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ALDENS

Annual Report 1962

GENERAL ELECTRIC / PEPPERELL / SUNBEAM / BATES / BELL & HOWELL / FRUIT OF THE LOOM / JUDY BOND / WESTINGHOUSE / KODAK / PRINCESS PEGGY / BEACON / MAIDENFORM / SMITH-CORONA /

FAMOUS BRAND NAMES—BADGE OF QUALITY

Threaded across the top of this page, and other pages throughout this report, are nationally known brand names of products we are proud to sell. These are not all of our famous names—they are all we have space to show. We have many years of association with these and many more time-honored brands in a wide range of products that mean quality and satisfaction to our customers. Not all of these products are sold in all divisions of our company, but these are representative of the fine quality of the merchandise we sell by mail order, in our conventional retail stores, and in our Shoppers World self-service discount stores.

ANNUAL MEETING

The annual meeting of the shareholders of Aldens, Inc. will be held at the offices of the company, 5000 West Roosevelt Road, Chicago, Illinois, on Tuesday, May 28, 1963, at 2:00 P. M. The notice of the meeting and proxy material will be mailed to shareholders on or about April 25, 1963.

Highlights

		1962	1961
OPERATING RESULTS	Net Sales	$183,967,344	$164,474,895
	Net profit before taxes	10,303,208	8,557,207
	Net profit after taxes	5,163,208	4,401,207
PER SHARE	Earnings per Common Share (a)	2.45	2.08
	Dividends per Common Share		
	Cash (a)	.82	.56
	Stock	3%	100%
	Equity (Book Value) per Common Share	18.95	17.39 (b)
AT YEAR-END	Working Capital	99,291,945	75,934,180
	Merchandise Inventories	23,505,081	19,282,159
	Accounts Receivable	89,917,305	80,153,411
	Ratio of Current Assets to Current Liabilities	5.20	3.44
SHARES OUTSTANDING AT YEAR-END	Common	2,028,526	1,964,515
	4½% Cumulative Preferred	22,575	23,875
	Convertible Second Preference	2,673	2,713
	Number of Common Shareholders	6,100	5,100
	Number of Catalog Sales Stores and Offices	95	84
	Number of Retail Department Stores	17	16
	Number of Shoppers World Discount Stores	13	9

(a) Both years based on shares outstanding at January 31, 1963.
(b) Adjusted for 3% stock dividend paid January 1, 1963.

DIRECTORS

R. L. Arnheim,
Financial Consultant, Chicago

C. E. Butler,
Business Consultant

R. W. Jackson,
President, Aldens, Inc.

H. V. McNamara,
Director and Consultant, National Tea Co., Chicago

M. A. Riskind,
Partner, D'Ancona, Pflaum, Wyatt & Riskind, Chicago

*E. H. Rosenthal,
Real Estate Investments

Lawrence K. Schnadig,
President, Schnadig Corporation, Chicago

J. C. Staehle,
Vice President, Aldens, Inc.

Alvin D. Star,
Vice President, Aldens, Inc.

H. J. Stentiford,
Vice President, Aldens, Inc.

W. P. Wiseman,
Senior Vice President, Chicago Title & Trust Co.

G. R. Worley,
Vice President & Treasurer, Aldens, Inc.

**Resigned Feb. 26, 1963*

OFFICERS

R. W. Jackson, *President*

R. E. Riley, *Vice President*

J. C. Staehle, *Vice President*

Alvin D. Star, *Vice President*

H. J. Stentiford, *Vice President*

G. R. Worley, *Vice President & Treasurer*

J. A. Gross, *Secretary*

R. N. Friedlander, *Assistant Secretary*

SECURITIES INFORMATION

Transfer Agent—Common,
Morgan Guaranty Trust Company of New York

Registrar—Common,
The Chase Manhattan Bank

Transfer Agent—Preferred,
The First National City Bank of New York

Registrar—Preferred,
Bankers Trust Company of New York

Trustee—5% Convertible Debentures,
The Chase Manhattan Bank

Trustee—5¾% Sinking Fund Debentures,
The First National Bank of Chicago

Conversion Agent—5% Convertible Debentures,
Morgan Guaranty Trust Company of New York

AUDITORS

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

COUNSEL

General Counsel, *D'Ancona, Pflaum, Wyatt & Riskind, Chicago*

STOCK EXCHANGE DATA

Preferred Stock, Common Stock, 5% Convertible Debentures and 5¾% Sinking Fund Debentures Listed on New York Stock Exchange

To Our Shareholders:

We are pleased to report for 1962 another banner year in which both sales and earnings have brought us a new record. This is the eighth consecutive year in which we have reported earnings higher than for the previous year, and the fifth consecutive year of higher sales. In the last ten years sales have doubled and earnings have more than tripled—a pattern of growth in which we take great pride.

