

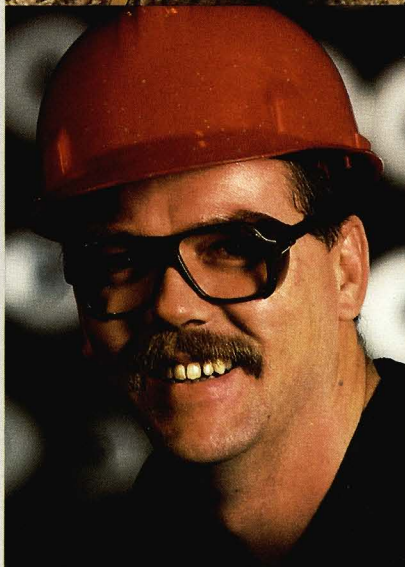
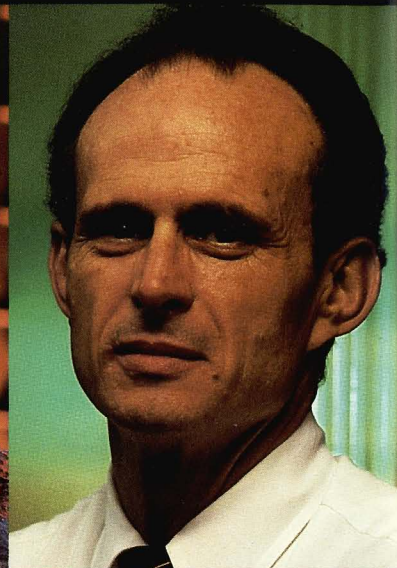
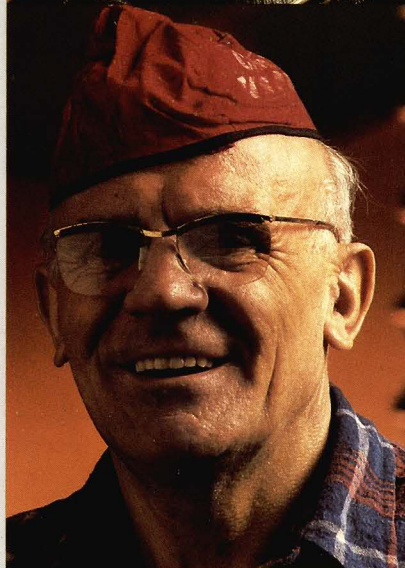
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Indal Limited 1985 Annual Report

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Indal Limited is a diversified industrial company with 22 operating subsidiaries and divisions in Canada and 15 in the United States. Founded in 1964 as a small extruder of aluminum and producer of cold rollformed metal products, it currently employs more than 7,000 people at 64 locations in North America.

Indal subsidiaries and divisions 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.

Highlights of the year

ended December 31, 1985

Financial

- Sales and net earnings established new records, reaching \$931 million and \$41 million (\$1.68 per share) respectively.
- The percentage of pretax earnings to sales (8.2 %) and the percentage return of net earnings on average common shareholders' equity (17.1 %) reflected further progress towards the Company's goals of 10 % and 20 % respectively.
- The Company's strong financial position was maintained, with shareholders' equity increasing to \$258 million and net borrowings of \$84 million falling to only 22.8 % of funds employed.
- Since the end of the year, the quarterly dividend on the common shares has been increased from 15¢ to 20¢ and the Board of Directors has recommended to the shareholders that the common shares be split on May 30, 1986 on a 2 for 1 basis.

Operating

- Considerable progress was made with the divestment and rationalization of operations not achieving an adequate return on investment.
- The Company made its first acquisitions since 1981, with the purchase of majority interests in Lamelite Limited and Brampton Foundries Limited.
- Fabricated Steel Products Division added General Motors' Spear 1 top-quality supplier rating to the Q 1 rating it had already obtained from Ford Motor Company.
- Peachtree Doors, Inc. completed a major expansion of its window plant in Gainesville, Georgia and is now in a position to supply a full range of high quality windows and doors to the housing industry in the United States.

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Results of the year

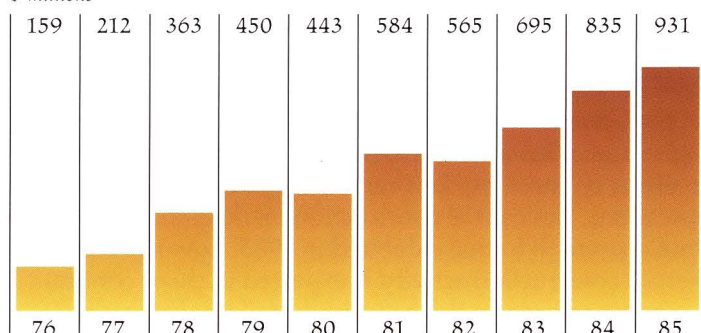
ended December 31, 1985

\$ thousands except common share data

	1985	1984	% increase
Operations			
Sales	\$930,737	\$834,782	+ 11.5 %
Gross profit	239,316	211,746	+ 13.0 %
Percentage gross profit	25.7%	25.3 %	
Earnings before income taxes	76,387	59,700	+ 28.0 %
Percentage earnings before income taxes	8.2%	7.1 %	
Net earnings	40,981	33,470	+ 22.4 %
Percentage return on average common shareholders' equity	17.1%	16.4 %	
Common share data			
Earnings per share	\$1.68	\$1.41	+ 19.1 %
Dividends per share	\$0.60	\$0.55	+ 9.1 %
Book value per share	\$10.55	\$9.12	+ 15.7 %
Average number of shares outstanding (thousands)	24,401	22,524	+ 8.3 %
Financial position			
Common shareholders' equity	\$257,763	\$221,981	+ 16.1 %
Net borrowings	84,429	82,645	+ 2.2 %
Funds employed	371,018	327,353	+ 13.3 %
Debt: equity ratio	0.33:1	0.37:1	

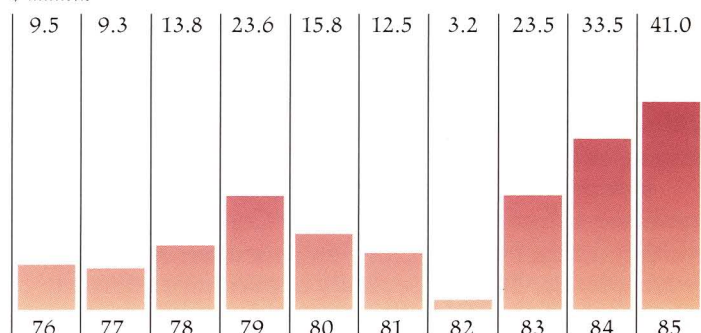
Sales

\$ millions



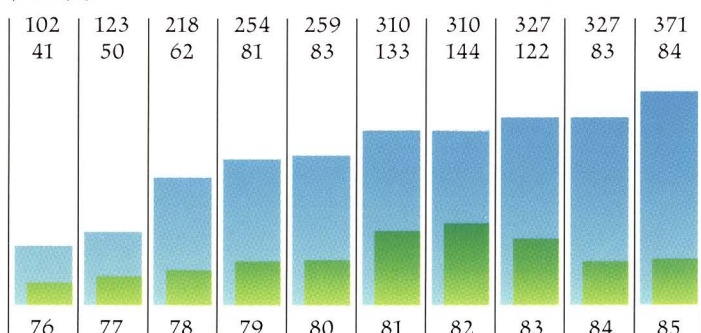
Net earnings

\$ millions



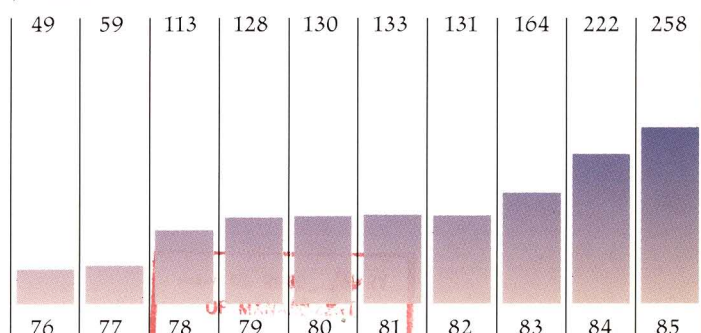
Funds employed

\$ millions



Common shareholders' equity

\$ millions



Report to the shareholders

Review of 1985

Your Company achieved another record year, with sales of \$930.7 million and earnings of \$41.0 million (\$1.68 per share) compared with \$834.8 million and \$33.5 million (\$1.41 per share) respectively in 1984.

As anticipated, United States economic growth slowed significantly in 1985 to 2.2 % compared with the previous year's figure of 6.5 %. However, interest rates declined, enabling the residential construction and automotive industries to maintain similar strength to that experienced in 1984. In Canada the economy performed considerably better than had been expected, although as in the previous year, it varied significantly in different parts of the country. Western economies, particularly that of Alberta, were generally sluggish, with Ontario and some areas of Eastern Canada experiencing the most activity.

In both Canada and the United States, strong performances were recorded by the majority of subsidiaries and divisions within the residential and industrial segments of your Company. In the non-residential segment, although high-rise commercial construction was generally very slow, low-rise commercial building was most active which had a beneficial effect on those subsidiaries and divisions operating in this part of the construction industry. Segmented performances are described in more detail in later sections of this Report.

Absorbed in the year's results was the additional cost of approximately \$9.0 million after tax (\$0.37 per share) attributable to the fixed price nature of your Company's United States aluminum supply contract. The underlying strength of your Company is demonstrated by its ability to achieve record results in spite of this contract, which terminates in January 1988.

Increased earnings and improved asset management combined to further strengthen your Company's financial position during the year. Operating managers' growing awareness regarding the necessity to maximize return on investment is reflected in the improved percentage of pre-tax earnings to sales. The percentage of average working capital to sales of 18.8 % was the best ever achieved by your Company.

In line with your Company's policy of seeking to improve the quality of earnings over the long term, certain divestments and rationalization of operations which had failed to achieve an adequate return on investment were carried out. The operations of the Indal Products Division

in Toronto were discontinued after several years of losses. Also, in Alberta, the minority interest in Lock-West Windows Ltd. was purchased and subsequently that company was merged with Western Aluminum Products Division in Calgary and the name changed to Indal Building Products Division. In January 1986, the business of Kabinart Corporation in Tennessee was sold. A manufacturer of kitchen and bathroom cabinets, Kabinart was not in the mainstream of your Company's business and had repeatedly failed to generate an acceptable return on investment.

