FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2006-05-08** | Period of Report: **2006-03-31**
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FILER

INTERNATIONAL ALUMINUM CORP

CIK:**51103**| IRS No.: **952385235** | State of Incorp.:**CA** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **001-07256** | Film No.: **06816140**
SIC: **3442** Metal doors, sash, frames, moldings & trim

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934**

For quarter ended March 31, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-7256

INTERNATIONAL ALUMINUM CORPORATION

(Exact name of Registrant as specified in its charter)

California	**95-2385235**
(State of incorporation)	(I.R.S. Employer Identification No.)

767 Monterey Pass Road
Monterey Park, California 91754
(323) 264-1670
(Principal executive office and telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
(Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At May 1, 2006 there were 4,305,338 shares of Common Stock outstanding.

INTERNATIONAL ALUMINUM CORPORATION

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PART I - FINANCIAL INFORMATION

Unaudited

Item 1. Financial Statements.

International Aluminum Corporation

Condensed Consolidated Balance Sheets

	March 31, 2006	June 30, 2005
Assets		

Current assets:		
Cash and cash equivalents	$ 17,981,000	$ 12,437,000
Accounts receivable, net	44,605,000	43,543,000
Inventories	45,825,000	41,270,000
Prepaid expenses and deposits	2,366,000	2,055,000
Deferred income taxes	3,310,000	3,310,000
Total current assets	114,087,000	102,615,000
Property, plant and equipment, at cost	128,474,000	125,081,000
Accumulated depreciation	(80,534,000)	(78,179,000)
Net property, plant and equipment	47,940,000	46,902,000
Other assets:		
Goodwill	667,000	645,000
Other	2,214,000	1,469,000
Total other assets	2,881,000	2,114,000
Total Assets	$ 164,908,000	$ 151,631,000
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 15,667,000	$ 9,958,000
Accrued liabilities	14,382,000	13,531,000
Income taxes payable	–	1,572,000
Total current liabilities	30,049,000	25,061,000
Deferred income taxes	6,067,000	6,067,000
Total liabilities	36,116,000	31,128,000
Shareholders' equity	128,792,000	120,503,000
Total Liabilities and Shareholders' Equity	$ 164,908,000	$ 151,631,000

See accompanying notes to condensed consolidated financial statements.

Unaudited

International Aluminum Corporation

Condensed Consolidated Statements of Income

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2006	2005	2006	2005
Net sales	$ 69,732,000	$ 62,088,000	$ 203,719,000	$ 184,574,000
Cost of sales	54,203,000	48,194,000	158,202,000	143,014,000
Gross profit	15,529,000	13,894,000	45,517,000	41,560,000
Selling, general and administrative expenses	10,245,000	9,499,000	29,523,000	27,680,000
Income from operations	5,284,000	4,395,000	15,994,000	13,880,000
Interest (income), net	(94,000)	(16,000)	(229,000)	(56,000)
Income before income taxes	5,378,000	4,411,000	16,223,000	13,936,000
Provision for income taxes	1,910,000	1,680,000	5,590,000	5,380,000
Net income	$ 3,468,000	$ 2,731,000	$ 10,633,000	$ 8,556,000
Basic and diluted EPS:	$ .81	$ .64	$ 2.48	$ 2.01
Shares used to compute EPS:				
Basic	4,305,338	4,252,403	4,291,153	4,247,838
Diluted	4,307,136	4,261,485	4,293,945	4,254,968
Cash dividends per share	$ .30	$ .30	$ .90	$ .90

See accompanying notes to condensed consolidated financial statements.

