

Corp.  
Stack.

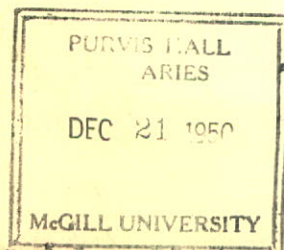
INDUSTRIAL DEVELOPMENT BANK



*Annual Report to the Minister of Finance*

AND STATEMENT OF ACCOUNTS

Fiscal year **1950**





INDUSTRIAL DEVELOPMENT BANK



*“Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through ensuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful if a high level of national income and employment is maintained, by supplementing the activities of other lenders and by providing capital assistance to industry with particular consideration to the financing problems of small enterprises . . .”*

—Preamble of the Industrial Development Bank Act



INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 2nd, 1950

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 ended September 30th, 1950, signed by the President and Chief Accountant and verified by the auditors.

I also accompany this statement with comments on the affairs of the Bank, together with a classification of the Bank's loans, investments and guarantees.

I have again included a few photographs taken in factories of customers of the Bank as illustrations of the variety of activities in which it is interested. As was the case last year, they have been selected on grounds of general interest rather than size or location.

During the fiscal year under review the Industrial Development Bank Act 8 George VI Chapter 44 (1944) was amended by Act of Parliament 13 George VI Chapter 26 (1949). The major point of interest covered by the amendment was the raising of the limit on commitments in excess of \$200,000 to an aggregate of \$25,000,000 as against the previous figure of \$15,000,000. When the amendment was enacted existing credits in individual amounts in excess of \$200,000 plus tentative applications exceeded \$15,000,000. Because of prepayment of several large loans this is not the case at present.

**Loans,** Investments and Guarantees. The following table shows the number of new applications, including fresh applications from existing customers dealt with during the year with comparative figures for 1949. Although new applications dealt with by the Bank during the year, showed some reduction as compared with the previous year, an increasing number were of a character to satisfy the Bank's requirements and were accordingly authorized. On the average the new credits authorized were somewhat smaller in size than last year so that the total dollar amount of new authorizations was almost the same as in the previous year.

It will be noticed that an increasing number of applications from existing customers is a feature of our operations. These are usually to finance additional facilities or technical improvements. In addition to applications for increased advances as recorded, it has been necessary in many instances to rearrange contract terms. The necessity to do so may have arisen from changed conditions in the particular industry or to unexpected developments in the business of the individual customer. We do not discourage applications for modification of terms of loan contracts where conditions indicate that this is a reasonable line of action. Our experience to date, however, is that the great majority of the Bank's loans are repaid in line with the original contract terms.

#### **LOANS, INVESTMENTS AND GUARANTEES**

<b><u>New Applications</u></b>	<b><u>During 1949</u></b>	<b><u>During 1950</u></b>
Authorized . . . . .	104	128
Refused . . . . .	138	94
Withdrawn . . . . .	78	61
	<u>320</u>	<u>283</u>
<b><u>Fresh Applications from Existing Borrowers</u></b>		
Authorized . . . . .	46	61
Refused . . . . .	3	1
Withdrawn . . . . .	3	3
	<u>52</u>	<u>65</u>
Total applications handled . . . . .	<u>372</u>	<u>348</u>