It was indicated in last year's Annual Report that the acquisition of new businesses complementary to existing activities would be pursued and completed provided they met your Company's key acquisition criteria. In line with this strategy, majority interests were acquired in Lamilite Limited, Orangeville, Ontario, a producer of laminated glass products, and Brampton Foundries Limited, Brampton, Ontario, a producer of aluminum castings for general industrial applications. While neither investment was large, both companies complement existing operations and management believes they have substantial growth potential.

Outlook for 1986

No major changes in North American economic conditions are anticipated. Inflation rates are forecast to remain fairly stable at current levels and GNP growth is predicted to show some improvement in both Canada and the United States. Interest rates are not expected to fluctuate significantly in the United States, but recently in Canada they have shown some volatility in the face of pressure on the Canadian dollar. However, we believe that currently higher Canadian interest rates will not have too detrimental an effect on those markets served by your Company's operations. Residential construction markets should retain similar strength to that exhibited in 1985. Low-rise commercial construction activity is expected to show continuing improvement, as this historically follows buoyant housing markets. Automotive production may decline in 1986, but based upon business already booked, earnings from your Company's automotive operations should show a further increase during the year. The soft areas of business will continue to be industrial markets for aluminum extrusions in the United States and high-rise non-residential

construction, although some improvements in performances from operations serving both segments are expected.

Free market primary aluminum prices have strengthened considerably in recent weeks. Such increases are welcome, as they narrow the gap between published list prices and market prices, and help to reduce the burden of the United States fixed price aluminum supply contract. If primary aluminum prices rise too quickly, selling price increases may lag, but on balance, higher aluminum prices have a beneficial impact upon your Company's results.

Two major capital projects in the aluminum extrusion sector are planned to commence in 1986. In Canada, Indalex Division's Toronto operation will commence a program to upgrade and expand its operating facilities. In the United States, a new aluminum extrusion plant and paint line will be established in Georgia, initially to service the growing requirements of Peachtree Doors, Inc. and eventually to obtain a share of the market in the 28 States which can be supplied economically from the proposed location. The combined investment in these projects in 1986 will be \$25 million. Total capital expenditures for the year, including these projects, will be approximately \$60 million.

Long-term strategy

No major change in your Company's long-term strategy is planned from that stated in last year's Annual Report and emphasis will continue to be placed on the quality of earnings and not the quantity of sales. Capital expenditures will stress investment in new plant and equipment for existing operations which will enable them to reduce costs, improve productivity and increase their return on investment while at the same time continuing to supply high quality products at competitive prices.

The acquisition of new businesses complementary to present activities will be aggressively pursued but it will be essential that candidates meet your Company's basic acquisition criteria of a good track record, good continuing management and good potential for future growth.

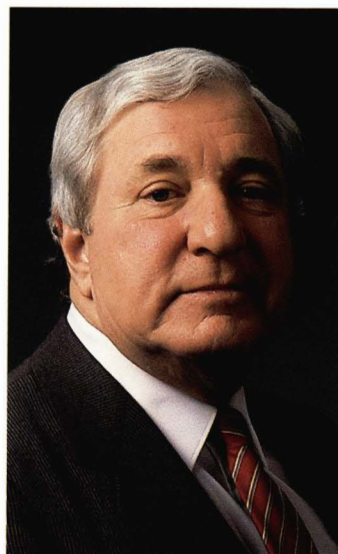
Where necessary, further reorganization and divestment will take place if your Board believes such steps are in the long-term interest of your Company and will assist in attaining the corporate goals of an average 20% return on common shareholders' equity and a 10% pre-tax return on sales.

Conclusion

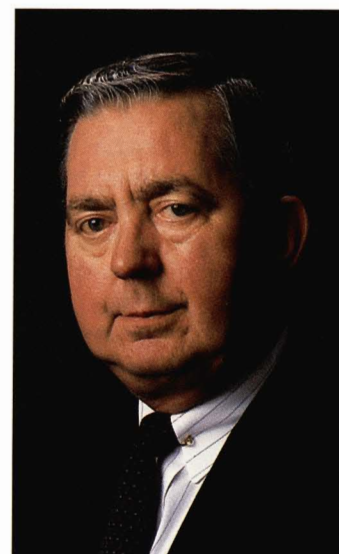
During 1985 your Company made further progress towards both its short-term and long-term objectives. Earnings were at record levels, progress was made with divestment and reorganization of unsatisfactory operations and investments were made in existing and new operations with good growth potential. These trends are expected to continue in the current year and a further improvement in earnings is anticipated.

Whatever your Company's accomplishments, past or future, they would not have been and they cannot be achieved without the loyalty and dedication of its many employees. On behalf of the shareholders we thank them sincerely for their efforts.

On behalf of the Board



Walter E. Stracey
Chairman of the Board and
Chief Executive Officer



J. Norman McKnight
President and Chief
Operating Officer

March 7, 1986

Residential construction

Segmented financial data

\$ millions	1985	1984	% increase
External sales	402.5	368.9	+ 9.1 %
Operating profit	39.9	32.9	+ 21.1 %
Operating profit percentage of external sales	9.9%	8.9%	



Canadian market

The Canadian residential construction market is regional and fragmented in nature. The Company's objective is to maintain small, flexible, regional operations, within market niches, and with strong entrepreneurial management and low break-even levels. In this way, problems associated with fluctuating demand, high distribution costs and service can be minimized.

Review of 1985

As forecast in 1984's Annual Report, residential construction activity in 1985 generally followed the same regional pattern as in recent years. Total housing starts were 165,500 units, a 23 % increase over the 134,900 units recorded in 1984, and the highest since 1981. The greater part of the increase was recorded in Eastern Canada, particularly Ontario where starts increased by 33 %. Western Canadian markets remained soft. Alberta recorded more starts than in 1984 but activity was still well below historical levels. Canadian housing starts over the past five years have been as follows:

thousands	1981	1982	1983	1984	1985
Atlantic provinces	9.3	8.4	14.4	10.8	14.8
Quebec	29.6	23.5	40.3	41.9	47.7
Ontario	50.2	38.5	54.9	48.2	64.3
Prairie provinces . .	8.8	8.9	13.3	10.5	12.4
Alberta	38.5	26.8	17.1	7.3	8.6
British Columbia . .	41.6	19.8	22.6	16.2	17.7
	178.0	125.9	162.6	134.9	165.5

(Source: Canada Mortgage and Housing Corporation)

Much of the strength of the Ontario market was due to the resurgence in construction of single, detached family dwellings, which are the main source of demand for the Company's products. Toronto based operations serving this

market produced excellent results. The construction of high-rise apartments declined, as continuing rent controls and the elimination of tax shelters curtailed investment, and had a negative effect upon operations serving this market segment. Despite continued poor market conditions, losses at Western based operations were reduced in 1985 as a result of action taken to down-scale operations and reduce overheads. The merger of Western Aluminum Products Division and Lock-West Windows Ltd. should result in a more efficient manufacturing facility and pave the way for a return to profitability. The new downsized division, named Indal Building Products Division, will be better able to take advantage of future recovery in the Alberta market. The Indal Products Division in Toronto, engaged in the manufacture of aluminum storm doors and windows, was closed due to continuing losses.

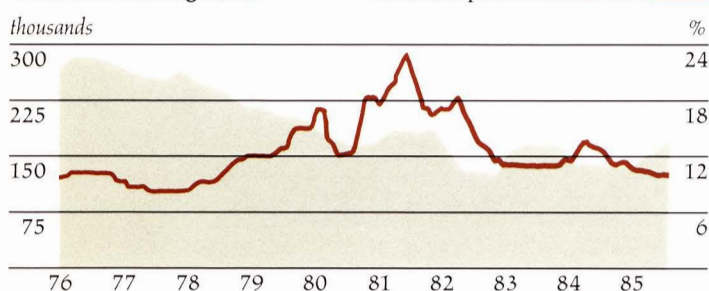
Outlook for 1986

The housing market is expected to improve further in 1986 with increased activity again centred in Eastern Canada and with Ontario again showing solid growth. Forecasts project housing starts of 170,000, a 3 % increase over 1985. Some overall improvement in Western Canada is likely, with British Columbia showing modest growth, but with Alberta remaining very depressed. Plant expansions, scheduled for completion in early 1986 at McKnight Window Industries Division and Peachtree Doors Canada Division in Toronto, should enable these operations to take further advantage of the strong Ontario market.

Mcknight Window Industries Division produces wood windows for the residential construction market in the Toronto area. Bill Butt is inspecting wood profiles being processed through a double end tenoner at McKnight's manufacturing plant. The plant is being expanded in 1986 to meet increased product demand.

Canadian housing starts

Canadian prime interest rate







United States market

In contrast to Canada, the United States residential construction market for windows and doors can be served on a national basis. While gross margins are generally higher at United States operations, so also are distribution and selling costs. The result is lower returns on sales than at Canadian operations.

Review of 1985

United States housing starts held above the 1.7 million level for the third successive year. In addition, consumer spending on renovation and property maintenance continued at a high rate. The Company's United States operations, which serve both markets, took full advantage of excellent conditions to increase sales and improve capacity utilization. As a result, earnings from this segment were at a record level for the second consecutive year. Although delayed slightly, the expansion of Peachtree Doors, Inc.'s Gainesville, Georgia facility was successfully completed and customer response to the new double-hung window manufactured there matched expectations. Increased sales of Peachtree's window lines and other new products were a significant factor in the continued growth of this segment. Better-Bilt Aluminum Products Co., a supplier of aluminum windows and doors to the mass merchandiser market, also enjoyed a successful year despite strong competition.

