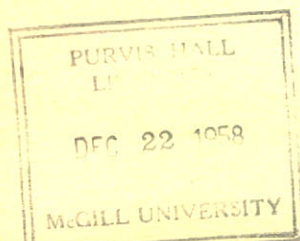


C  
STACK

INDUSTRIAL DEVELOPMENT BANK

*idb*

*Report of the President  
and statement of accounts  
Fiscal Year 1958*





*“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 to the Industrial Development Bank Act



# INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 9th, 1958

The Hon. Donald M. Fleming, Q.C.,  
Minister of Finance,  
Ottawa, Ontario

*Dear Sir,*

*In accordance with the provisions of the Industrial Development Bank Act, I enclose my report for the fiscal year ending September 30th, 1958, and a statement of the Bank's accounts for this period which is signed and certified in the prescribed manner.*

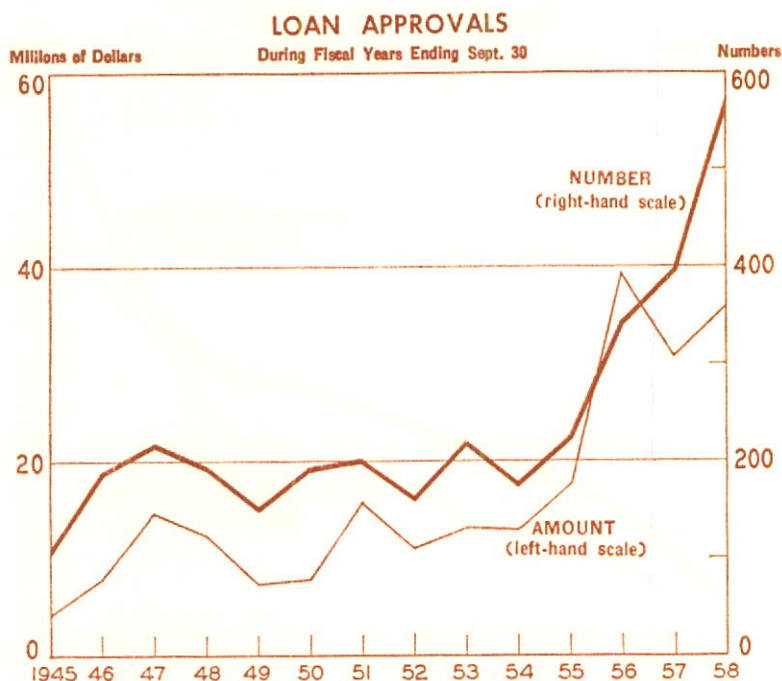
*Yours very truly,*

J. E. Coyne,  
*President.*

# INDUSTRIAL DEVELOPMENT BANK

## Report of the President—1958

During the fiscal year ending September 30, 1958, the Industrial Development Bank made 564 new loans totalling \$35.8 million. This represented an increase from the preceding year of 42% in number and 17% in dollar amount. The growth in the Bank's lending operations over the fourteen years of its existence is shown

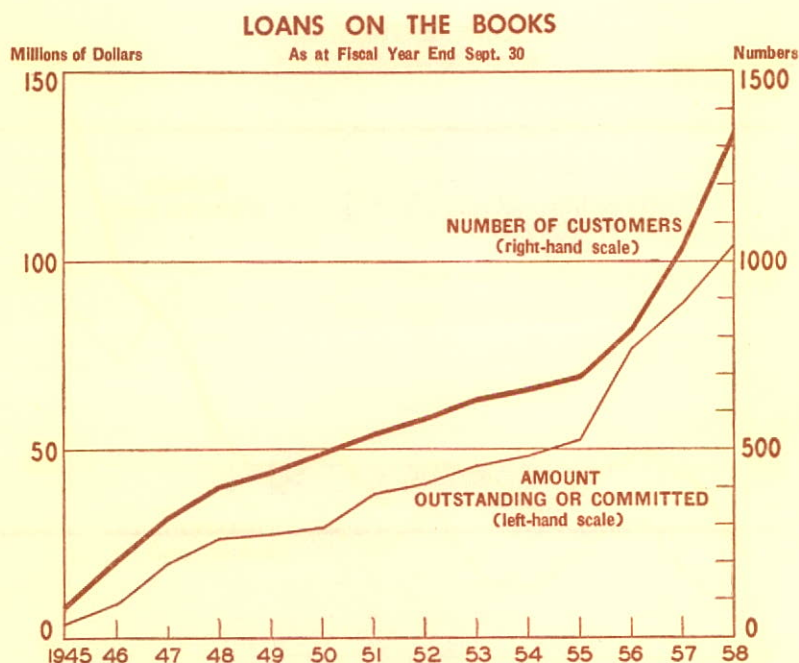


in the chart above, and detailed comparisons and classifications of the number and amount of loan approvals by size, by province and by industry are provided in tabular form on pages 6 to 9.

