

C
stack

ALDIENS

ANNUAL REPORT

For the fiscal year ended January 31, 1957

1956

ALDENS

ANNUAL

REPORT

HIGHLIGHTS

	<u>1956</u>	<u>1955</u>
Earnings per Common Share	\$ 2.49	\$ 2.19
Net Sales	102,371,843	97,352,388
Net Profit before Taxes	3,453,447	2,719,644
Federal Taxes on Income	1,865,000	1,300,000
Net Profit after Taxes	1,588,447	1,419,644
Dividends paid per Common Share	1.20	1.15
Dividends paid per Preferred Share	4.25	4.25
Book Value per Common Share	27.72	26.40
Current Ratio	2.34	2.13

Aldens Management

directors

R. L. ARNHEIM, *Vice President and Treasurer, Aldens, Inc.*
W. T. BRUCKNER, *Chairman of the Board, Cicero State Bank, Cicero, Ill.*
C. E. BUTLER, *Business Consultant, Waterloo, Iowa*
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*
H. V. McNAMARA, *President, National Tea Co., 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.*

officers

R. W. JACKSON, *President*
R. L. ARNHEIM, *Vice President and Treasurer*
G. R. COX, *Vice President*
H. T. EATON, *Vice President*
J. C. STAEHLE, *Vice President*
H. J. STENTIFORD, *Vice President*
R. MARKENS, *Secretary*
G. R. WORLEY, *Assistant Treasurer*
F. E. GRAYDON, *Assistant Secretary*

SECURITIES INFORMATION

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

**to the
Shareholders
of
Aldens, inc.**

SALES — In the year 1956 Aldens passed an important milestone in its history. For the first time we exceeded a sales volume of one hundred million dollars. The actual sales performance was \$102,371,843 compared with \$97,352,388 last year, or an increase of 5.2%. On page 14 we show the relationship of Aldens mail order sales to those of the industry. As you will note, since 1947-49, the base years, Aldens has increased 28.8% in sales whereas the industry has increased only 14.9%.

EARNINGS — Consolidated profit before federal taxes on income for the year 1956 amounted to \$3,453,447, or 3.4% of sales compared with \$2,719,644, or 2.8% of sales in 1955. After provision for federal taxes, consolidated net profit for the year was \$1,588,447 compared to \$1,419,644 last year. Profit per common share after preferred dividends in 1956 was \$2.49 compared to \$2.19 in 1955. The profit per share is the highest achieved by the company in the last ten years except for 1950 where the sales and profits showed a sharp improvement as a result of the impact of the Korean War.

DIVIDENDS — The year 1956 marks the 23rd consecutive year in which Aldens has paid dividends. Cash dividends per common share totaled \$1.20 compared with \$1.15 last year. The present dividend rate is the highest paid by the company in its history. Regular cash dividends totaling \$4.25 were also paid on preferred shares. Total dividends, both common and preferred, paid during the year amounted to \$832,809.

CREDIT SALES AND ACCOUNTS — Time payment sales continued to show excellent gains, and for the year accounted for approximately 36% of our total sales compared with 32% in 1955. During the year, the use of revolving credit accounts was promoted and expanded in our retail stores and

we had considerable growth in this area. As a result of the overall increased credit volume, the outstanding receivable balances also rose sharply. In order to finance this sizeable increase, we found it advisable to sell a portion of the accounts receivable to a group of banks. The sale enabled us to reduce the outstanding short term bank loans as well as to expand credit volume. About 90% of our credit sales are made on monthly payment plans on which the customer pays a service charge adequate to cover handling costs, credit losses, and financing costs. Credit business is highly profitable as the average order and the average annual sales per credit customer are substantially higher than for cash customers. Despite its profitability, we are taking a conservative position with regard to further expansion of credit business. This decision was made in view of the present tight money market with resulting high interest rates and because we feel that some self-imposed limit should be set on the portion of our capital to be utilized in carrying customer receivables.

