

MAR 19 1937

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ABRAHAM & STRAUS INC.

FULTON — LIVINGSTON — GALLATIN PLACE — HOYT STREET

BROOKLYN, NEW YORK

ANNUAL REPORT

FOR THE FISCAL YEAR ENDING JANUARY 31, 1926

X-930

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ABRAHAM & STRAUS BROOKLYN INC.

EXECUTIVE OFFICES

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I beg to present the Annual Report of the operation of your Company for the fiscal year ending January 31, 1926, in which the Company enjoyed the largest volume of sales in its history.

Net profits for the fiscal year after deduction of all charges including Federal Income Tax, were \$1,238,303.28. On the basis of capitalization at present outstanding, \$4,250,000 Preferred and 155,000 shares of Common stock, this was equivalent, after allowance for dividend on the Preferred stock now outstanding to \$6.07 per share on the Common stock.

The Balance Sheet certified by Messrs. Touche, Niven & Company, certified public accountants, which forms part of this report, shows the Company owes no money to banks and owes trade creditors only for goods received during the last few days of the fiscal year.

Our inventory of merchandise has been taken conservatively at cost or market, whichever is lower. Our Accounts Receivable have also been taken at a conservative figure with ample reserves for bad or doubtful accounts.

Your Board of Directors feels that the fundamental conditions of the country are sound, and looks with confidence to the future.

Very truly yours,

SIMON F. ROTHSCHILD,
President.

ABRAHAM

BALANCE SHEET,

ASSETS

CURRENT ASSETS:

Cash and United States Government Obligations—at cost, approximately market		\$1,011,757.00
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Customers' accounts and notes receivable, less reserves:		
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Regular retail terms	\$1,633,277.54	
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Installment terms	536,476.06	
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2,169,753.60

Sundry debtors		39,516.09
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Inventories:

Merchandise on hand, at cost or market, whichever is lower	\$3,718,942.30	
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Merchandise in transit	100,130.81	
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Supplies	60,713.77	
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3,879,786.88

\$7,100,813.57

MISCELLANEOUS INVESTMENTS:		108,139.91
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FIXED ASSETS:

Store fixtures and delivery equipment—at appraised values as of January 31, 1925, with subsequent additions at cost, less depreciation.....	\$1,958,946.12	
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Improvements to buildings—at cost, less depreciation	277,648.07	
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Land and building rented to others—at cost, less depreciation	359,221.25	
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Leasehold—at cost	35,000.00	
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2,630,815.44

PREPAID EXPENSES		73,103.42
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GOODWILL		1.00
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\$9,912,873.34

NEW YORK, N. Y., MARCH 26, 1926: We have examined the books and account of Abraham & Straus, Inc., for the year ended therewith and, in our opinion, exhibit a true and correct view of the financial condition of the Corporation at January 31, 1926, and

& STRAUS INC. LYNN

JANUARY 31, 1926

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Trade creditors	\$ 692,107.76
Trade creditors for merchandise in transit	90,763.00
Sundry creditors	71,119.61
Accrued salaries and expenses	247,048.03
Federal income tax payable	160,000.00
Dividends on preferred stock, payable February 1, 1926	74,375.00

\$1,335,413.40

PURCHASE MONEY MORTGAGE PAYABLE, due 1928

197,500.00

INTEREST CHARGED IN ADVANCE

22,614.59

RESERVES:

Reserve for insurance	\$ 87,500.00
Reserve for contingencies	105,000.00

192,500.00

CAPITAL STOCK:

Preferred, 7% cumulative:

Authorized, issued and outstanding, 42,500 shares of \$100.00 par value each	\$4,250,000.00
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Common:

Authorized, 250,000 shares of no par value	
Issued and outstanding, 155,000 shares	1,387,500.00

\$5,637,500.00

SURPLUS, per Account No. 2:

Earned surplus	\$2,121,994.90
Property surplus	405,350.45
	<u>2,527,345.35</u>

8,164,845.35

\$9,912,873.34

January 31, 1926, and we certify that the above balance sheet and the accompanying income and surplus account are in accordance with the operations for the year then ended.

TOUCHE, NIVEN & CO.,
Public Accountants.

ABRAHAM & STRAUS INC.

INCOME AND SURPLUS ACCOUNT YEAR ENDED JANUARY 31, 1926

EARNED SURPLUS:

Balance, February 1, 1925, giving effect, as of that date, to the provisions of an agreement dated December 1, 1925, providing for the recapitalization of the Corporation	\$1,378,467.13
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Net profit:

Net profit before provision for Federal income tax	\$1,398,303.28
Provision for Federal income tax	160,000.00
Net profit after taxes	1,238,303.28
	<u>\$2,616,770.41</u>

Deduct:

Dividends on preferred stock:	
Old preferred stock to November 1, 1925	\$ 236,568.59
New preferred stock—1¾% to February 1, 1926	74,375.00
	<u>\$ 310,943.59</u>
Extraordinary expenses in connection with completing rearrangement of departments and of fixtures for their use	138,245.74
Recapitalization expenses written off	45,586.18
	<u>494,775.51</u>
Balance, January 31, 1926	<u>\$2,121,994.90</u>

PROPERTY SURPLUS:

Balance, February 1, 1925	\$ 459,712.71
Depreciation, less adjustments, on increased value of store fixtures and delivery equipment shown by appraisal	54,362.26
Balance, January 31, 1926	405,350.45
TOTAL, carried to Account No. 1	<u>\$2,527,345.35</u>

MAR 19 1937

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ABRAHAM & STRAUS
BROOKLYN, N. Y.



ABRAHAM & STRAUS INC.

FULTON — LIVINGSTON — GALLATIN PLACE — HOYT STREET
BROOKLYN, NEW YORK

ANNUAL REPORT

FOR THE FISCAL YEAR ENDING JANUARY 31, 1927

ABRAHAM & STRAUS INC.

BROOKLYN, N. Y.

EXECUTIVE OFFICES

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the Annual Report of the operations of your Company for the fiscal year ended January 31, 1927, during which the volume of sales was the largest in the history of the Company.

Net profits, after deduction of federal income tax and all expenses, including adequate provision for depreciation and bad debts, amounted to \$1,446,332.29 (equivalent to \$7.41 per share on the Common stock) compared with \$1,238,303.28 for the previous fiscal year.

The accounts submitted with this report have been audited, as usual, by Messrs. Touche, Niven & Co., public accountants.

The increased business in furniture and kindred lines has taxed existing storage facilities beyond their capacity. In order to provide proper space for present needs and future anticipated growth, the Company has just acquired a plot of land measuring 350 feet by 200 feet adjoining Bush Terminal, in Brooklyn, N. Y., upon which it plans to erect a modern warehouse, the first unit of which will contain 300,000 square feet. The increased space which is thus provided will make possible more efficient operation and afford the public better service.

The outlook for the coming year is encouraging, and your Board of Directors continues to look with confidence to the future.

Yours faithfully,

SIMON F. ROTHSCHILD,

President.

ABRAHAM

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash and United States Government obligations — at cost, approximately market	\$1,899,112.55
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Customers' accounts and notes receivable, less reserves:

Regular retail terms.....	\$1,965,414.73
Installment terms	642,519.95

	2,607,934.68
	53,727.10

Sundry debtors

Inventories:

Merchandise on hand—at cost or market, whichever is lower.....	\$3,498,907.21
Merchandise in transit, per contra.....	106,598.90
Supplies	50,694.05

	3,656,200.16
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	\$8,216,974.49
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MISCELLANEOUS INVESTMENTS.....	109,920.70
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FIXED ASSETS:

Store fixtures and delivery equipment—at appraised values as of January

31, 1925, with subsequent additions at cost, less depreciation	\$1,885,556.38
Improvements to buildings—at cost, less depreciation	255,621.28
Land and building rented to others—at cost, less depreciation	356,571.25
Leasehold—at cost	35,000.00

	2,532,748.91
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PREPAID EXPENSES	69,698.50
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GOODWILL	1.00
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	<u>\$10,929,343.60</u>
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NEW YORK, N. Y., MARCH 24, 1927: We have examined the books and accounts of Abraham & Straus, Inc., for the accordance therewith and, in our opinion, exhibit a true and correct view of the financial condition of the Corporation at January 31, 1927.

STRAUS INC.

JANUARY 31, 1927

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Trade creditors	\$ 520,292.59
Traded creditors for merchandise in transit.....	106,598.90
Sundry creditors	64,955.09
Accrued salaries and expenses.....	221,515.38
Federal income tax payable.....	235,000.00
Dividends on preferred stock, payable February 1, 1927	74,375.00

\$1,222,736.96
197,500.00
25,683.68

PURCHASE MONEY MORTGAGE PAYABLE, due 1928.....

INTEREST CHARGED IN ADVANCE

RESERVES:

Reserve for insurance	\$ 87,500.00
Reserve for contingencies.....	167,473.23

254,973.23

NET WORTH:

Capital Stock:

Preferred, 7% cumulative:

Authorized, issued and outstanding, 42,500 shares of \$100.00 par value each \$4,250,000.00

Common:

Authorized, 250,000 shares of no par value
Issued and outstanding, 155,000 shares..... 1,387,500.00
\$5,637,500.00

SURPLUS, per attached statement:

Earned surplus	\$3,080,827.19
Property surplus	360,122.54
Appropriated surplus	150,000.00

3,590,949.73

9,228,449.73

\$10,929,343.60

ated January 31, 1927, and we certify that the above balance sheet and the accompanying income and surplus account are in
, and of its operations for the year then ended.

TOUCHE, NIVEN & CO.
Public Accountants.

ABRAHAM & STRAUS INC.

INCOME AND SURPLUS ACCOUNT YEAR ENDED JANUARY 31, 1927

EARNED SURPLUS:

Balance February 1, 1926.....		\$2,121,994.90
Net profit:		
Net profit before provision for federal income tax.....	\$1,681,332.29	
Provision for federal income tax.....	<u>235,000.00</u>	
Net profit after taxes.....		1,446,332.29
		<u>\$3,568,327.19</u>
Deduct:		
Dividends on preferred capital stock, 7%.....	\$ 297,500.00	
Transfer to appropriated surplus—see below.....	150,000.00	
Transfer to reserve for contingencies.....	<u>40,000.00</u>	
		487,500.00
Balance, January 31, 1927.....		<u>\$3,080,827.19</u>

PROPERTY SURPLUS:

Balance, February 1, 1926.....	\$ 405,350.45	
Depreciation and adjustment of increased value of store fixtures and delivery equipment shown by appraisal.....	<u>45,227.91</u>	
Balance, January 31, 1927.....		360,122.54

APPROPRIATED SURPLUS:

Transfer from earned surplus, for purchase or redemption of preferred capital stock, although not required until January, 1928		150,000.00
TOTAL, carried to balance sheet.....		<u><u>\$3,590,949.73</u></u>



ABRAHAM & STRAUS^{INC.}

AND SUBSIDIARY REALTY COMPANIES

FULTON — LIVINGSTON — GALLATIN PLACE — HOYT STREET

BROOKLYN, NEW YORK

ANNUAL REPORT

FOR THE FISCAL YEAR ENDING JANUARY 31, 1928

ABRAHAM & STRAUS^{INC.}
BROOKLYN, N. Y.

March 31, 1928.

EXECUTIVE OFFICES

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the Annual Report of the operations of your Company for the fiscal year ended January 31, 1928.

Net profits, after deduction of federal income tax and all expenses, including adequate provision for depreciation and bad debts, amounted to \$1,530,968.83 (equivalent to \$7.96 per share on the Common Stock) compared with \$1,446,332.29 for the previous fiscal year.

On February 1, 1928, \$425,000. par value of the preferred stock, 10% of the total issue, was retired at the call price of \$110. per share, thereby complying with charter requirements for 1928 and anticipating them for the next two years.

The accounts submitted with this report have been audited by Messrs. Touche, Niven & Co., public accountants.

Yours faithfully,

SIMON F. ROTHSCHILD,

President.

ABRAHAM

AND SUBSIDIARY

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash	\$1,021,622.19
Call loans receivable	650,000.00
United States and New York City obligations — at cost, approximately market	1,209,479.93
Customers' accounts receivable, less reserves:	
Regular retail terms	\$1,944,001.81
Installment terms	625,891.90
	<u>2,569,893.71</u>

Sundry debtors 89,693.60

Inventories:

Merchandise on hand—at cost or market, whichever is lower	\$3,066,663.81
Merchandise in transit	154,913.16
Supplies	50,564.61
	<u>3,272,141.58</u>
	<u>\$8,812,831.01</u>

PREPAID EXPENSES 84,613.99

MISCELLANEOUS INVESTMENTS 139,702.91

FIXED ASSETS:

Store fixtures and delivery equipment—at appraised values as of	
January 31, 1925, with subsequent additions at cost, less depreciation	\$1,979,165.51
Improvements to store buildings leased—at cost, less depreciation	219,787.19
Other land, buildings and leaseholds—at cost, less depreciation	872,432.30
	<u>3,071,385.00</u>

GOODWILL 1.00

\$12,108,533.91

NEW YORK, N. Y., MARCH 21, 1928: We have examined the books and accounts of Abraham & Straus, Inc., and subsidiaries and profit and loss statements are in accordance therewith and, in our opinion, exhibit a true and correct view of the financial condition of the company at the close of the year ended December 31, 1927.

STRAUS INC.

TY COMPANIES

ET, JANUARY 31, 1928.

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:		
Trade creditors	\$ 447,933.10	
Trade creditors for merchandise in transit	154,913.16	
Sundry creditors	43,199.14	
Accrued salaries and expenses	217,302.26	
Reserve for federal income tax	250,000.00	
Dividends on preferred stock, payable February 1, 1928	74,375.00	
		<u>\$1,187,722.66</u>

PURCHASE MONEY MORTGAGES PAYABLE:

Due within one year	\$ 202,500.00	
Due after one year, to 1930	47,500.00	
		<u>250,000.00</u>

RESERVES:

Reserve for insurance	\$ 87,500.00	
Reserve for contingencies	161,747.46	
		<u>249,247.46</u>

NET WORTH:

Capital stock:

Preferred, 7% cumulative:

Authorized, issued and outstanding, 42,500 shares of \$100.00 par value each

\$4,250,000.00

Note: 4,250 shares of preferred stock were called for redemption on February 1, 1928, at \$110. per share.

Common:

Authorized, 250,000 shares of no par value

Issued and outstanding 153,000 shares

1,387,500.00

\$5,637,500.00

Surplus, per Statement No. 2:

Earned surplus

\$4,039,296.02

Property surplus

319,767.77

Appropriated surplus

425,000.00

4,784,063.7910,421,563.79\$12,108,533.91

ty companies for the year ended January 31, 1928 and we certify that the above balance sheet and the accompanying surplus of the Corporation and its subsidiaries at January 31, 1928, and of the results of their operations for the year then ended.

TOUCHE, NIVEN & CO.

Public Accountants.

ABRAHAM & STRAUS INC.
AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED SURPLUS
YEAR ENDED JANUARY 31, 1928

EARNED SURPLUS:

Balance, February 1, 1927.....	\$3,080,827.19
Add net profit after taxes, year ended January 31, 1928, per Statement No. 3.....	1,530,968.83
	<u>\$4,611,796.02</u>

Deduct:

Dividends on preferred capital stock, 7%.....	\$297,500.00
Transfer to appropriated surplus—see below.....	275,000.00
	<u>572,500.00</u>
Balance, January 31, 1928.....	\$4,039,296.02

PROPERTY SURPLUS:

Balance, February 1, 1927.....	\$360,122.54
Depreciation of increased value of store fixtures and delivery equipment shown by appraisal	40,354.77
	<u>319,767.77</u>
Balance, January 31, 1928.....	319,767.77

APPROPRIATED SURPLUS:

Balance, February 1, 1927.....	\$150,000.00
Transfer from earned surplus, for purchase or redemption of preferred capital stock	275,000.00
	<u>425,000.00</u>
Balance, January 31, 1928.....	425,000.00

TOTAL, carried to Statement No. 1.....	<u>\$4,784,063.79</u>
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ABRAHAM & STRAUS^{INC.}
AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED PROFIT AND LOSS
YEAR ENDED JANUARY 31, 1928

NET SALES		\$25,571,149.50
DEDUCT:		
Cost of goods sold, selling, operating and administrative expenses, less miscellaneous earnings, exclusive of depreciation and provision for federal income tax		23,575,648.45
NET PROFIT BEFORE DEPRECIATION AND PROVISION FOR FEDERAL INCOME TAX		\$1,995,501.05
DEDUCT:		
Depreciation	\$214,532.22	
Provision for federal income tax	250,000.00	
		<u>464,532.22</u>
NET PROFIT, carried to surplus, per Statement No. 2		<u><u>\$1,530,968.83</u></u>

MAR 19 1937

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ABRAHAM & STRAUS INC.

AND SUBSIDIARY REALTY COMPANIES

FULTON — LIVINGSTON — GALLATIN PLACE — HOYT STREET

BROOKLYN, NEW YORK

ANNUAL REPORT

FOR THE FISCAL YEAR ENDING JANUARY 31, 1929

ABRAHAM & STRAUS INC.

BROOKLYN

March 30, 1929.

EXECUTIVE OFFICES

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the Annual Report of the operations of your Company for the fiscal year ended January 31, 1929.