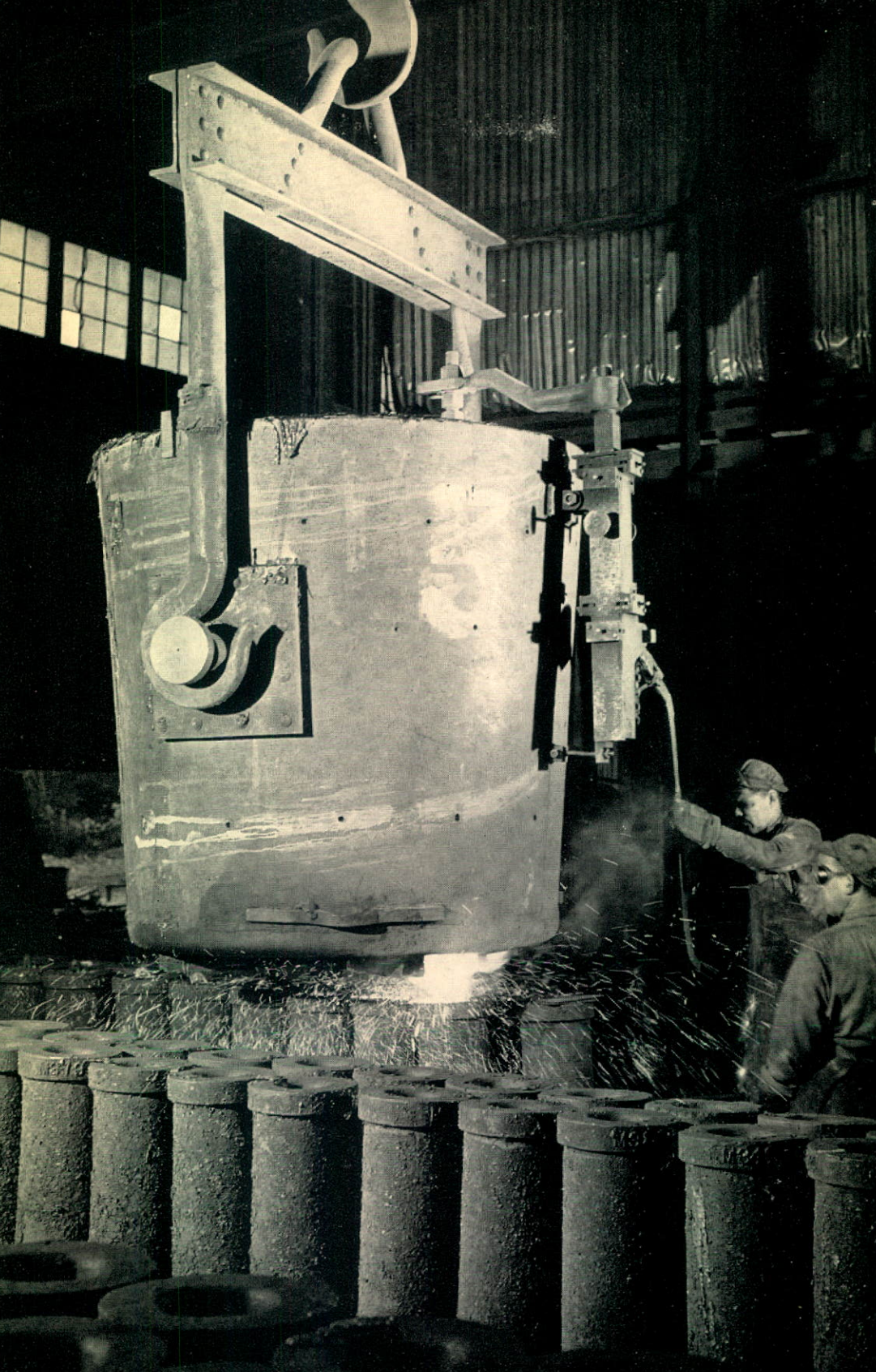
Statistics of the number and amount of loans do not fully reflect the service rendered by the Bank. We make it a point to keep closely in touch with customers' affairs, and wherever unsatisfactory developments are observed we endeavour to assist the borrower in correcting the situation. It is inevitable that a proportion of the businesses which we assist should experience difficulties. Through support and advice we have been able to resuscitate a number of such borrowers and in the comparatively moderate number of cases where bankruptcies have been experienced we have, in most cases, been able to liquidate our advances through sale of the mortgaged assets. The number of accounts in which actual losses have been experienced to date is eight, amounting to \$133,370.40. It is realized, of course, that our operations to date have been conducted in a period of very active business and that, under changed conditions, our experience might be different. On the other hand, it is felt that experience in this new field has enabled us to improve our technique and the quality of our staff.

In a moderate number of cases where our customers' commercial bankers have been unwilling to continue current financing and we felt that conditions justified further support, we have made advances under Section 19 of our Act of Incorporation (the equivalent of Section 88 of the Bank Act) either in the form of direct loans or through guarantees extended to the borrowers' commercial bankers. This is a type of business which we endeavour to avoid if at all possible. It is worth recording, however, that to date we have not had occasion to regret ventures into this field.

