diversification in the industry—the Tribunal should be empowered to consider the question of resumption of any particular class of share within a company as if that class or group were a separate company in itself.

52. Although it is unlikely, it is just possible that in some cases dry shareholders may be signatories to Deeds of Guarantee given by them to the bankers of the company. In any such case it will be necessary to obtain a release from the banks of that obligation before the Tribunal is empowered to make any order.

53. It might be helpful to consider the possible findings of the Tribunal in respect of a typical company which has experienced the greatest of difficulty in functioning because of its dry-share problem with a compulsory dividend requirement.

This company has paid up capital of £7,000. Approximately £1,500 is at present held by supplying or wet shareholders. The balance of £5,500 is held by non-supplying or dry shareholders. A dividend of 5 per cent. is payable as a first charge on butterfat returns, involving £350 per annum, plus some further £90 for taxation thereon—a total annual charge of £440 on its small output, or 0·41d. per pound of butterfat. Although the supply to the company has been falling, its activities are likely to continue indefinitely, particularly if the burden of the above dividend could be avoided. The dry shares have changed hands not only between members of the company, but between investors, at varying prices, at one time at a low figure, but in recent years at almost par. Many of the previous suppliers have gone into sheep, but if that form of farming becomes less profitable they may return to dairying and expect the assets of the company to have been maintained; meanwhile they receive a 5 per cent. dividend free of tax. The shares of the company are unlikely on any liquidation to be worth 20s. in the pound—more likely 10s.

The Tribunal may in such a case fix the resumption of the shares at 10s., which would involve the company in finding £2,750. This it obviously could not do immediately; but, as we have seen, the present annual cost for interest and taxation thereon is £440. If the sum of £2,750 were payable over five years the annual commitment would be £550, or only £110 more than the present cost for interest and taxation. The assets of the company would then be subject to only 1,500 shares, instead of 7,000. Should the company subsequently go into liquidation, these remaining shareholders may perhaps recover even more than they paid out for such resumptions, but it is only right that they should, as they are taking the risk and in the meantime are keeping in existence a valuable service organization for the district.

It is worthy of note, however, that liquidation of dairy companies, except in districts where supply is falling, is uncommon, as the district farmers must have some outlet for their milk or cream even if the prices are unsatisfactory.

54. A typical case of a company in a similar position as to dry shares but with no dividend liability presents a more difficult problem. In such a case any moneys to be found for resumption would immediately become a new burden on the company and its payout. In such a case it may be found that a fair resumption value is not anything like even 10s. in the pound. Many of the shares may have been dry for a generation or more and will have been regarded by the holders as having little or no value. It is conceivable that a fair value may be only a nominal sum well worth the while of the remaining shareholders to find and yet some return to the dry shareholders, who under the present system do not appear ever likely to receive anything.

55. There will, of course, be many companies most desirous of finding even par for their dry shares and only requiring permission to resume more shares than the present statutory limit of 20 per cent. Other companies—and we think this will apply to the majority of the sound dairy co-operatives—will be happy to be permitted to resume their shares at about 15s. in the pound, a figure which has been accepted by the