Unaudited

International Aluminum Corporation

Condensed Consolidated Statements of Cash Flows

	Nine Months Ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net income	$ 10,633,000	$ 8,556,000
Adjustments for noncash transactions:		
Depreciation and amortization	4,412,000	4,730,000
Changes in assets and liabilities:		
Accounts receivable	(886,000)	(2,952,000)
Inventories	(4,451,000)	(12,285,000)
Prepaid expenses and other	(1,050,000)	(693,000)
Accounts payable	5,541,000	1,686,000
Accrued liabilities	840,000	1,642,000
Income taxes payable	(1,518,000)	(1,003,000)
Net cash provided by (used in) operating activities	13,521,000	(319,000)

Cash flows from investing activities:		
Capital expenditures	(5,330,000)	(1,970,000)
Proceeds from sales of capital assets	188,000	153,000
Net cash used in investing activities	(5,142,000)	(1,817,000)
Cash flows from financing activities:		
Dividends paid to shareholders	(3,867,000)	(3,826,000)
Exercise of stock options	984,000	388,000
Net repayments under lines of credit	–	(223,000)
Net cash used in financing activities	(2,883,000)	(3,661,000)
Effect of exchange rate changes	48,000	40,000
Net change in cash and cash equivalents	5,544,000	(5,757,000)
Cash and cash equivalents at beginning of period	12,437,000	15,964,000
Cash and cash equivalents at end of period	$ 17,981,000	$ 10,207,000

See accompanying notes to condensed consolidated financial statements.

Unaudited

International Aluminum Corporation

Notes To Condensed Consolidated Financial Statements

Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (which consist solely of normal recurring adjustments unless otherwise disclosed) necessary for fair statement, in all material respects, of the Company' s financial position as of March 31, 2006 and June 30, 2005, and the results of operations for the three and nine months ended March 31, 2006 and 2005,and the cash flows for the nine months ended March 31, 2006 and 2005. The results of operations for the nine months ended March 31, 2006 are not necessarily indicative of the results to be expected for the full year.

The financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading in any material respect. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company' s latest annual report on Form 10-K.

Comprehensive Income

Comprehensive income, defined as net income and other comprehensive income, for the quarters ended March 31, 2006 and 2005 was $3,448,000 and $2,662,000, respectively. Comprehensive income for the nine months ended March 31, 2006 and 2005 was $11,172,000 and $9,565,000, respectively. Other comprehensive income includes foreign currency translation adjustments recorded directly in shareholders' equity.

Balance Sheet Components		**March 31, 2006**		**June 30, 2005**
Inventories, lower of FIFO cost or market				
Raw materials	$	38,135,000	$	34,720,000
Work in process		1,497,000		1,333,000
Finished goods		6,193,000		5,217,000
	$	45,825,000	$	41,270,000
Shareholders' Equity				
Common stock	$	4,826,000	$	4,791,000
Paid-in capital		5,638,000		4,689,000
Retained earnings		115,741,000		108,975,000
Accumulated other comprehensive income		2,587,000		2,048,000
	$	128,792,000	$	120,503,000

Unaudited

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net income by the weighted-average common shares and potentially dilutive common equivalent shares outstanding determined as follows:

		Three Months Ended March 31,		
		2006		**2005**
Numerator:				
Net Income	$	3,468,000	$	2,731,000
Denominator:				
Weighted-average shares outstanding used to compute basic EPS		4,305,338		4,252,403
Incremental shares issuable upon the exercise of stock options		1,798		9,082
Shares used to compute diluted EPS		4,307,136		4,261,485
Basic and Diluted net earnings per share	$	.81	$	.64

		Nine Months Ended March 31,		
		2006		**2005**
Numerator:				
Net Income	$	10,633,000	$	8,556,000

Denominator:

Weighted-average shares outstanding used to compute basic EPS	4,291,153	4,247,838
Incremental shares issuable upon the exercise of stock options	2,792	7,130
Shares used to compute diluted EPS	4,293,945	4,254,968
Basic and Diluted net earnings per share	$ 2.48	$ 2.01

Incremental shares issuable upon the assumed exercise of outstanding stock options are computed using the average market price during the related period. Excluded from the shares used to compute diluted earnings per share for the nine-month period of 2005, are 11,500 stock options because their inclusion would be anti-dilutive, since the stock option price was greater than the Company' s average common stock price for the period.

