

Mr. FACTOR: Are you going through all those items?

Mr. SOMMERVILLE: No; Mr. Adamson is going to give us a summary on the operations of the Toronto store.

The WITNESS: Statement No. TT-1 shows the comparative profit and loss figures on the Toronto store operations for the ten years 1924 to 1933 inclusive. This statement has been drawn up in such a way as to show:—

- (1) The departmental results before charging interest and depreciation.
- (2) The departmental results after charging interest and depreciation.
- (3) The operating profits, before provision for income taxes, bonuses, bond interest, etc.
- (4) The profits after income taxes, bond interest, etc.
- (5) The net addition to surplus after dividends, etc.

Statement TT-1 and following statements appear at the end of to-day's printed record.

As will be seen from this statement, the sales increased from approximately \$22,000,000 in 1924 to approximately \$31,000,000 in 1929, with a decrease to approximately \$23,500,000 in 1933. Operating profits after depreciation (but before rentals to Simpson's Limited in the latter years) and before provisions for income taxes, bond interest, etc., may be compared as follows:—

Year:	Operating profit	Percentage to sales
1924 . . . . .	\$1,393,698	6.28
1925 . . . . .	1,624,595	6.92
1926 . . . . .	1,722,800	7.17
1927 . . . . .	1,982,942	7.88
1928 . . . . .	2,134,915	7.88
1929 . . . . .	2,312,170	7.78
1930 . . . . .	2,322,534	8.23
1931 . . . . .	1,957,928	7.39
1932 . . . . .	814,489	4.56
1933 . . . . .	1,383,671	6.35

Mr. ILSLEY: What is that you are giving?

The WITNESS: Operating profits after depreciation but before rentals, Simpson's Limited. In order to compare the profits prior to 1929 and after 1929 you have to eliminate the rentals so as to have a comparative figure.

*By Mr. Sommerville:*

Q. On profits last year of \$1,383,000 and rentals eliminated of \$1,300,000—was that the amount of rental?—A. No. \$800,000 on the Toronto store. \$1,300,000 is the total.

The figures shown above for 1932 are before writing back depreciation which was provided and later reversed. The depreciation provided in 1933 was only approximately two-thirds of the usual provision, and consideration should be given to this in comparing these results.

#### *Departmental Results*

It is the practice of the company to charge against each of the departments in each of the stores amounts representing interest on the capital employed in the departments and charges for depreciation of the fixed assets employed in the business.

Q. And the interest charged is on the basis of?—A. Six per cent.

Q. Added to laid-down cost?—A. No, it is charged as a rent charge to the departments.

Q. In addition to rent?—A. The rent which is charged includes the building maintenance and the interest and depreciation. This is not the rent to Simpson's Limited; it is the rent charged by the operating company to the department.