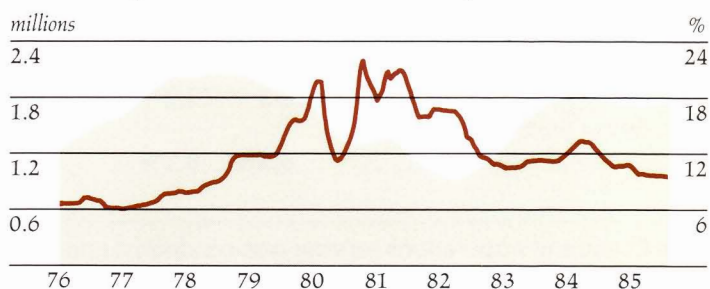
On a regional basis, construction activity in the Northeast experienced a significant increase, but there was a marked decline in home building in the South, where both Peachtree and Better-Bilt are based. However, as these operations have national coverage through a network of distributors and dealers, the adverse impact of regional declines in activity is considerably reduced. United States housing starts over the past five years have been as follows:

thousands	1981	1982	1983	1984	1985
Northeast . . .	117.3	116.7	167.6	202.7	250.6
Midwest	165.2	149.1	217.9	242.9	238.0
South	561.6	591.0	935.2	864.6	777.9
West	240.0	205.4	382.3	434.6	466.4
Other	16.2	9.9	9.6	6.3	5.0
	1,100.3	1,072.1	1,712.6	1,751.1	1,737.9

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

Peachtree Doors, Inc. manufactures high quality windows and doors for the United States residential construction market at its plants in Gainesville and Norcross, Georgia and St. Joseph, Missouri. Cathy Green works on Peachtree's Chateau® patio door assembly line at the company's Norcross plant.

U.S. housing starts



The business of Kabinart Corporation was sold in January 1986 as part of the planned rationalization of the United States residential construction segment.

Outlook for 1986

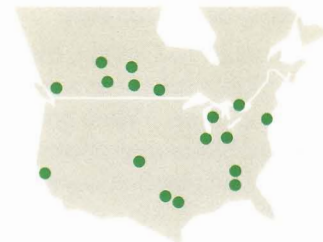
Further rationalization will take place at regional operations where exposure to market downturn is greatest. In addition, there will be greater investment in marketing programs to create consumer awareness of both existing and new products. With present and planned facilities, the Company is well placed to increase market penetration and become one of the largest suppliers of aluminum and wood window and door products in the United States. With Peachtree and Better-Bilt supplying both the primary and replacement markets, the impact of any downturn in either of these residential construction sectors is lessened.

Interest rates are forecast to remain stable in 1986 and United States residential construction should sustain its momentum of recent years. A fourth consecutive year with housing starts in the 1.7 million range is anticipated, and operations within this business segment should have another good year.

Non-residential construction

Segmented financial data

<i>\$ millions</i>	1985	1984	% increase
External sales	192.6	148.0	+ 30.1 %
Operating profit	12.3	12.2	+ 0.8 %
Operating profit percentage of external sales	6.4%	8.2 %	



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 to a lesser extent in the agricultural and industrial construction markets, rollforming aluminum and steel primarily for use in roofing and siding.

Review of 1985

Activity in the two market segments was markedly different in 1985. The growing number of housing starts in North America in recent years, especially in Ontario and the Eastern United States, created a strong demand for additional low-rise commercial structures. As a result, operations serving this segment of the market – Commercial Aluminum Division in Canada, Tubelite Division in the United States and the glass tempering companies – generally enjoyed a successful year. The glass tempering industry has become increasingly competitive, but the Company's emphasis upon service and quality has enabled its operations to maintain pre-eminent positions in most of their markets. Conditions in the California market were difficult and Tempglass Western, Inc. incurred a loss. This situation should improve in 1986. Lamilite Limited, in which a majority shareholding was purchased early in 1985, performed even better than expected as demand for its specialty laminated glass products exceeded projections.

By contrast, demand in North American high-rise construction markets was slow due principally to the overbuilding of recent years in many commercial centres. As a result, bidding for available contracts was extremely

competitive. Indal Wall Systems Ltd., the Winnipeg based operation serving this market, had a difficult year, completing projects bid at relatively unattractive margins in 1983 and 1984 which were severely depressed years for the industry.

Some improvement in demand for rollformed products was evident as the year progressed, especially in Ontario. Rationalization of Westland Metals Division's operations, including the sale of its Richmond, B.C. facility, resulted in its return to profitability.

Outlook for 1986

The demand for low-rise commercial construction products is expected to be sustained, resulting in another good year for operations serving that market. Ontario and the North-eastern United States are forecast to be especially active following significant residential construction in those regions in the past two years.

High-rise commercial construction is not expected to show much improvement over 1985. In a large number of North American cities the industry is going through a cyclical period of overbuilding, resulting in high vacancy rates. Bidding on projects which become available will therefore be very competitive and margins on business obtained will continue to be lower than historically expected. Earnings from Indal Wall Systems Ltd. are expected to improve somewhat in 1986, due to a backlog scheduled for completion during the year, but returns will again be below normal levels.

*L*amilite Limited produces laminated glass for automotive, architectural and security applications. Ken West inspects sheets of glass processed in an autoclave at the company's Orangeville, Ontario plant.



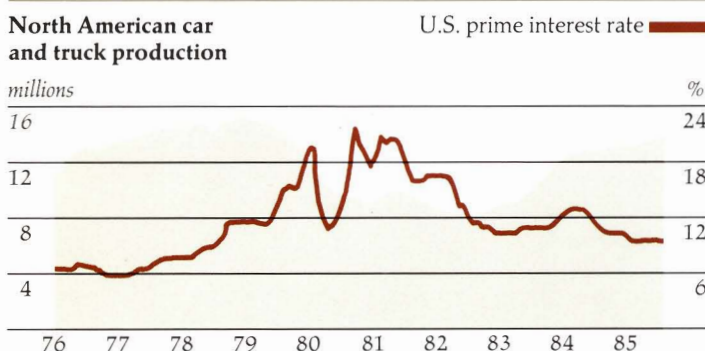
Segmented financial data

\$ millions	1985	1984	% increase
External sales	335.6	317.9	+ 5.6 %
Operating profit	43.2	36.6	+ 18.1 %
Operating profit percentage of external sales	12.9 %	11.5 %	

Review of 1985

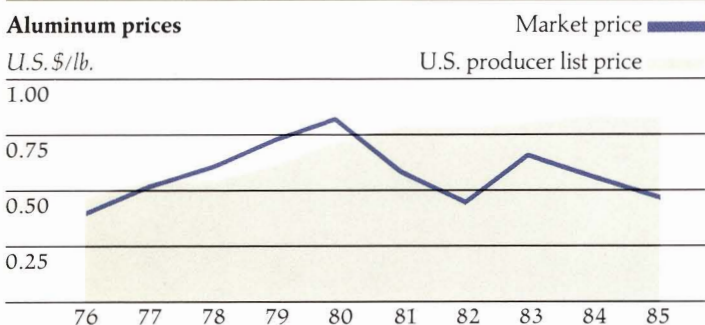
Industrial operations achieved several record performances as North American automotive and Canadian extrusion markets maintained the momentum of 1984.

The North American automotive industry had one of its best years, producing 13.6 million vehicles. Fabricated Steel Products Division capped an excellent year's performance by securing General Motors' coveted Spear I quality rating. During the year the Company purchased a majority interest in Brampton Foundries Limited, a manufacturer of aluminum castings for general industrial applications, including automotive.



Indal Technologies Inc. (formerly DAF Indal Ltd.) also achieved another successful year with sales of helicopter hauldown systems to the U.S. Navy making the major contribution to earnings.

A substantial increase in demand, coupled with relatively low primary aluminum costs, enabled both the Indalex and the Indalloy Divisions to make further significant contributions to earnings. Eastern Canadian markets for aluminum extrusions were especially active, with Indalex's Toronto plant and its recently relocated and expanded facility in Montreal operating at close to capacity.



Free market aluminum prices remained low in 1985. In the United States, this factor, along with a very competitive market and high costs associated with primary aluminum purchased under the fixed price metal contract, exerted downward pressure on margins. Mideast Aluminum Industries Division, a producer of specialty extrusions, and Indal Aluminum Gulfport Division, engaged in the production of specialty alloys, both weathered uncertain market conditions well and recorded satisfactory earnings. Indal Aluminum Division in Los Angeles encountered difficult local market conditions and sharply falling selling prices.

Outlook for 1986

North American car and truck production in 1986 is expected to reach 13.0 million units. Fabricated Steel Products Division's current backlog of orders should ensure another successful year for this operation, and production capacity will be increased further in 1986.

Indal Technologies Inc.'s mainstream business will be generated from the shipment of 24 helicopter hauldown systems under contracts with the U.S. and other navies, and this subsidiary should have another successful year. Negotiations are under way with the U.S. Navy for contracts involving the manufacture of additional systems with options for further systems for delivery up to 1990.

Demand for extruded aluminum products in Canada should remain strong in 1986 as construction and transportation markets maintain the momentum of the previous year. During 1986, Indalex Division, the leading independent producer of aluminum extrusions in Canada, will begin a major upgrade of its facilities in Toronto. In the United States, an aluminum extrusion plant and paint line will be established in Georgia—initially to supply the growing requirements of Peachtree Doors, Inc. and eventually to serve other customers in Georgia and surrounding States. Market conditions for other United States aluminum extruding operations are expected to be similar to those of 1985.

Brampton Foundries Limited manufactures aluminum castings for industrial applications. Bruce Campbell is preparing a sand mould at the company's Brampton, Ontario plant.



Changes in accounting policies and presentation

The Canadian Institute of Chartered Accountants issued two recommendations for implementation in 1985, one relating to the method of accounting for investment tax credits and the other relating to the format of the consolidated statement of cash flow. The Company has adopted both recommendations. The effect of the change in the method of accounting for investment tax credits is described in note 5 to the consolidated financial statements.

In 1985 the Company changed the format of the consolidated statement of earnings to record "Losses from discontinued operations" separately. An analysis of these losses appears in note 6 to the consolidated financial statements. The change was made to enable earnings from continuing operations to be separately identified.

1985 earnings

As 1985 progressed, earnings demonstrated accelerating improvement compared to the previous year. The following table illustrates this trend:

Net earnings:

\$ millions	1985	1984	% increase
First quarter	\$ 3.1	\$ 3.1	—
Second quarter	10.5	9.0	+ 17 %
Third quarter	14.7	11.9	+ 23 %
Fourth quarter	12.7	9.5	+ 34 %
	\$41.0	\$33.5	+ 22 %

Earnings per share:

\$	1985	1984	% increase
First quarter	\$0.13	\$0.13	—
Second quarter	0.43	0.40	+ 7 %
Third quarter	0.60	0.50	+ 20 %
Fourth quarter	0.52	0.38	+ 37 %
	\$1.68	\$1.41	+ 19 %

Gross profit improved marginally as a percentage of sales, compared with 1984. As in 1984, the favourable impact of higher volumes and the declining costs of most raw materials was offset by the high cost of the Company's primary aluminum in the United States and by resistance to selling price increases in many markets.

