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*Annual Report*

*1947*

*Aldens, INC.*

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*Annual Report*

*1947*

*Aldens, INC.*

CHICAGO 7, ILLINOIS

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# Your Management

## BOARD OF DIRECTORS

R. L. ARNHEIM . . . . . Vice President & Treasurer, Aldens, Inc.  
C. A. BETHGE . . . . . Vice President, Aldens, Inc.  
W. T. BRUCKNER . . . . . Chairman of the Board, Cicero State Bank, Cicero, Ill.  
C. E. BUTLER . . . . . President, Borden's Soy Processing Co., Waterloo, Iowa  
G. J. CULLINAN . . . . . Vice President, Aldens, Inc.  
H. A. DAVIS . . . . . Partner, Central Building Co., Los Angeles  
H. GREENBURG . . . . . President, Diana Stores Corp., New York, N. Y.

R. W. JACKSON . . . . . President, Aldens, Inc.  
W. A. KRAFFT . . . . . President, Emporium World Millinery Co., Chicago  
M. A. RISKIND, Partner, D'Ancona, Pillaum, Wyatt, Marwick & Riskind, Chicago  
LAWRENCE K. SCHNADIG . . . . . President, Pullman Couch Co., Chicago  
J. S. SCHOFF . . . . . President, Bloomingdale's, Inc., New York, N. Y.  
H. J. STENTIFORD . . . . . Vice President, Aldens, Inc.  
W. P. WISEMAN . . . . . Vice President, Chicago Title & Trust Co., Chicago

## COMPANY OFFICERS

R. W. JACKSON . . . . . President  
R. L. ARNHEIM . . . . . Vice President and Treasurer  
C. A. BETHGE . . . . . Vice President  
G. J. CULLINAN . . . . . Vice President  
H. J. STENTIFORD . . . . . Vice President  
S. G. ROMAN . . . . . Secretary  
H. H. YORMARK . . . . . Assistant Secretary

## FINANCE COMMITTEE

W. T. BRUCKNER, Chairman                      W. A. KRAFFT, Vice Chairman  
R. L. ARNHEIM                      R. W. JACKSON                      LAWRENCE K. SCHNADIG

## PROFIT SHARING PLAN COMMITTEE

R. L. ARNHEIM, Chairman                      W. T. BRUCKNER                      M. A. RISKIND

## EXECUTIVE COMMITTEE

LAWRENCE K. SCHNADIG, Chairman                      J. S. SCHOFF, Vice Chairman                      C. A. BETHGE  
R. W. JACKSON                      W. A. KRAFFT                      M. A. RISKIND                      W. P. WISEMAN

# President's Report

TO THE SHAREHOLDERS:

Submitted herewith is a report on the operations of your company and its wholly-owned subsidiaries for the year ended December 31, 1947, together with consolidated balance sheet, consolidated statements of income and surplus, auditor's certificate, summaries of pertinent company data, and illustrative charts.

## SALES

Consolidated net sales in 1947 totaled \$79,248,308, representing an increase of \$9,137,139 or 13.0% over 1946. This was the seventh consecutive year of gains in sales, the 1947 total being an all time high. A three year comparison of sales by half-year periods follows:

|                                       | 1947                 | 1946                 | 1945                 |
|---------------------------------------|----------------------|----------------------|----------------------|
| For the First Half of Year - - - - -  | \$ 35,752,814        | \$ 30,155,704        | \$ 20,616,302        |
| For the Second Half of Year - - - - - | 43,495,494           | 39,955,465           | 27,139,800           |
| TOTAL YEAR - - - - -                  | <u>\$ 79,248,308</u> | <u>\$ 70,111,169</u> | <u>\$ 47,756,102</u> |

The continued growth of our mail order sales and a comparison with the industry sales are shown on page 15.

## EARNINGS

Consolidated profits, before Federal Income Taxes amounted to \$1,812,571, or 2.29% of sales for 1947, as compared with \$4,476,901, or 6.39% of sales in 1946. After provision for Federal Income Taxes for 1947, the Consolidated Net Profits were \$1,061,046, which after providing \$166,228 for dividends on preferred stock, amounted to \$894,818, or \$2.52 per share on 355,181 shares of common stock outstanding. Profits after taxes for 1947 exceeded any previous year except 1946. A three year comparison of earnings follows:

|   | 1947               | 1946               | 1945               |
|---|--------------------|--------------------|--------------------|
| For first half of year, before Federal taxes on income - - - - -  | \$ 364,663         | \$1,340,531        | \$ 499,436         |
| For second half of year, before Federal taxes on income - - - - - | 1,447,908          | 3,136,370          | 1,152,835          |
| TOTAL FOR YEAR - - - - -  | <u>\$1,812,571</u> | <u>\$4,476,901</u> | <u>\$1,652,271</u> |
| Federal taxes on Income - - - - -                                 | 751,525            | 1,854,119          | 1,092,519          |
| CONSOLIDATED NET PROFIT - - - - -                                 | <u>\$1,061,046</u> | <u>\$2,622,782</u> | <u>\$ 559,752</u>  |

The decrease in profits for 1947 as compared with 1946 was principally due to the following: (1) heavy spring inventory depreciation, (2) increased payroll and general expenses, and (3) narrower profit margins caused by rising merchandise costs occurring after the mailing of our fall catalog.