In June 1958 the total of the Bank's funds outstanding plus undisbursed commitments crossed the \$100 million level for the first time. While this amount is not large in relation to the total of credit outstanding in Canada it will be recalled that the Industrial

Development Bank was established by Parliament to supplement the activities of other lenders in the field of capital assistance, particularly to small enterprises. The continued growth of I.D.B. operations indicates there is in fact still a considerable field for medium term lending which falls between financing in the securities market or on conventional real estate mortgages on the one hand, and normal chartered bank loans on the other.

As will be seen from the table on pages 8 and 9, a large part of the increase in I.D.B. loan approvals in the past year related



to firms in the food and beverage industries, where growth has been particularly strong and little affected by the recession. The same table shows that there was also a considerable increase of loan approvals in the categories of enterprises which were first brought within the scope of Industrial Development Bank lending by the 1956 amendments to the Act.



# LOAN AP DURING FISCAL YE

	NUMBER	
	1955	1956
<b>CLASSIFICATION BY NEW OR EXISTING BORROWERS</b>		
<i>To new borrowers .....</i>	145	233
<i>To existing borrowers.....</i>	76	109
<i>Total.....</i>	221	342

## CLASSIFICATION BY SIZE

<i>\$5,000 or less.....</i>	7	5
<i>Over 5,000 to 25,000.....</i>	75	117
<i>Over 25,000 to 50,000.....</i>	53	83
<i>Over 50,000 to 100,000.....</i>	44	73
<i>Over 100,000 to 200,000.....</i>	24	32
<i>Total up to \$200,000.....</i>	203	310
<i>Over 200,000.....</i>	18	32
<i>Total.....</i>	221	342

*Average size .....*

## CLASSIFICATION BY PROVINCE

<i>Newfoundland.....</i>	..	2
<i>Prince Edward Island.....</i>	..	5
<i>Nova Scotia.....</i>	4	7
<i>New Brunswick.....</i>	7	8
<i>Quebec.....</i>	71	94
<i>Ontario.....</i>	61	116
<i>Manitoba.....</i>	13	21
<i>Saskatchewan.....</i>	6	1
<i>Alberta.....</i>	13	25
<i>British Columbia.....</i>	45	61
<i>Yukon &amp; N. W. Territories.....</i>	1	2
<i>Total.....</i>	221	342

*Revised\**



# PROVALS

## ARS ENDING SEPT. 30

### AMOUNT (\$000)

1957	1958	1955	1956	1957	1958
312	421	12,740	29,364	25,250	26,509
84	143	4,882	9,939	5,423	9,333
<u>396</u>	<u>564</u>	<u>17,622</u>	<u>39,303</u>	<u>30,673</u>	<u>35,842</u>

6	12	24	21	26	34
144	222	1,236	1,924	2,410	3,621
92	128	1,962	3,123	3,629	5,010
88	122	3,242	5,525	6,551	9,086
36	44	3,498	4,820	5,534	6,408
<u>366</u>	<u>528</u>	<u>9,962</u>	<u>15,413</u>	<u>18,150</u>	<u>24,159</u>
30	36	7,660	23,890	12,523	11,683
<u>396</u>	<u>564</u>	<u>17,622</u>	<u>39,303</u>	<u>30,673</u>	<u>35,842</u>
.....	80*	115*	77*	64	

2	2	....	75	255	31
1	..	....	5,498	10	....
15	27	255	401	1,060	1,235
20	24	207	1,346	1,237	1,399
97	147	5,360	11,974	7,260	10,479
123	169	5,663	9,128	8,995	10,629
19	41	790	2,505	1,343	2,114
7	10	477	11	858	973
31	55	444	2,232	1,671	2,554
79	88	4,346	6,032	7,397	6,178
2	1	80	101	587	250
<u>396</u>	<u>564</u>	<u>17,622</u>	<u>39,303</u>	<u>30,673</u>	<u>35,842</u>

