

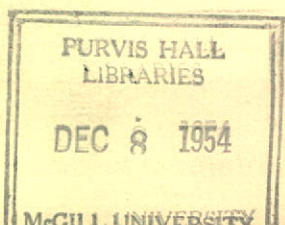
INDUSTRIAL DEVELOPMENT BANK



Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

Fiscal year **1954**



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, November 30th, 1954

The Hon. Walter E. Harris,
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, 1954, signed by the President and Chief Accountant and certified by the Auditors. As in previous years, I am including a classification of the Bank's loans, investments and guarantees, together with a review of the Bank's affairs and statistics relating to the operations of this past fiscal year.

Loans, Investments and Guarantees. Details of the disposition of applications received by the Bank during the last three fiscal years are given in the table on the following page.

NEW APPLICATIONS

	During 1952	During 1953	During 1954
Authorized	111	142	125
Refused	48	70	49
Withdrawn	37	50	53
	<u>196</u>	<u>262</u>	<u>227</u>

APPLICATIONS FROM EXISTING BORROWERS

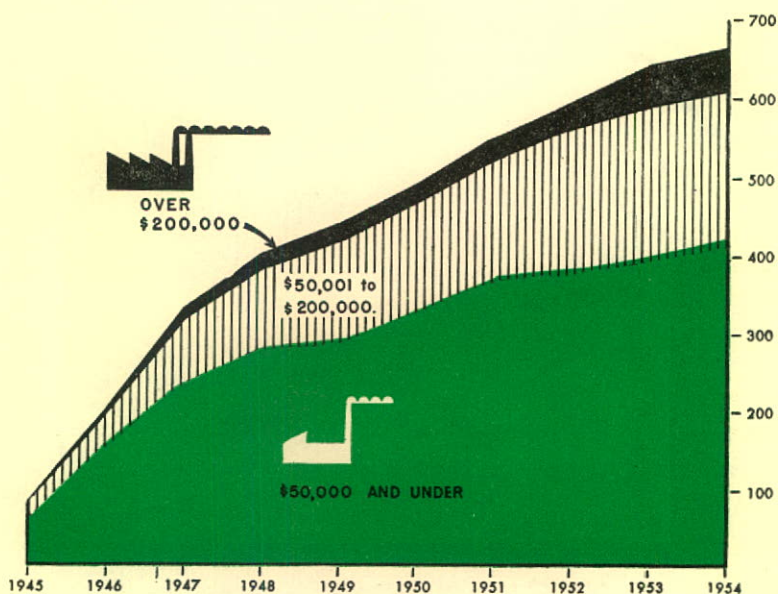
Authorized	49	75	50
Refused	3	1	2
Withdrawn	4	8	11
	<u>56</u>	<u>84</u>	<u>63</u>
Total Applications Handled	252	346	290
Total Applications Authorized	160	217	175

Both the number of applications handled and the number authorized by the Bank during the past year were somewhat lower than the high level of the previous year. This moderate decline, however, would not appear to be out of line with the estimated trends in investment in plant and equipment by manufacturing industries generally during 1954, a year in which a number of industries have encountered marketing difficulties despite the continued high level of business activity in many sectors of the economy.

During the fiscal year ending September 30th, 1954, total cash disbursements on loans and investments amounted to \$11,505,808 as compared with \$11,331,881 in the fiscal year 1953, while repayments and net write-offs (\$154,310) totalled \$8,292,331. The amount of loans and investments outstanding rose from \$38,925,540 at September 30th, 1953, to \$42,139,017 at September 30th, 1954. Of the funds required to make this net disbursement of \$3,213,477 a portion was obtained by the sale of additional Industrial Development Bank debentures to Bank of Canada and the balance from earnings during the year. On a net basis, the Bank sold \$1,750,000 worth of debentures during the fiscal year, raising the amount outstanding at September 30th, 1954, to \$10,700,000.

The number of current authorizations stood at 661 at September, 1954, compared with 633 a year ago.