**STOCK OPTION**

In connection with a contract entered into between your Company and Lehman Brothers and approved by the shareholders on December 7, 1943, five option warrants for a total of 53,000 shares of the unissued common stock were granted to Lehman Brothers. Option Warrant No. 1, for 9,000 shares was exercised in 1945 and there are outstanding four option warrants for a total of 44,000 shares of common stock as follows:

| WARRANT NUMBER | NUMBER OF SHARES | OPTION PRICE PER SHARE | PERIOD FOR EXERCISE OF OPTION |
|----------------|------------------|------------------------|-------------------------------|
| 2              | 9,500            | \$18.00                | July 1, 1946 to July 1, 1951  |
| 3              | 10,500           | 19.00                  | July 1, 1947 to July 1, 1952  |
| 4              | 11,500           | 20.00                  | July 1, 1948 to July 1, 1953  |
| 5              | 12,500           | 21.00                  | July 1, 1949 to July 1, 1954  |

**MERCHANDISE**

Merchandise inventory and on-order at December 31, 1947 as compared with the preceding year is as follows:

|                          | DECEMBER 31, 1947   | DECEMBER 31, 1946   | % DECREASE   |
|--------------------------|---------------------|---------------------|--------------|
| Inventory - - - - -      | \$10,592,770        | \$12,246,497        | 13.5%        |
| On-order - - - - -       | 9,911,464           | 11,793,457          | 16.0%        |
| TOTAL IN SIGHT - - - - - | <u>\$20,504,234</u> | <u>\$24,039,954</u> | <u>14.7%</u> |

Mail Order inventory of finished goods on hand at December 31, 1947 represents a nine weeks supply of estimated Spring 1948 sales.

In this connection, although the value of our inventory at the close of 1947 is less than at the close of 1946, our Spring 1948 catalog shows over 40% more items than were shown in our Spring 1947 catalog. However, since it is expected that merchandise will be more readily available in 1948, we believe that despite such reduced inventory a more complete fulfillment of customers orders will be possible. Because of fluctuating commodity prices, your Company is exercising caution in making advance commitments. Our over-all policy is to strive to return to our pre-war ratio of inventory to sales. Being aware of a possible market decline, we are proceeding with a cautious buying program and at the same time following an aggressive sales policy.

**DIVIDENDS**

During 1947 common stock dividends aggregated \$532,772, being at the rate of 37½ cents per quarter or \$1.50 per share for the year, compared to \$488,373 or \$1.37½ per share in 1946. The year 1947 marks the fourteenth consecutive year in which dividends have been paid by Aldens.

## FINANCES

**WORKING CAPITAL.** Current Assets at the close of the year totaled \$23,855,290 as compared with \$21,000,945 at the close of 1946 and current liabilities amounted to \$9,419,141 at the close of 1947 as compared with \$9,047,676 at the close of 1946. This resulted in an increase of net working capital from \$11,953,269 to \$14,436,149 and a ratio of Current Assets to Current Liabilities of 2.53% at the close of 1947.

**NET WORTH**—The common stock and surplus at the end of 1947 amounted to \$9,613,602 compared to \$9,251,018 last year. This is a book value of \$27.07 per common share as compared to \$26.05 per share last year. The increase in book value is summarized as follows:

|   |                     |
|---|---------------------|
| Book Value at beginning of year (355,181 shares) - - - - -              | \$ 9,251,018        |
| Earnings for year - - - - -   | 1,061,046           |
| Excess of par over cost of preferred shares cancelled during year - - - | 538                 |
| Less: } Cash Dividends on Common Stock - - - - -                        | \$532,772           |
| } Cash Dividends on Preferred Stock - - - - -                           | 166,228             |
|   | <u>699,000</u>      |
| Book value at end of year (355,181 shares) - - - - -                    | <u>\$ 9,613,602</u> |
| Book value per Common Share - - - - -                                   | <u>\$ 27.07</u>     |

Consolidated earned surplus at the end of 1947 totaled \$6,478,214 as compared with \$6,116,167 last year or an increase of \$362,047.

**DEBENTURE SALE**—In December of 1947, your Company sold at par, \$4,200,000 principal amount of its 3%, 15 year Sinking Fund Debentures, dated November 1, 1947 to the Equitable Life Assurance Company of United States. The Indenture, providing for the issuance of these debentures, requires the retirement of \$200,000 of debentures each year beginning January 15, 1949 and permits Aldens, at its option, to also pay off not exceeding an additional \$200,000 in any year without premium. The net proceeds from the sale of these debentures was added to the working capital of the Company.

**PREFERRED STOCK ACQUISITIONS**—In May, 1946, the corporation issued 40,000 shares of its 4¼% Series Cumulative Preferred Stock, \$100 par value, and pursuant to the terms of such issue the corporation is required, in each year, commencing with 1947, to retire, through a Sinking Fund, 800 shares of such Preferred Stock, which is 2% of the greatest number of such shares at any time outstanding. Although the Sinking Fund redemption price is \$104 per share, the Company acquired 800 shares for the 1947 Sinking Fund, at an average cost of \$99.33 per share, and has already acquired 800 shares for the 1948 Sinking Fund at an average cost of \$87.20 per share. All shares of Preferred Stock acquired through the Sinking Fund are required to be cancelled and cannot be reissued.

## INSTALMENT ACCOUNTS

Accounts receivable increased from \$5,300,309 at December 31, 1946 to \$8,834,880 at December 31, 1947 due principally to a sizeable increase in our instalment sales to customers. Instalment sales were 15.7% of total 1947

sales volume as compared with approximately 10% of 1946 sales volume. Over 98,500 additional credit customers have been added during the year, although there has been no relaxation of the requisites to credit approval.

#### **RETAIL**

1947 marked the first year of operation for all of our eight retail stores. We encountered a number of problems in fitting our retail stores into our pattern of operations and certain of them operated at a loss. This has resulted in carry back claims on prior year Federal Income Taxes of \$129,200. We believe we now have the necessary experienced retail personnel to enable all of our retail stores to operate at a satisfactory profit.

