

# Capital in Irish Industry

## I STATISTICAL ASPECTS

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### *Nature and purpose*

This paper presents the results of a first attempt to provide a comprehensive picture of the capital structure of industry in Ireland. Up to the present time, there has been no reliable information on such matters as the total capital employed in industry as a whole or in the main industrial groups, the extent to which the capital is utilised in the provision of buildings, plant and machinery and working capital and the sources from which such capital is derived, e.g. shares, loans, accumulated profits, trade credit, etc.

Information on the capital structure of United Kingdom industry has been published for many years\*. These capital structure data relate to public companies whose shares are quoted on the U.K. stock exchange (with a few unquoted companies included because of their importance). The basic data necessary for this analysis are available in Britain because of the requirements of the 1948 Companies Act. Sections 127 and 156 and the Eighth Schedule to that Act result in the provision in the annual return to the Companies' Registration Office of a balance sheet and a profit and loss account (and, where appropriate, group accounts) in a more or less standardised form. As far as this country is concerned the Companies (Consolidation) Act of 1908 governs the form of annual return and for public companies this includes a balance sheet. The format of the balance sheet submitted, however, varies substantially from company to company and is not suitable for statistical compilations. The Company Bill 1962 leaves the position unchanged in the matter of balance sheets, since private companies are not required to submit balance sheets to the Company Registration Office.

A further consideration is that public companies do not cover the greater part of a number of important sectors of the economy. In 1952 only 43 per cent of the Net Output of Transportable Goods Industries related to establishments owned by public companies (private companies covered a further 44 per cent).

\*e.g. the November 1961 issue of "Economic Trends" sets out aggregate results for the years 1954-1959 and information on some 22 sub-divisions of Manufacturing is available from the Statistics Division of the Board of Trade.

A special inquiry was, therefore, necessary to obtain balance sheet data in standardised form from private and public companies. This inquiry was made by the Central Statistics Office, it was voluntary and was carried out by means of postal questionnaires which were despatched on 31st March, 1960. The main part consisted of a balance sheet. Supplementary data collected related to capitalisation of profits or reserves, external capital and valuation of fixed assets for insurance purposes. Companies were requested to complete this statement on the basis of the balance sheet showing the position of the company at some time during the twelve months between July 1st, 1958 and June 30th, 1959, i.e. at the end of the accounting period most nearly conforming to the calendar year 1958. The bulk of the returns were made on this basis but in a number of instances the data related to a date one year later and in a few cases to a date two years later.

### *Scope and degree of response*

As the particulars were required in Balance Sheet form, the inquiry was perforce limited to concerns with balance sheets available, i.e. private and public limited companies, co-operative societies, certain statutory bodies and a few other special enterprises. Almost 1,200 inquiry forms were despatched by post to all firms of the types mentioned which had at least 20 persons engaged in Manufacturing, Mining, etc. Electricity, Gas and Laundry, and for which such activities were their whole or main occupations, i.e. those concerns which were wholly or mainly industrial as here defined. Of the 717 usable returns received, 679\* related to Manufacturing Industries with which this paper is concerned.

The detailed results presented in the Tables and discussed in the paper are in respect of the concerns from whom returns were actually received. A separate section has been included however on the question of "grossing" i.e. of estimating the appropriate aggregates for all concerns in Manufacturing Industry as covered by the Census of Industrial Production. The position may be summarised by saying (a) that if the aggregates for the respondents be increased by about one quarter a reasonable estimate is obtained of a balance sheet for all manufacturing concerns proper to the inquiry i.e. the population of balance sheets, and (b) an increase of about one-half in the respondent aggregates would yield reasonable estimates of such items as Tangible Fixed Assets for all manufacturing establishments included in the Census of Industrial Production.

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\*In addition some eight branches of foreign firms provided partial data where full balance sheets were not available for their activities within the State.

### *Industrial classification*

Because of the extent of detail of the inquiry and the small number of returns relating to many industries it has been found necessary to present separate data for industrial groups rather than for the 52 industries used in the Census of Production. Moreover while it is generally the C S O practice to use 10 industry groups, for this paper it has been necessary to combine the "Drink and Tobacco" group with the miscellaneous "Other Manufacturing" group because balance sheets were not available for the activities in this country of several of the larger tobacco manufacturing establishments which are branches of an external enterprise.

### BALANCE SHEET DATA

#### *Principal results*

The overall total shown on both sides of the Aggregate Balance Sheet for all the respondents in Manufacturing industries amounted to £176 0 million. The values of the various components and their percentage distributions are shown in Table A.

TABLE A—MANUFACTURING INDUSTRIES AGGREGATE BALANCE SHEET FOR ALL RESPONDENTS

Capital and Liabilities			Assets		
Components	£ million	%	Components	£ million	%
Paid-up Capital	59.7	33.9	Tangible Fixed Assets	61.5	35.0
Loan Capital	29.6	16.8	Stocks	50.8	28.9
Capital Grants	1.1	0.6	Other Current Assets	40.7	23.1
Reserves	50.2	28.6	Investments	17.9	10.2
Current Liabilities	35.3	20.0	Other Assets	5.0	2.8
Total Capital and Liabilities	176.0	100.0	Total Assets	176.0	100.0

Paid-up Capital, valued at £60 million, covering 33.9 per cent of the total was about twice the level of Loan Capital, the latter at about £30 million covered 16.8 per cent of the total. Capital Grants (from State Funds) were £1 million. All Reserves taken together amounted to £50 million and Current Liabilities totalled £35 million.

On the Assets side, Tangible Fixed Assets accounted for £61½ million or more than one-third of the total. Current Assets totalled £91½ million and more than one-half of this (£51 million) represented the value of Stocks. There were £18 million of Investments and Securities and about £5 million other assets (mainly Goodwill).

The data given above can be found in fuller detail in Appendix Table I, and details for the industry groups are given in Tables II and III

The levels of some items, particularly bank overdrafts, trade creditors, trade debtors and stocks, vary considerably during a year particularly where the industry has substantial season fluctuations. If, as we might expect, accounting dates tend to coincide with a time when these items are near their lowest levels then the patterns shown in Table II etc for these items are not identical with average patterns for the production year as a whole

#### *Paid-up capital*

Of the £60 million paid-up capital some £47.3 million (about four-fifths) related to Ordinary shares or stock (including Deferred, Founders etc) and £12.4 million to Preference shares or stock (including Participating, Cumulative and Redeemable Preference). Supplementary data collected showed that about 19 per cent of the Ordinary Capital and 8 per cent of the Preference capital was attributable to capitalisation of profits or reserves, the amount involved being nearly £10 million or 16 per cent of total paid-up capital (Table V). In the industry groups the capitalisation was relatively highest for Clothing and Footwear where 35% of paid-up capital was obtained in this way, and lowest for Wood, Furniture etc (7%) and Clay Products, Glass, Cement etc (9%).

The proportion of total Capital and Liabilities accounted for by paid-up capital varied considerably between the industrial groups from the particularly low figure of 20.9 per cent for the Food industry to the exceptionally high level of 48.4 per cent for Clay Products, Glass, Cement etc. In the latter industry the proportion which preference capital formed of total paid-up capital was also unusually high being 40 per cent as compared with 20-30 per cent for most other groups except metals and engineering (including vehicles) and for Other Manufactures, where the proportion was about one tenth (Table III (1))

#### *Loan capital*

The total loan capital of £29.6 million comprised £18.3 million in respect of bank overdrafts and loans and £11.3 million in respect of other loans. As shown in the Tables I etc these other loans were classified into (a) secured (including amounts outstanding on Debentures) and (b) unsecured loans. In the returns received only £4.7 million was classed as secured and, somewhat surprisingly, a higher total of £6.6 million was classed as unsecured. Investigation of the larger amounts involved showed that a substantial amount of loans from associated or parent companies had been included as unsecured. At least £0.8 million came

from such sources within the State while supplementary information collected re amount of capital provided by extern sources showed £1·3 million of unsecured loans from outside the State and these are undoubtedly from related companies Thus at least £2 million of the unsecured loans fall into a special category

Loan capital and paid-up capital taken together accounted for just over one-half (50·7%) of total Capital and Liabilities In the individual industry groups this proportion varied from 44·3 per cent for the Food industry to 58·3 per cent for the Clothing and Footwear group but the variation was not as marked as that for either paid-up capital or loan capital taken separately Thus the Clay Products etc group which had the highest percentage for paid-up capital had the lowest percentage for loan capital, only 7 per cent Incidentally, this group was the only one where bank overdrafts etc did not cover at least one half of loan capital While paid-up capital was generally substantially in excess of loan capital, the position was reversed in both the Food industry group and the Wood and Furniture group (Table III (1) )

#### *Capital grants*

Capital grants from State Funds amounted to £1·1 million Fifteen balance sheets had entries under this heading and their figures were checked against published data for grants by Industrial Development Authority or Foras Tionnscail up to 31st March, 1959, and were found to be in agreement with published data at company level \*

#### *Reserves*

Reserves under all headings totalled £50 million or 28·6 per cent of Capital and Liabilities In the original questionnaire separate figures were requested for (I) Capital Reserves, (II) Renewals and Replacements Reserves, (III) General Reserves, (IV) Reserves for Contingencies, (V) Other Reserves (including reserves for stocks, premises, deferred repairs, future taxation, bad debts etc) and (VI) Profit and Loss Account Respondents were asked to deduct from Fixed Assets all sums written off for normal depreciation provisions or reserves in lieu thereof, and to show additional depreciation provisions to cover increased cost of replacement as reserves for Renewals and Replacements When aggregating the various returns it was found necessary to amalgamate headings (I), (II) and (IV) at the group level in order to avoid disclosures of confidential data The total for these three headings combined was £15·0 million for Manufacturing respondents as a whole, of which £5·9 million was Capital Reserves, £4·7 million was Renewals etc and £4·5 million Contingencies In the individual returns, deficits

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\*Four of the 15 Capital Inquiry respondents involved were not included in the I D A or F T lists, these lists in turn included some Capital Inquiry non-respondents

on profit and loss account were, of course, shown on the assets side of the balance sheet. There were in all 84 such cases amongst the respondents and the total amount involved was £1.7 million. In presenting an aggregate balance sheet, however, this figure has been removed from the assets side and shown as a deduction from the total of £14.9 million returned under the profit and loss account heading in the reserves section, giving a net figure of £13.2 million. A similar procedure has been adopted in the separate industry groups. General Reserves amounted to £12 million and Other Reserves to £10 million.

### *Current liabilities*

Current Liabilities of £35 million consisted of £21 million in respect of Trade Creditors and £14½ million for Other Current Liabilities (including Current Taxation, Proposed Dividends and Hire-Purchase Liabilities). Hire-Purchase Liabilities were treated as a separate item in the original questionnaire but as the entries made under this heading totalled only £¼ million, a level much lower than one would reasonably expect in the light of other data available, a separate heading has not been retained in the tables.

Current Liabilities were relatively highest in the Metals and Engineering group, where they accounted for 30 per cent of total capital and liabilities, while for all other groups the percentage was in the range 15-22 (Table III (1)). This high level was due to a relatively high figure of 13.5 per cent for Other Current Liabilities in combination with 16.5 per cent for Trade Creditors. The latter generally accounted for between one-twelfth and one-sixth of total capital and liabilities.

### *Fixed assets*

Tangible Fixed Assets (after deduction of sums written off for normal depreciation or reserves in lieu thereof) totalled £61½ million or 35 per cent of total assets. They comprised £28 million Land and Buildings, £27 million Plant and Machinery, £2½ million Vehicles, £1 million Fixtures and Fittings and £3 million other items.

In most groups fixed assets accounted for one-quarter to one-third of total assets (Table III (11)) but for Paper and Printing and Clay Products etc. the proportion was highest at 44 per cent and 48 per cent, respectively. These were the two groups in which plant and machinery were relatively high, accounting for about one-quarter of total assets. In the Paper and Printing group plant and machinery values were substantially above the value of land and buildings and this position also held in the Textile group. In other groups the value of land and buildings was higher but only marginally so for Clay Products etc. and Other Manufacturing.

Vehicles accounted for only a small proportion of total fixed assets, the highest proportion being in Wood etc (2.9 per cent)

“Other Assets” were at most 1 per cent of the total assets except for the “Other Manufacturing” group where the surprisingly high proportion of 5½ per cent appeared. This is due to casks and durable containers used in the Brewing industry being classified in this category of fixed assets.

The consideration of valuation of fixed assets at replacement cost is deferred to later.

### *Stocks*

Stocks of Raw Materials, Work in Progress and Finished Goods were valued at nearly £51 million. While separate figures for the three components were sought on the questionnaire only a global figure was returned in many instances and consequently the composite figures are given in the tables. However, adequate data on the composition of stocks are available from the \*Census of Industrial Production results. In all groups total stocks equalled at least one-fifth of total assets. For the Food, Textiles, Clothing etc and Wood etc groups the proportion amounted to about one-third.

### *Trade Debtors*

Trade Debtors stood at nearly £31 million, being 17.5 per cent of total assets and about 1.5 times the current liability figure for Trade Creditors (see Tables II (ii), III (ii) and IV). The level of Trade Debtors was particularly high in Wood etc and Clothing etc being 34.6 per cent and 28.5 per cent of total assets, respectively.

It is worth noting that in all groups Trade Debtors exceeded Trade Creditors, the excess being at least 25 per cent except for Metals, etc and Other Manufacturing, the latter being largely determined by the position for Drink and Tobacco. For three groups Clothing etc, Wood etc, and Clay products, etc the Debtors figure was about twice that for Creditors.