Stock Based Compensation

The Company granted stock options for the purchase of common stock to certain executive and managerial employees under the Company' s 1991 Stock Option Plan, whose expired granting authority has been transferred to the successor plan, the 2001 Stock Option Plan. The options have an exercise price equal to the market price of the stock on the date of grant, a term of ten years and become exercisable, or vested, in equal installments over a five-year period from the date of grant so long as the employees remain in the continuous employ of the Company. Prior to July 1, 2005, the Company applied Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees”, and related Interpretations in accounting for stock options granted under the plan. Under APB No. 25, compensation cost, if any, is recognized over the respective vesting period based on the difference, if any, on the date of grant, between the fair value of the Company' s common stock and the exercise price. All options issued have an exercise price equal to the fair value on the date of grant. Accordingly, no compensation cost has been recognized for those stock options. On December 31, 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation – Transition and Disclosure”, which amends SFAS No. 123, “Accounting for Stock-Based Compensation”. SFAS No. 148' s transition guidance and provisions for disclosures were effective for fiscal years ending after December 15, 2002. The Company did not adopt fair value accounting for employee stock options under SFAS No. 123 and SFAS No. 148. Since all outstanding stock awards are fixed stock options with no intrinsic value at the date of grant and were fully vested before the income statement periods presented, there would have been no change in reported net income and earnings per share had compensation cost been determined based on the fair value at the grant dates as prescribed by SFAS 123. In addition, on July 1, 2005 the Company adopted SFAS No. 123R (revised 2004), “Share-Based Payment”, which replaced SFAS No. 123 and superseded APB Opinion No. 25, using the modified prospective application. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values in the first interim or annual period beginning after June 15, 2005. The pro forma disclosures previously permitted under SFAS No. 123 will no longer be an alternative to financial statement recognition. The adoption of SFAS 123R did not result in compensation cost being recorded, as all outstanding options were fully vested on the date of adoption. During the nine month period ended March 31, 2006 no options were granted.

Income Taxes

The effective tax rate for the nine months ended March 31, 2006 was 34.5% compared to 38.6% in the comparable period of the prior year. The decline was primarily attributable to a decrease of Federal income tax reserves resulting from settlement of an Internal Revenue Service Appeals case, in addition to the Domestic Manufacturers Deduction, which contributed to 1% of the decline in the rate, available as a result of the enactment of recent Federal tax legislation.

Segment Information

The Company's operations are organized and managed by product type. The Company currently operates in three segments of the building products industry: Commercial Products, Residential Products and Aluminum Extrusions. Eliminations include all significant intercompany transactions and accounts. The Company evaluates performance based on operating income or loss before any allocation of corporate overhead, interest or taxes.

Unaudited

The following presents the Company's net sales, operating income and total assets by operating segment, reconciling to the Company's totals. All data presented in thousands of dollars.

	Three Months Ended March 31,		Nine Months Ended March 31,	
Net Sales:	**2006**	**2005**	**2006**	**2005**
Commercial	$ 32,815	$ 31,390	$ 96,727	$ 93,251
Residential	20,621	17,290	64,759	53,657
Aluminum Extrusion	36,399	28,992	94,976	85,809
Total Segments	89,835	77,672	256,462	232,717
Eliminations	(20,103)	(15,584)	(52,743)	(48,143)
Total	$ 69,732	$ 62,088	$ 203,719	$ 184,574

	Three Months Ended March 31,		Nine Months Ended March 31,	
Operating Income:	**2006**	**2005**	**2006**	**2005**
Commercial	$ 4,107	$ 3,573	$ 11,834	$ 10,777
Residential	3,097	2,874	11,352	9,001
Aluminum Extrusion	1,352	361	643	1,212
Total Segments	8,556	6,808	23,829	20,990
Eliminations	(716)	(161)	(533)	(41)
Corporate	(2,556)	(2,252)	(7,302)	(7,069)
Total	$ 5,284	$ 4,395	$ 15,994	$ 13,880

