

Aldens

1954

ANNUAL REPORT

FOR THE FISCAL YEAR

ENDED JANUARY 31, 1955

Aldens Locations

ADMINISTRATION AND BUYING OFFICES

Central Office and Mail Order Plant
511 South Paulina St., Chicago 7, Illinois

New York Buying Office
200 Madison Ave., New York 16, New York

Credit Office
1401-17 West Jackson Blvd., Chicago 7, Illinois

Clerical Operations
1623 Ogden Ave., Chicago 7, Illinois

WAREHOUSES

1114 West Cermak Road - - - - - Chicago 8, Illinois
1416-26 West 37th Street - - - - - Chicago 9, Illinois
2401 South Federal Street - - - - - Chicago 16, Illinois

Approximate total space occupied
by offices and warehouses - - - - - 1,200,000 sq. ft.

ALDENS RETAIL STORES

ILLINOIS

Chicago
Elinwood Park
Kankakee
Rockford

INDIANA

Bedford
Bloomington
Frankfort
Terre Haute
Vincennes

IOWA

Iowa City
Mason City

KENTUCKY

Owensboro

MICHIGAN

Lansing

ALDENS CATALOG OFFICES

ARKANSAS

Little Rock

COLORADO

Denver

GEORGIA

Atlanta

ILLINOIS

Aurora
Berwyn
Chicago
Danville

ILLINOIS (...cont'd)

Decatur
E. St. Louis
Elgin
Evanston
Harvey
Joliet
Moline
Peoria
Quincy
Rock Island
Springfield
Sterling
Waukegan

INDIANA

Evansville
Fort Wayne
Gary
Hammond
Indianapolis
Mishawaka

IOWA

Clinton
Davenport
Des Moines
Dubuque

KENTUCKY

Louisville

MARYLAND

Baltimore

MICHIGAN

Detroit
Flint
Grand Rapids
Jackson
Kalamazoo
Lansing
Muskegon
Pontiac
Royal Oak
Saginaw
Wayne

MINNESOTA

Minneapolis

MISSOURI

Kansas City
St. Louis

NEBRASKA

Omaha

NEW JERSEY

Newark

NEW YORK

Buffalo
New York City
Rochester
Syracuse

OHIO

Akron
Canton
Cincinnati
Cleveland
Columbus
Dayton
Springfield
Toledo
Youngstown

OKLAHOMA

Tulsa

PENNSYLVANIA

Erie
Philadelphia
Pittsburgh

WASHINGTON, D. C.

WEST VIRGINIA

Wheeling

WISCONSIN

Madison
Milwaukee
Racine

A total of
70 locations
in operation on
January 31, 1955

Aldens Management



ROBERT MARKENS
Assistant Secretary

BOARD OF DIRECTORS

- | | |
|---|--|
| R. L. ARNHEIM Vice President & Treasurer, Aldens, Inc. | G. P. MADIGAN Vice President, Madigan Brothers, Inc., Chicago |
| W. T. BRUCKNER Chairman of the Board, Cicero State Bank, Cicero, Ill. | M. A. RISKIND Partner, D'Annunzio, Pflaum, Wyatt & Riskind, Chicago |
| C. E. BUTLER Business Consultant, Waterloo, Iowa | E. H. ROSENTHAL Partner, Central Building Co., Beverly Hills, Calif. |
| G. J. CULLINAN Vice President, Aldens, Inc. | LAWRENCE K. SCHNADIG President, International Furniture Company, Chicago |
| H. T. EATON Vice President, Aldens, Inc. | R. A. SEIDEL Vice President, Radio Corp. of America, New York, N.Y. |
| R. W. JACKSON President, Aldens, Inc. | H. J. STENTIFORD Vice President, Aldens, Inc. |
| W. A. KRAFFT President, Emporium World Millinery Co., Chicago | W. P. WISEMAN Vice President & Trust Officer, Chicago Title & Trust Co. |

COMPANY OFFICERS

- | |
|--|
| R. W. JACKSON President |
| R. L. ARNHEIM Vice President and Treasurer |
| G. J. CULLINAN Vice President |
| H. T. EATON Vice President |
| H. J. STENTIFORD Vice President |
| F. E. SHEVLIN Secretary |
| R. MARKENS Assistant Secretary |

FINANCE COMMITTEE

- | | |
|------------------------|-----------------------------|
| W. A. KRAFFT, Chairman | R. A. SEIDEL, Vice Chairman |
| R. L. ARNHEIM | LAWRENCE K. SCHNADIG |
| R. W. JACKSON | |

PROFIT SHARING PLAN COMMITTEE

- | | |
|-------------------------|------------------------------|
| R. L. ARNHEIM, Chairman | M. A. RISKIND, Vice Chairman |
| C. E. BUTLER | F. E. SHEVLIN |
| | J. C. SEABLE |

EXECUTIVE COMMITTEE

- | | | |
|--------------------------------|-----------------------------|---------------|
| LAWRENCE K. SCHNADIG, Chairman | W. A. KRAFFT, Vice Chairman | R. L. ARNHEIM |
| R. W. JACKSON | M. A. RISKIND | W. P. WISEMAN |