Statistics in the following tables illustrate changes in the Bank's business during the fiscal year 1950 and for the whole period of the Bank's operations to date.

	NUMBER	AMOUNT
Loans, investments & guarantees authorized:		
November 1, 1944 to September 30, 1949	690	\$46,341,210
October 1, 1949 to September 30, 1950	128	7,842,930
Total . . . . .	818	\$54,184,140
LESS:		
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944 to September 30, 1949	133	\$ 7,083,651
October 1, 1949 to September 30, 1950	19	1,168,800
Total . . . . .	152	\$8,252,451
Authorizations which have lapsed by reason of full repayment or write-off of loans:		
November 1, 1944 to September 30, 1949	120	\$ 7,162,613
October 1, 1949 to September 30, 1950	57	3,064,493
Total . . . . .	177	\$10,227,106
Current authorizations as at September 30, 1950 . . . . .	489	\$35,704,583
Reductions by reason of partial repayment or write-down:		
November 1, 1944 to September 30, 1949		\$ 4,573,236
October 1, 1949 to September 30, 1950		1,759,054
Total . . . . .		\$ 6,332,290
Net authorizations as at September 30, 1950	489	\$29,372,293
Disbursements:		
November 1, 1944 to September 30, 1949		\$35,311,475
October 1, 1949 to September 30, 1950		6,592,642
Total . . . . .		\$41,904,117
Repayments and write-offs:		
November 1, 1944 to September 30, 1949		\$11,735,849
October 1, 1949 to September 30, 1950		4,823,547
Total . . . . .		\$16,559,396
Outstanding:		
Loans, investments & guarantees as at September 30, 1950 . . . . .		\$25,344,721









It continues to be the experience of the Bank that in quite a number of important cases investigation of the applicant's business by the Bank enables the applicant to borrow through other agencies. From the point of view of the general economy of the country such cases no doubt represent constructive development although the Bank incurs considerable cost without corresponding revenue.

