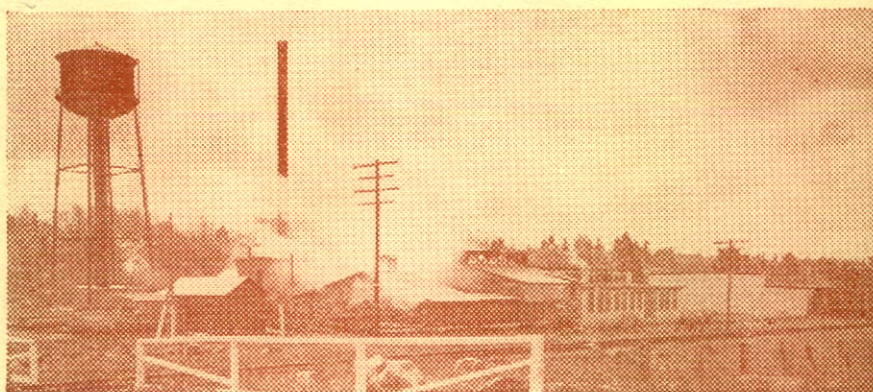


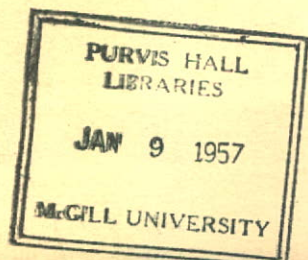
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INDUSTRIAL DEVELOPMENT BANK idb



ANNUAL REPORT TO THE MINISTER OF FINANCE
AND STATEMENT OF ACCOUNTS
FISCAL YEAR

1956



INDUSTRIAL DEVELOPMENT BANK **idb**

"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 . . ."

Ottawa, December 3rd, 1956.

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, 1956, 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.

During the fiscal year under review the Industrial Development Bank Act was amended by Act of Parliament. The major feature of the amendments related to a broadening of the scope of the activities of the Bank to permit the extension of assistance to a fairly wide classification of industrial enterprises as compared with the narrower group comprising principally manufacturing industries which had formerly been eligible borrowers.

Loans, Investments and Guarantees. Details of the disposition of applications authorized by the Bank during the last three fiscal years are given in the following tabulation.

NEW APPLICATIONS

During fiscal year ending Sept. 30th,

| | 1954 | 1955 | 1956 |
|----------------------|------|------|------|
| Authorized | 125 | 145 | 233 |

**APPLICATIONS FROM
EXISTING BORROWERS**

| | | | |
|-----------------------------------|-----|-----|-----|
| Authorized | 50 | 69 | 107 |
| Total Applications Authorized . . | 175 | 214 | 340 |

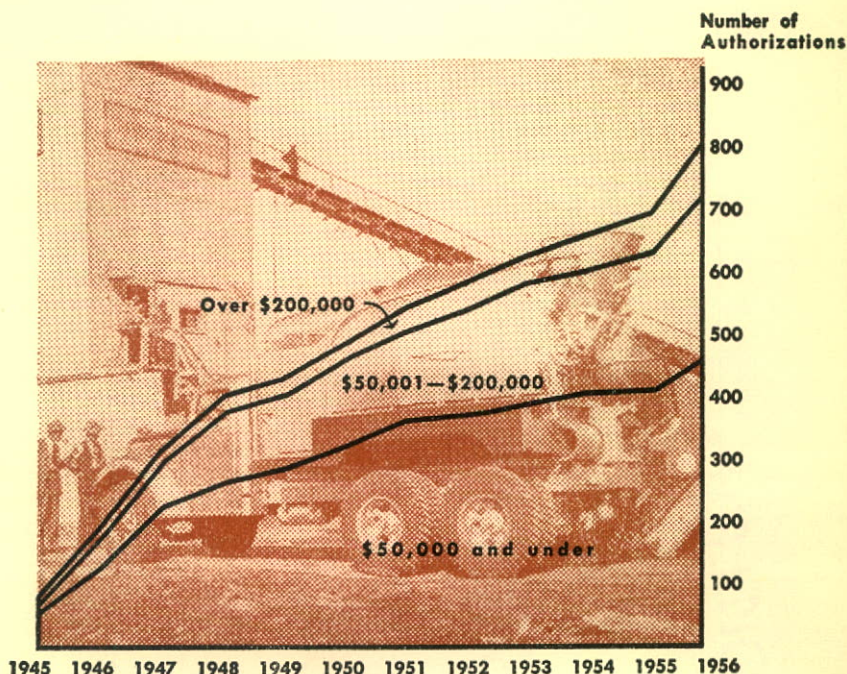
A sharp increase in the number authorized is evident in the above tabulation. This increase reflects in part the amendment to the Act enlarging the definition of an eligible borrower, in part the opening of new offices in Calgary and Halifax and in part the extent of industrial expansion which has been taking place. The general credit situation has been such that we have felt it necessary to scrutinize applications, particularly those for larger amounts, with unusual care and they are considered only when the Bank is satisfied that it would be unreasonable to expect the applicants to postpone or reduce the project. It continues to be the case that in accordance with the terms of the Act, the Bank must satisfy itself that the applicant is unable to obtain financing elsewhere on reasonable terms and conditions.