Aldens 1954 Record in Brief COMPARED WITH PREVIOUS YEARS

| | 1954 | 1953 | 1952 | 1951 | 1950 |
|--|--------------|--------------|-----------------|--------------|--------------|
| SALES | \$90,503,270 | \$92,442,630 | \$85,723,928 | \$87,443,314 | \$79,784,448 |
| EARNINGS | | | | | |
| Before Federal Tax on Income | \$ 2,685,385 | \$ 3,407,273 | \$ 2,110,653 | \$ 3,673,494 | \$ 4,354,448 |
| After Federal Tax on Income | 1,585,385 | 1,801,143 | 1,190,468(1) | 1,529,344 | 2,047,808 |
| Times Preferred Stock Dividend Requirement | 11.7 | 10.7 | 8.4(1) | 10.6 | 13.9 |
| After Preferred Dividends | \$ 1,449,629 | \$ 1,360,957 | \$ 1,048,625(1) | \$ 1,384,844 | \$ 1,900,867 |
| Per Share of Common Stock After Preferred Dividends(2) | 2.72 | 2.55 | 1.97(1) | 2.60 | 3.57 |
| DIVIDENDS PAID | | | | | |
| Per Share of Preferred Stock | \$ 4.25 | \$ 4.25 | \$ 4.25 | \$ 4.25 | \$ 4.25 |
| Per Share of Common Stock(2) | 1.15 | 1.00 | 1.00 | 1.00 | 1.00 |
| ANNUAL EARNINGS RETAINED IN BUSINESS | \$ 836,970 | \$ 828,185 | \$ 515,853 | \$ 862,072 | \$ 1,367,795 |
| ASSETS | | | | | |
| Cash and U.S. Government Securities | \$ 2,323,850 | \$ 3,125,879 | \$ 2,808,661 | \$ 3,134,736 | \$ 2,862,678 |
| Receivables | 21,153,676 | 19,364,335 | 16,947,723 | 15,300,170 | 12,867,047 |
| Merchandise Inventories | 11,180,664 | 10,207,412 | 10,591,429 | 10,625,141 | 12,236,964 |
| Merchandise on Order | 3,938,624 | 3,128,364 | 5,176,783 | 3,899,340 | 8,631,421 |
| Working Capital | 20,397,222 | 20,564,644 | 20,124,291 | 20,126,893 | 16,227,221 |
| Current Ratio | 2.20 to 1 | 2.36 to 1 | 2.34 to 1 | 2.68 to 1 | 2.14 to 1 |
| Net Fixed Assets | \$ 4,571,378 | \$ 3,763,123 | \$ 3,920,670 | \$ 3,794,746 | \$ 3,729,048 |
| Total Assets | 42,286,550 | 39,810,693 | 37,287,138 | 35,922,145 | 34,198,141 |
| LONG TERM DEBT | \$ 6,500,000 | \$ 6,800,000 | \$ 7,100,000 | \$ 7,400,000 | \$ 4,300,000 |
| CAPITAL STOCK | | | | | |
| Preferred Stock—4¼%, \$100 Par | \$ 3,218,778 | \$ 3,293,997 | \$ 3,383,163 | \$ 3,428,043 | \$ 3,487,973 |
| Number of Preferred Shares Outstanding | 31,700 | 32,370 | 33,300 | 33,600 | 34,100 |
| Common Stock and Surplus | \$14,997,338 | \$14,138,804 | \$13,287,819 | \$12,748,799 | \$11,872,799 |
| Number of Common Shares Outstanding | 532,740 | 353,181 | 355,181 | 355,181 | 355,181 |
| Book Value Common Stock(2) | \$ 28.15 | \$ 26.54 | \$ 24.94 | \$ 23.94 | \$ 22.99 |

(1) Includes carry-back excess profits tax credit adjustment of \$161,116 which is equivalent to 30 cents per share of Common stock.

(2) Adjusted for 50% stock distribution issued in 1954 (see page 9).

Aldens, INC.

EXECUTIVE OFFICES

CHICAGO 7

OFFICE OF THE PRESIDENT

April 18, 1955

To the Shareholders of Aldens:

Sales for the year totaled \$90,505,270 or 2.1% less than our all time high record of 1953. The decline in sales was confined to the Mail Order Division, since our retail store volume showed a moderate increase. On page 18 we show the relationship of Aldens' mail order sales to those of the industry. Since 1947-49, the base years, Aldens has increased 19.2% in sales, whereas the industry has decreased .2%.

Consolidated earnings after taxes for the year 1954 amounted to \$1,585,385. This compared with \$1,501,143 in the previous year. After provision for dividends on Preferred stock, earnings per share on Common stock equalled \$2.72 compared with \$2.55 per share in 1953 (adjusted to reflect the 50% stock distribution in 1954). Included in 1954 profits are certain tax savings permitted under the new corporate income tax law.

On May 7, 1954, the shareholders received a 50% stock distribution, i.e. one additional share for each two then owned. Since that date dividends on common stock have been paid at the rate of 30 cents quarterly. This represents a 20% increase in the dividend rate compared with the previous quarterly dividend of 25 cents (on basis of present outstanding stock). Total dividends (on current stock basis) paid in 1954 were \$1.15 compared to \$1.00 the previous year.

Accounts receivable increased 8.1% over last year to a total of \$21,155,656. The bulk of the increase took place in our time payment accounts. We continue to achieve good results from our promotional program to increase credit sales and customers. In 1954, time payment sales accounted for 28% of total volume.

Merchandise inventory and commitments on January 31, 1955 amounted to \$15,119,188, or 13.4% above last year. Our higher position this year results partially from an earlier Easter than in 1954, which requires somewhat earlier buying, and to additional inventory necessitated by our retail expansion program. We are continuing our policy of buying to meet normal requirements and intend to maintain a conservative position on merchandise.

We purchased the Gimbel & Bond Store in Vincennes, Indiana on October 15, 1954. The sales and profit results at this new store for the balance of 1954 were better than anticipated and helped the Retail Division achieve the best profit performance during its existence. On March 3, 1955, we purchased McAtee's in Owensboro, Kentucky. This store has a good record of accomplishment and is expected to add to Aldens' profit performance.

