

INDUSTRIAL DEVELOPMENT BANK



Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

Fiscal year **1949**

INDUSTRIAL DEVELOPMENT BANK



The Industrial Development Bank, subsidiary of the Bank of Canada established by Act of Parliament August 15th, 1944, commenced operations on November 1st, 1944. Its purpose is to extend financial assistance to sound industrial enterprises which are unable to obtain their requirements from other sources on reasonable terms and conditions. It is intended to supplement, rather than to compete with the activities of chartered banks and other lending organizations, and operates chiefly in the medium and long-term field.

INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 8th, 1949

The Hon. D. C. Abbott, K.C., M.P.,
Minister of Finance,
Ottawa, Ontario.

Dear Sir, In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith in duplicate a statement of the Bank's accounts for the fiscal year ending September 30, 1949, signed by the President and Chief Accountant and verified by the Auditors.

The statute provides that this statement should be accompanied by such summary or report by the President as he may deem desirable or as may be required by the Minister of Finance. The statute also provides for the publication at least once a year of the classification of the Bank's loans, investments and guarantees. I am continuing the practice in this report of reviewing statistics pertaining to this past fiscal year's operations, and also for comparative purposes I have included, where relative, statistics of previous operating periods since the Bank's inception. As a matter of interest and as some indication of the type of business which the Bank is facilitating, I have also thought it appropriate to include a few photographs taken in factories belonging to customers of the Bank. They have not been selected on the basis of size or location but rather on grounds of general interest.

Loans, Investments and Guarantees. The number of applications from new customers dealt with by the Bank during 1949 is shown in the following table in comparison with similar figures for 1948 and previous years:

	To 1947	During 1948	During 1949	Total to September 30, 1949
Authorized . . .	443	143	104	690
Refused . . .	360	159	138	657
Withdrawn . . .	446	89	78	613
	<u>1,249</u>	<u>391</u>	<u>320</u>	<u>1,960</u>

In addition to the applications from new customers shown in the above table there were received during 1949, 52 applications from existing customers of the Bank. Of these 3 were withdrawn, 3 were refused and 46 were authorized. In 1948, 50 such applications from existing customers were authorized. Increased credits of this character were largely for the purpose of carrying out subsequent phases of companies' expansion programmes which had been deferred until either the original programme had been fully completed and digested, or for further improvement of manufacturing facilities to reduce costs in the light of changing market conditions.

Of course, none of the foregoing statistics with regard to applications dealt with by the Bank include those which could not be seriously considered by the Bank because they proved to be ineligible under the Bank's terms of reference as given in the Industrial Development Bank Act.