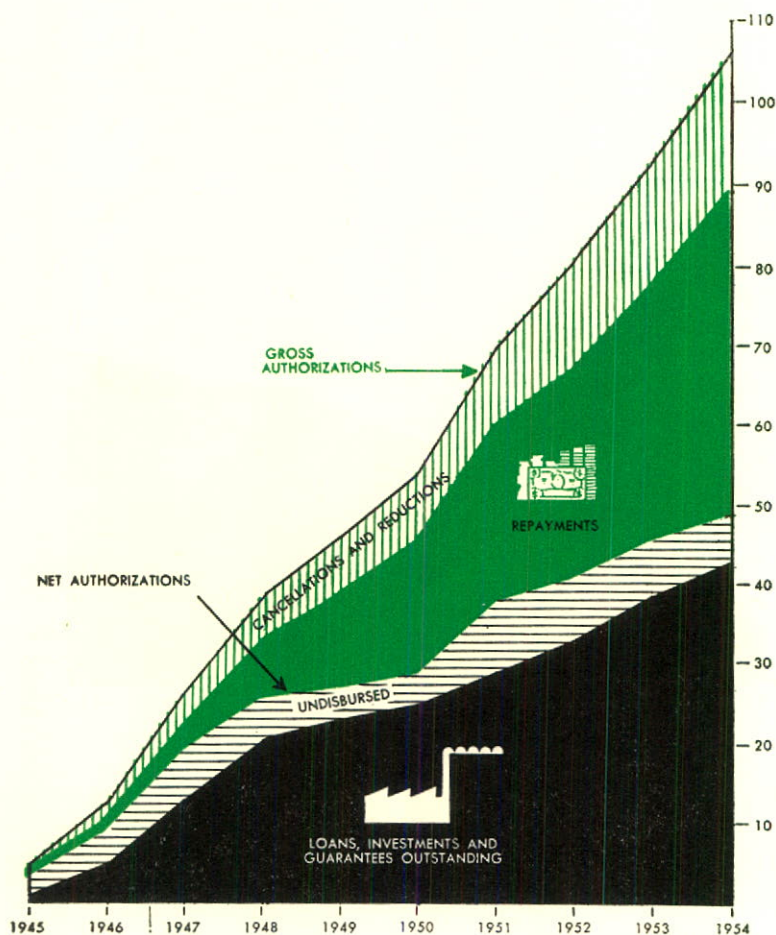
The tables which follow on pages 7, 8 and 10 are first, a summary of authorizations, disbursements and repayments during the fiscal year 1954 and during the entire period of the Bank's operations to date and, secondly, tables showing the classification of the Bank's loans, investments and guarantees by industrial enterprise, by province and by size.



Number of Current Authorizations
at September 30th, 1954

Gross Authorizations, Repayments and Net Authorizations
Cumulative to September 30th, 1954.

Amounts in millions
of dollars



**SUMMARY OF AUTHORIZATIONS, DISBURSEMENTS AND
REPAYMENTS DURING FISCAL YEAR 1954 AND FOR THE
WHOLE PERIOD OF THE BANK'S OPERATIONS TO DATE**

	NUMBER	AMOUNT
Loans, Investments and Guarantees authorized:		
November 1, 1944, to September 30, 1953	1198	\$93,956,293
October 1, 1953, to September 30, 1954	125	12,962,341
Total	1323	<u>\$106,918,634</u>
LESS:		
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944, to September 30, 1953	212	\$15,407,185
October 1, 1953, to September 30, 1954	17	2,442,660
Total	229	<u>\$17,849,845</u>
Authorizations which have lapsed by reason of full repayment or write-off:		
November 1, 1944, to September 30, 1953	353	\$21,477,763
October 1, 1953, to September 30, 1954	80	7,501,849
Total	433	<u>\$28,979,612</u>
Current authorizations as at September 30, 1954 ..	661	\$60,089,177
Reductions by reason of partial repayment:.....		
November 1, 1944, to September 30, 1953		\$10,897,818
October 1, 1953, to September 30, 1954		930,482
Total		<u>\$11,828,300</u>
Net authorizations as at September 30, 1954	661	\$48,260,877
 *Disbursements on loans and investments:.....		
November 1, 1944, to September 30, 1953		\$70,861,621
October 1, 1953, to September 30, 1954		11,505,808
Total		<u>\$82,367,429</u>
*Repayments and write-offs on loans and invest- ments:		
November 1, 1944, to September 30, 1953		\$31,936,081
October 1, 1953, to September 30, 1954		8,292,331
Total		<u>\$40,228,412</u>
Outstanding as at September 30, 1954:		
Loans and investments.....		\$42,139,017
Guarantees		134,615
Total		<u>\$42,273,632</u>

*Exclusive of guarantees.