Because of the general rise in interest rates which has also increased the cost of funds to the Bank through the issue of debentures, the interest rate has been increased during the past year to 6½%.

At September 30th, 1956, 821 accounts were current on which \$52,297,358 was outstanding as compared with 694 accounts current with \$45,370,729 outstanding at September 30th, 1955.

During the fiscal year ended September 30th, 1956, disbursements on loans and investments amounted to \$20,186,742 as compared with \$12,718,377 in the fiscal year 1955, while repayments were \$12,052,046 compared with \$10,770,234 in 1955. The amount of loans and investments outstanding rose from \$44,049,835 at September 30th, 1955 to \$52,184,298 at September 30th, 1956. In addition to providing funds for the \$8,134,463 increase in loans and investments, an amount of \$1,493,036 shown as loans and investments at September 30th, 1955, which had been held temporarily in suspense pending requisition by borrowers, was disbursed. Earnings during the year supplied part of the necessary funds and were supplemented by sales of debentures. The total of debentures outstanding at September 30th, 1956 was \$17,700,000, an increase of \$8,200,000 compared to the position at September 30th, 1955.

Number of Current Authorizations
cumulative to September 30th, 1956

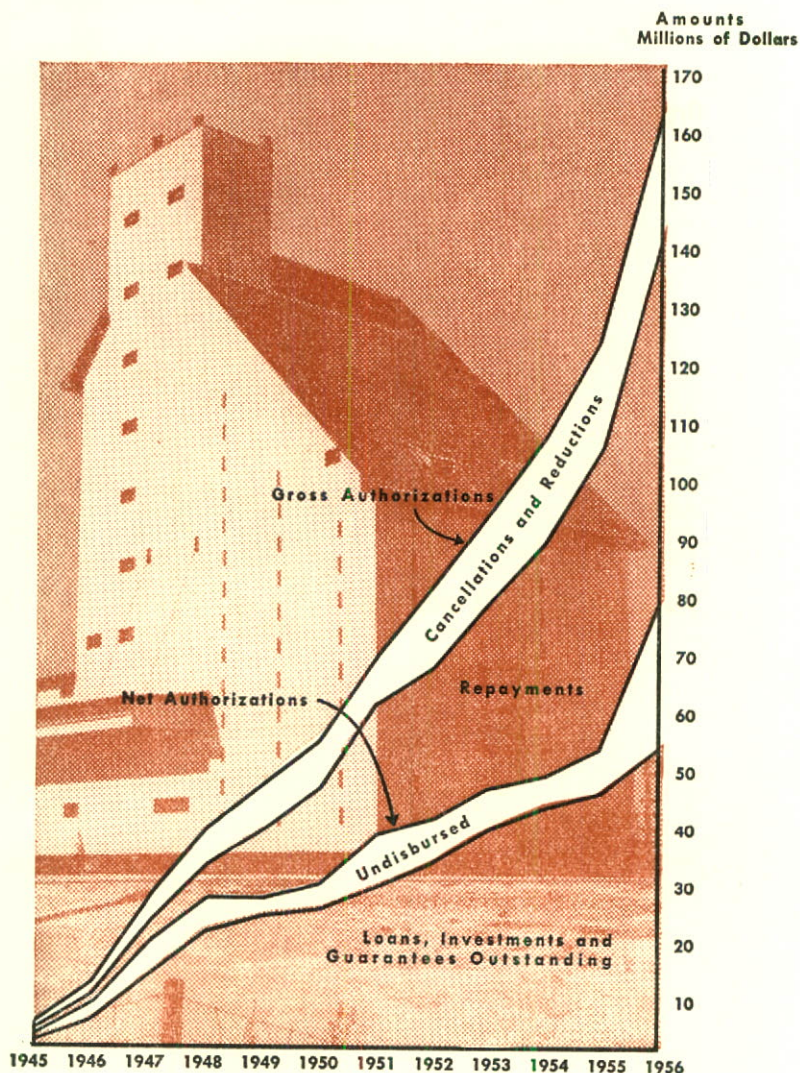


Once a loan has been authorized there is always an interval prior to disbursement during which security documents are prepared and executed. Frequently there is also a time lag between the arranging of financing and the completion of capital projects. At the year-end there was a relatively large amount, \$24,652,181, authorized but not yet disbursed. When unusually long delays in disbursement are anticipated, the Bank generally obtains special remuneration for the value of its commitment in the form of a stand-by fee.

On the following pages are statistical summaries to highlight the Bank's operations during the fiscal year 1956. These are as follows:

- (1) Pages 8 and 9, a classification of the Bank's loans, investments and guarantees by:
 - (a) Industrial Enterprises,
 - (b) By Provinces and Territories,
 - (c) By Size.