As amounts owing to Trade Creditors arise in respect of purchases of materials it is of interest to compare these aggregates. Although data

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\*In the 1958 Census of Industrial Production the aggregate returns for end-year stocks held by all establishments of Manufacturing Industries were as follows —

	£ million
Raw Materials	40.0
Work in Progress	6.0
Stocks of Finished Goods made by the establishment	21.5
Stocks purchased for Re-Sale	1.5
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TOTAL	68.9

on purchases are not available, data on materials used by the respondents have been extracted from the Census of Production for 1958. Similarly data on Gross Output are used in place of sales for comparison with Trade Debtors (Appendix Table IV)

For all Manufacturing industries combined the amount for trade creditors was 13.1 per cent of the cost of materials used and the ratio of trade debtors to value of gross output yielded an almost identical figure of 13.4. For the separate industry groups there is a substantial degree of stability in the ratios. Trade creditors, in all except two cases, amounted to 14-19 per cent of the cost of materials. The two exceptions were the Food industry with the relatively low level of 8 per cent and the Wood and Furniture group with a very high level of 35 per cent. This latter group also yielded an exceptional value in the ratio of trade debtors to gross output—44 per cent, while for all other groups the ratio fell in the range 10½-18 per cent.

The explanation for the high values for the Wood and Furniture group is that a relatively high degree of distribution activity is carried out in conjunction with production activities and while the values of purchases and sales of these "goods for resale" are not in the Materials or Gross Output derived from Census of Production returns, the associated amounts owing or owed are in the balance sheet.

The relatively low percentage of 8.4 for the Food group as a whole is due to some very low percentages for individual industries within the group. Bacon curing and slaughtering combined yielded 2.4 for Trade Creditors as a percentage of Cost of Materials, Grain Milling and Animal Food had 7.9 per cent, Cocoa, Chocolate etc. 7.5 per cent. and each of the other industries in the Food group for which the cost of Materials relating to the balance respondents was of significant magnitude (i.e. £2 million or more of the total £70 million) had percentages in the range 12-14. These low percentages for the industries comprising the Food group may be due, to a certain extent, to accounting dates occurring at a low point in the seasonal cycle. Moreover materials such as pigs, cattle, native wheat, milk, etc. which form a large part of the materials used by many of the Food industries are paid for promptly by the manufacturers so that the level of Trade Credit at any point of time is relatively low by comparison with that for other industry groups.

#### *Cash at bank and in hand*

Cash at bank and in hand was £4½ million or 2.6 per cent of total assets. It lay in the percentage range 1.6-4.1 at the group level except for Chemicals etc. where it formed 9.4 per cent of total assets, this relatively high percentage being largely due to the Fertiliser industry.



### *Other current assets*

Other current assets (including Deposits and Prepaid Expenditure) at £5·4 million accounted for 3·1 per cent of total assets. For all groups except Metals and Engineering and Wood, etc the percentage was in the range 1·7-2·3. The Wood, etc group has a relatively low percentage of 0·6 and the Metals and Engineering group the relatively very high proportion of 11·1 per cent of total assets—which has been matched on the Liabilities side by the relatively high percentage of 13·5 for Other Current Liabilities, as percentage of Total Capital and Liabilities.

### *Investments and securities*

Investments and Securities amounted to £18 million, of which £11·3 were Investments in and Loans to Associated and Subsidiary Companies, £5·3 million were General Investments and £1·3 million were Other Loans. For Manufacturing as a whole investments and securities formed 10·2 per cent of total assets, the percentage varied considerably, however, from group to group, the lowest being 3·1 for Wood, etc and the highest 17·1 for Chemicals, etc, a substantial part of this high rate being due to the Fertiliser industry. High percentages also occur in the Clay Products etc group and the Other Manufacturing group, 13·0 and 15·5 respectively, the Cement Company having a large part of the £1·3 million giving rise to the 13·0 per cent and Drink and Tobacco companies accounting for a good deal of the £6·3 million which yields the 15·5 per cent referred to.

### *Other assets*

Other Assets of £5 million included £4½ million for Goodwill and relatively small amounts for Patent Rights, Preliminary and Issue Expenses, Development Expenditure and other items, details of which are given in Appendix Table I. As already indicated above in the sector on “Reserves”, deficits on Profit and Loss Account have been excluded from the £5 million shown for “Other Assets”. Appendix Table III (ii) shows that “Other Assets” as a percentage of total assets varies considerably from group to group, having a value of 2·8 per cent. for Manufacturing as a whole. The highest percentage, 8·5, occurs in the All Other Manufacturing and is due to the influence of the Drink and Tobacco companies on that group as a whole.

## SUPPLEMENTARY DATA

### *Capitalisation of profits or reserves*

Of the total £60 million Paid-up Capital nearly £10 million was attributed to such capitalisation, figures for each industry group are

given in Appendix Table V where it will be seen that the proportion was highest (35 per cent) for the Clothing and Footwear group and lowest in the Wood and Furniture group (7 per cent). It is not possible without disclosure of data relating to individual concerns, to give the separate particulars for Ordinary and Preference Paid-up Capital in this respect. For all Manufacturing industries, however, the returns showed that £8.8 million (19 per cent) of Ordinary Capital was attributed to Capitalisation and that the corresponding amount for Preference Capital was £1.0 million (8 per cent of total Preference Capital).

#### *External capital*

Information was sought on the extent to which individuals and companies resident outside the State held Paid-up Capital or provided Loan Capital (excluding Bank Loans). The returns showed that £19.3 million of Ordinary Capital (41 per cent of the total) was held by externs, who also held £1.2 million (9 per cent) of Preference Capital and provided £2.0 million (18 per cent) of the non-bank Loans (£0.7 million Secured and £1.3 million Unsecured). Particulars in respect of Paid-up Capital are given in Table V for each industry group.

The very high figure of £11.4 million shown in Table V for external ordinary capital for All Other Manufacturing results from the inclusion of A. Guinness, Son and Co. (Dublin) Ltd. in this group. It is public knowledge that the parent company holds all of the £10 million paid-up capital of Messrs Guinness (Dublin). If this figure be deducted from the Ordinary and Total Paid-up Capital for the "Other Manufacturing etc." group and "Total Manufacturing", the last two rows of Table V are modified as shown by the figures in parenthesis. With this exclusion the paid-up capital held by non-residents is 21 per cent of total paid-up capital.

As mentioned above, the inquiry covered concerns with balance sheets in respect of their operations in the State. Subsidiaries of foreign concerns were generally in a position to provide such balance sheets but branches of foreign firms did not have separate balance sheets for their Irish activities. The value of Tangible Fixed Assets returned in respect of eight branches of foreign companies who had no balance sheets, but made partial returns, amounted to £1.1 million, this value can be taken as a rough measure of the magnitude of Capital Investment in Ireland by these eight branches, on the basis of the comparison of Total Paid-up Capital in Table II (i) with Total Tangible Fixed Assets in Table II (ii). Corresponding data are not available in respect of other branches of foreign companies.

Thus for the 679 balance sheets (including Messrs Guinness) and the eight branches of foreign firms the position can be summarised as

follows There was identified a total of about £24 million investment from abroad in Manufacturing, consisting of £20½ million Paid-up Capital, £2 million Loan Capital and about £1½ million invested in the eight branches of foreign firms This figure is to be regarded as a minimum for the 679 balance sheets and the eight branches for the following reason whereas each balance sheet was by its nature complete and self-checking, the supplementary data on Form II of the questionnaire depended for their accuracy upon the degree of co-operation of those responding Thus an entry of "nil" for External Capital had perforce to be accepted as correct and so the £24 million identified may be smaller than the true figure for those responding

The figures in respect of External Capital require cautious interpretation As already mentioned the coverage of the figures given here is not complete There is however another factor involved which operates to reduce the "True" level of foreign capital Irish residents hold some of the share capital of the companies providing the extern capital referred to above (e.g. there are substantial amounts of Guinness shares held in Ireland) No attempt is made here to deal with this aspect of the matter

#### *Valuation of tangible fixed assets*

A further item of supplementary data asked for was the "Valuation for Insurance Purposes of all Buildings, Plant and Machinery covered by the balance sheet" Not all the respondents gave the desired information while in some cases certain types of Tangible Fixed Asset were not covered by Insurance

As to the treatment of Assets in the Balance Sheet itself, the following instruction was given

"All Assets whether Fixed or Current should be stated at balance sheet values Fixed Assets should be shown after deduction of sums written off for normal depreciation, or reserves in lieu thereof Additional depreciation provisions to cover increased cost of replacement should be included in Reserves for Renewals and Replacements Other assets should be shown net of any sums written off"

It is not known how fully this instruction was carried out by companies not normally using such a method of valuation in their balance sheets.

For those concerns who provided acceptable information on the Insurance Valuations, including branches of foreign firms, the aggregate Balance Sheet or Written-down Values were £26.5 million for Buildings (and Land\*) and £24.3 million for Plant and Machinery (excluding Vehicles) as against Insurance Valuations of £62.6 million for Buildings and £65.5 million for Plant etc. (excluding Vehicles). Particulars for

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\*The Land component is adjudged to be not more than a small part of the £26.5 million Land and Buildings combined

each industry group are given in Appendix Table VI together with derived ratios for group totals and ranges within which the ratios for individual Census Industries (within the group) lie. At the individual industry level, aggregates for less than three firms were not used to give ratios and thus the ranges shown are narrower than if the figures at individual industry level had been used in all cases.

For Manufacturing as a whole the Insurance Valuation is 2.4 times the Written-down Value of Buildings and 2.7 times the Written-down Value of Plant and Machinery (excluding Vehicles). For the former the ratio varies at the group level from 1.8 for Metals etc. to 3.2 for Drink and Tobacco and for the latter from 1.9 for Drink and Tobacco to 3.7 for Clothing etc. Within each group at the individual industry level the ratios vary considerably as can be seen from the ranges shown in columns (4) and (8), even though ratios arising from comparisons of aggregates for less than three firms have not been taken into account in determining the ranges shown. At individual firm level within individual industries the range is still greater. These ratios, therefore, must be regarded as highly variable parameters, to be used with caution. The Upper limit of 9.2 for the Insurance/Written-down Buildings ratio occurring in the Drink and Tobacco group (and consequently in the All Other Manufacturing group) relates to the Malting industry. Here the buildings are old and have a relatively small Written-down value, which when compared with their Insurance valuation (on a replacement basis), gives the ratio 9.2. Apart from this industry the range for All Other Manufacturing was 2.0-3.1 and for Drink and Tobacco 2.4-3.1.

Here again cautious interpretation is essential. Insurance valuations cannot be equated automatically to replacement cost (new or written down). No attempt has been made here to ensure that the insurance values are on a uniform valuation basis.

#### COMPARISON WITH UNITED KINGDOM 1958

The following Table B gives for what it is worth the comparison between the United Kingdom aggregate 1958 balance sheet in condensed form for public companies engaged in Manufacturing\* and the aggregate balance sheet of Table A for the 679 Irish Capital Inquiry respondents.

It should be noted that the U.K. data are for public companies (and a few important private companies) which, as implied at the beginning of this paper, cover a substantial amount of the activity in many industrial sectors, but which in the aggregate do not necessarily give an approximate structural picture of the U.K. aggregate balance sheet for all companies,

TABLE B — COMPARISON OF BALANCE SHEET STRUCTURE OF U K AND IRISH MANUFACTURING 1958

Capital and Liabilities					Assets				Item
Item	U K Public Companies		Irish Capital Inquiry Respondents		U K Public Companies		Irish Capital Inquiry Respondents		
	£ million	%	£ million	%	£ million	%	£ million	%	
Total Paid-up Capital	3,704	28.9	59.7	33.9	5,184	40.5	61.5	35.0	Tangible Fixed Assets (Net)
Total Loan Capital	1,819	14.2	29.6	16.8	6,612	51.7	91.5	52.0	Total Current Assets
Total Reserves	4,651	36.4	51.4†	29.2†	783	6.1	17.9	10.2	Total Investments & Securities Goodwill, etc
Total Current Liabilities	2,622	20.5	35.3	20.0	217.2	1.7	5.0	2.8	
Total Capital & Liabilities	12,796	100.0	176.0	100.0	12,796	100.0	176.0	100.0	Total Assets

\*Page XI, Economic Trends, November 1961

†Includes Capital Grants from State Funds

both public and private. The Irish data, on the other hand, relate to all Capital Inquiry respondents, whether public or private companies or co-operatives.

The Irish Paid-up and Loan Capital form a relatively larger part of the Capital etc than do the U K corresponding items, but Irish Reserves are relatively less important, with Current Liabilities about 20 per cent in both systems. On the Assets side, Irish Tangible Fixed Assets (Net) are relatively less than those for the U K. Current Assets are of equal importance, while Irish Investments and Goodwill are relatively much higher than those of the U K.

#### COVERAGE

##### *Grossing the results for manufacturing industries combined*

It will be recalled that the inquiry forms were sent to firms having at least 20 persons engaged in Manufacturing and that the inquiry was of necessity restricted to those firms whose legal form of organization implied the existence of a balance sheet. Those to whom the inquiry applied but who did not submit usable returns are termed non-respondents.

A measure of the extent of the response and of the extent to which the

returns cover Manufacturing industry may be obtained by considering data on persons engaged. In 1958 the average number of persons engaged in Manufacturing establishments covered by the Census of Industrial Production was 141,800. This total can be allocated as follows:

	Number	Percentage
Persons in manufacturing establishments owned by respondents to Capital Inquiry	89,200	63
Persons in manufacturing establishments owned by non-respondents to Capital Inquiry	24,100	17
Persons in manufacturing establishments not covered by the Inquiry and included in the Census of Production 1958	28,500	20
TOTAL	141,800	100

These figures are, of course, derived from Census of Production returns and not from any special returns in the Capital Inquiry. From data derived from various sources it is estimated that in addition to the 89,200 persons mentioned above a further 2,000 employees of the respondents were at work in Mining and Quarrying, Construction or Distribution activities.

In discussing the coverage of the returns received we must distinguish between two concepts: (a) On the one hand we may mean the extent to which the respondents account for concern to whom the inquiry forms were addressed, with a view to estimating a balance sheet for respondents and non-respondents combined; (b) On the other hand we may mean the extent to which the respondents account for all establishments included in Manufacturing Industry in the Census of Industrial Production, with a view to estimating totals for tangible fixed assets etc. for Manufacturing Industry as a whole.

