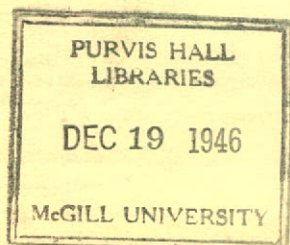


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INDUSTRIAL DEVELOPMENT BANK

ANNUAL REPORT TO
MINISTER OF FINANCE
AND
STATEMENT OF ACCOUNTS

SEPTEMBER 30TH, 1946



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.

J. L. HOLMAN

SUMMERSIDE, P.E.I.

F. MAGEE

PORT ELGIN, N.B.

W. K. MCKEEN

HALIFAX, N.S.

A. STEWART MCNICHOLS

MONTREAL, QUE.

R. H. MILLIKEN, K.C.

REGINA, SASK.

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

H. R. EXTENCE
Chief Accountant

General Manager's Office

201 NOTRE DAME STREET WEST, MONTREAL, QUE.

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

A. N. H. JAMES
Executive Assistant

Branches

TORONTO, ONT., 85 RICHMOND ST. WEST: J. C. INGRAM
Supervisor

VANCOUVER, B.C., 736 GRANVILLE STREET: N. C. TOMPKINS
Supervisor

WINNIPEG, MAN., 356 MAIN STREET: D. T. MUSKETT
Supervisor

INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 9th, 1946.

The Rt. Hon. J. L. Ilsley, P.C.,
Minister of Finance,
Ottawa.

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 30th, 1946, signed by the President and Chief Accountant and certified 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. In this second annual report I propose to give a general description of the Bank's operations during the year and to include the classification of its loans and investments which the statute provides shall be published at least once in each fiscal year.

CAPITAL

When it became evident towards the end of the fiscal year that the loans authorized would approach the paid-up capital, the Bank of Canada was called upon to pay for 50,000 additional shares of its subscription under the provisions of Section 12, Sub-section 2 of the Act, thus increasing the paid-up capital of the Bank to \$15,000,000 on September 30th.

INDUSTRIAL DEVELOPMENT BANK

LOANS AND INVESTMENTS

During the first fiscal year of the Bank's operations, which covered a period of only eleven months, 485 applications for credit were received from applicants who qualified as "industrial enterprises" within the meaning of the Act and of these, 228, or nearly half, were withdrawn while the applications were in process of examination. That a large portion of these applications were of an exploratory character seems evident from a comparison with similar statistics covering the twelve months ended September 30th, 1946, when out of 409 eligible applications received only 105 were withdrawn before the examinations had been completed. Of the remaining applications eligible as "industrial enterprises", 169 credits totalling \$7,901,353 were authorized, 103 were declined as unjustifiable risks, and 32 were in the process of investigation on September 30th.

The following statements show the volume of transactions concluded by the Bank since its inception:

	<u>Number</u>	<u>Amount</u>
Loans and Investments authorized up to		
September 30th, 1945.....	97	\$ 4,150,050
Authorized during 1946 fiscal year.....	169	7,901,353
Total Loans and Investments authorized	266	\$12,051,403
Less:		
Cancellations of authorizations and re-		
ductions in amounts authorized.....	53	2,134,500
Authorizations which have lapsed by		
reason of full repayment of loans.....	8	172,800
Authorizations which have been reduced		
by reason of partial repayments.....		347,429
Commitments as at September 30th, 1946	<u>205</u>	<u>\$ 9,396,674</u>

INDUSTRIAL DEVELOPMENT BANK

	<u>Amount</u>
Disbursements under authorized Loans and Investments up to September 30th, 1945	\$ 992,569.07
Disbursements during 1946 fiscal year.....	<u>4,610,362.30</u>
Total Disbursements	\$5,602,931.37
<i>Less:</i>	
Repayments received up to September 30th, 1945	18,648.61
Repayments during 1946 fiscal year.....	<u>461,580.45</u>
Loans and Investments September 30th, 1946, as shown on the attached balance sheet	<u>\$5,122,702.31</u>

It will be observed from the foregoing that out of a total of \$9,396,674 authorized as at September 30th, \$4,273,972 had not been utilized by borrowers. It is the practice to make disbursements only as funds are required. In most cases loans are made for capital purposes, such as the erection of or additions to buildings, the purchase of machinery, etc., and since it is natural that applicants wish to have financing arranged in advance, it follows that there will always be a lag between the authorization and the utilization of credits.

The statements include 53 authorizations which have been cancelled subsequent to authorization at the request of the applicants and 8 repaid in full after final disbursements had been made. In a number of these cases credit had become available from other sources, and in others applicants had postponed, modified or abandoned their plans.

Unquestionably, a number of withdrawals of applications and cancellations of credits outstanding, as well as some of the delays in the use of credits, to which references have been made above, were influenced by the continued scarci-

INDUSTRIAL DEVELOPMENT BANK

ties of labour and materials for construction purposes and delays in acquiring various kinds of machinery and equipment. We may expect that when these conditions improve fresh applications will be received to enable borrowers to carry out their projects.