Our highest increases over last year occurred in the first six months of the fiscal year. Results in the fourth quarter did not show the same high ratio of increase as in the earlier months, due principally to the difficulty of attaining a wide margin of increase over the excellent results produced in the previous year's fourth quarter.

Each Division of our business contributed to our good results for 1962, the greatest percentage of gain occurring in our Shoppers World self-service discount stores. Our Mail Order Division, which accounts for some two-thirds of our sales volume, produced excellent gains in sales and profits, and our conventional Retail Store Division continued its good performance, showing almost 7% pre-tax profits.

We are pleased with the progress of our Shoppers World stores, which we acquired in 1961. Four additional stores were opened in 1962, to bring the total to thirteen. Gross store area is now about 787,000 square feet, with 40% of this area represented by the four stores added in 1962. Both sales and earnings for the Division reflect successful expansion. This form of retail distribution, added to our Mail Order and conventional Retail Store methods of distribution, gives us strength and broad scope in the retail field. While there has been some adverse publicity regarding the financial stability of some discount operations, we believe this has reflected the difficulties resulting primarily from too rapid expansion and improper capitalization. Soundly operated discount stores are a growing and increasingly important part of retailing.

As we enter our seventy-fourth year, we look forward to a continuation of the solid growth which has been our pattern. While sales for the first few weeks of the new year have not met our expectations, we are confident that our aggressive merchandising plans will bring us the increases in sales and profits we have budgeted for the current year in all Divisions, despite the effect on earnings of the higher postage rates which must be absorbed by our Mail Order operation. Our goal every year is to surpass the results of the previous year in both sales and profits, and we confidently expect to achieve this objective again in 1963.

For a year of progress, I extend my appreciation and warm thanks to our employees, our management, our directors, and suppliers. Without the loyalty and whole-hearted support of these and many others, we could not have realized the substantial growth of the past year.

Sincerely,

R W Jackson

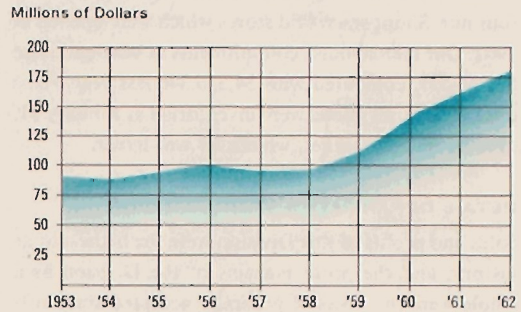
President

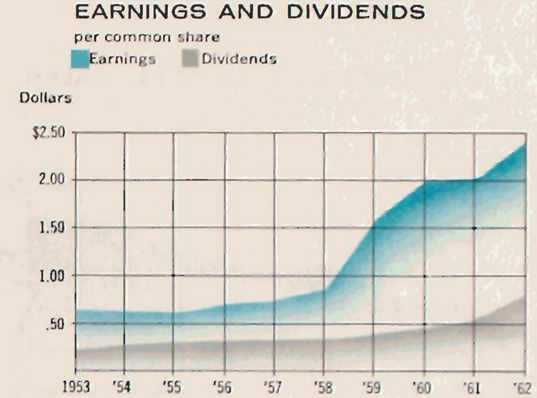
PLAYTEX / SAMSONITE / NORELCO / DECCA / REMINGTON / CANNON / ADMIRAL / ARROW / BULOVA / FORMFIT / BENRUS / VAN RAALTE / TIMEX / POLAROID / SURE-FIT / McGREGOR / FOREVER YOUNG

The Year In Review

MAIL ORDER

Some 25,000,000 catalogs and flyers are sent into our customers' homes by our Mail Order Division each year. An important part of mail order selling in urban areas is done in our catalog sales stores, such as is sketched here, and in our telephone sales offices, where trained personnel assist our customers in placing orders, and where we also provide credit accommodations, will-call service, and direct-to-door delivery by local truck.





All years adjusted to shares outstanding at 1/31/63
Does not include $.22 per share from 1959 non-recurring special credit.

SALES

In the year 1962 we established a new record in sales and earnings. Sales of $183,967,344 are the highest in our history, and represent an increase of 12% over last year's volume of $164,474,895, which was also a new record. Every Division of your company contributed to these increases, each attaining a new high.

EARNINGS

Consolidated profit before federal taxes on income for fiscal 1962 rose to a new peak of $10,303,208, compared with last year's new record of $8,557,207, an increase of 20%. After provision for federal taxes, consolidated net profit for the year was $5,163,208, compared with $4,401,207 for the previous year. Our earnings have risen steadily over the past eight years.

Profit per common share, after preferred and second preference dividends, was $2.45, which compares with $2.08 in 1961 (both years based on shares presently outstanding).