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



## *Classification of Loans, Investments and Guarantees*

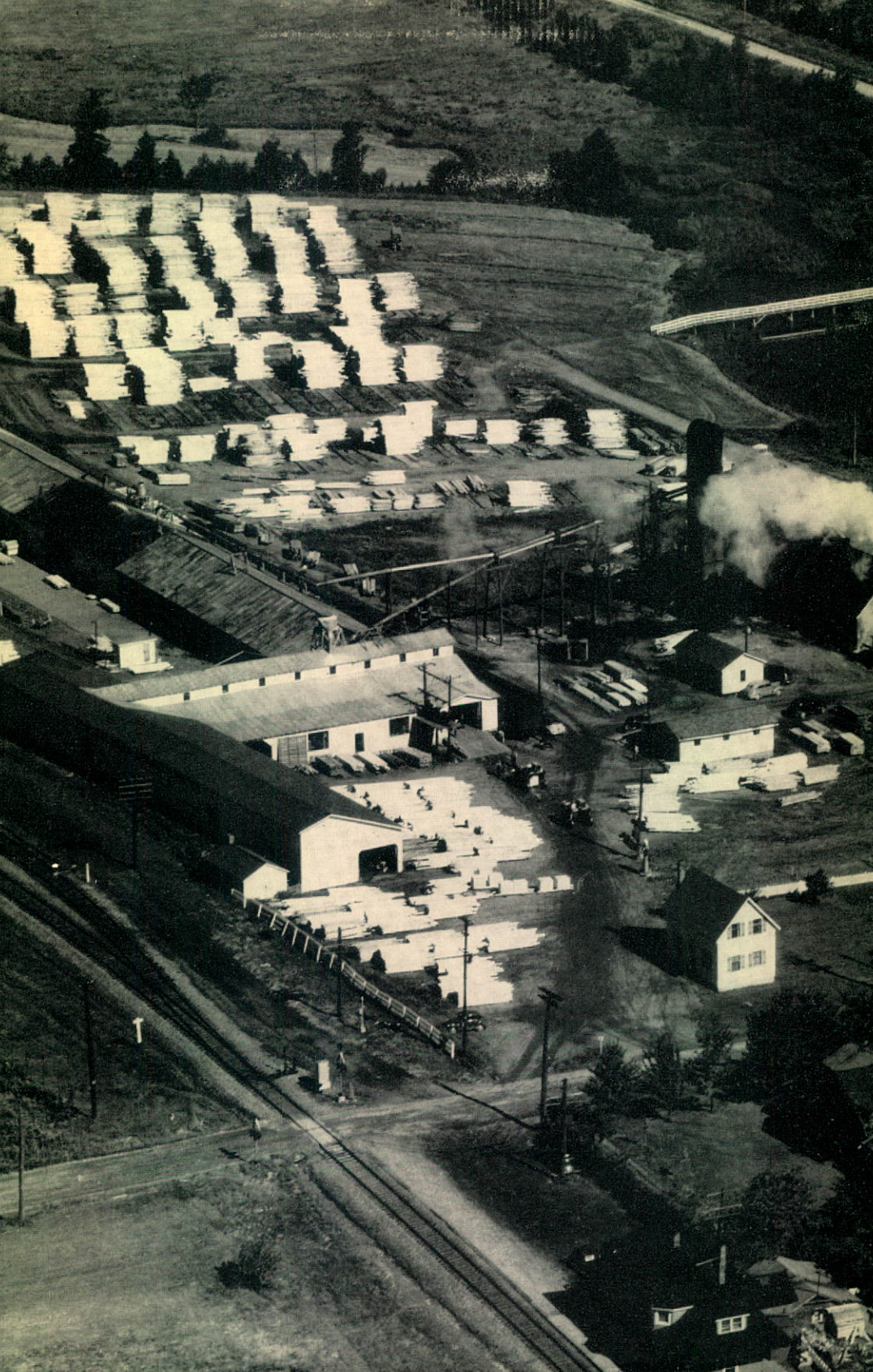
### By Industrial Enterprises

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1950*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1950.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1950.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1950.
1. Foods and Beverages . . . . .	\$ 6,430,079	\$ 1,231,984	\$ 5,295,633	\$ 3,714,775
2. Tobacco and Tobacco Products . . . . .	....	....	....	....
3. Rubber Products . . . . .	25,000	....	25,000	18,618
4. Leather Products . . . . .	735,652	80,143	567,652	399,871
5. Textile Products (except Clothing) . . . . .	4,098,022	560,985	3,244,008	2,419,367
6. Clothing (Textiles & Fur) . . . . .	1,260,224	281,399	817,000	400,909
7. Wood Products . . . . .	6,523,906	2,110,003	5,270,202	3,314,471
8. Paper Products (including Pulp) . . . . .	4,676,700	488,000	4,320,700	3,702,467
9. Printing, Publishing & Allied Industries . . . . .	1,459,489	266,309	732,300	454,077
10. Iron and Steel Products (including Machinery & Equipment) . . . . .	5,573,431	733,414	4,011,306	2,253,409
11. Transportation Equipment . . . . .	1,529,798	397,344	1,331,059	1,010,159
12. Non-Ferrous Metal Products . . . . .	171,310	100,000	119,500	35,350
13. Electrical Apparatus & Supplies . . . . .	740,250	201,000	555,000	282,500
14. Non-Metallic Mineral Products . . . . .	2,969,163	293,671	1,984,773	1,231,094
15. Products of Petroleum & Coal . . . . .	1,638,599	50,000	940,000	900,661
16. Chemical Products . . . . .	3,715,731	408,617	2,541,842	2,147,892
17. Miscellaneous Manu- facturing Industries . . . . .	1,166,672	347,561	875,500	522,040
18. Refrigeration . . . . .	3,122,663	292,500	2,978,108	2,494,061
19. Generating or Distri- buting of Electricity . . . . .	95,000	....	95,000	43,000
	<hr/> \$45,931,689	<hr/> \$ 7,842,930	<hr/> \$35,704,583	<hr/> \$25,344,721