Total Assets:	**March 31, 2006**	**June 30, 2005**
Commercial	$ 70,924	$ 66,353
Residential	29,769	32,076
Aluminum Extrusion	41,673	42,010
Total Segments	142,366	140,439
Corporate	22,542	11,192
Total	$ 164,908	$ 151,631

Legal Proceedings

Certain of the Company' s subsidiaries are defendants in a class-action lawsuit captioned Klotzer, et al. v. International Windows In Time, Inc. filed in November 2002 in the Superior Court for Solano County, California. The suit alleges, among other things, that the Company' s 6200 Series aluminum windows produced since 1993 were defective in design and manufacture. The plaintiffs seek monetary damages, attorneys' fees and costs according to proof based upon various legal theories. The Company believes that substantially identical lawsuits have been filed against at least six other aluminum window manufacturers.

The Company believes that the plaintiffs' claims are without merit and intends to vigorously defend this lawsuit. The Company' s insurers have accepted defense of the lawsuit, subject to a reservation of rights. Trial date has been set for October 2, 2007. The lawsuit is in the discovery stage, and no prediction can be made as to its eventual outcome. The Company expects to incur additional legal expenses during the pendency of the lawsuit which are not expected to materially adversely affect the Company' s financial position or results of operations. Based upon current information, management also believes that the ultimate disposition of the lawsuit will have no material adverse effect upon the Company' s financial position, results of operations or cash flows.

Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, "Inventory Costs" (SFAS 151), which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. SFAS 151 is effective for inventory costs incurred beginning July 1, 2005. Upon adoption on July 1, 2005 SFAS 151 did not have a material impact on our financial statements.

In March 2005, the FASB issued Financial Interpretation No. 47 (FIN 47), "Accounting for Conditional Asset Retirement Obligations". FIN 47 is an interpretation of FASB Statement No. 143, "Accounting for Asset Retirement Obligations" and clarifies (i) that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability' s fair value can be reasonably estimated and (ii) when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. Upon adoption on July 1, 2005 FIN 47 did not have a material impact on our financial statements.

Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

General Overview

International Aluminum Corporation ("Company") is an integrated manufacturer of quality aluminum and vinyl products for use in commercial and residential applications. Our marketing brands are recognized leaders in their respective markets. Operations are conducted throughout North America, with headquarters in Monterey Park, California. The Company is organized into three business segments, Commercial Products, Residential Products and Aluminum Extrusion. Our performance is dependent to a significant extent upon levels of new construction, repair and remodeling for residential and commercial applications in the geographic markets we serve, all of which are affected by such factors as interest rates, consumer confidence and economic outlook.

Net sales increased $7,644,000, or 12.3%, for the quarter ended March 31, 2006 and $19,145,000, or 10.4%, for the nine months then ended when compared with the respective prior year periods. Cost of sales as a percentage of net sales was 77.7% for the current quarter, relatively unchanged from 77.6% for the same period last year, and for the nine-month period was 77.7%, also relatively unchanged from 77.5% for the same period last year. Selling, general and administrative expenses increased $746,000 for the current quarter and $1,843,000 for the current nine month period compared to the same periods last year, although as a percentage of net sales decreased to 14.7% for the quarter and 14.5% year to date compared to 15.3% and 15.0%, respectively, for the comparable periods last year.

The Company includes product costs, inbound freight, purchasing, receiving, inspection, internal transfer, warehousing and other costs of the Company' s distribution network in cost of goods sold, thereby reducing gross profit by these amounts. Cost of sales and gross profit as a percent of sales for the Company may not be comparable to those of other companies in our industry, since other entities may record purchasing, warehousing and distribution costs as selling, general and administrative expense.

The contribution to these results by each segment is discussed below.

Commercial Products

Sales of the Commercial Products Group increased $1,518,000, or 4.9%, for the current quarter ended March 31, 2006 and $3,625,000, or 3.9%, for the nine months then ended compared to the same periods last year. These gains reflect increased commercial construction activity together with increased sales prices and expanded geographic market penetration.