- (2) Page 14, a summary of authorizations, disbursements and repayments during the fiscal year 1956 and during the entire period of the Bank's operations to September 30th, 1956.

Gross Authorizations, Repayments and Net Authorizations
cumulative to September 30th, 1956



It will be noted that loans to commercial air services now represent a substantial proportion of the total, indicating that the industry is making considerable use of the facilities made available by the amendment to the Act in 1952. Experience to date in this field of lending has been very satisfactory and we expect a continued demand for our services arising from the need to modernize and expand aircraft fleets.

The geographical analysis reflects substantially increased loans in the Atlantic Provinces as compared with earlier years.

Organization. During the year the Bank opened new branch offices in Halifax and Calgary in order to handle more expeditiously applications from businesses in these areas. The Halifax office looks after the Bank's business in the provinces of Newfoundland, Prince Edward Island, Nova Scotia and New Brunswick, and the Calgary office covers Alberta, the Northwest Territories, Yukon Territory, and British Columbia points adjacent to the Alaska Highway.

During the year there was an increase in the number of the staff from 100 at September 30th, 1955 to 122 at September 30th, 1956.

I would like to record my appreciation of the loyal service and cooperation rendered by the staff during the year.

Statement of Profit and Loss A summary of the profit and loss statements for the year ending September 30th, 1956, and for the previous fiscal year is provided below:

| | Year ending Sept. 30/56 | Year ending Sept. 30/55 | Change over the year |
|--|----------------------------|----------------------------|-------------------------|
| | \$ | \$ | \$ |
| Revenue | 2,703,197 | 2,229,071 | + 474,126 |
| Operating Expenses | 859,745 | 723,667 | + 136,078 |
| Gross Profit. | 1,843,452 | 1,505,404 | + 338,048 |
| Interest on Debentures | 321,009 | 306,347 | + 14,662 |
| Profit (before undermentioned items) | 1,522,443 | 1,199,057 | + 323,386 |
| Appropriated for Reserve for losses. | 200,233 | 37,325 | + 162,908 |
| Balance (transferred to Reserve Fund). | 1,322,210 | 1,161,732 | + 160,478 |

(Thousands of Dollars unless otherwise indicated)

