

C  
Stack

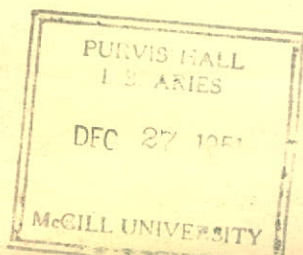
INDUSTRIAL DEVELOPMENT BANK

*idb*

*Annual Report to the Minister of Finance*

AND STATEMENT OF ACCOUNTS

Fiscal year *1951*





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 7th, 1951

The Hon. D. C. Abbott, K.C., M.P.,  
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, 1951, signed by the President and Chief Accountant and certified by the Auditors. As usual I am including a classification of the Bank's loans, investments and guarantees.

*Loans, Investments and Guarantees.* During the past year the number of new applications for credit declined to 247 as compared with 283 in 1950 and 320 in 1949. The number of new applications which culminated in authorized credits was virtually the same in 1951 as in 1950. There was thus a further increase in the proportion of total applications which proved to be of a character to satisfy the Bank's requirements, indicating that potential borrowers now have a clearer understanding of the function which the Bank is expected to perform, and therefore of the kind of application to which it is possible to give favourable consideration. This trend, which has been evident for several years, was accentuated during the 1951 fiscal year by the efforts of the Bank to discourage applications for purposes which were not likely to contribute to the defence programme or to the general strength of the economy. Our policy in this respect was of course related to the general desirability of credit restraint at a time when the total demand for labour and materials threatened to outstrip the available supply.

The disposition of applications dealt with by the Bank during the last three fiscal years has been as follows:

<u>New Applications</u>	<u>During 1949</u>	<u>During 1950</u>	<u>During 1951</u>
Authorized . . . . .	104	128	127
Refused . . . . .	138	94	65
Withdrawn . . . . .	78	61	55
	<u>320</u>	<u>283</u>	<u>247</u>
 <u>Applications from Existing Borrowers</u>			
Authorized . . . . .	46	61	72
Refused . . . . .	3	1	8
Withdrawn . . . . .	3	3	10
	<u>52</u>	<u>65</u>	<u>90</u>
Total applications handled . . .	<u>372</u>	<u>348</u>	<u>337</u>

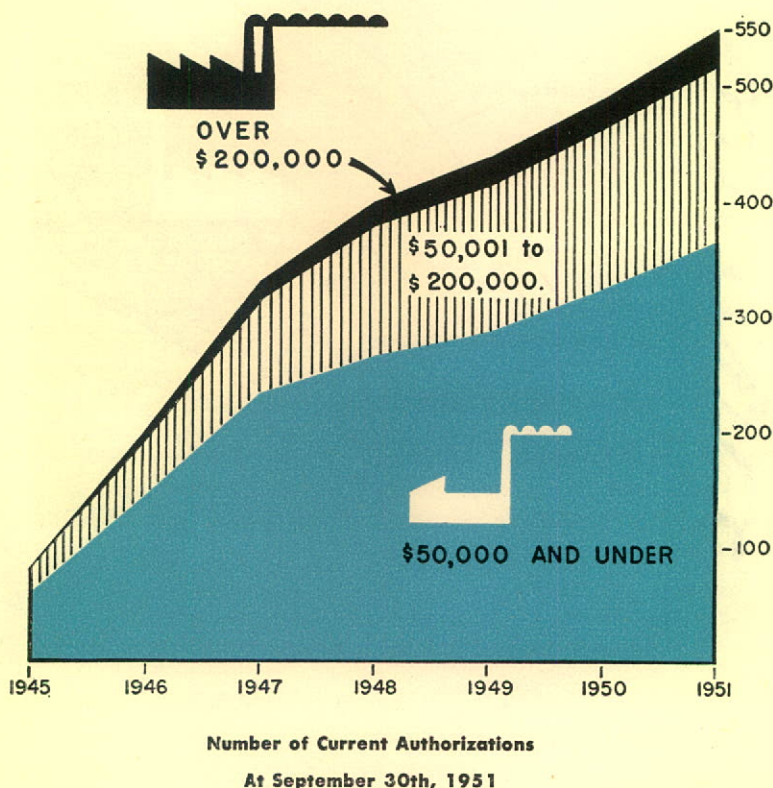
The extension of credit to finance operations closely related to the defence programme was of considerable importance in the dollar figures of authorizations during the fiscal year 1951. Loans in this category were not large in number but were substantial in average amount. The average amount of other authorized credits increased only moderately during the year, and the typical borrower continued to be the small industrial enterprise for which other sources of medium and long-term funds were not available.