Expenses as a percentage of sales were slightly lower than in 1984 due principally to lower interest rates and the favourable impact of increased volume on administration costs. Selling and distribution expenses as a percentage of sales increased compared with 1984. This was mainly due to expenses relating to new marketing programs in United States operations, which generally cover larger geographic market areas and have correspondingly higher selling and distribution expenses than Canadian operations. These new programs are expected to generate additional sales in future years.

The effective tax rate for 1985 was 40.5 % compared with 36.3 % in 1984. This increase was due largely to the new method of accounting for investment tax credits which deferred \$1.6 million (\$0.07 per share) for recognition in future years.

The lower percentage increase in earnings per share in 1985 was primarily due to the full year's impact of the three million common shares issued in August 1984.

Segmented information

Segmented information appears on pages 28 and 29 of the Report.

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

Sales:

\$ millions	1985	%	1984	%
Residential construction	\$402.5	43.2	\$368.9	44.2
Non-residential construction	192.6	20.7	148.0	17.7
Industrial	335.6	36.1	317.9	38.1
	\$930.7	100.0	\$834.8	100.0

Operating profit:

\$ millions	1985	% of sales	1984	% of sales
Residential construction	\$ 39.9	9.9	\$ 32.9	8.9
Non-residential construction	12.3	6.4	12.2	8.2
Industrial	43.2	12.9	36.6	11.5
	\$ 95.4	10.2	\$ 81.7	9.8

The results of each industry segment have been discussed earlier in the Report.

Sales and operating profit by geographic segment were as follows:

Sales:

\$ millions	1985	%	1984	%
Canada	\$376.9	40.5	\$321.3	38.5
United States	553.8	59.5	513.5	61.5
	\$930.7	100.0	\$834.8	100.0

Operating profit:

\$ millions	1985	% of sales	1984	% of sales
Canada	\$ 53.3	14.1	\$ 37.9	11.8
United States	42.1	7.6	43.8	8.5
	\$ 95.4	10.2	\$ 81.7	9.8

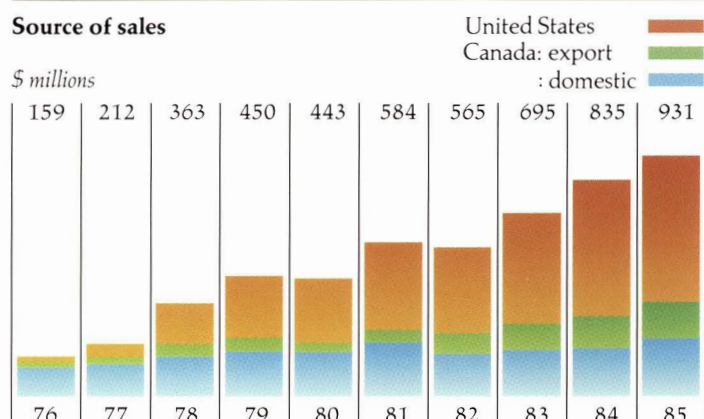
During 1985 Canadian sales increased by 17.3 % and operating profit by 40.3 %. These increases reflected the strength of most of the Company's Canadian markets. Export sales to the United States accounted for \$140.0 million (37.1 %) of total Canadian sales, and together with the sales of United States operations, accounted for 75 % of total external Company sales.

Sales in the United States grew at a slower rate (7.9 %) due principally to sluggish demand for aluminum extrusions. Operating profit declined by 3.7 % due to the high

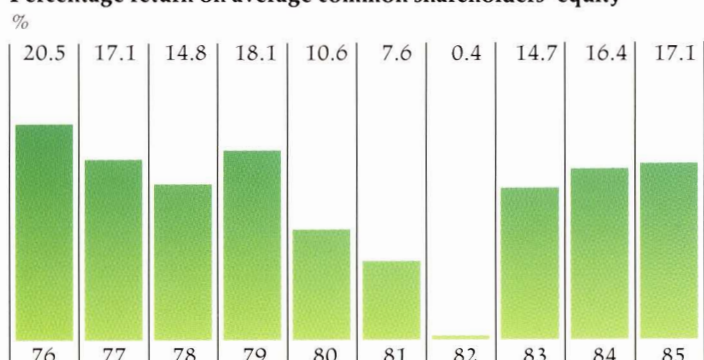
cost of the Company's primary aluminum. If it had not been for this factor, United States operating profit would have increased by 15 % in 1985 to reach 10.6 % of sales compared with an adjusted percentage in 1984 of 10.0 %.

The operating profit percentage was 14.1 % in Canada and 7.6 % in the United States (10.6 % after adjustment, as above). Many of the businesses in the United States have been in a rapid growth phase and higher overhead levels reflect this. An example is depreciation, which is appreciably higher in the United States because of the levels of capital expenditures that have taken place over the last few years. The return on sales should improve as capacity utilization increases.

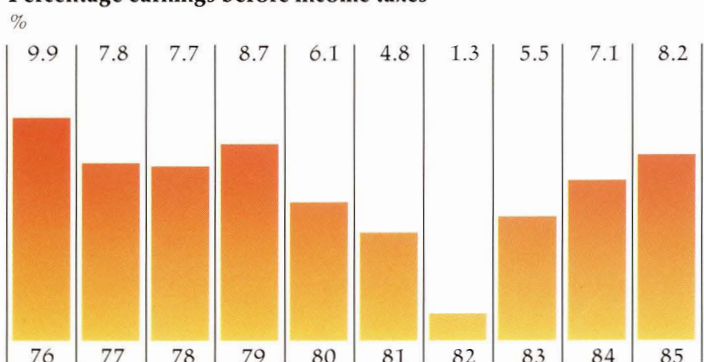
Source of sales



Percentage return on average common shareholders' equity



Percentage earnings before income taxes



Financial position

The Company's financial position continued to improve in 1985 as the following balance sheet comparison demonstrates:

\$ millions	1985	1984	% increase
Current assets (note)	\$271.9	\$246.7	+ 10.2 %
Current liabilities (note)	102.8	94.4	+ 8.8 %
Working capital	169.1	152.3	+ 11.0 %
Fixed assets	159.9	138.3	+ 15.6 %
Intangible assets	42.0	36.8	+ 14.2 %
Net assets	\$371.0	\$327.4	+ 13.3 %
Financed by:			
Shareholders' equity	\$257.8	\$222.0	+ 16.1 %
Debt (note)	84.4	82.7	+ 2.2 %
Other long-term credits	28.8	22.7	+ 26.8 %
Funds employed	\$371.0	\$327.4	+ 13.3 %

Note: For the purpose of this presentation, cash and long-term liabilities have been classified as "Debt".

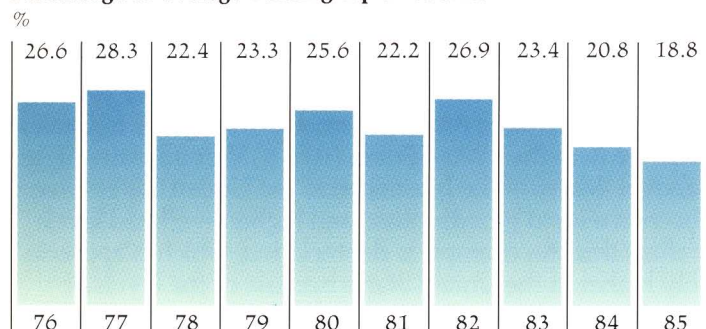
The Company's key financial ratios and percentages were as follows:

	1985	1984
Current ratio	2.8:1	2.7:1
Percentage of average working capital to sales	18.8%	20.8 %
Debt: equity ratio	0.33:1	0.37:1
Percentage return on average common shareholders' equity	17.1%	16.4 %
Percentage earnings before income taxes	8.2%	7.1 %

The Company has set itself two important financial goals; an average 20 % return on shareholders' equity and a 10 % pre-tax return on sales. While these goals are ambitious it is felt that they are achievable. As the charts opposite indicate, steady progress has been made towards these goals over the last three years.

The percentage of average working capital to sales is used principally in measuring net current asset management.

Percentage of average working capital to sales



The goal has been to maximize the utilization of working capital, and this percentage has improved from 26.9 % in 1982 to 18.8 % in 1985. In terms of interest cost savings, this improvement represents a pre-tax earnings gain of approximately \$7.5 million in 1985.

The debt: equity ratio is also closely monitored. This relationship measures the Company's use of debt capacity. At the end of 1985, this ratio stood at 0.33:1 leaving substantial debt capacity to finance the expansion of existing operations and new acquisitions.

The cash flow for the year was as follows:

<i>\$ millions</i>	1985	1984
Internally generated funds before taxation payments and changes in working capital	\$103.5	\$ 83.4
Taxation payments	(31.0)	(8.2)
Changes in working capital.	(12.3)	6.0
Cash flow internally generated.	60.2	81.2
Cash flow from financing activities	1.9	(15.5)
Purchase of fixed assets.	(35.4)	(30.5)
Acquisitions of businesses and of shares in subsidiaries	(8.2)	(3.8)
	18.5	31.4
Common dividends paid	(14.6)	(12.7)
Cash flow from continuing operations	3.9	18.7

Key factors reflected in the 1985 cash flow were higher earnings and improved working capital management despite a significant increase in sales in the latter half of the year.

The major increase in taxation payments was caused by the payment of amounts in respect of both 1984 and 1985.

In 1985 the major capital expenditures were an expansion of Peachtree Doors, Inc.'s window capacity and additional equipment for the Company's Fabricated Steel Products Division.

During the year dividends paid to common shareholders increased to \$0.60 per share from \$0.55 in 1984.

Reporting the effects of changing prices

As mentioned in previous Annual Reports, management remains firmly of the opinion that there is little value in disclosure of financial data adjusted to reflect changing prices.