CLASSIFICATION OF LOANS AND INVESTMENTS

SEPTEMBER 30TH, 1946

A. BY INDUSTRIAL ENTERPRISES

	Authorized Amount	%	Outstanding Amount	%
1. Foods and Beverages.....	\$1,317,249.19	14.1	\$ 819,692.84	16.0
2. Primary Textiles	705,000.00	7.5	382,930.00	7.5
3. Finished Textile Products.....	344,214.17	3.7	257,622.16	5.0
4. Pulp and Paper Products.....	294,500.00	3.1	97,500.00	1.9
5. Primary Lumber Products.....	502,000.00	5.4	220,268.62	4.3
6. Furniture and Woodenware.....	817,866.62	8.7	308,935.83	6.0
7. Agricultural and Industrial Machinery	911,256.78	9.7	353,470.78	7.0
8. Automotive Equipment	350,600.00	3.7	200,600.00	3.9
9. Miscellaneous Metal Products	1,323,784.99	14.1	700,968.07	13.7
10. Builders' Supplies	744,796.92	7.9	622,715.11	12.2
11. Ceramics, Glass and Plastic Products	218,055.00	2.3	163,518.10	3.2
12. Chemical Products	336,808.75	3.5	264,838.29	5.1
13. Refrigeration	643,880.83	6.8	377,845.32	7.4
14. Other	886,660.69	9.5	351,797.19	6.8
	<u>\$9,396,673.94</u>	<u>100.0</u>	<u>\$5,122,702.31</u>	<u>100.0</u>

B. BY PROVINCES

	Authorized Amount	Outstanding Amount
Prince Edward Island.....	\$ —	\$ —
Nova Scotia	234,000.00	194,000
New Brunswick	289,000.00	248,007
Quebec	3,641,530.18	1,636,402
Ontario	3,535,568.34	1,867,641
Manitoba	409,999.17	335,744
Saskatchewan	67,819.00	15,551
Alberta	742,062.12	715,862
British Columbia and Territories.....	476,695.13	109,495
	<u>\$9,396,673.94</u>	<u>\$5,122,702</u>

INDUSTRIAL DEVELOPMENT BANK

The average size of the authorized credits on the books of the Bank as at September 30th was \$45,837.43, the average term five years; the shortest term was under one year and the longest term fifteen years.

The number and amount of authorized credits classified by size were as follows at September 30th, 1946:

	<u>Number</u>	<u>Amount</u>
\$ 5,000 and under.....	26	\$ 94,347.26
\$ 5,001 to \$ 25,000.....	84	1,097,659.00
\$ 25,001 to \$ 50,000.....	39	1,456,251.43
\$ 50,001 to \$100,000.....	30	2,199,929.42
\$100,001 to \$200,000.....	21	3,098,486.83
over \$200,000.....	5	1,450,000.00
	<u>205</u>	<u>\$9,396,673.94</u>

PROFIT AND LOSS

Earnings for the year amounted to \$427,322.90 as compared with 1945 earnings of \$308,509.05. Interest on loans and investments, other than Dominion Government securities, naturally showed a sharp increase over the first fiscal period, rising from \$10,556.24 to \$138,172.12. While average holdings of Dominion Government securities declined by \$2,203,138 on the year, revenue of \$289,150.78 from this source continued to form an important part of total earnings.

Total operating expenses during the year, of which details are shown in the attached statement, amounted to \$185,604.72, including contributions to Pension Fund and depreciation of office equipment, as compared with \$110,666.26 in 1945. The net operating earnings for the fiscal year 1946 amounted to \$241,718.18 as compared with net operating earnings in 1945 of \$197,842.79.

INDUSTRIAL DEVELOPMENT BANK

No write-offs or specific appropriations for loans were deemed by the Bank or its Auditors to be required against its loans and investments as at September 30th, 1946. In my report to you of December 5th, 1945, I referred to the treatment of appropriations from profits to contingency reserves and stated that it had been deemed wise to set aside \$100,000 of the 1945 fiscal year's earnings to contingency reserve by way of a general provision for losses. On the 1945 balance sheet, the item Loans and Investments was reduced by the amount of the contingency reserve. After reconsideration of this procedure, the Board reached the conclusion that it would be preferable for an institution of this character to show all reserves in the balance sheet. As a result of this decision, the net operating earnings of the 1946 fiscal year together with the amount formerly in contingency reserve, have been added to Reserve Fund, which now stands at \$439,560.97, and the asset Loans and Investments appears on the attached balance sheet at the actual amount outstanding.

STAFF

The business of the Bank is a rather highly specialized undertaking. Practically all applications are investigated at the applicant's place of business and the form of security to be held by the Bank, as well as the terms of payment of loans, are tailored to suit individual cases. For this reason a number of specialists are employed. The General Manager and the senior executive officers at each branch previously occupied senior positions with commercial banks or trust companies; each office also has on its staff an experienced industrial engineer and those in Montreal and Toronto have qualified assistants. The Bank also employs three lawyers, three chartered accountants, and an insurance expert.

It is with pleasure that I record my appreciation of the high quality of the service rendered by the staff during the

INDUSTRIAL DEVELOPMENT BANK

past year. Since my last report the personnel of the Bank has increased to 44, of whom 27 are men and 17 women.