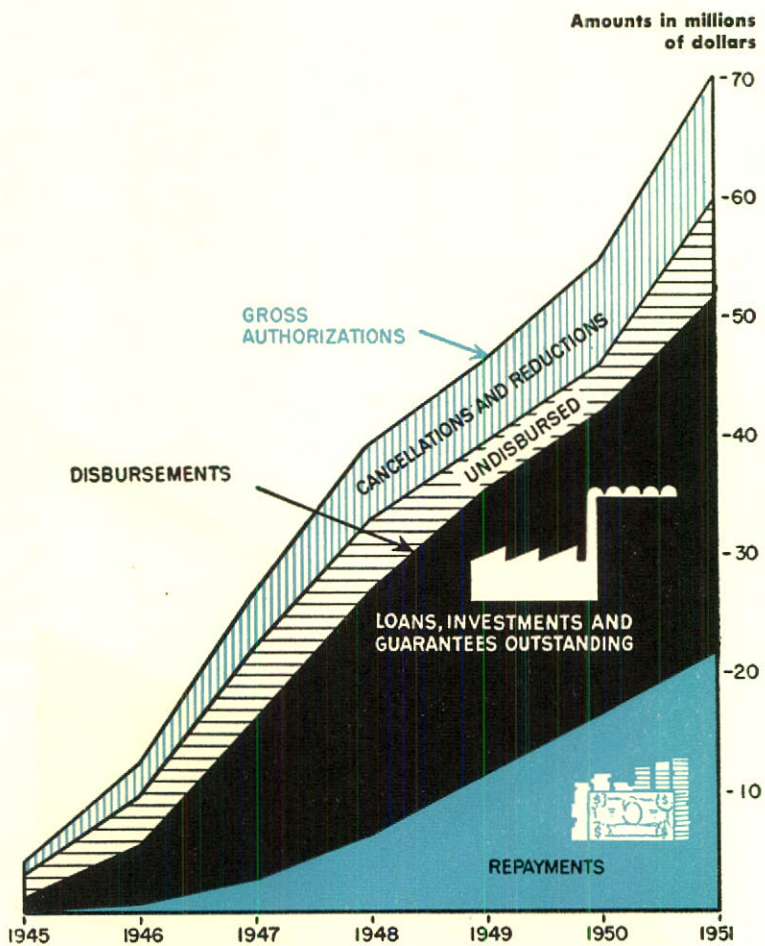
During the year the level of yields on securities and the cost of borrowing in the market increased, and the Bank raised the minimum interest rate at which it is normally prepared to make funds available from 5 percent per annum to 5½ percent per annum.



The number of current authorizations and their distribution by size at the end of each fiscal year are presented in the graph at the foot of this page. It will be noted that the number of current authorizations at fiscal year ends has grown more or less steadily since the Bank commenced operations late in 1944 and stood at 548 as at September 30th, 1951.

The table on page 7 summarizes the authorizations, disbursements and repayments during the fiscal year 1951 and for the whole period of the Bank's operations to date. It is followed in turn by tables showing the classification of the Bank's loans, investments and guarantees by type of industry, by province and by size.