Construction has begun on our new office and hardline building on the property at Cicero Avenue and Roosevelt Road in Chicago. This new building will permit us to consolidate our present six building operation into two buildings. Our Paulina Street plant will be maintained for soft line operations. We expect the two building operation will permit us to lower operating costs and improve profit performance. It is anticipated that the new building will be ready for occupancy during the summer of 1955. More details and a picture of the new building are shown on pages 10 and 11 of this report.

It is estimated that sales for the first quarter of 1955 will run approximately equal to last year. Assuming no material change in the general economic situation, we expect a comparable level of sales for the balance of the year.

Detailed data on all phases of operations for the past fiscal year will be found on the following pages. I urge that you review them carefully so as to become conversant with the pertinent facts and history of your company's performance.

With the sustained loyal efforts of the men and women of our organization, the counsel and guidance of our directors and the continued assistance and support of our sources, customers and shareholders, I am confident that Aldens can look forward to a satisfactory profit performance for the year 1955.

Sincerely,



1954 Review

SALES—\$90,505,270

Consolidated net sales totaled \$90,505,270. This represented a decrease of 2.1% from the previous year. A five year comparison of sales follows:

| | 1954 | 1953 | 1952 | 1951 | 1950 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| First half of year - - - - - | \$37,118,174 | \$38,985,743 | \$36,735,960 | \$36,224,103 | \$32,105,016 |
| Second half of year - - - - - | 53,387,096 | 53,456,887 | 48,989,968 | 51,219,211 | 47,679,432 |
| Total Net Sales for Year - - - - - | \$90,505,270 | \$92,442,630 | \$85,725,928 | \$87,443,314 | \$79,784,448 |

Page 18 shows Aldens' mail order sales relative to the industry.

EARNINGS—\$2.72 PER SHARE

Consolidated profit before Federal taxes on income for the year 1954 amounted to \$2,685,385, or 3.0% of sales, compared to \$3,407,273, or 3.7% of sales in 1953. After provision for Federal taxes on income, which has been reduced because of special adjustments allowed under the new tax law, consolidated net profit for the year was \$1,585,385, compared to \$1,501,143 last year. Profit per Common share after Preferred dividends in 1954 was \$2.72 compared with \$2.55 last year adjusted to new stock basis. A five year comparison of earnings follows:

| | 1954 | 1953 | 1952 | 1951 | 1950 |
|--|---------------------|---------------------|-----------------------------------|---------------------|---------------------|
| First half of year, before Federal taxes - - - - - | \$ 280,462 | \$ 913,759 | \$ 265,185 | \$ 992,640 | \$ 1,259,707 |
| Second half of year, before Federal taxes - - - - - | 2,404,923 | 2,493,514 | 1,845,468 | 2,680,854 | 3,294,741 |
| Total for Year - - - - - | \$ 2,685,385 | \$ 3,407,273 | \$ 2,110,653 | \$ 3,673,494 | \$ 4,554,448 |
| Federal taxes on income - - - - - | 1,100,000 | 1,906,130 | 920,185 | 2,144,150 | 2,506,640 |
| Consolidated Net Profit - - - - - | \$ 1,585,385 | \$ 1,501,143 | \$ 1,190,468⁽¹⁾ | \$ 1,529,344 | \$ 2,047,808 |

(1) Includes carry-back excess profits tax credit adjustment of \$161,116

FEDERAL INCOME TAX RETURNS REVIEWED THROUGH JANUARY 31, 1953

The Bureau of Internal Revenue has completed its examination of Aldens and its subsidiaries' income tax returns through January 31, 1953. The reserve for taxes amply covers estimated requirements for the years ended January 31, 1954 and January 31, 1955.

1954 Review cont'd.

INSTALLMENT ACCOUNTS RECEIVABLE INCREASED 7.5% IN 1954

Installment accounts receivable rose to \$20,801,364 at January 31, 1955 from \$19,344,659 the previous year. Installment sales were 28% of total 1954 volume compared to 27% in 1953. Following is a comparative summary of the company's net receivables:

| | January 31, 1955 | January 31, 1954 | % Increase 1954 Over 1953 |
|---|---------------------|---------------------|------------------------------|
| Customers and Trade - - - - - | \$ 2,220,875 | \$ 1,974,530 | 12.5% |
| Time Payment - - - - - | 20,801,364 | 19,344,659 | 7.5 |
| Sundry Receivables - - - - - | 69,722 | — | |
| Total Accounts Receivable - - - - - | <u>\$23,091,961</u> | <u>\$21,319,189</u> | 8.3 |
| Less Reserve for doubtful accounts and collection expense | 1,936,305 | 1,754,854 | 10.3 |
| Net Accounts Receivable - - - - - | <u>\$21,155,656</u> | <u>\$19,564,335</u> | <u>8.1</u> |

MERCHANDISE INVENTORY AND COMMITMENTS—\$15,119,188

Following is a comparative summary of the company's merchandise inventory and commitment position:

| | January 31, 1955 | January 31, 1954 | % Increase 1954 Over 1953 |
|--|---------------------|---------------------|------------------------------|
| Merchandise inventory (including in transit) - - - - - | \$11,180,664 | \$10,207,412 | 9.5% |
| Commitments - - - - - | 3,938,524 | 3,128,364 | 25.9 |
| Total Inventory and Commitments - - - - - | <u>\$15,119,188</u> | <u>\$13,335,776</u> | <u>13.4</u> |

We are maintaining a conservative inventory policy. The earlier Easter date this year, and the expanded retail operation account for the increase in total inventory and commitments over last year. As has been our practice in the past, all goods have been inventoried on the basis of cost or market, whichever is lower.

