

Aldens

1955

ANNUAL REPORT

FOR THE FISCAL YEAR
ENDED JANUARY 31, 1956

Aldens Locations

EXECUTIVE OFFICES

BUYING OFFICES

CLERICAL OPERATIONS

HARD LINE WAREHOUSE

5000 West Roosevelt Road • Chicago 7, Illinois

MAIL ORDER WAREHOUSE 511 South Paulina Street • Chicago 7, Illinois

NEW YORK BUYING OFFICE 200 Madison Avenue • New York 16, N. Y.

Approximately 1,400,000 square feet of space is occupied in these buildings.

ALDENS RETAIL STORES

ILLINOIS

Chicago
Elmwood Park
Galesburg
Kankakee
Rockford

INDIANA

Bedford
Bloomington
Frankfort
Terre Haute
Vincennes

IOWA

Iowa City
Mason City

KENTUCKY
Owensboro

MICHIGAN

Lansing

PENNSYLVANIA

Uniontown

ALDENS CATALOG OFFICES

ARKANSAS

Little Rock

COLORADO

Denver

GEORGIA

Atlanta

ILLINOIS

Aurora
Berwyn
Burlington
Chicago
Chicago Heights

ILLINOIS (cont'd)

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

INDIANA

Evansville
Fort Wayne
Gary
Hammond
Indianapolis
Mishawaka

IOWA

Clinton
Davenport
Des Moines
Dubuque
Ottumwa

KENTUCKY

Louisville

MARYLAND

Baltimore

MICHIGAN

Battle Creek
Bay City
Benton Harbor
Detroit
Flint
Grand Rapids
Jackson
Kalamazoo
Lansing
Muskegon
Pontiac
Royal Oak

MICHIGAN (cont'd)

Saginaw
Wayne
Ypsilanti

MINNESOTA

Minneapolis

MISSOURI

Kansas City
St. Louis

NEBRASKA

Omaha

NEW JERSEY

Newark

NEW YORK

Buffalo
New York City
Rochester

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
77 locations
in operation as of
January 31, 1956

Aldens Management

Aldens, INC.
 5000 W. ROOSEVELT RD.
 COLUMBUS 1-8600

ROBERT MARKENS
Assistant Secretary

BOARD OF DIRECTORS

R. L. ARNHEIM Vice President & Treasurer, Aldens, Inc.
 W. T. BRUCKNER Chairman of the Board, Cicero State Bank, Cicero, Ill.
 C. E. BUTLER Business Consultant, Waterloo, Iowa
 G. J. CULLINAN Vice President, Aldens, Inc.
 H. T. EATON Vice President, Aldens, Inc.
 R. W. JACKSON President, Aldens, Inc.
 W. A. KRAFFT President, Emporium World Millinery Co., Chicago

G. P. MADIGAN Vice President, Madigan Brothers, Inc., Chicago
 M. A. RISKIND Partner, D'Ancona, Pflaum, Wyatt & Riskind, Chicago
 E. H. ROSENTHAL Partner, Central Building Co., Beverly Hills, Calif.
 LAWRENCE K. SCHNADIG President, International Furniture Company, Chicago
 R. A. SEIDEL Vice President, Radio Corp. of America, New York, N.Y.
 H. J. STENTIFORD Vice President, Aldens, Inc.
 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. R. COX Vice President
 G. J. CULLINAN Vice President
 H. T. EATON Vice President
 I. C. STAEHLE 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 R. W. JACKSON LAWRENCE K. SCHNADIG

PROFIT SHARING PLAN COMMITTEE

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

EXECUTIVE COMMITTEE

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

Aldens 1955 Record in Brief

COMPARED WITH PREVIOUS YEARS

	1955	1954	1953	1952	1951
SALES	\$97,352,388	\$90,505,270	\$92,442,630	\$85,725,928	\$87,443,314
EARNINGS					
Before Federal Tax on Income	\$ 2,719,644	\$ 2,685,385	\$ 3,407,273	\$ 2,110,653	\$ 3,673,494
After Federal Tax on Income	1,419,644	1,418,904 ⁽¹⁾	1,501,143	1,190,468 ⁽¹⁾	1,529,344
Times Preferred Stock Dividend Requirement	10.6	10.5 ⁽²⁾	10.7	8.4 ⁽²⁾	10.6
After Preferred Dividends	\$ 1,285,982	\$ 1,283,148 ⁽²⁾	\$ 1,360,937	\$ 1,048,625 ⁽²⁾	\$ 1,384,844
Per Share of Common Stock After Preferred Dividends ⁽²⁾	2.19	2.19 ⁽²⁾	2.32	1.79 ⁽¹⁾	2.36
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	1.05	.91	.91	.91
ANNUAL EARNINGS RETAINED IN BUSINESS	\$ 614,737	\$ 670,489 ⁽¹⁾	\$ 928,183	\$ 315,833	\$ 832,072
ASSETS					
Cash and U.S. Government Securities	\$ 3,418,389	\$ 2,293,813 ⁽¹⁾	\$ 3,125,879	\$ 2,808,661	\$ 3,134,736
Receivables	24,886,336	21,155,656	19,564,335	16,947,723	15,500,170
Merchandise Inventories	13,070,913	11,180,665	10,207,412	10,591,429	10,625,141
Merchandise on Order	4,063,126	3,938,524	3,128,364	5,176,783	3,899,340
Working Capital	23,885,640	20,836,573 ⁽²⁾	20,564,644	20,124,291	20,126,893
Current Ratio	2.13 to 1	2.26 to 1 ⁽²⁾	2.36 to 1	2.54 to 1	2.68 to 1
Net Fixed Assets	\$ 4,074,865	\$ 3,351,962 ⁽²⁾	\$ 3,763,123	\$ 3,920,670	\$ 3,794,746
Total Assets	50,090,544	41,650,681 ⁽²⁾	39,810,693	37,287,138	35,922,145
LONG TERM DEBT	\$ 9,935,648	\$ 6,500,000	\$ 6,800,000	\$ 7,100,000	\$ 7,400,000
CAPITAL STOCK					
Preferred Stock - 4 1/4%, \$100 Par	\$ 3,122,583	\$ 3,218,778	\$ 3,293,997	\$ 3,383,163	\$ 3,428,043
Number of Preferred Shares Outstanding	30,870	31,700	32,370	33,300	33,600
Common Stock and Surplus	\$15,468,479	\$14,830,857 ⁽²⁾	\$14,138,804	\$13,287,819	\$12,748,799
Number of Common Shares Outstanding	586,022	532,740	355,181	355,181	335,181
Book Value Common Stock ⁽²⁾	\$ 26.40	\$ 25.31 ⁽²⁾	\$ 24.13	\$ 22.67	\$ 21.75