DIVIDENDS

The year 1962 is the 29th consecutive year in which Aldens has paid dividends. Cash dividends per common share totalled $.85. There were two increases in our cash dividend during the year, the first occurring on April 1 when we paid $.20 per share on the common stock, equivalent to an increase in rate of 33⅓% over the previous year. On January 1, 1963, we again increased the rate of cash dividend to $.25 quarterly per common share, establishing a new annual rate of $1.00. The annual cash dividend rate on our cumulative preferred stock is $4.50.

On January 1, 1963 a 3% common stock dividend was also paid. In the previous year we declared a 100% stock distribution. This is the fifth consecutive year in which we have taken stock action to extend to our shareholders increased participation in the profits of the company.

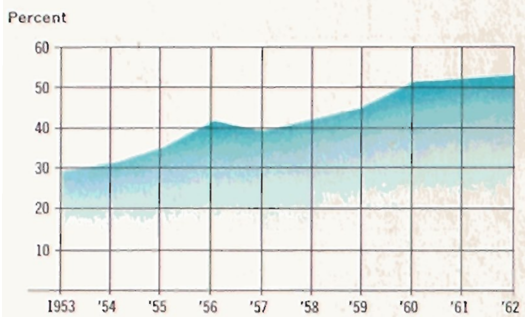
CREDIT SALES AND ACCOUNTS

Our techniques for direct mail promotion of credit accounts continue to be successful, as evidenced by the number of active accounts in our Mail Order Division, which rose to 755,000 from last year's 680,000. The ratio of credit sales to total sales is now at 53%. Total customer receivables increased 12% during the year, to bring us a new high of $89,917,305.

In 1963 we plan to accelerate our credit promotions, for we believe that the rising number of accounts and our expanding credit customer list are the basis for continuing growth in sales. The ratio of annual pur-

ELGIN / HANES / BIG YANK / MOTOROLA / SAVAGE / ESQUIRE / RCA / HALLICRAFTER / DORMEYER / CARTERS / NELLY DON / CLUB ALUMINUM / VANITY FAIR / JANTZEN / BLUE BELL / KAY WINDSOR

% CREDIT SALES TO TOTAL SALES
Mail Order Division



chases by a credit customer is about three times that of a cash or C.O.D. customer.

In 1962 we introduced a revolving credit plan in all our Shoppers World stores. It is our opinion that in the years ahead credit selling will become more and more important in the self-service discount field.

The caliber of our credit accounts has been maintained at a very satisfactory level, and their collectability also continues to be satisfactory. As has been our policy, we have provided what we believe to be adequate bad debt reserves.

FINANCING

In May of 1962 we completed the private placement of $10,000,000 in senior notes, maturing in 1980, and $7,600,000 in subordinated notes, due in 1982. The company has also begun to sell commercial paper and has met most of its short-term requirements in this way. We feel that we have adequate financing for the growth of Aldens for some time, and have no plans at present for additional equity or long term financing.

INVENTORIES AND COMMITMENTS

Merchandise inventories at January 31, 1963, totalled $23,505,081 compared with $19,282,159, an increase of 22%. This increase reflects both the larger inventory needed to service a greater volume of sales, and the four new Shoppers World stores which were opened in 1962. Our merchandise commitments at year-end were $3,246,537, compared with $4,336,346 last year. As is our practice, all goods were inventoried at January 31, 1963 at cost or market, whichever was lower.

RETAIL DEPARTMENT STORE DIVISION

Sales and profits of this Division were the highest in its history, and the profit margins of the Division as a whole were in excess of generally accepted standards of profitable retail operation.

On February 1, 1963 we purchased B. Peck Company in Lewiston, Maine, bringing the total of the stores in this group to seventeen. Peck's is an old and well established retail store, producing annual sales in excess of $2,000,000.

Further expansion is planned by the acquisition of additional stores, as those which meet our requirements are made available to us.

SHOPPERS WORLD

Of the four new Shoppers World stores, three in the Chicago area were opened in mid-August, and the fourth, in St. Paul, Minnesota, was opened in October. These new stores range in size from 60,000 to 120,000 square feet. Each enjoyed a very successful opening and each has contributed to the profits of the Division.

No additional stores are planned for 1963; instead, this will be a year in which to consolidate, to gain additional "know-how," and to train personnel. Management in the Shoppers World stores has been greatly strengthened, and the Division is now well manned with qualified personnel in both merchandising and operating.

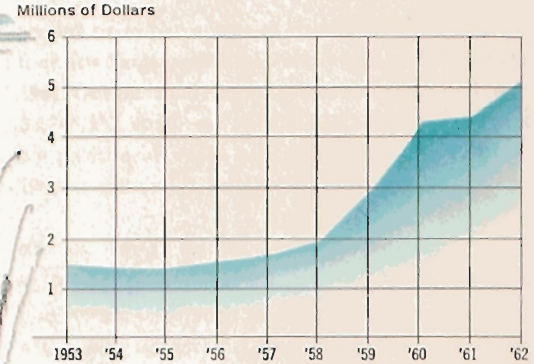
We are actively seeking new locations for openings in 1964. We plan to maintain our dominant position among discount stores in the Chicago area, which indicates bracketing the city with our stores. Our Market Research Department is carefully evaluating possible sites for next year's expansion. This area has become extremely competitive, but we are confident

RETAIL STORE DIVISION

Many of our finest brand names appear in these junior department stores. Expansion of this Division is through the purchase of well established, quality stores, usually the leading store in a community. Peck's, in Lewiston, Maine, is our most recent acquisition.