FIXED ASSETS—\$4,571,378

Net Fixed Assets before construction in process increased 2.7% after depreciation and amortization charges. At January 31, 1955, Net Fixed Assets were 10.8% of total assets compared to 9.5% last year.

| | January 31, 1955 | January 31, 1954 | % Increase 1954 Over 1953 |
|---|--------------------|---------------------|------------------------------|
| Real estate, leasehold improvements and equipment (at cost) | \$6,826,699 | \$ 6,413,941 | 6.4% |
| Less Reserves for amortization and depreciation - - - - - | 2,960,405 | 2,650,818 | 11.7 |
| Net Fixed Assets before construction in process - - - - - | 3,866,294 | \$ 3,763,123 | 2.7 |
| Construction in Process - - - - - | 705,084 | — | |
| Net Fixed Assets - - - - - | <u>\$4,571,378</u> | <u>\$ 3,763,123</u> | <u>21.5</u> |

1954 Review cont'd.

CURRENT RATIO—2.20

Net Working Capital at January 31, 1955 was approximately the same as at January 31, 1954. The company's working capital position compared with prior years is presented below:

| | January 31 1955 | January 31 1954 | January 31 1953 | January 31 1952 | January 31 1951 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Current assets - | \$37,432,822 | \$35,697,606 | \$33,232,377 | \$32,082,208 | \$30,420,380 |
| Current liabilities - | 17,035,600 | 15,132,962 | 13,108,086 | 11,955,315 | 14,193,159 |
| Net Working Capital - | <u>\$20,397,222</u> | <u>\$20,564,644</u> | <u>\$20,124,291</u> | <u>\$20,126,893</u> | <u>\$16,227,221</u> |
| Ratio of current assets to current liabilities - | 2.20 | 2.36 | 2.54 | 2.68 | 2.14 |

LONG TERM DEBT

Long term debt consists of a 3½% promissory note dated February 16, 1951, due in annual installments of \$300,000 for 1956, and \$400,000 annually thereafter through 1965. In February, 1966, the remaining balance will be due. During the year 1954, payment in the amount of \$300,000 was made against this note, leaving a balance due of \$6,500,000 as of January 31, 1955.

PREFERRED STOCK RETIREMENT

The sinking fund provisions for Preferred stock retirement require 800 shares to be retired on July 1, 1955. At January 31, 1955, 1,900 shares had been acquired at an average cost of \$74.33 per share for sinking fund purposes and are being carried as treasury stock. These shares will be available for the July 1, 1955 and subsequent sinking fund requirements. All shares of Preferred stock surrendered for sinking fund purposes are required to be cancelled and cannot be reissued.

BOOK VALUE OF COMMON STOCK—\$28.15 PER SHARE

The Common stock and surplus at January 31, 1955 amounted to \$14,997,338, an increase of \$858,534 over the previous year. This is a book value of \$28.15 per share compared to \$26.54 last year after adjustment for stock distribution. The book value is determined as follows:

| | |
|---|---------------------|
| Book value at January 31, 1954 - | \$14,138,804 |
| Earnings for year - | 1,585,385 |
| Excess of par over cost of Preferred shares cancelled during year - | 22,076 |
| Less | \$15,746,265 |
| Cash dividends on Common stock - | \$612,659 |
| Cash dividends on Preferred stock - | 135,756 |
| Cost of Common shares cancelled in 1954 - | 512 |
| Book value at January 31, 1955 - | <u>\$14,997,338</u> |
| Book value per Common share (532,740 shares) - | <u>\$28.15</u> |

1954 Review cont'd.

STOCK DISTRIBUTION

On April 5, 1954 the Board of Directors declared a 50% stock distribution (one share of the Common stock of the Company for each two shares issued and outstanding) payable May 7, 1954 to shareholders of record at the close of business on April 23, 1954.

For each share of Common stock issued as a result of this distribution, there was transferred from Paid-In Surplus to the capital stock account \$5 per share (being the par value of each share). The aggregate amount so transferred from the Company's Paid-In Surplus account to the capital stock was \$887,900.

In order to show comparable data to previous years, all amounts shown in this report on a Common share basis have been adjusted to reflect the stock distribution.

DIVIDENDS PAID ON COMMON STOCK—\$1.15 PER SHARE

The year 1954 marks the twenty-first consecutive year in which Aldens has paid dividends. The Common Stock dividend per share was \$1.15 (37½ cents in the first quarter, which is equivalent to 25 cents on the new stock basis, and 30 cents in each of the remaining quarters). The present quarterly dividend of 30 cents **per share** represents a 20% increase over previous quarterly payments. The regular yearly Preferred Stock dividend of \$4.25 was also paid. Total dividends paid during the year amounted to \$748,415.

ALDENS STOCK PRICE RANGE

The following is a five-year tabulation of the price range of Aldens stocks on the New York Stock Exchange:

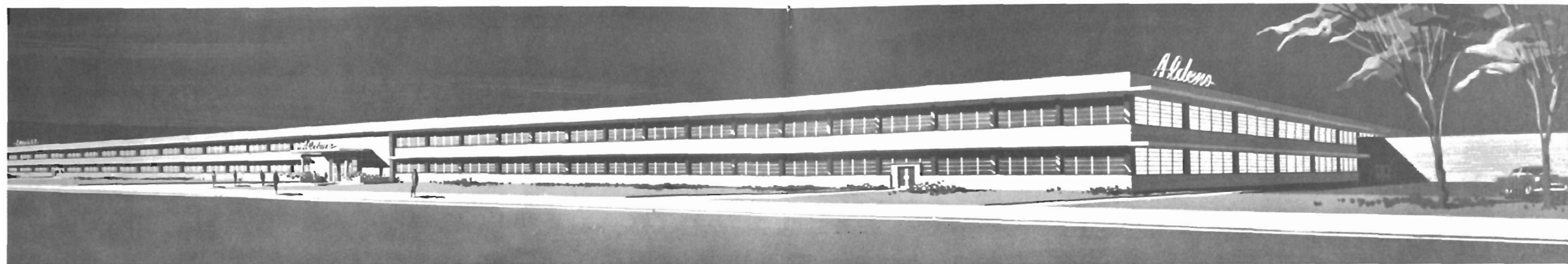
| | COMMON STOCK | | | | | PREFERRED STOCK | | | | |
|----------------------------------|--------------|--------|--------|---------|---------|-----------------|-------|-------|-------|-------|
| | 1954 | 1953 | 1952 | 1951 | 1950 | 1954 | 1953 | 1952 | 1951 | 1950 |
| Shares Traded During Fiscal Year | 221,500 | 82,300 | 71,800 | 132,600 | 207,460 | 3,980 | 2,950 | 2,995 | 5,660 | 3,510 |
| High Price During Fiscal Year - | \$19½ | \$15⅝ | \$15⅞ | \$18⅞ | \$16⅜ | \$85 | \$74 | \$76 | \$80 | \$79½ |
| Low Price During Fiscal Year - | \$14 | \$11⅜ | \$12⅛ | \$13⅜ | \$10¼ | \$73½ | \$70 | \$70 | \$70 | \$70 |
| Price at Close of Fiscal Year - | \$19⅞ | \$15⅞ | \$12⅞ | \$14⅞ | \$16⅜ | \$83 | \$72¾ | \$72 | \$70 | \$79½ |

All of the Common stock prices have been adjusted to reflect the 50% stock distribution discussed above.

SELECTION OF AUDITORS

A committee of three directors, not officers or employees of the company, was appointed by your Board of Directors to recommend the independent certified public accountants to audit the company's books. This committee selected and the Board appointed David Himmelblau & Co. to audit the company's records. Certified reports for the fiscal year ended January 31, 1955 are shown on pages 12 to 15.

Aldens New Building IS SCHEDULED FOR OCCUPANCY ABOUT AUGUST 1, 1955



Aldens plans to integrate its widespread operations began shortly after the war. The first major objective will be attained when our new building is completed about August 1 of this year. At that time most warehousing and operating functions now in 6 buildings scattered about the Chicago area will be consolidated into 2 major operating locations—the new building at 5000 West Roosevelt Road, and our present main building of 700,000 sq. ft. at 511 So. Paulina St. This will provide a total of 1,350,000 sq. ft. in both buildings. This consolidation will add immeasurably to improved customer service while streamlining and modernizing internal methods of operation for greater efficiency at lower costs.

TOTAL BUILDING AREA.....650,000 SQUARE FEET
 OFFICE SPACE.....200,000 SQUARE FEET
 WAREHOUSE AND SERVICE.....450,000 SQUARE FEET
 PARKING AREA.....150,000 SQUARE FEET
 TOTAL LAND AREA.....1,100,000 SQUARE FEET
 (25 ACRES)

- ALL REINFORCED CONCRETE AND STEEL CONSTRUCTION
- PRIVATE RAILROAD SIDING
- 24 DOCKS FOR SHIPPING AND RECEIVING
- ALL OFFICE SPACE AND ART STUDIOS AIR-CONDITIONED

The following will be located in the new building:
 EXECUTIVE OFFICES, CHICAGO BUYING AND OPERATING DIVISIONS
 RETAIL AND GENERAL OFFICES

A NEW ADDRESS FOR ALDENS *Aldens, Inc..... 5000 West Roosevelt Rd. Chicago 7, Illinois*

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

| | <u>ASSETS</u> | |
|--|------------------|------------------|
| | JANUARY 31, 1955 | JANUARY 31, 1954 |
| CURRENT ASSETS: | | |
| Cash resources— | | |
| Cash on deposit and on hand - - - - - | \$ 2,123,091 | \$ 2,926,061 |
| U. S. Government securities plus accrued interest (market value \$200,497.00 at January 31, 1955) - - - | 200,759 | 199,818 |
| | \$ 2,323,850 | \$ 3,125,879 |
| Accounts receivable— | | |
| Customers and trade - - - - - | \$ 2,220,875 | \$ 1,974,530 |
| Time payments - - - - - | 20,801,364 | 19,344,659 |
| Sundry - - - - - | 69,722 | — |
| | \$23,091,961 | \$21,319,189 |
| Less—Reserve for doubtful accounts and collection expense - - - - - | 1,936,305 | 1,754,854 |
| | 21,155,656 | 19,564,335 |
| Inventories (at lower of cost or market)— | | |
| Merchandise inventory, including in transit - - - | \$11,180,664 | \$10,207,412 |
| Paper, supplies and postage stamps - - - - - | 846,336 | 869,045 |
| | 12,027,000 | 11,076,457 |
| Prepaid expenses— | | |
| Advances on Spring season catalogs and expenses - | \$ 1,850,843 | \$ 1,842,784 |
| Unexpired insurance - - - - - | 75,473 | 88,151 |
| | 1,926,316 | 1,930,935 |
| Total Current Assets - - - - - | \$37,432,822 | \$35,697,606 |
| OTHER ASSETS | 282,350 | 349,964 |
| FIXED ASSETS: | | |
| Real estate, leasehold improvements and equipment (at cost) - - - - - | \$ 6,826,699 | \$ 6,413,941 |
| Less—Reserves for amortization and depreciation - - | 2,960,405 | 2,650,818 |
| | \$ 3,866,294 | \$ 3,763,123 |
| Construction in process - - - - - | 705,084 | 3,763,123 |
| | 4,571,378 | 3,763,123 |
| | \$42,286,550 | \$39,810,693 |