BY INDUSTRIAL ENTERPRISES

| | | | | | | | | | |
|-----|---|---|---|---|---|---|---|---|---|
| 1. | Food and Beverages | . | . | . | . | . | . | . | . |
| 2. | Tobacco and Tobacco Products | . | . | . | . | . | . | . | . |
| 3. | Rubber Products | . | . | . | . | . | . | . | . |
| 4. | Leather Products | . | . | . | . | . | . | . | . |
| 5. | Textile Products (except Clothing) | . | . | . | . | . | . | . | . |
| 6. | Clothing (Textiles and Fur) | . | . | . | . | . | . | . | . |
| 7. | Wood Products | . | . | . | . | . | . | . | . |
| 8. | Paper Products (including Pulp) | . | . | . | . | . | . | . | . |
| 9. | Printing, Publishing and Allied Industries | . | . | . | . | . | . | . | . |
| 10. | Iron and Steel Products (including Machinery and Equipment) | . | . | . | . | . | . | . | . |
| 11. | Transportation Equipment | . | . | . | . | . | . | . | . |
| 12. | Non-Ferrous Metal Products | . | . | . | . | . | . | . | . |
| 13. | Electrical Apparatus and Supplies | . | . | . | . | . | . | . | . |
| 14. | Non-Metallic Mineral Products | . | . | . | . | . | . | . | . |
| 15. | Products of Petroleum and Coal | . | . | . | . | . | . | . | . |
| 16. | Chemical Products | . | . | . | . | . | . | . | . |
| 17. | Miscellaneous Manufacturing Industries | . | . | . | . | . | . | . | . |
| 18. | Transportation and Storage | . | . | . | . | . | . | . | . |
| | (a) Commercial Air Services | . | . | . | . | . | . | . | . |
| | (b) Refrigeration | . | . | . | . | . | . | . | . |
| | (c) Other | . | . | . | . | . | . | . | . |
| 19. | Generating or Distributing of Electricity. | . | . | . | . | . | . | . | . |
| 20. | Mining | . | . | . | . | . | . | . | . |
| 21. | Construction | . | . | . | . | . | . | . | . |
| 22. | Industrial Buildings | . | . | . | . | . | . | . | . |
| 23. | Industrial and Technical Services | . | . | . | . | . | . | . | . |
| 24. | Forestry | . | . | . | . | . | . | . | . |

The above classification follows the lines of the accepted international standard of classification.

BY PROVINCES AND TERRITORIES

[illegible]

BY SIZE

[illegible]

Gross Authorizations to September 30, 1956

(less cancellations and reductions)

Gross Authorizations During Fiscal year 1956

Current Authorizations at September 30, 1956

Amount outstanding at September 30, 1956

| | | | |
|---------|--------|--------|--------|
| 13,659 | 3,010 | 7,970 | 4,047 |
| — | — | — | — |
| 255 | 45 | 220 | 193 |
| 1,129 | 176 | 383 | 129 |
| 8,238 | 775 | 4,792 | 3,094 |
| 4,479 | 1,109 | 2,967 | 1,927 |
| 18,952 | 4,619 | 12,159 | 6,825 |
| 7,869 | 2,075 | 6,220 | 4,169 |
| 3,261 | 611 | 2,063 | 1,127 |
| 16,741 | 3,498 | 9,734 | 5,927 |
| 6,179 | 2,197 | 4,283 | 1,232 |
| 1,847 | 503 | 1,347 | 925 |
| 5,061 | 1,390 | 4,489 | 3,097 |
| 10,804 | 1,800 | 6,889 | 4,679 |
| 5,219 | 630 | 1,499 | 1,290 |
| 10,406 | 449 | 5,756 | 4,240 |
| 2,670 | 235 | 1,921 | 1,123 |
| 13,471 | 11,416 | 11,604 | 4,618 |
| 6,362 | 672 | 4,851 | 3,534 |
| 671 | 671 | 671 | — |
| 210 | — | 35 | 26 |
| 2,101 | 2,101 | 2,101 | — |
| 285 | 285 | 285 | 50 |
| 353 | 353 | 353 | 45 |
| 500 | 500 | 500 | — |
| — | — | — | — |
| 140,722 | 39,120 | 93,092 | 52,297 |