We are planning to tighten up credit terms in certain respects so as to reduce our requirements for short term borrowings. While certain items are now selling on a no money down basis, we will begin in the latter part of June to require down payments on all merchandise. In addition, all present monthly payments are to be uniformly increased \$1.

Reserves for uncollectible accounts and collection costs, as in previous years, were based upon an aging analysis of individual accounts and are believed to be adequate.

INVENTORIES AND COMMITMENTS—Total merchandise inventory at January 31, 1957 was \$13,624,559 compared with \$13,070,913 last year, or an increase of 4.2%. A more conservative position is being maintained as far as future orders are concerned and as a result our total merchandise commitments at the year end were \$2,699,527 compared with \$4,063,126 last year, a reduction of 33.5%. This means that overall merchandise inventory and commitments are below a year ago. We do not anticipate any major price fluctuations and intend to maintain this conservative inventory and commitment policy. As has been our practice in the past, all goods were inventoried at January 31, 1957 on the basis of cost or market, whichever was lower.

RETAIL DIVISION—At the beginning of 1956 we purchased the O. T. Johnson Dry Goods Company in Galesburg, Illinois and during March, acquired the Young Dry Goods Company of Alton, Illinois. Both of these stores are operating very satisfactorily and are contributing their share of profits to the chain operation. During the year, the Mason City, Iowa store was closed leaving fifteen department stores in operation on January 31.

At the beginning of the present year, we employed the Charles Weill buying organization in New York to furnish our stores with most of their style merchandise requirements. Staple merchandise will be purchased primarily by store personnel. This shift in buying technique will permit us to dispense with practically the entire retail buying organization, thus reducing fixed costs by a substantial amount.

The division made the best profit performance of its history in 1956 and with this recent change, I look forward to even more profitable results for 1957.

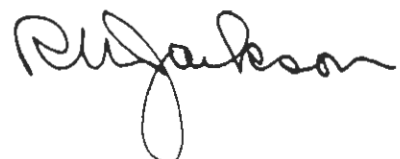
CATALOG OFFICES — During the year sixteen will-call stores, where the customer can order and receive her merchandise, were opened. We closed 25 telephone offices where the customer phones in her order and it is shipped directly to her. The high delivery costs of this operation make it less profitable in the long run than the will-call store and in addition, it does not have the appeal to the customer that will-call stores do with their personal contact feature. We are hopeful that this order store program will enable us to obtain a greater share of the urban trade. At the present time there are 64 telephone offices and will-call stores in operation, primarily in middlewestern locations.

Negotiations have recently been completed with the National Tea Company to open catalog order units in their stores. This technique of distribution will be handled on an experimental basis in about six stores. It is expected that the heavy foot traffic and excellent parking facilities available for most National Tea stores will prove to be an impetus to the sale of merchandise, particularly those items which lend themselves to a self-service operation.

THE FUTURE — As we begin 1957, I am optimistic about the future of the company. We have young, aggressive personnel and at the same time our organization is experienced and capable. Several changes were made during the year in our management team, and the injection of new ideas and new processes has already shown some cost savings. I am confident that the present organization will produce an acceptable profit for 1957 and subsequent years.

My full appreciation is extended to all of Aldens personnel in every division of its business for their continued zeal and endeavor. I want also to thank our sources for their assistance and our directors for their very helpful judgment and guidance. All contributed immeasurably to the success of our operation in the year 1956.

Sincerely,



Aldens, inc. and its merchandising subsidiaries

STATEMENT OF CONSOLIDATED INCOME	Fiscal Year Ended	
	January 31, 1957	January 31, 1956
NET SALES.....	\$102,371,843	\$97,352,388
DEDUCT:		
Cost of goods sold (including publicity, occupancy and buying expense)	\$ 81,896,067	\$78,996,552
Selling, general and administrative expenses.....	14,488,573	13,661,216
Building maintenance and repairs.....	180,748	112,861
Depreciation and amortization.....	496,998	394,926
Social security, property and sundry taxes.....	811,571	601,048
Interest expense.....	1,161,569	742,756
	<u>\$ 99,035,526</u>	<u>\$94,509,359</u>
	\$ 3,336,317	\$ 2,843,029
MISCELLANEOUS INCOME OR EXPENSE* (Net).....	117,130	123,385*
Income before provision for federal taxes on income.....	\$ 3,453,447	\$ 2,719,644
PROVISION FOR FEDERAL TAXES ON INCOME.....	1,865,000	1,300,000
NET INCOME FOR YEAR.....	<u>\$ 1,588,447</u>	<u>\$ 1,419,644</u>