Classification of Loans, Investments and Guarantees

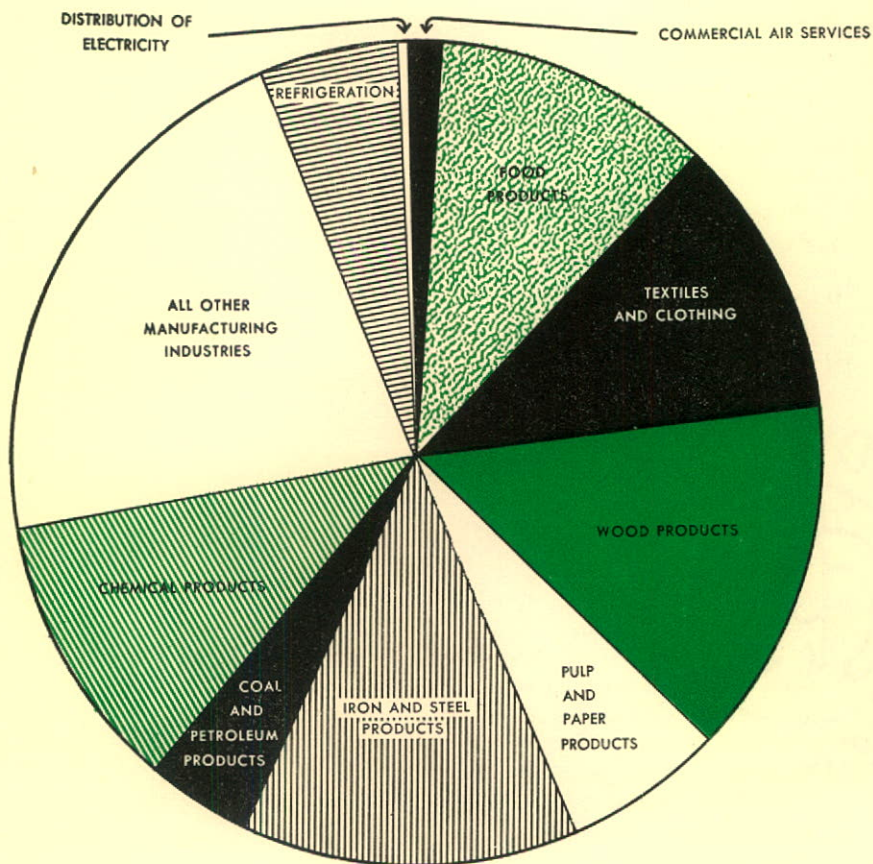
BY INDUSTRIAL ENTERPRISES

	AUTHORIZA- TIONS TO SEPTEMBER 30TH, 1954*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1954	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30TH, 1954	AMOUNT OUTSTAND- ING AT SEPTEMBER 30TH, 1954
1. Foods and Beverages	\$9,861,059	\$ 922,149	\$5,292,415	\$3,256,674
2. Tobacco and Tobacco Products	—	—	—	—
3. Rubber Products	125,000	50,000	100,000	95,600
4. Leather Products	928,487	100,405	259,930	148,480
5. Textile Products (ex- cept Clothing)	6,586,987	695,184	4,080,667	2,746,399
6. Clothing (Textiles & Fur)	2,998,979	930,240	1,818,215	1,239,483
7. Wood Products	12,642,160	1,697,001	8,122,804	5,400,240
8. Paper Products (in- cluding Pulp)	5,585,935	207,000	4,403,400	3,891,625
9. Printing, Publishing & Allied Industries	2,321,989	712,500	1,287,500	820,473
10. Iron and Steel Pro- ducts (including Ma- chinery & Equipment)	11,969,833	3,517,944	8,371,298	4,705,515
11. Transportation equip- ment	3,484,785	20,000	2,485,750	1,558,804
12. Non-Ferrous Metal Products	1,190,755	661,000	1,000,695	585,547
13. Electrical Apparatus & Supplies	3,333,795	402,500	2,916,039	2,264,849
14. Non-Metallic Mineral Products	6,030,650	1,308,811	3,783,453	2,713,997
15. Products of Petroleum & Coal	3,737,260	16,000	2,856,000	2,825,548
16. Chemical Products	9,920,719	241,000	6,783,000	5,974,545
17. Miscellaneous Manu- facturing Industries	1,862,932	173,600	1,293,000	813,687
18. Refrigeration	4,987,464	936,007	4,058,011	2,505,866
19. Generating or Distrib- uting of Electricity	310,000	100,000	215,000	65,000
20. Commercial Air Services	1,190,000	271,000	962,000	661,300
	<u>\$89,068,789</u>	<u>\$12,962,341</u>	<u>\$60,089,177</u>	<u>\$42,273,632</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

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

Industrial Composition of Authorizations*
Cumulative to September 30th, 1954



*Gross authorizations less cancellations and reductions in amounts authorized.

BY PROVINCES