# INDUSTRIAL CLASSIFICATION DURING FISCAL YEAR

	NUMBER	
	1955	1956
1. <i>Foods and Beverages</i> .....	26	45
2. <i>Tobacco and Tobacco Products</i> .....	..	..
3. <i>Rubber Products</i> .....	1	1
4. <i>Leather Products</i> .....	1	4
5. <i>Textile Products (except clothing)</i> .....	10	14
6. <i>Clothing (Textiles and Fur)</i> .....	9	15
7. <i>Wood Products</i> .....	39	53
8. <i>Paper Products (including Pulp)</i> .....	4	8
9. <i>Printing and Allied Industries</i> .....	10	16
10. <i>Iron and Steel Products</i> <i>(including Machinery and Equipment)</i> .....	24	52
11. <i>Transportation Equipment</i> .....	8	10
12. <i>Non-Ferrous Metal Products</i> .....	8	12
13. <i>Electrical Apparatus &amp; Supplies</i> .....	8	17
14. <i>Non-Metallic Mineral Products</i> .....	31	25
15. <i>Products of Petroleum &amp; Coal</i> .....	6	6
16. <i>Chemical Products</i> .....	8	12
17. <i>Miscellaneous Manufacturing Industries</i> .....	8	8
18. <i>Commercial Air Services</i> .....	13	17
19. <i>Warehousing (including Refrigeration)</i> .....	7	6
20. <i>Other Transportation &amp; Storage</i> .....	..	3
21. <i>Generating &amp; Distributing of Electricity</i> .....	..	..
22. <i>Operating a Mine or Quarry</i> .....	..	3
23. <i>Construction</i> .....	..	4
24. <i>Industrial Buildings</i> .....	..	7
25. <i>Industrial and Technical Services</i> .....	..	4
26. <i>Forestry</i> .....	..	..
	<u>221</u>	<u>342</u>

# ION OF LOAN APPROVALS

## ARS ENDING SEPT. 30

### AMOUNT (\$000)

<u>1957</u>	<u>1958</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
45	94	1,501	3,010	2,577	6,854
..	2	....	....	....	200
1	2	85	45	25	90
1	3	25	176	10	44
10	17	1,126	775	895	1,737
17	16	453	1,109	438	610
63	70	2,165	4,619	4,194	4,982
7	10	236	2,075	580	514
14	21	398	611	386	1,598
55	62	1,689	3,498	3,693	3,522
12	18	518	2,370	354	794
11	6	557	503	3,232	147
10	12	508	1,390	772	832
28	36	3,451	1,800	2,083	3,451
..	1	893	630	19	2
10	14	311	449	569	1,205
14	8	680	245	601	319
13	8	2,315	11,416	3,764	155
6	11	711	1,063	1,236	886
17	27	....	280	1,076	1,248
1	..	....	....	80	....
3	12	....	2,101	525	1,499
11	28	....	285	905	991
31	54	....	353	2,045	2,929
16	31	....	500	614	1,183
..	1	....	....	....	50
<u>396</u>	<u>564</u>	<u>17,622</u>	<u>39,303</u>	<u>30,673</u>	<u>35,842</u>

The main features of the Bank's financial operations in 1958 and the three preceding fiscal years are summarized in the following table:—

# SUMMARY STATISTICS OF LOANS, INVESTMENTS AND GUARANTEES

for fiscal years ending Sept. 30

	1955	1956	1957	1958
<i>Disbursements during year (\$ million).....</i>	12.7	20.2	32.4	31.4
<i>Repayments during year (\$ million).</i>	10.8	12.1	12.7	14.2
<i>Amounts written off during year (\$ million).....</i>	—	—	.1	.1
<i>Amounts outstanding at year-end (\$ million).....</i>	44.1	52.2	71.8	88.9
<i>Liability under guarantees at year-end (\$ million).....</i>	1.3	.1	.1	—
<i>Amounts not yet disbursed on loans authorized, at year-end (\$ million)</i>	7.2	24.6	16.6	15.5
<i>Amounts outstanding or committed at year-end (\$ million).....</i>	52.6	76.9	88.5	104.4
<i>Number of customers on the books at year-end.....</i>	694	821	1,028	1,326
<i>Average amount outstanding or committed per customer (\$ thousand)</i>	76	94	86	79

Over the fourteen years of the Bank's existence it has authorized 3,313 loans for 2,434 businesses in a total amount of \$230.5 million. Of these credits 367 to 341 businesses were not taken up and these cancellations and reductions in other credits made as a result of changes in applicants' plans totalled \$35.4 million, so that net authorizations of \$195.1 million to 2,093 businesses were actually utilized. Accounts which have been paid off in full number 746, with a total amount of \$48.2 million. Outstanding balances totalling \$0.5 million were written off in 19 accounts and 2 cases totalling \$0.1 million are carried under "Property Held for Sale". As a result, at Sept. 30, 1958 the Bank had on its books authorizations for 1,326 businesses. The original amount of these authorizations aggregated \$146.3 million. Up to Sept. 30, 1958 a total of \$41.9 million had been repaid on these authorizations and \$15.5 million had not yet been disbursed, so that amounts outstanding aggregated \$88.9 million and the total of amounts outstanding or committed was \$104.4 million.