STATEMENT OF CONSOLIDATED PAID-IN SURPLUS

Balance at beginning of year.....	\$ 1,694,754	\$ 618,672
Excess of par value over cost of preferred shares cancelled during year.....	19,882	22,691
Excess of market value over par value of common stock issued as stock dividend.....	—	1,053,227
Credit arising from conversion of 4½% convertible subordinated debentures.....	246	164
Balance at end of year.....	<u>\$ 1,714,882</u>	<u>\$ 1,694,754</u>

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Balance at beginning of year.....	\$ 10,843,614	\$11,548,485
Net income for year.....	1,588,447	1,419,644
	<u>\$ 12,432,061</u>	<u>\$12,968,129</u>
Dividends paid—		
Stock—10% (Market value at date of declaration).....	\$ —	\$ 1,319,597
Cash—		
Common stock* (\$1.20 per share).....	703,226	671,255
Preferred stock (\$4.25 per share).....	129,583	133,663
	<u>\$ 832,809</u>	<u>\$ 2,124,515</u>
BALANCE AT END OF YEAR.....	<u>\$ 11,599,252</u>	<u>\$10,843,614</u>

*Denotes red

consolidated balance sheet of Aldens

ASSETS

CURRENT ASSETS	January 31, 1957	January 31, 1956
Cash resources—		
Cash on deposit and on hand	\$ 3,681,271	\$ 3,203,465
U.S. Government securities plus accrued interest	23,432	214,924
	<u>\$ 3,704,703</u>	<u>\$ 3,418,389</u>
Accounts receivable—		
Time payments	\$30,468,395	\$24,556,479
Less—Accounts sold	10,000,000	—
	<u>\$20,468,395</u>	<u>\$24,556,479</u>
Customers and trade	2,899,380	2,688,070
Sundry	—	79,586
	<u>\$23,367,775</u>	<u>\$27,324,135</u>
Less—Reserve for doubtful accounts and collection expense	2,849,559	2,437,799
	<u>\$20,518,216</u>	<u>\$24,886,336</u>
Inventories (at lower of cost or market)	\$14,555,134	\$14,173,160
Advances on spring season catalogs and expenses	\$ 2,417,545	\$ 2,456,020
TOTAL CURRENT ASSETS	<u>\$41,195,598</u>	<u>\$44,933,905</u>
OTHER ASSETS		
Investment in real estate subsidiaries (see separate statements and note 1)	\$ 615,000	\$ 615,000
Sundry	305,158	466,773
	<u>\$ 920,158</u>	<u>\$ 1,081,773</u>
FIXED ASSETS		
Real estate, leasehold improvements and equipment (at cost)	\$ 8,446,996	\$ 7,361,474
Less—Reserves for depreciation and amortization	3,658,076	3,286,609
	<u>\$ 4,788,920</u>	<u>\$ 4,074,865</u>
	<u>\$46,904,676</u>	<u>\$50,090,543</u>

NOTES TO CONSOLIDATED

- (1) The consolidated financial statements of Aldens, Inc. include all subsidiaries except Alco Realty Co. and Ciro Land Corp. (both 100% owned) which are combined in separate statements.
- (2) Federal income tax returns of Aldens, Inc. and its merchandising subsidiaries have been reviewed by the Treasury Department through January 31, 1954.
- (3) Under provisions of the indenture covering the 4½% Convertible Subordinated Debentures issued September 1, 1955:
 - (a) the company is required to purchase \$100,000 principal amount per annum for retirement in each of the twelve month periods beginning June 1, in each of the years 1956 through 1959 if the debentures are available at less than the optional redemption price;