OFFICES

As a result of arrangements completed during the fiscal year, an office was established in Winnipeg on October 1, 1946, to service that part of Ontario west of Sault Ste. Marie, and the provinces of Manitoba and Saskatchewan.

While it may seem that four branches would give an inadequate coverage to the whole of Canada, it should be recalled that representatives of the Bank visit the plants of prospective borrowers. Moreover, when an officer makes a trip to points at some distance from our branches the public is advised through the press in advance, so that interested parties may have the opportunity to discuss their problems.

GENERAL

Your attention is directed to the fact that the average term of all loans outstanding is approximately five years. In individual cases, advances have been made for longer terms but, generally speaking, borrowers have been encouraged to repay advances as rapidly as is reasonably possible.

In addition to the work performed in connection with loans granted by the Bank, the staff has spent some time and, I believe, rendered valuable service in advising prospective borrowers who have subsequently arranged their financing with other lending agencies. Through continuous contact with borrowers, the Bank has also been able to assist a number of its clients in financial, engineering, accounting and insurance matters.

During the past year there has been evidence of an increasing willingness on the part of other lenders to make long term credit available to industrial enterprises. Some lenders have been prepared to lengthen the period of time

previously regarded as desirable for the repayment of advances, and others have modified their views regarding the types of security against which such loans could suitably be made. These considerations seem to apply whether borrowing takes place through the public issue of securities or from commercial banks or insurance or mortgage companies. In part, this arises out of the desire to seek profitable employment of funds, but it seems probable that the availability of the Bank's facilities has also exerted an influence. It is not suggested that there is anything undesirable or improper in this attitude of other lenders nor that imprudent risks are being assumed—in fact, as long as such loans do not become too prominent a part of an individual lender's portfolio they make an important contribution to the general economy of the country. But I emphasize again that, because of these factors, the field in which the Bank must operate is one where risks are greater than average and where operating costs tend to be high in relation to the loans retained.

The volume of business is increasing gradually, if slowly, and I believe from the character and diversity of the applications received that there is not only a need for the Bank in Canada but that it is likely to be able to operate on a self-supporting basis.

I am,

Dear Sir,

Yours faithfully,

G. F. TOWERS,

President.

INDUSTRIAL DEVELOPMENT BANK

STATEMENT OF ASSETS AND LIABILITIES

as at September 30th, 1946

LIABILITIES

CAPITAL:

Authorized — 250,000 shares, par value \$100.00 each	\$25,000,000.00
Issued and Paid-up	\$15,000,000.00
RESERVE FUND	439,560.97
ALL OTHER LIABILITIES	20,601.21
	<u>\$15,460,162.18</u>

ASSETS

CASH ON HAND AND DEPOSITS WITH OTHER BANKS	\$ 30,875.61
DOMINION GOVERNMENT SECURITIES:	
at values not exceeding market	10,151,331.11
LOANS AND INVESTMENTS	5,122,702.31
ALL OTHER ASSETS	155,253.15
	<u>\$15,460,162.18</u>

G. F. TOWERS,
President

H. R. EXTENCE,
Chief Accountant

AUDITORS' REPORT

We have examined the above Statement of Assets and Liabilities of the Industrial Development Bank as at 30th September 1946 and have received all the information and explanations we have required. We report that, in our opinion, it is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs as at that date, according to the best of our information, the explanations given to us and as shown by the books of the Bank.

E. J. HOWSON, F.C.A.,
of the firm, Thorne, Mulholland,
Howson & McPherson.

MAURICE SAMSON, C.A.,
of the firm, Chartré, Samson,
Beauvais, Gauthier & Cie.

INDUSTRIAL DEVELOPMENT BANK

PROFIT AND LOSS ACCOUNT

Fiscal year ending September 30th, 1946

EARNINGS

On Dominion Government Securities	\$289,150.78	
On Loans and Investments	138,172.12	
All Other	—	\$427,322.90

OPERATING EXPENSES

Salaries	\$128,487.29	
Pension Fund and Unemployment Insurance	9,263.67	
Investigation and Supervision Expenses (including travel)	10,944.46	
Travelling Expenses (general)	3,166.36	
Rental and Other Costs, Leased Premises	11,917.39	
Depreciation of Office Equipment	1,768.40	
Telephones and Telegrams	2,805.86	
Office Supplies and Expenses	4,194.50	
Directors' Fees	4,400.00	
Auditors' Fees and Expenses	3,661.43	
All Other Operating Expenses	4,995.36	185,604.72

NET OPERATING EARNINGS TRANSFERRED

TO RESERVE FUND	<u>\$241,718.18</u>
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RESERVE FUND

Fiscal year ending September 30th, 1946

Balance at credit, September 30th, 1945	\$ 97,842.79
Transferred from Contingency Reserve	100,000.00
Net Operating Earnings, transferred from Profit and Loss Account	241,718.18
BALANCE AT CREDIT, SEPTEMBER 30TH, 1946	<u><u>\$439,560.97</u></u>