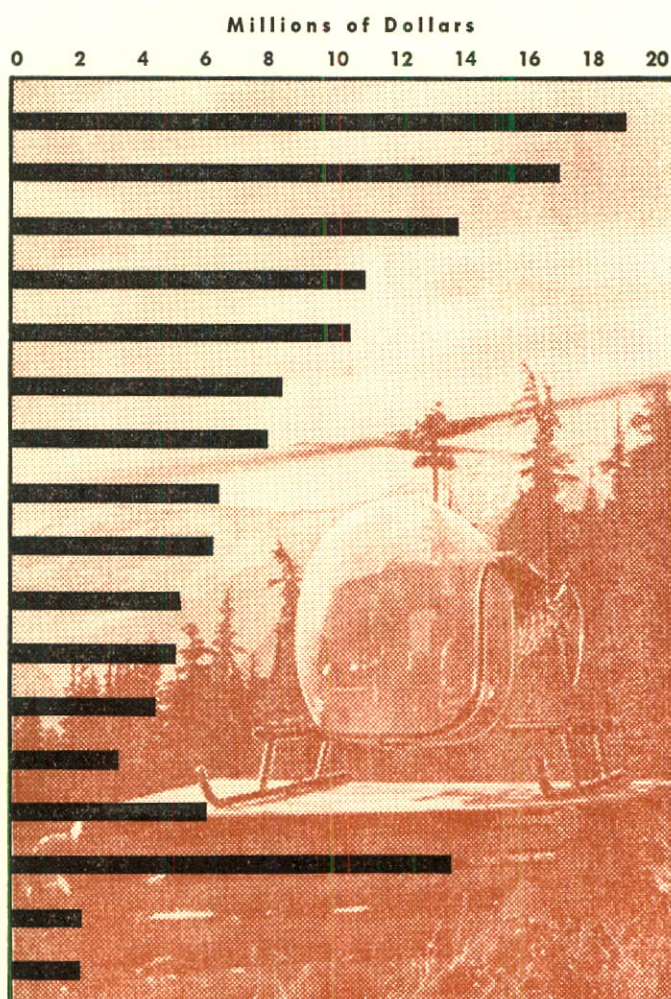
| | | | |
|---------|--------|--------|--------|
| 220 | 75 | 178 | 152 |
| 5,610 | 5,498 | 5,540 | 1,921 |
| 1,745 | 400 | 869 | 561 |
| 3,917 | 1,346 | 2,398 | 613 |
| 49,668 | 11,801 | 32,957 | 19,362 |
| 38,273 | 9,118 | 27,081 | 17,545 |
| 6,232 | 2,506 | 4,253 | 1,427 |
| 4,070 | 11 | 798 | 394 |
| 8,903 | 2,232 | 4,158 | 2,109 |
| 21,797 | 6,032 | 14,655 | 8,068 |
| 287 | 101 | 205 | 145 |
| 140,722 | 39,120 | 93,092 | 52,297 |

Current Authorizations at September 30, 1956

Number of credits Amount Authorized

| | | | |
|-----|--------|-----------------|--------|
| 9 | 37 | | |
| 250 | 4,212 | | |
| 203 | 7,829 | | |
| 173 | 13,217 | | |
| 102 | 15,647 | | |
| 84 | 52,150 | | |
| 821 | 93,092 | | |
| | | Up to \$200,000 | 24,280 |
| | | Over \$200,000 | 28,017 |
| | | | 52,297 |

Industrial Composition of Gross Authorizations
at September 30th, 1956
(less cancellations and reductions)



Income on loans, investments and guarantees for the year amounted to \$2,570,004 as compared with \$2,193,848 in 1955, while all other ordinary revenue from the Bank's operations amounted to \$133,193 as compared with \$35,223 in the pre-

vious fiscal year. Operating expenses increased \$136,078, reflecting the cost of handling the larger volume of business arising in part from the enlarged scope of the Bank's activities, and the opening of the Calgary and Halifax offices. Profit on the year's operations, before appropriation for reserve for losses, showed an increase of \$323,386. Appropriations from profits comprised \$233 covering the net loss on write-offs (less recoveries) during the year and \$200,000 which was transferred to the Reserve for Losses raising it to \$900,000. It was felt that this addition to the reserve for losses was desirable in view of the larger amount of business on our books. The balance of the profits, \$1,322,210, was transferred to the Reserve Fund, which now stands at \$8,706,469.

Yours very truly,

J. E. COYNE, President.

Statement of Assets and Liabilities

ASSETS

| | As at September 30th, | |
|---|-----------------------|---------------------|
| | 1956 | 1955 |
| Cash on hand and Deposits with other Banks. | \$ 26,406 | \$ 32,166 |
| Loans and Investments | \$52,184,298 | |
| Accrued Interest. | 350,837 | 52,535,135 |
| Property held for sale, including agreements for sale | 169,897 | 44,361,580 |
| Guarantees and Underwriting Agreements as per contra. | 113,060 | 203,060 |
| Other Assets | 218,288 | 1,320,894 |
| | <u>\$53,062,786</u> | <u>\$45,956,884</u> |

LIABILITIES

| | | |
|---|---------------------|---------------------|
| Capital: Authorized, issued and paid up 250,000 shares par value \$100 each | \$25,000,000 | \$25,000,000 |
| Reserve Fund | 8,706,469 | 7,384,259 |
| Reserve for Losses | 900,000 | 700,000 |
| Bonds and Debentures outstanding | \$17,700,000 | |
| Accrued interest | 213,312 | 17,913,312 |
| Liabilities under Guarantees and Underwriting Agreements | 113,060 | 9,628,750 |
| Other Liabilities | 429,945 | 1,320,894 |
| | <u>\$53,062,786</u> | <u>\$45,956,884</u> |

AUDITORS' REPORT

We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at September 30, 1956, 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, 1956, 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.