Net profits, after deduction of federal income tax and all expenses, including adequate provision for depreciation and bad debts, amounted to \$1,557,424.02 (equivalent to \$8.32 per share on the average number of shares of Common Stock) compared with \$1,530,968.83 (equivalent to \$7.96 per share on the Common Stock) for the previous fiscal year.

On January 1, 1929 construction of a new building was started on part of the site now occupied by the business. It is expected that this building will be completed in time for the 1929 fall trade. This unit will cover about 40% of the ground on which the store now stands and will increase the total floor area by approximately 275,000 square feet. With its completion, your Company will offer to the public unusual facilities of the most modern character. Plans have been completed for the construction of additional units, which will be added when the needs of the business require. In order to conduct the business with a minimum of readjustment and inconvenience to our customers, it is the present intention of the Company not to start any additional units before the building now under construction has been brought to a point of complete use and effectiveness. The expenses of vacating the portion of the building demolished and of relocating the departments in the remainder of the present buildings have been deducted from profits.

As of October 1, 1928 the Company issued \$5,150,000 Fifteen-Year 5½% Gold Debentures, the proceeds to be used for defraying part of the cost of the new unit, the balance of the cost being available in accumulated earnings of the Company. These debentures carry warrants entitling the holders to purchase Common Stock. In January, 1929, 130 shares were issued upon presentation of warrants.

The accounts submitted with this report have been audited by Messrs. Touche, Niven & Co., public accountants.

Yours faithfully,

SIMON F. ROTHSCHILD,
President.

ABRAHAM

AND SUBSIDIARY

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash and call loans receivable.....		\$ 5,623,218.14
United States, state and city obligations—at cost, or market, whichever is lower		2,361,198.80
Customers' accounts and notes receivable, less reserves:		
Regular retail terms	\$2,038,731.13	
Installment terms.....	732,819.07	
		2,771,550.20
Sundry debtors		134,654.56
Inventories:		
Merchandise on hand, at cost or market, whichever is lower.....	\$2,696,879.05	
Merchandise in transit.....	140,009.44	
Supplies	56,520.31	
		2,893,408.80
		<u>\$13,784,030.50</u>

MISCELLANEOUS INVESTMENTS	135,074.02
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FIXED ASSETS:

Store fixtures and delivery equipment—at appraised values as of January 31, 1925, with subsequent additions at cost, less depreciation.....	\$1,815,210.57	
Improvements to store buildings leased—at cost less depreciation.....	97,541.94	
Building in course of construction and fixtures therefor	763,173.84	
Other land, buildings and leaseholds—at cost less depreciation.....	919,918.75	
		3,595,845.10

DEFERRED CHARGES:

Prepaid expenses.....	\$ 81,907.51	
Unamortized debenture discount and expenses.....	182,893.36	
		264,800.87

GOODWILL	1.00
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\$17,779,751.49

NEW YORK, N. Y., MARCH 21, 1929: We have examined the books and accounts of Abraham & Straus, Inc., and subsidiary profit and loss and surplus statements are in accordance therewith and, in our opinion, correctly present the financial condition of the company at the date of the balance sheet.

STRAUS INC.

TY COMPANIES

ET, JANUARY 31, 1929

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:	
Trade creditors	\$ 401,534.05
Trade creditors for merchandise in transit	140,009.44
Sundry creditors	37,045.01
Accrued salaries and expenses	310,568.46
Purchase money mortgages payable	47,500.00
Reserve for federal income tax	210,000.00
Dividends on preferred stock, payable February 1, 1929	66,937.50
	<u>\$ 1,213,594.46</u>

FIFTEEN-YEAR 5½% GOLD DEBENTURES, due October 1, 1943	5,150,000.00
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RESERVES:

Reserve for insurance	\$ 87,500.00
Reserve for contingencies	188,796.80
	<u>276,296.80</u>

NET WORTH:

Capital stock:

Preferred, 7% cumulative, par value \$100.00 a share:

Authorized and issued, 42,500 shares	\$4,250,000.00
Less redeemed, 4,250 shares	425,000.00
	<u>\$3,825,000.00</u>

Outstanding, 38,250 shares	\$3,825,000.00
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Common:

Authorized, 250,000 shares of no par value	
Issued and outstanding, 155,130 shares	1,402,450.00
	<u>\$5,227,450.00</u>

Surplus, per Statement No. 2:

Earned surplus	\$5,207,997.23
Property surplus	279,413.00
Appropriated surplus	425,000.00
	<u>5,912,410.23</u>
	<u>11,139,860.23</u>
	<u>\$17,779,751.49</u>

y companies for the year ended January 31, 1929, and we certify that the foregoing balance sheet and the accompanying
 he results of operations of the Company at the date and for the period stated.

TOUCHE, NIVEN & CO.,
 Public Accountants.

ABRAHAM & STRAUS INC.

AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED SURPLUS YEAR ENDED JANUARY 31, 1929

EARNED SURPLUS:

Balance, February 1, 1928	\$4,039,296.02
Add net profit after taxes, year ended January 31, 1929, per Statement No. 3.....	1,557,424.02
	<u>\$5,596,720.04</u>

Deduct:

Dividends on preferred capital stock 7%	\$ 267,750.00	
Premium paid on redemption of \$425,000.00 par value preferred stock	42,500.00	
Undepreciated balance of improvements to buildings demolished	78,472.81	
		<u>388,722.81</u>
Balance, January 31, 1929		<u>\$5,207,997.23</u>

PROPERTY SURPLUS:

Balance, February 1, 1928	\$ 319,767.77	
Depreciation of increased value of store fixtures and delivery equipment shown by appraisal	40,354.77	
		<u>279,413.00</u>
Balance, January 31, 1929		<u>279,413.00</u>

APPROPRIATED SURPLUS	<u>425,000.00</u>
TOTAL, carried to Statement No. 1	<u><u>\$5,912,410.23</u></u>

ABRAHAM & STRAUS INC
AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED PROFIT AND LOSS
YEAR ENDED JANUARY 31, 1929

NET SALES.....		\$25,421,916.10
DEDUCT:		
Cost of goods sold, selling, operating and administrative expenses, less miscellaneous earnings, exclusive of depreciation and provision for federal income tax.....		23,417,995.12
NET PROFIT BEFORE DEPRECIATION AND PROVISION FOR FEDERAL INCOME TAX.....	\$	2,003,920.98
DEDUCT:		
Depreciation	\$	236,496.96
Provision for federal income tax.....		210,000.00
		446,496.96
NET PROFIT, carried to surplus, Statement No. 2.....	\$	1,557,424.02

APR 2 1930

ABRAHAM & STRAUS INC

AND SUBSIDIARY REALTY COMPANIES

BROOKLYN, NEW YORK

ANNUAL REPORT

FOR THE FISCAL YEAR ENDING JANUARY 31, 1930

ABRAHAM & STRAUS INC

BROOKLYN

March 29, 1930.

EXECUTIVE OFFICES

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the Annual Report of the operations of your Company for the fiscal year ended January 31, 1930.

The building program for 1929 as outlined in my report of last year went forward as scheduled. The East Building, occupying 40% of the store area, was demolished in January, 1929, and in its place a new building comprising eleven stories was completed in time for the Fall trade. However, only a portion of the new building was occupied in September, it being November before the necessary departmental moves were made which permitted the full utilization of the new facilities. Coincident with the erection of this building, your Company made extensive improvements in the remaining buildings so that it is now able to offer its customers the most complete and modern facilities in all departments. Substantial extraordinary charges arising from relocation of departments have been deducted from net profits.

Net profits, after adequate provision for depreciation and bad debts and deduction of federal income tax, amounted to \$1,012,726.57, (equivalent, after dividends on preferred stock, to \$4.80 per share on the common stock) compared with \$1,557,424.02, (or \$8.32 per share on the common stock) for the previous fiscal year.

In spite of the reduced area in which operations were conducted during the greater part of the year and the difficulties incidental to the many moves of departments, your Company enjoyed a fair measure of success due to the loyal cooperation of its organization. The established policy of promotion from within has attracted capable young men and women and has made possible the building up of the splendid staff which is the best assurance for the continuing success of your Company.

The accounts submitted with this report have been audited by Messrs. Touche, Niven & Co., public accountants.

Yours faithfully,

SIMON F. ROTHSCHILD,

President.

ABRAHAM

AND SUBSIDIARY

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash, call loans receivable and due from bankers.....		\$ 1,625,559.86
Customers' accounts and notes receivable, less reserves:		
Regular retail terms	\$2,274,074.70	
Installment terms	734,802.51	
		3,008,877.21
Sundry debtors		106,267.33
Inventories:		
Merchandise on hand, at cost or market, whichever is lower.....	\$2,912,964.83	
Merchandise in transit	199,406.26	
Supplies	41,699.97	
		3,154,071.06
		<u>\$ 7,894,775.46</u>

MISCELLANEOUS INVESTMENTS	121,541.67
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FIXED ASSETS:

Land, leasehold, and building improvements on land owned and leased, (in part not used in operations) including payments to date for new building—at cost less depreciation.....	\$7,670,189.26	
Store fixtures and delivery equipment, including payments to date for fixtures for new building—at appraised values as of January 31, 1925, with subsequent additions at cost, less depreciation	2,421,934.25	
		10,092,123.51

DEFERRED CHARGES:

Prepaid expenses	\$ 73,998.12	
Unamortized debenture discount and expenses	178,017.45	
		252,015.57
GOODWILL		1.00

\$18,360,457.21

NEW YORK, N. Y., MARCH 25, 1930: We have examined the books and accounts of Abraham & Straus, Inc. and subsidiary and loss and surplus statements, in our opinion, correctly present the financial condition and the results of operations of the

STRAUS INC

TY COMPANIES

ET—JANUARY 31, 1930

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:	
Trade creditors	\$ 544,285.60
Trade creditors for merchandise in transit.....	199,406.26
Sundry creditors	29,458.56
Accrued salaries and expenses.....	359,202.20
Purchase money mortgages payable.....	42,500.00
Reserve for federal income tax.....	90,000.00
Dividends on preferred stock, payable February 1, 1930.....	66,937.50
	<hr/>
	\$ 1,331,790.12

FIFTEEN YEAR 5½% GOLD DEBENTURES, due October 1, 1943..... 5,150,000.00

RESERVES:

Reserve for insurance.....	\$ 87,500.00
Reserve for contingencies.....	219,302.19
	<hr/>
	306,802.19

NET WORTH:

Capital stock:

Preferred, 7% cumulative, par value \$100.00 a share:

Authorized and issued, 42,500 shares.....	\$4,250,000.00
Less redeemed, 4,250 shares.....	425,000.00
	<hr/>
	\$3,825,000.00

Common:

Authorized, 250,000 shares of no par value	
Issued and outstanding, 155,155 shares.....	1,405,325.00
	<hr/>
	\$5,230,325.00

Surplus, per Statement No. 2:

Earned surplus	\$5,715,338.07
Property surplus	201,201.83
Appropriated surplus	425,000.00
	<hr/>
	6,341,539.90
	<hr/>
	11,571,864.90
	<hr/>
	<u>\$18,360,457.21</u>

companies for the year ended January 31, 1930 and we certify that the foregoing balance sheet and the accompanying profit companies at the date and for the period stated.

TOUCHE, NIVEN & CO.,

Public Accountants.

ABRAHAM & STRAUS INC

AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED SURPLUS YEAR ENDED JANUARY 31, 1930

EARNED SURPLUS:

Balance, February 1, 1929.....	\$5,207,997.23
Add net profit after taxes, year ended January 31, 1930, per Statement No. 3.....	1,012,726.57
	<u>\$6,220,723.80</u>

Deduct:

Dividends on preferred stock, 7%.....	\$267,750.00	
Fixtures scrapped in connection with building addition — undepreciated balance	141,397.48	
Loss on leasehold and fixtures in discontinuance of separate men's clothing store.....	96,238.25	
	<u>505,385.73</u>	

Balance, January 31, 1930.....	<u>\$5,715,338.07</u>
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PROPERTY SURPLUS:

Balance, February 1, 1929.....	\$279,413.00
--------------------------------	--------------

Deduct:

Depreciation of increased value of store fixtures and delivery equipment shown by appraisal.....	\$40,354.77	
Appreciation on fixtures scrapped.....	37,856.40	
	<u>78,211.17</u>	

Balance, January 31, 1930.....	<u>201,201.83</u>
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APPROPRIATED SURPLUS:

Appropriated for repurchase of preferred capital stock.....	425,000.00
TOTAL, carried to Statement No. 1.....	<u>\$6,341,539.90</u>

ABRAHAM & STRAUS INC.

AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED PROFIT AND LOSS
YEAR ENDED JANUARY 31, 1930

NET SALES \$25,916,806.74

DEDUCT:

Cost of goods sold, selling, operating and administrative expenses (including extraordinary charges arising from relocating departments due to building operations) less miscellaneous earnings, exclusive of interest, depreciation and provision for federal income tax..... 24,310,138.98

NET PROFIT BEFORE INTEREST, DEPRECIATION AND PROVISION FOR FEDERAL INCOME TAX..... \$ 1,606,667.76

DEDUCT:

Interest paid	\$	164,365.65	
Depreciation		339,575.54	
Provision for federal income tax.....		90,000.00	
			593,941.19

NET PROFIT, carried to surplus, Statement No. 2..... \$ 1,012,726.57

MAR 9 1931

ABRAHAM & STRAUS INC
AND SUBSIDIARY REALTY COMPANIES
BROOKLYN, NEW YORK

ANNUAL REPORT

**FOR THE FISCAL YEAR ENDING
JANUARY 31, 1931**

ABRAHAM & STRAUS INC

March 28, 1931.

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the Annual Report of the operations of your Company for the fiscal year ended January 31, 1931.

Dollar volume of sales for the year reached a new high record, \$26,702,949., an increase of \$786,142. or 3.03% over 1929. Lower retail prices have naturally resulted in a lower average sale, but against this there has been an increase in the number of transactions of 10.03%.

Net profit, after adequate provision for depreciation, and deduction of federal income tax, amounted to \$910,050.86, equivalent after dividends on preferred stock to \$4.16 per share on the common stock, compared with \$1,012,726.56, or \$4.80 per share on the common stock, for the previous fiscal year. In both years, there were outstanding 155,155 shares of common stock.

During the past year, the drop in commodity prices has been aggressively anticipated. The resulting greater markdowns have affected net profit, but inventories are now in excellent condition, and have been repriced at current replacement values. The value of inventories priced at cost or market, whichever was lower, has been reduced by \$640,000., while at the same time, as will appear from the balance sheet, the cash position of the Company has been strengthened by considerably more than that amount.

The new East Building has been occupied for the first full year. The added facilities have been reflected in our increased sales, and place us in a favorable position for future growth. While this has been a favorable factor, it has also brought considerably increased operating expenses and carrying charges. However, these charges have been largely counterbalanced by economies made through a careful administration of the expense budget.

During the year, in compliance with charter requirements, additional preferred stock was retired which brings the total retired since 1925 to an aggregate of \$510,000. leaving outstanding \$3,740,000.

The management wishes to express its appreciation of the splendid spirit of cooperation and loyalty evidenced by the entire staff through the year.

The accounts submitted with this report have been audited by Messrs. Touche, Niven & Co. public accountants.

Yours very truly,

EDWARD C. BLUM,

President.

ABRAHAM

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash		\$ 1,874,594.58
Marketable securities—at cost, less than market:		
U. S. Government bonds	\$ 612,937.50	
Railroad bonds	47,411.25	
		<hr/> 660,348.75
Customers' accounts and notes receivable, less reserves:		
Regular retail terms	\$2,217,082.97	
Installment terms	758,435.15	
		<hr/> 2,975,518.12
Sundry debtors		110,444.44
Inventories:		
Merchandise on hand, on the basis of cost or market, whichever is lower	\$2,367,322.49	
Merchandise in transit	101,166.20	
Supplies	45,541.89	
		<hr/> 2,514,030.58
		<hr/> \$ 8,134,936.47

OTHER ASSETS:

Cash surrender value of officers' life insurance	\$ 36,802.50	
Miscellaneous investments	94,192.50	
		<hr/> 130,995.00

FIXED ASSETS:

Land, leaseholds, buildings and building improvements on land owned and leased (in part not used in operations)—at cost less depreciation	\$7,687,674.15	
Store fixtures and delivery equipment—at cost less depreciation	2,227,033.05	
		<hr/> 9,914,707.20

DEFERRED CHARGES:

Prepaid expenses—unexpired insurance, etc.	\$ 60,616.93	
Unamortized debenture discount and expense	164,991.78	
		<hr/> 225,608.71

GOODWILL		1.00
		<hr/> <u>\$18,406,248.38</u>

TO THE PRESIDENT AND BOARD OF DIRECTORS OF
ABRAHAM & STRAUS, INC.:

We have examined the books and accounts of Abraham & Straus, Inc. and subsidiary realty companies for the year ended March 19, 1931, and we are satisfied that the financial statements correctly present the financial condition and the results of operations of the combined companies at the date and for the period shown.

NEW YORK, MARCH 19, 1931.