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 page 18. 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 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
Senior Vice-President, Finance
February 20, 1986

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Indal Limited as at December 31, 1985 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, 1985 and the results of its operations and cash flow for the year then ended in accordance with

generally accepted accounting principles applied, except for the change in the method of accounting for investment tax credits as explained in note 5 to the financial statements, on a basis consistent with that of the preceding year.

Coopers & Lybrand
Toronto, Ontario
February 10, 1986

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 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.

Assets, liabilities, revenues and expenses of the Company and its Canadian subsidiaries denominated in foreign currencies are translated into 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 these items 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 range from twenty to forty years for buildings, eight to ten years for machinery and equipment, seven to ten years for office furniture and equipment, and three to four years for motor vehicles. Leasehold improve-

ments 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 resulting from acquisitions or agreements entered into before January 1, 1974 is not amortized. Goodwill resulting from acquisitions after January 1, 1974 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.

Inter-segment sales

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

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 cumulative 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 values determined on the last-in, first-out method have been restated on consolidation on the first-in, first-out method.
- recognition of income under long-term contracts - where income is recognized for income tax purposes only when the contract is completed.

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 statements of earnings and retained earnings

for the year ended December 31, 1985

Indal Limited

<i>\$ thousands</i>	1985	%	1984	%
Earnings				
Sales	\$930,737	100.0	\$834,782	100.0
Cost of sales	691,421	74.3	623,036	74.7
Gross profit	239,316	25.7	211,746	25.3
Expenses				
Selling and distribution	92,837	10.0	81,023	9.7
Administration	62,281	6.7	57,572	6.9
Financial	9,065	0.9	10,969	1.3
	164,183	17.6	149,564	17.9
Other income/(expenses) (note 3)	75,133	8.1	62,182	7.4
	1,254	0.1	(2,482)	(0.3)
Earnings before income taxes (note 4)	76,387	8.2	59,700	7.1
Income taxes (note 5)	30,970	3.3	21,650	2.6
Earnings before minority shareholders' interests	45,417	4.9	38,050	4.5
Minority shareholders' interests	1,154	0.1	1,080	0.1
Earnings from continuing operations	44,263	4.8	36,970	4.4
Losses from discontinued operations (note 6)	3,282	0.4	3,500	0.4
Net earnings	\$ 40,981	4.4	\$ 33,470	4.0
Earnings per common share				
Basic				
Continuing operations	\$1.81		\$1.56	
Discontinued operations	(0.13)		(0.15)	
	\$1.68		\$1.41	
Fully diluted	\$1.67		\$1.39	
Retained earnings				
Balance—beginning of year	\$ 93,484		\$ 74,480	
Net earnings	40,981		33,470	
	134,465		107,950	
Dividends paid				
Preferred shares	—		1,822	
Common shares	14,645		12,644	
	14,645		14,466	
Balance—end of year	\$119,820		\$ 93,484	

Consolidated balance sheet

as at December 31, 1985

\$ thousands

1985

1984

Assets

Current assets

Cash	\$ 17,726	\$ 17,872
Accounts receivable	137,670	117,800
Inventories (note 8)	117,046	117,821
Other accounts receivable and prepaid expenses	17,181	11,118
	<u>289,623</u>	<u>264,611</u>

Fixed assets (note 9)

Land	11,433	10,648
Buildings	75,207	64,314
Machinery and equipment	135,771	114,279
Leasehold improvements	7,392	6,779
Office furniture and equipment	11,837	9,216
Motor vehicles	9,945	8,402
	<u>251,585</u>	<u>213,638</u>
Accumulated depreciation	(99,346)	(81,136)
	<u>152,239</u>	<u>132,502</u>
Tools and dies — at cost, less amortization	7,673	5,785
	<u>159,912</u>	<u>138,287</u>

Intangible assets

Goodwill (note 10)	41,996	36,779
	<u>\$491,531</u>	<u>\$439,677</u>

Signed on behalf of the Board:

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

1985

1984

Liabilities

Current liabilities

Accounts payable	\$ 48,682	\$ 40,854
Other accounts payable and accrued charges	38,308	34,055
Income taxes payable	8,162	13,670
Other taxes payable	4,164	3,478
Deferred income taxes relating to current items	3,471	2,395
Current portion of long-term liabilities (note 12)	2,460	2,434

105,247 96,886

Long-term liabilities less current portion (note 12) 99,695 98,083

Deferred investment tax credits 1,669 —

Deferred income taxes 20,816 18,312

Minority shareholders' interests in subsidiary companies 6,341 4,415

233,768 217,696

Shareholders' equity

Capital stock (note 13)

Issued and fully paid		
24,442,522 (1984 — 24,334,122) common shares	115,229	114,553

Currency translation account (note 14) 22,714 13,944

Retained earnings 119,820 93,484

257,763 221,981

\$491,531 \$439,677

Consolidated statement of cash flow

for the year ended December 31, 1985

Indal Limited

\$ thousands

1985

1984

Internally generated

Earnings before income taxes	\$ 76,387	\$ 59,700
Depreciation and amortization of fixed assets	21,989	18,048
Amortization of goodwill	973	1,966
Taxation payments	(30,953)	(8,202)
Other	4,083	3,672
	<u>72,479</u>	<u>75,184</u>
Working capital		
Accounts receivable and prepaid expenses	(21,531)	(12,514)
Inventories	(2,156)	16,304
Accounts payable, accrued charges and other taxes	11,395	2,180
	<u>(12,292)</u>	<u>5,970</u>
Cash flow internally generated	<u>60,187</u>	<u>81,154</u>

Financing activities

Issue of common shares	676	32,167
Redemption of preferred shares	—	(25,000)
New long-term liabilities	4,424	16,493
Repayment of long-term liabilities	(7,864)	(43,541)
Exchange rate adjustments—long-term liabilities	5,078	6,630
Preferred dividends	—	(1,822)
Dividends to shareholders in subsidiary companies	(363)	(384)
Cash flow from financing activities	<u>1,951</u>	<u>(15,457)</u>

Investment activities

Acquisition of businesses	(7,182)	—
Acquisition of shares in subsidiaries	(1,019)	(3,777)
Purchase of fixed assets	(35,385)	(30,548)
Cash flow from investment activities	<u>(43,586)</u>	<u>(34,325)</u>

Cash flow before common dividends

Common dividends paid	(14,645)	(12,644)
-----------------------------	----------	----------

Cash flow attributable to continuing operations

Bank advances of businesses acquired	(3,220)	—
Cash movement of discontinued operations	(833)	272

Net cash inflow/(outflow)

	(146)	19,000
--	-------	--------

Opening cash/(bank advances)

	17,872	(1,128)
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Closing cash

\$ 17,726	\$ 17,872
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Notes to consolidated financial statements

for the year ended December 31, 1985

Indal Limited

1. Acquisition of businesses

During the first quarter of the year, the Company acquired a 70 % interest in Lamilite Limited, an Orangeville, Ontario based manufacturer of laminated glass and related products. During the fourth quarter, the Company acquired a 75 % interest in Brampton Foundries Limited, a Brampton, Ontario based manufacturer of aluminum castings for general industrial applications. These investments have been accounted for by the purchase method. In addition, in the second quarter, the Company acquired certain assets of a Canadian aluminum extrusion business.

The aggregate consideration for these acquisitions was \$7,182,000 in cash, allocated as follows:

\$ thousands

Current assets/(liabilities)	\$ (153)
Fixed assets, at assigned costs	6,409
Goodwill	2,575
Long-term liabilities	(42)
Other assets/(liabilities)	(430)
Minority shareholders' interests	(1,177)
	<u>\$ 7,182</u>

2. Investment in subsidiaries

During the year, the Company acquired the minority interests in Kabinart Corporation (5 %) and in Lock-West Windows Ltd. (46 %) for a total cash consideration of \$1,019,000.

3. Other income/(expenses)

\$ thousands

	1985	1984
Profit on sale of fixed assets	\$ 1,294	\$ —
Amortization of goodwill	(973)	(1,966)
Reorganization costs	(1,195)	—
Business interruption insurance recovery	1,370	—
Other	758	(516)
	<u>\$ 1,254</u>	<u>\$ (2,482)</u>

4. Earnings before income taxes

Earnings before income taxes are stated after charging:

\$ thousands

	1985	1984
Depreciation and amortization of fixed assets	\$ 21,989	\$ 18,048
Amortization of goodwill	973	1,966
Net interest on (cash)/bank advances	(596)	1,210
Interest on long-term liabilities	10,598	11,848

5. Income taxes

\$ thousands

	1985	1984
Canadian		
Current income taxes	\$ 14,930	\$ 15,877
Deferred income taxes	1,128	(3,827)
	<u>16,058</u>	<u>12,050</u>
Foreign		
Current income taxes	13,197	12,859
Deferred income taxes	1,715	(3,259)
	<u>14,912</u>	<u>9,600</u>
Total		
Current income taxes	28,127	28,736
Deferred income taxes	2,843	(7,086)
	<u>\$ 30,970</u>	<u>\$ 21,650</u>

Of the total amount of deferred income taxes, \$2,225,000 (1984 — \$580,000) relates to non-current items.

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

<i>percentages</i>	1985	1984
Canadian corporate tax rate	45.6	45.1
Effect of higher foreign tax rates.	1.6	1.6
Effect of financing and inventory allowances.	(6.0)	(6.6)
Effect of non-deductible goodwill amortization and appraisal-surplus depreciation	0.7	1.7
Investment tax credits	—	(3.6)
Effect of recognition for tax purposes of foreign losses and investment tax credits from prior years	(0.2)	(2.5)
Adjustment of amounts previously provided	(0.7)	0.3
Other.	(0.5)	0.3
	40.5	36.3

In compliance with the approach recommended by the Canadian Institute of Chartered Accountants, the Company has changed its accounting policy for investment tax credits from the flow-through to the cost reduction approach. As a result of the change, the effective income tax rate increased by 2.1 % and the income tax charged against earnings increased by \$1,642,000.