⁽¹⁾ Includes carry-back excess profits tax credit adjustment of \$161,116 which is equivalent to 27 cents per share of Common stock.

⁽²⁾ Adjusted for 50% stock distribution issued in 1954 and 10% stock dividend paid in 1955.

⁽³⁾ See notes to financial statements.

Aldens, INC.

EXECUTIVE OFFICES

CHICAGO 7

April 19, 1956

OFFICE OF THE PRESIDENT

To the Shareholders of Aldens:

Sales for the year totaled \$97,352,388, which was 7.6% over the previous year. This represents the highest sales volume in the history of the Company. 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 25.5% in sales, whereas the industry has increased only 8.6%.

Consolidated earnings after taxes for the year were \$1,419,644 compared with \$1,418,904 in 1954. After provision for dividends on Preferred Stock, earnings per share on the Common Stock equalled \$2.19 in both 1955 and 1954.

While earnings were the same as in the previous year, several non-recurring items of expense prevented our showing a better performance. A considerable sum of money was expended in preparing for and actually moving our organization into the new building and disposing of the excess space in the various warehouses as a result of the move. Additional expense was also incurred to increase the number of our customers by more than 5%, which is chargeable against this year's income but should mean higher sales in future years.

Accounts receivable increased 17.6% over last year to a total of \$24,886,336. The entire increase took place in our time payment accounts. Excellent promotional results were achieved by a program to increase credit sales and customers. Time payment sales accounted for 31% of total sales in 1955.

Our merchandise inventory and commitments on January 31, 1956 amounted to \$17,134,039, or 13.3% above last year. Our higher position this year results partially from Easter falling earlier than in 1955, which requires earlier buying, additional inventory necessitated by our retail expansion program, and higher prices for certain lines of merchandise. We intend to maintain a conservative position on merchandise.

The year 1955 was a year of momentous activity in the affairs of Aldens. Among the items of major importance that occurred during the year were the following:

1. The new building at 5000 West Roosevelt Road was completed for a total cost well within the budget allowed for this purpose. The Company is now operating in this building and the 511 South Paulina Street building instead of the eight buildings formerly occupied. This consolidation will enable us to give better service to our customers as well as operate more efficiently and at lower cost during the coming years.

We organized two wholly-owned real estate subsidiaries to finance and construct the new building, thereby permitting Aldens to confine its invested capital to merchandising activities. The financial statements of the real estate subsidiaries are shown on Pages 14 and 15.

2. We acquired three retail department stores during the year; McAtee's in Owensboro, Kentucky on March 3, 1955, N. Kaufman's, in Uniontown, Pennsylvania on August 1, 1955, and O. T. Johnson's in Galesburg, Illinois on January 31, 1956. With the addition of these three stores, our retail chain now numbers fifteen. We intend to continue the expansion program as desirable locations become available.
3. On July 22, 1955 your Board of Directors declared a 10% Common Stock dividend, which was paid to shareholders during August, 1955. We maintained the quarterly dividend rate of 30 cents per share on the increased number of shares outstanding. Total dividends (on current stock basis) paid in 1955 were \$1.15 compared to \$1.05 the previous year.
4. In September, the Company issued rights to purchase 4½% Convertible Subordinated Debentures. A total of \$3,662,600 of debentures were sold and the proceeds used to finance the increase in accounts receivable and the acquisition of retail stores. (See page 8 for additional details.)
5. We have extended our union contract for the employees of the Mail Order Division for a period of four years. The contract provides for five cent wage increases to the employees each year until February 1, 1960, and assures us of a continued harmonious relationship with the union.

It is estimated that sales for the first quarter of 1956 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.

