(*d*) Financial Inability of a Company to Resume Shares

30. Probably because of the early competition between companies, the necessity for setting aside reasonable reserves for the purpose of meeting the cost of share resumption was not followed, and unless companies increased their overdrafts there were no funds out of which to meet the cost thereof.

(*e*) Shares to be Resumed Now Exceeding 20 Per Cent. of the Issued Capital, Thus No Statutory Power to Resume Shares in Excess Thereof

31. A glance at the statistics quoted in paragraph 23 hereof shows that of the 236 companies submitting that information no less than 156 of them have more than 20 per cent. of their capital dry. Even if those companies were given the means and had the will to resume their dry shares, they could not do so unless the present provisions of the Dairy Industry Act, 1908, were amended to permit of resumption beyond 20 per cent. of the issued capital.

(*f*) Refusal of Dry Shareholders to Accept Surrender

32. As has already been mentioned, quite a number of companies are or were compelled by their Articles of Association to pay a dividend, usually 5 per cent. or 6 per cent., on all share capital, wet and dry. As this return is free of tax it is a very profitable investment, and naturally the dry shareholders are loath to part with their shares unless at an attractive figure. The voting strength of those dry shareholders makes it impossible for a company so situated to carry the resolution required by section 54 of the Dairy Industry Act, 1908, to enable it to require surrender at par (plus 5 per cent. interest from its previous balance date to the date of surrender), even if that company were prepared to resume at that figure and otherwise came within the limitations imposed by that Act as to the number of shares which could be so resumed. We have found that where such a dividend has been in force for a number of years the number of dry shares in such a company has become excessive and certainly exceeds 20 per cent. of the issued capital, and in many cases exceeds 50 per cent. of that capital, thus giving the dry shareholders control, if they so desire, of the affairs of the company. The continued burden of that interest or dividend requirement upon the remaining wet shareholders has often resulted in a depressed payout, with the result that in order to keep that payout at all reasonable the maintenance and upkeep of the assets of the company have suffered. The shares, however, because of the compulsory dividend attached thereto, continue to have a market value of par, and in some cases in excess thereof, although on liquidation of such a company it would be very doubtful if those shares would realize anything like par. Many of those dry shares when a 5 per cent. or 6 per cent. dividend was not as attractive as it is to-day may have changed hands for much less than par. The company itself may have been resuming numbers of them at a figure of about 10s. or 15s. in the pound. Such a company would not now readily agree to find 20s. in the pound for dry shareholders, particularly when it knows that its assets do not justify that figure and that it has in the past given a much less rate to those members who have accepted resumption in accordance with the company's previous policy. The difficulties which beset companies so situated can be best illustrated by setting out the position of one of their number :—

This company in 1939 was required *out of butterfat* to find £2,735 to meet interest at 6 per cent. on its share capital held both by wet and dry shareholders. In 1947, although the supply of butterfat to the company that year was less than in 1939, the interest bill had gone to £2,956, apart altogether from an increase of £400 in the cost of taxation thereon, the aggregate result being that the wet suppliers, fewer in number compared with the 1939 figures, had to find an additional £650 per annum.