STRAUS INC

LTY COMPANIES

HEET—JANUARY 31, 1931

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:		
Trade creditors	\$	382,168.32
Trade creditors for merchandise in transit.....		101,166.20
Sundry creditors		60,388.57
Accrued salaries and expenses		224,833.38
Reserve for federal income tax		125,000.00
Dividends on preferred stock, payable February 1, 1931		65,450.00
	<u>\$</u>	<u>959,006.47</u>

FIFTEEN YEAR 5½% GOLD DEBENTURES, due October 1, 1943.....	5,150,000.00
--	--------------

RESERVES:

Reserve for insurance	\$	87,500.00
Reserve for contingencies		285,615.98
	<u></u>	<u>373,115.98</u>

NET WORTH:

Capital stock:

Preferred, 7% cumulative, par value \$100.00 a share:

Authorized and issued, 42,500 shares.....	\$4,250,000.00
Less repurchased, 5,100 shares	510,000.00

Outstanding, 37,400 shares.....	\$3,740,000.00
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Common:

Authorized, 250,000 shares of no par value	
Issued and outstanding 155,155 shares.....	1,405,325.00

Note: 25,595 shares reserved for the warrants attached
to the Fifteen-year 5½% gold debentures

\$5,145,325.00

Surplus, per Statement No. 2.....	6,778,800.93
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11,924,125.93

\$18,406,248.38

y 31, 1931 and we report that the accompanying balance sheet, and profit and loss and surplus statements, in our opinion,
ed.

TOUCHE, NIVEN & CO.,

Public Accountants.

ABRAHAM & STRAUS INC

AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED SURPLUS YEAR ENDED JANUARY 31, 1931

EARNED SURPLUS:

Balance, February 1, 1930 (including \$425,000.00 representing the par value of preferred stock reacquired)	\$6,140,338.07
Add net profit after taxes, year ended January 31, 1931, per Statement No. 3.....	910,050.86
	<hr/> \$7,050,388.93

Deduct:

Dividends declared on preferred stock—four quarterly dividends of 1% each to February 1, 1931.....	\$264,694.50
Premium paid on preferred stock purchased for redemption	6,893.50
	<hr/> 271,588.00
Balance, January 31, 1931 (including \$510,000.00 representing the par value of preferred stock reacquired)	<hr/> \$6,778,800.93

PROPERTY SURPLUS:

Balance, February 1, 1930	\$201,201.83
Deduct balance at beginning of year of increased value of store fixtures shown by appraisal, to reduce these fixtures to cost	201,201.83
	<hr/>
Balance, January 31, 1931	<hr/>

TOTAL SURPLUS, transferred to Statement No. 1.....	\$6,778,800.93
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ABRAHAM & STRAUS INC.

AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1931

NET SALES: \$26,702,949.17

DEDUCT:

Cost of goods sold, selling, operating and administrative expenses, exclusive of interest, depreciation and provision for federal income tax,
less miscellaneous earnings 24,894,619.50

NET PROFIT BEFORE INTEREST, DEPRECIATION AND PROVISION FOR FEDERAL INCOME TAX \$ 1,808,329.67

DEDUCT:

Interest paid	\$285,593.74	
Depreciation	487,685.07	
Provision for federal income tax	125,000.00	
		898,278.81

NET PROFIT, carried to surplus, Statement No. 2 \$ 910,050.86

new

4767.1

~~50.51,25~~

Margyn Scottie Libby

ABRAHAM & STRAUS INC.

AND SUBSIDIARY REALTY COMPANIES
BROOKLYN, NEW YORK

ANNUAL REPORT

FOR THE FISCAL YEAR ENDING
JANUARY 31, 1932

BOARD OF DIRECTORS

Simon F. Rothschild, Chairman

Edward C. Blum	Lawrence Abraham
Walter N. Rothschild	Nathan Straus, Jr.
Hugh Grant Straus	Arthur Lehman
Robert E. Blum	Louis E. Kirstein

OFFICERS

Simon F. Rothschild	Chairman of the Board
Edward C. Blum	President
Walter N. Rothschild	Vice-President
Hugh Grant Straus	Vice-President-Treasurer
William O. Riordan	Operating Vice-President
Neal D. Mooers	Operating Vice-President
Robert E. Blum	Operating Vice-President
Kenneth C. Richmond	Operating Vice-President

ABRAHAM & STRAUS INC.

March 23, 1932.

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the annual report of the operations of your Company for the fiscal year ended January 31, 1932.

Net profit, after adequate provision for depreciation and deduction of federal income tax, amounted to \$741,829.03 equivalent, after dividends on preferred stock, to \$3.16 per share on the common stock, compared with \$910,050.86 or \$4.16 per share on the common stock, for the previous fiscal year. In both years, there were outstanding 155,155 shares of common stock.

During the year the Company paid dividends on its common stock of 37½¢ per share each on September 30, 1931, and on December 31, 1931. Earned surplus on January 31, 1932 amounted to \$7,150,576.80.

Cash and marketable securities on January 31, 1932, amounted to \$3,583,003.95. The ratio of current assets to current liabilities is 9.55 to 1.

Despite general conditions during the past year, which are too well known to require comment, attention is directed to the fact that the number of transactions of Abraham & Straus, Inc., continued its upward trend by showing an increase of 6% over the previous year. Due to the decline in commodity prices and reduced public purchasing power, the dollar value of the average sale decreased, resulting in a decrease of total dollar sales for the year of 7%.

Inventories have been taken at cost or market, whichever was lower, in accordance with sound accounting principles, and show a substantial reduction from the inventories on hand at the end of the last fiscal year. This reduction has not rendered the assortment of merchandise less complete or adequate.

A strict program of economies was continued during the year. While very substantial savings in operating expenses were effected, our high standard of service to customers has been carefully maintained.

The securities on the balance sheet are carried at market values as of January 31, 1932, and all other figures thereon have been arrived at with corresponding conservatism.

During the year, in compliance with charter requirements, additional preferred stock was retired, which brings the total retired since 1925 to an aggregate of \$723,300, leaving outstanding \$3,526,700.

The management appreciates the splendid spirit of cooperation and loyalty evidenced by the entire staff during the past year.

The accounts submitted with this report have been audited by Messrs. Touche, Niven & Co., public accountants.

Very truly yours,

EDWARD C. BLUM,

President.

ABRAHAM

AND SUBSIDIAR

CONSOLIDATED BALAN

ASSETS

CURRENT ASSETS:

Cash		\$ 1,955,808.63
Marketable securities—at cost or market, whichever is lower:		
United States, state and municipal bonds	\$1,411,070.32	
Other bonds	216,125.00	
	<hr/>	1,627,195.32
Customers' accounts and notes receivable:		
Regular retail terms, less reserves	\$1,901,223.30	
Installment terms, less reserves	680,248.18	
	<hr/>	2,581,471.48
Sundry debtors		100,901.54
Inventories:		
Merchandise on hand—on the basis of cost or market, whichever is lower	\$2,101,299.33	
Merchandise in transit	90,614.85	
	<hr/>	2,191,914.18
		<hr/>
MISCELLANEOUS INVESTMENTS		\$ 8,457,291.15
		117,933.66

FIXED ASSETS:

Land, leaseholds, buildings and building improvements on land owned and leased (in part not used in operations)—at cost less depreciation of \$743,394.12	\$7,445,871.02	
Store fixtures and delivery equipment—at cost, less depreciation of \$949,054.50	2,054,851.77	
	<hr/>	9,500,722.79

DEFERRED CHARGES:

Prepaid expenses—unexpired insurance, etc.	\$ 50,384.74	
Supplies	41,952.72	
Unamortized debenture discount and expense	151,966.11	
	<hr/>	244,303.57

GOODWILL		1.00
		<hr/>
		<u>\$18,320,252.17</u>

TO THE BOARD OF DIRECTORS OF
ABRAHAM & STRAUS, INC.:

We have made an examination of the books and accounts of Abraham & Straus, Inc., and subsidiary realty companies present the financial condition and result of operations of the Company as at the date and for the period stated.

NEW YORK, MARCH 18, 1932.

STRAUS INC.

LTY COMPANIES

HEET—JANUARY 31, 1932

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Trade creditors	\$ 272,364.52	
Trade creditors for merchandise in transit.....	90,614.85	
Sundry creditors	53,714.40	
Accrued salaries and expenses.....	297,085.00	
Reserve for federal income tax.....	110,000.00	
Dividends on preferred stock, payable February 1, 1932.....	61,717.25	
	<hr/>	\$ 885,496.02

FIFTEEN-YEAR 5½% GOLD DEBENTURES, due October 1, 1943.....	5,150,000.00
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RESERVES:

Reserve for insurance	\$ 87,500.00	
Reserve for contingencies	114,654.35	
	<hr/>	202,154.35

NET WORTH:

Capital stock:

Preferred, 7% cumulative, par value \$100.00 a share:

Authorized and issued, 42,500 shares.....	\$4,250,000.00
Less repurchased, 7,233 shares.....	723,300.00
	<hr/>

Outstanding, 35,267 shares	\$3,526,700.00
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Common:

Authorized, 250,000 shares of no par value

Issued and outstanding 155,155 shares.....	1,405,325.00
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	<hr/>	\$4,932,025.00
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Note: 25,595 shares reserved for the warrants attached
to the Fifteen-year 5½% gold debentures

Surplus, per Statement No. 2	7,150,576.80	
	<hr/>	12,082,601.80
		<hr/>
		\$18,320,252.17

year ended January 31, 1932, and, in our opinion, the accompanying balance sheet and profit and loss and surplus accounts

TOUCHE, NIVEN & CO.

Public Accountants.

ABRAHAM & STRAUS INC.

AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED EARNED SURPLUS

YEAR ENDED JANUARY 31, 1932

Balance, February 1, 1931 (including \$510,000.00 representing the par value of preferred stock reacquired)	\$ 6,778,800.93
Net profit after taxes, year ended January 31, 1932, per Statement No. 3	741,829.03
	<hr/>
	\$7,520,629.96

Deduct:

Dividends declared on preferred stock—four quarterly dividends of 1¾% each to February 1, 1932	\$251,784.75
Dividends declared on common stock—two dividends of \$.37½ each to December 31, 1931	116,367.56
	<hr/>
	\$368,152.31
Premium paid on preferred stock purchased for redemption	1,900.85
	<hr/>
	370,053.16
	<hr/>
Balance, January 31, 1932 (including \$723,300.00 representing the par value of preferred stock reacquired)	<u><u>\$7,150,576.80</u></u>

ABRAHAM & STRAUS INC.

AND SUBSIDIARY REALTY COMPANIES

CONSOLIDATED PROFIT AND LOSS
YEAR ENDED JANUARY 31, 1932

NET SALES		\$24,825,437.52
Cost of goods sold, selling, operating and administrative expenses, exclusive of the items listed below.....		23,147,187.96
		<u>\$ 1,678,249.56</u>
Interest and dividends earned—on securities, bank balances, etc.....		72,015.40
		<u>\$ 1,750,264.96</u>
DEDUCT:		
Loss on sale of marketable securities.....	\$ 10,561.30	
Provision to reduce marketable securities owned to the basis of cost or market, whichever is lower.....	123,951.26	
		<u>134,512.56</u>
Balance, before interest, depreciation, and provision for federal income tax		\$ 1,615,752.40
DEDUCT:		
Interest paid	\$283,250.00	
Depreciation	480,673.37	
Provision for federal income tax.....	110,000.00	
		<u>873,923.37</u>
NET PROFIT, carried to surplus, Statement No. 2.....	\$	<u><u>741,829.03</u></u>

ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK

ANNUAL REPORT

**FOR THE FISCAL YEAR ENDING
JANUARY 31, 1933**

BOARD OF DIRECTORS

Simon F. Rothschild, Chairman

Edward C. Blum	Lawrence Abraham
Walter N. Rothschild	Nathan Straus, Jr.
Hugh Grant Straus	Arthur Lehman
Robert E. Blum	Louis E. Kirstein

OFFICERS

Simon F. Rothschild	Chairman of the Board
Edward C. Blum	President
Walter N. Rothschild	Vice-President
Hugh Grant Straus	Vice-President-Treasurer
Neal D. Mooers	Operating Vice-President
Robert E. Blum	Operating Vice-President
Kenneth C. Richmond	Operating Vice-President
Richard H. Brown	Operating Vice-President
Rollin H. Steiger	Assistant Secretary

ABRAHAM & STRAUS INC.

March 28, 1933.

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the annual report of the operations of your Company for the fiscal year ended January 31, 1933.

The retail trade has suffered in common with other lines of industry from prevailing economic conditions.

It is interesting to note that the number of transactions were within 3% of those for the preceding year; but due to lower commodity prices and lower public purchasing power, there was a decrease in the dollar volume of sales of 19.3%. Despite this, through extensive retrenchment and more efficient organization, net profit after adequate provision for depreciation and deduction of federal income tax, amounted to \$408,155.38 equivalent, after dividends on preferred stock, to \$1.10 per share on the common stock, compared with \$741,829.03 or \$3.16 per share on the common stock for the previous fiscal year. In both years, there were outstanding 155,155 shares of common stock.

During the year the Company paid one dividend of $37\frac{1}{2}\text{¢}$ per share and three dividends of 30¢ per share each on its common stock, or a total of $\$1.27\frac{1}{2}$.

Cash and marketable securities on January 31, 1933, amounted to \$4,514,680.95. The ratio of current assets to current liabilities was 11.7 to 1. In accordance with sound accounting principles, merchandise inventories and securities are carried on the balance sheet at cost or market, whichever is lower. All reserves have been set up with conservatism in the light of existing conditions and are considered adequate.

During 1929 and 1930, the corporation erected a new building and equipped it with fixtures. To reduce the stated value of such assets to a figure more accurately reflecting their replacement value, and to reduce the stated value of certain parcels of real estate and leaseholds to appraised values, the fixed assets have been reduced by \$1,848,242.15, by a corresponding charge to earned surplus. After this write down, earned surplus on January 31, 1933 amounted to \$5,322,550.55.

Your Company acquired during the fiscal year 2,069 shares of its preferred stock at favorable prices. With the retirement of these shares, charter requirements have been met not only for the fiscal year ending January 31, 1933 but also for the year ending January 31, 1934 and a part of the year ending January 31, 1935. After this retirement, there remains outstanding 33,198 shares of preferred stock.

The management appreciates the loyal spirit with which the organization has met the problems of the past year.

The accounts submitted with this report have been audited by Messrs. Touche, Niven & Co., public accountants.

Very truly yours,

EDWARD C. BLUM,

President.

ABRAHAM & STRAUS, INC.

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash		\$1,742,866.35
Marketable securities—on the basis of cost or market, whichever is lower, less an additional reserve of \$21,370.95		2,771,814.60
Market values:		
United States, state and municipal bonds	\$2,717,085.27	
Other bonds	109,645.00	
Total market values	<u>\$2,826,730.27</u>	

Customers' accounts and notes receivable:

Regular retail terms, less reserves of \$108,456.57	\$1,431,388.06	
Instalment terms, less reserves of \$75,151.93	<u>538,316.66</u>	
		1,969,704.72
Sundry debtors		<u>78,885.35</u>

Inventories—on the basis of cost or market, whichever is lower:

Merchandise on hand	\$1,703,029.31	
Merchandise in transit	<u>40,740.48</u>	
		1,743,769.79
		<u>\$ 8,307,040.81</u>

MISCELLANEOUS INVESTMENTS	121,273.48
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FIXED ASSETS:

Land, buildings, and building improvements on land owned and leased (in part not used in operations) — less depreciation of \$827,788.52	\$5,612,926.72	
Store fixtures—less depreciation of \$1,049,133.81	<u>1,555,439.64</u>	
Delivery equipment—less depreciation of \$21,066.86	<u>42,179.54</u>	
		7,210,545.90

DEFERRED CHARGES:

Prepaid expenses—unexpired insurance, etc.	\$ 76,872.27	
Supplies	<u>30,444.56</u>	
Unamortized debenture discount and expense	<u>134,084.28</u>	
		241,401.11

GOODWILL	1.00
	<u><u>\$15,880,262.30</u></u>

TO THE BOARD OF DIRECTORS OF
ABRAHAM & STRAUS, INC.:

We have made an examination of the accounts of Abraham & Straus, Inc. for the year ended January 31, 1933 and financial condition and results of operations of the Company as at the date and for the period stated.

NEW YORK, MARCH 18, 1933.

STRAUS INC.

JANUARY 31, 1933

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:		
Trade creditors	\$ 264,465.91	
Trade creditors for merchandise in transit.....	40,740.48	
Sundry creditors	36,981.26	
Accrued salaries and expenses.....	176,688.06	
Accrued interest on 5½% gold debentures	91,116.67	
Reserve for federal income tax.....	40,000.00	
Dividends on preferred stock, payable February 1, 1933.....	58,096.50	
	<u> </u>	\$ 708,088.88

FIFTEEN-YEAR 5½% GOLD DEBENTURES, due October 1, 1943:

Authorized and issued.....	\$5,150,000.00	
Less repurchased	180,000.00	
	<u> </u>	
Outstanding		4,970,000.00

RESERVES:

Reserve for insurance	\$ 80,989.59	
Reserve for contingencies.....	73,508.28	
	<u> </u>	154,497.87

NET WORTH:

Capital stock:		
Preferred, 7% cumulative, par value of \$100.00 a share:		
Authorized and issued, 42,500 shares.....	\$4,250,000.00	
Less repurchased, 9,302 shares.....	930,200.00	
	<u> </u>	
Outstanding, 33,198 shares.....	\$3,319,800.00	
Common:		
Authorized, 250,000 shares of no par value		
Issued and outstanding, 155,155 shares.....	1,405,325.00	

Note: 25,595 shares reserved for the warrants attached
to the Fifteen-year 5½% gold debentures

Surplus, per Statement No. 2.....	5,322,550.55	
	<u> </u>	10,047,675.55
		<u><u>\$15,880,262.30</u></u>

opinion, the accompanying balance sheet and profit and loss and surplus accounts, on the basis described therein, present the

TOUCHE, NIVEN & CO.