I want to extend my personal thanks to our employees, to the shareholders, Directors and Officers, and to our sources and customers for their efforts on behalf of and confidence in the Company.

Sincerely,



1955 Review

SALES—\$97,352,388

Consolidated net sales totaled \$97,352,388, or 7.6% over 1954. This represented the highest sales volume in the history of the Company. A five year comparison of sales follows:

	1955	1954	1953	1952	1951
First half of year -	\$40,960,886	\$37,118,174	\$38,985,743	\$36,735,960	\$36,224,103
Second half of year -	56,391,502	53,387,096	53,456,887	48,989,968	51,219,211
Total Net Sales for Year -	<u>\$97,352,388</u>	<u>\$90,505,270</u>	<u>\$92,442,630</u>	<u>\$85,725,928</u>	<u>\$87,443,314</u>

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

EARNINGS—\$2.19 PER SHARE

Consolidated profit before Federal taxes on income for the year 1955 amounted to \$2,719,644, or 2.8% of sales, compared with \$2,685,385, or 3.0% of sales in 1954. After provision for Federal taxes on income consolidated net profit for the year was \$1,419,644, compared to \$1,418,904 last year. Profit per Common share after Preferred dividends in 1955 was \$2.19 or the same as in 1954. A five year comparison of earnings follows:

	1955	1954	1953	1952	1951
First half of year, before Federal taxes -	\$ 712,862	\$ 280,462	\$ 913,759	\$ 265,185	\$ 992,640
Second half of year, before Federal taxes -	2,006,782	2,404,923	2,493,514	1,845,468	2,680,854
Total for Year -	<u>\$ 2,719,644</u>	<u>\$ 2,685,385</u>	<u>\$ 3,407,273</u>	<u>\$ 2,110,653</u>	<u>\$ 3,673,494</u>
Federal taxes on income -	1,300,000	1,268,159 ⁽²⁾	1,906,130	920,185	2,144,150
Consolidated Net Profit -	<u>\$ 1,419,644</u>	<u>\$ 1,418,904⁽²⁾</u>	<u>\$ 1,501,143</u>	<u>\$ 1,190,468⁽¹⁾</u>	<u>\$ 1,529,344</u>

(1) Includes carry-back excess profits tax credit adjustment of \$161,116. (2) See notes to financial statements.

FEDERAL INCOME TAX RETURNS REVIEWED THROUGH JANUARY 31, 1954

The Bureau of Internal Revenue has completed its examination of Aldens and its subsidiaries' income tax returns through January 31, 1954. The reserve for taxes amply covers estimated requirements for the years ended January 31, 1955 and January 31, 1956.

1955 Review cont'd.

INSTALLMENT ACCOUNTS RECEIVABLE INCREASED 18.1% IN 1955

Installment accounts receivable rose to \$24,556,479 at January 31, 1956 from \$20,801,364 the previous year. Installment sales were 31% of total 1955 volume compared to 28% in 1954. Following is a comparative summary of the company's net receivables:

	January 31, 1956	January 31, 1955	% Increase 1955 Over 1954
Customers and Trade -	\$ 2,688,070	\$ 2,220,875	21.0%
Time Payment -	24,556,479	20,801,364	18.1
Sundry Receivables -	79,586	69,722	14.1
Total Accounts Receivable -	\$27,324,135	\$23,091,961	18.3
Less—Reserve for doubtful accounts and collection expense	2,437,799	1,936,305	25.9
Net Accounts Receivable -	<u>\$24,886,336</u>	<u>\$21,155,656</u>	<u>17.6</u>

MERCHANDISE INVENTORY AND COMMITMENTS—\$17,134,039

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

	January 31, 1956	January 31, 1955	% Increase 1955 Over 1954
Merchandise inventory (including in transit) -	\$13,070,913	\$11,180,664	16.9%
Commitments -	4,063,126	3,938,524	3.2
Total Inventory and Commitments -	<u>\$17,134,039</u>	<u>\$15,119,188</u>	<u>13.3</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.

CURRENT RATIO—2.13

Net Working Capital at January 31, 1956 increased \$3,049,067 over the previous year. The company's working capital position compared with prior years is presented below:

	January 31 1956	January 31 1955	January 31 1954	January 31 1953	January 31 1952
Current assets -	\$44,933,905	\$37,402,785	\$35,697,606	\$33,232,377	\$32,082,208
Current liabilities -	21,048,265	16,566,212	15,132,962	13,108,086	11,955,315
Net Working Capital -	<u>\$23,885,640</u>	<u>\$20,836,573</u>	<u>\$20,564,644</u>	<u>\$20,124,291</u>	<u>\$20,126,893</u>
Ratio of current assets to current liabilities -	2.13	2.26	2.36	2.54	2.68

1955 Review cont'd.

LONG TERM DEBT

Long term debt consists of the following items:

3 1/2% promissory note with a present balance of \$6,200,000 due in installments of \$400,000 annually through 1965. In February, 1966, the remaining balance will be due.

4 1/2% Convertible Subordinated Debentures issued in 1955 with a present outstanding balance of \$3,662,400. The debentures are convertible into common stock at a conversion price of \$25 per share. Retirement of \$180,000 annually through a sinking fund is required beginning in 1960 with the remaining balance to be retired in September, 1970. During the years prior to the operation of the sinking fund the company will purchase at least \$100,000 annually if the purchase can be effected at a price below the redemption price.