(a) As indicated above, in terms of persons engaged in 1958, the coverage was 89,200 in the total of 113,300 for respondents and non-respondents combined—a coverage of 79 per cent. A very similar result is obtained on the basis of paid-up capital. From the 37th General Annual Report on Companies (issued by the Department of Industry and Commerce) particulars were extracted for paid-up capital at 31st December 1958 for companies in Manufacturing industries. To the total was added the amounts due to shareholders at the end of 1958 in Productive Societies (excluding livestock breeding) as given in the Report of the Registrar of Friendly Societies for the year ending 31st December 1959. The resultant aggregate of £74.2 million may be compared with the total paid-up capital of respondents of £59.7 million. The coverage on this basis was 80½ per cent.

Thus it would appear that a reasonable estimate is obtained for the balance sheet for all Manufacturing concerns proper to the inquiry by increasing the aggregate for respondents by about one-quarter ( $100/80=1.25$ ), on the assumption that the respondents are representative. An almost identical result is found by grossing up Total Assets or Total Capital, etc for each industry group separately and comparing the resulting aggregate with the £176 0 million for the balance sheet respondents. The grossing factors obtained by weighting in this manner were 1.24 on the basis of Persons and 1.28 on the basis of Paid-up Capital.

(b) In terms of the whole of Manufacturing industries the coverage of the respondents, on the basis of persons engaged, was 89,200 in a total of 141,800 or 63 per cent. The average may also be assessed using other characteristics of establishments as collected in the Census of Production. Thus gross output (value of goods made and work done) of establishments owned by respondents was also 63 per cent of total gross output. When net output was used the coverage was 68 per cent while wages and salaries as criterion yielded 65 per cent.

(It should be added that the appropriate aggregates for 1958 for establishments owned by respondents were obtained from data on punched cards already used for the special analysis of the 1958 Census of Production, data on stocks were not obtainable in this way.)

When the tangible Fixed Assets for the balance sheet respondents in each industry group were grossed up by the respective Net Output coverage factor for the group and the aggregate compared with the £61.5 million for all Capital respondents combined, the resulting (weighted) grossing factor was 1.45. On the basis of Persons Engaged the corresponding grossing factor weighted by respective Tangible Fixed Assets was 1.52. Similar treatment of Current Assets yielded 1.51 by grossing each group total by Net Output ratios and 1.59 when the grossing factors were based on Persons Engaged. (In each case, of course, the grossing factor was the inverse of the respective percentage shown in Table IX and the Drink and Tobacco group was treated separately.)

Thus the addition of about one-half ( $100/66=1.5$ ) would yield estimates of tangible fixed assets etc for all Manufacturing establishments on the further assumption that the capital per person engaged for Manufacturing establishments outside the inquiry is similar to that for respondent establishments. This is probably not the case, particularly as establishments with less than 20 persons engaged account for some 15,000 of the 28,500 persons in those excluded establishments. However, the present objective is merely to arrive at the orders of magnitude involved and these will not be affected.

significantly by any variation with size of establishment in capital per person engaged

(NOTE As a further available measure of coverage a comparison of end-year stocks may be made Total stocks in Manufacturing industry at the end of 1958 totalled £68.9 million Stocks as shown in the balance sheets of the respondents amounted to £50.8 million or 74 per cent of the total This may overstate the coverage because the balance sheet figures may include stocks of goods purchased for resale as part of the non-Manufacturing activities of respondents and because some balance sheets related to the end of 1959 when stocks were about 10 per cent. higher in Manufacturing industry than at the end of 1958 )

#### *Coverage for individual industry groups*

The coverage can be examined in a similar fashion for each industry group Tables VII to X give the necessary data and the derived percentages A word of explanation is necessary concerning the basis of classification involved

Since the inquiry was carried out on an enterprise or company basis each company was allocated entirely to the industry group covering the greater part of its activities, even if it had subsidiary activities in other industry groups In the Census of Industrial Production compilation, however, separate returns are received for each establishment (i.e. factory) and in classifying into groups each establishment is included in the most appropriate group The figures for the industry groups for 1958 are given in the first part of Table VII

For the purposes of this paper the Census of Production returns for 1958 for establishments in Manufacturing industry owned by the respondents have been re-classified on the same basis as the capital inquiry The data are given in the second part of Table VII In practice the differences involved between the two bases of classification are not important This may be seen from Table VIII where the figures for persons engaged are shown on each basis for the establishments of respondents It will be seen that the extent of overlap between the groups is unimportant Of the 89,200 persons involved only 1,500 or 2 per cent were in establishments classified to an industry group different from that to which the corresponding balance sheet was classified

The percentages in Table IX reveal that for the first seven of the ten groups shown the coverage given by the four measures based on Gross and Net Output, Wages and Persons has a range of 7 per cent or less, i.e. these four measures of coverage agree closely This implies that the Capital Inquiry respondents are fairly typical of the Census of Production establishments as a whole, but with a slightly higher Gross



Output per Person Engaged than the average, as evidenced by a higher coverage of the former than of the latter

In Metals and Engineering, however, the Capital respondents have 66 per cent of Gross Output and 60 per cent of Net Output as against 55 per cent of Persons Engaged, which indicates that they have a higher Gross and Net Output per person than the average Census of Production establishment

For All Other Manufacturing 56 per cent of Gross Output and 77 per cent of Net Output is covered by the Capital respondents This result is entirely due to the Drink and Tobacco group for which the corresponding percentages are 53 and 79 respectively The explanation is as follows Gross Output for Tobacco in 1958 was about  $9\frac{1}{2}$  times Net Output as compared with ratios of  $1\frac{1}{2}$  to 3 for the other four industries in the Drink and Tobacco group This high ratio for Tobacco is due to inclusion of Customs Duty as part of Gross Output and Cost of Materials (Excise Duties on Brewing, Distilling and Aerated Waters are excluded from Gross Output etc for those industries) Thus the necessary exclusion of the foreign-owned tobacco factories from the results for balance-sheet respondents has the effect of subtracting amounts 10 times their Net Output as compared with amounts  $1\frac{1}{2}$  to 3 times Net Output for those who were not Capital respondents in Brewing, Malting, Distilling and Aerated Waters For Net Output, Wages and Person, however, the Capital respondents yield consistent coverage factors of about 78 per cent

## II

# Financial and Related Aspects

by

LOUIS J HEELAN

The results of this pioneering inquiry into capital in Irish Industry will be of special interest to economists, to industrialists and to people, like myself, who are concerned from day to day with the financing of industry. At last, there is available something approaching an authoritative and comprehensive analysis of the sources from which Irish industry obtains its capital and the ways in which this capital is utilised. The picture is necessarily a broad one in some respects it is incomplete. It is not free from distorting influences. Seasonality is an obvious one and if parent and subsidiary company Balance Sheets were not consolidated—which from the use of the word “aggregate” I assume to be the case—the resulting duplication would to some extent vitiate the conclusions which follow. Being fixed in time the figures do not permit of what might be called dynamic or trend analysis. Nevertheless, the inquiry represents a valuable addition to our knowledge of a corner of the industrial and financial scene which, were it not for the intermittent illumination afforded by the published results of private research, one was heretofore unable to view as a whole. It will help to remove some misconceptions and to confirm conclusions reached by private research. I have in mind in particular, the remarkable correspondence between some of the figures ascertained by this inquiry and the estimates made by Dr J P Beddy from the limited material available and published in an address to the Irish Management Institute on January 14th, 1954.

*Some Criteria* Broadly speaking Joint Stock enterprises finance their activities partly by share capital and retained profits—which collectively we may describe as proprietors’ funds if for this purpose retained profits are taken to mean “free” reserves and unallocated profits—partly by depreciation provisions and partly by borrowings of various kinds, ranging from long-term loan capital to short-term trade credit. The relationship between proprietors’ funds and borrowings taken in conjunction with the composition of assets, provides a useful indication of whether a business is soundly capitalised. Although there is no absolute standard of comparison by which a particular Balance Sheet can be measured and pronounced “good” or “bad”, experience has shown that a reasonable working basis is to assume (in the absence, of

course, of any special circumstances) that if proprietors' funds (represented by net tangible assets less prior charges and specific reserves) exceed 50% of total tangible assets, the capital structure is reasonable and the financial strength of the business sufficient to withstand those reverses which from time to time may be the lot of even the most efficiently run concerns

Attention must concurrently be given to the "current" position because one of the most important factors in a business from a trading standpoint is the current resources or working capital, i.e. the excess of current assets over current liabilities (By "current assets" I mean assets such as trade debtors, stock, cash and marketable investments, which are rapidly convertible into cash, or are rapidly utilised in the normal course of trading)

Normal business practice illustrates the sort of criteria by which the capital structure of an undertaking can be assessed. For example it is unusual for creditors knowingly to advance money or goods to a concern in excess of the proprietor's own equity in his undertaking. An undertaking whose Balance Sheet shows that external liabilities exceed the proprietor's funds may therefore be deemed to be unsatisfactory from the point of view of either party. Similarly it is unsound to finance the purchase of fixed assets, for example, buildings or plant and machinery, on short-term credit, in other words the relationship between fixed assets and long-term funds should be less than 1 to 1. It is likewise unsound to raise permanent or long-term capital to finance, say, seasonal purchases of raw materials because as these raw materials are converted and sold, large cash balances will accumulate which will not be required until the following season. In short, permanent or long-term capital is appropriate to finance assets which have some degree of permanence, and current assets, in so far as they are not financed by retained profits, are usually financed by short-term liabilities such as trade creditors, bills of exchange and bank overdrafts.

*Appraisal* By normal standards, the aggregate Balance Sheet for all respondents (Table A) is a strong one. Paid-up capital and reserves between them represent 62.5% of total assets and exceed tangible fixed assets by £48.4 million, which means that current assets are being financed to a considerable extent by proprietors' funds. There is a reasonable margin of working capital as current assets (including "general investments"—presumed to be marketable) exceed current liabilities and bank accommodation by £43.2 million. The most significant fact, however, to emerge from Table A is the predominant importance of paid-up capital and retained profits as sources of industrial capital. This bears out the conclusion reached by Dr. Beddy in 1954 and the results of the later investigations undertaken by the Committee.

of Inquiry into Taxation on Industry Table B suggests that the picture is substantially the same in the U K—one cannot be more positive than this because the two sets of figures cannot be assumed to be strictly comparable—but there is one intriguing difference which will be evident from the following table —

PERCENTAGE OF TOTAL ASSETS

	U K Public Companies 1958 (taken from Table B)	U K Private Companies (31st March 1956)*	“Economist” Analysis of Balance Sheets of U K Companies (mostly industrial) published between Oct 1958 & Sept 1959	Irish Capital Inquiry respondents (taken from Table B)
	%	%	%	%
Paid-up Capital	28.9	26.4	26.7	33.9
Reserves	36.4	38.8	38.2	29.2

\*Taken from James Bates “The Finance of Small Business”, Bulletin of the Oxford University Institute of Statistics, May, 1958 -

Relative to total assets, paid-up capital is significantly higher in Irish industry than in the case of U K companies, while reserves are lower. It is difficult to say why this should be so. The report of the Industrial Taxation Committee published in 1956 states that according to a survey carried out by the Revenue Commissioners, a little less than 25% of the aggregate profits of Irish companies was distributed to shareholders in the shape of dividends “in recent years” and a random examination of the Accounts of Irish manufacturing companies tends to confirm that the greater part of profits is not distributed. Commenting on the results of an inquiry into the finance of public quoted companies (1949-1953) sponsored by the National Institute of Economic and Social Research†, Dr A. Beacham, Professor of Economics and Social Science, University College of Wales, Aberystwyth, points out that the increased reliance of British companies upon their own resources reflects a sharp change in distribution policy since before World War II. Whereas these companies distributed about two-thirds of their net profits before the war, their post-war distributions represented only one-third of net profits. (Incidentally—and inevitably—Dr Beacham attributes this to the “incentive to growth provided by full employment and the heavy incidence of income taxation”)

†The results were published in “Company Income and Finance” (NIESR) and “Studies in Company Finance” (edited by Tew & Henderson), Cambridge, 1959

The lower reserve ratio in this country does not therefore seem to be due to excessive or disproportionate distribution of profits nor, as will be evident from Table V, is it due to excessive capitalisation of profits or reserves. Possibly it reflects the comparative youth of most Irish industries, which have not had the time to accumulate profits to the same extent as their longer established and larger counterparts in Britain. It may also reflect the lower level of profit of Irish manufacturers catering for a limited (and often protected) home market which does not permit of the full utilisation of modern machinery and techniques. Whatever the reason, Irish industry can be said to be at a disadvantage as compared with British industry to the extent that a greater proportion of its permanent funds gives rise to a claim for dividend. I am conscious that this may be an over-simplification in that Ordinary shareholders' expectations of dividend often relate to more than the nominal value of their holdings, namely, to the underlying real equity or net worth.

*Retention of Profits* From the standpoint of industry, retained profits represent a particularly attractive method of financing an enlargement of the scale of operations. They provide reserves against business contingencies as well as funds for expansion, while at the same time freeing industrialists of the restraints and obligations which may be imposed by shareholders, the investment market or by particular lenders. In the first place retained profits involve no interest or dividend payments. This makes it possible for business undertakings to engage in operations the earnings from which are not easily predictable. If the chance of success is reasonable, but the possibility of failure to earn the current rate of interest is not remote, industrialists may be prepared to assume the risk initially on a speculative basis. Such projects may yield little while they are being developed but become lucrative when established. If, in the absence of retained profits, these projects had to be tried out on borrowed funds, many of them might not be exploited because of the burden of interest or dividend. Secondly, retained profits do not depend on the good-will of investors, bankers and long-term lenders. They may, therefore, obviate the difficulties which occasionally arise from temporary unwillingness on the part of the market to finance even the normal business of an undertaking. They may be employed also for purposes for which long-term lenders or bankers would not for various reasons make advances, or in which the investing public has insufficient confidence. There is, of course, the practical point that an all-out policy of accumulation on the part of Directors might run into opposition from Ordinary shareholders on the ground that it had resulted in their dividends being kept lower than was actually necessary. Such complaints might have to be

satisfied by the issue of bonus shares, provided that the strengthening of the company's resources by the retention of the profits would so increase profits as to enable the company to maintain the rate of dividend on its increased share capital. Through this process of capitalisation, accumulated profits and reserves can in the course of time become dividend-bearing, but in the interval—which may be years—they will have been costless.