**Authorizations, Disbursements and Repayments**  
**Cumulative to September 30th, 1951**



	NUMBER	AMOUNT
Loans, investments & guarantees authorized:		
November 1, 1944 to September 30, 1950	818	\$54,184,140
October 1, 1950 to September 30, 1951	127	15,705,865
Total . . . . .	945	\$69,890,005
LESS:		
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944 to September 30, 1950	152	\$ 8,252,451
October 1, 1950 to September 30, 1951	13	1,491,879
Total . . . . .	165	\$ 9,744,330
Authorizations which have lapsed by reason of full repayment or write-off:		
November 1, 1944 to September 30, 1950	177	\$10,227,106
October 1, 1950 to September 30, 1951	55	4,674,289
Total . . . . .	232	\$14,901,395
Current authorizations as at September 30, 1951 . . . . .	548	\$45,244,280
Reductions by reason of partial repayment or write-down:		
November 1, 1944 to September 30, 1950		\$ 6,332,290
October 1, 1950 to September 30, 1951		571,406
Total . . . . .		\$ 6,903,696
Net authorizations as at September 30, 1951	548	\$38,340,584
Disbursements on loans and investments:		
November 1, 1944 to September 30, 1950		\$38,311,617
October 1, 1950 to September 30, 1951		12,309,207
Total . . . . .		\$50,620,824
Repayments and write-offs on loans and investments:		
November 1, 1944 to September 30, 1950		\$16,372,396
October 1, 1950 to September 30, 1951		5,050,695
Total . . . . .		\$21,423,091
Outstanding as at September 30, 1951:		
Loans and investments . . . . .		\$29,197,733
Guarantees . . . . .		227,500
Total . . . . .		\$29,425,233

## *Classification of Loans, Investments and Guarantees*

### By Industrial Enterprises

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1951*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1951.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1951.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1951.
1. Foods and Beverages . . .	\$ 7,776,650	\$ 1,859,571	\$ 5,472,283	\$ 3,989,082
2. Tobacco and Tobacco Products . . . . .	....	....	....	....
3. Rubber Products . . . . .	25,000	....	....	....
4. Leather Products . . . . .	938,152	202,500	762,500	482,759
5. Textile Products (except Clothing) . . . . .	4,786,014	750,527	3,004,361	2,557,539
6. Clothing (Textiles & Fur) . . . . .	2,112,024	851,800	1,511,150	926,374
7. Wood Products . . . . .	9,110,880	2,600,974	7,272,654	5,043,826
8. Paper Products . . . . . (including Pulp) . . . . .	4,901,875	258,100	4,337,675	4,018,443
9. Printing, Publishing & Allied Industries . . . . .	1,447,489	238,000	706,000	438,061
10. Iron and Steel Products (including Machinery & Equipment)	6,488,978	1,392,748	4,316,606	2,395,399
11. Transportation Equipment . . . . .	2,290,285	817,605	2,028,664	999,957
12. Non-Ferrous Metal Products . . . . .	319,110	147,800	263,500	239,667
13. Electrical Apparatus & Supplies . . . . .	1,004,250	276,000	754,000	341,671
14. Non-Metallic Mineral Products . . . . .	3,621,059	661,896	2,119,469	1,568,258
15. Products of Petroleum & Coal . . . . .	2,138,599	500,000	1,440,000	814,661
16. Chemical Products . . . . .	8,240,115	4,579,484	6,982,310	2,240,129
17. Miscellaneous Manu- facturing Industries . . . . .	1,179,532	12,860	899,500	678,780
18. Refrigeration . . . . .	3,670,663	556,000	3,278,608	2,663,627
19. Generating or Distri- buting of Electricity . . . . .	95,000	....	95,000	27,000
	<hr/> \$60,145,675	<hr/> \$15,705,865	<hr/> \$45,244,280	<hr/> \$29,425,233

\*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, 1951*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1951.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1951.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1951.
Newfoundland . . . . .	\$ . . . .	\$ 425,000	\$ . . . .	\$ . . . .
Prince Edward Island . . . . .	71,000	. . . .	54,000	34,032
Nova Scotia . . . . .	1,082,368	127,100	655,044	428,538
New Brunswick . . . . .	1,942,549	276,049	1,103,298	951,178
Quebec . . . . .	25,206,834	9,193,112	20,222,466	11,044,824
Ontario . . . . .	16,487,162	1,849,209	11,648,564	8,752,736
Manitoba . . . . .	1,880,584	305,900	1,449,250	742,002
Saskatchewan . . . . .	2,290,658	1,080,500	2,142,658	1,462,492
Alberta . . . . .	3,025,384	119,248	1,153,200	903,164
British Columbia & Territories . . . . .	8,159,136	2,329,747	6,815,800	5,106,267
	<u>\$60,145,675</u>	<u>\$15,705,865</u>	<u>\$45,244,280</u>	<u>\$29,425,233</u>

