p.m. in the Territories Room of The Royal York Hotel, 100 Front Street West, Toronto, Ontario.

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