| | <u>LIABILITIES AND CAPITAL</u> | |
|--|--------------------------------|------------------|
| | JANUARY 31, 1955 | JANUARY 31, 1954 |
| CURRENT LIABILITIES: | | |
| Bank loans - - - - - | \$11,050,000 | \$ 8,850,000 |
| Accounts payable—trade creditors - - - - - | 1,708,809 | 1,355,256 |
| Due to customers for unfilled orders and refund vouchers | 1,288,581 | 1,165,487 |
| Accrued payrolls - - - - - | 823,721 | 972,299 |
| Accrued property and franchise taxes - - - - - | 220,850 | 209,517 |
| Accrued federal and state taxes (returns have been re- viewed by Treasury Department through January 31, 1953) | 1,548,392 | 2,541,910 |
| Construction and sundry payables - - - - - | 395,247 | 38,493 |
| Total Current Liabilities - - - - - | \$17,035,600 | \$15,132,962 |
| 3½ % PROMISSORY NOTE: | | |
| Final maturity February 1, 1966 - - - - - | 6,500,000 | 6,800,000 |
| RESERVE ACCOUNTS: | | |
| Insurance reserve - - - - - | \$ 283,453 | \$ 266,407 |
| Returned goods profit and customers adjustments - - | 225,000 | 167,000 |
| Sundry - - - - - | 26,381 | 11,523 |
| | 534,834 | 444,930 |
| CAPITAL: | | |
| 4¼ % Preferred stock, cumulative, \$100 par— Issued - - - - - | \$ 3,360,000 | \$ 3,440,000 |
| Common stock, \$5 par— Authorized 600,000 shares | | |
| Issued 532,740 shares - - - - - | 2,663,700 | 1,775,905 |
| Paid-in surplus (premium on capital stocks) - - - - | 618,672 | 1,484,903 |
| Earnings retained in the business (See Note) - - - - | 11,714,966 | 10,877,996 |
| | \$18,357,338 | \$17,578,804 |
| Less—Preferred treasury stock, at cost - - - - - | 141,222 | 146,003 |
| | 18,216,116 | 17,432,801 |
| | \$42,286,550 | \$39,810,693 |

NOTES:

Under provisions of 3½ % promissory note, approximately \$3,800,000 of earnings retained in the business was unrestricted at January 31, 1955 with respect to the payment of dividends on the common stock.
Aldens, Inc. has guaranteed completion of a building being erected for its use by its wholly-owned subsidiary (Alco Realty Co.).

Statement of Consolidated Income

FISCAL YEARS ENDED JANUARY 31, 1955 AND JANUARY 31, 1954

| | Fiscal Year Ended January 31, 1955 | Fiscal Year Ended January 31, 1954 |
|---|---------------------------------------|---------------------------------------|
| GROSS SALES LESS RETURNS | | |
| (including leased departments) - - - - - | \$90,505,270 | \$92,442,630 |
| COST OF GOODS SOLD | | |
| (including publicity, occupancy and buying expense) - | <u>73,443,381</u> | <u>74,446,912</u> |
| Gross profit on sales - - - - - | \$17,061,889 | \$17,995,718 |
| OPERATING EXPENSES: | | |
| Selling, general and administrative expenses - - - - | \$12,943,086 | \$13,124,946 |
| Building maintenance and repairs - - - - - | 132,856 | 141,028 |
| Depreciation and amortization - - - - - | 339,355 | 309,380 |
| Social security, property and sundry taxes - - - - | <u>544,858</u> | <u>554,773</u> |
| Income from operations - - - - - | \$ 3,101,734 | \$ 3,865,591 |
| OTHER INCOME: | | |
| Interest received and anticipation - - - - - | \$ 106,796 | \$ 100,199 |
| Miscellaneous income - - - - - | <u>73,377</u> | <u>76,001</u> |
| | 180,173 | 176,200 |
| | \$ 3,281,907 | \$ 4,041,791 |
| OTHER DEDUCTIONS: | | |
| Interest expense - - - - - | \$ 566,864 | \$ 566,996 |
| Miscellaneous expense - - - - - | <u>29,658</u> | <u>67,522</u> |
| | 596,522 | 634,518 |
| Income before provision for Federal taxes on income | <u>\$ 2,685,385</u> | <u>\$ 3,407,273</u> |
| PROVISION FOR FEDERAL TAXES ON INCOME | 1,100,000 | 1,906,130 |
| NET INCOME FOR YEAR | <u>\$ 1,585,385</u> | <u>\$ 1,501,143</u> |

Statement of Consolidated Surplus

FISCAL YEARS ENDED JANUARY 31, 1955 AND JANUARY 31, 1954

| | Fiscal Year Ended January 31, 1955 | Fiscal Year Ended January 31, 1954 |
|--|---------------------------------------|---------------------------------------|
| PAID-IN SURPLUS (premium on capital stock): | | |
| Balance at beginning of year - - - - - | \$ 1,484,903 | \$ 1,462,103 |
| Add—Excess of par value over cost of preferred shares cancelled during year - - - - - | 22,076 | 22,800 |
| | \$ 1,506,979 | \$ 1,484,903 |
| Deduct— Excess of cost over par value of common shares cancelled during year - - - - - | -\$ 407 | |
| Par value of 177,580 common shares distributed as dividend on common shares during year (trans- ferred to capital stock) - - - - - | 887,900 | 888,307 |
| Balance at end of year - - - - - | \$ 618,672 | \$ 1,484,903 |
| EARNINGS RETAINED IN THE BUSINESS: | | |
| Balance at beginning of year - - - - - | \$10,877,996 | \$10,049,811 |
| Add—Net income for year - - - - - | 1,585,385 | 1,501,143 |
| | \$12,463,381 | \$11,550,954 |
| Deduct—Cash dividends } Common stock - - - - - | \$ 612,659 | \$ 532,772 |
| } Preferred stock - - - - - | 135,756 | 140,186 |
| | 748,415 | 672,958 |
| Balance at end of year - - - - - | \$11,714,966 | \$10,877,996 |