PREFERRED STOCK RETIREMENT

The sinking fund provisions for Preferred stock retirement require 800 shares to be retired on July 1, 1956. At January 31, 1956, 1,930 shares had been acquired at an average cost of \$81.56 per share for sinking fund purposes and are being carried as treasury stock. These shares will be available for the July 1, 1956 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—\$26.40 PER SHARE

The Common stock and surplus at January 31, 1956 amounted to \$15,468,479, an increase of \$637,622 over the previous year. This is a book value of \$26.40 per share compared to \$25.31 last year after adjustment for stock dividend. The book value is determined as follows:

Book value at January 31, 1955		\$14,830,857
Earnings for year		1,419,644
Excess of par over cost of Preferred shares cancelled during year		22,691
Carrying value of 4 1/2% debentures converted during year		204
Less		\$16,273,396
Cash dividends on Common stock	\$671,255	
Cash dividends on Preferred stock	133,662	804,917
Book value at January 31, 1956		<u>\$15,468,479</u>
Book value per Common share (586,022 shares)		<u>\$26.40</u>

1955 Review cont'd.

STOCK DIVIDEND

On July 22, 1955, the Board of Directors declared a 10% Common Stock dividend payable August 12, 1955 to shareholders of record at the close of business on August 1, 1955. On the issuance of the additional 53,274 common shares, there was transferred from Earned Surplus \$1,319,597 (\$24.77 per share, the market price at the time), of which \$5.00 per share or \$266,370 was credited to stated capital and the balance, or \$1,053,227, was credited to Paid In Surplus. 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 dividend.

CASH DIVIDENDS PAID—\$1.15 PER SHARE ON COMMON—\$4.25 PER SHARE ON PREFERRED

The year 1955 marks the twenty-second consecutive year in which Aldens has paid dividends. The Common Stock dividend per share was \$1.15 (30 cents in each of the first two quarters, which together is equivalent to 55 cents on the new stock basis, and 30 cents in each of the remaining quarters). The present quarterly cash dividend represents a 10% increase over payments made before the stock dividend. The regular yearly Preferred Stock dividend of \$4.25 was also paid. Total dividends paid during the year amounted to \$804,917.

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				
	1955	1954	1953	1952	1951	1955	1954	1953	1952	1951
Shares Traded During Fiscal Year	163,000	221,500	82,300	71,800	132,600	3,750	3,980	2,950	2,995	5,660
High Price During Fiscal Year -	\$26 ⁷ / ₈	\$17 ³ / ₄	\$14 ¹ / ₄	\$14 ¹ / ₂	\$16 ³ / ₄	\$91 ³ / ₄	\$85	\$74	\$76	\$80
Low Price During Fiscal Year -	\$17 ¹ / ₂	\$12 ³ / ₄	\$10 ³ / ₈	\$11	\$12 ¹ / ₈	\$82 ³ / ₄	\$73 ¹ / ₂	\$70	\$70	\$70
Price at Close of Fiscal Year -	\$22 ¹ / ₄	\$17 ⁵ / ₈	\$13 ³ / ₄	\$11 ¹ / ₂	\$12 ⁷ / ₈	\$88	\$83	\$72 ³ / ₄	\$72	\$70

All of the Common stock prices have been adjusted to reflect the 50% stock distribution issued in 1954 and the 10% stock dividend paid in 1955.

REAL ESTATE SUBSIDIARIES

The financial statements of the real estate subsidiaries, Alco Realty Co. and Ciro Land Corp., are shown on Pages 14 and 15. The organization of these subsidiaries to finance and construct the new building permitted Aldens to confine its invested capital to merchandising activities. In order to show proper comparisons to 1954, it was necessary to restate certain data contained in Aldens' financial statements to exclude from 1954 the amounts involved in the real estate subsidiaries. These amounts are shown for 1954 on the real estate subsidiary statements.

Consolidated Balance Sheet of Aldens, inc. **AND ITS MERCHANDISING**

ASSETS

CURRENT ASSETS:	JANUARY 31, 1956		JANUARY 31, 1955	
Cash resources—				
Cash on deposit and on hand - - - - -	\$ 3,203,465		\$ 2,093,054	
U. S. Government securities plus accrued interest	214,924	\$ 3,418,389	200,759	\$ 2,293,813
Accounts receivable—				
Customers and trade - - - - -	\$ 2,688,070		\$ 2,220,875	
Time payments - - - - -	24,556,479		20,801,365	
Sundry - - - - -	79,586		69,722	
	\$27,324,135		\$23,091,962	
Less—Reserve for doubtful accounts and collection expense - - - - -	2,437,799	24,886,336	1,936,305	21,155,657
Inventories (at lower of cost or market)—				
Merchandise inventory, including in transit - - -	\$13,070,913		\$11,180,665	
Paper, supplies and postage stamps - - - - -	1,102,247	14,173,160	846,335	12,027,000
Prepaid expenses—				
Advances on Spring season catalogs and expenses -	\$ 2,366,380		\$ 1,850,843	
Unexpired insurance - - - - -	89,640	2,456,020	75,472	1,926,315
Total Current Assets - - - - -		\$44,933,905		\$37,402,785
		466,774		280,934
OTHER ASSETS				
INVESTMENT IN REAL ESTATE SUBSIDIARIES				
(See attached Statements and Note 1)		615,000		615,000
FIXED ASSETS:				
Real estate, leasehold improvements and equipment (at cost) - - - - -	\$ 7,361,474		\$ 6,312,368	
Less—Reserves for amortization and depreciation - -	3,286,609	4,074,865	2,960,406	3,351,962
		<u>\$50,090,544</u>	<u>\$41,650,681</u>	