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:

<i>\$ thousands</i>	1985	1984
Tax depreciation and amortization in excess of accounting depreciation and amortization	\$ 2,147	\$ 604
Accounts receivable holdbacks.	993	(1,779)
Provisions for doubtful debts and pension contributions not currently deductible for income tax purposes	132	(901)
Deferred recognition for income tax purposes of profit on long-term contracts	342	(3,142)
Inventories restated on the first-in, first-out method	(156)	(232)
Adjustment of amounts previously provided and other items	(615)	(1,636)
Deferred income taxes of the year	2,843	(7,086)
Transfer to income taxes payable in respect of income tax losses and investment tax credits of prior years, and other adjustments	737	7,490
	\$ 3,580	\$ 404

6. Losses from discontinued operations

The door and window operation of Indal Products Division was discontinued during the year and the business of Kabinart Corporation was disposed of effective January 1, 1986. The operating losses, the loss on discontinuance and provision for the loss on disposal of these operations have been segregated and stated separately in the consolidated statement of earnings. Comparative figures reflect operating losses and losses relating to the disposal or discontinuance of Deltaglass S.A., Commercial Aluminum (Western) Division and the Company's metal trading operation.

<i>\$ thousands</i>	1985	1984
Sales.	\$ 15,860	\$ 2,240
Operating losses	2,622	4,752
Losses on disposal or discontinuance	3,340	1,566
	5,962	6,318
Income tax recovery	2,680	2,818
	\$ 3,282	\$ 3,500

7. Segmented information

Segmented information is set out on pages 28 and 29

8. Inventories

\$ thousands

	1985	1984
Raw materials	\$ 55,730	\$ 67,041
Work in process	39,108	29,248
Finished goods	22,208	21,532
	\$117,046	\$117,821

9. Fixed assets

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

\$ thousands

	1985	1984
Land and buildings	\$ 8,536	\$ 8,052
Machinery and equipment	6,353	6,007
	14,889	14,059
Accumulated depreciation	(6,050)	(4,932)
	\$ 8,839	\$ 9,127

Aggregate future minimum lease payments at December 31, 1985 are as follows:

\$ thousands

	Capital leases	Operating leases
1986	\$ 1,338	\$ 9,916
1987	1,315	8,192
1988	1,278	6,670
1989	1,067	4,513
1990	1,835	2,756
Thereafter	11,263	11,186
Total minimum lease payments	18,096	43,233
Less: amount representing interest	6,830	—
	\$ 11,266	\$ 43,233

10. Goodwill

\$ thousands

	Before Jan. 1, 1974	After Jan. 1, 1974	1985	1984
Resulting from acquisitions or agreements entered into				
Balance—beginning of year	\$ 12,379	\$ 24,400	\$ 36,779	\$ 35,111
Additions	—	4,790	4,790	2,335
Amortization	—	(973)	(973)	(1,966)
Exchange rate adjustments	—	1,400	1,400	1,299
Balance—end of year	\$ 12,379	\$ 29,617	\$ 41,996	\$ 36,779

11. Bank facilities

Operating and revolving credit facilities with the Company's bankers are negotiated and extended annually. Facilities available at December 31, 1985 amounted to \$151,000,000 (December 31, 1984—\$145,800,000) of which the amount in use and included in "Other" in long-term liabilities (note 12), was \$1,316,000 (December 31, 1984—\$5,276,000).

12. Long-term liabilities

\$ thousands

	1985	1984
U.S. \$39,324,000 unsecured bank term loan, repayable in increasing annual instalments from 1989 to 1991, with interest at LIBOR plus from 1/2 % to 1 % over the term of the loan. In 1984 the Company entered into separate interest rate swap agreements which effectively converted the interest cost on U.S. \$20,000,000 of this loan to a fixed rate of approximately 12 1/2 % for five years	\$ 55,054	\$ 51,908
8 1/2 % Sinking Fund Debentures, Series A, due March 15, 1993 secured by a charge on certain assets of the Company and the pledge of the shares of a Canadian subsidiary, with annual sinking fund repayments of \$23,000 in 1986, \$400,000 in 1987 and 1988 and \$550,000 from 1989 to 1992, with the balance of \$1,900,000 repayable on maturity	4,923	5,159
Mortgages maturing:		
Within 5 years, at from 8 % to 14 3/4 %	9,581	11,099
Within 5-10 years, at from 9 1/4 % to 13 1/2 %	2,154	1,184
After 10 years, at from 4 % to 9 3/4 %	1,252	3,322
U.S. \$6,000,000 Industrial Revenue Bonds at 10 % repayable from 1991 to 1993	8,400	7,920
Other	9,525	8,879
	90,889	89,471
Capital leases:		
Manufacturing plant and equipment leases payable in varying monthly or annual instalments at interest rates of from 2 % to 18 1/4 % . At the end of each lease term the Company has the option to purchase the property and equipment on payment of a nominal sum	11,266	11,046
	102,155	100,517
Less: portion due within one year	2,460	2,434
	\$ 99,695	\$ 98,083

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

\$ thousands

	1985	1984
Balance—beginning of year	\$100,517	\$120,935
New borrowings	4,424	16,493
Repayments	(7,864)	(43,541)
Exchange rate adjustments	5,078	6,630
Balance—end of year	\$102,155	\$100,517

Estimated maximum repayments over the next five years are as follows: 1986—\$2,460,000; 1987—\$5,384,000; 1988—\$2,582,000; 1989—\$15,821,000; and 1990—\$19,858,000.

13. 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.

Changes in issued capital stock:

Preferred shares:

The 1,000,000 cumulative floating rate preferred shares Series A were redeemed by the Company at their stated value of \$25 per share on December 3, 1984.

Common shares:

<i>thousands of shares/\$ thousands</i>	Shares	1985	1984
Balance—beginning of year	24,334	\$114,553	\$ 82,386
Treasury issue	—	—	31,934
Exercise of stock options	109	676	233
Balance—end of year	24,443	\$115,229	\$114,553

The weighted average number of shares outstanding during the year was 24,401,000 (1984—22,524,000).

Stock options:

At December 31, 1985, stock options were outstanding in respect of 167,000 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 between \$6.750 and \$16.875 per share and expire on various dates from 1986 to 1992.

14. Currency translation account

<i>\$ thousands</i>	1985	1984
Balance—beginning of year	\$ 13,944	\$ 6,943
Translation of balance sheets of self-sustaining foreign operations	11,915	10,146
Translation of foreign currency loans hedging net investment in foreign operations	(3,145)	(3,145)
Balance—end of year	\$ 22,714	\$ 13,944

15. Commitments and contingencies

Minority shareholders in four subsidiaries have the option to require the Company to purchase their shareholdings at prices based on the earnings of these companies. In respect of three subsidiaries these options were not yet exercisable at December 31, 1985 and hence the total potential cost cannot be determined. For the subsidiary in respect of which an option was already exercisable, the cost based on earnings to December 31, 1985 would be approximately \$490,000.

A Canadian subsidiary of the Company received federal and provincial income tax assessments totalling \$4,000,000 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, judgment 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 judgment. 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 lawsuits as at December 31, 1985 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, 1985, capital commitments in respect of fixed asset additions amounted to \$6,500,000.

16. Related party transactions

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

17. Pension plans

Various pension plans exist within the Company. Pension plan contributions charged to income during the year amounted to \$4,477,000 (1984—\$6,002,000). In addition to the normal annual cost, the 1984 figure reflected full provision for a deficit of \$6,579,000 in one plan, arising from a change in the actuarial method of calculating benefits, and full credit for a surplus of \$4,700,000 in a second plan, arising principally from an actuarial revaluation.

The Company's pension plans are actuarially revalued at least every three years. The cost of normal pension fund contributions is provided and funded on a current basis. Provisions for this cost are adjusted to reflect the amounts of actuarial revaluation surpluses and deficiencies in the year in which they arise, and amounts funded are adjusted to reflect these surpluses and deficiencies over periods of up to ten years.

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, 1985

By industry segment

\$ millions	Total		Residential construction		Non-residential construction		Industrial	
	1985	1984	1985	1984	1985	1984	1985	1984
Total sales	\$959.0	\$860.8	\$402.6	\$369.1	\$200.6	\$155.3	\$355.8	\$336.4
Inter-segment sales	(28.3)	(26.0)	(0.1)	(0.2)	(8.0)	(7.3)	(20.2)	(18.5)
External sales	930.7	834.8	402.5	368.9	192.6	148.0	335.6	317.9
% increase	+ 11.5%		+ 9.1%		+ 30.1%		+ 5.6%	
% of total external sales	100%	100%	43.2%	44.2%	20.7%	17.7%	36.1%	38.1%
Operating profit	95.4	81.7	39.9	32.9	12.3	12.2	43.2	36.6
% increase	+ 16.7%		+ 21.1%		+ 0.8%		+ 18.1%	
% of total operating profit	100%	100%	41.8%	40.3%	12.9%	14.9%	45.3%	44.8%
Operating profit % of external sales	10.2%	9.8%	9.9%	8.9%	6.4%	8.2%	12.9%	11.5%
Identifiable assets	515.3	480.3	210.7	184.3	105.5	105.7	199.1	190.3
% of total identifiable assets	100%	100%	40.9%	38.4%	20.5%	22.0%	38.6%	39.6%
Depreciation and amortization	21.2	17.0	6.7	5.7	4.8	4.2	9.7	7.1
Capital expenditures ...	35.2	29.8	13.7	8.2	5.7	4.0	15.8	17.6

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

\$ millions	1985	1984
Operating profit	95.4	81.7
Consolidation eliminations	(3.9)	(1.9)
Corporate expense	(5.1)	(7.0)
Interest expense	(10.0)	(13.1)
Earnings before income taxes	76.4	59.7

— Identifiable assets reconcile with total assets as follows:

\$ millions	1985	1984
Identifiable assets	515.3	480.3
Consolidation eliminations	(50.3)	(66.7)
Corporate assets	26.5	26.1
Total assets	491.5	439.7

By geographic segment

\$ millions	Total		Canada		United States	
	1985	1984	1985	1984	1985	1984
Total sales	\$959.0	\$860.8	\$396.7	\$340.5	\$562.3	\$520.3
Inter-segment sales	(28.3)	(26.0)	(19.8)	(19.2)	(8.5)	(6.8)
External sales	930.7	834.8	376.9	321.3	553.8	513.5
% increase	+ 11.5%		+ 17.3%		+ 7.9%	
% of total external sales	100%	100 %	40.5%	38.5 %	59.5%	61.5 %
Operating profit	95.4	81.7	53.3	37.9	42.1	43.8
% increase/decrease	+ 16.7%		+ 40.3%		- 3.7%	
% of total operating profit	100%	100 %	55.8%	46.4 %	44.2%	53.6 %
Operating profit % of external sales	10.2%	9.8 %	14.1%	11.8 %	7.6%	8.5 %
Identifiable assets	515.3	480.3	210.4	191.1	304.9	289.2
% of total identifiable assets	100%	100 %	40.8%	39.8 %	59.2%	60.2 %
Depreciation and amortization	21.2	17.0	7.4	6.1	13.8	10.9
Capital expenditures	35.2	29.8	11.4	11.8	23.8	18.0

— 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 \$140,006,000 (1984—\$129,156,000) and represented 37.1 % (1984—40.2 %) of Canadian external sales of \$376,880,000 (1984—\$321,264,000).

