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INDUSTRIAL DEVELOPMENT BANK

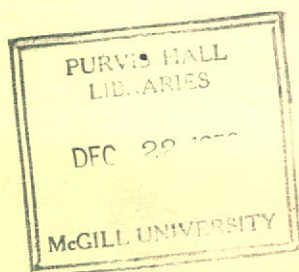
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Annual Report to the Minister of Finance

1951

AND STATEMENT OF ACCOUNTS

Fiscal year **1952**



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 8th, 1952.

The Hon. D. C. Abbott, Q.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, 1952, 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, together with a general review of the Bank's affairs and statistics pertaining to the operations of this past fiscal year.

During the year under review, the Industrial Development Bank Act was amended in two respects which are worth noting. First, the scope of the Bank's lending powers was widened to include existing or new commercial air services in Canada. There was evidence that medium-term credit, needed by efficiently operated commercial air services to replace obsolete equipment and to augment present fleets, was not normally obtainable from other sources, and this amendment to the Act permits the Bank to provide such financing. Secondly, the limit on the aggregate of individual commitments in excess of \$200,000 which the Bank may make was raised. This limit, which had been moved up in 1949 from \$15,000,000 to \$25,000,000 was further increased to an aggregate of \$50,000,000 by the new amendment. Among the reasons for this change was the possibility that, with the existing limit for larger loans nearly reached, the Bank might find it impossible to give needed assistance to worthy enterprises. As the Bank has the authority to bring its total loanable resources up to \$100,000,000 it still has ample capacity to assist enterprises requiring smaller loans. At the end of the fiscal year under review, current authorizations on loans, investments and guarantees, individually in excess of \$200,000 amounted to \$24,103,314, while net authorizations in this category (after allowing for partial repayments on account of current authorizations) totalled \$21,096,464.

Loans, Investments and Guarantees. During the past year the number of new eligible applications for credit declined to 196 compared with 247 in 1951, and 283 in 1950. The number of new applications

culminating in authorized credits also declined, from 127 in 1951 to 111 in the last fiscal year. Applications from existing borrowers, which had been increasing in recent years, also declined in 1952. Full details of the disposition of applications received by the Bank during the last three fiscal years are given below:

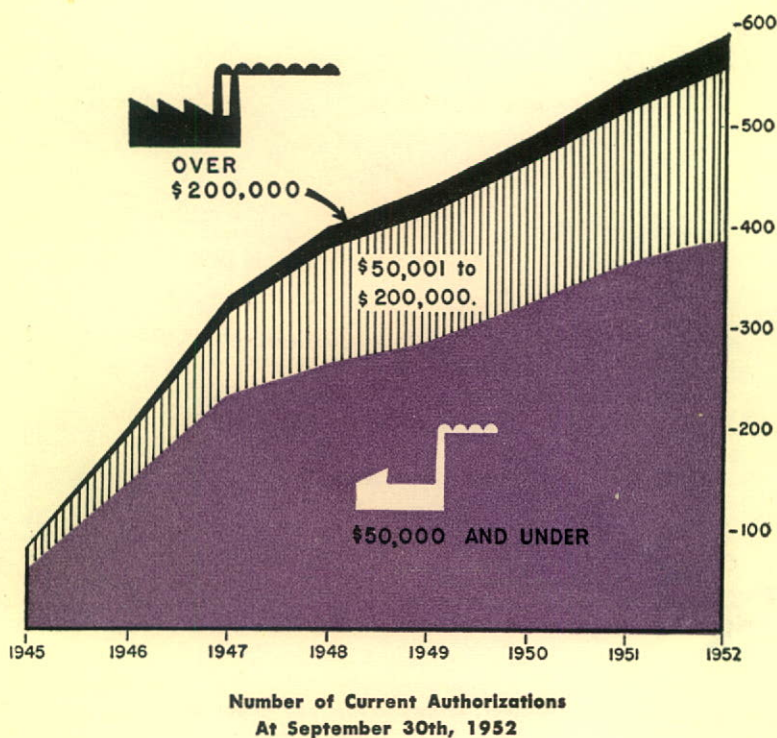
New Applications	During 1950	During 1951	During 1952
Authorized	128	127	111
Refused	94	65	48
Withdrawn	61	55	37
	<u>283</u>	<u>247</u>	<u>196</u>
Applications from Existing Borrowers			
Authorized	61	72	49
Refused	1	8	3
Withdrawn	3	10	4
	<u>65</u>	<u>90</u>	<u>56</u>
Total Applications Handled	<u>348</u>	<u>337</u>	<u>252</u>