\*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, 1950*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1950.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1950.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1950.
Newfoundland . . . .	\$ . . . .	\$ 150,000	\$ . . . .	\$ . . . . .
Prince Edward Island . .	71,000	11,000	54,000	43,819
Nova Scotia . . . . .	955,386	156,678	610,986	457,917
New Brunswick . . . .	1,667,750	616,250	1,391,500	924,652
Quebec . . . . .	16,490,633	2,703,029	12,449,303	8,613,711
Ontario . . . . .	14,813,553	2,218,245	11,584,586	8,542,834
Manitoba . . . . .	1,651,684	108,000	1,290,250	727,070
Saskatchewan . . . . .	1,210,158	122,000	1,137,158	989,993
Alberta . . . . .	2,934,136	345,606	1,959,500	1,129,691
British Columbia & Territories . . . . .	6,137,389	1,412,122	5,227,300	3,915,034
	<u>\$45,931,689</u>	<u>\$ 7,842,930</u>	<u>\$35,704,583</u>	<u>\$25,344,721</u>

\*Gross authorizations less cancellations and reductions of amounts authorized.

## By Size

	CURRENT AUTHORIZATIONS*	NUMBER OF CREDITS
\$ 5,000 and under . . . . .	\$ 92,383	23
5,001 to \$ 25,000 . . . . .	3,035,954	204
25,001 to 50,000 . . . . .	3,809,633	97
50,001 to 100,000 . . . . .	6,213,794	84
100,001 to 200,000 . . . . .	8,442,919	55
Over \$200,000 . . . . .	14,109,900	26
	<u>\$35,704,583</u>	<u>489</u>

\*Because of partial repayments on account of current authorizations the net authorizations were \$29,372,293 of which those in excess of \$200,000 totalled \$12,297,724.

The purpose and scope of the Bank's activities are steadily becoming better known. During the year the Bank issued a booklet describing in greater detail than in previous editions its functions and methods of operation. The wide circulation given this publication has no doubt led to an improved understanding and appreciation of the services offered. Our relationships with other financial institutions (mainly the commercial banks) continue to be satisfactory as evidenced by the ready co-operation we receive in most cases in resolving difficulties where we have mutual interests.

**Organization** In last year's report we mentioned that the planned trip of the Directors to the Maritime Provinces in the fall of 1949 had to be postponed. In June of the present year the majority of the Directors and a number of senior officers of the Bank completed a very interesting trip through New Brunswick and Nova Scotia, holding a regular meeting of the Board in Halifax. The President and some of the Directors also visited Prince Edward Island and Newfoundland.

In March of this year the General Manager's office was transferred to the new Bank of Canada Building in Montreal. The functional layout of the new quarters is contributing appreciably to the efficiency of the Bank's operations.

During the year there was a net addition of 1 to the staff, which now numbers 100. Of that number, 53 are male and 47

are female employees. Once again, I record with a great deal of pleasure my appreciation of the high quality of service rendered by the staff. I do not wish this to be regarded merely as a conventional statement. The character of the Bank's business is such that quite specialized supervision is necessary. To meet these conditions a special effort has been made to restrict staff membership to those with requisite ability and experience. I am pleased to state that I believe this effort has been successful.

***Statement of Profit and Loss*** Income from all sources for the year amounted to \$1,188,698.18 as compared with \$1,126,258.58 in 1949. Interest on the Bank's holdings of Government of Canada securities amounted to \$148,873.34 as against \$184,169.00 in 1949. Interest on loans, investments and guarantees etc., amounted to \$1,109,673.02, an increase of \$100,433.11 over the previous year's figure. Total expenses during the year, of which details are shown in the attached statement, amounted to \$530,905.88, as compared with \$476,644.20 in 1949.

Profit before adjustment and appropriation amounted to \$657,792.30, an increase of \$8,177.92 over the previous year's figure. We were able to transfer to profits \$109,540.32 from the reserve established in 1948, leaving the book value of our holdings of Government of Canada securities in line with market prices.

During the year under review an amount of \$65,602.69 was charged to Reserve for Losses in respect of bad debts. To restore the Reserve for Losses account to an amount of \$400,000.00 a similar amount has been charged against profits this year. The reserve of \$400,000.00 is considered ample to provide for losses in respect of accounts now on the books on the basis of our appraisal of the situation at the end of September.