— Percentages have been calculated using figures in thousands of dollars.

Quarterly financial information (unaudited)
for the year ended December 31, 1985

Indal Limited

\$ thousands except common share data

1985	Three months ended				Year ended
	March 31	June 30	September 30	December 31	December 31
Sales ⁽¹⁾	\$191,962	\$235,553	\$256,869	\$246,353	\$930,737
Gross profit ⁽¹⁾	44,506	60,189	68,895	65,726	239,316
Gross profit percentage ⁽¹⁾	23.2 %	25.6 %	26.8 %	26.7 %	25.7 %
Net earnings	3,100	10,473	14,674	12,734	40,981
Earnings per common share					
Basic	\$0.13	\$0.43	\$0.60	\$0.52	\$1.68
Fully diluted	0.13	0.43	0.59	0.52	1.67
Dividends per common share	0.15	0.15	0.15	0.15	0.60
Market price of common shares ⁽²⁾					
High	\$14 ⁷ / ₈	\$ 16	\$17 ³ / ₄	\$19 ³ / ₈	\$19 ³ / ₈
Low	11	12 ¹ / ₂	15 ¹ / ₄	15 ¹ / ₄	11
Number of shares traded ⁽³⁾ (thousands)	952	389	773	579	2,693

1984	Three months ended				Year ended
	March 31	June 30	September 30	December 31	December 31
Sales ⁽¹⁾	\$175,671	\$214,730	\$224,894	\$219,487	\$834,782
Gross profit ⁽¹⁾	39,752	52,484	58,357	61,153	211,746
Gross profit percentage ⁽¹⁾	22.6 %	24.4 %	25.9 %	27.9 %	25.3 %
Net earnings	3,105	8,965	11,916	9,484	33,470
Earnings per common share					
Basic	\$0.13	\$0.40	\$0.50	\$0.38	\$1.41
Fully diluted	0.13	0.39	0.50	0.37	1.39
Dividends per common share	0.12 ¹ / ₂	0.12 ¹ / ₂	0.15	0.15	0.55
Market price of common shares ⁽²⁾					
High	\$13 ³ / ₄	\$12 ¹ / ₄	\$11 ⁷ / ₈	\$11 ³ / ₄	\$13 ³ / ₄
Low	11	10 ⁷ / ₈	10	10 ¹ / ₄	10
Number of shares traded ⁽³⁾ (thousands)	744	380	460	590	2,174

(1) 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.

(2) High/low market prices reflect prices quoted on The Toronto Stock Exchange.

(3) The number of shares traded reflects the combined volume of shares traded on the Toronto and Montreal stock exchanges.

Fabricated Steel Products Division is a quality supplier of parts to the major North American auto manufacturers. Martin Barzotto inspects an engine mounting bracket on an automated welding and assembly line at Fabricated Steel Products' Windsor, Ontario plant.



Ten year financial summary

\$ millions except common share data

	1985	1984
Operations		
Sales	\$931	\$835
Gross profit	239	212
Percentage gross profit	25.7%	25.3 %
Earnings before income taxes ⁽¹⁾	76.4	59.7
Percentage earnings before income taxes	8.2%	7.1 %
Net earnings	41.0	33.5
Preferred dividends	—	1.8
Common dividends	14.6	12.6
Percentage return on average common shareholders' equity ⁽²⁾	17.1%	16.4 %
Percentage of average working capital to sales	18.8%	20.8 %
Common share data⁽³⁾		
Earnings per share	\$1.68	\$1.41
Dividends per share	60¢	55¢
Book value per share	10.55	9.12
Average number of shares outstanding (<i>millions</i>)	24.4	22.5
Assets		
Net current assets	184	168
Current ratio	2.8:1	2.7:1
Fixed assets	160	138
Total assets	492	440
Shareholders' equity		
Preferred shareholders' equity	—	—
Common shareholders' equity	258	222
Number of common shares outstanding at year-end (<i>millions</i>)	24.4	24.3
Cash flow		
Purchase of fixed assets	35	31
Depreciation of fixed assets	22	18
Net cash inflow/(outflow) before common dividends	14	32

(1) Figures prior to 1985 have been restated to exclude the operating results of the year of disposal or discontinuance and gains and losses on the 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.

(2) 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.

(3) Figures prior to 1983 have been restated to reflect the 2 for 1 stock split in May 1983. Figures prior to 1977 have also been restated to reflect the 2 for 1 stock split in that year.

(4) Percentages and ratios have been calculated using figures in thousands of dollars.

1983	1982	1981	1980	1979	1978	1977	1976
\$695	\$565	\$584	\$443	\$450	\$363	\$212	\$159
174	129	145	110	116	93	55	43
25.0%	22.9%	24.8%	24.8%	25.8%	25.5%	25.9%	27.1%
37.9	7.3	28.0	27.0	39.3	28.0	16.5	15.7
5.5%	1.3%	4.8%	6.1%	8.7%	7.7%	7.8%	9.9%
23.5	3.2	12.5	15.8	23.6	13.8	9.3	9.5
1.9	2.6	2.5	2.2	1.8	1.1	0.1	0.1
5.3	4.3	7.7	7.7	6.7	3.6	3.1	2.8
14.7%	0.4%	7.6%	10.6%	18.1%	14.8%	17.1%	20.5%
23.4%	26.9%	22.2%	25.6%	23.3%	22.4%	28.3%	26.6%
\$1.03	\$0.03	\$0.52	\$0.71	\$1.14	\$0.96	\$0.74	\$0.78
25¢	22.5¢	40¢	40¢	35¢	27.9¢	24.8¢	22.9¢
7.69	6.78	6.89	6.78	6.25	5.47	4.46	4.05
20.9	19.2	19.2	19.2	19.2	13.4	12.4	12.2
159	107	116	103	92	98	33	32
2.6:1	2.0:1	2.4:1	3.0:1	2.5:1	3.1:1	1.6:1	2.1:1
123	127	119	105	95	77	46	39
417	376	362	304	290	259	148	122
25	25	25	25	25	25	1	1
164	131	133	130	128	113	59	49
21.3	9.7	9.6	9.6	9.6	9.6	6.5	3.0
16	23	22	22	33	20	11	9
16	16	15	12	11	8	6	4
27	8	(17)	23	(15)	36	(4)	(16)

Product and market terms

Architectural products or systems: Refers generally to the fabrication of large windows 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. to link a hovering helicopter securely to the deck of a naval vessel shortly before touchdown, and, in the U.S. Navy application, to manoeuvre it along a track into the vessel's hangar.

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 not normally of an aircraft-carrying type.

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: Billet casting from sorted and remelted aluminum scrap.

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: A method of 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.

Wood profiling: Machine processing of lengths of wood to form shaped mouldings for use in products such as window frames and door jambs.

Zinc diecasting: Molten zinc is forced 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.

Indalloy Division in Toronto produces aluminum billet from recycled aluminum scrap for Indal extrusion operations and other customers in Canada and the United States. Gino Dante is controlling a cast as billet moulds are filled with molten aluminum.



Principal operating subsidiaries and divisions

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.

A.J. Rankin, President

*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*

Indal Products Maritimes Division,
Amherst, N.S.

R.W. Janes, Vice-President and
General Manager

*Aluminum storm windows, doors and
other home improvement products*

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.; Edmonton, Alta.;

and Toronto, Ont.

H.R. Resar, President

*Curtainwall, commercial and institutional
windows and specialty systems.*

Lamilite Limited, Orangeville, Ont.
(70% owned)

J.F. Sartain, 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 Regina and Saskatoon, Sask.

R. Benson, President

*Cold rollformed steel and aluminum products
including industrial and agricultural siding
and roofing and grain bins.*

Industrial

Brampton Foundries Limited,
Brampton, Ont. (75% 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, Ont.

J.R. Davidson, President and Chief
Executive Officer

*Automotive stampings and fabricated
products*

Indalex Division, Toronto, Ont.;

Montreal, P.Q.; Calgary, Alta.; and

Port Coquitlam, B.C.

K.B. Carruthers, President

Aluminum extrusions 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

Replacement Products Industries
Corporation, Philadelphia, PA
R. Matyasik, President
Aluminum replacement windows

SealRite Windows, Inc.,
Lincoln, NE
D.R. Eby, Vice-President and
General Manager
Wood windows and patio doors

Indal Wall Systems Inc., Chicago, IL
H.R. Resar, President
*Curtainwall, commercial and institutional
windows and specialty systems*

Tempglass, Inc., Toledo, 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
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; Atlanta, GA; Dallas, TX;
New York, NY; and Denver, CO
P.J. Leonardi, President
*Aluminum extrusions and fabrication,
revolving doors and aluminum windows
and doors*

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
K. Starrenburg, General Manager
Extrusion dies

Mideast Aluminum Industries
Division of Indal Inc., Dayton, NJ; and
Mountaintop, PA
R.B. Sowers, Chairman and Chief
Executive Officer
J.K. Casey, President
Aluminum extrusions and fabrication

The Board of Directors



Walter E. Stracey
Chairman and
Chief Executive Officer,
Indal Limited,
Toronto

Elected a Director in 1965

Joined Indal in 1964 when Westland Metals Ltd., the company which he founded in 1961, became a founder member of the Indal group.

Has served as Executive Vice-President (1964-67); President (1967-73); Chairman (since 1973); and Chief Executive Officer (1967-73 and since 1983).

Mr. Stracey is also a Director of Acklands Limited and National Westminster Bank of Canada, and of R.T.Z. Pillar Limited, in the United Kingdom.