Public Accountants.

ABRAHAM & STRAUS INC.

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1933

Balance, February 1, 1932, on consolidated basis* (including \$723,300.00 representing the par value of the preferred stock reacquired)	\$7,150,576.80
---	----------------

Add:

Balance (profit) transferred from profit and loss, Statement No. 3	\$ 408,155.38	
Discount on fifteen-year 5½% gold debentures repurchased, less unamortized cost applicable thereto	14,732.58	
Discount on preferred stock purchased for redemption	31,488.70	
	<hr/>	454,376.66
		<hr/> \$7,604,953.46

Deduct:

Dividends declared:

On preferred stock—four quarterly dividends of 1¾% each to February 1, 1933	\$ 236,337.50	
On common stock—one dividend of \$.37½ and three dividends of \$.30 each to December 31, 1932	197,823.26	
	<hr/>	\$ 434,160.76

Adjustment of fixed assets representing expenditures (depreciated) of \$7,510,992.43 in connection with new building erected during years ended January 31, 1930 and January 31, 1931 written down to replacement cost (depreciated) as of January 31, 1933:

Land, leaseholds, buildings and building improvements on land owned and leased ..	\$1,525,501.30	
Store fixtures	284,045.78	
	<hr/>	1,809,547.08

Reduction of value of land not used in operations to value as of January 31, 1933	38,695.07	
	<hr/>	2,282,402.91

Balance, January 31, 1933 (including \$930,200.00 representing the par value of preferred stock reacquired)	<hr/> <hr/> \$5,322,550.55
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* The subsidiary companies were dissolved during the year.

ABRAHAM & STRAUS INC.

PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1933

NET SALES	\$20,020,553.34
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Cost of goods sold, selling, operating and administrative expenses, exclusive of items listed below	18,913,211.38
	<u>\$1,107,341.96</u>

OTHER INCOME:

Interest earned on securities, bank balances, etc.....	\$117,898.16	
Profit on sale of marketable securities.....	<u>7,632.57</u>	
		<u>125,530.73</u>

Balance, before interest, depreciation and provision for federal in- come tax	\$ 1,232,872.69
--	-----------------

DEDUCT:

Interest paid and amortization of debenture discount and expenses	\$297,660.06	
Depreciation—based on cost (before writing down fixed assets) ...	487,057.25	
Provision for federal income tax.....	<u>40,000.00</u>	
		<u>824,717.31</u>

BALANCE (PROFIT), carried to surplus, Statement No. 2.....	<u><u>\$ 408,155.38</u></u>
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ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK

ANNUAL REPORT

**FOR THE FISCAL YEAR ENDING
JANUARY 31, 1934**

BOARD OF DIRECTORS

Simon F. Rothschild, Chairman

Edward C. Blum	Robert E. Blum
Walter N. Rothschild	Nathan Straus, Jr.
Hugh Grant Straus	Arthur Lehman
Louis E. Kirstein	

OFFICERS

Simon F. Rothschild.....	Chairman of the Board
Edward C. Blum.....	President
Walter N. Rothschild.....	Vice-President
Hugh Grant Straus.....	Vice-President-Treasurer
Neal D. Mooers.....	Operating Vice-President
Robert E. Blum.....	Operating Vice-President
Kenneth C. Richmond.....	Operating Vice-President
Richard H. Brown.....	Operating Vice-President
Rollin H. Steiger.....	Assistant Secretary

ABRAHAM & STRAUS INC.

March 28, 1934.

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the annual report of the operations of your Company for the fiscal year ended January 31, 1934.

Net profit, after adequate provision for depreciation and deduction of federal income tax, amounted to \$666,155.26, equivalent, after dividends on preferred stock, to \$3.01 per share on the common stock. The corresponding profit in the previous year was \$408,155.38.

During the year the Company paid dividends on its common stock of \$1.35 per share.

Sales for the year amounted to \$19,213,991.73, a decrease of 4.03%.

Cash and marketable securities on January 31, 1934 amounted to \$3,988,942.05. The ratio of current assets to current liabilities was 8.95 to 1. In accordance with sound accounting principles, merchandise inventories are carried on the balance sheet at cost or market, whichever is lower.

Your attention is directed to the constantly increasing tax burdens of corporations in general, and of your Company in particular. During the year just closed your Company paid approximately \$625,000 for various taxes as compared to approximately \$450,000 for the previous year.

Your Company acquired during the fiscal year 5,065 shares of its preferred stock at favorable prices. With the retirement of these shares, charter requirements have been met for the period up to the year ending January 31, 1938 and a part of the year ending January 31, 1939. The Company also has acquired and holds in its treasury \$278,000 of its Fifteen Year 5½% Gold Debentures.

The accounts submitted with this report have been audited by Messrs. Touche, Niven & Co., public accountants.

Very truly yours,

EDWARD C. BLUM,

President.

ABRAHAM

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash		\$ 1,797,511.67
Marketable securities—on the basis of cost or market, whichever is lower:		
United States, state and municipal bonds.....	\$2,167,114.38	
Other bonds	24,316.00	
		2,191,430.38
Customers' accounts and notes receivable:		
Regular retail terms, less reserves of \$120,000.00.....	\$1,535,480.40	
Instalment terms, less reserves of \$78,445.50.....	623,149.66	
		2,158,630.06
Sundry debtors		83,273.21
Inventories—on the basis of cost or market, whichever is lower:		
Merchandise on hand	\$2,320,523.99	
Merchandise in transit	126,608.33	
		2,447,132.32
		<u>\$ 8,677,977.64</u>

OTHER ASSETS:

Investments in, and advances to, joint purchasing and delivery organizations—at cost	\$ 94,350.00	
Other investments and advances—at cost.....	22,227.45	
Real estate not used in operations:		
Land—as appraised at January 31, 1933.....	105,000.00	
Land and buildings—at cost, less depreciation of \$14,136.66	130,296.34	
		351,873.79

FIXED ASSETS:

Land, buildings and improvements on land owned and leased—at cost, less depreciation of \$760,099.61 and less \$1,525,501.30* written off as of January 31, 1933.....	\$5,220,468.27	
Store fixtures—at cost, less depreciation of \$1,244,476.82 and less \$284,045.78* written off as of January 31, 1933.....	1,381,344.21	
Delivery equipment—at cost, less depreciation of \$35,238.53..	32,321.54	
		6,634,134.02

DEFERRED CHARGES:

Prepaid expenses—unexpired insurance, etc.....	\$ 69,776.97	
Supplies	25,382.54	
Unamortized debenture discount and expense.....	119,117.83	
		214,277.34

GOODWILL		1.00
		<u>\$15,878,263.79</u>

* The amounts of \$1,525,501.30 and \$284,045.78 were written off and January 31, 1931 to estimated replacement cost as of January 31, 1931.

STRAUS INC.

JANUARY 31, 1934

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Trade creditors	\$ 330,019.88	
Trade creditors for merchandise in transit.....	126,608.33	
Sundry creditors	53,580.37	
Accrued salaries and expenses	240,819.73	
Accrued interest on 5½% gold debentures	89,320.00	
Reserve for federal income tax.....	80,000.00	
Dividends on preferred stock, payable February 1, 1934.....	49,232.75	
		\$ 969,581.06

FIFTEEN-YEAR 5½% GOLD DEBENTURES, due October 1, 1943:

Authorized and issued	\$5,150,000.00	
Less repurchased	278,000.00	
Outstanding		4,872,000.00

RESERVES:

Reserve for insurance	\$ 76,926.08	
Reserve for contingencies	99,389.89	
		176,315.97

NET WORTH:

Capital stock:

Preferred, 7% cumulative, par value \$100.00 a share:

Originally authorized and issued, 42,500 shares..... \$4,250,000.00

Authorized and issued reduced to 28,438 shares..... \$2,843,800.00

Less repurchased, 305 shares..... 30,500.00

Outstanding, 28,133 shares \$2,813,300.00

Common:

Authorized, 250,000 shares of no par value.

Issued and outstanding, 155,155 shares 1,405,325.00

Earned surplus (including \$1,436,700.00 representing the par value of preferred stock reacquired), per Statement No. 2.... 5,641,741.76

\$ 9,860,366.76

\$15,878,263.79

ABRAHAM & STRAUS INC.

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1934

BALANCE, February 1, 1933 (including \$930,200.00 representing the par value of preferred stock reacquired).....	\$ 5,322,550.55
--	-----------------

ADD:

Net profit, transferred from profit and loss, Statement No. 3....	\$ 666,155.26	
Discount on fifteen-year 5½% gold debentures repurchased, less unamortized cost applicable thereto.....	9,116.45	
Discount on preferred stock purchased for redemption.....	51,911.00	
	<hr/>	
		\$ 727,182.71
		<hr/> \$ 6,049,733.26

DEDUCT:

Dividends declared:

On preferred stock—four quarterly dividends of 1¾% each to February 1, 1934.....	\$ 198,532.25	
On common stock—four dividends of \$.30 each and one additional dividend of \$.15 to December 31, 1933.....	209,459.25	
	<hr/>	
		407,991.50

BALANCE, January 31, 1934 (including \$1,436,700.00 representing the par value of preferred stock reacquired) transferred to Statement No. 1	<hr/> <hr/> \$ 5,641,741.76
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ABRAHAM & STRAUS INC.

PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1934

NET SALES	\$19,213,991.73
Cost of goods sold, selling, operating and administrative expenses, exclusive of items listed below.....	17,916,052.82
	<u>\$ 1,297,938.91</u>
OTHER INCOME:	
Interest earned on securities, bank balances, etc.....	\$113,650.73
Net credit from the adjustment in value, and the sale of, marketable securities	9,948.99
	<u>123,599.72</u>
Balance, before depreciation, interest and provision for federal income tax	\$ 1,421,538.63
DEDUCT:	
Depreciation	\$387,297.14
Interest paid and amortization of debenture discount and expenses	288,086.23
Provision for federal income tax.....	80,000.00
	<u>755,383.37</u>
NET PROFIT, transferred to Statement No. 2.....	<u>\$ 666,155.26</u>

TOUCHE, NIVEN & CO.

PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

March 20, 1934.

To the Board of Directors of Abraham & Straus, Inc.:

We have made an examination of the balance sheet of Abraham & Straus, Inc. as at January 31, 1934, and of the statements of profit and loss and surplus for the year then ended. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

The expenditures for fixed assets in connection with the new building erected during the years ended January 31, 1930 and January 31, 1931 were written down to replacement cost as of January 31, 1933 and depreciation since that date has been calculated upon the reduced values.

Marketable securities are included as an asset at January 31, 1934 on the basis of cost or market, whichever is lower. At the end of the previous year the securities had been reduced below such basis by \$21,370.95.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of profit and loss and surplus subject to the matters mentioned above fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at January 31, 1934, and the results of its operations for the year.

TOUCHE NIVEN & Co.
Public Accountants.

ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK



ANNUAL REPORT



**FOR THE FISCAL YEAR ENDING
JANUARY 31, 1935**

BOARD OF DIRECTORS

Simon F. Rothschild, Chairman

Edward C. Blum

Robert E. Blum

Walter N. Rothschild

Nathan Straus, Jr.

Hugh Grant Straus

Arthur Lehman

Louis E. Kirstein

OFFICERS

Simon F. Rothschild.....	Chairman of the Board
Edward C. Blum.....	President
Walter N. Rothschild.....	Vice-President
Hugh Grant Straus	Vice-President-Treasurer
Neal D. Mooers.....	Operating Vice-President
Robert E. Blum.....	Operating Vice-President
Kenneth C. Richmond.....	Operating Vice-President
Richard H. Brown	Operating Vice-President
Sidney L. Solomon	Operating Vice-President
Rollin H. Steiger.....	Assistant Secretary

ABRAHAM & STRAUS INC.

March 28, 1935.

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the annual report of the operations of your Company for the fiscal year ended January 31, 1935.

Net profit, after provision for depreciation and deduction of federal income tax, amounted to \$526,595.74, equivalent after dividends on preferred stock, to \$2.12 per share on the common stock. The corresponding profit in the previous year was \$666,155.26.

During the year the Company paid dividends amounting to \$1.80 per share on the common stock.

Sales for the year amounted to \$20,228,681.86, an increase of 5.28%. The number of transactions also increased, but the added burden of taxation and increased cost of operations under N. R. A. codes have resulted in a lowered net profit.

Cash and marketable securities on January 31, 1935 amounted to \$3,905,933.99. The ratio of current assets to current liabilities was 8.98 to 1.

Last year's report showed that the Company held in its treasury \$278,000. of its Fifteen Year 5½% Gold Debentures. During the year the Company called \$500,000. at 102¼ and purchased \$2,000. in the open market, subsequently cancelling the entire \$780,000. thus acquired. There now remain outstanding \$4,370,000. of such debentures.

Since the close of the 1934 fiscal year, your directors have authorized the redemption of 10,000 shares of the outstanding 7% preferred stock at 110 and accrued dividends. This redemption will take place on May 1, 1935. After such retirement there will remain outstanding 18,133 shares of preferred stock.

The financial statements submitted with this report have been audited by Messrs. Touche, Niven & Co., public accountants.

Yours very truly,

EDWARD C. BLUM,

President.

ABRAHAM &

(A New York Corporation)

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand, demand deposits and time deposit.....		\$ 2,259,382.25
United States, state and municipal bonds—on the basis of cost or market, whichever is lower (quoted market \$1,666,968.75)		1,646,551.74
Customers' accounts and notes receivable:		
Regular retail terms, less reserves of \$95,000.00.....	\$1,587,155.67	
Instalment terms, less reserves of \$92,529.85.....	777,874.65	
		<u>2,365,030.32</u>
Inventories—on the basis of cost or market, whichever is lower, as determined by the retail inventory method:		
Merchandise on hand	\$1,987,956.83	
Merchandise in transit	120,778.63	
		<u>2,108,735.46</u>
Sundry debtors		78,459.53
		<u>\$ 8,458,159.30</u>

INVESTMENTS:

Investments in, and advances to, joint purchasing and delivery organizations—at cost	\$ 94,850.00	
Other investments and advances—at cost	21,355.42	
Real estate not used in operations:		
Land—as appraised at January 31, 1933.....	105,000.00	
Land and buildings—at cost, less depreciation of \$16,711.38.	127,721.62	
		<u>348,927.04</u>

FIXED ASSETS:

Land, buildings and improvements on land owned and leased—		
at cost, less depreciation of \$933,133.04 and less		
\$1,525,501.30* written off as of January 31, 1933.....	\$5,111,624.04	
Store fixtures—at cost, less depreciation of \$1,338,742.51 and		
less \$284,045.78* written off as of January 31, 1933.....	1,242,217.66	
Delivery equipment—at cost, less depreciation of \$22,696.76....	28,276.48	
		<u>6,382,118.18</u>

DEFERRED CHARGES:

Prepaid expenses—unexpired insurance, taxes, etc.....	\$ 64,973.53	
Supplies	26,097.31	
Unamortized debenture discount and expense.....	95,791.35	
		<u>186,862.19</u>

GOODWILL—at nominal value.....

1.00

\$15,376,067.71

* The amounts of \$1,525,501.30 and \$284,045.78 were written off to reduce the cost of the stock and January 31, 1931 to estimated replacement cost as of January 31, 1933.

** On February 20, 1935, \$1,000,000.00 par value preferred stock was called for

STRAUS INC.

(Incorporated in New York)

JANUARY 31, 1935

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Trade creditors	\$ 292,173.82
Trade creditors for merchandise in transit.....	120,778.63

Accrued liabilities:

Accrued salaries	105,267.32
Reserve for federal income tax.....	60,000.00
Accrued taxes (other than income taxes).....	126,737.38
Accrued interest on 5½% gold debentures.....	80,116.67
Accrued miscellaneous expenses	89,052.64
Dividend on preferred stock, payable February 1, 1935.....	49,232.75
Sundry creditors	18,811.34

\$ 942,170.55

FIFTEEN-YEAR 5½% GOLD DEBENTURES,

due October 1, 1943:

Authorized and issued	\$5,150,000.00
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Less:

Retired and cancelled	\$698,000.00
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Cash in hands of trustee (\$83,845.00) for redemption of debentures called October 1, 1934 at 102¼—par value.....	82,000.00
---	-----------

780,000.00

4,370,000.00

RESERVE FOR POSSIBLE ASSESSMENT OF TAXES, FOR INSURANCE AND FOR OTHER CONTINGENCIES

176,135.11

CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred, 7% cumulative, par value \$100.00 a share, redeemable at \$110.00 a share:

Originally authorized and issued, 42,500 shares.....	\$4,250,000.00
--	----------------

Authorized and issued reduced to 28,438 shares.....	\$2,843,800.00
---	----------------

Less repurchased, 305 shares	30,500.00
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Outstanding, 28,133 shares**	\$2,813,300.00
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Common:

Authorized, 250,000 shares of no par value.

Issued and outstanding, 155,155 shares.....	1,405,325.00
---	--------------

Earned surplus (before deduction of \$1,436,700.00 representing the par value of preferred stock reacquired therefrom).....

5,669,137.05

9,887,762.05

\$15,376,067.71

Investment in new building and fixtures made during the years ended January 31, 1930

Subscription as of May 1, 1935 at \$110.00 per share.