The volume and character of the Bank's operations in the past year were affected by certain changes in economic conditions. The overall level of general business activity remained buoyant but some industries experienced a contraction in their markets. A somewhat lower level of consumer buying, which developed in the spring of 1951, led to a period of inventory liquidation on the part of retailers. This resulted in contracted markets for some consumer goods industries, notably household appliances, clothing and other textiles. Similarly, less activity in housing construction resulted in a reduced demand for certain types of building materials. In addition, during the first half of the fiscal year, the operations of the Bank were influenced by the need for credit restraint, which required more than the usual careful scrutiny of applications which could not clearly be justified on the basis of their contribution to the defence programme. This policy was in force until the beginning of May, 1952. For all these reasons, there was during most of the fiscal year less demand for capital financing from a fairly wide group of industries, which in the past have sought our assistance. On the other hand, in the latter months of the period under review, there was an acceleration in the volume of defence orders and a continuation of heavy capital expenditure in the development of defence and defence-supporting industries, as well as in the development of natural resources. While the number of loans the Bank has made in these categories has not been large, the total amount of credit involved has been fairly substantial. It is of interest to note in this connection that during the last two fiscal years approximately 40 per cent of the credits authorized by the Bank have been in three main categories: chemicals, iron and steel products and petroleum products—which are almost entirely of a defence or defence-supporting character.

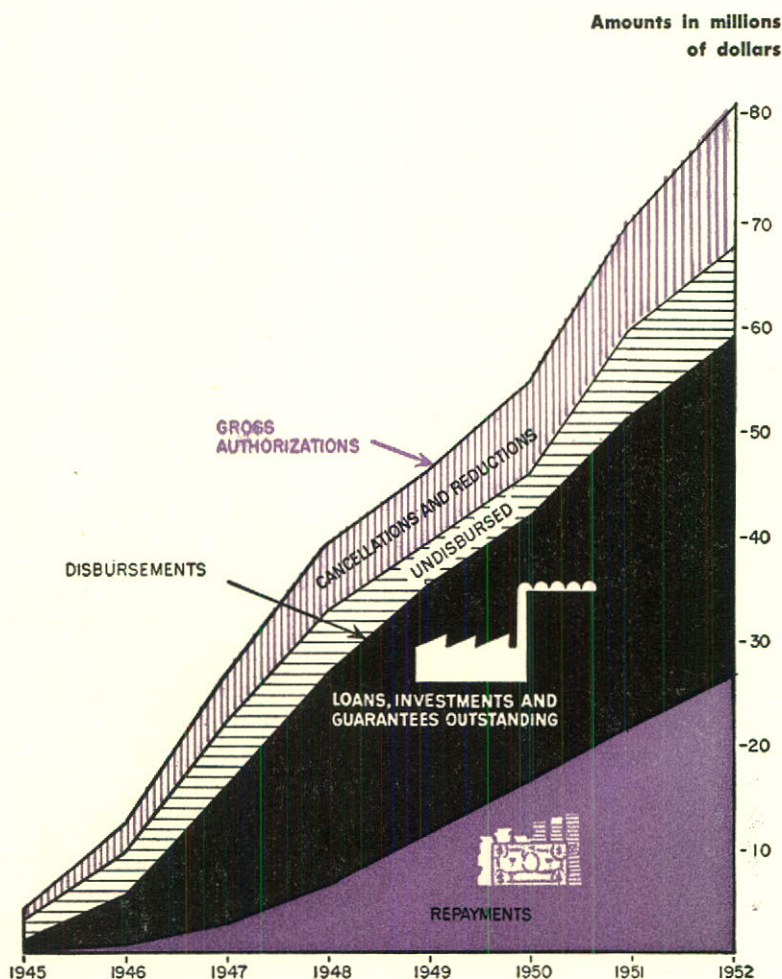
Total cash disbursements on loans and investments in the fiscal year ending September 30, 1952, amounted to \$8,908,916 compared with \$12,309,207 in the previous year. After allowing for repayments and write-offs the total amount of loans and investments outstanding rose by \$4,189,342 over the year to \$33,387,075. Of the funds required to make this net disbursement, \$2,600,000 was obtained by sale of the Bank's debentures to Bank of Canada, as provided for in Section 13 of the Industrial Development Bank Act. The total amount of debentures at the end of the fiscal year was thus increased to \$3,850,000. The terms on which our debentures have been sold to the Bank of Canada varied with market yields for Government of Canada securities of comparable maturities.