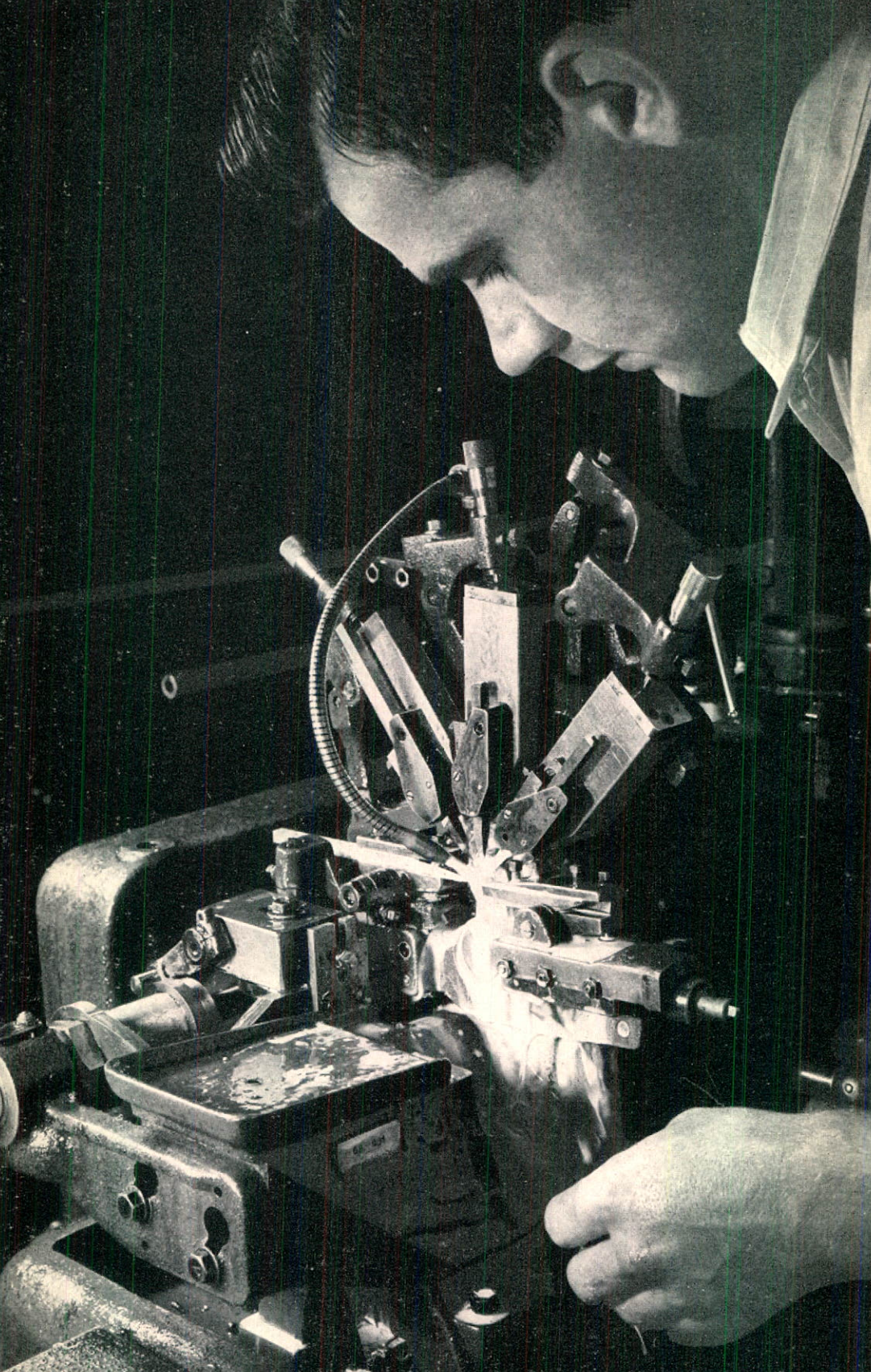
Statistics with regard to the number of applications for credit dealt with by the Bank also do not reflect the increasing amount of administration required in supervising credits after they are on the books of the Bank. Work of this character has increased substantially not only because the total number and amount of credits involved have increased but also because of the fact that as the seller's market of recent years has generally given way to more competitive conditions, much more attention to efficiency in plant operation and selling methods has been required. Our experiences to date have indicated that a large proportion of small businesses suffer from inadequate financial records, particularly in the fields of cost control and budgeting, and in many cases from improperly organized sales effort. We have gone to considerable lengths in rendering assistance to our borrowers under these headings.

In the following table statistics of dollar amounts, as well as numbers of accounts, showing changes in the Bank's business during 1949 and the whole period of the Bank's operations, are given.

	NUMBER	AMOUNT
Loans, investments & guarantees authorized:		
November 1, 1944 to September 30, 1948	586	\$39,027,624
October 1, 1948 to September 30, 1949	104	7,313,586
Total	690	\$46,341,210
LESS:		
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944 to September 30, 1948	115	\$ 5,686,350
October 1, 1948 to September 30, 1949	18	1,397,301
Total	133	\$ 7,083,651
Authorizations which have lapsed by reason of full repayment or write-off of loans:		
November 1, 1944 to September 30, 1948	68	\$ 2,866,895
October 1, 1948 to September 30, 1949	52	4,295,718*
Total	120	\$ 7,162,613
Current authorizations as at September 30, 1949	437	\$32,094,946
Reductions by reason of partial repayment:		
November 1, 1944 to September 30, 1948		\$ 3,968,857
October 1, 1948 to September 30, 1949		604,379
		\$ 4,573,236
Net authorizations as at September 30, 1949	437	\$27,521,710
Disbursements:		
November 1, 1944 to September 30, 1948		\$27,099,105
October 1, 1948 to September 30, 1949		8,212,370
Total		\$35,311,475
Repayments and write-offs:		
November 1, 1944 to September 30, 1948		\$ 6,482,662
October 1, 1948 to September 30, 1949		5,253,187
Total		\$11,735,849
Outstanding:		
Loans, investments and guarantees as at September 30, 1949		\$23,575,626

*After deduction of undisbursed portions of fully paid loans now carried in "Cancellations and Reductions".





It will be noted in the foregoing table that there has been a large increase in the amount of credits which have been fully repaid during 1949 as compared with previous years. This increase has been accounted for partly by the maturing of a number of credits and partly by prepayments. The latter include several cases where larger borrowers from the Bank have been able to arrange for the public sale of their securities in the investment market. Instances of this kind provide an encouraging indication of the healthy development of such clients' financial affairs since the time when their credits were first authorized by the Bank.

The Bank's policy is to design repayment schedules to suit the capacity of its borrowers in the light of foreseeable business conditions. To date this has meant provision for a fairly rapid schedule of repayments on the theory that it is in the borrower's interest to take advantage of current prosperous conditions to effect maximum liquidation of indebtedness.