#### **1948**

Aldens will continue to move aggressively forward in 1948. Our program calls for increased assortments within established lines with greater emphasis placed on price and quality to give our customers the best possible value. Aldens will rigidly adhere to the policy of maintaining a dominant and outstanding fashion and home furnishing mail order catalog business supplemented by retail stores. With the "new look" affording the first opportunity since the beginning of the war to do an outstanding job in fashions we will strive to greatly improve our style leadership and heighten our customers' confidence therein. In this connection, Aldens has established an extensive program of labeling and packaging merchandise under its own brands.

With respect to our personnel the 1948 outlook is particularly favorable. Growing out of our long range, systematic program of selecting talent and intensive training, we have now, more than ever before, developed executives with judgment and "know-how". With an enlightened organization of men and women working together toward a common goal, we are now in a position to reap the benefits growing out of these qualities.

Your Company enters 1948 well prepared for the uncertainties ahead. Even though 1948 presents many serious problems it offers great opportunity to Aldens to continue its growth and leadership. Aggressive selling, quality merchandise and excellent service will be the keynote of our future plans.

With a deep sense of appreciation, I extend my sincere thanks; to our entire organization--for its loyal efforts and cooperation; to the Directors--for their experienced judgment in guiding the affairs of Aldens; to our Sources--for their dependable performance during a difficult transition period, and to the Shareholders--for their continued confidence and support.

Respectfully submitted

  
PRESIDENT

Chicago, Illinois  
February 18, 1948



# Aldens Operating Facts in Brief

|   | 1947          | 1946         | 1945         |
|---|---------------|--------------|--------------|
| <b>NET SALES</b>                              |               |              |              |
| Including leased departments . . . . .        | \$ 79,248,308 | \$70,111,169 | \$47,756,102 |
| <b>PROFITS</b>                                |               |              |              |
| Before Federal Tax on Income . . . . .        | 1,812,571     | 4,476,901    | 1,652,271    |
| Net Profit for Year . . . . .                 | 1,061,046     | 2,622,782    | 559,752      |
| Net Credit to Earned Surplus . . . . .        | 1,061,046     | 2,622,782    | 559,572      |
| Preferred Stock Dividend . . . . .            | 166,228       | 101,410      | -            |
| Net Profit After Preferred Dividend . . . . . | 894,818       | 2,521,372    | -            |
| <b>ASSETS</b>                                 |               |              |              |
| Cash & U.S. Government Securities . . . . .   | 2,816,008     | 1,368,839    | 4,442,322    |
| Receivables . . . . .                         | 8,834,880     | 5,300,310    | 3,326,264    |
| Inventories . . . . .                         | 12,204,402    | 14,331,796   | 6,809,959    |
| Current Assets . . . . .                      | 23,855,290    | 21,000,945   | 14,578,546   |
| Total Assets . . . . .                        | 29,045,829    | 24,290,215   | 15,600,980   |
| <b>LIABILITIES, RESERVES AND NET WORTH</b>    |               |              |              |
| Current Liabilities . . . . .                 | 9,419,141     | 9,047,676    | 4,845,738    |
| Funded Debt & Preferred Stock . . . . .       | 9,350,236     | 5,320,538    | 3,000,000    |
| Reserves . . . . .                            | 662,850       | 670,984      | 597,221      |
| Common Stock & Surplus . . . . .              | 9,613,602     | 9,251,018    | 7,158,019    |
| <b>NET WORKING CAPITAL AND RATIOS</b>         |               |              |              |
| Working Capital . . . . .                     | 14,436,149    | 11,953,269   | 9,732,808    |
| Current Ratio . . . . .                       | 2.53          | 2.32         | 3.01         |
| Capital Turnover . . . . .                    | 8.24          | 7.88         | 6.67         |
| <b>PER SHARE OF COMMON STOCK</b>              |               |              |              |
| Number of Shares Outstanding . . . . .        | 355,181       | 355,181      | 346,181 (1)  |
| Net Profit . . . . .                          | 2.52 (2)      | 7.10 (2)     | 1.62         |
| Cash Dividends . . . . .                      | 1.50          | 1.37½        | .75          |
| Book Value (2) . . . . .                      | 27.07         | 26.05        | 20.15        |

(1) At start of year. There were 355,181 shares outstanding at close of year. (2) At close of year. (3) After Preferred Dividend.