ABRAHAM & STRAUS INC.

(A New York Corporation)

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1935

Balance, February 1, 1934 (before deduction of \$1,436,700.00 representing the par value of preferred stock reacquired therefrom)	\$ 5,641,741.76
--	-----------------

Add net profit, year ended January 31, 1935.....	526,595.74
	<hr/>
	\$6,168,337.50

Deduct:

Dividends declared:

On preferred stock—four quarterly dividends of 1¾% each to February 1, 1935	\$ 196,931.00
On common stock—four dividends of \$.30 each and four additional dividends of \$.15 each.....	279,279.00
	<hr/>
	\$ 476,210.00

Premium on fifteen-year gold debentures redeemed and unamortized discount and expense applicable thereto.....	22,990.45
	<hr/>
	499,200.45

Balance, January 31, 1935 (before deduction of \$1,436,700.00 representing the par value of preferred stock reacquired therefrom)	<u>\$ 5,669,137.05</u>
--	------------------------

ABRAHAM & STRAUS INC.

(A New York Corporation)

PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1935

Net sales		\$20,228,681.86
Cost of goods sold, selling, operating and administrative expenses, exclusive of items listed below		<u>19,095,450.21</u>
		\$ 1,133,231.65
Other income:		
Interest and dividends earned on securities, bank balances, etc... \$	78,660.39	
Net credit from the sale, and the adjustment in value, of market- able securities	<u>33,556.35</u>	<u>112,216.74</u>
Balance, before depreciation, interest and provision for federal income tax		\$ 1,245,448.39
Deduct:		
Depreciation	\$ 385,543.42	
Interest paid and amortization of debenture discount and expense	273,309.23	
Provision for federal income tax.....	<u>60,000.00</u>	<u>718,852.65</u>
Net profit		<u>\$ 526,595.74</u>

TOUCHE, NIVEN & CO.

PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

March 21, 1935.

To the Board of Directors of Abraham & Straus, Inc.:

We have made an examination of the balance sheet of Abraham & Straus, Inc., as at January 31, 1935, and of the statements of profit and loss and surplus for the year then ended. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

The expenditures for fixed assets in connection with the new building erected during the years ended January 31, 1930 and January 31, 1931 were written down to replacement cost as of January 31, 1933 and depreciation since that date has been calculated upon the reduced values.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of profit and loss and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at January 31, 1935, and the results of its operations for the year.

TOUCHE, NIVEN & Co.
Public Accountants.

ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK

ANNUAL REPORT

**FOR THE FISCAL YEAR ENDING
JANUARY 31, 1936**

BOARD OF DIRECTORS

Edward C. Blum	Robert E. Blum
Walter N. Rothschild	Nathan Straus
Hugh Grant Straus	Arthur Lehman
Louis E. Kirstein	

OFFICERS

Edward C. Blum.....	President
Walter N. Rothschild.....	Vice-President
Hugh Grant Straus	Vice-President-Treasurer
Neal D. Mooers.....	Operating Vice-President
Robert E. Blum.....	Operating Vice-President
Kenneth C. Richmond.....	Operating Vice-President
Richard H. Brown	Operating Vice-President
Sidney L. Solomon	Operating Vice-President
Rollin H. Steiger.....	Assistant Secretary

ABRAHAM & STRAUS INC.

April 6, 1936.

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the annual report of the operations of your Company for the fiscal year ended January 31, 1936.

Net profit, after provision for depreciation, interest and federal income tax, amounted to \$705,935.82 equivalent after dividends on preferred stock, to \$3.62 per share on the common stock, compared with \$526,595.74, or \$2.12 per share on the common stock, for the previous fiscal year.

The Company again paid dividends amounting to \$1.80 per share on the common stock.

Sales for the year amounted to \$20,962,265.86, an increase of 3.63%.

Cash and marketable securities on January 31, 1936 amounted to \$2,297,896.67. The ratio of current assets to current liabilities was 5.2 to 1.

On May 1, 1935 the Company redeemed 10,000 shares of its outstanding 7% preferred stock at 110 and accrued dividends, which left outstanding 18,133 shares.

On October 1, 1935 \$4,370,000 of 5½% debentures of 1943 were redeemed at 102 and accrued interest. Unamortized discount, expenses and premiums paid on the redeemed debentures amounting to \$177,967.26 were deducted from earned surplus. This redemption was financed by cash on hand, a bank loan of \$1,000,000., payable in three annual instalments in 1936, 1937 and 1938, and the sale at par of \$3,000,000 of 4% Notes. Sinking fund payments of \$150,000 a year are required commencing 1939 and each year thereafter until 1950 when the remaining \$1,200,000 matures. As a result of this refinancing, there will be material savings in interest charges.

In line with the policy of keeping the plant and equipment modern, your Company installed an air conditioning system covering a substantial part of its selling area at a cost of about \$420,000. This installation has greatly improved shopping conditions for customers as well as working conditions for employees.

It is with deep regret that I record the loss sustained by our institution through the death of Simon Frank Rothschild who was associated with us since 1893 and who contributed so largely to the welfare of this business. He served as Vice-President from the incorporation of the Company in 1920 until 1925, when he was elected President. Mr. Rothschild served in this capacity until 1930 when he was elected Chairman of the Board of Directors, and continued in such office until his death on January 5, 1936.

Your Company wishes to express its appreciation of the continuing loyalty and spirit of cooperation of its employees.

The financial statements submitted with this report have been audited by Messrs. Touche, Niven & Co., public accountants.

Yours very truly,

EDWARD C. BLUM,

President.

ABRAHAM

(A New York)

BALANCE SHEET,

ASSETS

CURRENT ASSETS:

Cash on hand, demand deposits and time deposit.		\$ 1,770,166.80
United States, state and municipal bonds—on the basis of cost or market, whichever is lower (quoted market \$532,365.63)		527,729.87
Customers' accounts and notes receivable:		
Regular retail, less reserves of \$80,000.00.	\$1,656,724.56	
Instalment (of which terms on a small portion extend beyond one year), less reserves of \$97,840.65.	905,571.08	
		2,562,295.64
Inventories:		
Merchandise on hand—on the basis of cost or market, whichever is lower, as determined, in the main, by the retail inventory method	\$2,068,557.15	
Merchandise in transit—at cost.	127,871.97	
		2,196,429.12
Sundry debtors		94,039.86
		<u>\$ 7,150,661.29</u>

INVESTMENTS:

Investments in, and advances to, joint purchasing and delivery organizations—at cost	\$ 84,850.00	
Other investments and advances—at cost.	18,710.65	
Real estate not used in operations:		
Land—as appraised at January 31, 1933.	105,000.00	
Land and buildings—at cost, less depreciation of \$19,286.10.	125,146.90	
		333,707.55

FIXED ASSETS:

Buildings and improvements on leased land and land and building owned—at cost, less depreciation of \$1,126,009.77 and less \$1,525,501.30* written off as of January 31, 1933.	\$5,389,176.70	
Store fixtures—at cost, less depreciation of \$1,532,314.52 and less \$284,045.78* written off as of January 31, 1933.	1,084,666.77	
Delivery equipment—at cost, less depreciation of \$15,266.82.	18,538.49	
		6,492,381.96

DEFERRED CHARGES:

Prepaid expenses—unexpired insurance, taxes, etc.	\$ 97,069.85	
Supplies.	29,077.61	
Unamortized debt expense	14,218.89	
		140,366.35

GOODWILL—at nominal amount

	1.00
	<u>\$14,117,118.15</u>

* The amounts of \$1,525,501.30 and \$284,045.78 were written off to reduce the cost of buildings and January 31, 1931 to estimated replacement cost as of January 31, 1933.

NOTE: Of the 5½% fifteen-year debentures called for redemption there remain \$1,000,000. These amounts have not been included in the balance sheet.

STRAUS INC.

(Incorporated in New York)

JANUARY 31, 1936

LIABILITIES

CURRENT LIABILITIES:

Notes payable to bank \$ 334,000.00

Accounts payable:

Trade creditors \$ 412,390.92

Trade creditors for merchandise in transit 127,871.97

540,262.89

Accrued liabilities:

Accrued salaries \$ 115,509.10

Reserve for federal income tax 75,000.00

Accrued taxes (other than income taxes) 92,324.63

Accrued interest 42,367.64

Accrued miscellaneous expenses 124,471.51

449,672.88

Dividend on preferred stock, payable February 1, 1936 31,732.75

Sundry creditors 19,733.79

\$1,375,402.31

LONG TERM DEBT:

Notes payable to bank, \$1,000,000.00, due in three annual installments, the first of which amounting to \$334,000.00 matures in March, 1936 and is included in current liabilities \$ 666,000.00

Fifteen-year 4% notes, due October 1, 1950 (sinking fund payments of \$150,000.00 a year are required commencing 1939) 3,000,000.00

\$3,666,000.00

RESERVE FOR POSSIBLE ASSESSMENT OF TAXES, FOR INSURANCE AND FOR OTHER CONTINGENCIES

183,695.23

CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred, 7% cumulative, par value \$100.00 a share, redeemable at \$110.00 a share:.....

Authorized and issued, adjusted at time of recapitalization in 1925 to 42,500 shares \$4,250,000.00

Authorized and issued, reduced to 28,438 shares \$2,843,800.00

Less repurchased, 10,305 shares 1,030,500.00

Outstanding, less repurchased, 18,133 shares \$1,813,300.00

Common:

Authorized, 250,000 shares of no par value.

Issued and outstanding, 155,155 shares 1,405,325.00

Earned surplus (of which \$4,741,514.70 is restricted as to common stock dividends by indenture covering fifteen-year 4% notes and by repurchase of preferred stock) 5,673,395.61

8,892,020.61

\$14,117,118.15

Investment in new building and fixtures made during the years ended January 31, 1930

Outstanding \$146,000.00 face amount for the retirement of which the trustee holds

ABRAHAM & STRAUS INC.

(A New York Corporation)

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1936

Balance, February 1, 1935 (before deduction of \$1,436,700.00 representing the par value of preferred stock reacquired therefrom)	\$ 5,669,137.05
--	-----------------

Add net profit, year ended January 31, 1936.....	705,935.82
	<hr/>
	\$ 6,375,072.87

Deduct:

Dividends declared:

On preferred stock—four quarterly dividends of $1\frac{3}{4}\%$ each to February 1, 1936	\$ 144,431.00
On common stock—four dividends of \$.45 each.....	279,279.00
	<hr/>
	\$423,710.00

Premium on fifteen-year $5\frac{1}{2}\%$ gold debentures redeemed and unamortized discount and expense applicable thereto.....	177,967.26
Premium on 10,000 shares of preferred stock redeemed.....	100,000.00
	<hr/>
	701,677.26

Balance, January 31, 1936 (of which \$4,741,514.70 is restricted as to common stock dividends by indenture covering fifteen-year 4% notes and by repurchase of preferred stock)	<hr/> <hr/>
	\$ 5,673,395.61

ABRAHAM & STRAUS INC.

(A New York Corporation)

PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1936

Net sales (including sales of leased departments)		\$20,962,265.86
Cost of goods sold, selling, operating and administrative expenses, exclusive of items listed below		19,592,848.43
		<u>\$ 1,369,417.43</u>
Other income:		
Interest and dividends earned on securities, bank balances, etc.	\$ 35,013.71	
Less net deduction from the sale, and the adjustment in price, of marketable securities	2,281.82	
		<u>32,731.89</u>
Balance, before depreciation, interest and provision for federal income tax		\$ 1,402,149.32
Deduct:		
Depreciation	\$ 401,766.77	
Interest on indebtedness and amortization of debt discount and expense	219,446.73	
Provision for federal income tax	75,000.00	
		<u>696,213.50</u>
Net profit		<u><u>\$ 705,935.82</u></u>

TOUCHE, NIVEN & CO.

PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

March 26, 1936.

To the Board of Directors of Abraham & Straus, Inc.:

We have made an examination of the balance sheet of Abraham & Straus, Inc., as at January 31, 1936, and of the statements of profit and loss and surplus for the year then ended. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

The expenditures for fixed assets in connection with the new building erected during the years ended January 31, 1930 and January 31, 1931 were written down to replacement cost as of January 31, 1933 and depreciation since that date has been calculated upon the reduced values.

The 5½% debentures due in 1943, of which \$4,370,000.00 face amount was outstanding at January 31, 1935, were called for redemption on October 1, 1935. At about the same time \$3,000,000.00 face amount of 4% notes due in 1950 were sold and a bank loan of \$1,000,000.00 was secured. The unamortized discount and expense of the old issue and the premium paid upon its retirement, which together amounted to \$177,967.26, were deducted from earned surplus. The expense incurred in connection with the new issue is being amortized over the term thereof.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of profit and loss and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at January 31, 1936, and the results of its operations for the year.

TOUCHE, NIVEN & CO.
Public Accountants.

ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK



ANNUAL REPORT



FOR THE FISCAL YEAR ENDING

JANUARY 31, 1937

BOARD OF DIRECTORS

Edward C. Blum	Nathan Straus
Walter N. Rothschild	Louis E. Kirstein
Hugh Grant Straus	Fred Lazarus, Jr.
Robert E. Blum	Michael Schaap

OFFICERS

Edward C. Blum	President
Walter N. Rothschild	Vice-President
Hugh Grant Straus	Vice-President-Treasurer
Robert E. Blum	Operating Vice-President and Secretary
Neal D. Mooers	Operating Vice-President
Kenneth C. Richmond	Operating Vice-President
Richard H. Brown	Operating Vice-President
Sidney L. Solomon	Operating Vice-President
Rollin H. Steiger	Assistant Secretary

ABRAHAM & STRAUS INC.

April 5, 1937

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc. I present the annual report of the operations of your company for the fiscal year ended January 31, 1937.

Net profit, after provision for depreciation, interest and federal taxes on income, amounted to \$1,025,340, equivalent after dividends on preferred stock, to \$5.77 per share on the common stock, compared to \$705,935, or \$3.62 per share on the common stock for the previous fiscal year.

The company paid dividends amounting to \$2.80 per share on the common stock as against \$1.80 in the preceding year.

Sales for the year amounted to \$22,815,371, an increase of 8.84%.

Cash on hand on January 31, 1937 amounted to \$2,278,367. The ratio of current assets to current liabilities was 4.4 to 1.

During the year your company sold \$2,500,000 par value of a new 4¾% preferred stock, at par. Of the proceeds \$1,994,630 was used to redeem the outstanding 18,133 shares of 7% preferred stock at 110; the balance was used as an addition to working capital.

A long term lease has been negotiated with the F. W. Woolworth Co., and a new building is being erected for their occupancy on a parcel of land adjacent to the store partly owned in fee and partly under lease. The estimated cost of the building is \$350,000. A portion of these premises was formerly used in the operation of the business and the departments affected have been relocated within the Main Store building.

Bank loans were reduced during the year by \$334,000, and the outstanding 4% Notes were reduced by \$500,000 par value through redemption at 103.

The attention of the stockholders is directed to the ever increasing tax burden. In 1936 federal, state and municipal taxes amounted to \$623,000. which is equivalent to \$4.05 per share on common stock.

Your company wishes to express its appreciation of the continuing loyalty and spirit of cooperation of its employees.

Yours very truly,

EDWARD C. BLUM,
President.

ABRAHAM

(A New York Company)

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand, demand deposits and time deposit		\$ 2,278,367.76
Customers' accounts and notes receivable:		
Regular retail, less reserves of \$85,000.00	\$1,793,961.01	
Instalment (of which terms on a small portion extend beyond one year) less reserves of \$113,881.74	1,047,367.31	
		2,841,328.32
Inventories:		
Merchandise on hand—on the basis of cost or market, whichever is lower, as determined, in the main, by the retail inventory method	\$2,386,235.91	
Merchandise in transit—at cost	143,768.12	
		2,530,004.03
Sundry debtors		61,540.55
		\$ 7,711,240.66

INVESTMENTS:

Investments in and advances to joint purchasing, delivery and service organizations—at cost	\$ 100,350.00	
Other investments and advances—at cost	45,688.63	
Real estate not used in operations:		
Land—as appraised at January 31, 1933	105,000.00	
Land and buildings—at cost, less depreciation of \$21,860.82	122,572.18	
Land, and building in course of construction (estimated additional cost \$325,000.00)	335,737.79	
		709,348.60

FIXED ASSETS:

Buildings and improvements on leased land—at cost, less depreciation of \$1,299,652.61 and less write-down of \$1,259,667.97 (See Note 1) as of January 31, 1933	\$4,878,846.74	
Store fixtures and equipment—at cost, less depreciation of \$1,728,588.11 and less write-down of \$284,045.78 (See Note 1) as of January 31, 1933	1,046,877.84	
Delivery equipment—at cost, less depreciation of \$11,528.96	19,949.55	
		5,945,674.13

DEFERRED CHARGES:

Prepaid expenses, unexpired insurance, taxes, etc.	\$ 102,036.89	
Supplies	28,189.29	
Unamortized debt discount and expense	11,041.19	
Expenses incurred in leasing premises to F. W. Woolworth Co. (including undepreciated cost of \$23,330.36 of building demolished)	107,515.10	
		248,782.47
GOODWILL—at nominal amount		1.00

\$14,615,046.86

NOTES: (1) The amounts of \$1,259,667.97 and \$284,045.78 were written off to reduced capital and January 31, 1931 to estimated replacement cost as of January 31, 1931.
 (2) Of the 5½% fifteen-year debentures called for redemption on October 31, 1931, \$1,000,000.00 holds cash. Likewise of the 7% cumulative preferred stock called for redemption on October 31, 1931, \$1,000,000.00 holds cash. These amounts have not been included in the above.