JEAN VALIQUETTE, C.A.
of Anderson & Valiquette

Ottawa, November 2, 1956

Statement of Profit and Loss

| | Year Ended September 30th, | |
|--------------------------------------|----------------------------|--------------------|
| | 1956 | 1955 |
| INCOME | | |
| On loans, investments and guarantees | \$2,570,004 | \$2,193,848 |
| Sundry | 133,193 | 35,223 |
| | <u>\$2,703,197</u> | <u>\$2,229,071</u> |

| | | |
|--|-------------------|-------------------|
| EXPENSES | | |
| Salaries | \$ 569,716 | \$ 497,129 |
| Pension fund, unemployment insurance and group insurance | 81,052 | 66,652 |
| Investigation and supervision expenses | 16,592 | 16,062 |
| Travelling expenses | 27,375 | 14,796 |
| Rental and other costs — leased premises | 73,911 | 50,546 |
| Depreciation on equipment | 8,756 | 7,423 |
| Telephones and telegrams | 16,001 | 14,209 |
| Office supplies and expenses | 15,490 | 10,515 |
| Directors' fees | 5,150 | 5,350 |
| Auditors' fees and expenses | 9,000 | 9,000 |
| All other operating expenses | 36,702 | 31,985 |
| | <u>\$ 859,745</u> | <u>\$ 723,667</u> |
| Gross Profit | \$1,843,452 | \$1,505,404 |

| | | |
|---|--------------------|--------------------|
| DEDUCT | | |
| Interest on debentures (including amortization of discount and premium) | 321,009 | 306,347 |
| PROFIT BEFORE APPROPRIATION | \$1,522,443 | \$1,199,057 |
| Appropriation to reserve for losses | 200,233 | 37,325 |
| Balance transferred to reserve fund | <u>\$1,322,210</u> | <u>\$1,161,732</u> |

RESERVE FOR LOSSES

| | |
|------------------------------|------------|
| Balance, September 30, 1955. | \$ 700,000 |
|------------------------------|------------|

ADD

| | | |
|---|----------|-------------------|
| Recovery of debts previously written off. | \$ 2,750 | |
| Appropriation from profit for the year ended September 30, 1956 | 200,233 | 202,983 |
| | | <u>\$ 902,983</u> |

LESS

| | | |
|------------------------------------|-------------------|--|
| Bad debts written off. | 2,983 | |
| Balance, September 30, 1956 | <u>\$ 900,000</u> | |

RESERVE FUND

| | |
|--|--------------------|
| Balance, September 30, 1955 | \$7,384,259 |
| Amount transferred from statement of profit and loss | 1,322,210 |
| Balance, September 30, 1956 | <u>\$8,706,469</u> |

Summary of Operations, 1956, 1955 and Cumulative

| | Fiscal year ending Sept. 30 | | Cumulative Total Since Nov. 1, 1944 |
|--|-----------------------------|---------------------|--|
| OPERATIONS | 1956 | 1955 | |
| Gross Loans, Investments and Guarantees authorized . . . | \$39,119,503 | \$16,805,969 | \$162,844,106 |
| Less Cancellations and Reductions | <u>2,576,084</u> | <u>1,695,888</u> | <u>22,121,817</u> |
| Net Increase in Loans, Investments and Guarantees authorized | \$36,543,419 | \$15,110,081 | \$140,722,289 |
| Less Repayments and Write-offs | <u>12,157,279</u> | <u>10,807,559</u> | <u>63,772,750</u> |
| Increase in Loans, Investments and Guarantees outstanding plus undisbursed | <u>\$24,386,140</u> | <u>\$ 4,302,522</u> | <u>\$ 76,949,539</u> |
| Disbursements on Loans and Investments | \$20,186,742 | \$12,718,377 | \$115,272,548 |
| Less Repayments | <u>12,052,046</u> | <u>10,768,389</u> | <u>62,732,916</u> |
| Less Write-offs | <u>233</u> | <u>39,170</u> | <u>355,334</u> |
| Increase in Outstanding Loans and Investments | \$ 8,134,463 | \$ 1,910,818 | \$ 52,184,298 |
| Change in Outstanding Guarantees | <u>—1,207,834</u> | <u>1,186,279</u> | <u>113,060</u> |
| Increase in Outstanding Loans, Investments and Guarantees . . . | \$ 6,926,629 | \$ 3,197,097 | \$ 52,297,358 |
| Increase in Undisbursed portion of Loans and Investments | <u>17,459,511</u> | <u>1,205,425</u> | <u>24,652,181</u> |
| Increase in Combined Total, Outstanding plus Undisbursed . . | <u>\$24,386,140</u> | <u>\$ 4,302,522</u> | <u>\$ 76,949,539</u> |