# Consolidated Balance Sheet of Aldens, inc. AND ITS WHOLLY-OWNED SUBSIDIARIES

|   | DECEMBER 31, 1947   |                        | DECEMBER 31, 1946   |                        |
|---|---------------------|------------------------|---------------------|------------------------|
| <b>CURRENT ASSETS:</b>  |                     |                        |                     |                        |
| Cash resources—   |                     |                        |                     |                        |
| Cash on deposit and on hand   | \$ 2,600,150.12     |                        | \$ 1,135,886.24     |                        |
| U. S. Government securities at par plus accrued interest (market value \$219,066.10 at Dec. 31, 1947) | <u>215,858.29</u>   | \$ 2,816,008.41        | <u>232,952.88</u>   | \$ 1,368,839.12        |
| Accounts receivable   |                     |                        |                     |                        |
| Customers and trade   | \$ 2,298,892.90     |                        | \$ 2,200,084.94     |                        |
| Time payments   | <u>7,523,409.19</u> |                        | <u>3,647,294.05</u> |                        |
|   | \$ 9,822,302.09     |                        | \$ 5,847,378.99     |                        |
| Less—Reserve for doubtful account   | <u>987,422.57</u>   | 8,834,879.52           | <u>547,069.22</u>   | 5,300,309.77           |
| Inventories (at lower of cost or market)—   |                     |                        |                     |                        |
| Merchandise inventory   | \$10,592,770.09     |                        | \$12,246,497.21     |                        |
| Paper, supplies and postage stamps  | <u>775,062.80</u>   |                        | <u>559,784.50</u>   |                        |
| Inventories in transit  | <u>836,569.48</u>   | 12,204,402.37          | <u>1,525,514.15</u> | 14,331,795.86          |
| <b>TOTAL CURRENT ASSETS</b>   |                     | <b>\$23,855,290.30</b> |                     | <b>\$21,000,944.75</b> |
| <b>DEFERRED CHARGES:</b>  |                     |                        |                     |                        |
| Advances on Spring season catalog and expenses  | \$ 1,204,549.55     |                        | \$ 677,608.30       |                        |
| Unexpired insurance   | <u>103,400.52</u>   | 1,307,950.07           | <u>111,589.02</u>   | 789,197.32             |
| <b>OTHER ASSETS:</b>  |                     |                        |                     |                        |
| Investment in subsidiaries in excess of cost of net tangible assets at dates of acquisitions          | \$ 532,875.00       |                        | \$ 538,500.00       |                        |
| Carry back claim on prior year Federal income tax   | <u>131,567.91</u>   |                        | <u>—</u>            |                        |
| Sundry assets   | <u>56,732.02</u>    | 731,174.93             | <u>38,860.25</u>    | 577,360.25             |
| <b>FIXED ASSETS:</b>  |                     |                        |                     |                        |
| Land, leasehold improvements and equipment (at cost)  | \$ 4,758,948.49     |                        | \$ 3,273,109.48     |                        |
| Less—Reserve for amortization and depreciation  | <u>1,597,534.60</u> | 3,161,413.89           | <u>1,350,396.36</u> | 1,922,713.12           |
| <b>TOTAL ASSETS</b>   |                     | <b>\$29,045,829.19</b> |                     | <b>\$24,290,215.44</b> |

|  | DECEMBER 31, 1947   |                        | DECEMBER 31, 1946   |                        |
|--|---------------------|------------------------|---------------------|------------------------|
| <b>CURRENT LIABILITIES:</b>  |                     |                        |                     |                        |
| Bank loans   |                     |                        | \$ 2,050,000.00     |                        |
| Secured indebtedness   |                     |                        | 61,000.00           | 61,000.00              |
| Accounts payable—trade credits   | 3,673,551.53        |                        | 1,015,361.70        |                        |
| Accounts payable—in transit  | <u>1,108,382.22</u> |                        | <u>1,042,392.89</u> |                        |
| Due to customers for unfilled orders and refund vouchers   | <u>2,302,572.27</u> |                        | <u>2,329,624.27</u> |                        |
| Accrued payrolls   | 551,460.99          |                        | 956,633.15          |                        |
| Accrued property and franchise taxes   | <u>153,527.50</u>   |                        | <u>102,982.00</u>   |                        |
| Accrued Federal and state taxes (returns have been reviewed through 1943 by Treasury Department) | \$ 1,338,646.23     |                        | \$ 2,320,238.24     |                        |
| Less—Tax notes and accrued interest  | <u>1,338,646.23</u> |                        | <u>1,012,580.00</u> | 1,307,658.24           |
| Due to employes profit sharing trust   | 189,644.28          |                        | 159,943.39          |                        |
| Sundry payables  | <u>41,336.17</u>    |                        | <u>22,080.52</u>    |                        |
| <b>TOTAL CURRENT LIABILITIES</b>   |                     | <b>\$ 9,419,141.39</b> |                     | <b>\$ 9,047,676.16</b> |
| <b>SINKING FUND DEBENTURES:</b>  |                     |                        |                     |                        |
| 3% (Due October 15, 1960)  | 1,300,000.00        |                        | 1,400,000.00        |                        |
| 3% (Due November 1, 1962)  | <u>4,200,000.00</u> | 5,500,000.00           | <u>—</u>            | 1,400,000.00           |
| <b>RESERVE ACCOUNTS:</b>   |                     |                        |                     |                        |
| Insurance reserve  | \$ 158,868.95       |                        | \$ 147,093.70       |                        |
| Returned goods profit and customers adjustments  | 111,000.00          |                        | 111,000.00          |                        |
| Reserve for contingencies  | <u>392,981.19</u>   | 662,850.14             | <u>412,889.86</u>   | 670,983.96             |
| <b>CAPITAL STOCK AND SURPLUS:</b>  |                     |                        |                     |                        |
| Preferred stock, cumulative, \$100 par   |                     |                        |                     |                        |
| Authorized 50,000 shares   |                     |                        |                     |                        |
| Issued 40,000 shares, 4 1/4%   | \$ 3,920,000.00     |                        | \$ 4,000,000.00     |                        |
| Common stock, \$5 par—   |                     |                        |                     |                        |
| Authorized 600,000 shares  |                     |                        |                     |                        |
| Issued 355,181 shares  | 1,775,905.00        |                        | 1,775,905.00        |                        |
| Paid-in surplus (premium on capital stocks)  | 1,359,483.06        |                        | 1,358,944.86        |                        |
| Earned surplus   | <u>6,478,213.57</u> |                        | <u>6,116,167.66</u> |                        |
|  | \$13,533,601.63     |                        | \$13,251,017.52     |                        |
| Less—Preferred treasury shares, at cost  | <u>69,763.97</u>    | 13,463,837.66          | <u>79,461.80</u>    | 13,171,555.72          |
| <b>TOTAL LIABILITIES AND NET WORTH</b>   |                     | <b>\$29,045,829.19</b> |                     | <b>\$24,290,215.44</b> |