Cost of sales as a percentage of sales was 75.1% for the current quarter versus 76.3% for the same period last year and for the current nine-month period was 75.8% compared to 76.6% for the same period last year. Despite experiencing increased aluminum costs, this Group was able to maintain material cost percentages over the current nine-month period and achieved slightly lower material cost percentages for the current quarter compared to the same periods last year. Also contributing to the lower cost of sales percentages were decreased labor and overhead cost percentages compared to the same periods last year reflecting cost containment efforts coupled with volume efficiencies as a result of the aforementioned sales increases.

Selling, general and administrative expenses increased $225,000 for the current quarter and $580,000 for the current nine-month period compared to the same periods last year, and as a percentage of sales was 12.4% for the quarter and 12.0% year-to-date, virtually unchanged compared to the same periods last year. These increases were mainly attributable to additional employment and sales representation costs of $233,000 and $524,000 for the current three and nine-month periods, respectively, relating to the increased sales.

Residential Products

Sales of the Residential Products Group increased $3,328,000, or 19.3%, for the quarter ended March 31, 2006 and $11,135,000, or 20.8%, for the nine months then ended compared to the same periods last year. Consumer demand continues to stimulate new home construction, resales of existing homes and home improvement spending in the areas served by this Group. New product development and increased sales prices have also contributed to the increase.

Cost of sales as a percentage of sales was 71.5% for the current quarter versus 69.6% for the same period last year and was relatively unchanged at 70.5% for the current year-to-date period versus 70.2% last year. Higher material cost percentages due mainly to absorption of higher aluminum and energy surcharge costs were partially offset by declines in labor and overhead cost percentages. Additional labor efficiency from the increased volume during the three and nine-month periods was offset by higher costs incurred for overtime and temporary help in order to meet on-time delivery commitments.

Selling, general and administrative expenses increased $401,000 for the current quarter and $741,000 for the current nine-month period compared to the same periods last year, and as a percentage of sales, decreased to 13.5% for the quarter compared to 13.8% for the same quarter last year and decreased to 11.9% for the current nine-month period versus 13.0% last year. Increased expenses in the three and nine-month periods reflect $281,000 and $237,000, respectively, for higher legal costs and $136,000 and $493,000, respectively, for additional employment costs related to the increase in sales. In addition, the current quarter incurred $137,000 in higher advertising costs while the current nine-month period reflects $117,000 for increased general liability insurance costs. Partially offsetting the increases in the three and nine-month periods were decreases of $209,000 and $226,000, respectively, relating to retrospective workers' compensation and general liability policies.

Aluminum Extrusion

Sales to outside customers of the Aluminum Extrusion Group increased $2,798,000, or 20.4%, for the quarter ended March 31, 2006 and $4,385,000, or 11.4%, for the nine months then ended compared to the same periods last year. During the current nine-month period the Group benefited from an increase in selling prices and a 4.9% increase in net tonnage shipped to outside customers as both facilities posted gains compared to the same period in the prior year. During the current quarter, sales at our California facility rebounded from a poor six-month period ending in December 2005 by posting a very strong 23.3% gain in tonnage shipped to outside customers compared to the same period last year, thereby achieving a year-to-date increase of 2.1%. Increased demand from existing and new customers fueled the recent gain. Increased selling prices have also contributed to current quarter and year-to-date sales increases of 33.3% and 9.7%, respectively, compared to the same periods last year. Our Texas facility, however, did not fare as well as their tonnage shipped to outside customers declined slightly by 1.7% this quarter compared to the same period last year, the second straight quarter of decline, although they have still achieved an 8.4% improvement for the current nine-month period stemming from a very robust first quarter increase. Increased selling prices compensated for the decline in tonnage as this facility posted a 6.9% increase in sales for the quarter compared to the same period last year. Although their year-to-date sales gain is a strong 13.7%, compared to the same period last year, further gains were hampered somewhat by reduced shipments to the sales areas impacted by the hurricanes suffered during the December quarter in the Gulf Coast region.