From time to time arguments are heard against a policy of accumulating reserves. It is said, for instance, that it is an unjustified interference with the mechanism of the money market because the reserves of companies represent the involuntary savings of the shareholders who are denied, on the one hand, the choice of spending or saving the gains accruing to them, and, on the other, the choice of increasing their investment in one line of business or investing in other ventures. If, however, the accumulation of reserves results in an increase in the market price of the shares, this line of argument may break down at least in the case of marketable securities, for the investor may liquidate part of his investment—to the extent of the capital appreciation of his original holding—for consumption or alternative investment. It is also argued that the retention of profits may lead to the uneconomic use of funds within the firm in that a ready supply of funds free of the steadying influence of bankers, creditors or investors may induce expansion beyond the limit which is justified in the long run. This paper is not perhaps a proper vehicle for ideas of this kind.

Unfortunately, sufficient information is not available regarding the profits of Irish industry to permit of a detailed assessment of the extent to which they have been retained to finance expansion and development in recent years, but it is reasonable to assume that the proportion was high. For instance, the report of the Industrial Taxation Committee estimated that gross fixed asset formation in industries producing transportable goods amounted to about £27 million in the three year period, 1951 to 1953—a figure for net fixed asset formation is not available because of the difficulty of distinguishing expenditure on replacement from expenditure on expansion—while the net undistributed profits (after taxation) of Irish manufacturing companies—a less comprehensive group—in that period amounted to £16.8 million. (It is interesting too to note that the paid-up capital of companies engaged in the transportable goods industries increased by £10.3 million between 1951 and 1953 which is equivalent to approximately 38% of the gross increase in fixed assets over that period.)

The position in Britain is more adequately documented. In a paper on the Industrial Capital Market in Ireland which was presented to this Society in March, 1960, Mr. C. H. Murray quotes from the National

Institute for Economic and Social Research Survey, to which I have already referred in passing, to show, among other things, that the 3,000 public companies covered by the survey derived about two-thirds of their gross capital funds between 1949 and 1953 from additions to reserves—depreciation allowances providing 24% and net savings (i.e. after depreciation had been charged and distributions made to shareholders) 35%. This figure needs to be interpreted with great care because it relates to funds accruing to finance gross investment. Depreciation does not finance business growth but merely provides for the replacement of existing assets as they are worn out in the course of production. It could, of course, be argued that capital could be taken out of a business by allowing the physical assets to run down and using the depreciation reserves for other purposes. To this extent the expenditure of depreciation reserves within a business is a deliberate and self-financed act of investment. A survey of small and medium-sized firms in the U.K. conducted by the Oxford University Institute of Statistics in 1956 shows that between 1954 and 1956 retained profits accounted for 44.7% of the gross sources of capital funds of *private* companies and that reliance on retained profits as the main source of long-term funds was far more marked in private companies than in public. The latter point is of particular relevance to us because according to figures mentioned in the report of the Industrial Taxation Committee private companies in transportable goods industries in Ireland account for a larger share of net industrial output than do public companies.

Irish industry is today faced with the urgent task of adapting itself to meet conditions of freer trade. The process of adaptation can be expensive and, recognising this, the Government has introduced special financial measures to encourage and facilitate it—notably grants, and loans which for a period are interest-free. These special facilities do not diminish the need for profit retention or business savings: they underline it because industry will be expected to make a substantial contribution towards the costs of adaptation from its own resources and, in addition, will have to find in the same way some part of the additional working capital necessitated by expansion. Ability to earn sufficient profits from which adequate sums can be set aside to reserve is a pre-condition of a reasonable level of industrial investment and a satisfactory state of industrial liquidity.

*Share Capital* On the subject of share capital I do not propose to do more than mention a number of matters which arise from an examination of the figures in Tables I and II (1). I feel that there is no need for me to refer to the industrial capital market in Ireland because the peculiar difficulties and disadvantages which have inhibited the raising of capital through the Irish Stock Exchanges were discussed in

detail by Mr C H Murray in the paper to which I have already referred, and in the address given by Dr J P Beddy to the Irish Management Institute in January, 1954. Nevertheless, it is interesting to note that total capital issues by industrial concerns on the Dublin Stock Exchange between 1932 and 1957 represented approximately 30% of the total paid-up capital of companies, public and private, engaged in manufacturing industry and incorporated since 1922, and that if the total capital issues (namely £19.5 million) in that period are related to the paid-up capital of public industrial companies at December, 1958, the proportion is as high as 56%. These figures suggest that the contribution of the Stock Exchange to the raising of capital for Irish industry is greater than was heretofore thought. Nevertheless, it is true, as Mr Murray pointed out, that there has been a sharp falling off in the volume of new issues in recent years. Between 1933 and 1959 my own company, The Industrial Credit Company, Limited, was responsible through its underwriting activities for providing Irish industry with £11.1 million which figure is equivalent to almost one third of the paid-up capital of all public industrial companies at December, 1958 and 40% of the total issued share and debenture capital of public industrial companies quoted on the Dublin Stock Exchange in December, 1959.

*Gearing* The relationship between ordinary share capital and securities creating fixed interest or dividend charges on income has an important bearing on the ability of a business to withstand conditions which cause a diminution of net income (and, naturally, on the attitude of investors towards ordinary shares). This relationship, called the "gear ratio" or "gearing", may be defined as the amount of ordinary share capital per £1 of fixed income securities. The higher the proportion of preference capital to total capital the more speculative the share. As Parkinson—Hargreaves not the Lawman—once said "The rule for shares is the same as that for cars—the high geared share, i.e. the share with the high proportion of fixed interest capital in front of it, gives the fastest running when the going is good but the low geared share is the best hill-climber in difficult times". For practical purposes a ratio of less than 1:1 is high up to 2:1 is moderate and over 2:1 is relatively low. Table II (i) shows that the share capital of Irish industry as a whole is low geared, the ratio of ordinary shares to preference shares being 3.8:1. The ratio, incidentally, is about the same as that disclosed by "The Economist's" analysis of the 2,340 Balance Sheets of British companies (mostly industrial) which were published between October, 1958 and September, 1959. One might have expected a somewhat higher gearing in this country because of the preference—understandable from their point of view—of the foreign promoters of



Irish manufacturing companies, particularly between the wars, for raising local capital by way of preference shares in order to preserve for themselves as high a proportion of the equity as possible—a point borne out by Table V which shows that non-residents hold 25% of the ordinary capital of respondents (excluding Guinness's) but only 9% of the preference capital. Two of the industrial groups, however, distort the overall picture, namely, Metals and Engineering (including Vehicles) and the residual category of All Other Manufacturing industries including Drink and Tobacco. If we eliminate these groups, the ratio of ordinary to preference capital falls to 2.5:1. The group with the highest gearing, namely Clay Products, Glass, Cement, etc obviously reflects the relatively high gearing of Cement Limited which at 30th September, 1958, had a preference capital of £1 million as against an ordinary capital of £1.2 million. Strictly speaking debentures should have been included in these calculations but lack of comparable information made this impossible.

Before leaving share capital I would like to draw your attention to one maybe fanciful implication of the fact that 25% of the issued ordinary share capital of the respondent companies (excluding Guinness's) is held by non-residents. On nominal share values, non-residents could theoretically purchase a majority interest in these companies for about £9.5 million if there were no statutory restrictions on outside participation in Irish industry. In reality, of course, the real or market value of these shares would be in excess of par in most cases. On the basis of the aggregate Balance Sheet—with all the reservations which that implies—the ordinary shares of respondent companies taken as a whole would have an asset value of something like twice par so that if one wanted to pursue this intriguing but dangerous line of speculation beyond the bounds of probability, one could suggest that for something like £20 million—or a figure, at any rate, which would be lower than most people's expectations—a majority interest in the respondent companies could be acquired by non-residents if the law raised no obstacles thereto.

*Loan Capital* The present inquiry confirms what was already known, that Banks are not important direct sources of industrial finance though a relationship which bank borrowings bear to total assets seems to be higher here than in the U.K. Thus bank overdrafts and bank loans represent 10.4% of the total assets of respondent companies as compared with 4.2% in the case of those British companies whose Balance Sheets were published between October, 1958 and September, 1959 and analysed by "The Economist". (If net bank participation is taken by setting off Cash at Bank against bank overdrafts and loans, the Banks' contribution to total employed capital is reduced to 8%.

Related to stocks and debtors, total bank loans represent 22.5% as compared with 10% in the case of the Balance Sheets covered by "The Economist" analysis. I shall be referring to this point later when I come to examine trade creditors.

Banks are extremely conscious of their obligations to their depositors and since the bulk of bank deposits are liable to instant withdrawal or withdrawal at short notice, they are loth to take the risks which industrial financing frequently entails, namely, the risk of total default or the risk that though the borrower may prove to be sound, he may not be able to repay the loan at the convenience of the Bank. Normally, therefore, Banks make advances for working capital purposes which can be regarded as self-liquidating. Thus they will provide finance by way of loan or overdraft for the purchase of raw materials which when worked up and marketed will provide funds for repayment of the loan in a relatively short space of time. Banks will not normally provide medium and long-term capital for industry for the purchase of machinery or for the erection or acquisition of buildings, unless there are early prospects of the accommodation being reduced or repaid, e.g. out of the proceeds of a share issue. In practice, however, overdrafts may be renewed so regularly and systematically that long-term capital in fact being provided.

Table II (1) shows that bank lending accounted for 62% of total loan capital and that 40% of bank lending was attributable to one group, namely Food, where a need for borrowing at peak buying periods may be accentuated by the fact, suggested by Table IV, that of all the industrial groups covered by the inquiry, the food group receives least credit from its suppliers—roughly  $4\frac{1}{2}$  weeks as compared with  $7/10$  weeks for most other industries. These advances to the food industries may be regarded as an extension of the Banks' lending to the agricultural sector. Bank lending is also relatively important in two other industrial groups, namely, Wood and Furniture (25.6% of total assets) and Clothing and Footwear (15.6% of total assets). It is significant that in these groups, stocks and debtors are relatively higher than in any other group and fixed assets are lower.

The provision of medium-term and long-term capital for Irish industry is one of the main functions of The Industrial Credit Company. Substantial long-term loans are also made by institutional investors, such as Life Assurance companies. The total contribution of secured lenders (apart from Banks) to the capital of Irish industry is however small—2.6% of total assets. The secured loans of The Industrial Credit Company outstanding at 31st October, 1959, amounted to £2.25 million which is equivalent to 39% of the secured loans shown by the respondent companies as grossed up by 25% to cover all manu-

facturing concerns proper to the inquiry. It may be of passing interest that since that date the lending activities of the Company have greatly expanded and that the total loans now outstanding are close to £10 million representing an increase of 344% in 3½ years.

Because they do not show the extent to which bank overdrafts and loans are secured, the figures do not enable us to see how far industry has pledged or charged its assets to raise capital. Even if all bank lending was secured, which is unlikely, secured loans would represent only 13% of total assets—in other words these loans would be covered almost 8 times by total assets. In practice it is very unusual to find borrowings as well secured as this so the conclusion must be that there are many Irish manufacturing concerns whose assets have not been charged. Thus there would appear to be a sizeable reservoir of security which can be drawn upon to support additional borrowing.

*Reserves* I have already discussed reserves in the context of the self-financing of industry. The only additional point I would like to make here is that the survey does not permit us to distinguish between two types of reserve which perform different functions. When a company appropriates certain sums out of its earned profits for General Reserve or Reserve for Equalisation of Dividends, or even for writing off good-will, it is clearly the intention of the Directors that the money, if it is ever drawn upon in the future, shall be made over to the shareholders, who are the proprietors of the business. In other words, the company will eventually pay the proceeds, if at all, to itself. On the other hand, when money is set aside, for example, as Reserve for Taxation or Reserve for Bad Debts, the assumption is that the Directors are providing for an eventual outside liability whose exact amount they are unable to assess at the time. Reserves for the benefit of shareholders—which may be called General Reserves or “free” reserves—represent so much money ploughed back into the business, added to effective working capital and capable of earning profits in exactly the same way as money directly subscribed by shareholders. It is in the “free” reserves that accretions to new capital are to be found—in economic fact they are usually the reverse of “free” because they are matched by assets more or less wholly invested in the business.

On the other hand, amounts reserved for anticipated liabilities—which may be called “specific” or “tied” reserves—will ostensibly in due course pass out of the Company’s control and thereafter contribute nothing to future earnings. There may, of course, be an element of General Reserve in “specific” reserves in so far as the amount of the provision exceeds the actual future liability. The distinction between the two types of reserve is important because in assessing the contribution of retained earnings to net capital formation within industry,

it is the "free" reserves which ultimately count. The only "free" reserves clearly identifiable in Table I are General Reserves and Profit and Loss Account, which together account for 50% of total reserves.

*Current Liabilities* In the normal course bank indebtedness is regarded as a current liability because it is usually repayable on demand. Banks here rarely give "term" loans, but for the purpose of this inquiry bank loans and overdrafts are shown together as "Loan Capital" and are discussed under that heading.

A comparison of the figures suggests that Trade Creditors are relatively a more important source of working capital for industry in the U K than in this country —

#### TRADE CREDITORS

(a) as % of Total Assets			(b) as % of Stocks and Debtors		
U K Public Companies 31/3/56*	U K Private Companies 31/3/56*	Irish Capital Inquiry respondents	U K Public Companies 31/3/56*	U K Private Companies 31/3/56*	Irish Capital Inquiry respondents
14.4	18.9	11.9	29.3	32.6	25.6

\*Sources: Data for Public Companies from Tew & Henderson (ed) "Studies in Company Finance" (Cambridge, 1959) and "Economic Trends", February, 1957. Data for Private Companies from James Bates "The Finance of Small Business" Bulletin of Oxford University Institute of Statistics, May, 1958.