# Consolidated Statement of Income

|  | Year Ended December 31, 1947 | Year Ended December 31, 1946 |
|--|------------------------------|------------------------------|
| <b>GROSS SALES LESS RETURNS</b>  |                              |                              |
| Including leased departments . . . . .                                   | \$79,248,307.50              | \$70,111,169.37              |
| <b>COST OF GOODS SOLD:</b>   |                              |                              |
| Including publicity, occupancy and buying expense . . . . .              | 65,403,320.25                | 55,251,089.05                |
| Gross profit on sales . . . . .  | \$13,844,987.25              | \$14,860,080.32              |
| <b>OPERATING EXPENSES:</b>   |                              |                              |
| Selling, general and administrative expenses . . . . .                   | \$11,340,141.40              | \$10,011,411.54              |
| Building maintenance and repairs . . . . .                               | 115,085.44                   | 98,044.51                    |
| Depreciation and amortization . . . . .                                  | 225,176.54                   | 118,574.59                   |
| Social security, property and sundry taxes . . . . .                     | 353,395.83                   | 268,092.39                   |
| Income from operations . . . . .   | <u>12,033,799.21</u>         | <u>10,496,123.03</u>         |
|  | \$ 1,811,188.04              | \$ 4,363,957.29              |
| <b>OTHER INCOME:</b>   |                              |                              |
| Interest received and anticipation . . . . .                             | \$ 72,824.83                 | \$ 140,666.47                |
| Gain on sales of securities . . . . .                                    | --                           | 48,965.00                    |
| Miscellaneous income . . . . .   | 79,411.30                    | 101,870.01                   |
|  | <u>152,236.13</u>            | <u>291,501.48</u>            |
|  | \$ 1,963,424.17              | \$ 4,655,458.77              |
| <b>OTHER DEDUCTIONS:</b>   |                              |                              |
| Interest expense . . . . .   | \$ 150,853.62                | \$ 118,558.15                |
| Premium on retirement of debentures . . . . .                            | 150,853.62                   | 60,000.00                    |
| Net income before provision for taxes on income . . . . .                | <u>1,812,570.55</u>          | <u>178,558.15</u>            |
|  | \$ 1,812,570.55              | \$ 4,476,900.62              |
| <b>PROVISIONS FOR FEDERAL TAXES ON INCOME:</b>                           |                              |                              |
| Normal tax and surtax . . . . .  | \$ 880,725.00                | \$ 1,854,119.03              |
| Less, carrybacks resulting from losses of certain subsidiaries . . . . . | 129,200.00                   | 1,854,119.03                 |
| NET PROFIT FOR PERIOD . . . . .  | <u>751,525.00</u>            | <u>1,854,119.03</u>          |
|  | <u>\$ 1,061,045.55</u>       | <u>\$ 2,622,781.59</u>       |

# Consolidated Statement of Surplus

|  | Year Ended<br>Dec. 31, 1947 | Year Ended<br>Dec. 31, 1946 |
|--|-----------------------------|-----------------------------|
| <b>PAID-IN SURPLUS:</b>  |                             |                             |
| Balance at beginning of year . . . . .                                       | \$1,358,944.86              | \$1,198,944.86              |
| Add—Premium on preferred stock sold during year . . . . .                    | —                           | 160,000.00                  |
| Excess of par over cost of preferred shares cancelled during year . . . . .  | 538.20                      | —                           |
| Balance at end of year . . . . .   | <u>\$1,359,483.06</u>       | <u>\$1,358,944.86</u>       |
| <b>EARNED SURPLUS:</b>   |                             |                             |
| Balance at beginning of year . . . . .                                       | \$6,116,167.66              | \$4,183,169.69              |
| Add—Net profit for period from income statement . . . . .                    | 1,061,045.55                | 2,622,781.59                |
|  | <u>\$7,177,213.21</u>       | <u>\$6,805,951.28</u>       |
| Deduct Cash dividends { Common Stock . . . . .                               | 532,771.52                  | 488,373.88                  |
| { Preferred Stock . . . . .  | 166,228.12                  | 101,409.74                  |
|  | <u>\$6,478,213.57</u>       | <u>\$6,216,167.66</u>       |
| Deduct Underwriting fees applicable to issuance of preferred stock . . . . . | —                           | 100,000.00                  |
| Balance at end of year . . . . .   | <u>\$6,478,213.57</u>       | <u>\$6,116,167.66</u>       |

## Auditor's Certificate

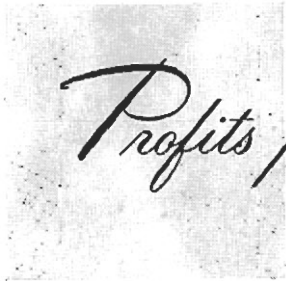
TO SHAREHOLDERS OF ALDENS, INC:

We have examined the consolidated balance sheets of Aldens, Inc. and its wholly-owned subsidiaries as of December 31, 1947 and December 31, 1946, together with the related summaries of consolidated income and consolidated surplus for the calendar years then ended. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion, the accompanying consolidated balance sheets and related summaries of consolidated income and consolidated surplus present fairly the financial position of Aldens, Inc. and its wholly-owned subsidiaries at December 31, 1947 and December 31, 1946 and the results of their operations for the calendar years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.