DR DENTON / EVEREADY / HOOVER / TOASTMASTER / EXQUISITE FORM / WINCHESTER / DU PONT / VAN HEUSEN / BOBBIE BROOKS / REVLON / BVD / CORNING WARE / MANHATTAN / LANVIN / SCHICK

NET INCOME (After Federal Income Taxes)

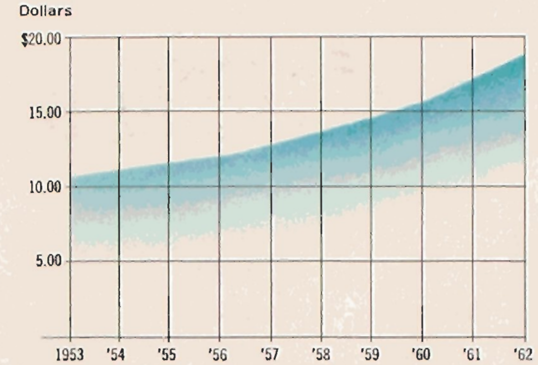


Does not include 1959 non-recurring special credit of $460,000.

SHOPPERS WORLD

These self-service discount stores, which represent our most rapid expansion, sell complete lines of the goods usually found in department stores, employing supermarket sales techniques. Tire centers, at which tires and automobile accessories are sold and installed, are in process for most of our newer stores.

BOOK VALUE (Equity) per common share



All years adjusted to reflect stock distributions and stock dividends.

that very satisfactory sales, profits, and return-on-investment will be maintained.

CATALOG SALES STORES AND TELEPHONE SALES OFFICES

This phase of our mail order operation shared in the growth of Aldens in the year just past. The number of locations grew from 84 to 95, sales increased, and the number of active credit accounts grew substantially.

We are at present constructing, in Des Moines, Iowa, the first Catalog Order Store to our own plan. This is a free standing unit, with ample parking space, apart from any other shopping complex but in close proximity to residential areas which we hope to serve. This store will be opened in a few months as our 100th location in this division, and our experience here will determine whether this plan will characterize all such future locations.

JOHN ALDEN LIFE INSURANCE COMPANY

Since its formation in 1961 this subsidiary has steadily exceeded our projections. In the last few months insurance written has been expanded to include travel accident coverage, with other forms of health and accident insurance to be added within the next few months.

TAX CREDIT

The net benefits to be derived from the new federal income tax investment credit which arises from the acquisition of certain fixed assets is not a material item in the operation of our Company, and to the extent it exists, it is being reflected in income over the expected useful life of the assets involved.

"CONFLICT OF INTEREST" SURVEY

Our recent annual survey of all of our executives discloses no conflict of interest among our key personnel. We continue our policy, in all phases of our operation, to purchase through a fully controlled and carefully checked system of competitive bidding whenever and wherever possible.

SOURCE AND DISTRIBUTION OF FUNDS—1962

FUNDS WERE ACQUIRED FROM:	
Net income	$ 5,163,208
Depreciation and amortization of plant and equipment	1,087,532
Long-term debt	16,680,000
Deferred Federal income tax	4,750,000
Miscellaneous	81,805
	$27,762,545
FUNDS WERE DISTRIBUTED TO:	
Dividends to shareholders	$ 1,867,974
Expenditures for plant and equipment	2,202,112
Purchase of 1300 shares of the company's Preferred stock	120,781
Investment in unconsolidated subsidiaries	213,913
Net increase in working capital	23,357,765
	$27,762,545