Of the \$104.4 million which the Bank had outstanding or committed at Sept. 30, 1958 to 1,326 customers, 92% by number was in accounts of \$200,000 or less. The total of accounts for which an amount in excess of \$200,000 was outstanding or committed was \$49.6 million at Sept. 30, 1958 as compared with \$45.9 million a year before. The statutory limit on the total of accounts with amounts outstanding in excess of \$200,000 is \$75 million.

The following table shows the provincial distribution of the loans which are now on the Bank's books and also of the total of authorizations made since operations commenced on November 1, 1944.

#### PROVINCIAL DISTRIBUTION OF LOANS, INVESTMENTS & GUARANTEES

	Accounts on books at Sept. 30, 1958		Total Authorizations Nov. 1, 1944 to Sept. 30, 1958	
	Number of Businesses	Amounts Outstanding or Committed	Number of Businesses	Amount
		(\$000)		(\$000)
<i>Newfoundland.....</i>	5	215	8	1,331
<i>P.E.I.....</i>	9	3,330	11	5,620
<i>Nova Scotia.....</i>	43	2,452	71	4,645
<i>New Brunswick.....</i>	52	2,060	94	6,847
<i>Quebec.....</i>	362	32,367	698	75,098
<i>Ontario.....</i>	429	32,989	775	65,127
<i>Manitoba.....</i>	86	5,226	173	10,808
<i>Saskatchewan.....</i>	24	1,463	51	6,275
<i>Alberta.....</i>	105	6,061	165	14,952
<i>British Columbia....</i>	209	17,472	385	38,606
<i>Yukon &amp; N.W.T....</i>	2	751	3	1,164
	<u>1,326</u>	<u>104,386</u>	<u>2,434</u>	<u>230,473</u>

The profit and loss statement, which is shown in detail on page 16, is summarized below:—

	Fiscal Years ending Sept. 30		
	1958	1957	Change
<i>Income.....</i>	\$4,663,000	\$3,601,000	+ \$1,062,000
<i>Less:</i>			
<i>Operating expenses..</i>	1,241,000	1,094,000	+ 147,000
<i>Interest on debentures</i>	1,524,000	920,000	+ 604,000
<i>Provision for bad and doubtful debts.....</i>	663,000	253,000	+ 410,000
	<u>\$3,428,000</u>	<u>\$2,267,000</u>	<u>+ \$1,161,000</u>
<i>Profits transferred to</i>			
<i>Reserve Fund.....</i>	<u>\$1,235,000</u>	<u>\$1,334,000</u>	<u>—\$ 99,000</u>

Profit before provision for bad and doubtful debts was \$1,898,000 as compared with \$1,587,000 during fiscal 1957. Bad debts aggregating \$63,000 in excess of recoveries were written off during the year from Reserve for Losses and \$663,000 was transferred to this Reserve raising it to \$1,700,000. In accordance with the provisions of the I.D.B. Act the balance of profit, viz:—\$1,235,000, was transferred to the Reserve Fund which now stands at \$11,275,000. Profit after provision for bad and doubtful debts was at the rate of 3.3% of the average amount of capital and reserves outstanding during the year, as compared with 3.8% in fiscal 1957.

The net increase of \$600,000 in the Reserve for Losses was made following the annual assessment of the Bank's exposure to losses by the management and by the auditors. The total of \$1,700,000 in this special reserve to provide for possible future losses on loans now on the books amounts to 1.63% of the \$104.4 million of such loans outstanding or committed. It has been built up out of revenue earned on such loans and earlier loans. Actual losses realized to date plus the reserve for possible future losses amount to 1.11% of the \$195.1 million total loans taken up by borrowers.