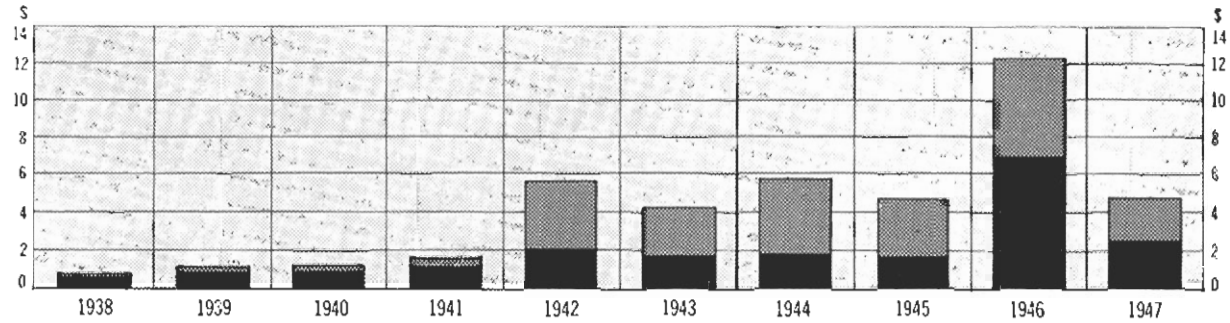
Chicago, Illinois  
February 5, 1948

*David Himmelblau*  
Certified Public Accountants

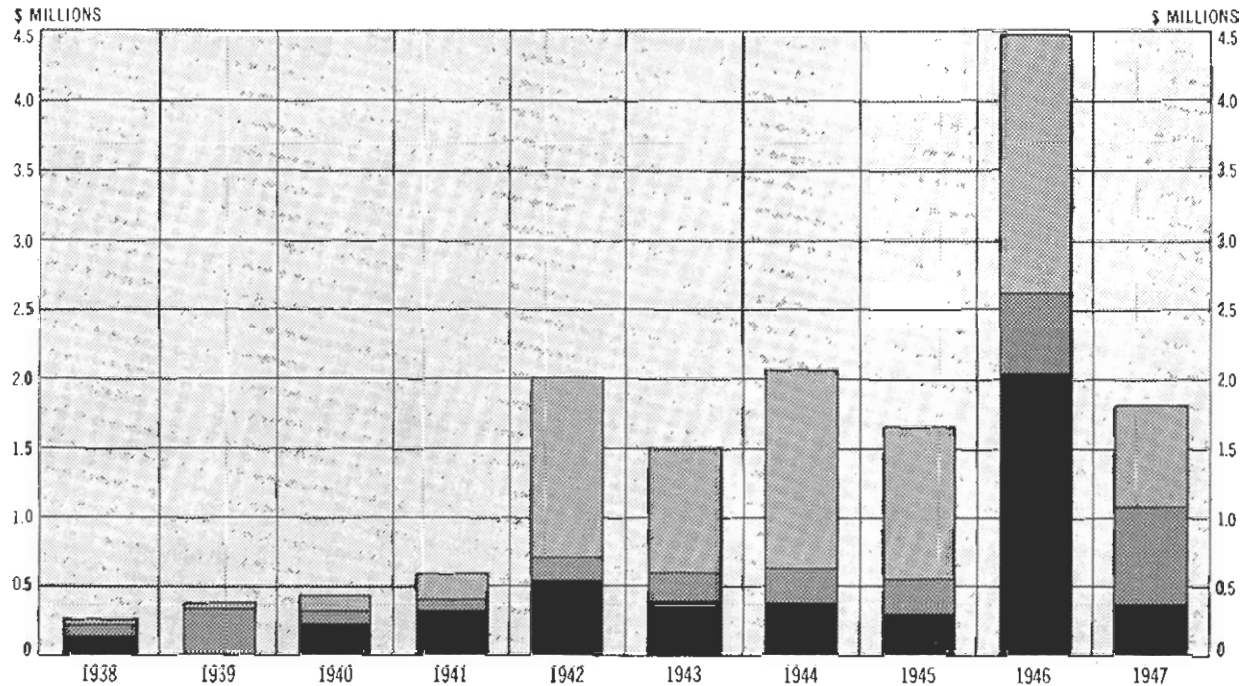
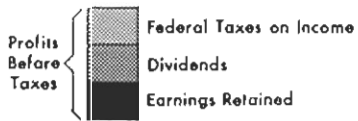