SUBSIDIARIES

LIABILITIES AND CAPITAL

	JANUARY 31, 1956		JANUARY 31, 1955	
CURRENT LIABILITIES:				
Bank loans - - - - -		\$15,100,000		\$10,750,000
Accounts payable—trade creditors - - - - -		1,670,398		1,708,809
Due to customers for unfilled orders and refund vouchers		1,282,056		1,288,581
Accrued payrolls - - - - -		981,199		823,721
Accrued property and franchise taxes - - - - -		219,555		213,200
Accrued federal and state taxes (returns have been reviewed by Treasury Department through January 31, 1954) (Note 3) - - - - -		1,659,652		1,716,551
Sundry payables - - - - -		135,405		65,350
Total current liabilities - - - - -		<u>\$21,048,265</u>		<u>\$16,566,212</u>
LONG TERM DEBT:				
3½% Promissory note (final maturity February 1, 1966) - - - - -	\$ 6,200,000		\$ 6,500,000	
4½% Convertible subordinated debentures plus un-amortized premium (due September 1, 1970) (Note 2) - - - - -	3,735,648	9,935,648	—	6,500,000
RESERVE ACCOUNTS:				
Insurance reserve - - - - -	\$ 304,055		\$ 283,453	
Returned goods profit and customers adjustments - -	200,000		225,000	
Sundry - - - - -	11,514	515,569	26,381	534,834
CAPITAL:				
4¼% preferred stock, cumulative, \$100 par—				
Issued - - - - -	\$ 3,280,000		\$ 3,360,000	
Common stock, \$5 par (Note 4)—				
Authorized 1,000,000 shares				
Issued 586,022 shares - - - - -	2,930,110		2,663,700	
Paid-in surplus (premium on capital stocks) - - - -	1,694,754		618,672	
Earnings retained in the business (See notes 2 and 3) -	10,843,615		11,548,485	
	<u>\$18,748,479</u>		<u>\$18,190,857</u>	
Less—Treasury preferred stock, at cost - - - - -	157,417	18,591,062	141,222	18,049,635
		<u>\$50,090,544</u>		<u>\$41,650,681</u>

Statement of Consolidated Income

FISCAL YEARS ENDED JANUARY 31, 1956 AND JANUARY 31, 1955

	Fiscal Year Ended January 31, 1956	Fiscal Year Ended January 31, 1955
NET SALES - - - - -	\$97,352,388	\$90,505,270
COST OF GOODS SOLD		
(including publicity, occupancy and buying expense) -	78,996,552	73,443,381
GROSS PROFIT ON SALES - - - - -	\$18,355,836	\$17,061,889
OPERATING EXPENSES:		
Selling, general and administrative expenses - - - -	\$13,661,216	\$12,927,142
Building maintenance and repairs - - - - -	112,861	132,856
Depreciation and amortization - - - - -	394,926	339,355
Social security, property and sundry taxes - - - -	601,048	543,308
	14,770,051	13,942,661
INCOME FROM OPERATIONS - - - - -	\$ 3,585,785	\$ 3,119,228
OTHER INCOME:		
Interest received and anticipation - - - - -	\$ 97,247	\$ 106,796
Miscellaneous income - - - - -	79,923	57,433
	177,170	164,229
	\$ 3,762,955	\$ 3,283,457
OTHER DEDUCTIONS:		
Interest expense - - - - -	\$ 742,756	\$ 566,864
Miscellaneous expense - - - - -	56,958	29,530
Moving expense - - - - -	243,597	—
	1,043,311	596,394
INCOME BEFORE PROVISION FOR FEDERAL TAXES -	\$ 2,719,644	\$ 2,687,063
PROVISION FOR FEDERAL TAXES ON INCOME (Note 3) -	1,300,000	1,268,159
NET INCOME FOR YEAR (Note 3) - - - - -	\$ 1,419,644	\$ 1,418,904