Aldens *10 Year* *PERFORMANCE RECORD 1953 1962*

FOR THE YEAR	1962	1961	1960(4)	1959	1958	1957	1956	1955	1954	1953
Net Sales	$183,967,344	$164,474,895	$145,531,505	$114,682,148	$98,419,644	$97,905,259	$102,371,843	$97,352,388	$90,505,270	$92,442,630
Net Profit before Taxes	10,303,208	8,557,207	8,445,712	5,861,931	3,772,028	3,506,204	3,453,447	2,719,644	2,687,063	3,407,273
Percentage of Pre-Tax Profit to Sales	5.6%	5.2%	5.8%	5.1%	3.8%	3.6%	3.4%	2.8%	3.0%	3.7%
Federal Taxes on Income	5,140,000	4,156,000	4,141,682	2,482,000(1)	1,850,000	1,800,000	1,865,000	1,300,000	1,268,159	1,906,130
Net Profit after Federal Taxes	5,163,208	4,401,207	4,304,030	3,379,931(1)	1,922,028	1,706,204	1,588,447	1,419,644	1,418,904	1,501,143
Capital Expenditures	2,202,112	2,300,229	1,744,183	945,982	233,682	245,897	1,295,791	1,154,311	478,339	222,655
Depreciation and Amortization	1,087,532	873,416	696,795	536,029	581,038	602,954	549,930	422,079	374,320	378,289
AT YEAR-END										
Net Accounts Receivable (including sold accounts)	89,917,305	80,153,411	64,725,368	44,624,706	32,657,708	30,122,181	30,518,216	24,886,336	21,155,656	19,564,335
Merchandise Inventories	23,505,081	19,282,159	17,547,384	14,575,142	12,218,131	14,378,779	13,624,559	13,070,913	11,180,664	10,207,412
Working Capital	99,291,945	75,934,180	58,419,675	32,916,332	24,700,352	24,452,754	23,574,851	23,885,640	20,836,573	20,564,644
Excess of Liquid Assets (cash and net accounts receivable) over Current Liabilities	71,093,963	52,168,062	36,259,348	14,740,954	9,259,161	6,871,693	6,602,172	7,256,460	6,883,257	7,557,252
Percent of Excess	301%	168%	111%	82%	77%	42%	37%	34%	42%	50%
Net Worth	42,814,098	39,560,390	34,551,520	26,633,848	21,109,580	20,077,557	19,273,398	18,591,062	18,049,635	17,432,801
Short-term Debt	8,000,000	15,800,000	18,951,260	8,610,000	4,639,100	9,500,000	11,600,000	15,100,000	10,750,000	8,850,000
Long-term Debt	58,803,100	42,206,900	30,685,739	11,537,000	8,391,704	8,886,258	9,489,442	9,935,648	6,500,000	6,800,000
Ratio of Current Assets to Current Liabilities	5.20	3.44	2.78	2.82	3.06	2.50	2.34	2.13	2.26	2.36
PER SHARE DATA										
Earnings per Common Share after Preferred and Second Preference Dividends (2)	2.45	2.08	2.03	1.61(1)	.89	.78	.72	.63	.63	.67
Dividends Paid per Common Share Cash (2)	.82	.56	.48	.41	.35	.35	.35	.33	.30	.26
Stock	3%	100%	5%	3%	2%	——	——	10%	50%	——
Equity (Book Value) per Common Share (3)	18.95	17.39	15.61	14.72	13.69	12.86	12.19	11.61	11.14	10.62

(1) Includes non-recurring special credit of $460,000, equivalent to $.22 per Common Share.

(2) All years based on shares outstanding at January 31, 1963.

(3) All years adjusted for stock distributions and stock dividends.

(4) The year 1960 has been restated to give retroactive effect to the pooling of interests with Greatway Corporation in 1961.

SWANK / TOM SAWYER / LEE / SPRINGFIELD / LOVE / ROYAL /

Aldens

ASSETS

	January 31, 1963	1962
CURRENT ASSETS:		
Cash resources	$ 4,822,627	$ 3,095,022
Accounts receivable—		
Customers installment accounts	$ 92,960,048	$ 82,721,776
Other customers accounts	1,142,357	1,160,238
Miscellaneous accounts	820,685	603,129
	$ 94,923,090	$ 84,485,143
Less—Reserve for bad debts	5,005,785	4,331,732
	$ 89,917,305	$ 80,153,411
Inventories (at lower of cost or market)	$ 24,503,803	$ 20,101,708
Advances on catalogs and expenses	$ 3,694,179	$ 3,664,410
Total current assets	$122,937,914	$107,014,551
OTHER ASSETS:		
Investment in unconsolidated subsidiaries (Note 1)	$ 1,287,917	$ 1,074,004
Sundry	890,538	972,578
	$ 2,178,455	$ 2,046,582
FIXED ASSETS:		
Real estate, leasehold improvements and equipment (at cost)	$ 13,754,251	$ 12,052,833
Less—Reserves for amortization and depreciation	5,527,543	4,940,705
	$ 8,226,708	$ 7,112,128
	$133,343,077	$116,173,261