	AUTHORIZA- TIONS TO SEPTEMBER 30TH, 1954*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1954	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30TH, 1954	AMOUNT OUTSTAND- ING AT SEPTEMBER 30TH, 1954
Newfoundland	\$ 145,000	\$ 145,000	\$ 145,000	\$ 136,000
Prince Edward Island	112,000	—	66,000	42,525
Nova Scotia	1,187,630	—	426,412	275,645
New Brunswick	2,407,139	30,000	1,064,921	641,891
Quebec	34,045,630	3,485,400	23,149,830	17,081,665
Ontario	24,701,620	5,339,762	16,328,222	11,479,200
Manitoba	3,190,718	377,975	2,207,409	1,225,634
Saskatchewan	3,907,434	20,500	3,722,800	3,413,082
Alberta	6,446,960	1,156,500	3,839,200	2,807,625
British Columbia	12,718,658	2,261,204	8,933,383	5,115,865
Yukon and North- west Territories ..	206,000	146,000	206,000	54,500
	<u>\$89,068,789</u>	<u>\$12,962,341</u>	<u>\$60,089,177</u>	<u>\$42,273,632</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

BY SIZE

	CURRENT AUTHORIZATIONS AT SEPTEMBER 30TH, 1954*	NUMBER OF CREDITS
\$ 5,000 and under	\$ 40,855	9
5,001 to 25,000	4,038,504	249
25,001 to 50,000	6,071,206	154
50,001 to 100,000	9,417,153	126
100,001 to 200,000	10,666,250	71
Over \$200,000	<u>29,855,209</u>	<u>52</u>
	<u>\$60,089,177</u>	<u>661</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$48,260,877 of which those in excess of \$200,000 totalled \$24,602,038.

Staff At September 30th, 1954, Mr. S. R. Noble retired from the Bank's service. Mr. Noble had served the Bank in the capacity of General Manager from the commencement of operations in November 1944 until September 14th, 1953, when he was appointed Vice-President. In my first annual report I expressed the view that the Bank could be counted most fortunate in having secured the services of a banker with such outstanding qualifications for the work which lay ahead of us. The successful launching of the Bank and its performance to date have served only to strengthen that view and to deepen our appreciation of the contribution made by Mr. Noble.

During the year there was an increase in the number of the staff from 92 at September 30th, 1953, to 96 at September 30th, 1954.

It is with pleasure that once again I record my appreciation of the high quality of the service rendered by the staff during the past year.