The following tables show the classification of the Bank's loans, investments and guarantees by type of industrial enterprise, by provinces and by size.

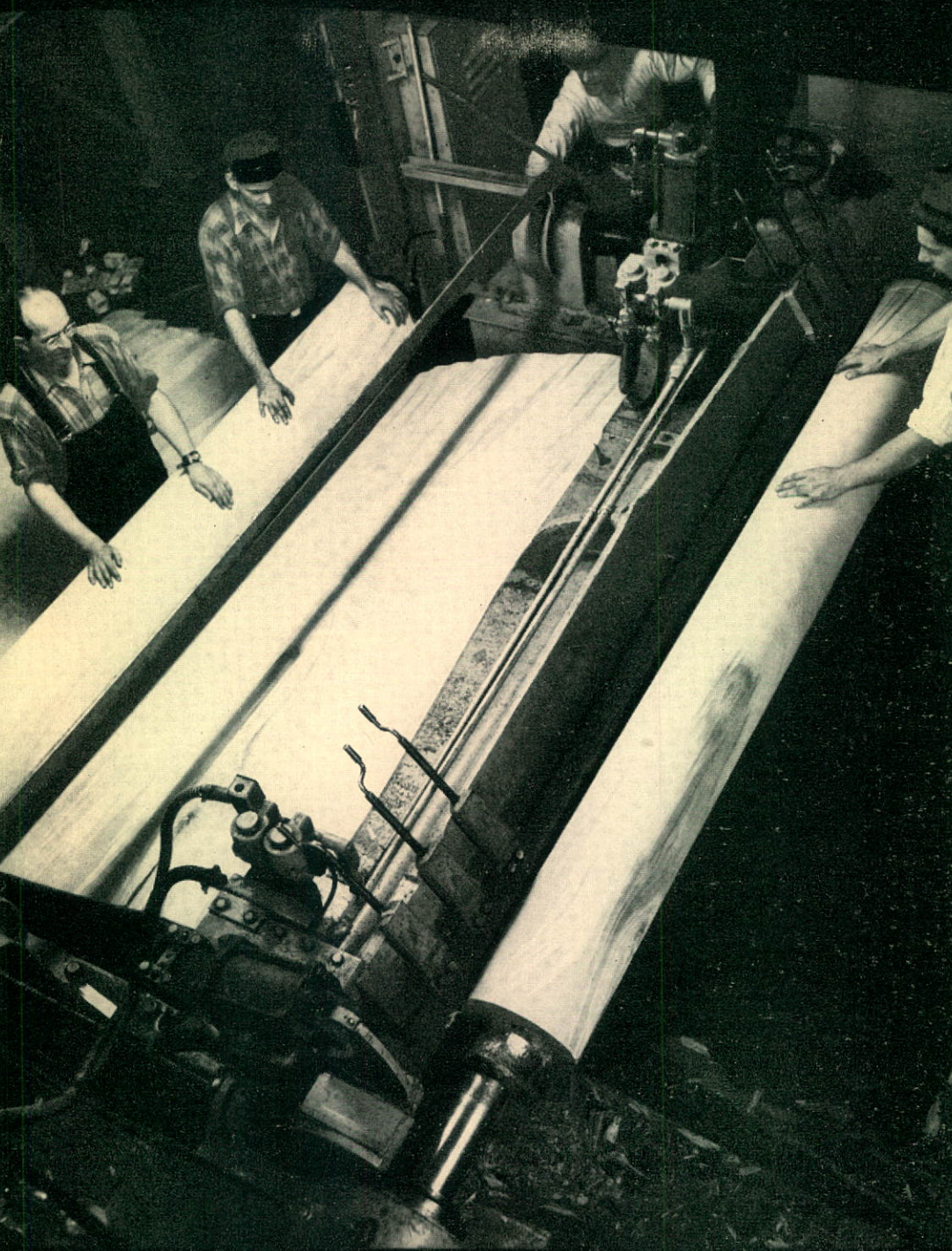
Classification of Loans, Investments and Guarantees