CONSOLIDATED Balance Sheet

LIABILITIES AND CAPITAL

	January 31, 1963	January 31, 1962
CURRENT LIABILITIES:		
Notes payable	$ 8,000,000	$ 15,800,000
Current installments on long term debt	920,000	924,400
Merchandise and expense accounts payable	5,912,844	5,324,386
Due customers	1,500,952	1,563,622
Accrued federal and state taxes (Note 2)	2,393,651	3,121,915
Other liabilities	4,918,522	4,346,048
Total current liabilities	$ 23,645,969	$ 31,080,371
LONG TERM DEBT (Note 3)	$ 57,883,100	$ 41,282,500
FEDERAL INCOME TAX DEFERRED (Note 2)	$ 9,000,000	$ 4,250,000
CAPITAL:		
Capital stocks (Note 4)—		
4½% Preferred stock, cumulative, $100 par	$ 2,629,000	$ 2,753,000
Convertible second preference stock, no par	848,212	860,903
Common stock, $5 par	10,154,530	9,834,475
Capital in excess of par values	9,527,241	7,902,963
Retained earnings (Note 5)	20,022,595	18,555,988
	$ 43,181,578	$ 39,907,329
Less—Treasury stock (at cost)	367,570	346,939
	$ 42,814,008	$ 39,560,390
	$133,343,077	$116,173,261

STATEMENT OF CONSOLIDATED INCOME

Particulars	1963	1962
	Fiscal Year Ended January 31,	
Net Sales	$183,967,344	$164,474,895
Other Income (Net)	310,257	255,569
Total	$184,277,601	$164,730,464
Costs and Expenses:		
Cost of goods sold (including publicity, occupancy and buying expenses)	$146,135,481	$131,689,577
Selling, general and administrative expense (net of installment account service charges)	20,565,519	18,421,563
Maintenance and repairs	508,276	389,988
Depreciation and amortization	1,087,532	873,416
Social security, property and sundry taxes	2,173,108	1,817,571
Interest expense	3,504,477	2,981,142
Total costs and expenses	$173,974,393	$156,173,257
Income Before Provision for Federal Taxes on Income	$ 10,303,208	$ 8,557,207
Provision for Federal Taxes on Income (Note 2)	5,140,000	4,156,000
Net Income for Year	$ 5,163,208	$ 4,401,207

AUDITORS' OPINION

To Shareholders of Aldens, Inc.:

In our opinion, the accompanying financial statements, together with the notes thereto, present fairly the financial position of Aldens, Inc. and its consolidated subsidiaries at January 31, 1963 and January 31, 1962 and the results of their operations for the fiscal 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.

David Himmelblau & Co.
Certified Public Accountants

Chicago, Illinois
March 16, 1963

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Particulars	Fiscal Year Ended January 31, 1963	1962
BALANCE AT BEGINNING OF YEAR	**$18,555,988**	$15,469,204
NET INCOME FOR YEAR	**5,163,208**	4,401,207
	$23,719,196	$19,870,411
DIVIDENDS PAID:		
Cash dividends—		
Common stock	**$ 1,672,401**	$ 1,138,076
Convertible second preference stock	**91,858**	65,267
Preferred stock	**103,715**	111,080
	$ 1,867,974	$ 1,314,423
Market value of common shares issued as dividend on common stock ($295,423 credited to capital stock and $1,533,204 credited to capital in excess of par values)	**1,828,627**	—
	$ 3,696,601	$ 1,314,423
BALANCE AT END OF YEAR	**$20,022,595**	$18,555,988

CAPITAL IN EXCESS OF PAR VALUES

	1963	1962
BALANCE AT BEGINNING OF YEAR	**$ 7,902,963**	$10,906,070
ADD:		
Credits arising from conversion of the following into common stock of the Company—		
Convertible subordinated debentures	**62,533**	1,870,812
Convertible second preference stock	**4,691**	704
Excess of par value over cost of preferred shares cancelled	**23,850**	26,962
Excess of market value over par value of common shares issued as a dividend on common stock (from retained earnings)	**1,533,204**	—
	$ 9,527,241	$12,804,548
DEDUCT:		
Par value of common shares issued as 100% distribution on common stock	—	4,901,585
BALANCE AT END OF YEAR	**$ 9,527,241**	$ 7,902,963

NOTES TO FINANCIAL STATEMENTS

(1) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include all subsidiaries except (a) real estate subsidiaries and, (b) the life insurance subsidiary which began operations during 1961 and does not yet constitute a significant subsidiary. Investment in unconsolidated subsidiaries is stated at the amount of the net assets of such subsidiaries and their undistributed net income is included in the statement of consolidated income. The combined balance sheet of the real estate subsidiaries at January 31, 1963, is summarized as follows:

Assets		
Cash and U. S. Government securities		$ 459,026
Deferred charges		30,742
Properties, at cost:		
Land	$ 589,331	
Buildings and equipment less $1,439,866 depreciation	3,534,888	4,124,219
		$4,613,987
Liabilities and Capital		
Current liabilities		$ 296,272
Long term mortgage loans less $213,068 current installments included above (see note 3)		3,504,448
		$3,800,720
Capital:		
Capital stock	$ 690,000	
Retained earnings	123,267	813,267
All subsidiaries are 100% owned.		$4,613,987

(2) PROVISION FOR FEDERAL TAXES ON INCOME:

Federal income tax returns of Aldens, Inc. and its subsidiaries have been reviewed by the Internal Revenue Service through January 31, 1961.