Statement of Profit and Loss A summary of the profit and loss statements for the year ending September 30th, 1954, and for the previous fiscal year is provided below:

	YEAR ENDING SEPT. 30/54	YEAR ENDING SEPT. 30/53	CHANGE OVER THE YEAR
	\$	\$	\$
Revenue.....	2,935,320	1,865,315	+ 1,070,005
Operating Expenses.....	733,879	592,598	+ 141,281
Gross Profit.....	2,201,441	1,272,717	+ 928,724
Interest and amortization on Debentures (net).....	358,870	200,702	+ 158,168
Profit (before undermentioned items).....	1,842,571	1,072,015	+ 770,556
Less: Appropriated to Reserve for Losses.....	154,310	225,372	- 71,062
Balance (Transferred to Reserve Fund).....	1,688,261	846,643	+ 841,618

Income on loans, investments and guarantees for the year amounted to \$2,086,684 compared with \$1,849,362 in 1953, while other ordinary revenue from the Bank's operations increased to \$43,703 compared with \$15,953 in the previous year.

The figure shown above as revenue for the year includes a special item of \$804,933 being a profit on the sale of investments. Because of the unusual nature of this special income, and because this is the first time it has occurred, it seems appropriate to comment on the source from which it arose.

In a relatively small number of cases the Bank has taken minority equity positions in companies financed by the Bank. These have been cases in which the Bank's loan was fairly substantial both in absolute amount and in relation to the capital invested by the proprietors, and in which heavy dependence was placed on the success of the business rather than on the realizable value of the security. Such loans involve more than ordinary risks for the lender and in the event that the business should be successful we have felt that the Bank should also benefit from a share in the equity. During the past year the majority shareholders of several such companies whose affairs had prospered arranged to sell out to other interests, and the Bank took advantage of this opportunity to sell its shares also. The proceeds of such sales over and above the book value at which the shares were carried by the Bank constitute the special income mentioned above.

Profit on the year's operations before appropriations and excluding this special income item, showed a small reduction of \$34,377 over the previous year owing to increases in operating expenses and in interest payments on the Bank's debentures. Together these two items rose \$299,449 over the previous year, compared with an increase of \$265,072 in ordinary revenues. An increase in the amount of debentures outstanding during the past fiscal year required to finance the growth in business is reflected in the higher cost of interest and amortization charges which rose by \$158,168.

After inclusion of the profit on the sale of investments of \$804,933, however, the net profits before appropriations amounted to \$1,842,571 for the year ending September 30th, 1954, compared with \$1,072,015 in the previous fiscal year. Appropriations for the reserve for losses account amounted to \$154,310, which represents the net loss on write-offs during the year. The balance of \$1,688,261 was transferred to Reserve Fund raising it to \$6,222,527.

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

STATEMENT OF PROFIT AND LOSS 

Statement of Profit and Loss

for the year ended September 30th, 1954

Income:

On loans, investments and guarantees	\$2,086,684	
Profits on sale of securities	804,933	
Sundry	<u>43,703</u>	\$2,935,320

Expenses:

Salaries	501,537	
Pension fund, unemployment insurance and group insurance	75,861	
Investigation and supervision expenses (including travel)	15,293	
Travelling expenses — general	17,174	
Rental and other costs — leased premises	48,861	
Depreciation on equipment	8,556	
Telephones and telegrams	13,835	
Office supplies and expenses	15,379	
Directors' fees	5,950	
Auditors' fees and expenses	9,000	
All other operating expenses	<u>22,433</u>	733,879
		<u>\$2,201,441</u>

Deduct:

Interest on debentures	284,754	
Net amortization of discount and premium on debentures sold	<u>74,116</u>	358,870

Profit before appropriation		\$1,842,571
Appropriation to reserve for losses		<u>154,310</u>
Balance transferred to Reserve Fund		<u><u>\$1,688,261</u></u>

RESERVE FOR LOSSES

Balance, September 30, 1953		\$ 700,000
Add:		
Recovery of debts previously written off	200	
Appropriation from profit for the year ended September 30, 1954	<u>154,310</u>	<u>154,510</u>
		\$ 854,510
Less:		
Bad debts written off		<u>154,510</u>
Balance, September 30, 1954		<u><u>\$ 700,000</u></u>

RESERVE FUND

Balance, September 30, 1953	\$4,534,266
Amount transferred from statement of profit and loss	<u>1,688,261</u>
Balance, September 30, 1954	<u><u>\$6,222,527</u></u>