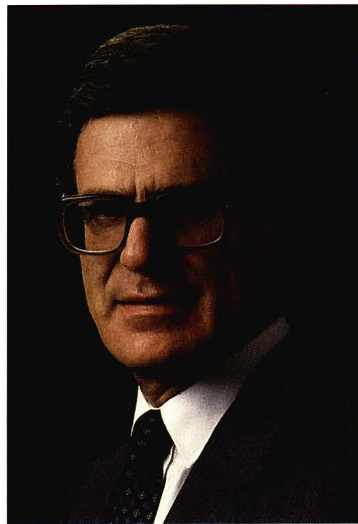


J. Norman McKnight
President and
Chief Operating Officer,
Indal Limited,
Toronto

Elected a Director in 1983

Joined Indal when his former company, McKnight Window Industries Limited, became a member of the Indal group in 1971.

Has served as Divisional Vice-President (1976-78); Executive Vice-President, Canadian Operations (1978-83); and President and Chief Operating Officer (since 1983).



Peter G. Selley
Senior Vice-President, Finance,
Indal Limited,
Toronto

Elected a Director in 1973

Joined Indal in 1966. Has served as Vice-President, Finance (1973-1981) and Senior Vice-President, Finance (since 1981).

J. Ross LeMesurier
Company Director,
Toronto

Elected a Director in 1966

Mr. LeMesurier retired in 1983 as a Vice-Chairman of Wood Gundy Inc. He is also a Director of Cantel Inc., Great Lakes Forest Products Limited and Telemedia Canada Inc.



Derek Edwards
Chairman and
Chief Executive,
R.T.Z. Pillar Limited,
London, England

Elected a Director in 1973

Mr. Edwards is also a Director of The Rio Tinto-Zinc Corporation PLC, R.T.Z. Pillar Limited, TI Group plc and Bridon plc, in the United Kingdom, and of Metro Industries Ltd., in Australia.

George H. Montague
Vice-President,
TALcorp Limited,
Toronto

Elected a Director in 1970

Mr. Montague is also a Director of TALcorp Limited, Reichhold Limited and Cablecasting Limited.





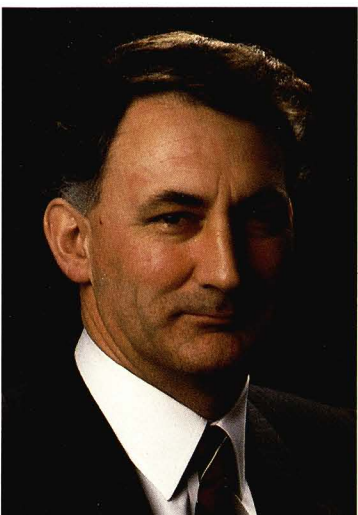
J. Derek Riley
Company Director,
Winnipeg

Elected a Director in 1973

Mr. Riley is also a Director of Federal Industries Ltd., Inter-City Gas Corporation, North Portage Development Corporation, The Molson Companies Limited, United Canadian Shares Limited and The White Pass and Yukon Corporation Ltd.

Simon B. Scott, Q.C.
Partner, Borden & Elliot,
Barristers and Solicitors,
Toronto

Elected a Director in 1980



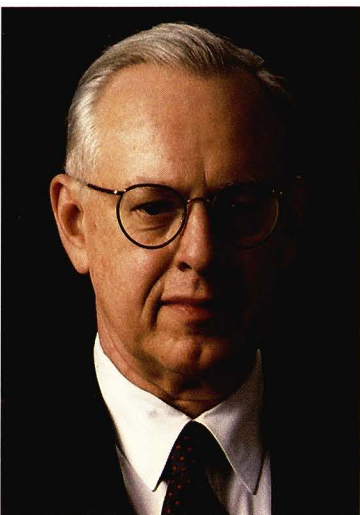
Alastair H. Ross
President,
Allaro Resources Ltd.,
Calgary

Elected a Director in 1981

Mr. Ross is also a Director of a number of other companies, including Bell Canada Enterprises Inc., Cana Limited, Canadian Investment Fund, Ltd., Commercial Union of Canada Holdings Ltd., Monenco Limited, National Westminster Bank of Canada, Phillips Petroleum Canada Ltd. and R. Angus Alberta Limited.

Leo P. Larkin, Jr.
Partner, Rogers & Wells,
Attorneys, New York

Elected a Director in 1979



Lt. General (Ret'd)
G. Allan MacKenzie
CMM; O St J; CD
Executive Vice-President,
Gendis Inc.,
Winnipeg

Elected a Director in 1981

Mr. MacKenzie is also a Director of Gendis Inc. and Sony of Canada Ltd.

Michael M. Freeman
Finance Director,
R.T.Z. Pillar Limited,
London, England

Elected a Director in 1982

Mr. Freeman is also a Director of R.T.Z. Pillar Limited, in the United Kingdom, and of Metro Industries Ltd., in Australia.



Committees of the Board:

Executive Committee

W. E. Stracey (Chairman)
D. Edwards
J. R. LeMesurier
J. N. McKnight
J. D. Riley
S. B. Scott, Q.C.

Audit Committee

J. D. Riley (Chairman)
A. H. Ross
S. B. Scott, Q.C.

Compensation Committee

D. Edwards (Chairman)
L. P. Larkin
J. R. LeMesurier
W. E. Stracey

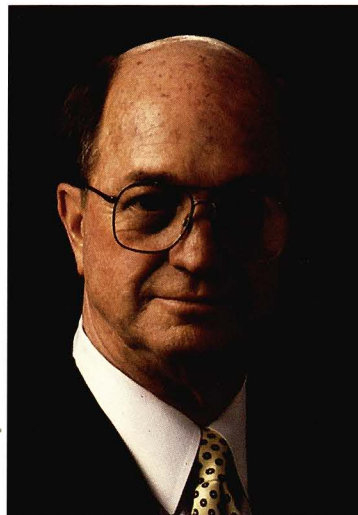
Board members of Pension Committee:

G. H. Montague (Chairman)
G. A. MacKenzie
P. G. Selley

James R. Hewell, Jr.
Chairman and
Chief Executive Officer,
Peachtree Doors, Inc.,
Atlanta, Georgia

Elected a Director in 1978 when Peachtree Doors, Inc., the company which he founded in 1959, became a member of the Indal group.

Mr. Hewell is also a Director of First Security National Bank, in Norcross, Georgia



Shareholder information

The Company

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

Capital stock

At December 31, 1985 the issued capital stock of the Company comprised 24,442,522 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:

		Issue price	No. of shares
1969	Public issue	\$15.00	150,000
1972	Rights issue: 1 for 2	9.75	479,059
1973	Rights issue: 1 for 3	10.50	539,287
1975	Rights issue: 1 for 3	9.25	752,098
1977	Stock split: 2 for 1		3,045,760
1978	Public issue	12.75	3,000,000
1983	Private placement	16.50	950,000
1983	Stock split: 2 for 1		10,631,911
1984	Private placement	10.65	3,000,000

Trading of stock

The following table sets out the high and low closing 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:

	High	Low	No. of shares
1981	\$10.00	\$ 5.50	2,800,000
1982	7.75	4.75	1,820,000
1983	13.62½	7.75	3,125,000
1984	13.75	10.00	2,174,000
1985	19.37½	11.00	2,693,000

Note: figures in the above table have been adjusted to reflect stock splits prior to 1986.

Investment data

The following table sets out the averages of the high and low closing 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:

	Average share price	Dividends paid	Dividend yield
1969	\$ 4.01	\$0.05	1.2 %
1970	2.16	0.05	2.3
1971	2.19	0.05	2.3
1972	3.26	0.07½	2.3
1973	3.12	0.15	4.8
1974	2.69	0.19½	7.3
1975	2.73	0.22½	8.2
1976	3.30	0.23	7.0
1977	4.22	0.24¾	5.9
1978	6.31	0.28	4.4
1979	6.78	0.35	5.2
1980	7.44	0.40	5.4
1981	7.75	0.40	5.2
1982	6.25	0.22½	3.6
1983	10.69	0.25	2.3
1984	11.87	0.55	4.6
1985	15.19	0.60	3.9

Note: figures in the above table have been adjusted to reflect stock splits prior to 1986.

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

1985 Annual Report

Additional copies of the 1985 Annual Report may be obtained from the Secretary, Indal Limited, 4000 Weston Road, Weston, Ontario M9L 2W8

1986 Annual Meeting

The 1986 annual meeting of the common shareholders of the Company will be held on May 8, 1986 at 4:00 p.m. in the Library Room of The Royal York Hotel, 100 Front Street West, Toronto, Ontario.

Corporate directory

Directors

Derek Edwards
Chairman and Chief Executive,
R.T.Z. Pillar 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,
Gendis Inc.

J. Norman McKnight
President and Chief Operating Officer,
Indal Limited

George H. Montague
Vice-President, 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
Senior Vice-President, Finance,
Indal Limited

Walter E. Stracey
Chairman and Chief Executive Officer,
Indal Limited

Officers and Senior Corporate Management

Walter E. Stracey*
Chairman and Chief Executive Officer

J. Norman McKnight*
President and Chief Operating Officer

Peter G. Selley*
Senior Vice-President, Finance

S. Glen Abray
Divisional Vice-President,
North American Residential
and Consumer

Andrew C. Deruchie
Manager, Internal Audit

Robert H.R. Dryburgh
Divisional Vice-President,
North American Non-residential
and Glass

David L. Farnsworth
Vice-President, Corporate Development

George A. Godwin*
Corporate Counsel and Secretary

John D. Hillery*
Vice-President, Investments and
Assistant Secretary

Vincent J. Howcroft
Vice-President, Administration

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
and Employee Benefits

Peter Suurtamm
Vice-President, Information Systems

A.M. Gordon Turnbull
Vice-President, Treasurer

James R. Webster
Vice-President, Administrative Services

Peter E. Wyatt
Vice-President, Controller

*Officer

Corporate Office

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

Auditors

Coopers & Lybrand, Toronto
Chartered Accountants

Principal Bankers

The Toronto-Dominion Bank
Canadian Imperial Bank of
Commerce

General Counsel

Borden & Elliot, Toronto
Rogers & Wells, New York