Cost of sales as a percentage of sales was 94.0% for the current quarter compared to 95.3% for the same period last year and for the current nine-month period was 96.3% versus 95.5% for the comparable period last year. A combination of factors contributed to these results. At both facilities, cost of sales as a percentage of sales decreased for the current quarter compared to the same period last year but increased for the current nine-month period compared to last year. Due to the highly competitive marketplace, selling

prices were increased directly in line with the increased cost of aluminum, resulting in increased material cost percentages for both the current quarter and year-to-date periods. During the current quarter, and to a lesser extent for the year-to-date period, labor and overhead cost percentages declined as a result of the increased selling prices coupled with efficiencies achieved as a result of increased total volume this quarter, fueled in part by resurgent demand from intercompany customers, particularly beneficial to the Texas facility this quarter. The impact of increased utility costs, which had hindered prior quarters' results, has been lessened this period due to the implementation, during the second quarter, of energy surcharges levied on our customers, totaling $388,000 for the current quarter and $581,000 for the current nine-month period.

Selling, general and administrative expenses decreased $184,000 for the current quarter but increased $289,000 for the current nine-month period compared to the same periods last year, and as a percentage of sales was 2.3% for the current quarter compared to 3.5% in the same period last year and for the current nine-month period was 3.1%, virtually unchanged from last year. The current quarter decrease reflects a swing from $245,000 in expense in the prior year quarter to $66,000 of income in the current quarter relating to retrospective workers' compensation and general liability policies. The increase in the current nine-month period includes $219,000 in higher employment and sales representation costs related to the aforementioned increase in sales.

Corporate

General and administrative expenses increased $304,000 for the current quarter and $233,000 for the current nine-month period compared to the same periods last year, and as a percentage of consolidated net sales was 3.7% for the quarter and 3.6% year-to-date, virtually unchanged compared to the comparable periods last year. The comparisons primarily reflect the prior year benefiting from a reduction in costs during the third quarter due to a one-time recovery of $265,000 for previously paid legal fees.

The increase in net interest income compared to the prior year' s three and nine-month periods resulted from increased funds available for investment combined with higher rates of return.

The effective tax rate for the nine months ended March 31, 2006 was 34.5% compared to 38.6% in the comparable period of the prior year. The decline was primarily attributable to a decrease of Federal income tax reserves resulting from settlement of an Internal Revenue Service Appeals case, in addition to the Domestic Manufacturers Deduction, which contributed to 1% of the decline in the rate, available as a result of the enactment of recent Federal tax legislation.

Liquidity and Capital Resources

Working capital at March 31, 2006 stood at $84,038,000, an increase of $6,484,000 from June 30, 2005. The ratio of current assets to current liabilities was 3.8 compared to 4.1 at the beginning of the year.

The Company projects net capital expenditures of approximately $5,750,000 for fiscal 2006 for expansion of production capacity, as well as normal recurring capitalized replacement items. The Company anticipates financing these expenditures through internal cash flow and cash reserves. The Company' s lines of credit remain unchanged from those described in the Company' s latest annual report on Form 10-K.

Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, "Inventory Costs" (SFAS 151), which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. SFAS 151 is effective for inventory costs incurred beginning July 1, 2005. Upon adoption on July 1, 2005, SFAS 151 did not have a material impact on our financial statements.

In March 2005, the FASB issued Financial Interpretation No. 47 (FIN 47), "Accounting for Conditional Asset Retirement Obligations". FIN 47 is an interpretation of FASB Statement No. 143, "Accounting for Asset Retirement Obligations" and clarifies (i) that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability' s fair value can be reasonably estimated and (ii) when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. Upon adoption on July 1, 2005, FIN 47 did not have a material impact on our financial statements.