While the Industrial Development Bank makes loans only to enterprises which it expects will operate successfully and at a profit sufficient to enable the loans to be repaid in accordance with their terms, it is important for the accomplishment of its purpose that the Bank should not be governed by an excess of caution—otherwise the development of many industrial enterprises having good earning potential would not be encouraged as contemplated by Parliament. The Bank was established to operate in a field of lending in which there are special problems such as the high cost of investigation and supervision, the length of time for which borrowed funds are needed and the difficulty of appraising the risks involved and it is inevitable that some losses will be experienced. To hold losses to reasonable proportions each application must be carefully assessed as to security, earning power, production methods, market prospects and, very importantly, the quality of the applicant's management. Many accounts also require a considerable degree of supervision after the loan has been made, particularly during their earlier years on the Bank's books.

The work of investigation, assessment, supervision and advice carried on by the Bank necessarily involves relatively high costs of operation, although the Bank is constantly endeavouring to hold such costs to a minimum. The cost-ratio has declined and operations have become more efficient as total outstanding loans have grown and enabled necessary overhead expenses to be spread over a greater volume of business, and as experience and training have been acquired in a highly specialized field of lending. From fiscal 1955 to fiscal 1958 the staff of the Bank increased by 60% while the number of accounts on the books increased by 90% and the number of new loan approvals per annum increased by 160%. This record speaks well for the ability and industry of the staff which at the year-end numbered 89 men and 73 women in our six offices across Canada.

Despite the difficulties, expenses and risks which are characteristic of its allotted field of lending, the record of the Industrial Development Bank to date has demonstrated that a worthwhile contribution towards filling a gap in our financial structure is being made on a basis which earns a moderate return on invested funds.



# INDUSTRIAL DEV

## STATEMENT OF ASSETS AND LIAB

(with comparative figures)

### ASSETS:

	1958	1957
Cash on hand and deposits with other banks.....\$	121,900	\$ 349,635
Loans and investments.. \$88,843,286		
Accrued interest..... 435,544	89,278,830	72,347,798
Property held for sale (including agreements for sale).....	135,193	169,944
Guarantees and underwriting agreements (as per contra).....	21,089	56,031
Other assets (including unamortized debenture discount and premium payments 1958—\$733,618; 1957—\$817,517).....	822,945	862,869
	<u>\$90,379,957</u>	<u>\$73,786,277</u>

J. E. COYNE

President

# DEVELOPMENT BANK

## LIABILITIES AS AT SEPTEMBER 30, 1958

(as at September 30, 1957)

### LIABILITIES:

Capital—	1958	1957
Authorized, issued and paid up		
250,000 shares par value \$100 each..	\$25,000,000	\$25,000,000
Reserve fund.....	11,275,405	10,040,624
Reserve for losses.....	1,700,000	1,100,000
Bonds and debentures		
outstanding..... \$51,000,000		
Accrued interest .....	799,625	51,799,625
		36,032,500
Liabilities under guarantees and under-		
writing agreements.....	21,089	56,031
Other liabilities (including insurance		
proceeds awaiting disposition 1958—		
\$143,121; 1957—\$1,144,668 .....	583,838	1,557,122
	<u>\$90,379,957</u>	<u>\$73,786,277</u>

E. FRICKER

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, 1958 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, 1958, according to the best of our information and as shown by the books of the Bank.

G. A. ADAMSON, F.C.A.  
of Clarkson, Gordon & Co.

ROSAIRE COURTOIS, C.A.  
of Courtois, Fredette & Cie.

Ottawa, November 7, 1958.

# STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED SEPTEMBER 30, 1958  
(with comparative figures for the year ended September 30, 1957)

INCOME:	1958	1957
On loans, investments and guarantees.....	\$ 4,521,589	\$ 3,488,451
Sundry.....	141,522	113,020
	<u>\$ 4,663,111</u>	<u>\$ 3,601,471</u>
EXPENSES:		
Salaries.....	\$ 830,564	\$ 717,898
Pension fund, unemployment insurance and group insurance.....	111,070	93,431
Investigation and supervision expenses.....	26,433	23,224
Travelling expenses.....	16,333	31,562
Rental and other costs—leased premises ...	122,513	108,544
Depreciation on equipment.....	14,164	11,571
Telephone and telegrams.....	22,598	20,220
Office supplies and expenses.....	25,224	23,079
Directors' fees.....	6,800	6,050
Auditors' fees and expenses.....	10,745	11,515
All other operating expenses.....	54,204	46,733
Total operating expenses.....	<u>\$ 1,240,648</u>	<u>\$ 1,093,827</u>
Interest on debentures (including amortization of discount and premium).....	1,524,288	919,972
Provision for bad and doubtful debts.....	663,394	253,517
	<u>\$ 3,428,330</u>	<u>\$ 2,267,316</u>
Profits transferred to reserve fund.....	<u>\$ 1,234,781</u>	<u>\$ 1,334,155</u>
RESERVE FOR LOSSES		
Balance, September 30, 1957.....		\$ 1,100,000
Add:		
Recovery of debts previously written off..	\$ 3,539	
Provision for bad and doubtful debts for the year ended September 30, 1958.....	663,394	666,933
		<u>\$ 1,766,933</u>
Less bad debts written off.....		66,933
Balance, September 30, 1958.....		<u>\$ 1,700,000</u>
RESERVE FUND		
Balance, September 30, 1957.....		\$10,040,624
Profits for year ended September 30, 1958		1,234,781
Balance, September 30, 1958.....		<u>\$11,275,405</u>