Income reported on the accompanying financial statements is based on the accrual method of accounting. Income from installment sales included therein is reported on the installment basis for federal income tax purposes. The resultant deferral of federal income taxes deducted on the statement of consolidated income in the current and prior years has been set out separately on the consolidated balance sheet.

(3) LONG TERM DEBT:

Long term debt at January 31, 1963 consisted of the following:

Promissory notes due in annual installments of (a) $920,000 in the years 1963-1964, (b) $1,380,000 in the years 1965-1969, (c) $1,725,000 in the years 1970-1975 and (d) $2,070,000 in 1976—		
5¼% notes	$ 8,280,000	
5¾% notes	12,880,000	$21,160,000
Promissory notes, 5½%, due in annual installments of $450,000 beginning April 1, 1965; $3,250,000 will be due at final maturity, April 1, 1980		10,000,000
Sinking fund debentures, 5⅜%; sinking fund retirement is $750,000 principal amount per year beginning June 1, 1971; final maturity, 1981		15,000,000
Senior subordinated promissory notes, 5⅞%, due in annual installments of $380,000 beginning April 1, 1968; $2,280,000 will be due at final maturity, April 1, 1982		7,600,000
Convertible subordinated debentures, 5%; sinking fund retirement is $350,000 principal amount per year beginning October 1, 1966; final maturity, 1980 (currently convertible into common stock of the Company at $23.12 per share)		5,043,100
		$58,803,100
Less—Installments due currently		920,000
		$57,883,100

Mortgage loans of the unconsolidated real estate subsidiaries at January 31, 1963 consisted of (a) 4½% sinking fund bonds ($3,461,000) due in quarterly installments of $88,588 for principal and interest; final installment is due April 1, 1976 and (b) 5½% installment note ($256,516) due in monthly installments of $2,248 for principal and interest; final installment is due August 10, 1976. Land and buildings of the real estate subsidiaries carried at a net cost of $4,100,322 are leased to the Company under long term leases. The leases, land and buildings are pledged under the mortgages.

(4) CAPITAL STOCKS:

Common stock authorized was 3,000,000 shares at January 31, 1963 and 1962. Common stock issued was 2,030,906 shares at January 31, 1963 and 1,966,895 shares at January 31, 1962.

Preferred stock authorized and issued was 26,290 shares at January 31, 1963 and 27,530 shares at January 31, 1962.

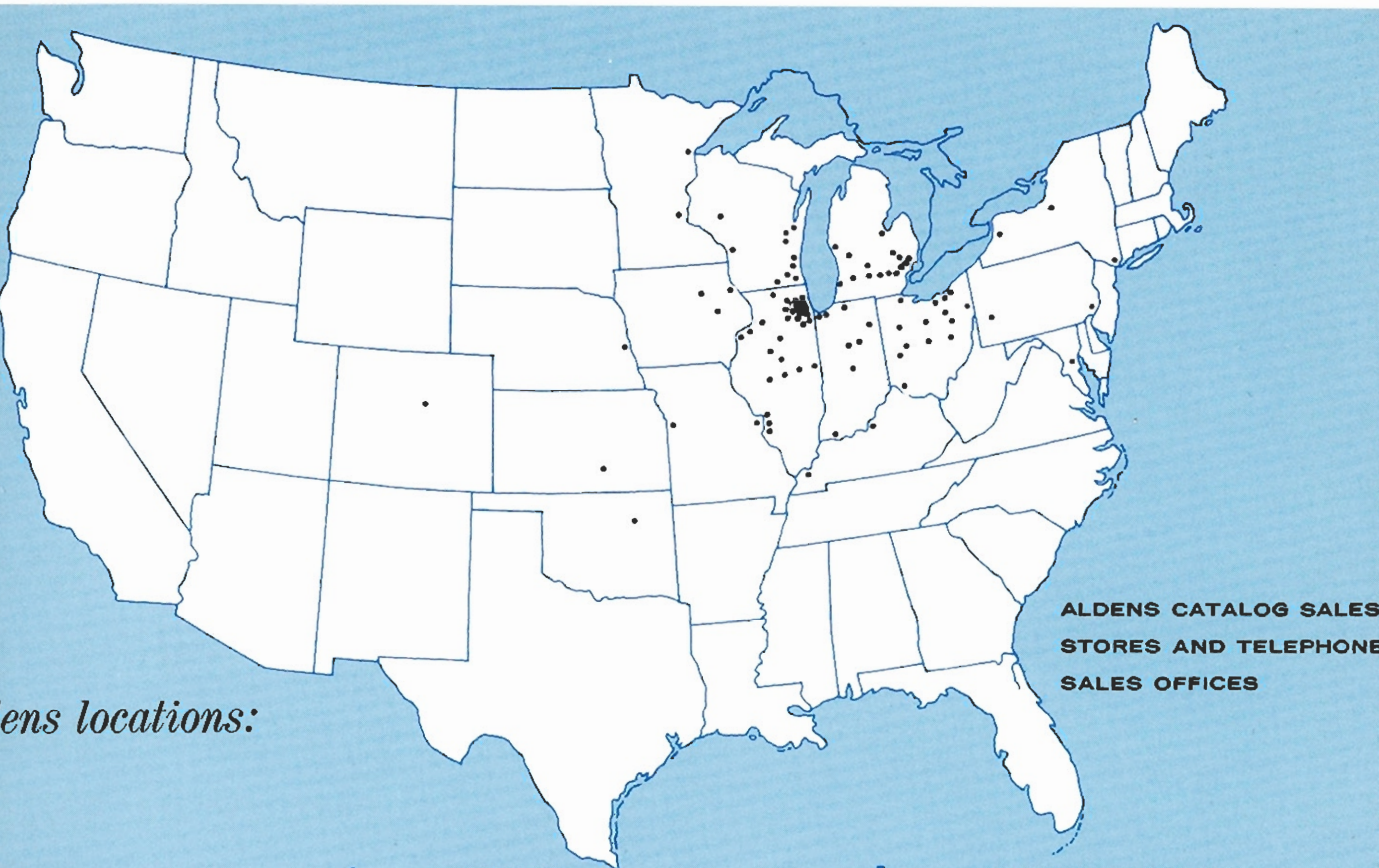
Convertible second preference stock issued was 2,673.45 shares at January 31, 1963 and 2,713.45 shares at January 31, 1962. These shares are convertible into common stock of the Company as follows: (a) 497.89 shares currently and (b) 2,175.56 shares after December 14, 1963. The present conversion rate is 41.2 shares of common stock per share of second preference stock. The second preference stock is entitled to receive cumulative preferential dividends of $24.00 per share per annum. In addition, each of these shares is entitled to participate in dividends (other than dividends payable in common stock of the Company) declared upon the common stock to the extent that such dividends per common share exceed the preferential dividend rate divided by the conversion rate. Such excess dividends shall be credited against preferential dividends in succeeding years.