By Industrial Enterprises

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1949*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1949.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1949.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1949.
1. Foods and Beverages .	\$ 5,276,595	\$ 1,288,382	\$ 4,413,700	\$ 3,177,938
2. Tobacco and Tobacco Products . . . .	....	....	....	....
3. Rubber Products . .	25,000	....	25,000	24,180
4. Leather Products . .	630,500	16,500	645,509	491,348
5. Textile Products (except Clothing) .	3,397,037	1,008,787	3,101,012	1,923,696
6. Clothing (Textiles & Fur) .	1,176,743	382,000	867,500	357,303
7. Wood Products . .	4,845,403	1,101,330	3,924,159	3,087,649
8. Paper Products (including Pulp) .	4,221,700	785,000	4,100,700	3,725,248
9. Printing, Publishing & Allied Industries .	1,214,989	71,800	672,300	500,546
10. Iron and Steel Products (including Machinery & Equipment) .	5,030,018	650,814	4,140,409	2,772,490
11. Transportation Equipment . . .	1,150,455	92,809	1,016,558	803,370
12. Non-Ferrous Metal Products	46,500	11,500	31,500	7,230
13. Electrical Apparatus & Supplies . . .	764,250	84,750	405,000	273,311
14. Non-Metallic Mineral Products	2,742,074	474,100	1,959,291	1,295,457
15. Products of Petroleum & Coal	1,608,599	834,000	890,000	490,002
16. Chemical Products .	3,380,840	272,514	2,357,000	1,990,392
17. Miscellaneous Manu- facturing Industries	1,034,593	82,100	713,500	540,761
18. Refrigeration . .	2,617,263	157,200	2,736,808	2,049,205
19. Generating or Distri- buting of Electricity	95,000	....	95,000	65,500
	<u>\$39,257,559</u>	<u>\$ 7,313,586</u>	<u>\$32,094,946</u>	<u>\$23,575,626</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

The above industrial classification follows the lines of the accepted international standard of classification.





By Provinces

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1949*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1949.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1949.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1949.
Newfoundland . . . . .	....	....	....	....
Prince Edward Island	\$ 60,000	\$ 21,000	\$ 60,000	\$ 42,842
Nova Scotia	798,709	137,809	492,808	412,921
New Brunswick	1,054,500	238,000	945,300	656,740
Quebec	14,287,426	3,318,013	11,188,212	7,835,903
Ontario	12,785,786	1,309,543	11,046,818	8,776,572
Manitoba	1,552,684	294,000	1,251,250	932,719
Saskatchewan	1,088,158	820,000	1,025,158	567,810
Alberta	2,621,418	401,955	1,750,500	1,076,416
British Columbia & Territories	5,008,878	773,266	4,334,900	3,273,703
	<u>\$39,257,559</u>	<u>\$ 7,313,586</u>	<u>\$32,094,946</u>	<u>\$23,575,626</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

By Size

	CURRENT AUTHORIZATIONS*	NUMBER OF CREDITS	%
\$ 5,000 and under	\$ 72,409	18	4.1
5,001 to \$ 25,000	2,755,938	186	42.5
25,001 to 50,000	3,250,733	82	18.7
50,001 to 100,000	6,007,761	81	18.7
100,001 to 200,000	7,372,960	48	11.0
Over \$200,000	12,635,145	22	5.0
	<u>\$32,094,946</u>	<u>437</u>	<u>100.0</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$27,521,710 of which those in excess of \$200,000 totalled \$11,227,888.

It may be noted in the above table that 65% in number of the Bank's credits are in amounts not exceeding \$50,000, while 95% in number are not over \$200,000.

Organization

As I mentioned in my last report, the Board of Directors felt there would be considerable advantage if they could visit some of the wide range of industrial enterprises being financed by the Bank, and to achieve this, the September 1948 meeting was held in Vancouver, with a stopover at Winnipeg enroute. This year we had planned to hold the September meeting in the Maritimes, but unfortunately developments in the international monetary sphere coincided with the date chosen and at the last moment our plans for a visit to the Maritimes had to be abandoned. It is however, intended as occasion permits, to continue the precedent established with the Vancouver meeting.

During the year there was a net addition of 7 to the staff of the Bank, which now numbers 99. Of that number, 52 are male and 47 are female employees. It continues to be characteristic of the male staff that a high proportion are what might be described as specialized or technical personnel.

Since my last report Newfoundland has joined Canada as the tenth province. Shortly after this event senior officers of the Bank, fully conversant with Maritime Provinces' problems, visited Newfoundland.

Once again I record with a great deal of pleasure my appreciation of the high quality of service rendered by the staff.

Statement of Profit and Loss

Income from all sources for the year amounted to \$1,126,258.58 as compared with \$893,317.80 in 1948. For the first time since the Bank

commenced operations, interest on loans, investments, guarantees, etc. exceeded one million dollars—the actual figure being \$1,009,239.91. Interest on the Bank's holdings of Government of Canada securities amounted to \$184,169.00 as against \$293,597.29 in 1948—the decrease being due to the larger amount of capital funds being employed in the normal course of our business. Total expenses during the year, of which details are shown in the attached statement, amounted to \$476,644.20 as compared with \$398,655.66 in 1948.