PROFIT AND LOSS

| | | | |
|--|---------------------|---------------------|---------------------|
| Income on Loans, Investments and Guarantees | \$2,570,004 | \$ 2,193,848 | \$ 14,899,630 |
| Interest on Government of Canada securities | <u>1,327</u> | <u>—</u> | <u>1,471,989</u> |
| Profit on sales of Government of Canada securities | <u>—</u> | <u>—</u> | <u>—159,540</u> |
| Profit on sales of other securities | <u>—</u> | <u>—</u> | <u>804,933</u> |
| All other income | <u>131,866</u> | <u>35,223</u> | <u>301,852</u> |
| Total Income | \$ 2,703,197 | \$ 2,229,071 | \$ 17,318,864 |
| Less Operating expenses | <u>859,745</u> | <u>723,667</u> | <u>6,087,882</u> |
| Interest on I.D.B. debentures (1) | <u>321,009</u> | <u>306,347</u> | <u>1,269,179</u> |
| Net Profit | <u>\$ 1,522,443</u> | <u>\$ 1,199,057</u> | <u>\$ 9,961,803</u> |
| of which | | | |
| Appropriated to reserve for losses | \$ 200,233 | \$ 37,325 | \$ 1,255,334 |
| Transferred to reserve fund | <u>\$ 1,322,210</u> | <u>\$ 1,161,732</u> | <u>\$ 8,706,469</u> |

WRITE-OFFS

| | | | |
|---------------------------------------|------------|------------|------------|
| Bad debts written off (net) (2) . . . | \$ 233 | \$ 37,325 | \$ 355,334 |
| Reserve for losses at end of period | \$ 900,000 | \$ 700,000 | \$ 900,000 |

(1) After amortization of premium or discount on sale of debentures.

(2) Bad debts written off, less recovery on bad debts written off previously. The net write-off is debited to the reserve for losses account.

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE — OTTAWA, ONT.

GENERAL MANAGER'S OFFICE — MONTREAL, QUE.

BOARD OF DIRECTORS

J. E. COYNE, President, Ottawa, Ont.

J. R. BEATTIE,
Member of the Executive Committee, Ottawa, Ont.

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

J. M. BUCHANAN, Vancouver, B.C.

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

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

DR. A. M. DAY, Consort, Alta.

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.

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

OFFICERS

J. E. COYNE, President

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

A. N. H. JAMES, Assistant General Manager

N. C. TOMPKINS, Assistant General Manager —
British Columbia

L. F. MUNDY, Secretary P. D. SMITH, Deputy Secretary

H. M. SCOTT, Chief — Legal Division

W. L. MUNDY, Chief — Insurance Division

A. M. SWAN, Administrative Assistant

C. I. STUART, Deputy Secretary L. VIAU, Deputy Secretary

E. FRICKER, Chief Accountant

GENERAL MANAGER'S

OFFICE 901 Victoria Square, Montreal, Que.

ATLANTIC PROVINCES

H. R. STOKER

Supervisor 65 Spring Garden Road, Halifax, N.S.

ONTARIO

W. C. STUART

Supervisor 85 Richmond St. W., Toronto, Ont.

MANITOBA & SASKATCHEWAN

E. R. CLARK

Supervisor 195 Portage Ave., E., Winnipeg, Man.

ALBERTA, YUKON & NORTHWEST TERRITORIES

F. M. AYKROYD

Supervisor 513 Eighth Ave., W., Calgary, Alta.

BRITISH COLUMBIA

N. C. TOMPKINS

Assistant General Manager 475 Howe St., Vancouver, B.C.