Putting it another way, British experience suggests that an expansion of trade credit could contribute something to the financing of further investment in Irish industry.

My colleague has already commented on the relationship between trade creditors as shown by this inquiry and the cost of raw materials purchased by the respondents as shown by the Census of Industrial Production, 1958. The interesting thing is that the average credit taken by all industrial groups—with the exception of Wood and Furniture and Food—appears to lie between 7 and 10 weeks. In the case of Food, the period is very short (approximately 4½ weeks)—this may be because many of the food factories are purchasing from small producers who are unable to give extended credit. Reference has been made in the earlier part of this paper to the exceptional circumstances which affect the figures for the Wood and Furniture group.

It is of special interest to note that if the ratio between trade creditors and stocks and debtors is lower here than in the U K, the ratio between bank borrowings and these assets is higher so that to some extent Banks in this country seem to be providing the sort of

short-term finance which in the U K is more readily available from trade creditors. Which is the more expensive is a matter of relative terms. Trade credit can be more expensive than bank borrowing for many suppliers give a discount to trade buyers on accounts paid at once or at the end of the current month which is forfeited if the bill is allowed to run for longer. Even with a discount as low as  $2\frac{1}{2}\%$  and the period for which the account can run before it is finally paid as long as 3 months, the effective rate of interest charged is 10% per annum which is far higher than the usual rates for bank borrowing.

*Fixed Assets* Respondents were asked to deduct from fixed assets all sums written off for normal depreciation provisions or reserves in lieu thereof. It is impossible to say, though it would be interesting to know, how far the sums set aside for depreciation of fixed assets in Irish industry fall short of the full amounts which would be required for their replacement. Book values attributed to fixed assets are generally based upon historical or original cost, but occasionally they reflect a more up-to-date valuation. In few cases would they represent full cost of replacement. The biggest single complaint against industrial taxation arises from the use of historical cost as the basis of assessment, in that, if, in a period of rising prices depreciation is charged on the original cost of the asset the profits are artificially inflated because current output is not being charged to the extent that capital is being worn out. It is argued, with considerable justification, that as the cost of replacement is now so much higher than the original cost of acquisition, and that as the purpose of wear and tear allowances is to prevent the running down of industrial capital as a result of keeping equipment up to date and in good order, it would be fair to assess these allowances on replacement cost or on some multiple of historical cost. This proposal, known as "revalorisation", was considered and rejected by the Industrial Taxation Committee. Nevertheless, the acceleration in wear and tear allowances (including the introduction of initial allowances) recommended by the Committee and subsequently incorporated in legislation, represents a considerable stimulus to the modernisation and expansion of industry—although there are people who still will say that there will be no solution to the problem posed by inflated replacement costs unless and until industry is allowed (definitively and not merely by way of interest-free loan from the Revenue Commissioners) a depreciation charge based upon the replacement cost of the existing assets whether by a permanent substitution of "current value" for original cost or by a once-and-for-all adjustment for a period of inflation.

In relation to total assets, fixed assets are below average in two industrial groups (Clothing/Footwear and Wood/Furniture) and above average in two others (Clay Products, Glass, Cement, etc and Paper

and Printing) If investment in fixed assets (Table II (ii)) is related to the average number of workers employed (Table VII) it will be seen that Clothing/Footwear and Wood/Furniture are labour intensive industries, the amount of fixed investment per worker being only £149 and £399 respectively. The low fixed investment per worker in the Clothing and Footwear group is no doubt accentuated by the widespread practice in the footwear industry of using hired machinery. The industrial group in which fixed assets are relatively most important, namely Clay Products, Glass, Cement, etc. is also the industrial group with the highest fixed investment per worker employed, namely £1,283.

*Current Assets* Conclusions drawn by reference to the level of current assets at a particular moment of time may be vitiated by seasonal influences reflected in the figures and any comments I make must be subject to this reservation. In the earlier part of this paper attention has been drawn to significant variations between the different industrial groups. That three of the groups, namely Food, Textiles and All Other Manufacturing Industries (including Drink and Tobacco) should account for two-thirds of total stocks—and 58% of total debtors—is not unexpected since these groups—which are also the largest borrowers from the Banks—contributed about two-thirds of the total Gross Output of respondent firms according to the Census of Industrial Production, 1958.

Applying the percentage which raw materials bore to total stocks in the 1958 Census of Industrial Production, i.e., 58%, to the total stocks of the respondent companies, we get a raw material component of £29.5 million. This is equivalent to 18.5% of total raw material purchases as shown by Table IV. In other words, total stocks at the Balance Sheet dates were equivalent to about 9½ weeks supply of raw materials which hardly seems excessive. It is to be noted that there are wide variations between industries. The textile industry appears to have been carrying about 3 months stock of raw materials while the period was only 4½ weeks in the case of the food industry. The figure of £29.5 million compares with trade creditors of £20.8 million so a substantial proportion of raw material stocks appears to have been financed otherwise than by trade credit.

I have looked at the figures (Tables II (ii) and IV) to see if it is possible to reach even a tentative idea of the rapidity with which different industries turnover stock and debtors, because this can have a significant effect on profits: the higher the turnover rate, the greater the earning capacity of funds invested and, all things being equal, the higher the net profit on such funds. Stocks can be related to Gross Output but the seasonality factor and the composition and method of valuation

of stock—to mention but 3 factors—can vary so much from industry to industry and indeed from firm to firm that the results cannot be regarded as reliable For what they are worth, the stock and debtor turnover rates are as follows —

Industrial Group	Annual Stock Turnover (Gross Output --Stock)	Annual Debtor Turnover (Gross Output - Debtors)
Food	6	9
Textiles	3.5	7.5
Clothing and Footwear	4.7	6.1
Wood and Furniture	2.4	2.3
Paper and Printing	5.2	5.6
Chemicals and Chemical Products	4.8	5.6
Clay Products, Glass, Cement, etc	3.1	5.7
Metals and Engineering	4.4	7.7
All Other Manufacturing Industries (including Drink and Tobacco)	3.4	8.5
Total Manufacturing	4.5	7.5

In all groups with the exception of Wood and Furniture the debtor rate is higher than the stock rate, which is to be expected since the rate at which sales transactions are liquidated is generally faster than the rate at which investment in stocks is converted into sales. In some cases the difference is very pronounced, for instance, in Textiles, all Other Manufacturing Industries, Metals and Engineering, and Food. The figures indicate that respondents as a whole turnover their stocks about four and a half times a year which means every 11 to 12 weeks. The rate is so high that it must remain suspect, until confirmed by further investigations. The debtor turnover rate suggests that the average period of credit given by respondents to their customers was 7 weeks—which was broadly equivalent to the credit taken by them. If one ignores Wood and Furniture (where there are distorting influences) the variation between the different groups is quite small—from 6 to 9 weeks.

*Liquidity* Although the aggregate Balance Sheet of respondents shows a reasonable margin of working capital, with an excess of Current Assets (including "General Investments") over Current Liabilities and Bank borrowings of £43.2 million, there is evidence of a lack of liquidity in the sense that quick assets, in other words assets capable of being turned into cash in the very short run, appear to be insufficient to cover current liabilities and indebtedness to Banks. Quick assets—consisting of Trade Debtors, Cash and General Investments—amount to £40.6 million, which after deducting Current Liabilities of £35.3 million leaves a surplus of a mere £5.3 million as against total

bank overdrafts and bank loans of £18 3 million. This lack of liquidity is most marked in Metals and Engineering, All Other Manufacturing Industries and Textiles. It is a well-known fact that in periods of business stringency and falling prices, a tendency to increasing liquidity is to be expected, for the real value of cash and claims to cash is increasing and buying will be deferred in anticipation of lower prices. Under conditions of recovery—which I believe were operative at the time covered by the inquiry—and in times of rising prices, liquidity is discounted to a certain extent and the liquid ratio, i.e. the ratio between quick assets and quick liabilities may be expected to fall. It has been asserted that the liquid ratio should not fall below 1 to 1, but it is doubtful whether this test has absolute validity. It may be mentioned that the information relating to British companies, published by Tew & Henderson and Bates, shows that in the case of both public and private companies, quick assets at 31st March, 1956 exceeded immediate liabilities by a healthy margin.

*Caveat* I do not need to stress the dangers of drawing too many conclusions from a Balance Sheet at a given moment of time. Capital structure is not static, it is dynamic. To be meaningful, it needs to be interpreted against the wider background of profits. To see the industrial capital picture in its entirety, one must have profit as well as Balance Sheet figures over a period of time and one must know a great deal about such underlying matters as composition and valuation of assets and earnings in relation to equity capital or net worth. The size and allocation of profits has a vital bearing upon whether industry is maintaining or expanding its capital. The Balance Sheet is a flashlight photograph of a company's condition at the moment of balancing its books; its Profit and Loss Account, on the other hand, is a narrative record of its trading for the period between Balance Sheets. The two meet when profits are capitalised or retained in reserve. To a financial analyst they are complementary. The main value of Balance Sheet comparisons lies, of course, in the movements they disclose in current assets and liabilities because it is in this sector that the first impact of economic change is felt.

*Plea* I regret that time does not permit me to comment on further aspects of this valuable inquiry into Capital in Irish Industry. There is a need for continuing information on this subject and for related information on industrial profits. (It may be that an incidental benefit of the enactment of the new Companies Bill will be to provide some of the necessary raw material.) Is it too much to hope that in due course the Central Statistics Office will add to its already excellent service by fulfilling this need?



## DISCUSSION

In proposing a vote of thanks to the authors of the papers, *Sir Basil Goulding* expressed some surprise that the central findings of the papers should seem so satisfactory

In order to test for himself—and perhaps for others—on the point he had jotted down his own expectations under a number of headings. He would have expected *inter alia* most the following findings: that much of Irish industry had been set up with an insufficiently subscribed capital, both by reason of under-estimation, and of additional installations that in consequence, additional subscribed capital being very difficult to raise in light of early record, Companies would have created a status of undue bank lending that consequently most of the security of businesses would be locked up in the Banks in the form of charges that for the same reason, retentions of meagre earnings would necessarily be greater than distributions that salvation in many cases was only by reason of the commonly unnoticed cash flow from depreciation that in these circumstances investments would be slender that credit-taking, and thence credit-giving, would be extended that new capital would be difficult to introduce because of low profitability that the expected alternative of Loan Capital would, however, be inhibited by the factor of heavy commitment to the Banks of available security that turnover would be unduly slow because of the over-variety of goods produced that therefore the realisable quick assets would be poor.

It was interesting to find that some of these expectations had been confirmed by the speakers. In particular, that Bank lending represented a heavy proportion of total loan capital that fixed Loan Capital was distinctively low in volume that retained earnings were proportionately high and that investments were slender.

The speakers had, however, pronounced a few surprising differences—in particular that proprietors' capital appeared adequate, that credit-extension was not great, that new capital was not lacking, that turnover was brisk, and that quick assets were satisfactory.

Sir Basil Goulding suggested that possibly the findings of a review which had cumulated big and small businesses and divided them by industries, presented a less significant set of conclusions than would be given by a presentation which divided all large businesses, of whatever industry, from all small businesses.

He would, for example, expect to see considerable differences between the big and the small in matters such as the giving and taking of credit, the status of security, and the profit record. Whilst suggesting to the speakers that this revised presentation might be feasible and useful, he in no way wished to detract from the congratulations which

he presented on behalf of the audience for papers which were plainly most assiduous, penetrating, and valuable

*Mr D S A Carroll* It gives me very great pleasure indeed to be privileged to second a vote of thanks to the speakers on the occasion of these papers which I regard as a major advance in the field of business data in this country Until now, there has been a great absence of basic data which enables a comparison to be made either for industry as a whole, for any section of industry or for any unit within any section. Apart altogether from the disadvantage that this is in purely theoretical economic considerations it has also been a problem for the industrialist endeavouring to assess the comparative worth or progress of his own business within his own industry I can remember quite some years ago having to compare a particular business in which I was interested with data which was available for the same industry in another country, finding this of quite some use but being very conscious indeed that it would have been far more usable had it been available here

In any aspect of business one can only judge efficiency in terms of comparison and if comparisons are unavailable, business management is to that extent handicapped

I am sure the speakers would not regard me as being ungrateful if I say that what they have done is perhaps little more than opening the gate to the field In saying this I must emphasise that I regard that in itself as a major achievement, but I am thinking how unfortunate it is that Company Law does not require returns, to be made by companies, which could facilitate further work in this field

Whilst Balance Sheet data is in its own way valuable it cannot be really read without profit information Such things as the level of earnings, proportion of Distribution and Retention are most important in making any comparisons and of course we in this country are somewhat hesitant in making full disclosures of such things Secondly the mere fact that up till now it has not been necessary to produce Balance Sheets in consolidated form creates problems in this type of research. Admittedly the Companies Bill provides that Consolidated Balance Sheets will be necessary in the future although I think I am correct in saying there are not any specific requirements which could make profit information available to researchers

I studied with considerable interest the table which compared the distribution of Liabilities and Assets in Irish industry with that in Britain and was somewhat surprised at the comparatively high proportion which went into the broad category of investments It seemed to me that such a relatively high proportion must either indicate the lack of conviction that investment in one's own direct business was profitable or alternatively that quite an amount of this investment

was in business of a subsidiary or associated nature. This made me wonder how valid it was to compile an aggregated Balance Sheet from individual Balance Sheets which did not consolidate and to compare such a Balance Sheet with another aggregate developed from Consolidated Balance Sheets. I fear that such a comparison is not wholly valid but nevertheless I regard the whole work as enormously valuable and as a major contribution in acquiring more knowledge of business in this country.

It therefore gives me great pleasure indeed to second the vote of thanks.