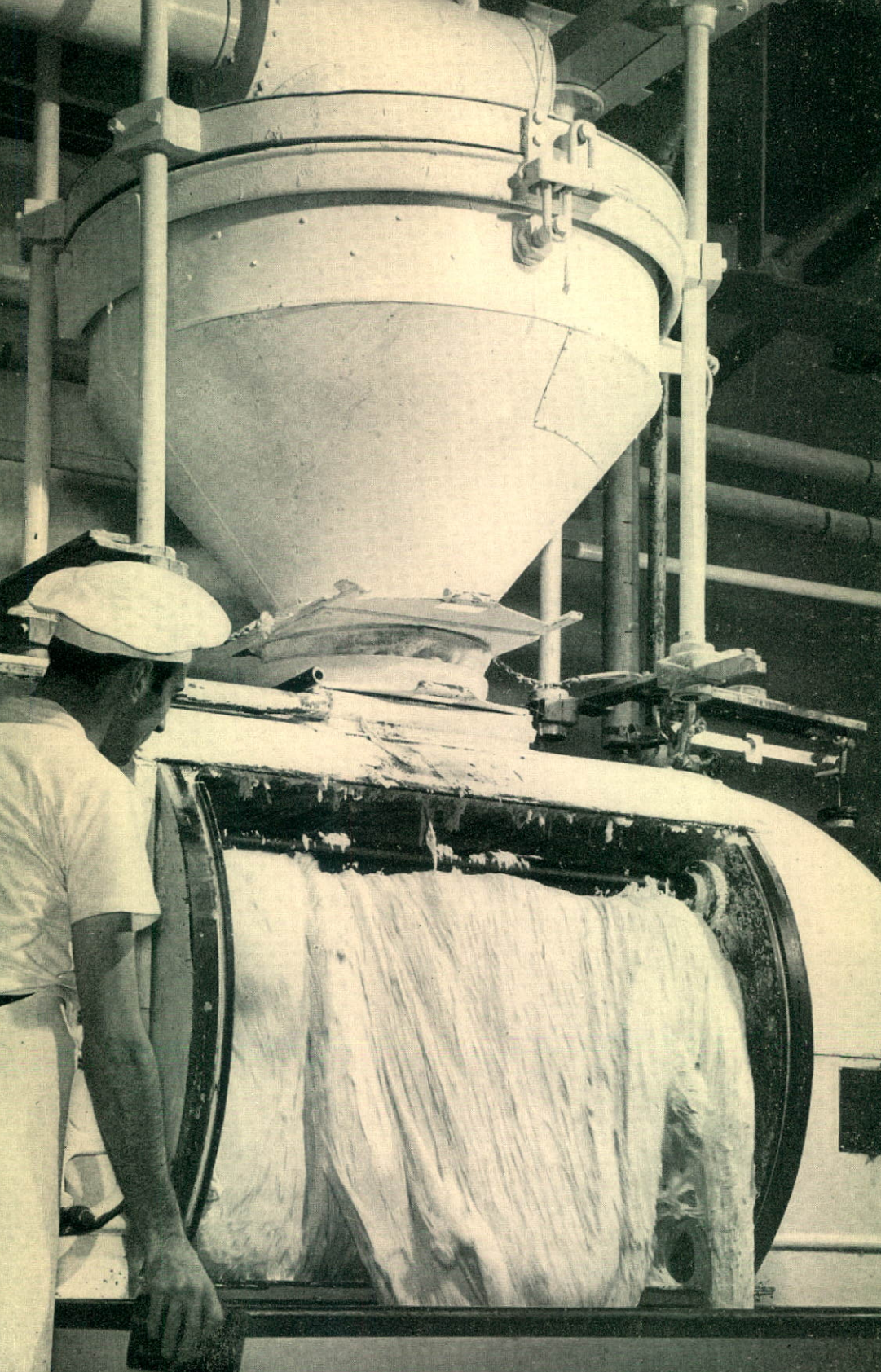
During the past year there was an increase in the market prices of Government of Canada securities and we were able to transfer to profits \$216,410.62 from the reserve established in 1948 to bring the book value of our holdings of Government of Canada securities in line with market prices. The amount transferred from profits to Reserve for Losses account was \$133,427.59. From Reserve for Losses \$33,627.59 was written off during 1949 in respect of bad debts and \$200.00 was recovered on debts previously written off. The increase in Reserve for Losses account was therefore \$100,000.00 during 1949 bringing the balance in this account to \$400,000.00. The purpose of the Reserve for Losses account has been described in my annual reports covering the years 1947 and 1948.

The balance of profit after making all appropriations amounted to \$732,597.41 during the year and has been transferred to Reserve Fund which now amounts to \$1,516,209.50.

General During the early part of the year under review, an appreciable decline in United States business activity was taking place and there was naturally some uncertainty as to whether Canadian economic conditions might be as favourable in 1949 as during 1948. As events proved, however, the level of Canadian business activity has been well maintained.