Statement of Assets and Liabilities

as at September 30th, 1954

ASSETS

Cash on hand and deposits with other banks	\$ 225,689
Loans and investments	42,139,017
Property held for sale	177,282
Guarantees and underwriting agreements; as per contra	134,615
Other Assets	407,967
	<u>\$43,084,570</u>

LIABILITIES

Capital: Authorized, issued and paid up — 250,000 shares par value \$100 each	\$25,000,000
Reserve Fund	6,222,527
Reserve for Losses	700,000
Bonds and debentures outstanding	10,700,000
Liability under guarantees and underwriting agreements	134,615
Other Liabilities	327,428
	<u>\$43,084,570</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 September 30, 1954, 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 September 30, 1954, according to the best of our information and as shown by the books of the Bank.

J. GRANT GLASSCO, O.B.E., F.C.A.,
of Clarkson, Gordon & Co.
Ottawa, October 27th, 1954.

MAURICE SAMSON, O.B.E., C.A.,
of Chartré, Samson, Beauvais, Bélair & Cie.

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.

•

W. D. BLACK, Member of the Executive Committee, Waterdown, Ont.

E. G. BURTON, C.B.E., Toronto, Ont.

J. L. CAVANAGH, New Glasgow, N.S.

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.

A. C. PICARD, Quebec, Que.

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

HAROLD B. SCHURMAN, Summerside, P.E.I.

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

K. W. TAYLOR, C.B.E., Member of the Executive Committee, Ottawa, Ont.

Officers



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

D. G. MARBLE, C.B.E., General Manager

A. N. H. JAMES, Assistant General Manager

L. F. MUNDY, Secretary

P. D. SMITH, Deputy Secretary

C. I. STUART, Deputy Secretary

L. VIAU, Deputy Secretary

H. R. EXTENCE, Chief Accountant

GENERAL MANAGER'S OFFICE

901 Victoria Square, Montreal, Que.

SUPERVISORS

ATLANTIC PROVINCES

F. M. AYKROYD	901 Victoria Sq.,	Montreal, Que.
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ONTARIO

J. C. INGRAM	85 Richmond St. W.,	Toronto, Ont.
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MANITOBA & SASKATCHEWAN

D. T. MUSKETT	195 Portage Ave. E.,	Winnipeg, Man.
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ALBERTA, BRITISH COLUMBIA, YUKON & NORTHWEST TERRITORIES

N. C. TOMPKINS	475 Howe St.,	Vancouver, B.C.
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SUMMARY OF OPERATIONS 1944-1954

ations 1944-1954

g September 30th

1949	1950	1951	1952	1953	1954	Cumulative Total
\$	\$	\$	\$	\$	\$	\$
7,313,586	7,842,930	15,705,865	10,943,590	13,122,698	12,962,341	106,918,634
1,397,301	1,168,800	1,491,879	3,806,899	1,855,956	2,442,660	17,849,845
5,916,285	6,674,130	14,213,986	7,136,691	11,266,742	10,519,681	89,068,789
4,900,097	4,823,547	5,245,695	4,734,574	5,835,916	8,432,331	40,807,912
1,016,188	1,850,583	8,968,291	2,402,117	5,430,826	2,087,350	48,260,877
2,779,707	1,623,595	7,258,512	4,189,342	5,538,465	3,213,477	42,139,017
179,745	145,500	— 3,178,000	15,000	37,500	— 145,385	134,615
975,573	1,101,222	1,255,918	1,570,093	1,849,362	2,086,684	10,135,778
184,169	148,873	46,654	—	—	—	1,470,662
— 67,150	— 69,848	— 60,184	—	—	—	— 159,540
—	—	—	—	—	804,933	804,933
33,667	8,451	15,274	15,906	15,953	43,703	134,763
1,126,259	1,188,698	1,257,662	1,585,999	1,865,315	2,935,320	12,386,596
476,645	530,906	588,556	598,446	592,598	733,879	4,504,470
—	—	3,089	79,162	200,702	358,870	641,823
649,614	657,792	666,017	908,391	1,072,015	1,842,571	7,240,303
133,428	65,603	2,683	102,040	225,372	154,310	1,017,776
— 216,411	— 109,540	—	—	—	—	—
732,597	701,730	663,334	806,350	846,643	1,688,261	6,222,527
33,428	65,603	2,683	2,040	25,372	154,310	317,776
23,575,626	25,344,721	29,425,233	33,629,576	39,205,540	42,273,632	*
6,230,094	5,104,378	—	—	—	—	*
417,951	611,800	436,393	470,084	569,577	810,938	*
30,223,671	31,060,899	29,861,626	34,099,660	39,775,117	43,084,570	*
25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	*
1,516,209	2,217,939	2,881,273	3,687,623	4,534,266	6,222,527	*
—	—	1,250,000	3,850,000	8,950,000	10,700,000	*
3,260,000	3,405,500	227,500	242,500	280,000	134,615	*
47,462	37,460	102,853	819,537	310,851	327,428	*
400,000	400,000	400,000	500,000	700,000	700,000	*
30,223,671	31,060,899	29,861,626	34,099,660	39,775,117	43,084,570	*