## BOARD OF DIRECTORS

J. E. COYNE	OTTAWA <i>President</i>
J. R. BEATTIE	OTTAWA <i>Member of the Executive Committee</i>
J. T. BRYDEN	TORONTO
F. FIELD, F.C.A.	VANCOUVER
N. A. HESLER	SACKVILLE, N.B.
C. BRUCE HILL	ST. CATHARINES, ONT.
W. A. JOHNSTON, Q.C.	WINNIPEG
R. H. MILLIKEN, Q.C.	REGINA
J. H. MOWBRAY JONES	LIVERPOOL, N.S.
L. PATRICK	CALGARY
A. C. PICARD	QUEBEC <i>Member of the Executive Committee</i>
H. A. RUSSELL	ST. JOHN'S, NFLD.
A. SAMOISSETTE, O.B.E.	MONTREAL
A. A. SCALES	CHARLOTTETOWN
K. W. TAYLOR, C.B.E.	OTTAWA <i>Member of the Executive Committee</i>

## OFFICERS

J. E. COYNE	PRESIDENT
D. G. MARBLE, C.B.E.	GENERAL MANAGER
A. N. H. JAMES	ASSISTANT GENERAL MANAGER
L. F. MUNDY	SECRETARY
H. J. C. RUSSELL	ADMINISTRATIVE ASSISTANT
H. M. SCOTT	CHIEF, LEGAL DEPARTMENT
W. L. MUNDY	CHIEF, INSURANCE DEPARTMENT
G. R. ELLIOTT	CHIEF, BRANCH CREDITS DEPARTMENT
P. D. SMITH	DEPUTY SECRETARY
C. I. STUART	DEPUTY SECRETARY
L. VIAU	DEPUTY SECRETARY
E. FRICKER	CHIEF ACCOUNTANT

## REGIONAL OFFICERS

N. C. TOMPKINS	ASSISTANT GENERAL MANAGER, BRITISH COLUMBIA
C. E. DEATHE	ASSISTANT SUPERVISOR BRITISH COLUMBIA
F. M. AYKROYD	SUPERVISOR, ALBERTA, YUKON, NORTHWEST TERRITORIES
E. R. CLARK	SUPERVISOR, MANITOBA, SASKATCHEWAN
W. C. STUART	SUPERVISOR, ONTARIO
E. A. BELL	ASSISTANT SUPERVISOR, ONTARIO
H. R. STOKER	SUPERVISOR, ATLANTIC PROVINCES

# INDUSTRIAL DEVELOPMENT BANK

## OFFICES

BRITISH COLUMBIA    *1030 WEST GEORGIA ST.,  
VANCOUVER, B.C.  
TELEPHONE: MU 1-7484*

ALBERTA, YUKON,  
NORTHWEST TERRITORIES    *513 EIGHTH AVE. WEST,  
CALGARY, ALTA.  
TELEPHONE: AM 9-6981*

MANITOBA, SASKATCHEWAN    *195 PORTAGE AVE. EAST,  
WINNIPEG, MAN.  
TELEPHONE: WH 2-8978*

ONTARIO    *250 UNIVERSITY AVE.,  
TORONTO, ONT.  
TELEPHONE: EM 8-1171*

QUEBEC    *901 VICTORIA SQUARE,  
MONTREAL, QUE.  
(GENERAL MANAGER'S OFFICE)  
TELEPHONE: UN 6-2701*

ATLANTIC PROVINCES    *65 SPRING GARDEN ROAD  
HALIFAX, N.S.  
TELEPHONE: 2-7444*