Forward-Looking Information

This report contains forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such items are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in such statements. The principal important risk factors and uncertainties include, but are not limited to, changes in general economic conditions, aluminum and other material costs, labor costs, interest rates, and other adverse changes in general economic conditions, consumer confidence, competition, currency exchange rates as they affect our Canadian operations, environmental factors, unanticipated legal proceedings, and conditions in the commercial and residential construction markets. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Fluctuating foreign exchange rates and commodity pricing may impact our earnings. Our foreign exchange exposure is related to activities associated with our Canadian subsidiaries. We do not attempt to manage these risks by entering into forward exchange contracts, forward commodity delivery agreements or otherwise.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under SEC rules, the Company is required to maintain disclosure controls and procedures designed to ensure that information required by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC' s rules and forms. As part of the Company' s system of disclosure controls and procedures, we have created a Disclosure Committee, which consists of certain members of the Company' s senior management. The Company' s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934 is accumulated and communicated to management, including the chief executive officer, chief financial officer and other members of the Disclosure Committee, as appropriate to allow timely decisions regarding required disclosure.

The Company has carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. The Company' s management, including the Company' s Disclosure Committee, chief executive officer and chief financial officer, supervised and participated in the evaluation. Based on the evaluation, the chief executive officer and the chief financial officer concluded that the Company' s disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

The Company' s evaluation of its internal control over financial reporting during the fiscal quarter to which this report relates identified no change in the Company' s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company' s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Certain of the Company' s subsidiaries are defendants in a class-action lawsuit captioned Klotzer, et al. v. International Windows In Time, Inc. filed in November 2002 in the Superior Court for Solano County, California. The suit alleges, among other things, that the Company' s 6200 Series aluminum windows produced since 1993 were defective in design and manufacture. The plaintiffs seek monetary damages, attorneys' fees and costs according to proof based upon various legal theories. The Company believes that substantially identical lawsuits have been filed against at least six other aluminum window manufacturers.

The Company believes that the plaintiffs' claims are without merit and intends to vigorously defend this lawsuit. The Company' s insurers have accepted defense of the lawsuit, subject to a reservation of rights. Trial date has been set for October 2, 2007. The lawsuit is in the discovery stage, and no prediction can be made as to its eventual outcome. The Company expects to incur additional legal expenses during the pendency of the lawsuit which are not expected to materially adversely affect the Company' s financial position or results of operations. Based upon current information, management also believes that the ultimate disposition of the lawsuit will have no material adverse effect upon the Company' s financial position, results of operations or cash flows.

Unaudited

Item 6. Exhibits.

(a) Exhibits:

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

Date of Report	**Item Reported**
February 27, 2006	Press release issued announcing the Company' s response to a press release issued by plaintiff' s attorneys in a previously reported class-action lawsuit.
March 16, 2006	Advisement to shareholders, and others, that IAL maintains a copy of its Corporate Governance Guidelines on its website.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

International Aluminum Corporation
(Registrant)

Date: May 8, 2006

/s/ MITCHELL K. FOGELMAN
Mitchell K. Fogelman
Senior Vice President – Finance
(Principal Financial Officer)

Date: May 8, 2006

/s/ MICHAEL J. NORRING
Michael J. Norring
Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald L. Rudy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Aluminum Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 8, 2006

/s/ RONALD L. RUDY

Ronald L. Rudy
President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mitchell K. Fogelman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Aluminum Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 8, 2006

/s/ MITCHELL K. FOGELMAN

Mitchell K. Fogelman
Senior Vice President - Finance
and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of International Aluminum Corporation (the "Company") on Form 10-Q for the period ended March 31, 2006, as filed with the Securities and Exchange Commission (the "Report"), we the undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2006

/s/ RONALD L. RUDY
Ronald L. Rudy
President and
Chief Executive Officer

Date: May 8, 2006

/s/ MITCHELL K. FOGELMAN
Mitchell K. Fogelman
Senior Vice President – Finance
and Chief Financial Officer