By Mr. Hanson:

Q. How do you carry those two items in your balance sheet? Are they together?—A. They are all in the balance sheet reflected in the surplus account.

Q. They are together here?—A. Well, these are expenses.

Q. They are debits.—A. The figures that I have just read come to a total of $3,319,309.66, which deducted from the $9,541,028.61 give a net figure of $6,221,-718.95, which is the net to the refinery. In other words, the profit made, the profit after the distribution of the product has been charged against the selling price. Do I make myself clear? Now, from that $6,221,718.95 we deduct the price of crude oil and other materials entering into the manufacturing of gasolene. These products amounted to $4,102,277.28.

By Mr. Bothwell:

Q. Can you tell us at this stage what the average cost of your crude oil was last year?—A. I cannot tell you that sir, not at the moment. I can get that for you. Deducted from that last figure is the inventory adjustment of $14,843.22, which leaves a total cost of crude oil and other materials of $4,087,434.06. Add to that the actual manufacturing expenses, or the cost of refining the crude oil, and producing gasolene, and the other products which are manufactured at the refinery, amounting to $931,754.49. Then, there is a further figure of depreciation on the refinery assets of $149,469.72, and taxes on the refinery properties, $55,365.39, a total manufacturing cost of $5,224,023.66. Deducting that figure from the $6,221,718.95, we have the net earnings from gasolene before providing for income tax or for interest on borrowed money, that is, bonds, $997,695.29, or 1.72 cents per imperial gallon. That is the first statement, and covers what we produce at our own refineries.

By the Chairman:

Q. What is the interest on borrowed money?—A. Interest on bonds.

Q. What does that amount to?—A. We have ten millions of bonds, outstanding, approximately $600,000 a year. Now, the statement marked "B"—

By Hon. Mr. Ralston:

Q. For the year ending when?—A. January 31, 1932, the last fiscal year of the company.

Q. I was not here when you began, but I understand what you have been doing is separating the two operations; that is, the refinery operation from the sale and distribution operation.—A. Exactly.

Q. You have taken the gross revenue, as you finally received it from the customer, and deducted all costs of distribution and sale?—A. Yes.

Q. But there has been no allowance for providing interest except one rather nebulous item of depreciation and administration?—A. Yes.

Q. Therefore you have thrown back all the profits, whatever they might be, in the refinery operation?—A. No, the distributing end, distribution, has been charged or rather the figures that I have shown in distribution here have been charged with what they should be charged—the cost of taking our products from the refinery and delivering it to the public.

Q. But in the costs you have taken the gross revenue?—A. Yes.

Q. You have deducted the cost of the sales and distribution operations, and all the rest you put back as the gross receipt from refinery operations?—A. Yes.

Q. Which has to be reduced by the cost of crude and by the cost of manufacturing and by depreciation and all other charges which are made against—A. Exactly.