inc. and its merchandising subsidiaries

LIABILITIES AND CAPITAL

	January 31, 1957	January 31, 1956
CURRENT LIABILITIES		
Bank loans	\$11,600,000	\$15,100,000
Accounts payable—trade creditors	1,169,664	1,670,398
Due customers	1,104,225	1,282,056
Accrued payrolls	1,073,192	981,199
Accrued property and franchise taxes	336,252	219,555
Accrued federal and state taxes (Note 2)	2,194,215	1,659,652
Sundry payables	143,199	135,405
TOTAL CURRENT LIABILITIES	\$17,620,747	\$21,048,265
LONG TERM DEBT		
3½ % Promissory note (final maturity February 1, 1966)	\$ 5,800,000	\$ 6,200,000
4½ % Convertible subordinated debentures plus unamortized premium (due September 1, 1970) (Note 3)	3,689,442	3,735,648
	\$ 9,489,442	\$ 9,935,648
RESERVES (Note 4)	\$ 521,089	\$ 515,569
CAPITAL		
4¼ % Preferred stock, cumulative, \$100 par—Issued	\$ 3,200,000	\$ 3,280,000
Common stock, \$5 par—		
Authorized—1,000,000 shares		
Issued—586,034 and 586,022 at respective dates	2,930,170	2,930,110
Paid-in surplus (premium on capital stocks)	1,714,882	1,694,754
Retained earnings (Note 3)	11,599,252	10,843,614
	\$19,444,304	\$18,748,478
Less—Treasury preferred stock (at cost)	170,906	157,417
	\$19,273,398	\$18,591,061
	\$46,904,676	\$50,090,543

FINANCIAL STATEMENTS

(b) approximately \$3,200,000 of earnings retained in the business was unrestricted at January 31, 1957 with respect to the payment of dividends on the common stock.

In connection with the above retirement provision, the company acquired \$45,000 principal amount of debentures during the year ended January 31, 1957.

(4) Reserves shown in the balance sheet consist of:

PARTICULARS	January 31.	
	1957	1956
Reserve for self insurance	\$296,333	\$304,055
Reserve for returned goods profit and customers adjustments	200,000	200,000
Sundry	24,756	11,514
	\$521,089	\$515,569

Aldens, inc. real estate subsidiaries -

COMBINED BALANCE SHEET

ASSETS

	<u>January 31,</u> <u>1957</u>	<u>January 31,</u> <u>1956</u>
CURRENT ASSETS		
Cash on deposit.....	\$ 115,152	\$ 51,237
Claim for refund of federal income taxes.....	832	—
TOTAL CURRENT ASSETS.....	<u>\$ 115,984</u>	<u>\$ 51,237</u>
OTHER ASSETS	\$ 37,018	\$ 39,217
FIXED ASSETS		
Real estate and equipment (at cost) (Note 1).....	\$5,214,504	\$5,183,754
Less—Reserves for depreciation.....	249,635	58,118
	<u>\$4,964,869</u>	<u>\$5,125,636</u>
	<u>\$5,117,871</u>	<u>\$5,216,090</u>

LIABILITIES AND CAPITAL

CURRENT LIABILITIES		
Current installments on long term debt.....	\$ 135,000	\$ 96,600
Accounts payable.....	2,400	—
Accrued interest.....	18,885	18,929
Accrued federal income taxes (Note 2).....	4,486	5,350
Prepaid rent.....	34,634	34,583
TOTAL CURRENT LIABILITIES.....	<u>\$ 195,405</u>	<u>\$ 155,462</u>
LONG TERM DEBT		
First and leasehold mortgage 5%-4½% sinking fund bonds (Note 3).....	\$4,447,000	\$4,543,000
Less—Current installments.....	135,000	96,600
	<u>\$4,312,000</u>	<u>\$4,446,400</u>
CAPITAL		
Common stock.....	\$ 615,000	\$ 615,000
Deficit.....	4,534*	772*
	<u>\$ 610,466</u>	<u>\$ 614,228</u>
	<u>\$5,117,871</u>	<u>\$5,216,090</u>

* Denotes red

Alco Realty Co. and Giro Land Corp.