*R C Geary* These papers are historic in that they mark the beginning of a serious study of the statistics of capital in industry in Ireland. As the authors and previous discussants mentioned, we have still a long way to go. I join with the previous speakers in complimenting the authors on their excellent papers.

Might I ask Mr Henry if there is any uniformity in practice in valuation of physical assets for insurance purposes? I feel a little disheartened about the showing of col 4 in his Table VI that there is so wide a range in the ratio of insurance valuation to balance sheet valuation in industries within each of his industrial groups. Presumably the range would be even much larger if he had set them out for individual enterprises. Part of the explanation may be that the assets are of very differing ages but one cannot believe that this is the whole explanation. I suggest that there is a wide variation in practice in the assessment of valuation for insurance purposes.

Almost in despair for want of better figures, in an Institute paper I have tried to use expenditure on fuel and power as a measure of capital consumption. Here again I found a great deal of inconsistency. I do so wish that we statisticians and economists could prevail on a sizeable number of enterprises to produce balance sheets which are economically meaningful. I am well aware of the rationale behind the present accountancy statements, the principal object of which is to display the financial liabilities, and the assets to meet these, if the enterprise folded up. I suggest that both accountancy and economic objectives would be fulfilled by what I may call an economic balance sheet in which assets and liabilities would be shown at their current values. As regards physical assets, it is comparatively unimportant whether these are gross or depreciated, provided we know what they are. The procedure would entail a certain amount of estimation, using capital price index numbers etc, but this difficulty was successfully surmounted on the occasion of the C S O National Farm Survey. Surely what can be done for small farms can be done also for industrial enterprises. I have been glad to note recently that the great Philips concern now presents

its accounts in the form of an economic balance sheet in the sense I have indicated

*Mr B Kissane* I am secretary to a Department of Finance Committee which has been enquiring into the existing arrangements affecting the issue, purchase and sale of shares in Ireland, and I am therefore especially interested in this paper insofar as it throws light on the financing of industry by Stock Exchange issues. One of our greatest difficulties was to get an overall statistical picture of the financing of Irish industry generally. I agree that this survey is a valuable addition to our knowledge of the way Irish industry obtains its capital, and I agree particularly that there is need for further information on this subject.

The survey does not give a break-down between public and private companies, but it should be easy to ascertain now many of the 679 companies covered by the survey were public companies, and what proportion of the capital, liabilities and assets relates to public companies. It is interesting to know that the information published in the U.K. about the capital structures of industry relates to public companies, and mainly to companies whose shares are quoted on the Stock Exchanges.

It is unfortunate that the survey relates to a period as long ago as 1958/59. This time-lag was presumably unavoidable, but in the past five years there probably have been very great changes not only in the capital of Irish industry but in the proportions of such capital made up of paid-up capital, loans, reserves and capital grants from State funds.

According to the 1961 Report on Companies issued by the Department of Industry and Commerce, there were about 9,500 private companies registered in the State on 31st December, 1961, with a nominal paid-up capital of about £115 million, and 380 public companies with a nominal paid-up capital of £87 million, compared to about 150 Irish companies currently quoted on the Stock Exchange, with a nominal capital of about £57 million (excluding C I E and E S B which are also excluded from the Register of Companies). There are, therefore, about 230 Irish public companies (Industrial, Commercial and Financial) which are not quoted on the Stock Exchange, and the unquoted nominal capital of Irish public companies comes to about £30 million. Aer Rianta and Irish Shipping would account for about £20 million of this. Many public companies do not, of course, make a public issue. Many are public in name only, and although large enough to make a public issue, may prefer to keep the equity in the family. Others may be far too small to make a public issue. In addition, some of the capital of quoted companies is not quoted.

The quoted nominal capital of Irish companies is £57 million

compared to a nominal capital of £202 million for all companies, public and private, industrial, commercial and financial, registered on 31st December, 1961. The quoted capital is therefore 28% of the total capital and 66% of the capital of public companies. Mr Heelan points out that capital issues by industrial concerns on the Dublin Stock Exchange between 1932 and 1957 represented about 30% of the total paid-up capital of all manufacturing companies incorporated since 1922, and that the quoted capital represents 56% of the total capital of public companies. Nevertheless, public issues by Irish concerns have been extremely few in recent years, and unrestricted issues (that is, not restricted to existing shareholders, such as Rights and Bonus issues) are practically nil, as the following figures will show

In 1957 there was 1 Ordinary issue, nominal value £333,000

In 1958, 1 Ordinary issue, nominal value £580,000

In 1959, nil

In 1960, 2 Preference issues, nominal value £612,000

In 1961, 2 Ordinary and 1 Preference issue, nominal value £805,000

In 1962, nil

There have therefore been 4 Ordinary and 3 Preference unrestricted issues in the last five years, total nominal value little more than £2 million.

The proportion of total capital accounted for by public issues was therefore acquired mainly in earlier years, and less recourse is now being had to public issues. Dr Beddy adverted to this decline in the number of public issues in the article "Finance for Industry" in the Financial Times Survey of Ireland published in April 1960. He said that it is not because of difficulty in raising share capital that resort is not being had to the new-issue market (adequate underwriting facilities are available) but because funds can be raised by other means, such as loans, bank overdrafts, grants from State funds and direct placing of shares, as well as retention of profits. But even where substantial additional capital is required, over and above what can be raised through the methods just mentioned, the promoters are unwilling to go to the public because it involves sharing the equity with others, and also possibly sharing the benefit of a grant.

While retention of profits may be a very sound method of financing an enlargement of the scale of operations, it could confine the scope of expansion if relied on exclusively. A really large expansion of Irish industry might outstrip the self-financing capacity of Irish concerns, and indeed the capacity of the other methods of financing now employed. The current need for adaptation of industry will add to the pressure on existing sources of capital. It will be difficult to achieve a large industrial expansion if our promoters go on ignoring the great potential that exists in public issues. Investments in British securities by Irish

investors are probably three or four times as great as their investments in Irish securities. Irish holdings of Irish quoted securities, apart from Government, municipal, C I E and E S B stocks, come to about £90 million in current value, whereas their holdings of British corporate securities probably come to about £300 million in current value. Annual purchases and sales of British securities by Irish investors are about four times their purchases and sales of Irish quoted securities, which probably come to about £5 or £6 million a year each way compared to dealings of over £20 million a year each way in British corporate securities. The estimates of purchases and sales are based on returns of dealings with persons and companies outside the country made by banks and stockbrokers to the Central Statistics Office, and on receipts from stamp duty paid on transfers. It is very difficult to be accurate in these figures, as investment in British securities can be arranged through a British broker without recourse to an Irish broker or bank. It is also difficult to make out what proportion of stamp duty paid on transfers relates to the securities of public or private companies, or to distinguish between stamp duty paid on transfers of Irish securities and of the securities of British companies with separate Irish registers. Holdings of British securities can be roughly estimated from income tax returns.

Although holdings of British securities by Irish investors, and the turnover of such securities, are far greater than holdings and turnover in Irish securities, this is not to say that there is a continuing net investment by Irish investors in British securities. In fact, sales appear to be slightly higher than purchases so that there has been a slight disinvestment in recent years. As is well known, the large holdings of British securities were built up mainly during and immediately after the two World Wars. They have appreciated greatly in value in recent years, but this appreciation was due to rises in prices and not to the volume of investment outside the country.

The slowness of promoters to share the equity with the public is by no means confined to this country, but here the effect on the stock-market is accentuated by the small scope of our industrial activity, and the small number of companies which would be big enough to sponsor a public issue. The trend everywhere is towards larger units and towards amalgamation of smaller units and therefore the climate in the future may be more conducive to the making of public issues.

The Irish public would be capable of investing far more than they do in Irish industry and they have shown themselves also quite willing to do so when the occasion offers, but in the virtual absence of new issues they are denied such opportunities. Their willingness to invest their money in Irish industry can be stimulated or encouraged in a number of ways, but it is hard to see what can be done to induce Irish

promoters to place more reliance on the raising of capital by means of public issues

The figures of holdings in Irish industrial concerns by persons and companies resident outside the State are very interesting. Such statistics are essential if we are to have a clear idea of the effects of the Control of Manufactures Acts and in a period when adaptation is required it is very useful to know the extent of external influence in the Irish industrial scene. The figures show that, leaving Guinness's out of the reckoning, about 21% of the total paid-up capital of Irish manufacturing concerns is held by foreigners. An examination by the Office of the Revenue Commissioners of the shareholding of 10 of the principal Irish manufacturing companies showed that 20% of the shares were held by foreigners. It would be interesting to find out whether this percentage is higher in the case of companies to which the Control of Manufactures Acts do not apply. Figures compiled specially for my Committee by the Central Statistics Office relating to shareholding by Irish persons in 14 selected Irish companies showed that Irish persons held 51% of the Ordinary shares and 62% of the Preference shares, but the figures did not cover holdings by Irish corporate investors—only by individuals. Three of the companies, accounting for 10% of the total capital, were not manufacturing companies, but the sample was too small to illustrate whether holdings by foreigners were higher in such cases than in the manufacturing companies to which the Control of Manufactures Acts apply.

Finally, I agree with Mr Heelan's opinion that the small ratio of reserves in the financing of industry here compared to Britain is not due to an excessive distribution of profits, but probably to the fact that British companies are longer established, bigger and more profitable and would have greater scope for accumulating reserves. However, drawing broad comparisons between Irish and British industry is like comparing a minnow with a whale. It must be remembered that the activities of a few large concerns here may alter the entire statistical picture.

*The President* conveyed the best thanks of the meeting to the two authors for their pioneering work in producing the paper read to the Society. There was perhaps no aspect of business about which people were more sensitive than the financial aspect. It was, therefore, an achievement on the authors' part to obtain such a response to their enquiries and he felt that the best thanks of the Society were due, not only to the authors but to those businesses who had provided the necessary data.

He did not propose to discuss the paper at length and would merely

say that he hoped that it would be possible, in the future, to continue and amplify these enquiries which should be of considerable use not only to those interested in financial matters but also to those people in industry who wished for a yardstick with which to compare their own concerns



## APPENDIX TABLE I MANUFACTURING INDUSTRIES AGGREGATE BALANCE SHEET FOR ALL RESPONDENTS

CAPITAL AND LIABILITIES			ASSETS			
	£000	%		£000	%	
175	<i>Paid-up Capital</i>					
	Ordinary Shares or Stock (including Deferred, Founders' and the like)	47,296	26.9	<i>Tangible Fixed Assets</i>		
	Preference Shares or Stock (including Participating, Cumulative and Redeemable Preference)	12,378	7.0	Land and Buildings	28,041	15.9
				Plant and Machinery	26,883	15.3
				Vehicles	2,484	1.4
				Fixtures and Fittings	1,022	0.6
				Other Fixed Assets	3,109	1.8
	TOTAL PAID-UP CAPITAL	59,675	33.9			
	<i>Capital Grants from State Funds</i> TOTAL	1,138	0.6	TOTAL TANGIBLE FIXED ASSETS	61,539	35.0
	<i>Loan Capital</i>			<i>Current Assets</i>		
Bank overdraft and Bank Loans	18,344	10.4	Stocks—Raw Materials, Work in Progress and Finished Goods	50,833	28.9	
Other Loans			Trade Debtors	30,735	17.5	
(a) Secured (including amounts outstanding on Debentures)	4,655	2.6	Cash at Bank and in Hand	4,569	2.6	
(b) Unsecured	6,635	3.8	Other Current Assets (including Deposits and Prepaid Expenditure)	5,401	3.1	
TOTAL LOAN CAPITAL	29,634	16.8	TOTAL CURRENT ASSETS	91,538	52.0	
<i>Reserves</i>			<i>Investments and Securities</i>			
Capital (including Share Premiums & Sinking Funds)	5,858	3.3	Investments in and Loans to Associated and Subsidiary Companies	11,275	6.4	
Renewals and replacements	4,688	2.7	General Investments	5,307	3.0	
Contingencies	4,502	2.6				
General Reserves	12,082	6.9	Other Loans	1,338	0.8	
Other Reserves*	9,920	5.6				
Profit and Loss Account § $\left\{ \begin{array}{l} 14,909 \\ \text{Less } 1,716 \end{array} \right.$			TOTAL INVESTMENTS AND SECURITIES	17,920	10.2	
	13,193	7.5	<i>Other Assets</i>			
TOTAL RESERVES	50,243	28.6	Goodwill	4,412	2.5	
<i>Current Liabilities</i>			Patent Rights	66	0.0	
Trade Creditors	20,859	11.9	Preliminary Expenses and Issue Expenses	64	0.0	
Other Current Liabilities (including Current Taxation and Proposed Dividends)	14,406	8.2	Development Expenditure	173	0.1	
			Other Items §	242	0.1	
TOTAL CURRENT LIABILITIES	35,265	20.0	TOTAL OTHER ASSETS	4,957	2.8	
TOTAL CAPITAL AND LIABILITIES	175,954	100.0	TOTAL ASSETS	175,954	100.0	

\*Includes Reserves for Stocks, Premises, Deferred Repairs, Future Taxation, Bad Debts, etc

§Deficits on the Profit and Loss Account are offset against Surpluses

APPENDIX TABLE II (i) MANUFACTURING INDUSTRIES CAPITAL AND LIABILITIES FOR RESPONDENTS IN EACH INDUSTRY GROUP

Item	Food	Textiles	Clothing and Footwear	Wood and Furniture, Brushes and Brooms	Paper and Printing	Chemicals and Chemical Products	Clay Products, Glass, Cement, etc	Metals and Engineering, including Vehicles	All other Manufacturing, including Drink and Tobacco	Total Manufacturing
	£,000									
<i>Paid-up Capital</i> Ordinary Shares or Stock (including Deferred, Founders' and the like) Preference Shares or Stock (including Participating, Cumulative and Redeemable Preference)	6,703	5,785	2,350	680	3,981	3,300	2,877	5,645	15,974	47,296
	2,529	2,410	599	179	1,668	759	1,931	687	1,616	12,378
TOTAL PAID-UP CAPITAL	9,232	8,195	2,949	860	5,649	4,059	4,808	6,332	17,591	59,675
<i>Capital Grants from State Funds, TOTAL</i>	797	223	10	—	—	—	20	87	—	1,138
<i>Loan Capital</i> Bank Overdrafts and Bank Loans	7,229	2,808	1,206	856	1,061	494	205	2,127	2,360	18,344
Other Loans (a) Secured (including Amounts outstanding on Debentures)	1,631	610	134	87	601	204	335	275	779	4,655
(b) Unsecured	1,436	481	236	141	368	185	151	1,741	1,896	6,635
TOTAL LOAN CAPITAL	10,296	3,899	1,575	1,084	2,029	883	691	4,143	5,034	29,634