The balance of profits for the year after making all appropriations amounted to \$701,729.93 and this has been transferred to Reserve Fund which now amounts to \$2,217,939.43.

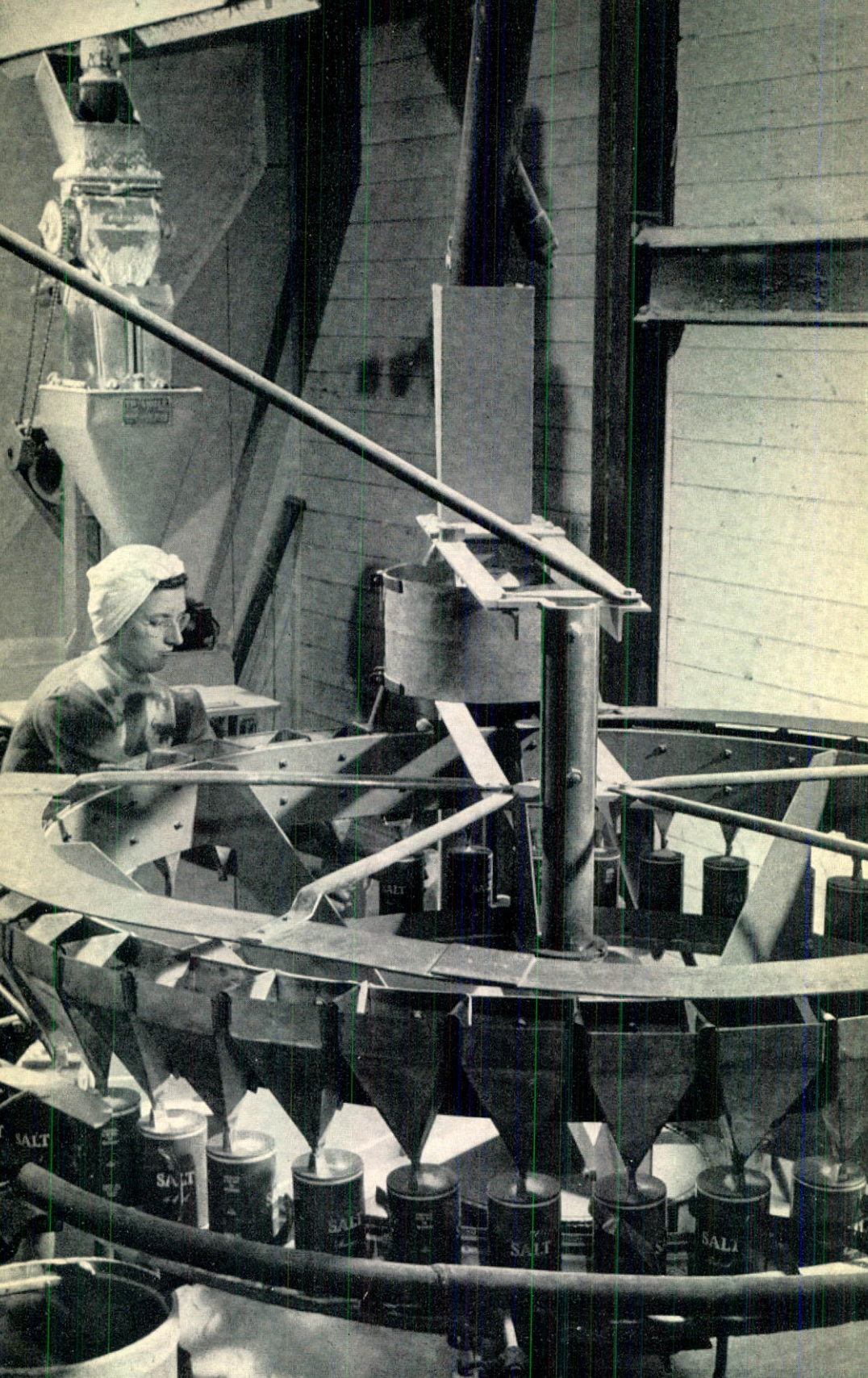
**General** In my last report I mentioned that during the early part of 1949 an appreciable decline in U.S. business activity had taken place and there was at that time some uncertainty as to whether Canadian economic conditions might continue to be as favourable as they had been in the two preceding years. Events have proved that the decline in U.S. business was shortlived. Recently, business activity has reached boom proportions, largely due to the anticipated effect of defence spending. This buoyant condition has been reflected in Canada. The loss of Canadian export business caused by dollar shortages abroad has to a fairly large extent been taken up by increased sales to the United States.