STRAUS INC.

(Incorporated in New York)

January 31, 1937

LIABILITIES

CURRENT LIABILITIES:

Note payable to bank		\$ 333,000.00
Accounts payable:		
Trade creditors	\$ 570,064.39	
Trade creditors for merchandise in transit	143,768.12	
		<hr/> 713,832.51

Accrued liabilities:

Accrued compensation	\$ 146,156.24	
Reserve for federal taxes on income	198,000.00	
Accrued other taxes	120,985.45	
Accrued interest	35,053.84	
Reserve for renewal of franchise—amount not yet determined ..	120,000.00	
Accrued miscellaneous expenses	39,332.79	
		<hr/> 659,528.32
Sundry creditors		52,076.89

\$1,758,437.72

LONG TERM DEBT (See Note 2) :

Notes payable to bank, \$666,000.00, due in two annual instalments, the first of which matures in March, 1937 and is included in current liabilities	\$ 333,000.00	
Fifteen-year 4% notes, due October 1, 1950 (sinking fund payment of \$100,000.00 is required in 1942 and \$150,000.00 a year thereafter)	2,500,000.00	
		<hr/> 2,833,000.00

RESERVE FOR POSSIBLE ASSESSMENT OF TAXES, FOR INSURANCE AND FOR OTHER CONTINGENCIES

192,353.87

CAPITAL STOCK AND SURPLUS:

Capital stock (See Note 2) :

Preferred, 4¾% cumulative, par value \$100.00 a share, maximum redemption price \$105.00 per share:	
Authorized, issued and outstanding, 25,000 shares	\$2,500,000.00

Common:

Authorized, 250,000 shares of no par value	
Issued and outstanding, 155,155 shares	1,405,325.00

Earned surplus (of which \$4,403,142.78 is restricted as to common stock dividends by indenture covering fifteen-year 4% notes) ...	5,925,930.27
---	--------------

9,831,255.27

\$14,615,046.86

Investment in new building and fixtures made during the years ended January 31, 1930

At the same time leaseholds of \$265,833.33 were written off.

There remains outstanding \$7,000.00 face amount for the retirement of which the Trustee has assumed the obligation. On October 23, 1936, there remain outstanding 156 shares for which the balance sheet.

ABRAHAM & STRAUS INC.

(A New York Corporation)

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1937

Balance, February 1, 1936		\$5,673,395.61*
Add net profit, year ended January 31, 1937		1,025,340.58
		<hr/> \$6,698,736.19
Deduct:		
Dividends declared on:		
7% cumulative preferred stock, redeemed October 23, 1936—\$5.12 per share	\$ 92,840.96	
4¾% cumulative preferred stock, issued as of October 1, 1936—\$1.494 per share	37,348.79	
Common stock—\$2.80 per share	434,434.00	
	<hr/> \$ 564,623.75	
Premium on redemption of 18,133 shares of 7% cumulative preferred stock	181,330.00	
Expenses in connection with redemption of 7% preferred stock and issuance of 4¾% preferred stock	11,852.17	
Premium on redemption of \$500,000.00 par value 4% notes	15,000.00	
	<hr/> 772,805.92	
Balance, January 31, 1937		<hr/> <u>\$5,925,930.27*</u>

*Under the terms of the indenture covering the fifteen-year 4% notes, there was restricted as to common stock dividends the sum of \$4,741,514.70 as of February 1, 1936 and \$4,403,142.78 as of January 31, 1937.

ABRAHAM & STRAUS INC.

(A New York Corporation)

PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1937

Net sales (including sales of leased departments)		\$22,815,371.63
Cost of goods sold, selling, operating and administrative expenses, exclusive of items listed below		<u>21,031,046.86</u>
		\$ 1,784,324.77
Other deductions:		
Cost of connection with new city subway station	\$ 19,511.51	
Less:		
Interest and dividends earned on securities, bank balances, etc. . .	\$ 7,543.49	
Profit on sales of securities	<u>6,312.54</u>	
	\$13,856.03	
		<u>753,328.71</u>
		8,655.48
Balance, before depreciation, interest and provision for federal taxes on income		\$ 1,778,669.29
Deduct:		
Depreciation (See Note)	\$ 416,899.25	
Interest on indebtedness and amortization of debt discount and expense	138,429.46	
Provision for federal normal income tax	175,000.00	
Provision for federal surtax on undistributed profits	<u>23,000.00</u>	
		<u>753,328.71</u>
Net profit		<u>\$ 1,025,340.58</u>

NOTE: The expenditures for fixed assets in connection with the new building erected during the years ended January 31, 1930 and January 31, 1931 were written down to estimated replacement cost as of January 31, 1933 and depreciation since that date has been calculated upon the reduced values.

TOUCHE, NIVEN & CO.

PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

March 25, 1937.

To the Board of Directors of Abraham & Straus, Inc.:

We have made an examination of the balance sheet of Abraham & Straus, Inc. as at January 31, 1937 and of the statements of profit and loss and surplus for the year then ended. In connection therewith, we made a review of the accounting methods, examined or tested accounting records of the Company and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control, and made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of profit and loss and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at January 31, 1937 and the results of its operations for the year.

TOUCHE, NIVEN & Co.

ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK

ANNUAL REPORT

**FOR THE FISCAL YEAR ENDING
JANUARY 31, 1938**

BOARD OF DIRECTORS

Edward C. Blum	Robert E. Blum
Walter N. Rothschild	Louis E. Kirstein
Hugh Grant Straus	Fred Lazarus, Jr.
Michael Schaap	

OFFICERS

Edward C. Blum.....	Chairman of the Board
Walter N. Rothschild.....	President
Hugh Grant Straus.....	Vice-President-Treasurer
Robert E. Blum.....	Secretary
Kenneth C. Richmond.....	Operating Vice-President
Richard H. Brown.....	Operating Vice-President
Sidney L. Solomon.....	Operating Vice-President
Mrs. Dorothy E. Swenson.....	Operating Vice-President
Rollin H. Steiger.....	Assistant Secretary

ABRAHAM & STRAUS INC.

April 6, 1938

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the annual report of the operations of your company for the fiscal year ended January 31, 1938.

Net profit, after provision for depreciation, interest, and federal taxes on income, amounted to \$802,546, equivalent after dividends on preferred stock, to \$4.41 per share on the common stock, compared with \$1,025,340, or \$5.77 per share on the common stock for the previous fiscal year. The company paid dividends amounting to \$3.00 per share on the common stock as against \$2.80 in the preceding year.

Sales for the year amounted to \$23,511,561, an increase of 3.05%. Despite this increase there has been a decrease of \$222,794 in net profit. There has been, however, an increase in payroll of \$204,484, while taxes, including social security payments which inure to the benefit of employees, increased \$126,143.

Taxes paid during the year amounted to \$754,106 which is equivalent to \$4.86 per common share.

Cash on hand on January 31, 1938 amounted to \$2,019,512. The ratio of current assets to current liabilities was 5.1 to 1. Bank loans were reduced during the year by \$333,000. Inventories as of January 31, 1938 were \$2,040,742, compared with \$2,530,004 last year.

Negotiations with the City of New York had been pending for several years as to the amount of an annual franchise fee for the continued occupancy of certain space under Livingston Street used in conjunction with the Basement Store. An agreement was executed covering occupancy until 1963, and claims for prior years were settled.

Through relocation of stock rooms and structural rearrangements, the selling area in the Basement has been increased by some 10,000 square feet. The improvement includes a new entrance on Fulton Street.

Your Company has had every reason to appreciate the loyalty and confidence of its staff during the past year.

Yours very truly,

WALTER N. ROTHCHILD,

President.

ABRAHAM

(A New York
BALANCE SHEET)

ASSETS

CURRENT ASSETS:

Cash on hand and demand deposits.....		\$ 2,019,512.78
Customers' accounts and notes receivable:		
Regular retail, less reserves of \$85,000.00.....	\$1,804,077.00	
Instalment (the terms on a small portion of which extend beyond one year), less reserves of \$130,319.54.....	1,164,516.58	
		<u>2,968,593.58</u>
Inventories:		
Merchandise on hand—on the basis of cost or market, whichever is lower, as determined by the retail inventory method.....	\$1,937,198.05	
Merchandise in transit—at cost.....	103,544.80	
		<u>2,040,742.85</u>
Sundry debtors		57,104.87
		<u>\$ 7,085,954.08</u>

OTHER ASSETS:

Investments in and advances to joint purchasing, delivery and service organizations—at cost	\$ 72,850.00	
Other investments and advances.....	39,842.15	
Real estate not used in operations:		
Land—as appraised at January 31, 1933.....	105,000.00	
Land and buildings—at cost, less depreciation of \$33,836.62.....	800,696.42	
		<u>1,018,388.57</u>

FIXED ASSETS:

Buildings and building improvements on leased land—at cost, less depreciation of \$1,509,667.42 and less write-down of \$1,259,667.97 as of January 31, 1933 (See Note 1).....	\$4,824,751.75	
Store fixtures and equipment—at cost, less depreciation of \$1,858,463.59 and less write-down of \$284,045.78 as of January 31, 1933 (See Note 1).....	968,689.00	
Delivery equipment—at cost, less depreciation of \$13,509.67.....	25,557.08	
		<u>5,818,997.83</u>

DEFERRED CHARGES:

Unexpired insurance, prepaid taxes, expenses, etc.....	\$ 113,171.81	
Supplies	40,532.30	
Unamortized debt discount and expense.....	10,233.35	
Unamortized expenses incurred in leasing premises to F. W. Wool- worth Co.	105,272.70	
		<u>269,210.16</u>

GOODWILL—at nominal amount.....		1.00
		<u>\$14,192,551.64</u>

- NOTES: (1) The amounts of \$1,259,667.97 and \$284,045.78 were written off to reduce
January 31, 1931 to estimated replacement cost as of January 31, 1933.
(2) On or before June 1, 1938, and annually thereafter, the Corporation is to
(b) 4% of the net profit after preferred dividends. The amount to be ex

STRAUS INC.

poration)
UARY 31, 1938

LIABILITIES

CURRENT LIABILITIES:

Note payable to bank.....	\$ 333,000.00
Accounts payable—trade creditors.....	492,650.10
Accrued liabilities:	
Compensation	\$ 103,311.22
Federal taxes on income.....	175,000.00
Other taxes	127,585.58
Interest	34,336.96
Miscellaneous expenses	86,708.89
	<hr/>
	526,942.65
Sundry creditors	46,589.52
	<hr/>
	\$ 1,399,182.27

FIFTEEN-YEAR 4% NOTES—due October 1, 1950 (sinking fund payment of \$100,000.00 is required in 1942 and \$150,000.00 a year thereafter)	2,500,000.00
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RESERVE FOR POSSIBLE ASSESSMENT OF TAXES, FOR INSURANCE AND FOR OTHER CONTINGENCIES	178,152.70
---	------------

CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred, 4¾% cumulative, par value \$100.00 a share, maximum redemption price \$105.00 per share (See Note 2):	
Authorized, issued and outstanding, 25,000 shares.....	\$2,500,000.00

Common:

Authorized, 250,000 shares of no par value	
Issued and outstanding, 155,155 shares.....	1,405,325.00

Earned surplus (of which \$4,284,392.78 is restricted as to common stock dividends by indenture covering fifteen-year 4% notes)....	6,209,891.67
	<hr/>
	10,115,216.67

\$14,192,551.64

vestment in building and fixtures made during the years ended January 31, 1930 and same time, leaseholds of \$265,833.33 were written off.
l to expend for the repurchase of preferred stock the greater of (a) \$25,000.00, or on or before June 1, 1938 is \$27,351.84.

ABRAHAM & STRAUS INC.

(A New York Corporation)

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1938

Balance, February 1, 1937.....		\$5,925,930.27*
Add:		
Net profit, year ended January 31, 1938.....	\$ 802,546.04	
Reserve provided in prior years for renewal of franchise—excess over requirement	65,630.36	868,176.40
		<u>\$6,794,106.67</u>
Deduct dividends on:		
4¾% preferred stock—four quarterly dividends of \$1.1875 each, to January 25, 1938.....	\$ 118,750.00	
Common stock—\$3.00 per share.....	465,465.00	584,215.00
Balance, January 31, 1938.....		<u><u>\$6,209,891.67*</u></u>

*Under the terms of the indenture covering the fifteen-year 4% notes, there was restricted as to common stock dividends \$4,403,142.78 as of February 1, 1937 and \$4,284,392.78 as of January 31, 1938.

ABRAHAM & STRAUS INC.

(A New York Corporation)

PROFIT AND LOSS

YEAR ENDED JANUARY 31, 1938

Net sales (including sales of leased departments)		\$23,511,561.20
Cost of goods sold, selling, operating and administrative expenses, exclusive of items listed below		21,931,445.93
		<u>\$ 1,580,115.27</u>
Deductions from income:		
Loss from properties rented to others, after deducting depreciation of \$11,975.80	\$ 25,778.03	
Rent and taxes during period of construction of building for tenant ..	27,511.92	
	<u>\$ 53,289.95</u>	
Less interest and dividends earned on securities, bank balances, etc.	1,980.19	
		<u>51,309.76</u>
Balance, before depreciation, interest and provision for federal taxes on income		\$ 1,528,805.51
Deduct:		
Depreciation (See Note)	\$ 435,399.95	
Interest on indebtedness and amortization of debt discount and expense	115,859.52	
Provision for federal normal income tax	147,000.00	
Provision for federal surtax on undistributed profits	28,000.00	
		<u>726,259.47</u>
Net profit		<u><u>\$ 802,546.04</u></u>

NOTE: The expenditures for fixed assets in connection with the building erected during the years ended January 31, 1930 and January 31, 1931 were written down to estimated replacement cost as of January 31, 1933 (see Balance Sheet Note 1) and depreciation since that date has been calculated upon the reduced values.

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

March 22, 1938.

To the Board of Directors of Abraham & Straus, Inc.:

We have made an examination of the balance sheet of Abraham & Straus, Inc. as at January 31, 1938 and of the statements of profit and loss and surplus for the year then ended. In connection therewith, we made a review of the accounting methods, examined or tested accounting records of the Company and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control, and made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of profit and loss and surplus fairly present, in accordance with accepted principles of accounting maintained by the Company on a basis consistent with those for the preceding year, its position at January 31, 1938 and the results of its operations for the year then ended.

TOUCHE, NIVEN & CO.

ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK



ANNUAL REPORT



**FOR THE FISCAL YEAR ENDING
JANUARY 31, 1939**

BOARD OF DIRECTORS

Edward C. Blum

Robert E. Blum

Walter N. Rothschild

Louis E. Kirstein

Hugh Grant Straus

Fred Lazarus, Jr.

Michael Schaap

OFFICERS

Edward C. Blum.....Chairman of the Board

Walter N. Rothschild.....President

Hugh Grant Straus.....Vice-President-Treasurer

Kenneth C. Richmond.....Vice-President

Richard H. Brown.....Vice-President

Sidney L. Solomon.....Vice-President

Mrs. Dorothy E. Swenson.....Vice-President

Robert E. Blum.....Secretary

Rollin H. Steiger.....Assistant Secretary

ABRAHAM & STRAUS INC.

April 1, 1939

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the annual report on the operations of your company for the fiscal year ended January 31, 1939.

Sales for the year amounted to \$22,827,119, a decrease of 2.91%.

Net profit, after provision for depreciation, interest, and federal tax on income, amounted to \$804,934, equivalent after dividends on preferred stock, to \$4.47 per share on the common stock, compared with \$802,546 or \$4.41 per share on the common stock for the previous fiscal year. The company paid dividends amounting to \$2.00 per share on the common stock during the year as against \$3.00 during the preceding year.

Cash on hand on January 31, 1939 amounted to \$2,093,973. The ratio of current assets to current liabilities was 7.35 to 1. Merchandise inventories as of January 31, 1939 were \$2,114,297, compared with \$2,040,742 on January 31, 1938.

Of the \$1,000,000 borrowed from the banks in 1935, as part of a refinancing program, the last note of \$333,000. was paid off during the year. In the same refinancing program, the company issued \$3,000,000. of its 4% Notes due October 1, 1950. On October 1, 1936, \$500,000. of such 4% Notes were redeemed. On April 1, 1939, an additional \$1,000,000. of such Notes will be redeemed at 103.

Pursuant to charter requirements, the company acquired and redeemed 261 shares of its 4¾% preferred stock. The company also purchased and redeemed 2,000 shares of such preferred stock at approximately \$80 per share.

Your company has had every reason to appreciate the loyalty and confidence of the members of the organization during the past year.

Yours very truly,

WALTER N. ROTHSCHILD,
President.