# Profits per Share... Retained Earnings

### Profits per Common Share Before and After Taxes



### Annual Earnings Retained After Taxes and Dividends

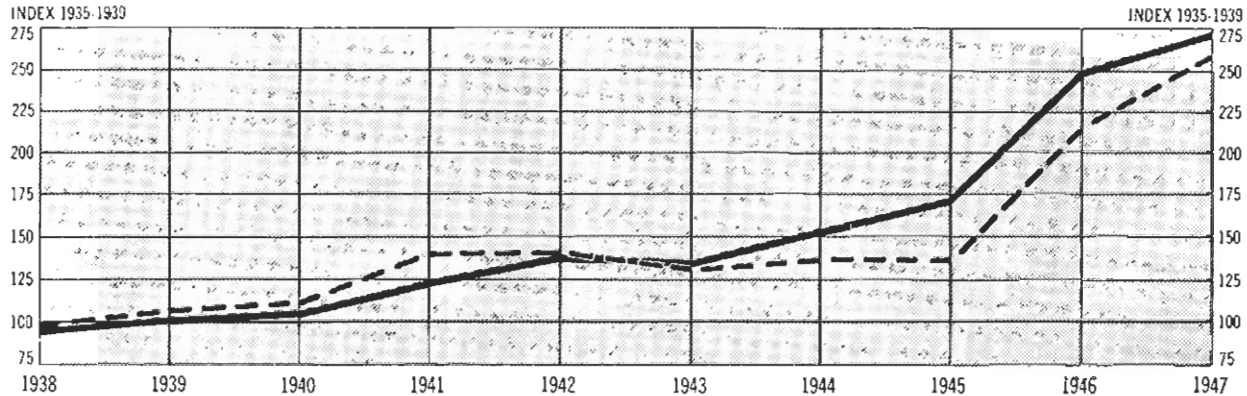


# Sales... Net Working Capital... Book Value

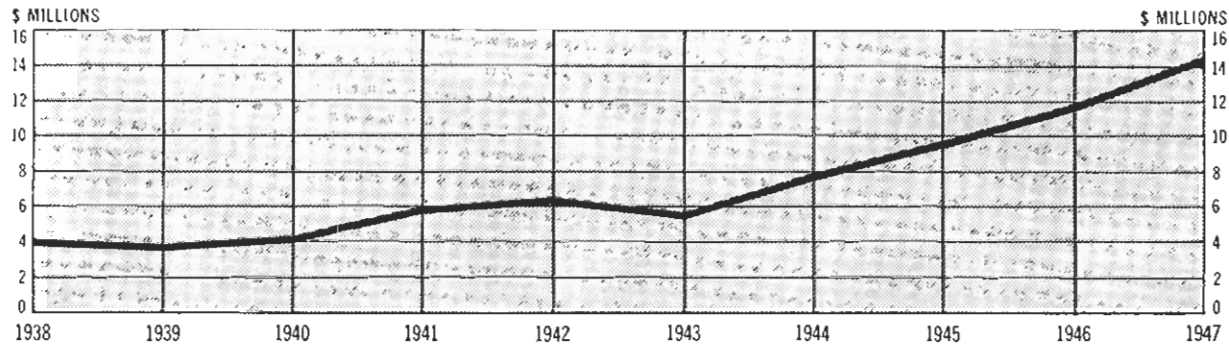
Annual Catalog Sales  
in Comparison with Industry\*

\*Source: Department of Commerce

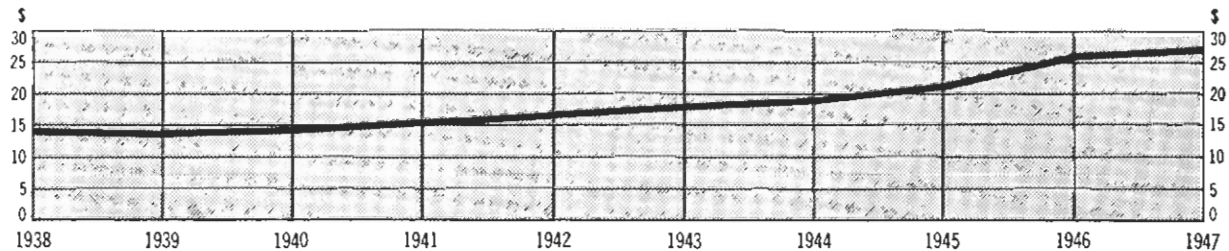
— Aldens  
- - - Industry



Net Working Capital



Book Value per  
Common Share



# A Ten Year Record of Performance

|             | Net Sales    | Profits Before Taxes | Federal Taxes on Income | Profits for Year <sup>(1)</sup> | Common Stock and Surplus | % Profits to Common Stock and Surplus <sup>(2)</sup> | Book Value Per Share <sup>(3)</sup> | Profits Per Share      |                       | Dividends Per Common Share |
|-------------|--------------|----------------------|-------------------------|---------------------------------|--------------------------|--|-------------------------------------|------------------------|-----------------------|----------------------------|
|             |              |                      |                         |                                 |                          |  |                                     | Before Taxes           | After Taxes           |                            |
| <b>1947</b> | \$79,248,308 | \$1,812,571          | \$751,525               | \$1,061,046                     | \$9,613,602              | 9.7 <sup>(4)</sup>                                   | \$27.07                             | \$ 4.64 <sup>(4)</sup> | \$2.52 <sup>(4)</sup> | \$1.50                     |
| <b>1946</b> | 70,111,169   | 4,476,901            | 1,854,119               | 2,622,782                       | 9,251,018                | 35.3 <sup>(4)</sup>                                  | 26.05                               | 12.32 <sup>(4)</sup>   | 7.10 <sup>(4)</sup>   | 1.37½                      |
| <b>1945</b> | 47,756,102   | 1,652,271            | 1,092,519               | 559,752                         | 7,158,019                | 8.3  | 20.15                               | 4.77                   | 1.62                  | .75                        |
| <b>1944</b> | 42,323,447   | 2,054,978            | 1,413,734               | 641,244                         | 6,704,902                | 10.2   | 19.37                               | 5.94                   | 1.85                  | .75                        |
| <b>1943</b> | 36,573,518   | 1,500,198            | 898,998                 | 601,200                         | 6,258,943                | 10.4   | 18.08                               | 4.33                   | 1.74                  | .60                        |
| <b>1942</b> | 36,348,337   | 2,007,558            | 1,290,000               | 717,558                         | 5,786,037                | 13.4   | 16.71                               | 5.80                   | 2.07                  | .50                        |
| <b>1941</b> | 31,829,578   | 588,403              | 188,000                 | 400,403                         | 5,364,069                | 7.9  | 15.65                               | 1.70                   | 1.16                  | .25                        |
| <b>1940</b> | 26,698,413   | 434,804              | 123,500                 | 311,304                         | 5,048,962                | 6.5  | 14.74                               | 1.26                   | .90                   | .25                        |
| <b>1939</b> | 25,853,626   | 369,849              | 61,000                  | 308,849                         | 4,820,953                | 6.3  | 14.08                               | 1.07                   | .69                   | 1.00                       |
| <b>1938</b> | 24,073,981   | 260,432              | 42,000                  | 218,432                         | 4,909,579                | 4.6  | 14.18                               | .75                    | .63                   | .25                        |

<sup>(1)</sup>In addition, Earned Surplus was credited for \$81,057 in 1943 and \$93,850 in 1944 for prior year adjustments, and was charged for \$125,000 in 1942, \$76,500 in 1943, and \$29,500 in 1944 for Contingency Reserve Provisions, and \$100,000 in 1946 for underwriting fees on preferred stock.