The Bank has now been in operation for six years. On account of the extremely favourable business conditions during that period, conclusions cannot be drawn as to long term financial results. Depressed conditions would undoubtedly lead to











a number of tie-ups, if not losses, but I feel that experience to date has demonstrated that the Bank has filled a very useful place in our financial economy, and there are a number of successful industrial enterprises in Canada which have developed to an extent greater than would have been possible had the Bank's facilities not been available.

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

# Statement of Profit and Loss

for the year ended 30th September 1950

## Income

On Government of Canada securities:

Interest . . . . . \$148,873.34

Less loss on sales . . . . . 69,848.18 \$ 79,025.16

On loans, investments & guarantees 1,101,222.27

All other . . . . . 8,450.75

\$1,188,698.18

## Expenses:

Salaries . . . . . \$365,724.15

Pension fund and unemployment insurance and group insurance . 46,208.10

Investigation and supervision expenses (including travel) . . . . . 17,223.51

Travelling expenses—general . . 4,975.89

Rental and other costs—leased premises . . . . . 43,621.66

Depreciation of office equipment . 6,056.77

Telephones and telegrams . . . 8,206.34

Office supplies and expenses . . . 12,990.48

Directors' fees . . . . . 3,600.00

Auditors' fees and expenses . . . 6,000.00

All other operating expenses . . . 16,298.98 530,905.88

**Profit** before adjustment of appropriations referred to below . . \$657,792.30

**Add:** Adjustment of provision made in 1948 to reduce Government of Canada securities to market value—balance not required . . . \$109,540.32

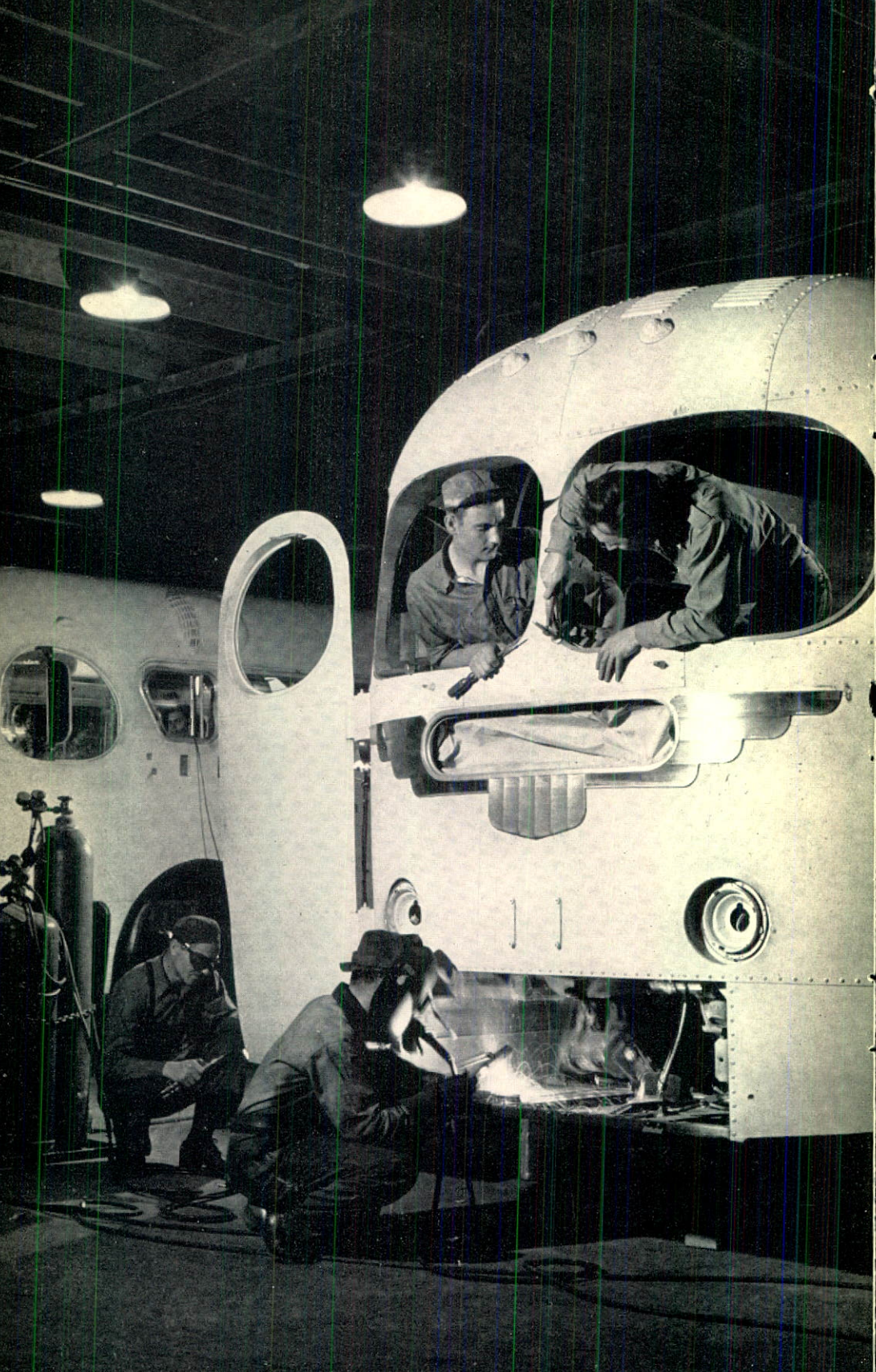
Less: Amount appropriated as reserve against loans, investments and guarantees . . . . . 65,602.69 43,937.63