(5) UNRESTRICTED RETAINED EARNINGS:

The Company is restricted as to the amount of dividends (other than stock dividends) which can be declared on the common stock under terms of (a) the various loan agreements covering long term debt detailed in note (3) and (b) Articles of Incorporation covering the 4½% cumulative preferred stock. Under the most restrictive of these provisions, approximately $6,100,000 of consolidated retained earnings was unrestricted at January 31, 1963.

(6) LONG TERM LEASES:

The Company and its subsidiaries are lessee under 48 leases (other than intercompany leases) with expiration dates ranging from 1966 to 1982 and providing for minimum annual rentals aggregating $1,600,150; in addition, certain of the leases provide for payment of taxes and other expenses.



Aldens locations:

ALDENS OFFICES

EXECUTIVE OFFICES
BUYING OFFICES
CLERICAL OPERATIONS
HARD LINES PLANT & WAREHOUSE

5000 Roosevelt Road,
Chicago, Illinois

SOFT LINES PLANT & WAREHOUSE

511 South Paulina Street,
Chicago, Illinois

SOFT LINES WAREHOUSE

600 West Fulton Street,
Chicago, Illinois

NEW YORK BUYING OFFICE

200 Madison Avenue,
New York, New York

ALDENS RETAIL STORES

ARKANSAS
Texarkana (Dillard's)

ILLINOIS
Alton (Young's)
Chicago
Elmwood Park
Galesburg (O. T. Johnson's)
Kankakee

INDIANA
Bedford
Bloomington
Frankfort
Terre Haute
Vincennes (Gimbel-Bond)

IOWA
Iowa City

KENTUCKY
Bowling Green (Pushin's)
Owensboro (McAtee's)

MAINE
Lewiston (Peck's)

MICHIGAN
Port Huron (Sperry's)

PENNSYLVANIA
Uniontown (Kaufman's)

SHOPPERS WORLD SELF-SERVICE DISCOUNT STORES

5275 and 5308 North Milwaukee Avenue, Chicago

5940 West Cermak Road, Cicero, Illinois

8800 West North Avenue, Melrose Park, Illinois

8301 Wicker Park Blvd., Highland, Indiana

9639 South Cicero Avenue, Oak Lawn, Illinois

9301 North Milwaukee Avenue, Niles, Illinois

6125 East Melton Road, Gary, Indiana

1333 Western Avenue, Chicago Heights, Illinois

Highway 51 and Pershing Road, Decatur, Illinois

6211 North Lincoln Avenue, Chicago, Illinois

5601 South Cicero Avenue, Chicago, Illinois

201 West Rand Road, Mount Prospect, Illinois

1441 East Magnolia Avenue, St. Paul, Minnesota

ALDENS 5000 West Roosevelt Road, Chicago 7, Illinois

Our 74th Year...1889/1963