<sup>(2)</sup>At start of year.

<sup>(3)</sup>At end of year.

<sup>(4)</sup>After preferred dividend.

# Information About Aldens

## MERCHANDISE SOLD

Dresses (Juniors', Misses' and Women's), Coats, Suits, Hats, Sportswear, Shoes, Work Clothes, Hosiery, Lingerie, Underwear, Sweaters, Jewelry, Handbags, Accessories, Fabrics, Toys, Housewares, Appliances, Furniture, Stoves, Floor Coverings, Curtains, Sheets, Pillow Cases, Table Cloths, Infants' and Children's Wear, and Sundries.

Emphasis is placed on fashions in wearing apparel, home furnishings, and men's furnishings customarily purchased by the woman shopper.

## EMPLOYEES

Approximate average number of employees . . . . . 5,000

## CORPORATE DATA

Incorporated . . . . . Illinois, December 15, 1902  
 Approximate average number of shareholders . . . . . Common—1750; Preferred—450  
 Annual Meeting of Shareholders and Directors . . . . . Fourth Tuesday in March  
 Regular Meeting Date of Directors . . . . . Fourth Friday in February, May, August and November  
 Regular Dividend Dates - { Preferred . . . . . April 1, July 1, October 1, and January 1  
   { Common . . . . . Approximately April 1, July 1, October 1, and December 23  
 Transfer Agent Common . . . . . Guaranty Trust Company of New York  
 Registrar Common . . . . . The Chase National Bank of the City of New York  
 Transfer Agent—Preferred . . . . . National City Bank of New York  
 Registrar—Preferred . . . . . The Commercial National Bank and Trust Company of New York

## STOCK EXCHANGE DATA

Preferred and Common Stock Listed on New York Stock Exchange

## AUDITORS

Certified Public Accountants, David Himmelblau & Company, Chicago

|                                     | 1947                |                    | 1946                |                    | 1945               | 1944               | 1943               | 1942              |
|-------------------------------------|---------------------|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
|                                     | Preferred           | Common             | Preferred           | Common             |                    |                    |                    |                   |
| Shares Traded During Year . . . . . | 4,210               | 83,500             | 5,200               | 122,600            | 540,300            | 106,400            | 156,700            | 25,400            |
| High Price During Year . . . . .    | \$102 $\frac{3}{4}$ | \$31 $\frac{1}{2}$ | \$102 $\frac{1}{2}$ | \$51 $\frac{3}{4}$ | \$38               | \$21 $\frac{3}{8}$ | \$16 $\frac{3}{8}$ | \$7 $\frac{1}{8}$ |
| Low Price During Year . . . . .     | \$ 75               | \$16 $\frac{1}{8}$ | \$ 90 $\frac{1}{2}$ | \$ 25              | \$19 $\frac{1}{4}$ | \$16               | \$11 $\frac{3}{8}$ | \$4 $\frac{1}{8}$ |
| Price at Close of Year . . . . .    | \$ 78               | \$ 20              | \$ 91 $\frac{1}{2}$ | \$30 $\frac{3}{8}$ | \$38               | \$20 $\frac{1}{4}$ | \$16 $\frac{3}{8}$ | \$5 $\frac{7}{8}$ |

## COUNSEL

General Counsel, D'Ancona, Pflaum, Wyatt, Marwick & Riskind, Chicago; . . . . . New York Counsel, Pokart & Pokart, New York





**OFFICES AND CATALOG ORDER PLANT**

511 South Paulina Street . . . . . Chicago, Illinois  
 320 South Honore Street . . . . . Chicago, Illinois

**WAREHOUSES**

1500 South Western Ave. . . . . Chicago, Illinois  
 1114 West Cermak Road . . . . . Chicago, Illinois  
 2231 South Wabash Ave. . . . . Chicago, Illinois  
 2401 South Federal Street . . . . . Chicago, Illinois

**CATALOG ORDER STORES, AGENCIES**

511 South Paulina Street . . . . . Chicago, Illinois  
 McClelland Agencies . . . . . Panama

**APPROXIMATE TOTAL SPACE OCCUPIED**

All Locations . . . . . 1,830,000 Square Feet

**FASHION BUYING OFFICE**

200 Madison Avenue . . . . . New York, N. Y.

**ALDENS RETAIL STORES**

Aldens Chicago Store, Inc., 220 South Schuyler Avenue . . . . . Kankakee, Illinois  
 Elmwood Park Department Store, Inc., 7226 West Grand Avenue . . . . . Elmwood Park, Illinois  
 Gebhart-Gushard Company, 301 North Water Street . . . . . Decatur, Illinois  
 The Herz Store, Inc., 646 Wabash Avenue . . . . . Terre Haute, Indiana  
 The Merkel Company, 12 South Federal Avenue . . . . . Mason City, Iowa  
 Strub-Wareham, Inc., 118 South Clinton Street . . . . . Iowa City, Iowa  
 Windmiller's, Inc., 3601 Irving Park Road . . . . . Chicago, Illinois  
 Breeden & Co., Inc., 118 West 6th Street . . . . . Bloomington, Indiana