The increase in the cost of funds during the year caused the Bank again to raise the interest rate at which it is prepared to make funds available to a maximum of 6 per cent.

The rise in outstanding loans and investments mentioned above is also reflected in the number of current authorizations which stood at 583 at September 30th, 1952, compared with 548 at the end of fiscal 1951. More complete details of the number of current authorizations at each fiscal year-end since the commencement of the Bank's operations in 1944 and their distribution by size are given in the graph which follows:



The tables which follow on pages 7 to 9 are, first a summary of the authorizations, disbursements and repayments during the fiscal year 1952 and of the whole period of the Bank's operations to date and, secondly, tables showing the classification of the Bank's loans, investments and guarantees by industrial enterprise, by province and by size.



**Authorizations, Disbursements and Repayments
Cumulative to September 30th, 1952**

**SUMMARY OF AUTHORIZATIONS, DISBURSEMENTS AND REPAYMENTS
DURING FISCAL YEAR 1952 AND FOR THE WHOLE PERIOD OF THE
BANK'S OPERATIONS TO DATE**

	NUMBER	AMOUNT
Loans, investments & guarantees authorized:		
November 1, 1944 to September 30, 1951	945	\$69,890,005
October 1, 1951 to September 30, 1952	111	10,943,590
Total	1,056	\$80,833,595
LESS:		
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944 to September 30, 1951	165	\$ 9,744,330
October 1, 1951 to September 30, 1952	22	3,806,899
Total	187	\$13,551,229
Authorizations which have lapsed by reason of full repayment or write-off:		
November 1, 1944 to September 30, 1951	232	\$14,901,395
October 1, 1951 to September 30, 1952	54	2,776,377
Total	286	\$17,677,772
Current authorizations as at September 30, 1952	583	\$49,604,594
Reductions by reason of partial repayment or write-down:		
November 1, 1944 to September 30, 1951		\$ 6,903,696
October 1, 1951 to September 30, 1952		1,958,197
Total		\$ 8,861,893
Net authorizations as at September 30, 1952	583	\$40,742,701
Disbursements on loans and investments:		
November 1, 1944 to September 30, 1951		\$50,620,824
October 1, 1951 to September 30, 1952		8,908,916
Total		\$59,529,740
Repayments and write-offs on loans and investments:		
November 1, 1944 to September 30, 1951		\$21,423,091
October 1, 1951 to September 30, 1952		4,719,574
Total		\$26,142,665
Outstanding as at September 30, 1952:		
Loans and investments		\$33,387,075
Guarantees		242,500
Total		\$33,629,575