APPENDIX TABLE II (i) MANUFACTURING INDUSTRIES CAPITAL AND LIABILITIES FOR RESPONDENTS IN EACH INDUSTRY GROUP

Item	Food	Textiles	Clothing and Footwear	Wood and Furniture, Brushes and Brooms	Paper and Printing	Chemicals and Chemical Products	Clay Products, Glass, Cement, etc	Metals and Engineering, including Vehicles	All other Manufacturing, including Drink and Tobacco	Total Manufacturing
	£,000									
<i>Reserves</i>										
Capital (including Share Premiums and Sinking Funds), Renewals and Replacements, Contingencies	4 121	2,047	128	43	1,153	1,395	1,194	648	4,322	15,048
General Reserves	3,545	1,656	437	119	1,404	929	322	1,255	2,416	12,082
Other Reserves*	2,602	1,172	198	155	896	982	668	480	2,767	9,920
Profit and Loss Account‡	4,682 -1,327	1,990 -108	885 -129	553 -123	1,432 -84	754†	705†	2,399 -510	1,329 -253	14,909 -1,716
<b>TOTAL RESERVES</b>	<b>14,622</b>	<b>6,757</b>	<b>1,518</b>	<b>747</b>	<b>4,801</b>	<b>4,059</b>	<b>2,889</b>	<b>4,271</b>	<b>10,580</b>	<b>50,243</b>
<i>Current Liabilities</i>										
Trade Creditors	5,879	2,874	1,131	551	1,624	1,108	566	3,493	3,632	20,859
Other Current Liabilities (including Current Taxation and Proposed Dividends)	3,260	1,276	571	99	897	874	967	2,868	3,594	14,406
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,140</b>	<b>4,150</b>	<b>1,701</b>	<b>651</b>	<b>2,521</b>	<b>1,982</b>	<b>1,534</b>	<b>6,361</b>	<b>7,226</b>	<b>35,265</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>44,087</b>	<b>23,224</b>	<b>7,754</b>	<b>3,341</b>	<b>15,000</b>	<b>10,983</b>	<b>9,942</b>	<b>21,193</b>	<b>40,431</b>	<b>175,954</b>
Number of balance sheets included	149	89	114	41	77	42	23	81	63	679

\*Includes Reserves for Stocks, Premises, Deferred Repairs, Future Taxation, Bad Debts, Etc

‡Negative figures relate to Deficits on Profit and Loss Account, such deficits were shown on 84 Balance Sheets included above

†Surplus net of Deficit, to avoid disclosure the two components are not shown separately

APPENDIX TABLE II (11) MANUFACTURING INDUSTRIES ASSETS FOR RESPONDENTS IN EACH INDUSTRY GROUP

Item	Food	Textiles	Clothing and Footwear	Wood and Furniture, Brushes and Brooms	Paper and Printing	Chemicals and Chemical Products	Clay Products, Glass, Cement, etc	Metals and Engineering, including Vehicles	All other Manufacturing, including Drink and Tobacco	Total Manufacturing
	£,000									
<i>Tangible Fixed Assets</i>										
Land and Buildings	7,425	3,672	1,005	374	2,408	1,761	2,239	3,792	5,365	28,041
Plant and Machinery	6,398	4,611	5 5	395	3,755	1,401	2,218	2,589	5,031	26,883
Vehicles	816	125	99	97	131	110	241	155	709	2,484
Fixtures and Fittings	195	231	71	14	154	88	48	165	57	1,022
Other Fixed Assets	492	51	33	10	161	6	36	98	2,222	3,109
<b>TOTAL TANGIBLE FIXED ASSETS</b>	<b>15,327</b>	<b>8,690</b>	<b>1,783</b>	<b>798</b>	<b>6,608</b>	<b>3,366</b>	<b>4,782</b>	<b>6,800</b>	<b>13,384</b>	<b>61,539</b>
<i>Current Assets</i>										
Stocks Raw Materials, Work in Progress and Finished Goods	14,047	7,688	2,870	1,112	2,975	2,313	2,191	6,394	11,241	50,833
Trade Debtors	9,631	3,596	2,213	1,156	2,749	1,986	1,196	3,689	4,518	30,735
Cash at Bank and in Hand	1,020	386	318	82	436	1,027	198	443	658	4,569
Other Current Assets (including Deposits and Prepaid Expenditure)	839	445	130	20	285	258	176	2,344	906	5,401
<b>TOTAL CURRENT ASSETS</b>	<b>25,537</b>	<b>12,115</b>	<b>5,531</b>	<b>2,370</b>	<b>6,445</b>	<b>5,584</b>	<b>3,762</b>	<b>12,869</b>	<b>17,325</b>	<b>91,538</b>

APPENDIX TABLE II (11) MANUFACTURING INDUSTRIES ASSETS FOR RESPONDENTS IN EACH INDUSTRY GROUP

Item	Food	Textiles	Clothing and Footwear	Wood and Furniture, Brushes and Brooms	Paper and Printing	Chemicals and Chemical Products	Clay Products, Glass, Cement, etc	Metals and Engineering, including Vehicles	All other Manufacturing, including Drink and Tobacco	Total Manufacturing
	£000									
<i>Investments and Securities</i>										
Investments in and Loans to Associated and Subsidiary Companies	903	1,887	*	30	768	1,618	*	1,181	4,285	11,275
General Investments	1,989	330	*	69	495	262	*	207	1,530	5,307
Other Loans	104	142	*	6	52	2	*	16	450	1,338
<b>TOTAL INVESTMENTS AND SECURITIES</b>	<b>2,996</b>	<b>2,360</b>	<b>30</b>	<b>104</b>	<b>1,315</b>	<b>1,883</b>	<b>1,289</b>	<b>1,405</b>	<b>6,265</b>	<b>17,920</b>
§ <i>Other Assets</i> (Goodwill, Patent Rights, Preliminary and Issue Expenses, Development Expenditure) TOTAL	228	59	136	69	633	150	109	119	3,456	4,957
<b>TOTAL ASSETS</b>	<b>44,087</b>	<b>23,224</b>	<b>7,754</b>	<b>3,341</b>	<b>15,000</b>	<b>10,983</b>	<b>9,942</b>	<b>21,193</b>	<b>40,431</b>	<b>175,954</b>

\*Withheld to avoid disclosure of confidential data

§Deficits on the Profit and Loss Account are offset against Surpluses

APPENDIX TABLE III (i) MANUFACTURING INDUSTRIES CAPITAL AND LIABILITIES FOR RESPONDENTS IN EACH INDUSTRY GROUP PERCENTAGE DISTRIBUTION BY ITEM

Item	Food	Textiles	Clothing and Footwear	Wood and Furniture, Brushes and Brooms	Paper and Printing	Chemicals and Chemical Products	Clay Products, Glass, Cement, etc	Metals and Engineering, including Vehicles	All other Manufacturing, including Drink and Tobacco	Total Manufacturing
	per cent									
<i>Paid-up Capital</i>										
Ordinary Shares or Stock	15.2	24.9	30.3	20.4	26.5	30.0	28.9	26.6	39.5	26.9
Preference Shares or Stock	5.7	10.4	7.7	5.4	11.1	6.9	19.4	3.2	4.0	7.0
TOTAL PAID-UP CAPITAL	20.9	35.3	38.0	25.7	37.7	37.0	48.4	29.9	43.5	33.9
<i>Capital Grants from State Funds</i>										
TOTAL	1.8	1.0	0.1	—	—	—	0.2	0.4	—	0.6
<i>Loan Capital</i>										
Bank Overdrafts and Bank Loans	16.4	12.1	15.6	25.6	7.1	4.5	2.1	10.0	5.8	10.4
Other Loans										
(a) Secured	3.7	2.6	1.7	2.6	4.0	1.9	3.4	1.3	1.9	2.6
(b) Unsecured	3.3	2.1	3.0	4.2	2.5	1.7	1.5	8.2	4.7	3.8
TOTAL LOAN CAPITAL	23.4	16.8	20.3	32.4	13.5	8.0	7.0	19.5	12.5	16.8

APPENDIX TABLE III (i) MANUFACTURING INDUSTRIES CAPITAL AND LIABILITIES FOR RESPONDENTS IN EACH INDUSTRY GROUP PERCENTAGE DISTRIBUTION BY ITEM

Item	Food	Textiles	Clothing and Footwear	Wood and Furniture, Brushes and Brooms	Paper and Printing	Chemicals and Chemical Products	Clay Products, Glass, Cement, etc	Metals and Engineering, including Vehicles	All other Manufacturing, including Drink and Tobacco	Total Manufacturing
	per cent									
<i>Reserves</i>										
Capital, Renewals and Replacements, Contingencies	9 3	8 8	1 7	1 3	7 7	12 7	12 0	3 1	10 7	8 6
General Reserves	8 0	7 1	5 6	3 6	9 4	8 5	3 2	5 9	6 0	6 9
Other Reserves*	5 9	5 0	2 6	4 6	6 0	8 9	6 7	2 3	6 8	5 6
Profit and Loss Account†	9 9	8 1	9 7	12 9	9 0	6 9	7 1	8 9	2 7	7 5
TOTAL RESERVES	33 2	29 1	19 6	22 4	32 0	37 0	29 1	20 2	26 2	28 6
<i>Current Liabilities</i>										
Trade Creditors	13 3	12 4	14 6	16 5	10 8	10 1	5 7	16 5	9 0	11 9
Other Current Liabilities (including Current Taxation and Proposed Dividends)	7 4	5 5	7 4	3 0	6 0	8 0	9 7	13 5	8 9	8 2
TOTAL CURRENT LIABILITIES	20 7	17 9	21 9	19 5	16 8	18 0	15 4	30 0	17 9	20 0
TOTAL CAPITAL AND LIABILITIES	100 -	100 -	100 -	100 -	100 -	100 -	100 -	100 -	100 -	100 -

\*Includes Reserves for Stocks, Premises, Deferred Repairs, Future Taxation, Bad Debts, etc

†Surpluses net of Deficits, these components are shown separately in Table II (i)

APPENDIX TABLE III (11) MANUFACTURING INDUSTRIES ASSETS FOR RESPONDENTS IN EACH INDUSTRY GROUP  
PERCENTAGE DISTRIBUTION BY ITEM

Item	Food	Textiles	Clothing and Footwear	Wood and Furniture, Brushes and Brooms	Paper and Printing	Chemicals and Chemical Products	Clay Products, Glass, Cement, etc	Metals and Engineering, including Vehicles	All other Manufacturing, including Drink and Tobacco	Total Manufacturing
	per cent									
<i>Tangible Fixed Assets</i>										
Land and Buildings	16.8	15.8	13.0	11.2	16.1	16.0	22.5	17.9	13.3	15.9
Plant and Machinery	14.5	19.9	7.4	9.1	25.0	12.8	22.3	12.2	12.4	15.3
Vehicles	1.9	0.5	1.3	2.9	0.9	1.0	2.4	0.7	1.8	1.4
Fixtures and Fittings	0.4	1.0	0.9	0.4	1.0	0.8	0.5	0.8	0.1	0.6
Other Fixed Assets	1.1	0.2	0.4	0.3	1.1	0.1	0.4	0.5	5.5	1.8
<b>TOTAL TANGIBLE FIXED ASSETS</b>	<b>34.8</b>	<b>37.4</b>	<b>23.0</b>	<b>23.9</b>	<b>44.1</b>	<b>30.6</b>	<b>48.1</b>	<b>32.1</b>	<b>33.1</b>	<b>35.0</b>
<i>Current Assets</i>										
Stocks Raw Materials, Work in Progress and Finished Goods	31.9	33.1	37.0	33.3	19.8	21.1	22.0	30.2	27.8	28.9
Trade Debtors	21.8	15.5	28.5	34.6	18.3	18.1	12.0	17.4	11.2	17.5
Cash at Bank and in Hand	2.3	1.7	4.1	2.5	2.9	9.4	2.0	2.1	1.6	2.6
Other Current Assets (including Deposits and Prepaid Expenditure)	1.9	1.9	1.7	0.6	1.9	2.3	1.8	11.1	2.2	3.1
<b>TOTAL CURRENT ASSETS</b>	<b>57.9</b>	<b>52.2</b>	<b>71.3</b>	<b>70.9</b>	<b>43.0</b>	<b>50.8</b>	<b>37.8</b>	<b>60.7</b>	<b>42.9</b>	<b>52.0</b>



APPENDIX TABLE III (11) MANUFACTURING INDUSTRIES ASSETS FOR RESPONDENTS IN EACH INDUSTRY GROUP  
PERCENTAGE DISTRIBUTION BY ITEM