Statement of Consolidated Surplus

FISCAL YEARS ENDED JANUARY 31, 1956 AND JANUARY 31, 1955

	Fiscal Year Ended January 31, 1956	Fiscal Year Ended January 31, 1955
PAID-IN SURPLUS (premium on capital stock):		
Balance at beginning of year - - - - -	\$ 618,672	\$ 1,484,903
Add—Excess of par value over cost of preferred shares cancelled during year - - - - -	\$ 22,691	22,076
Excess of market value over par value of common shares distributed as dividend on common stock during year (transferred from earnings retained in the business) - - - - -	1,053,227	
Excess of carrying value of 4½% convertible subordinated debentures converted over par value of common shares issued upon conversion - - - -	164	
	<u>1,076,082</u>	
	\$ 1,694,754	\$ 1,506,979
Deduct—Excess of cost over par value of common shares cancelled during year - - - - -		\$ 407
Par value of 50% common stock distribution made during year (transferred to capital stock) - - - -		<u>887,900</u>
		888,307
Balance at end of year - - - - -	<u>\$ 1,694,754</u>	<u>\$ 618,672</u>
EARNINGS RETAINED IN THE BUSINESS:		
Balance at beginning of year - - - - -	\$11,548,485	\$10,877,996
Add—Net income for year - - - - -	1,419,644	1,418,904
	<u>\$12,968,129</u>	<u>\$12,296,900</u>
Deduct—Market value of common shares distributed as dividend on common stock during year - - - -	\$1,319,597	\$ -
Cash dividends:		
Common stock - - - - -	671,255	612,659
Preferred stock - - - - -	133,662	135,756
	<u>2,124,514</u>	<u>748,415</u>
Balance at end of year - - - - -	<u>\$10,843,615</u>	<u>\$11,548,485</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements of Aldens, Inc. include all subsidiaries except Aco Realty Co. and Caro Land Corp. (both 100% owned) which are combined in separate statements at January 31, 1956. For comparison, the January 31, 1955 financial statements have been restated to exclude the assets, liabilities, capital and operating results which now appear on the combined financial statements of Aldens, Inc. real estate subsidiaries.

2. Under provisions of the indenture covering the 4½% Convertible Subordinated Debentures issued September, 1955:

a. the company is required to purchase \$100,000 principal amount per annum for retirement after June 1, 1956 if the debentures are available at lower than the

optional redemption price;

b. approximately \$2,500,000 of earnings retained in the business was unrestricted at January 31, 1956 with respect to the payment of dividends on the common stock.

3. The consolidated financial statements for January 31, 1955 have been restated to give effect to \$469,167 additional federal income tax resulting from the retroactive repeal of Sections 462 and 452 of the Revenue Act of 1954.

4. Common stock issued was increased from 632,740 to 686,022 shares.

5. Under terms of a contract to purchase net assets of a retail store, approximately \$90,000 will be payable after January 31, 1956.

Combined Financial Position... ALCO REALTY CO. AND CIRO LAND CORP.

	<u>ASSETS</u>	
	January 31, 1956	January 31, 1955
CURRENT ASSETS:		
Cash on deposit	\$ 51,237	\$ 30,037
OTHER ASSETS	39,217	1,417
FIXED ASSETS:		
Real estate and equipment	\$5,183,754	\$1,219,415
Less—Reserves for depreciation	58,118	—
	<u>5,125,636</u>	<u>1,219,415</u>
	<u>\$5,216,090</u>	<u>\$1,250,869</u>

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:			
Bank loans	\$ —		\$ 300,000
Current installments on First and Leasehold Mortgage			
5%-4½% Sinking Fund Bonds	96,600		—
Construction costs payable	—		329,897
Accrued interest	18,929		—
Accrued property taxes	—		7,650
Accrued federal income taxes	5,350		1,008
Prepaid rent	34,583		—
	<u>\$ 155,462</u>		<u>\$ 638,555</u>
LONG TERM DEBT			
First and Leasehold Mortgage			
5%-4½% Sinking Fund Bonds (Note 1)	\$4,543,000		
Less—Current installments	96,600	4,446,400	
CAPITAL:			
Common stock	\$ 615,000		\$ 615,000
Earnings retained in the business	772	614,228	2,686
		<u>\$5,216,090</u>	<u>\$1,250,869</u>

Statement of Combined Income and Surplus

**ALCO REALTY CO.
AND CIRO LAND CORP.**

	Fiscal Year Ended January 31, 1956	Fiscal Year Ended January 31, 1955
RENT RECEIVED FROM PARENT COMPANY - - - - -	\$ 142,968	\$ -
EXPENSES:		
Depreciation - - - - -	\$ 58,118	\$ -
Interest and commitment fees paid - - - - -	69,443	-
Property and sundry taxes - - - - -	5,787	1,550
Other expenses - - - - -	2,356	128
	135,704	1,678
INCOME OR LOSS BEFORE PROVISION FOR FEDERAL TAXES - - - - -	\$ 7,264	\$ 1,678
Provision for Federal Taxes on Income - - - - -	5,350	1,008
NET INCOME OR LOSS FOR YEAR - - - - -	\$ 1,914	\$ 2,686
Earnings Retained in the Business at Beginning of Year - - - - -	2,686	-
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR - - - - -	\$ 772	\$ 2,686

NOTES TO COMBINED FINANCIAL STATEMENTS

1. These bonds bear interest at 5% until the first date on which the maximum principal amount outstanding shall have been reduced by 20%, and 4½% thereafter. Payments which cover interest and sinking fund payments are due in quarterly installments of \$97,500; final installment is due April 1, 1976. First redemption may be made at the option of the company for \$250,000 par value in the year beginning April 1, 1957.

2. All of the real estate is rented to Aldens, Inc. under a long term lease. The lease, land and building are pledged under the bond indenture.

3. Escrow and title indemnity deposits and specific liabilities covered thereby aggregating \$152,825 have been excluded from the combined statement of financial position of January 31, 1956.