Classification of Loans, Investments and Guarantees

By Industrial Enterprises

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1952*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1952	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1952	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1952
1. Foods and Beverages . . .	\$ 8,693,548	\$ 993,398	\$ 5,506,092	\$ 3,622,682
2. Tobacco and Tobacco Products . . . . .	....	....	....	....
3. Rubber Products	25,000	....	....	....
4. Leather Products	928,152	280,000	737,500	420,173
5. Textile Products (except Clothing)	5,055,110	274,096	3,191,659	2,457,813
6. Clothing (Textiles & Fur)	1,965,024	187,500	1,354,150	862,156
7. Wood Products	9,712,200	1,163,894	7,446,260	5,463,170
8. Paper Products (including Pulp)	5,234,375	432,500	4,335,600	4,004,988
9. Printing, Publishing & Allied Industries	1,512,989	85,000	710,000	374,138
10. Iron and Steel Products (including Machinery & Equipment)	7,609,584	1,244,579	5,064,462	3,136,606
11. Transportation Equipment	2,984,285	694,000	2,673,664	1,990,661
12. Non-Ferrous Metal Products	481,110	173,000	448,500	228,193
13. Electrical Apparatus & Supplies	1,302,850	928,600	1,060,100	692,749
14. Non-Metallic Mineral Products	4,134,551	553,492	2,481,461	1,777,568
15. Products of Petroleum & Coal	3,678,599	1,790,000	2,880,000	776,661
16. Chemical Products	8,269,149	1,229,034	6,994,343	4,738,824
17. Miscellaneous Manu- facturing Industries	1,193,832	26,000	740,000	494,002
18. Refrigeration	4,057,008	388,497	3,630,803	2,589,191
19. Generating or Distri- buting of Electricity	345,000	250,000	250,000	....
20. Commercial Air Services	100,000	250,000	100,000	....
	<u>\$67,282,366</u>	<u>\$10,943,590</u>	<u>\$49,604,594</u>	<u>\$33,629,575</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, 1952*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1952	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1952	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1952
Newfoundland . . . . \$	....	\$ 250,000	\$	\$
Prince Edward Island . .	112,000	41,000	90,000	55,691
Nova Scotia	1,110,106	37,738	671,182	429,755
New Brunswick	2,307,639	365,090	1,337,721	982,260
Quebec	27,806,370	3,873,195	21,719,259	14,845,570
Ontario	17,712,252	1,824,590	11,820,949	8,169,533
Manitoba	2,203,584	397,500	1,582,250	790,469
Saskatchewan	3,849,098	1,578,592	3,618,848	1,331,460
Alberta	3,383,884	1,558,500	1,485,200	1,035,058
British Columbia & Territories	8,797,433	1,017,385	7,279,185	5,989,779
	<u>\$67,282,366</u>	<u>\$10,943,590</u>	<u>\$49,604,594</u>	<u>\$33,629,575</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

By Size

	CURRENT AUTHORIZATIONS AT SEPTEMBER 30, 1952*	NUMBER OF CREDITS
\$ 5,000 and under	\$ 72,868	17
5,001 to 25,000	3,806,672	246
25,001 to 50,000	4,515,272	114
50,001 to 100,000	8,129,268	107
100,001 to 200,000	8,977,200	61
Over \$200,000	24,103,314	38
	<u>\$49,604,594</u>	<u>583</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$40,742,701 of which those in excess of \$200,000 totalled \$21,096,464.

As in earlier reports, I am including a regional comparison of credits authorized by the Bank at the end of the last fiscal year and the number of persons employed in manufacturing industries. The results of this comparison are given below:

Region	DISTRIBUTION OF GROSS AUTHORIZA- TIONS (1)	DISTRIBUTION OF MANUFACTURING EMPLOYEES IN 1951 (2)
	%	%
Atlantic Provinces	5.8	6.4
Quebec	39.9	34.3
Ontario	27.1	44.4
Prairie Provinces	14.3	7.6
British Columbia	12.9	7.3

(1) Before cancellations and reductions on amounts authorized.

(2) Source: Dominion Bureau of Statistics.

Staff During the year there was a further decline in the number of the staff from 95 to 93 at September 30th. I would like to express my appreciation of the loyalty and continued high quality of service which has been rendered by the staff.

Statement of Profit and Loss I am including below a comparative analysis of the profit and loss statement for the year ending September 30th, 1952, with the statement for the previous year:

	YEAR ENDING SEPT. 30/52	YEAR ENDING SEPT. 30/51	CHANGE OVER THE YEAR
	\$	\$	\$
Income	1,585,999.53	1,257,661.81	+ 328,337.72
Expenses	598,446.32	588,556.20	+ 9,890.12
Gross Profit	987,553.21	669,105.61	+ 318,447.60
Interest on Debentures (less discount) . . .	79,162.48	3,089.04	+ 76,073.44
Net Profit (before appropriation for losses)	908,390.73	666,016.57	+ 242,374.16
Appropriated to Reserve for losses	102,040.37	2,683.04	+ 99,357.33
Balance (transferred to Reserve Fund) . . .	806,350.36	663,333.53	+ 143,016.83