Auditors' Certificate

TO SHAREHOLDERS OF ALDENS, INC.:

We have examined the consolidated balance sheet of Aldens, Inc. and its wholly-owned subsidiaries as of January 31, 1955 together with the related statements of consolidated income and consolidated surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and consolidated surplus present fairly the financial position of Aldens, Inc. and its wholly-owned subsidiaries at January 31, 1955 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding period.

Chicago, Illinois
March 10, 1955

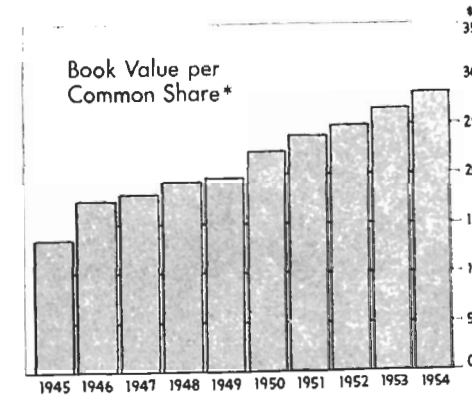
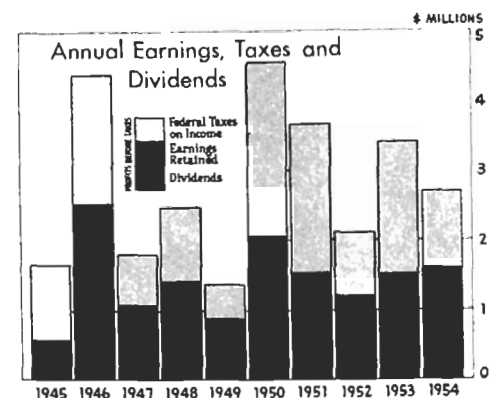
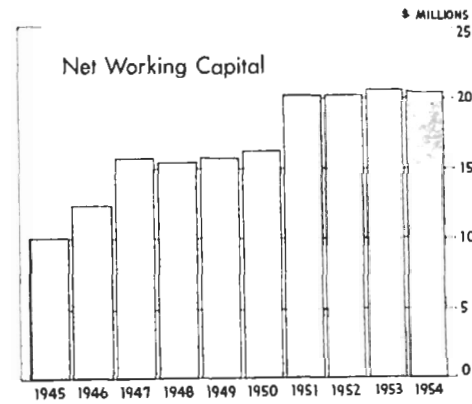
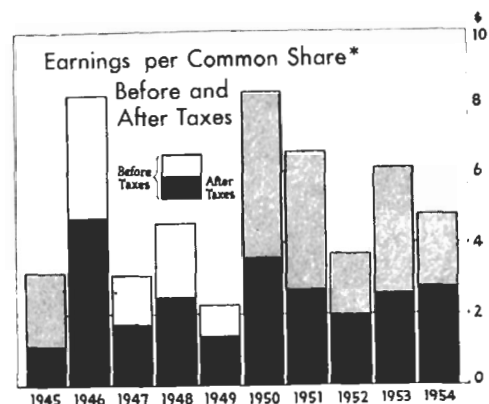


Certified Public Accountants

A Ten Year Performance Record of Allens, inc.