Item	Food	Textiles	Clothing and Footwear	Wood and Furniture, Brushes and Brooms	Paper and Printing	Chemicals and Chemical Products	Clay Products, Glass, Cement, etc	Metals and Engineering, including Vehicles	All other Manufacturing, including Drink and Tobacco	Total Manufacturing	
	per cent.										
103	<i>Investments and Securities</i>										
	Investments in and Loans to Associated and Subsidiary Companies	2 0	8 1	*	0 9	5 1	14 7	*	5 6	10 6	6 4
	General Investments	4 5	1 4	*	2 1	3 3	2 4	*	1 0	3 8	3 0
	Other Loans	0 2	0 6	*	0 2	0 3	0 0	*	0 1	1 1	0 8
TOTAL INVESTMENTS AND SECURITIES	6 8	10 2	3 9	3 1	8 8	17 1	13 0	6 6	15 5	10 2	
<i>Other Assets §</i> (Goodwill, Patent Rights, Preliminary and Issue Expenses, Development Expenditure)											
TOTAL	0 5	0 3	1 8	2 1	4 2	1 4	1 1	0 6	8 5	2 8	
TOTAL ASSETS	100 -	100 -	100 -	100 -	100 -	100 -	100 -	100 -	100 -	100 -	

\*Withheld to avoid disclosure of confidential data

§Deficits on the Profit and Loss Account are offset against Surpluses in the Reserves sub-sector of the Capital and Liabilities Sector of the Balance Sheets

APPENDIX TABLE IV MANUFACTURING INDUSTRIES CAPITAL INQUIRY BALANCE SHEET RESPONDENTS BALANCE SHEET TRADE CREDITORS AND TRADE DEBTORS COMPARED WITH 1958 CORRESPONDING CENSUS OF PRODUCTION COST OF MATERIALS AND GROSS OUTPUT, RESPECTIVELY, RATIO OF TRADE DEBTORS TO TRADE CREDITORS

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ITEM	Food	Textiles	Clothing and Footwear	Wood and Furniture, Brushes and Brooms	Paper and Printing	Chemicals and Chemical Products	Clay Products, Glass, Cement, etc	Metals and Engineering, including Vehicles	All Other Manufacturing including Drink and Tobacco	(Drink and Tobacco)	Total Manufacturing
(1) Balance Sheet Trade Creditors (£000)	5,879	2,874	1,131	551	1,624	1,108	566	3,493	3,632	(2,888)	20,859
(2) C I P corresponding Cost of Materials (£000)	70,012	18,172	7,648	1,561	8,401	7,905	3,410	19,475	22,651	(17,320)	159,235
(3) = (1) as a % of (2)	8.4	15.8	14.8	35.3	19.3	14.0	16.6	17.9	16.0	(16.7)	13.1
(4) Balance Sheet Trade Debtors (£000)	9,631	3,596	2,213	1,156	2,749	1,986	1,196	3,689	4,518	(3,146)	30,735
(5) C I P corresponding Gross Output (£000)	85,981	26,998	13,476	2,620	15,466	11,144	6,872	28,312	38,573	(29,330)	229,442
(6) = (4) as a % of (5)	11.2	13.3	16.4	44.1	17.8	17.8	17.4	13.0	11.7	(10.7)	13.4
(7) Ratio of Trade Debtors to Trade Creditors = (4) - (1)	1.64	1.25	1.96	2.10	1.69	1.79	2.11	1.06	1.24	(1.09)	1.47

APPENDIX TABLE V MANUFACTURING INDUSTRIES SUPPLEMENTARY DATA ON PAID-UP CAPITAL FOR RESPONDENTS  
IN EACH INDUSTRY GROUP

Industry Group	Paid-up Capital							
	Part of Balance Sheet Values attributable to Capitalisation of Profits or Reserves		Part of Balance Sheet values held by individuals and companies resident outside the State*					
	Total		Ordinary		Preference		Total	
	£000	%	£000	%	£000	%	£000	%
Food	1,992	22	1,915	29	277	11	2,193	24
Textiles	1,106	13	894	15	158	7	1,052	13
Clothing and Footwear	1,040	35	438	19	84	14	522	18
Wood and Furniture, Brushes and Brooms	60	7	72	11	6	3	78	9
Paper and Printing	987	17	574	14	110	7	683	12
Chemicals and Chemical Products	1,061	26	1,557	47	67	9	1,624	40
Clay Products, Glass, Cement, etc	435	9	506	18	149	8	655	14
Metals and Engineering, including Vehicles	1,280	20	1,947	34	12	2	1,959	31
All Other Manufacturing industries, including Drink and Tobacco	1,801	10	11,410 (1,410)§	71 (24)§	300	19	11,709 (1,709)§	67 (23)§
<b>TOTAL MANUFACTURING</b>	<b>9,761</b>	<b>16</b>	<b>19,313 (9,313)§</b>	<b>41 (25)§</b>	<b>1,162</b>	<b>9</b>	<b>20,475 (10,475)§</b>	<b>34 (21)§</b>

\*Respondents were instructed that the Shareholders' addresses as entered in the Company's Share Register should be used as a criterion of residence  
§Figures in parenthesis obtained by excluding Messrs A Guinness, Son and Co (Dublin) Ltd

APPENDIX TABLE VI MANUFACTURING INDUSTRIES TANGIBLE FIXED ASSETS\* COMPARISON OF BALANCE SHEET AND INSURANCE VALUATIONS FOR RESPONDENTS

Industry Group	BUILDINGS				PLANT & MACHINERY (EXCLUDING VEHICLES)			
	Balance Sheet Valuation†	Valuation for Insurance purposes	Ratio of Insurance Valuation to Balance Sheet Valuation	Range of Ratio at individual industry level within the group‡	Balance Sheet Valuation	Valuation for Insurance purposes	Ratio of Insurance Valuation to Balance Sheet Valuation	Range of Ratio at individual industry level within the group‡
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	£000	£000			£000	£000		
Food	7,260	15,145	2 09	1 6-3 0	5,819	14,351	2 47	1 7-3 5
Textiles	3,616	8,713	2 41	1 7-2 8	4,587	14,133	3 08	2 0-4 6
Clothing and Footwear	896	2 501	2 79	1 3-3 2	542	1,982	3 66	1 9-4 3
Wood and furniture, Brushes and Brooms	334	839	2 51	2 2-2 9	287	620	2 16	1 9-2 2
Paper and Printing	2,260	5,758	2 55	2 0-3 0	3,505	9,659	2 76	2 3-3 4
Chemicals and Chemical Products	1,717	3,504	2 04	1 5-2 8	1,277	3,996	3 20	2 9-3 8
Clay Products, Glass, Cement, etc	1,140	2,139	1 88	1 6-2 0	728	2,265	3 11	2 9-3 3
Metals and Engineering, including Vehicles	3,592	6,577	1 83	1 5-2 2	2,148	5,998	2 79	1 8-4 2
All Other Manufacturing Industries, including Drink and Tobacco	5,721	17,424	3 05	2 0-9 2‡	5,430	12,456	2 29	1 5-5 0
(of which, Drink and Tobacco)	(4,595)	(14,815)	(3 22)	(2 4-9 2)‡	(4,574)	(8,888)	(1 94)	(1 5-3 6)
TOTAL MANUFACTURING	26,536	62,601	2 36		24,322	65,459	2 69	

\*Results given here include written-down and insurance valuations of the specified Fixed Assets for 8 branches of foreign firms, which were unable to give full balance-sheet returns for activity within the State

†Land is included in the Balance Sheet valuation

‡At individual industrial level, ratios for aggregates of less than three firms have been ignored

‡The 9 2 relates to Malting. Apart from this industry the range for All Other Manufacturing Industries including Drink and Tobacco was 2 0-3 1 and for Drink and Tobacco 2 4-3 1

APPENDIX TABLE VII MANUFACTURING INDUSTRIES—DATA FROM CENSUS OF INDUSTRIAL PRODUCTION 1958

Industry Group	(A) ALL ESTABLISHMENTS (Establishment basis)					(B) ESTABLISHMENTS OWNED BY CAPITAL INQUIRY BALANCE SHEET § RESPONDENTS (Enterprise basis)			
	Gross Output	Net Output	Wages and Salaries	Closing Stocks	Average persons Engaged	Gross Output	Net Output	Wages and Salaries	Average persons Engaged
	£000				Number	£000			Number
Food	148,098	25,777	13,445	15,481	33,902	85,981	15,968	8,238	19,911
Textiles	32,343	10,582	6,038	8,625	18,784	26,998	8,826	5,025	15,472
Clothing and Footwear	21,320	9,133	5,974	4,484	20,808	13,476	5,828	3,746	12,002
Wood & Furniture, Brushes & Brooms	8,488	3,579	2,550	2,554	7,334	2,620	1,059	735	2,018
Paper & Printing	20,687	10,065	5,927	3,201	13,667	15,466	7,065	4,192	9,312
Chemicals and Chemical Products	15,000	4,488	2,042	2,836	4,722	11,144	3,239	1,545	3,368
Clay Products, Glass, Cement, etc	8,398	4,269	2,073	2,375	4,980	6,872	3,462	1,612	3,729
Metals & Engineering, including Vehicles	42,754	14,771	9,355	10,296	21,074	28,312	8,837	4,990	11,575
All Other Manufacturing Industries including Drink and Tobacco (of which Drink & Tobacco)	68,735 (55,470)	20,596 (15,240)	7,765 (4,936)	19,047 (15,984)	16,577 (9,795)	38,573 (29,330)	15,924 (12,011)	5,930 (3,886)	11,774 (7,508)
TOTAL MANUFACTURING	365,822	103,260	55,168	68,899	141,848	229,442	70,208	36,013	89,161

§ In preparing these figures all the establishments in Manufacturing industries for a respondent have been allocated to the industry group covering the greater part of its activities. The figures, however, do *not* include particulars for Non-Manufacturing subsidiary activities such as Quarrying, Construction and Distribution, also relating to the 679 balance sheets. Such activity was small in extent, accounting for approximately 2,000 persons (487 persons in Mining etc. and about 1,500 in Construction and Distribution).

APPENDIX TABLE VIII MANUFACTURING INDUSTRIES DATA ON AVERAGE NUMBER OF PERSONS ENGAGED IN ESTABLISHMENTS OWNED BY CAPITAL INQUIRY RESPONDENTS—CENSUS OF PRODUCTION, 1958

Industry Group	Number in Principal Establishments of respondents (a)	Number in other establishments of respondents		Total	
		Classified by industry group of respondent (b)	Classified by industry group of establishment (c)	Enterprise Basis (a) + (b)	Establishment Basis (a) + (c)
Food	19,532	379	124	19,911	19,656
Textiles	14,969	503	24	15,472	14,993
Clothing, etc	11,980	22	477	12,002	12,457
Wood etc	1,980	38	342	2,018	2,322
Paper etc	9,240	72	175	9,312	9,415
Chemicals etc	3,296	72	182	3,368	3,478
Clay Products etc	3,729	—	—	3,729	3,729
Metals etc	11,513	62	128	11,575	11,641
All other Manufacturing (of which	11,421	353	49	11,774	11,470
Drink & Tobacco)	(7,155)	(353)	(11)	(7,508)	(7,166)
<b>TOTAL MANUFACTURING</b>	<b>87,660</b>	<b>1,501</b>	<b>1,501</b>	<b>89,161</b>	<b>89,161</b>

APPENDIX TABLE IX  
COVERAGE OF MANUFACTURING INDUSTRIES

Industry Group	Totals for respondents as percentages of corresponding totals for all establishments (Derived from Table VII)				Stocks for respondents Table II (11) as percentages of C I P stocks, Table VII
	Gross Output	Net Output	Wages and Salaries	Average Persons engaged	
	Per cent				
Food	58 1	61 9	61 3	58 7	90 7
Textiles	83 5	83 4	83 2	82 4	89 1
Clothing, etc	63 2	63 8	62 7	57 7	64 0
Wood, etc	30 9	29 6	28 8	27 5	43 5
Paper, etc	74 8	70 2	70 7	68 1	92 9
Chemicals, etc	74 3	72 2	75 7	71 3	81 6
Clay Products, etc	81 8	81 1	77 8	74 9	92 3
Metals, etc	66 2	59 8	53 3	54 9	62 1
All Other Manufacturing (of which	56 1	77 3	76 4	71 0	59 0
Drink and Tobacco)	(52 9)	(78 8)	(78 7)	(76 7)	(54 7)
<b>TOTAL MANUFACTURING</b>	<b>62 7</b>	<b>68 0</b>	<b>65 3</b>	<b>62 9</b>	<b>73 8</b>

APPENDIX TABLE X  
MANUFACTURING INDUSTRIES

Coverage of "balance sheet population" by balance sheet respondents measured in terms of (a) Paid-up Capital, (b) Average Persons Engaged

Industry Group to which company classified	Paid-up Capital of Companies and Co-operatives			Average Persons Engaged 1958		
	Capital Inquiry Respondents (A)	Total* (B)	Coverage (A) as % of (B)	Capital Inquiry Respondents (C)	Population of Balance Sheets (D)	Coverage (C) as % of (D)
	£000	£000	Per cent	Number	Number	Per cent
Food	9,232	13,565	68 1	19,911	26,725	74 5
Textiles	8,195	8,250	99 3	15,472	18,037	85 8
Clothing and Footwear	2,949	3,944	74 8	12,002	16,727	71 7
Wood and Furniture, etc	860	1,534	56 1	2,018	3,812	52 9
Paper and Printing	5,649	6,389	88 4	9,312	11,887	78 3
Chemicals, etc	4,059	4,876	83 2	3,368	4,014	83 9
Clay Products, etc	4,808	5,231	91 9	3,729	4,332	86 1
Metals and Engineering, etc	6,332	8,875	71 3	11,575	14,044	79 0
All Other Manufacturing (of which Drink and Tobacco)	17,591	21,493	81 8	11,774	13,094	89 9
	(14,910)	(16,881)	(88 3)	(7,508)	(7,848)	(95 7)
<b>TOTAL MANUFACTURING</b>	<b>59,675</b>	<b>74,157</b>	<b>80 5</b>	<b>89,161</b>	<b>113,272</b>	<b>78 7</b>

\*37th General Annual Report on Companies by the Department of Industry and Commerce from which particulars for paid-up capital at 31 December, 1958 for Manufacturing categories were extracted, Report of the Registrar of Friendly Societies for year ending 31 December, 1959 from which details of Amounts Due to Shareholders at end of 1958 in Productive Societies (excluding Livestock Breeding) were extracted