Income on loans, investments and guarantees for the year amounted to \$1,570,093 as against \$1,255,918 in the previous year. For the first time since the Bank was established no income was earned on Government of Canada securities, the remainder of our holdings having been liquidated in the course of operations in the previous fiscal year. The item "Interest on Debentures" which appeared for the first time amongst the Bank's expenses in 1951, amounted during the current fiscal year to \$79,162 on a net basis as against \$3,089 in 1951. All other expenses, of which details are shown in the attached statement, amounted to \$598,446 compared with \$588,556 in 1951. Profits before appropriations amounted to \$908,391, an increase of \$242,374 during the year under review. Total appropriations for the reserve for losses account amounted to \$102,040. Of this amount \$2,040 represents the net loss on write-offs during the year, accounted for by \$2,357 which was charged to reserve for losses in respect of losses occurring during the year and \$317 which was recovered on debts previously written off. The balance of the amount transferred, amounting to \$100,000, was put into reserve for losses account, which was increased to \$500,000. It was felt that this increase in the reserve, which was described in my Annual Reports for the years 1947 and 1948, was in line with the expansion in our business. The last transfer to reserve for losses was made in 1949.

I am, Dear Sir,

Yours faithfully,

G. F. TOWERS, President.

Statement of Profit and Loss

for the year ended 30th September 1952

Income:

On loans, investments and guarantees	\$1,570,092.98
Sundry	15,906.55
	<hr/> 1,585,999.53

Expenses:

Salaries	418,904.38	
Pension fund, unemployment insurance and group insurance	54,051.58	
Investigation and supervision ex- penses (including travel) . . .	17,292.22	
Travelling expenses—general . .	5,543.55	
Rental and other costs—leased premises	47,039.80	
Depreciation of office equipment .	6,547.13	
Telephones and telegrams . . .	13,989.74	
Office supplies and expenses . .	8,056.99	
Directors' fees	4,800.00	
Auditors' fees and expenses . .	6,000.00	
All other operating expenses . .	16,220.93	598,446.32
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Profit before undermentioned items	\$ 987,553.21
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Deduct:

Interest on debentures	81,672.76	
Less net amortization of premium and discount on debentures sold .	2,510.28	
	<hr/> 79,162.48	
Amount appropriated to Reserve for Losses	102,040.37	181,202.85
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Balance transferred to Reserve Fund		<u>\$ 806,350.36</u>

RESERVE FOR LOSSES

Balance 30th September, 1951		\$ 400,000.00
Add:		
Recovery of debts previously written off	316.53	
Appropriation from profits for the year ended 30th September 1952	102,040.37	102,356.90
		<hr/>
		\$ 502,356.90
Less bad debts written off		2,356.90
		<hr/>
Balance 30th September 1952		<u>\$ 500,000.00</u>

RESERVE FUND

Balance 30th September 1951	\$2,881,272.96
Amount transferred from statement of profit and loss	806,350.36
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Balance 30th September 1952	<u>\$3,687,623.32</u>

Statement of Assets and Liabilities

as at 30th September, 1952

LIABILITIES

Capital: Authorized, issued and paid up—	
250,000 shares par value \$100 each	\$25,000,000.00
Reserve Fund	3,687,623.32
Bonds and debentures, outstanding	3,850,000.00
Contingent liability under guarantees and underwriting agreements	242,500.00
All other liabilities	819,536.56
Reserve for Losses	500,000.00
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	\$34,099,659.88
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ASSETS

Cash on hand and deposits with other banks	70,540.40
Loans and investments	33,387,075.71
Guarantees and underwriting agreements as per	
contra	242,500.00
Property held for sale	59,043.71
All other assets	340,500.06
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	\$34,099,659.88
	<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 1952 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 1952, according to the best of our information and as shown by the books of the Bank.

E. J. HOWSON, F.C.A.
of Thorne, Mulholland, Howson & Mc Pherson
Ottawa, Canada, 31st October 1952.

JEAN VALIQUETTE, C.A.
of Anderson & Valiquette

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, *Q.C., Winnipeg, Man.*

A. STEWART McNICHOLS, *Montreal, Que.*

R. H. MILLIKEN, *Q.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*

SUPERVISORS

ATLANTIC PROVINCES

F. M. AYKROYD

901 VICTORIA SQ.,

MONTREAL, QUE.

ONTARIO

J. C. INGRAM

85 RICHMOND ST.,

TORONTO, ONT.

MANITOBA & SASKATCHEWAN

D. T. MUSKETT

195 PORTAGE AVE. EAST

WINNIPEG, MAN.

ALBERTA & BRITISH COLUMBIA

N. C. TOMPKINS

475 HOWE ST.,

VANCOUVER, B.C.