STATEMENT OF COMBINED INCOME AND DEFICIT

	January 31, 1957	January 31, 1956
RENT RECEIVED FROM PARENT COMPANY.....	\$ 417,790	\$ 142,968
DEDUCT		
Depreciation.....	\$ 191,518	\$ 58,118
Interest expense.....	225,930	69,444
Property and sundry taxes.....	2,624*	5,786
Other expenses.....	3,228	2,356
	<u>\$ 418,052</u>	<u>\$ 135,704</u>
Income or loss* before provision for federal taxes on income.....	\$ 262*	\$ 7,264
PROVISION FOR FEDERAL TAXES ON INCOME.....	3,500	5,350
NET INCOME OR LOSS* FOR YEAR.....	\$ 3,762*	\$ 1,914
DEFICIT AT BEGINNING OF YEAR.....	772*	2,686*
DEFICIT AT END OF YEAR.....	<u>\$ 4,534*</u>	<u>\$ 772*</u>

* Denotes red

NOTES TO COMBINED FINANCIAL STATEMENTS

- (1) All of the real estate is rented to Aldens, Inc. under a long term lease. The lease, land and building are pledged under the First and Leasehold Mortgage 5%-4½% Sinking Fund Bond Indenture
- (2) Returns have not yet been reviewed by the Treasury Department for the fiscal periods ended January 31, 1955, January 31, 1956 and January 31, 1957.
- (3) 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 \$88,588.50; final installment is due April 1, 1976.

Bonds amounting to \$250,000 par value may be redeemed at the option of the Company, without premium, in each of the 12 month periods beginning April 1, 1957.

AUDITORS' CERTIFICATE

TO THE SHAREHOLDERS OF ALDENS, INC.:

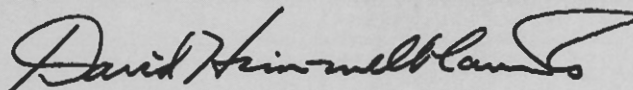
In our opinion, the accompanying financial statements present fairly:

- a. the consolidated financial position of Aldens, Inc. and its merchandising subsidiaries at January 31, 1957 and January 31, 1956 together with the related statements of income and retained earnings for the years then ended; and
- b. the combined financial position of the real estate subsidiaries at January 31, 1957 and January 31, 1956 together with the related statement of income and deficit 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 7, 1957