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

## By Size

	CURRENT AUTHORIZATIONS AT SEPTEMBER 30, 1951*	NUMBER OF CREDITS
\$ 5,000 and under . . . . .	\$ 74,230	18
5,001 to \$ 25,000 . . . . .	3,547,099	233
25,001 to 50,000 . . . . .	4,417,575	114
50,001 to 100,000 . . . . .	6,897,262	91
100,001 to 200,000 . . . . .	8,728,714	57
Over \$200,000 . . . . .	21,579,400	35
	<u>\$45,244,280</u>	<u>548</u>

\*Because of partial repayments on account of current authorizations the net authorizations were \$38,340,584 of which those in excess of \$200,000 totalled \$19,512,690.

In earlier reports I have on occasion compared the geographical distribution of credits authorized by the Bank with that of the number of persons employed in the manufacturing industries. As at the end of the Bank's fiscal year the position was as follows:

AREA	*PERCENTAGE OF GROSS AUTHORIZATIONS	**PERCENTAGE OF POPULATION EMPLOYED IN MANUFACTURING 1949
Maritimes . . . . .	5.7	5.5
Quebec . . . . .	40.6	33.3
Ontario . . . . .	28.7	47.4
Prairies . . . . .	11.5	6.7
British Columbia . . . . .	13.5	7.1

\*Before cancellations and reductions on amounts authorized.

\*\*Source: Dominion Bureau of Statistics.

In the fiscal year ending September 30th, 1951, the Bank made cash disbursements of \$12,309,207 on loans and investments. This amount included the effect of a transfer during the course of the year from the category of guarantees and underwriting agreements to that of loans and investments, the extent of which is indicated approximately by the decline in the contingent liability under guarantees and underwriting agreements as shown on our balance sheet.

Of the funds required to make the cash disbursements referred to in the preceding paragraph, \$1,250,000 was obtained by the issue of Industrial Development Bank debentures sold to the Bank of Canada as provided for in Section 13 of the Industrial Development Bank Act. They are the outstanding portion of an issue of \$5,000,000 dated May 1st, 1951, maturing May 1st, 1954, bearing interest at the rate of 2¾ percent per annum.

**Staff** During the year there was a decline of 5 in the number of the staff which is now 95. I wish to record my appreciation of the high quality of service which has been rendered by the staff.



*Statement of Profit and Loss* Income on loans, investments and guarantees for the year amounted to \$1,255,918, an increase of \$154,696 over the previous year. Interest on Government of Canada securities amounted to \$46,654 as against \$148,873 in 1950. During the fiscal year the Bank's holdings of Government of Canada securities were liquidated in order to obtain funds to make disbursements on loans and investments.

The item "Interest on debentures" appears for the first time amongst the Bank's expenses; the amount for the fiscal year 1951 was \$3,089. All other expenses, of which details are shown in the attached statement, amounted to \$588,556 compared with \$530,906 in 1950.

Profits before appropriation amounted to \$666,017, an increase of \$8,224 over the previous year's figure. During the year under review an amount of \$3,202 was charged to Reserve for Losses in respect of write-offs, and \$519 was recovered on debts previously written off. The difference of \$2,683 has been charged against profit this year in order to restore the Reserve for Losses account to \$400,000. This reserve is considered ample to provide for losses in respect of accounts now on the Bank's books on the basis of our appraisal of the situation at the end of September 1951. The balance of profits for the year, after appropriations, amounted to \$663,334 and this amount has been transferred to Reserve Fund, bringing it to \$2,881,273 at the close of the fiscal year.