Auditors' Certificate TO SHAREHOLDERS OF ALDENS, INC.:

In our opinion, the accompanying financial statements present fairly:

- a. the consolidated financial position of Aldens, Inc. and its merchandising subsidiaries at January 31, 1956 and January 31, 1955 together with the related statements of income and surplus for the years then ended; and
- b. the combined financial position of the real estate subsidiaries at January 31, 1956 and January 31, 1955 together with the related statement of results from operations for the years then ended,

in conformity with generally accepted accounting principles applied on a consistent basis during the two years.

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

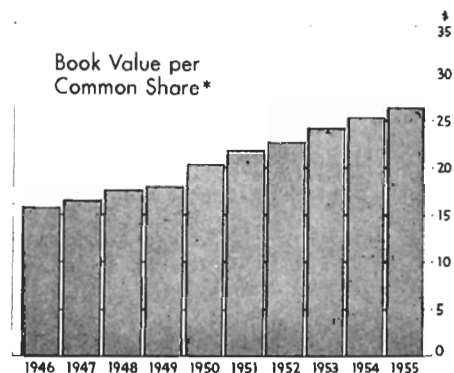
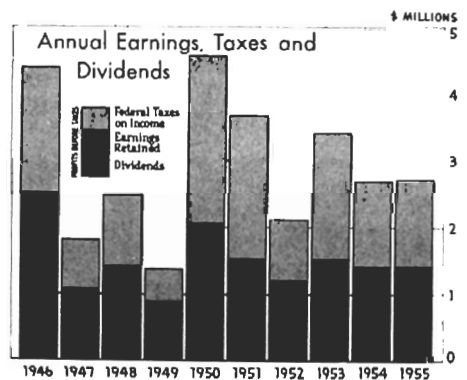
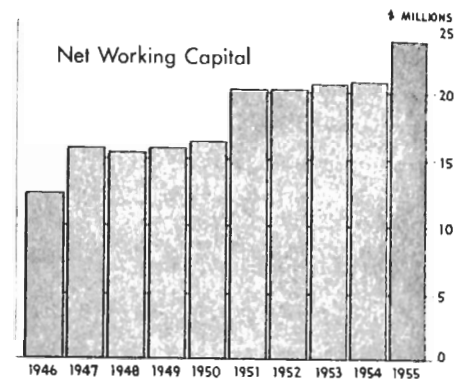
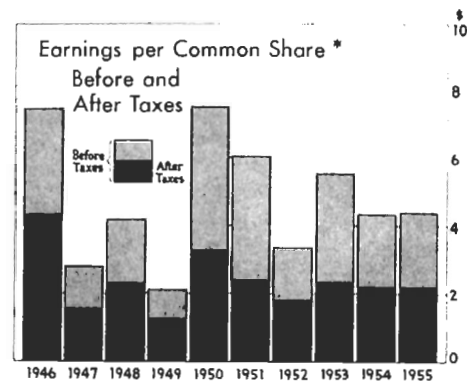
Chicago, Illinois
March 9, 1956


Certified Public Accountants

A Ten Year Performance Record of Aldens, inc.