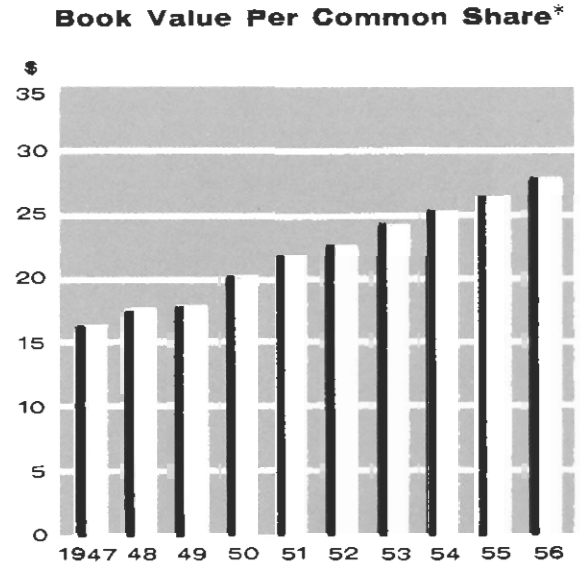
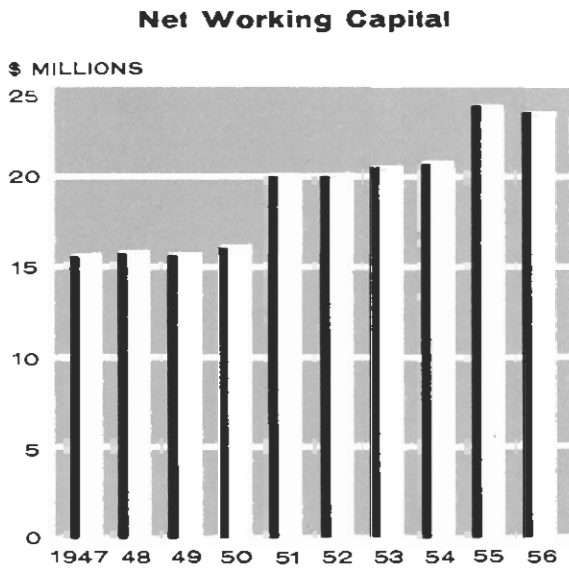
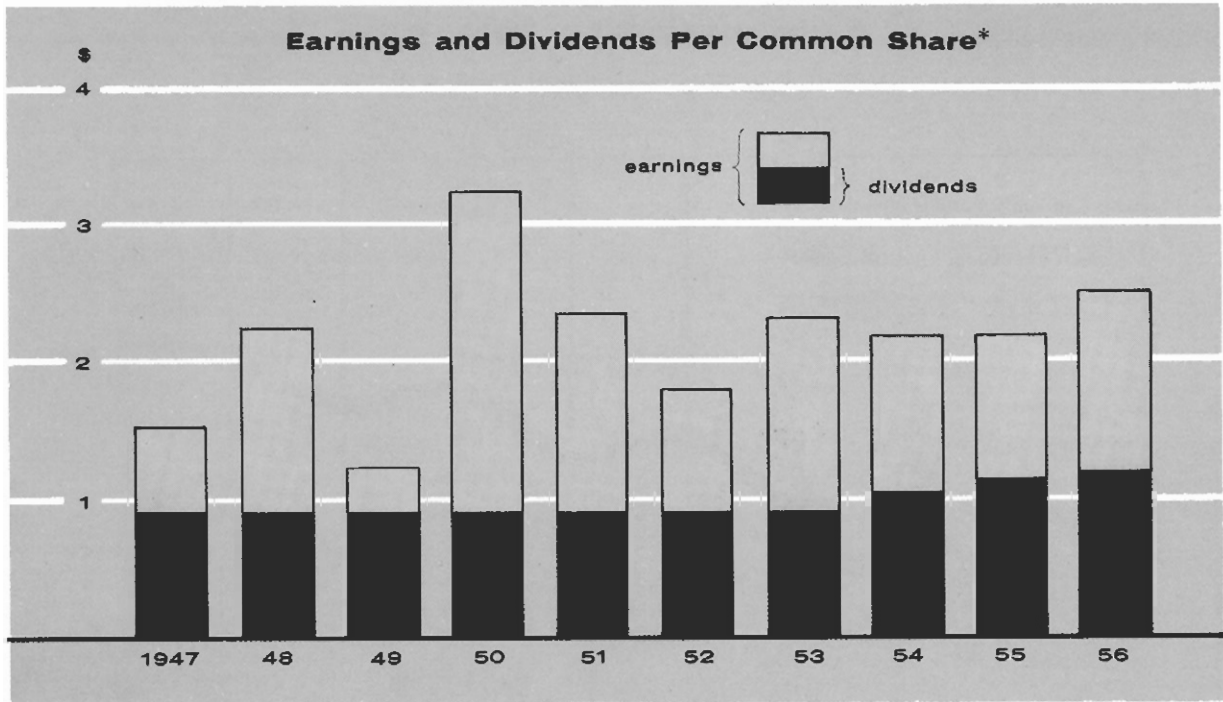