**Balance** transferred to reserve fund \$701,729.93









#### RESERVE FOR LOSSES

Balance 30th September 1949 . . . . .	\$ 400,000.00
Add: Appropriation from profits for the year ended 30th September 1950 . . . . .	65,602.69
	<hr/>
	\$ 465,602.69
Less bad debts written off . . . . .	65,602.69
	<hr/>
Balance 30th September 1950 . . . . .	<u><u>\$ 400,000.00</u></u>

#### RESERVE FUND

Balance 30th September 1949 . . . . .	\$1,516,209.50
Amount transferred from statement of profit and loss . . . . .	701,729.93
	<hr/>
Balance 30th September 1950 . . . . .	<u><u>\$2,217,939.43</u></u>



# *Statement of Assets and Liabilities*

as at 30th September 1950

## LIABILITIES

<b>Capital:</b> Authorized, issued and paid up—	
250,000 shares par value \$100 each . . . . .	\$25,000,000.00
<b>Reserve Fund</b> . . . . .	2,217,939.43
<b>Contingent liability</b> under guarantees and underwriting agreements . . . . .	3,405,500.00
<b>All other liabilities</b> . . . . .	37,459.85
<b>Reserve for losses</b> . . . . .	400,000.00
	<hr/>
	\$31,060,899.28
	<hr/>

## ASSETS

<b>Cash on hand and deposits</b> with other banks \$	244,370.62
<b>Government of Canada securities</b> at values not exceeding market . . . . .	5,104,377.99
<b>Loans</b> and investments . . . . .	21,939,221.46
<b>Guarantees</b> and underwriting agreements as per contra . . . . .	3,405,500.00
<b>Property</b> held for sale . . . . .	35,833.49
<b>All other assets</b> . . . . .	331,595.72
	<hr/>
	\$31,060,899.28
	<hr/>

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 1950 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 1950 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 Chartré, Samson, Beauvais, Gauthier & Co.

Ottawa, Canada, 30th October 1950.



# 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, Waterdown, Ont.

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

G. G. COOTE, Nanton, Alta.

J. E. COYNE, 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.

A. PICKARD, Charlottetown, P.E.I.

H. A. RUSSELL, St. John's, Nfld.

L. P. SAINT-AMOUR, Ottawa, Ont.

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

901 VICTORIA SQUARE, 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*