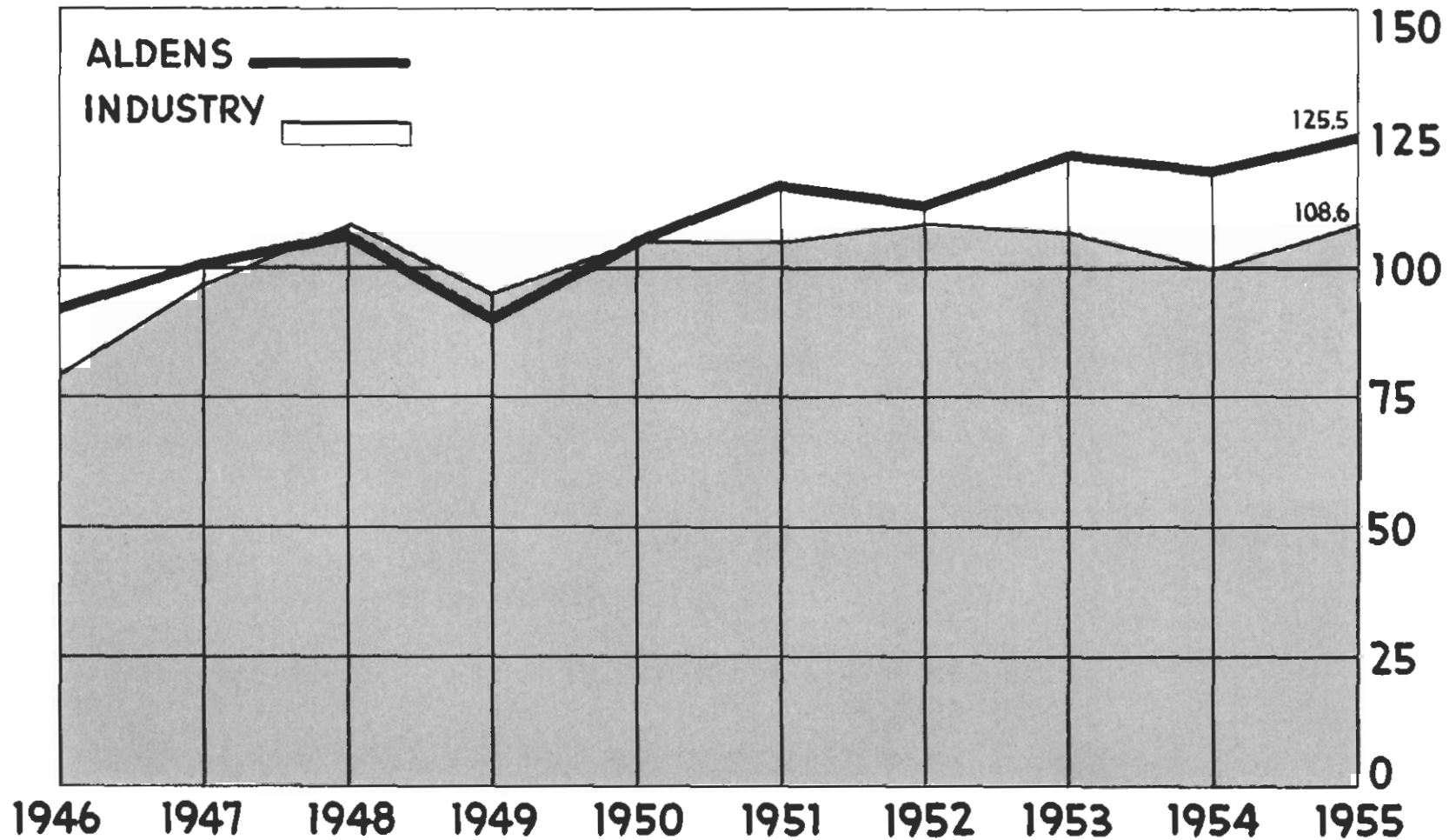
Year (1)	Net Sales	Profit Before Taxes	Federal Taxes on Income	Profit for Year	Common Stock and Surplus	% Profit (4) to Common Stock and Surplus (4)	Book Value Per Share (4)(7)	Profit per Share: (4)(7)		Dividends Per Common Share (7)
								Before Taxes	After Taxes	
1955	\$97,352,388	\$2,719,644	\$1,300,000	\$1,419,644	\$15,468,479	8.7	\$26.40	\$4.41	\$2.19	\$1.15
1954	90,505,270	2,685,385	1,268,159(4)	1,418,904(4)	14,830,857(4)	9.1(4)	25.31(4)	4.35(4)	2.19(4)	1.05
1953	92,442,630	3,407,273	1,906,130	1,501,143	14,138,804	10.2	24.13	5.57	2.32	.91
1952	85,725,928	2,110,653	920,185(7)	1,190,468(7)	13,287,819	8.2(7)	22.67	3.35	1.79(7)	.91
1951	87,443,314	3,673,494	2,144,150	1,529,344	12,748,799	11.7	21.75	6.03	2.36	.91
1950	79,784,448	4,554,448	2,506,640	2,047,808	11,872,799	18.1	20.26	7.52	3.25	.91
1949	68,918,480	1,378,742	500,000	878,742	10,478,756	7.0	17.88	2.08	1.23	.91
1948	87,841,639(1)	2,617,379	1,134,400	1,482,979(1)	10,270,463	13.7	17.53	4.19	2.25	.91
1947	79,248,307	1,812,571	751,525	1,061,046	9,613,602	9.7	16.41	2.81	1.53	.91
1946	70,111,169	4,476,901	1,854,119	2,622,782(2)	9,251,018	35.3	15.79	7.46	4.30	.84

(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 \$.27 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 and 10% stock dividend paid in 1955. (8) See notes to financial statements.



*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

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, Radios, Television Sets, Furniture, Stoves, Floor Coverings, Curtains, Sheets, Pillow Cases, Table Cloths, Infants' and Children's Wear, Sporting Goods, Luggage, Tools, Automobile Tires, Automobile Accessories, Musical Instruments, Typewriters, Paints, and Sundries.

EMPLOYEES

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

CORPORATE DATA

Incorporated (Established in 1889) - - - - - Illinois, December 15, 1902
Approximate number of shareholders - - - - - Common—3000; Preferred—500
Annual Meeting of Shareholders and Directors - - - - - Fourth Friday in May
Regular Meeting Date of Directors - - - - - Fourth Tuesday in February, August and November
Regular Dividend Dates - - - - - Approximately April 1, July 1, October 1, and January 1
Transfer Agent—Common - - - - - Guaranty Trust Company of New York
Registrar—Common - - - - - The Chase Manhattan Bank of New York
Transfer Agent—Preferred - - - - - The First National City Bank of New York
Registrar—Preferred - - - - - Bankers Trust Company of New York
Trustee—4½% Convertible Debentures - - - - - The Chase Manhattan Bank of New York
Conversion Agent—4½% Convertible Debentures - - - - - Guaranty Trust Company of New York

AUDITORS

Certified Public Accountants - - - - - David Himmelblau & Co., Chicago

COUNSEL

General Counsel—D'Ancona, Pflaum, Wyatt & Riskind, Chicago - - - - - New York Counsel—Pokart & Pokart, New York

STOCK EXCHANGE DATA

Preferred Stock, Common Stock and 4½% Convertible Debentures Listed on New York Stock Exchange (See Page 9).