Certified Public Accountants

a ten year performance record of Aldens

YEAR ⁽¹⁾	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947
(Following are reported in thousands—000 omitted)										
Net Sales	\$102,372	\$97,352	\$90,505	\$92,443	\$85,726	\$87,443	\$79,784	\$68,918	\$87,842	\$79,248
Net Profit before Federal Taxes	3,453	2,720	2,687	3,407	2,111	3,673	4,555	1,379	2,617	1,813
Federal Taxes	1,865	1,300	1,268	1,906	920	2,144	2,507	500	1,134	752
Net Profit after Federal Taxes	1,588	1,420	1,419	1,501	1,191	1,529	2,048	879	1,483	1,061
Common Stocks and Surplus	16,244	15,468	14,831	14,139	13,288	12,749	11,873	10,479	10,270	9,614
Working Capital	23,575	23,886	20,837	20,565	20,124	20,127	16,227	15,723	15,419	15,744
Accounts Receivable	20,518	24,886	21,156	19,564	16,948	15,500	12,867	8,732	10,039	8,835
Merchandise Inventories	13,625	13,071	11,181	10,207	10,591	10,625	12,237	8,087	8,974	11,429
(Following reported in actual amounts)										
Earnings per Common Share ⁽²⁾ after Preferred Dividends	\$ 2.49	\$ 2.19	\$ 2.19	\$ 2.32	\$ 1.79	\$ 2.36	\$ 3.25	\$ 1.23	\$ 2.25	\$ 1.53
Dividends paid per Common Share ⁽²⁾	1.20	1.15	1.05	.91	.91	.91	.91	.91	.91	.91
Dividends paid per Preferred Share	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Book Value per Common Share ⁽²⁾	27.72	26.40	25.31	24.13	22.67	21.75	20.26	17.88	17.53	16.41
Current Ratio	2.34	2.13	2.26	2.36	2.54	2.68	2.14	3.38	2.62	2.67
Price of Securities at close of year										
Common Stock ⁽³⁾	\$16¾	\$22¼	\$17½	\$13¾	\$11½	\$12¾	\$14¾	\$10¼	\$8¾	\$12½
Preferred Stock	76¾	88	83	72¾	72	70	79½	69½	65½	78
Convertible Debentures	83	102								

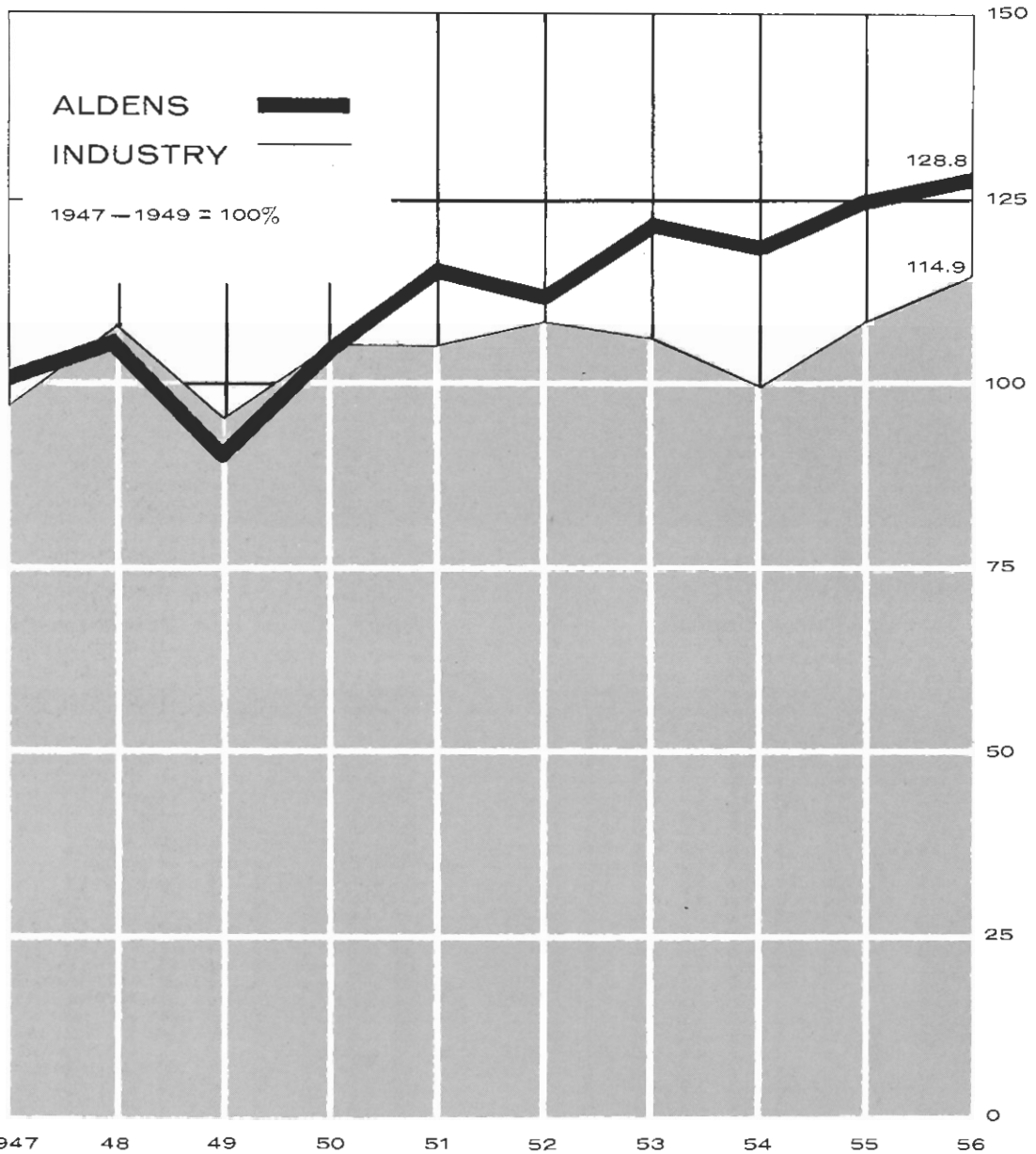
⁽¹⁾ 1949 and subsequent cover the fiscal years ended January 31. The year 1948 covers the thirteen month period ended January 31. 1949: 1947 covers calendar year. ⁽²⁾ Includes carry-back excess profits tax credit adjustment of \$161,116 which is equivalent to \$.27 per share of Common stock. ⁽³⁾ All years adjusted for 50% stock distribution issued in 1954 and 10% stock dividend paid in 1955.