Capital investment expenditure has shown some further tendency to shift from investment by industrial concerns which has been at a high level in recent years, towards the types of investment which are of a public or semi-public character. There has also been some indication that new investment spending by the smaller industrial concerns which perhaps on the whole proceeded more quickly with their post-war capital spending programmes, has in the past year tended to decline somewhat more than that of the larger firms whose programmes might be spread out over a longer period of time.

It is from the category of the smaller industrial concerns that the Bank receives the greater part of its applications for credit. As I mentioned in last year's annual report, the Bank has felt that under existing economic conditions and in view of the high cost of capital goods, it has been in the interests of both Bank and borrower to scrutinize individual investment plans very carefully. However, I believe that the decline in the volume of the Bank's new business during 1949 which has been shown in various tables of this report, also has been influenced to an important extent by the trend of developments





described in the foregoing paragraph. The Bank's contribution to the development of the Canadian economy has been even greater than is indicated by the fact that it has so far authorized credits to 690 firms engaged in a wide variety of industrial activities. In addition, it has been of assistance to other industrial enterprises in developing their plans to the point where they have been able to obtain necessary financial assistance from lenders other than the Bank itself.

I am, Dear Sir,
Yours faithfully,
G. F. TOWERS, President

Statement of Profit and Loss

for the year ended 30th September 1949

Income:

On Government of Canada securities:

Interest	\$184,169.00	
Less loss on sales	67,150.33	\$ 117,018.67

On loans, investments and guarantees		975,572.97
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All other		33,666.94
		<u>\$1,126,258.58</u>

Expenses:

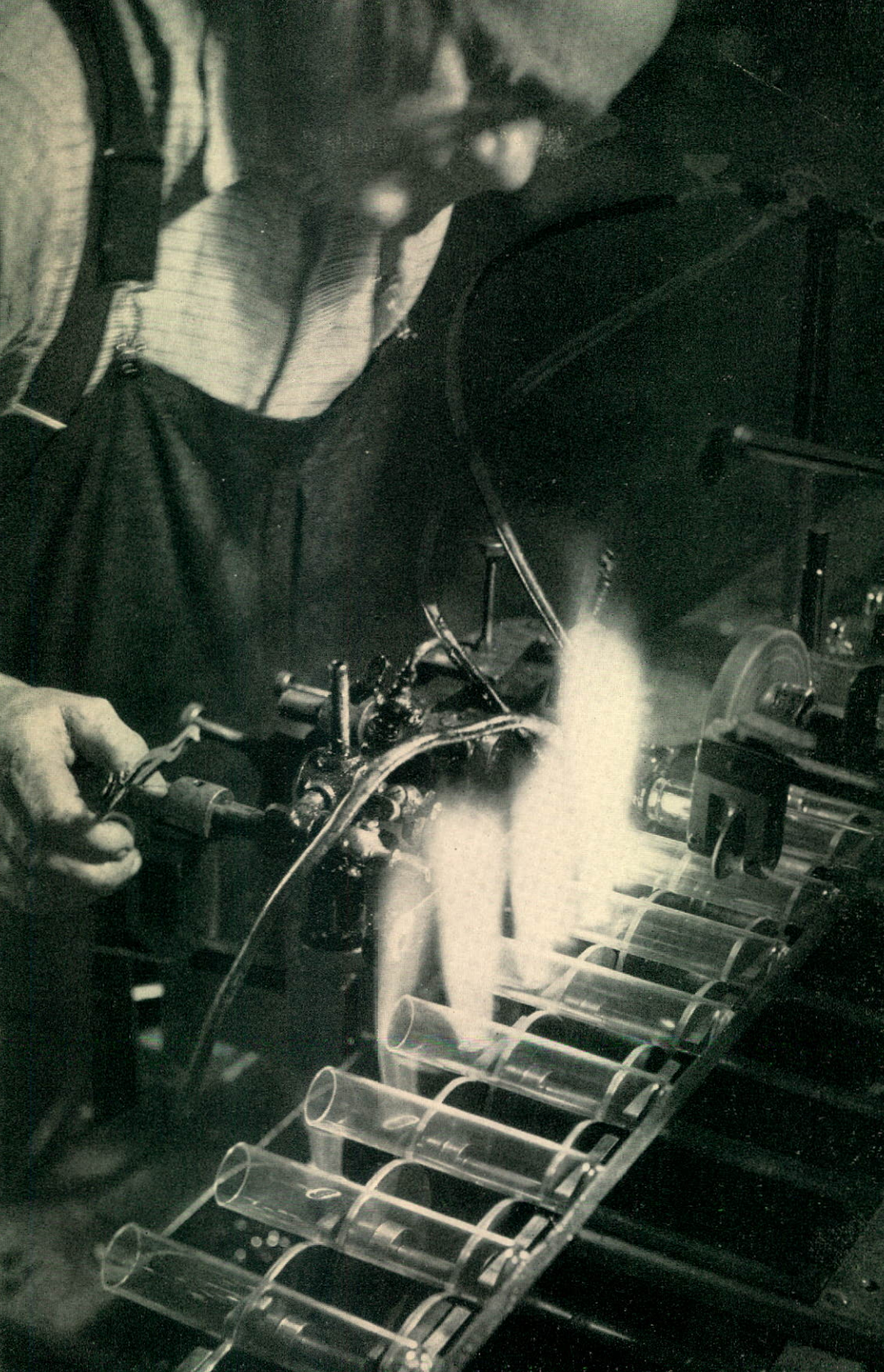
Salaries	\$336,642.61	
Pension fund and unemployment insurance and group insurance	41,675.43	
Investigation and supervision expenses (including travel)	16,463.64	
Travelling expenses—general	5,371.02	
Rental and other costs— leased premises	32,511.41	
Depreciation of office equipment	5,463.25	
Telephones and telegrams	8,059.81	
Office supplies and expenses	12,060.76	
Directors' fees	4,100.00	
Auditors' fees and expenses	6,000.00	
All other operating expenses	8,296.27	476,644.20
		<u>476,644.20</u>