I am, Dear Sir,

Yours faithfully,

G. F. TOWERS, President.

# *Statement of Profit and Loss*

for the year ended 30th September 1951

## **Income**

On loans, investments and guarantees	\$1,255,918.20
Sundry . . . . .	<u>15,273.68</u>
	1,271,191.88

## **Deduct**

Loss on sale of Government of Canada securities . . . . .	\$ 60,184.46	
<b>Less</b> Interest thereon . . . . .	<u>46,654.39</u>	<u>13,530.07</u>
		\$1,257,661.81

## **Expenses:**

Salaries . . . . .	400,002.56	
Pension fund, unemployment insurance and group insurance . . . . .	51,736.62	
Investigation and supervision expenses (including travel) . . . . .	15,177.88	
Travelling expenses—general . . . . .	9,039.89	
Rental and other costs—leased premises . . . . .	51,998.47	
Depreciation of office equipment . . . . .	6,695.64	
Telephones and telegrams . . . . .	12,669.72	
Office supplies and expenses . . . . .	8,956.29	
Directors' fees . . . . .	5,550.00	
Auditors' fees and expenses . . . . .	6,000.00	
All other operating expenses . . . . .	<u>20,729.13</u>	<u>588,556.20</u>
<b>Profit before undermentioned items</b>		\$ 669,105.61

## **Deduct:**

Interest on debentures . . . . .	3,089.04	
Amount appropriated to Reserve for Losses . . . . .	<u>2,683.04</u>	<u>5,772.08</u>

<b>Balance transferred to Reserve Fund</b>	<u><u>\$ 663,333.53</u></u>
--	-----------------------------



# RESERVE FOR LOSSES

Balance 30th September 1950 . . . . .		\$ 400,000.00
Add:		
Recovery of debts previously written off . . . . .	\$ 519.35	
Appropriation from profits for the year ended 30th September 1951 . . . . .	2,683.04	3,202.39
		<hr/>
		\$ 403,202.39
Less bad debts written off . . . . .		3,202.39
		<hr/>
Balance 30th September 1951 . . . . .		<u>\$ 400,000.00</u>

# RESERVE FUND

Balance 30th September 1950 . . . . .	\$2,217,939.43
Amount transferred from statement of profit and loss . . . . .	663,333.53
	<hr/>
Balance 30th September 1951 . . . . .	<u>\$2,881,272.96</u>

# Statement of Assets and Liabilities

as at 30th September 1951

## LIABILITIES

<b>Capital:</b> Authorized, issued and paid up— 250,000 shares par value \$100 each . . . . .	\$25,000,000.00
<b>Reserve Fund</b> . . . . .	2,881,272.96
<b>Bonds and debentures, outstanding</b> . . . . .	1,250,000.00
<b>Contingent liability</b> under guarantees and underwriting agreements . . . . .	227,500.00
<b>All other liabilities</b> . . . . .	102,852.93
<b>Reserve for Losses</b> . . . . .	400,000.00
	<hr/>
	\$29,861,625.89
	<hr/>

## ASSETS

<b>Cash on hand and deposits</b> with other banks \$	66,664.09
<b>Loans and investments</b> . . . . .	29,197,733.50
<b>Guarantees and underwriting agreements as per</b> <b>contra</b> . . . . .	227,500.00
<b>Property held for sale</b> . . . . .	36,520.52
<b>All other assets</b> . . . . .	333,207.78
	<hr/>
	\$29,861,625.89
	<hr/>

G. F. TOWERS, President

H. R. EXTENCE, Chief Accountant

**AUDITOR'S REPORT** ● We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at 30th September 1951 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 1951, according to the best of our information and as shown by the books of the Bank.

E. J. HOWSON, F.C.A.

JEAN VALIQUETTE, C.A.

of Thorne, Mulholland, Howson & McPherson.

of Anderson & Valiquette.

Ottawa, Canada, 31st October 1951.

# 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.*

W. A. JOHNSTON, K.C., *Winnipeg, Man.*

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*

### BRANCH OFFICES

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*