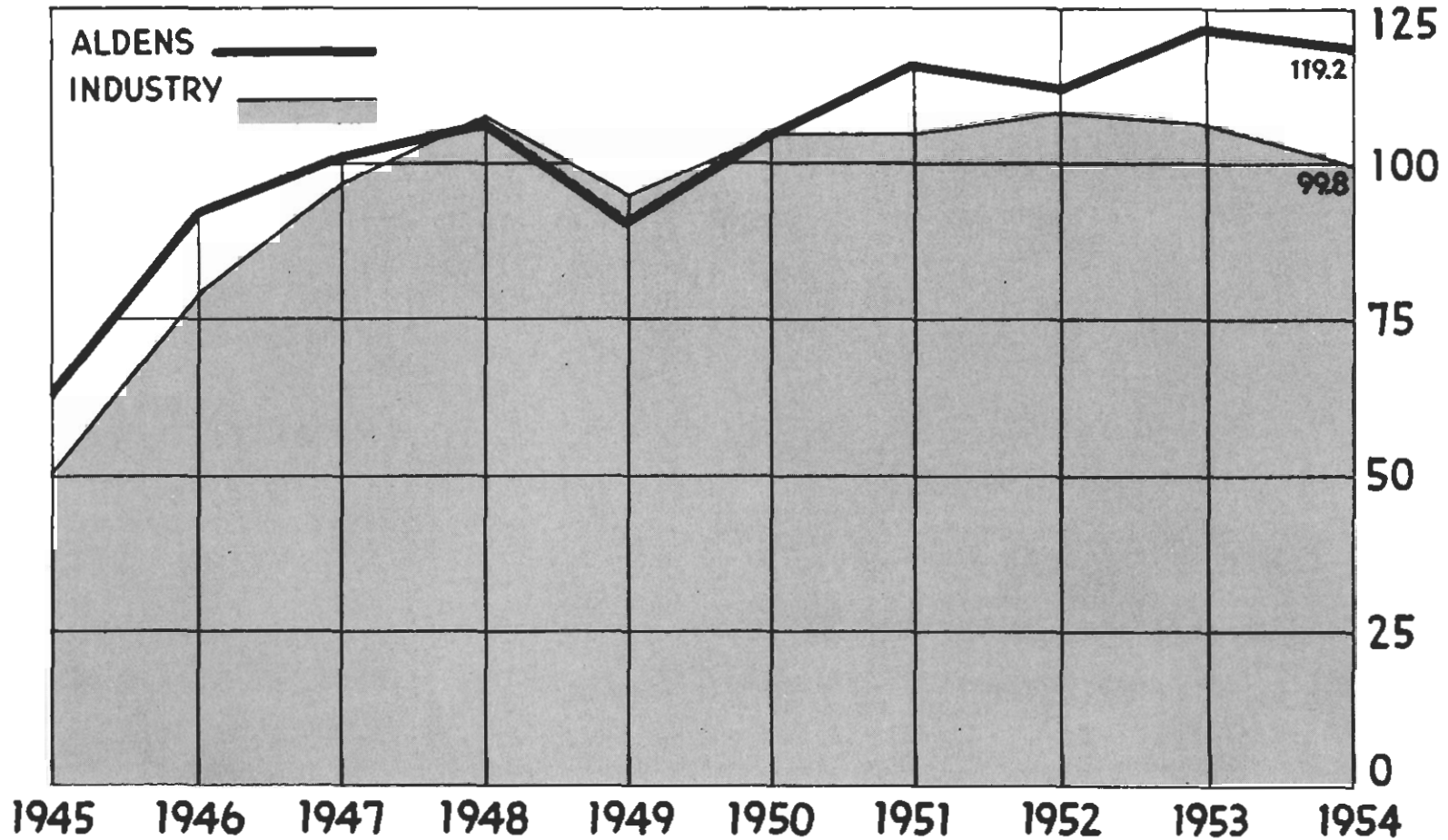
| Year (1) | Net Sales | Profit Before Taxes | Federal Taxes on Income | Profit for Year | Common Stock and Surplus | % Profit(1) to Common Stock and Surplus (2) | Book Value Per Share (3)(7) | Profit per Share(4)(7) | | Dividends Per Common Share (7) |
|----------|---------------|---------------------|-------------------------|-----------------|--------------------------|---|-----------------------------|------------------------|-------------|--------------------------------|
| | | | | | | | | Before Taxes | After Taxes | |
| 1954 | \$90,505,270 | \$2,685,385 | \$1,100,000 | \$1,585,385 | \$14,997,338 | 10.3 | \$28.15 | \$4.79 | \$2.72 | \$1.15 |
| 1953 | 92,442,630 | 3,407,273 | 1,906,130 | 1,501,143 | 14,138,804 | 10.2 | 26.51 | 6.13 | 2.55 | 1.00 |
| 1952 | 85,725,928 | 2,110,653 | 920,185(5) | 1,190,468(5) | 13,287,819 | 8.2(5) | 24.94 | 3.69 | 1.97(5) | 1.00 |
| 1951 | 87,443,314 | 3,673,494 | 2,144,150 | 1,529,344 | 12,748,799 | 11.7 | 23.93 | 6.63 | 2.60 | 1.00 |
| 1950 | 79,784,448 | 4,554,448 | 2,506,640 | 2,047,808 | 11,872,799 | 18.1 | 22.29 | 8.27 | 3.57 | 1.00 |
| 1949 | 68,918,480 | 1,378,742 | 500,000 | 878,742 | 10,478,756 | 7.0 | 19.67 | 2.29 | 1.35 | 1.00 |
| 1948 | 87,841,639(1) | 2,617,379 | 1,134,400 | 1,482,979(2) | 10,270,463 | 13.7 | 19.28 | 4.61 | 2.48 | 1.00 |
| 1947 | 79,248,307 | 1,812,571 | 751,525 | 1,061,046 | 9,613,602 | 9.7 | 18.05 | 3.09 | 1.68 | 1.00 |
| 1946 | 70,111,169 | 4,476,901 | 1,854,119 | 2,622,782(3) | 9,251,018 | 35.3 | 17.37 | 8.21 | 4.73 | .92 |
| 1945 | 47,756,102 | 1,652,271 | 1,092,519 | 559,752 | 7,158,019 | 8.3 | 13.43 | 3.18 | 1.08 | .50 |

(1) 1949 and subsequent cover the fiscal years ended January 31. The year 1948 covers the thirteen month period ended January 31, 1949; 1947 and prior cover calendar years. (2) Includes carry-back excess profits tax credit adjustment of \$161,116 which is equivalent to \$.30 per share of Common stock. (3) In addition, earned surplus was credited \$385,019 in 1948 for reserve for contingencies and was charged \$527,144 in 1948 for write-off of investment in subsidiaries in excess of cost of net tangible assets at dates of acquisitions, and was charged \$100,000 in 1946 for underwriting fees applicable to issuance of Preferred stock. (4) At beginning of year. (5) At end of year. (6) Since 1946, after Preferred dividends. (7) All years adjusted for 50% stock distribution issued in 1954 (see page 9).



*All years adjusted to new stock basis (see page 9).

Aldens Annual Catalog Sales Compared to Industry



NOTES TO CHART:

1. 1947-1949=100%
2. Source: U. S. Department of Commerce
3. Industry: Includes the catalog sales of the four principal mail order companies