1947 • 1956



*All Per Share data adjusted to reflect the 50% stock distribution issued in 1954, and the 10% stock dividend paid in 1955.

Aldens annual catalog sales compared to industry



Industry data—from U.S. Department of Commerce—includes catalog sales of the 4 principal mail order companies

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, New York

ALDENS RETAIL STORES

ILLINOIS

Alton
Chicago
Elmwood Park
Galesburg
Kankakee
Rockford

INDIANA

Bedford
Bloomington
Frankfort
Terre Haute
Vincennes

IOWA

Iowa City

MICHIGAN

Lansing

KENTUCKY

Owensboro

PENNSYLVANIA

Umontown

ALDENS TELEPHONE OFFICES AND CATALOG STORES

ILLINOIS

Aurora
Berwyn
Chicago
Chicago Heights
Danville
Decatur
E. St. Louis
Elgin
Granite City
Harvey
Joliet
La Salle
Moline
Peoria
Rock Island
Springfield
Sterling

INDIANA

Gary
Hammond

INDIANA (cont.)

Indianapolis
Kokomo
Marion
Mishawaka
Muncie

IOWA

Des Moines
Dubuque
Waterloo

KENTUCKY

Louisville

MICHIGAN

Battle Creek
Bay City
Benton Harbor
Detroit
Flint
Grand Rapids
Jackson

MICHIGAN (cont.)

Kalamazoo
Muskegon
Pontiac
Royal Oak
Wayne
Ypsilanti

MINNESOTA

Minneapolis

MISSOURI

St. Louis

NEW JERSEY

Newark

NEW YORK

Buffalo
New York City

OHIO

Akron
Canton

OHIO (cont.)

Cincinnati
Cleveland
Columbus
Dayton
Lima
Lorain
Middletown
Portsmouth
Toledo
Youngstown
Zanesville

PENNSYLVANIA

Philadelphia
Pittsburgh

WISCONSIN

Kenosha
Milwaukee
Racine

A total of 64 locations in operation on January 31, 1957