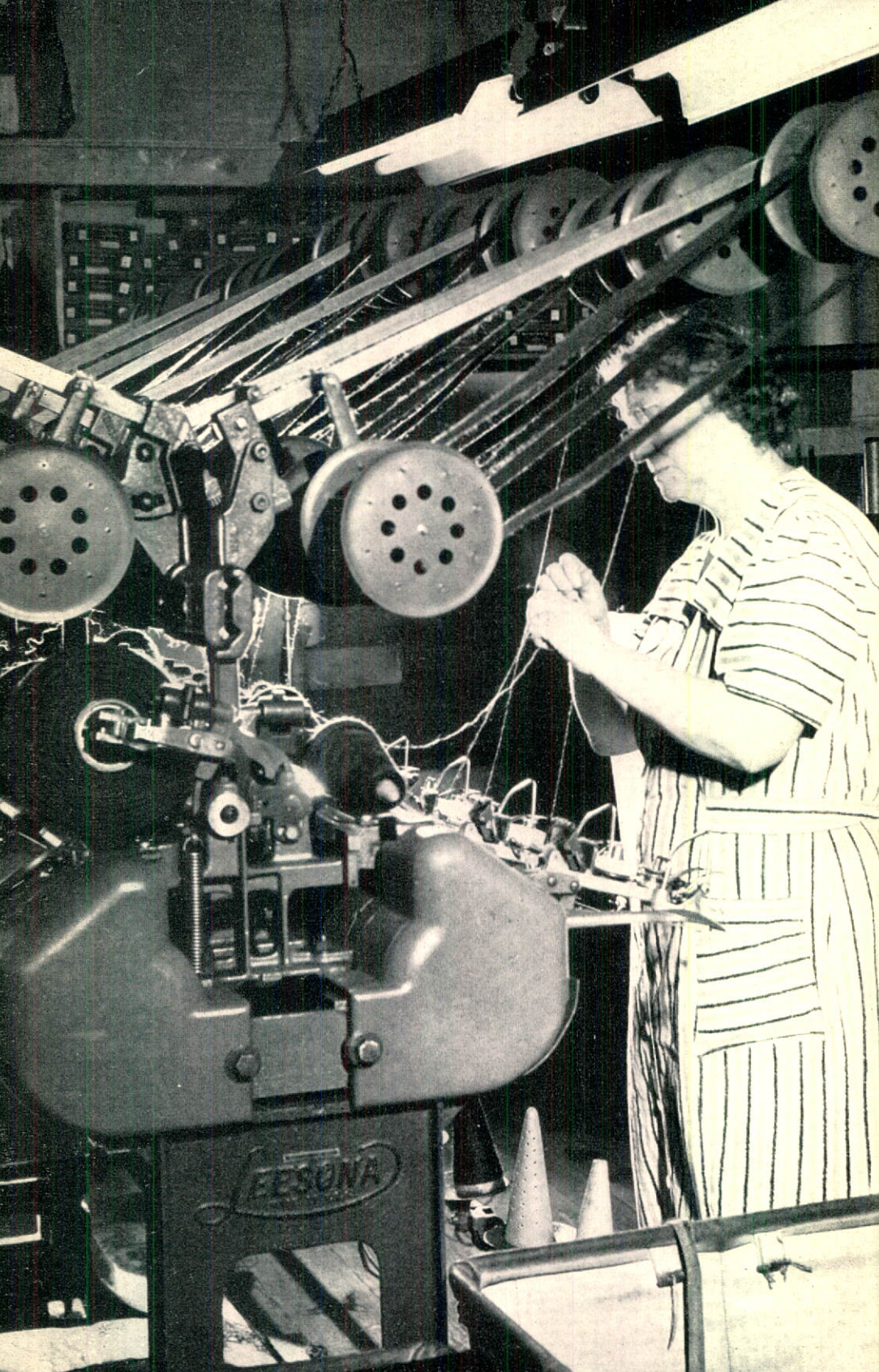
Profit before adjustment of appropriations referred to below	\$ 649,614.38
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Add: Adjustment of provision made in 1948 to reduce Government of Canada securities to market value—excess of provision over present requirements \$216,410.62