Investments & guarantees outstanding and the increase in
undisbursed portion of amounts authorized.

debentures.

in question.

Written off previously. The net write-off is debited to the

Summary of Operations

Fiscal Year Ending

	1945	1946	1947	1948
	\$	\$	\$	\$
OPERATIONS				
New loans, investments & guarantees authorized (gross).....	4,150,050	7,901,353	14,684,406	12,291,815
Less Cancellations & reductions in amounts authorized.....	952,000	1,182,500	2,273,925	1,277,925
Increase in loans, investments & guarantees authorized.....	3,198,050	6,718,853	12,410,481	11,013,890
Less Repayments and write-offs.....	18,649	501,580	2,049,118	4,266,405
Increase in net authorizations (commitment).....	3,179,401	6,217,273	10,361,363	6,747,485
of which: ⁽¹⁾				
Increase in loans & investments outstanding.....	871,753	4,250,950	6,407,293	6,005,923
Increase in guarantees outstanding.....	—	—	1,800,000	1,280,255
PROFIT AND LOSS				
Income on loans, investments & guarantees.....	10,556	138,172	401,045	747,153
Interest on Govt. of Canada securities.....	297,953	289,151	210,265	293,597
Profit on sales of Govt. of Canada securities.....	—	—	186,491	— 148,849
Profit on sales of other securities.....	—	—	—	—
All other income.....	—	—	392	1,417
Total Income.....	308,509	427,323	798,193	893,318
Less Operating expenses.....	110,666	185,605	288,513	398,656
Interest on I.D.B. debentures ⁽²⁾	—	—	—	—
Net Profit.....	197,843	241,718	509,680	494,662
of which:				
Appropriated to reserve for losses.....	—	—	200,000	134,340
Provisions for other contingencies ⁽³⁾	100,000	— 100,000	—	325,951
Transferred to reserve fund.....	97,843	341,718	309,680	34,371
WRITE-OFFS				
Bad debts written off (net) ⁽⁴⁾	—	—	—	34,340
YEAR-END BALANCE SHEET (condensed)				
Loans, investments & guarantees.....	871,753	5,122,702	13,329,995	20,616,443
Govt. of Canada securities.....	8,947,750	10,151,331	14,130,299	8,224,414
All other assets.....	286,928	186,129	296,696	330,432
Total Assets.....	10,106,431	15,460,162	27,756,990	29,171,289
Capital, issued and paid up.....	10,000,000	15,000,000	25,000,000	25,000,000
Reserve fund.....	97,843	439,561	749,241	783,612
Bonds and debentures outstanding.....	—	—	—	—
Contingent liability under guarantees.....	—	—	1,800,000	3,080,525
All other liabilities.....	8,588	20,601	7,749	7,152
Reserve for losses.....	—	—	200,000	300,000
Total Liabilities.....	10,106,431	15,460,162	27,756,990	29,171,289

(1) The difference between the total increase in loans, investments & guarantees authorized is accounted for by changes in the net authorizations.

(2) After amortization of premium or discount on sale of

(3) For details see I.D.B. Annual Reports for the years

(4) Bad debts written off, less recovery on bad debts written off, reserve for losses account.