Less: Amount appropriated as reserve against loans, investments and guarantees	133,427.59	82,983.03
		<u>82,983.03</u>

Balance transferred to reserve fund	<u>\$ 732,597.41</u>
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RESERVE FOR LOSSES

Balance 30th September 1948		\$ 300,000.00
Add: Recovery of debt previously written off	\$ 200.00	
Appropriation from profits for the year ended 30th September 1949	<u>133,427.59</u>	<u>133,627.59</u>
		\$ 433,627.59
Less bad debts written off		<u>33,627.59</u>
Balance 30th September 1949		<u><u>\$ 400,000.00</u></u>

RESERVE FUND

Balance 30th September 1948	\$ 783,612.09
Amount transferred from statement of profit and loss	<u>732,597.41</u>
Balance 30th September 1949	<u><u>\$1,516,209.50</u></u>

Statement of Assets and Liabilities

as at 30th September 1949

LIABILITIES

Capital: Authorized, issued and paid up— 250,000 shares par value \$100 each	\$25,000,000.00
Reserve fund	1,516,209.50
Contingent liability under guarantees and underwriting agreements	3,260,000.00
All other liabilities	47,461.84
Reserve for losses	400,000.00
	<u>\$30,223,671.34</u>

ASSETS

Cash on hand and deposits with other banks \$	41,196.76
Government of Canada securities at values not exceeding market	6,230,093.75
Loans and investments	20,315,625.63
Guarantees and underwriting agreements as per contra	3,260,000.00
Property held for sale	30,500.00
All other assets	346,255.20
	<u>\$30,223,671.34</u>

G. F. TOWERS, President

H. R. EXTENCE, Chief Accountant

AUDITORS' REPORT • We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at 30th September 1949 and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at 30th September 1949, according to the best of our information and as shown by the books of the Bank.

F. E. H. GATES, C.A.,
of P. S. Ross & Sons

MAURICE SAMSON, C.A.,
of Chartre, Samson, Beauvais, Gauthier & Co.

Ottawa, Canada, 14th November 1949.

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE—OTTAWA, ONT.

GENERAL MANAGER'S OFFICE—MONTREAL, QUE.

Board of Directors

G. F. TOWERS, C.M.G., *President, Ottawa, Ont.*



E. G. BAKER, *Toronto, Ont.*

W. D. BLACK, *Member of the Executive Committee, Hamilton, Ont.*

W. C. CLARK, C.M.G., *Member of the Executive Committee, Ottawa, Ont.*

G. G. COOTE, *Nanton, Alta.*

D. GORDON, C.M.G., *Member of the Executive Committee, Ottawa, Ont.*

N. A. HESLER, *Sackville, N.B.*

A. STEWART McNICHOLS, *Montreal, Que.*

R. H. MILLIKEN, K.C., *Regina, Sask.* C. J. MORROW, *Lunenburg, N.S.*

A. C. PICARD, *Quebec, Que.*

L. P. SAINT-AMOUR, *Ottawa, Ont.* E. J. TARR, K.C., *Winnipeg, Man.*

A. C. TAYLOR, C.B.E., *Vancouver, B.C.*

Officers



G. F. TOWERS, C.M.G., *President*

S. R. NOBLE, O.B.E., *General Manager*

D. G. MARBLE, C.B.E., *Secretary*

A. N. H. JAMES, *Executive Assistant*

L. F. MUNDY, *Deputy Secretary*

H. R. EXTENCE, *Chief Accountant*

GENERAL MANAGER'S OFFICE

ALDRED BUILDING, PLACE D'ARMES, MONTREAL, QUE.

S. R. NOBLE, O.B.E., *General Manager*

A. N. H. JAMES, *Executive Assistant*

C. I. STUART, *Deputy Secretary*

L. VIAU, *Deputy Secretary*

BRANCHES

TORONTO, ONT., 85 RICHMOND STREET WEST

• J. C. INGRAM, *Supervisor*

WINNIPEG, MAN., 356 MAIN STREET

• D. T. MUSKETT, *Supervisor*

VANCOUVER, B.C., 475 HOWE STREET

• N. C. TOMPKINS, *Supervisor*