ABRAHAM

(A New York Corporation)
BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on demand deposit and on hand.....		\$ 2,093,973.85
Customers' accounts and notes receivable:		
Regular retail, less reserves of \$65,000.00.....	\$1,851,444.52	
Instalment (the terms on a small portion of which extend beyond one year), less reserves of \$129,719.57.....	1,174,552.55	
		3,025,997.07

Inventories:

Merchandise on hand—on the basis of cost or market, whichever is lower, as determined by the retail inventory method.....	\$1,998,508.54	
Merchandise in transit—at cost.....	115,788.63	
		2,114,297.17

Sundry debtors		83,632.98
----------------------	--	-----------

\$ 7,317,901.07

OTHER ASSETS:

Investments in, and advances to, joint purchasing and service organizations—at cost.....	\$ 60,100.00	
Other investments and advances.....	42,579.38	
Real estate not used in operations:		
Land—as appraised at January 31, 1933.....	105,000.00	
Land and buildings—at cost, less depreciation of \$48,946.12.....	786,216.30	
		993,895.68

FIXED ASSETS:

Buildings and building improvements on leased land—at cost, less depreciation of \$1,740,379.66 and less write-down of \$1,259,667.97 (See Note 1) as of January 31, 1933.....	\$4,601,709.58	
Store fixtures and equipment — at cost, less depreciation of \$1,514,547.16 and less write-down of \$284,045.78 (See Note 1) as of January 31, 1933.....	816,003.80	
Delivery equipment—at cost, less depreciation of \$10,554.48.....	39,485.09	
		5,457,198.47

DEFERRED CHARGES:

Unexpired insurance, prepaid taxes, expenses, etc.....	\$ 116,470.91	
Supplies	28,444.00	
Unamortized debt discount and expense.....	9,425.51	
Unamortized expenses incurred in leasing premises to F. W. Woolworth Co.	101,673.63	
		256,014.05

GOODWILL—at nominal amount.....		1.00
---------------------------------	--	------

\$14,025,010.27

- NOTES: (1) The amounts of \$1,259,667.97 and \$284,045.78 were written off to reduce January 31, 1931 to estimated replacement cost as of January 31, 1933.
- (2) On February 17, 1939 the Company called for redemption, on April 1, 1939.
- (3) On or before June 1st of each year, the Corporation is required to pay a net profit after preferred dividends for the preceding fiscal year. The June 1, 1939.

STRAUS INC.

(corporation)

JANUARY 31, 1939

LIABILITIES

CURRENT LIABILITIES:

Accounts payable—trade creditors..... \$ 535,149.94

Accrued liabilities:

Compensation \$ 83,741.41

Federal tax on income..... 146,000.00

Other taxes 134,911.97

Interest 33,333.33

Miscellaneous expenses 32,632.61

430,619.32

Sundry creditors 30,406.87

\$ 996,176.13

FIFTEEN-YEAR 4% NOTES, due October 1, 1950—sinking fund payment of \$100,000.00 is required in 1942 and \$150,000.00 a year thereafter (See Note 2)

2,500,000.00

RESERVE FOR POSSIBLE ASSESSMENT OF TAXES, FOR INSURANCE AND FOR OTHER CONTINGENCIES

154,753.58

CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred, 4¾% cumulative, par value \$100.00 a share, maximum redemption price \$105.00 per share (See Note 3):

Authorized and issued, 25,000 shares..... \$2,500,000.00

Less repurchased and retired, 2,261 shares..... 226,100.00

Outstanding, 22,739 shares..... \$2,273,900.00

Common:

Authorized, 250,000 shares of no par value

Issued and outstanding, 155,155 shares..... 1,405,325.00

Earned surplus (of which \$4,211,127.41 was restricted as to common stock dividends by indenture covering Fifteen-Year 4% Notes)

6,694,855.56

10,374,080.56

\$14,025,010.27

investment in building and fixtures made during the years ended January 31, 1930 and at same time, leaseholds of \$265,833.33 were written off.

1,000,000.00 face amount of these notes at a premium of \$30,000.00.

for the repurchase of preferred stock the greater of (a) \$25,000.00 or (b) 4% of the shares during the current year exceed by \$133,548.78 the requirements to and including

ABRAHAM & STRAUS INC.

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1939

Balance, February 1, 1938.....		\$6,209,891.67*
Add:		
Net profit, year ended January 31, 1939.....	\$804,934.31	
Excess over requirement, to January 31, 1936, in reserve for possible assessment of taxes.....	63,604.97	
Net discount on repurchase of 4¾% preferred stock (premiums paid in prior years have been deducted from earned surplus and exceed this amount).....	37,429.81	
	<hr/>	905,969.09
		<hr/>
		\$7,115,860.76
Deduct dividends on:		
4¾% preferred stock—four quarterly dividends of \$1.1875 each, to January 25, 1939.....	\$110,695.18	
Common stock—three dividends of 37½ cents and one of 87½ cents, aggregating \$2.00 per share.....	310,310.02	
	<hr/>	421,005.20
		<hr/>
Balance, January 31, 1939.....		<u><u>\$6,694,855.56*</u></u>

*Under the terms of the indenture covering the Fifteen-Year 4% Notes, there was restricted as to common stock dividends \$4,284,392.78 as of February 1, 1938 and \$4,211,127.41 as of January 31, 1939.

ABRAHAM & STRAUS INC.

PROFIT AND LOSS YEAR ENDED JANUARY 31, 1939

Net sales (including sales of leased departments)		\$22,827,118.56
Cost of goods sold, selling, operating and administrative expenses, exclusive of items listed below		21,306,171.61
		<hr/>
		\$ 1,520,946.95
Deduct:		
Loss from properties rented to others, after deducting depreciation of \$15,109.50	\$ 30,281.47	
	<hr/>	
Less:		
Recovery on claim applicable to prior years	\$ 22,222.31	
Interest and dividends earned on securities, etc	2,319.58	
	<hr/>	
	\$ 24,541.89	
	<hr/>	5,739.58
		<hr/>
Balance, before depreciation, interest and provision for federal tax on income		\$ 1,515,207.37
Deduct:		
Depreciation (See Note)	\$461,652.22	
Interest on indebtedness and amortization of debt discount and expense	102,620.84	
Provision for federal tax on income	146,000.00	
	<hr/>	710,273.06
		<hr/>
Net profit		<u><u>\$ 804,934.31</u></u>

NOTE: The expenditures for fixed assets in connection with the building erected during the years ended January 31, 1930 and January 31, 1931 were written down to estimated replacement cost as of January 31, 1933 (see balance sheet Note 1) and depreciation since that date has been calculated upon the reduced values.

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

March 16, 1939

To the Board of Directors of Abraham & Straus, Inc.:

We have made an examination of the balance sheet of Abraham & Straus, Inc. as at January 31, 1939 and of the statements of profit and loss and surplus for the year then ended. In connection therewith, we made a review of the accounting methods, examined or tested accounting records of the Company and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control, and made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of profit and loss and surplus fairly present, in accordance with accepted principles of accounting maintained by the Company on a basis consistent with those for the preceding year, its position at January 31, 1939 and the results of its operations for the year then ended.

TOUCHE, NIVEN & Co.

ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK



ANNUAL REPORT



**FOR THE FISCAL YEAR ENDING
JANUARY 31, 1940**

BOARD OF DIRECTORS

Edward C. Blum
Walter Rothschild
Hugh Grant Straus

Robert E. Blum
Louis E. Kirstein
Fred Lazarus, Jr.

Michael Schaap

OFFICERS

Edward C. Blum.....	Chairman of the Board
Walter Rothschild.....	President
Hugh Grant Straus.....	Vice-President-Treasurer
Kenneth C. Richmond.....	Vice-President
Richard H. Brown.....	Vice-President
Sidney L. Solomon.....	Vice-President
Mrs. Dorothy E. Swenson.....	Vice-President
Reuben W. Askanase.....	Vice-President
Robert E. Blum.....	Secretary
Rollin H. Steiger.....	Assistant Secretary

ABRAHAM & STRAUS INC.

April 1, 1940

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., I present the annual report of the operations of your company for the fiscal year ended January 31, 1940.

Sales for the year amounted to \$23,426,485, an increase of 2.63%.

Net profit, after provision for depreciation, interest and federal tax on income, amounted to \$1,008,141, equivalent after dividends on preferred stock to \$5.82 per share on the common stock, compared with \$804,934 or \$4.47 per share on the common stock for the previous fiscal year. The company paid dividends amounting to \$3.00 per share on the common stock during the year as against \$2.00 during the preceding year.

On April 1, 1939, \$1,000,000 of outstanding 4% notes due October 1, 1950 were redeemed at a price of 103. An additional \$150,000 of such notes were redeemed at par during 1939 through operation of the sinking fund. There now remain outstanding \$1,350,000 of these notes. During the year, the company also acquired and redeemed 1,000 shares of its 4¾% preferred stock at \$89.54 per share plus accrued dividend, leaving 21,739 shares outstanding. The retirement of the notes and of the preferred stock involved a combined cash outlay of \$1,270,412.

Cash on January 31, 1940 amounted to \$1,231,159 compared with \$2,093,973 on January 31, 1939, a decrease of \$862,814. The ratio of current assets to current liabilities was 6.21 to 1 compared with 7.35 to 1 last year.

Negotiations were consummated during the year with United Parcel Service, Inc. under which that corporation has taken over our entire delivery service. The experience of the first year has justified this change in policy and has greatly enlarged the area now being served by daily deliveries.

Your officers desire to express their appreciation of the loyalty and the cooperative spirit of the organization evidenced during the past year.

Yours very truly,

WALTER ROTHSCHILD

President

A S S E T S

	January 31, 1940	January 31, 1939
CURRENT ASSETS:		
Cash on demand deposit and on hand.....	\$ 1,231,159.17	\$ 2,093,973.85
Customers' accounts and notes receivable:		
Regular retail, less reserves of \$70,000.00 at January 31, 1940 and \$65,000.00 at January 31, 1939.....	1,926,073.02	1,851,444.52
Instalment (the terms on a small portion of which extend beyond one year), less reserves of \$149,942.36 at January 31, 1940 and \$129,719.57 at January 31, 1939.....	1,360,495.56	1,174,552.55
Inventories:		
Merchandise on hand—on the basis of cost or market, whichever is lower, as determined by the retail inventory method.....	2,177,009.86	1,998,508.54
Merchandise in transit—at cost.....	158,567.84	115,788.63
Sundry debtors.....	80,171.56	83,632.98
	<u>\$ 6,933,477.01</u>	<u>\$ 7,317,901.07</u>
OTHER ASSETS:		
Investments in, and advances to, joint purchasing and service organizations—at cost.....	\$ 57,850.00	\$ 60,100.00
Other investments and advances.....	20,906.69	42,579.38
Real estate not used in operations:		
Land—as appraised at January 31, 1933 (below cost).....	105,000.00	105,000.00
Land and buildings—at cost, less depreciation of \$64,077.90 at January 31, 1940 and \$48,946.12 at January 31, 1939.....	769,816.78	786,216.30
	<u>\$ 953,573.47</u>	<u>\$ 993,895.68</u>
FIXED ASSETS:		
Buildings and building improvements on leased land—at cost, less write-down of \$1,259,667.97 (see Note 1) as of January 31, 1933, and less depreciation of \$1,971,100.62 at January 31, 1940 and \$1,740,379.66 at January 31, 1939.....	\$ 4,404,745.27	\$ 4,601,709.58
Store fixtures and equipment—at cost, less write-down of \$284,045.78 (see Note 1) as of January 31, 1933, and less depreciation of \$1,578,985.90 at January 31, 1940 and \$1,514,547.16 at January 31, 1939.....	774,682.47	816,003.80
Delivery equipment—at cost, less depreciation of \$10,554.48.....	—	39,485.09
	<u>\$ 5,179,427.74</u>	<u>\$ 5,457,198.47</u>
DEFERRED CHARGES:		
Supplies.....	\$ 25,716.72	\$ 28,444.00
Unexpired insurance, prepaid taxes, expenses, etc.....	110,712.38	116,470.91
Unamortized debt discount and expense.....	4,653.47	9,425.51
Unamortized expenses incurred in leasing premises to F. W. Woolworth Co.....	98,074.56	101,673.63
	<u>\$ 239,157.13</u>	<u>\$ 256,014.05</u>
GOODWILL—at nominal amount.....	\$ 1.00	\$ 1.00
	<u>\$13,305,636.35</u>	<u>\$14,025,010.27</u>

NOTES: (1) The amounts of \$1,259,667.97 and \$284,045.78 were written off to reduce January 31, 1931 to estimated replacement cost as of January 31, 1933.

(2) On or before June 1st of each year, the Corporation is required to expend profit after preferred dividends for the preceding fiscal year. The repaid

STRAUS INC.

(Incorporated in New York)

BALANCE SHEET

LIABILITIES

	January 31, 1940	January 31, 1939
CURRENT LIABILITIES:		
Accounts payable—trade creditors.....	\$ 618,158.43	\$ 535,149.94
Accrued liabilities:		
Compensation	103,405.25	83,741.41
Federal tax on income.....	185,000.00	146,000.00
Other taxes.....	124,697.43	134,911.97
Interest.....	18,000.00	33,333.33
Miscellaneous expenses.....	36,101.42	32,632.61
Sundry creditors.....	31,516.98	30,406.87
	<u>\$ 1,116,879.51</u>	<u>\$ 996,176.13</u>
FIFTEEN-YEAR 4% NOTES, due October 1, 1950 (there are no further sinking fund requirements on this issue).....	<u>\$ 1,350,000.00</u>	<u>\$ 2,500,000.00</u>
RESERVE FOR POSSIBLE ASSESSMENT OF TAXES, FOR INSURANCE AND FOR OTHER CONTINGENCIES	<u>\$ 148,046.64</u>	<u>\$ 154,753.58</u>
CAPITAL STOCK AND SURPLUS:		
Capital stock:		
Preferred, 4¾% cumulative, par value \$100.00 a share, maximum redemption price \$105.00 a share (see Note 2):		
Authorized and issued, 22,739 shares at January 31, 1940 and 25,000 shares at January 31, 1939.....	\$ 2,273,900.00	\$ 2,500,000.00
Less repurchased, 1,000 shares at January 31, 1940 and 2,261 shares at January 31, 1939.....	<u>100,000.00</u>	<u>226,100.00</u>
Outstanding, 21,739 shares at January 31, 1940 and 22,739 shares at January 31, 1939.....	\$ 2,173,900.00	\$ 2,273,900.00
Common:		
Authorized, 250,000 shares of no par value		
Issued and outstanding, 155,155 shares.....	1,405,325.00	1,405,325.00
Earned surplus (of which \$4,085,080.25 at January 31, 1940 and \$4,211,127.41 at January 31, 1939 was not available for payment of common stock dividends under the terms of the indenture covering the Fifteen-Year 4% Notes)	<u>7,111,485.20</u>	<u>6,694,855.56</u>
	<u>\$10,690,710.20</u>	<u>\$10,374,080.56</u>
	<u><u>\$13,305,636.35</u></u>	<u><u>\$14,025,010.27</u></u>

Investment in building and fixtures made during the years ended January 31, 1930 and the same time, leaseholds of \$265,833.33 were written off.
The repurchase of preferred stock the greater of (a) \$25,000.00 or (b) 4% of the net assets to January 31, 1940 exceed by \$185,723.37 the requirements to and including June 1, 1940.

ABRAHAM & STRAUS INC.

COMPARATIVE EARNED SURPLUS

	Year ended January 31,	
	1940	1939
BALANCE, beginning of period	\$ 6,694,855.56	\$ 6,209,891.67
ADD:		
Net profit	\$ 1,008,141.80	\$ 804,934.31
Discount (net) on repurchase of 4¾% preferred stock (premiums paid in prior years have been deducted from earned surplus and exceed this amount)	9,588.08	37,429.81
Excess over requirement to January 31, 1936, in reserve for possible assessment of taxes	—	63,604.97
	<u>\$ 1,017,729.88</u>	<u>\$ 905,969.09</u>
	<u>\$ 7,712,585.44</u>	<u>\$ 7,115,860.76</u>
DEDUCT:		
Premium paid on redemption of \$1,000,000.00 face amount Fifteen-Year 4% Notes	\$ 30,000.00	\$ —
Dividends on:		
4¾% preferred stock—four quarterly dividends of \$1.1875 each to January 25, 1940 and January 25, 1939, respectively	105,635.24	110,695.18
Common stock—\$3.00 a share and \$2.00 a share, respectively . . .	465,465.00	310,310.02
	<u>\$ 601,100.24</u>	<u>\$ 421,005.20</u>
BALANCE, end of period (of which \$4,085,080.25 at January 31, 1940 and \$4,211,127.41 at January 31, 1939 was not available for payment of common stock dividends under the terms of the indenture covering the Fifteen-Year 4% Notes)	<u>\$ 7,111,485.20</u>	<u>\$ 6,694,855.56</u>

ABRAHAM & STRAUS INC.

COMPARATIVE PROFIT AND LOSS

	Year ended January 31,	
	1940	1939
NET SALES (including sales of leased departments)	\$23,426,485.54	\$22,827,118.56
COST OF GOODS SOLD AND EXPENSES, exclusive of items listed below	21,440,921.73	21,049,701.09
	<u>\$ 1,985,563.81</u>	<u>\$ 1,777,417.47</u>
DEDUCT:		
Depreciation (see Note 1 to balance sheet)	\$ 417,260.76	\$ 461,652.22
Maintenance and repairs	284,838.85	256,470.52
Interest on indebtedness and amortization of debt discount and expense	70,972.04	102,620.84
Reduction of New York World's Fair debentures to quoted price	17,445.60	—
	<u>\$ 790,517.25</u>	<u>\$ 820,743.58</u>
	<u>\$ 1,195,046.56</u>	<u>\$ 956,673.89</u>
OTHER DEDUCTIONS—net:		
Loss from properties rented to others, after deducting depreciation of \$15,131.78 and \$15,109.50, respectively	\$ 28,462.99	\$ 30,281.47
Less:		
Profit on sale of delivery equipment	\$ 10,059.65	\$ —
Refund (net) of taxes applicable to prior years	14,109.02	—
Recovery on claims applicable to prior years	—	22,222.31
Interest and dividends earned on securities, etc.	2,389.56	2,319.58
	<u>\$ 26,558.23</u>	<u>\$ 24,541.89</u>
	<u>\$ 1,904.76</u>	<u>\$ 5,739.58</u>
NET PROFIT, before federal tax on income	\$ 1,193,141.80	\$ 950,934.31
PROVISION FOR FEDERAL TAX ON INCOME	185,000.00	146,000.00
NET PROFIT	<u>\$ 1,008,141.80</u>	<u>\$ 804,934.31</u>

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

March 21, 1940

To the Board of Directors of Abraham & Straus, Inc.:

We have examined the balance sheet of Abraham & Straus, Inc. as of January 31, 1940 and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of Abraham & Straus, Inc. at January 31, 1940, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN & Co.

ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK



ANNUAL REPORT



FOR THE FISCAL YEAR ENDING

JANUARY 31, 1941

BOARD OF DIRECTORS

Edward C. Blum

Walter Rothschild

Hugh Grant Straus

Robert E. Blum

Louis E. Kirstein

Fred Lazarus, Jr.

Michael Schaap

OFFICERS

Edward C. Blum.....	Chairman of the Board
Walter Rothschild.....	President
Hugh Grant Straus.....	Vice-President-Treasurer
Kenneth C. Richmond.....	Vice-President
Richard H. Brown.....	Vice-President
Sidney L. Solomon.....	Vice-President
Mrs. Dorothy E. Swenson.....	Vice-President
Reuben W. Askanase.....	Vice-President
Robert E. Blum.....	Secretary
Rollin H. Steiger.....	Assistant Secretary

ABRAHAM & STRAUS INC.

April 1, 1941

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc., there is presented herewith the annual report of the operations of your company for the fiscal year ended January 31, 1941.

Sales for the year amounted to \$24,167,486, an increase of 3.16% over the preceding year.

Net profit, after provision for depreciation, interest and federal tax on income, amounted to \$1,072,643, equivalent after dividends on preferred stock to \$6.26 per share on the common stock, compared with \$1,008,141 or \$5.82 per share on the common stock for the preceding fiscal year. The company paid dividends amounting to \$3.50 per share on the common stock during the year as against \$3.00 during the preceding year.

On October 1, 1940, negotiations were consummated with the holder of the company's outstanding 4% notes due October 1, 1950 as a result of which the interest rate was reduced to 3%. At the same time \$150,000 face amount of such notes was redeemed at par and an additional \$200,000 was redeemed at a premium of 3%. After such redemptions there remain outstanding \$1,000,000 of 3% notes.

During the year the company reacquired and redeemed 372 shares of its outstanding 4 $\frac{3}{4}$ % preferred stock at a price of \$90.68 per share plus accrued dividend. Since the close of the fiscal year, the company also reacquired and redeemed an additional 1,000 shares of such preferred stock at a price of \$92.29 per share plus accrued dividend. After giving effect to these redemptions 20,367 shares of 4 $\frac{3}{4}$ % preferred stock remain outstanding.

The development of television and frequency modulation has been the subject of study and investigation by your company. During the year the Federal Communications Commission issued experimental licenses to Metropolitan Television, Inc., a subsidiary owned by this company and by Bloomingdale Bros, Inc. Plans are still in a formative stage pending further developments in these fields.

Brooklyn's need for improved transportation and highways has been the subject of study and action on the part of public officials. Several major undertakings of primary importance to the development of the downtown retail district are in progress; the removal of the Fulton Street El, construction of the Brooklyn-New York Battery tunnel, cross-town highway leading into Queens and the completion of the circumferential highway. The completion of the city owned subway system has opened new avenues of potential trade.

The spirit of loyalty and cooperation evidenced by the organization during the past year is appreciated by the officers and directors and public recognition is given to the esprit de corps of the personnel of the company.

Very truly yours,

WALTER ROTHSCHILD

President

ASSETS

	January 31, 1941	January 31, 1940
CURRENT ASSETS:		
Cash on demand deposit and on hand.....	\$ 1,463,090.39	\$ 1,231,159.17
Customers' accounts and notes receivable:		
Regular retail, less reserves of \$50,000.00 at January 31, 1941 and \$70,000.00 at January 31, 1940.....	1,931,131.55	1,926,073.02
Instalment (the terms on a small portion of which extend beyond one year) less reserves of \$168,352.64 at January 31, 1941 and \$149,942.36 at January 31, 1940.....	1,548,281.25	1,360,495.56
Inventories:		
Merchandise on hand—on the basis of cost or market, whichever is lower, as determined by the retail inventory method.....	2,318,347.21	2,177,009.86
Merchandise in transit—at cost.....	154,561.71	158,567.84
Sundry debtors.....	106,793.59	80,171.56
	<u>\$ 7,522,205.70</u>	<u>\$ 6,933,477.01</u>
INVESTMENTS:		
Investments in, and advances to, joint purchasing and service organizations—at cost.....	\$ 57,975.00	\$ 57,850.00
Other investments and advances.....	14,013.08	20,906.69
Real estate not used in operations:		
Land—as appraised at January 31, 1933 (below cost).....	105,000.00	105,000.00
Land and buildings—at cost less depreciation of \$79,209.68 at January 31, 1941, and \$64,077.90 at January 31, 1940.....	754,685.00	769,816.78
	<u>\$ 931,673.08</u>	<u>\$ 953,573.47</u>
FIXED ASSETS:		
Buildings and building improvements on leased land—at cost, less write-down of \$1,259,667.97 (see Note 1) as of January 1, 1933, and less depreciation of \$2,207,031.20 at January 31, 1941 and \$1,971,100.62 at January 31, 1940.....	\$ 4,197,079.92	\$ 4,404,745.27
Store fixtures—at cost, less write-down of \$284,045.78 (see Note 1) as of January 1, 1933, and less depreciation of \$1,169,017.45 at January 31, 1941, and \$1,578,985.90 at January 31, 1940.....	666,367.04	774,682.47
	<u>\$ 4,863,446.96</u>	<u>\$ 5,179,427.74</u>
DEFERRED CHARGES:		
Supplies.....	\$ 23,748.06	\$ 25,716.72
Unexpired insurance, prepaid taxes, expenses, etc.....	110,013.78	110,712.38
Unamortized debt discount and expense.....	3,123.81	4,653.47
Unamortized expenses incurred in leasing premises to F. W. Woolworth Co.	94,475.49	98,074.56
	<u>\$ 231,361.14</u>	<u>\$ 239,157.13</u>
GOODWILL—at nominal amount.....	<u>\$ 1.00</u>	<u>\$ 1.00</u>
	<u>\$13,548,687.88</u>	<u>\$13,305,636.35</u>

NOTES: (1) The amounts of \$1,259,667.97 and \$284,045.78 were written off to retained earnings on January 31, 1931 to estimated replacement cost as of January 31, 1933. On or before June 1st of each year, the Corporation is required to set aside a profit after preferred dividends for the preceding fiscal year. The re-

STRAUS INC.

(Corporation)

BALANCE SHEET

LIABILITIES

	January 31, 1941	January 31, 1940
CURRENT LIABILITIES:		
Accounts payable—trade	\$ 585,293.92	\$ 618,158.43
Accrued liabilities:		
Compensation	136,273.91	103,405.25
Federal taxes on income	330,000.00	185,000.00
Other taxes	139,960.45	124,697.43
Interest	10,000.00	18,000.00
Miscellaneous expenses	91,058.26	36,101.42
Sundry creditors	34,945.54	31,516.98
	<u>\$ 1,327,532.08</u>	<u>\$ 1,116,879.51</u>
FIFTEEN-YEAR 3% NOTES, due October 1, 1950 (interest reduced from 4% effective October 1, 1940)	<u>\$ 1,000,000.00</u>	<u>\$ 1,350,000.00</u>
RESERVE FOR POSSIBLE ASSESSMENT OF TAXES, FOR INSURANCE AND FOR OTHER CONTINGENCIES	<u>\$ 86,325.14</u>	<u>\$ 148,046.64</u>
CAPITAL STOCK AND SURPLUS:		
Capital stock:		
Preferred, 4¾% cumulative, par value \$100.00 a share, maximum redemption price \$105.00 a share:		
Authorized and issued, 22,739 shares, reduced from 25,000 shares by repurchase and amendment of certificate of incorporation	\$ 2,273,900.00	\$ 2,273,900.00
Less repurchased, 1,372 shares at January 31, 1941 and 1,000 shares at January 31, 1940	137,200.00	100,000.00
Outstanding, 21,367 shares at January 31, 1941 and 21,739 shares at January 31, 1940	\$ 2,136,700.00	\$ 2,173,900.00
Common:		
Authorized, 250,000 shares of no par value		
Issued and outstanding, 155,155 shares	1,405,325.00	1,405,325.00
Earned surplus (of which \$3,980,399.29 at January 31, 1941 and \$4,085,080.25 at January 31, 1940 was not available for payment of common stock dividends under the terms of the indenture covering the fifteen-year 3% notes)	<u>7,592,805.66</u>	<u>7,111,485.20</u>
	<u>\$11,134,830.66</u>	<u>\$10,690,710.20</u>
	<u><u>\$13,548,687.88</u></u>	<u><u>\$13,305,636.35</u></u>

the investment in building and fixtures made during the years ended January 31, 1930 and the same time, leaseholds of \$265,833.33 were written off.
for the repurchase of preferred stock the greater of (a) \$25,000.00 or (b) 4% of the net assets to January 31, 1941 exceed by \$180,627.99 the requirements to and including June 1, 1941.

ABRAHAM & STRAUS INC.

COMPARATIVE EARNED SURPLUS

	Year ended January 31,	
	1941	1940
BALANCE, beginning of period (of which \$4,085,080.25 at January 31, 1940 and \$4,211,127.41 at January 31, 1939 was not available for payment of common stock dividends under the terms of the indenture covering the fifteen-year 3% notes)	\$ 7,111,485.20	\$ 6,694,855.56
ADD:		
Net profit.	\$1,072,643.42	\$ 1,008,141.80
Discount (net) on repurchase of 4¾% preferred stock (premiums paid in prior years have been deducted from earned surplus and exceed this amount)	3,254.03	9,588.08
Excess over requirement to January 31, 1940, in reserve for possible assessment of taxes.	56,400.50	—
	<u>\$ 1,132,297.95</u>	<u>\$ 1,017,729.88</u>
	<u>\$ 8,243,783.15</u>	<u>\$ 7,712,585.44</u>
DEDUCT:		
Premium paid on redemption of \$350,000.00 and \$1,000,000.00 face amount of fifteen-year notes, year ended January 31, 1941 and January 31, 1940, respectively	\$ 6,000.00	\$ 30,000.00
Dividends on:		
4¾% preferred stock—four quarterly dividends of \$1.1875 each to January 25, 1941 and January 25, 1940, respectively	101,934.99	105,635.24
Common stock—\$3.50 a share and \$3.00 a share, respectively	543,042.50	465,465.00
	<u>\$ 650,977.49</u>	<u>\$ 601,100.24</u>
BALANCE, end of period (of which \$3,980,399.29 at January 31, 1941 and \$4,085,080.25 at January 31, 1940 was not available for payment of common stock dividends under the terms of the indenture covering the fifteen-year notes)	<u>\$ 7,592,805.66</u>	<u>\$ 7,111,485.20</u>

ABRAHAM & STRAUS INC.

COMPARATIVE PROFIT AND LOSS

	Year ended January 31,	
	1941	1940
NET SALES (including sales of leased departments)	\$24,167,486.33	\$23,426,485.54
COST OF GOODS SOLD AND EXPENSES, exclusive of items listed below	22,026,331.77	21,440,921.73
	<u>\$ 2,141,154.56</u>	<u>\$ 1,985,563.81</u>
DEDUCT:		
Depreciation (see Note 1 to balance sheet)	\$ 402,924.91	\$ 417,260.76
Maintenance and repairs	266,066.23	284,838.85
Interest on indebtedness and amortization of debt discount and expense	48,165.08	70,972.04
Losses in connection with New York World's Fair debentures	1,302.23	17,445.60
	<u>\$ 718,458.45</u>	<u>\$ 790,517.25</u>
	<u>\$ 1,422,696.11</u>	<u>\$ 1,195,046.56</u>
OTHER DEDUCTIONS—net:		
Losses from properties rented to others, after deducting depreciation of \$15,131.78 for each year	\$ 28,777.30	\$ 28,462.99
Less:		
Profit on sale of delivery equipment	\$ —	\$ 10,059.65
Refund (net) of taxes applicable to prior years	6,377.11	14,109.02
Interest and dividends earned on securities, etc.	2,347.50	2,389.56
	<u>\$ 8,724.61</u>	<u>\$ 26,558.23</u>
	<u>\$ 20,052.69</u>	<u>\$ 1,904.76</u>
NET PROFIT, before federal taxes on income	\$ 1,402,643.42	\$ 1,193,141.80
PROVISION FOR FEDERAL TAXES ON INCOME (provision is not required for excess profits tax)	330,000.00	185,000.00
NET PROFIT	<u>\$ 1,072,643.42</u>	<u>\$ 1,008,141.80</u>

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

March 21, 1941

To the Board of Directors of Abraham & Straus, Inc.:

We have examined the balance sheet of Abraham & Straus, Inc. as of January 31, 1941 and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of Abraham & Straus, Inc. at January 31, 1941, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN & Co.

ABRAHAM & STRAUS INC.

BROOKLYN, NEW YORK

ANNUAL REPORT

FOR THE FISCAL YEAR ENDING

JANUARY 31, 1942

BOARD OF DIRECTORS

Edward C. Blum

Robert E. Blum

Walter Rothschild

Louis E. Kirstein

Hugh Grant Straus

Fred Lazarus, Jr.

Michael Schaap

OFFICERS

Edward C. Blum	Chairman of the Board
Walter Rothschild	President
Hugh Grant Straus	Vice-President-Treasurer
Robert E. Blum	Vice-President-Secretary
Kenneth C. Richmond	Vice-President
Richard H. Brown	Vice-President
Sidney L. Solomon	Vice-President
Mrs. Dorothy E. Swenson	Vice-President
Reuben W. Askanase	Vice-President
Rollin H. Steiger	Assistant Secretary

ABRAHAM & STRAUS INC.

May 9, 1942

To the Stockholders of Abraham & Straus, Inc.:

On behalf of the Board of Directors of Abraham & Straus, Inc. there is presented herewith the annual report of the operations of your company for the fiscal year ended January 31, 1942.

The increase in consumer buying power and anticipatory buying by the public produced net sales for the year amounting to \$27,216,444—an increase of 12.6%. This was the largest dollar volume in our history.

A comparison of the net profits and dividends paid for the past two years is as follows:

	Year ended January 31	
	1942	1941
Net profit, before federal taxes on income.....	\$1,662,290	\$1,402,644
Provision for federal taxes on income.....	725,000	330,000
Net profit	\$ 937,290	\$1,072,644
Earnings per share common.....	\$ 5.42	6.26
Dividends paid per share common.....	\$ 3.50	3.50

Because of increases in the cost of merchandise during the latter half of 1941 and probable variations in the future, it has been deemed desirable to adopt the "last-in first-out" (Lifo) method of valuing inventories by the use of an index of retail price changes. This accounting method tends to eliminate inflationary valuations from the balance sheet and profit and loss statement. The practical effect of this change results in a reduction of (a) inventories by \$364,356, (b) provision for federal taxes on income by \$265,000 and (c) net profit by \$99,356. Note (1) to the financial statements explains in greater detail the present status of the Lifo method of valuing inventories.

The balance sheet will reveal that as of January 31, 1942, there was outstanding \$850,000. of 3% Fifteen Year Notes due October 1, 1950. On February 25, 1942 a supplemental indenture was executed under which the authorized amount of 3% Notes was increased by \$1,500,000. These notes dated as of October 1, 1941 were sold on February 25, 1942 at their principal amount plus accrued interest. In addition to this \$1,500,000, a bank loan of \$983,000. was negotiated on March 30, 1942 maturing in three years and with interest at 2%. These new funds provide additional working capital and afford a conservative margin in the financial position of the company.

To provide for future sinking fund requirements, the company acquired during the year 1,000 shares of its 4¾% preferred stock at \$92.29 per share, plus accrued dividends and 367 shares of such preferred stock at \$95.72 per share, plus accrued dividends. At the end of the fiscal year there were 20,000 shares of such preferred stock outstanding.

The Fulton Street Elevated Railroad, at one time a most important traffic artery but in later years, obsolete and unsightly, has at last been removed. Its removal has improved Brooklyn's retail district and has greatly facilitated the movement of traffic. It has also revealed the necessity for rehabilitating many buildings on the street. The front of the Central Building is being modernized and show windows and entrances are being reconstructed to conform with those of the East Building at a cost of about \$60,000.

Corporation taxes today play a most important part in providing the government with funds necessary to prosecute the war. During last year our federal taxes increased \$501,018. In spite of this tax increase and increases in payroll and other operating costs, and the diminution in gross profit due to the adoption of Lifo, net profit is within \$135,000. of the net profit for last year and common stock dividends have been maintained at \$3.50 per share. The following five year statement shows a comparison of net earnings to taxes:

Year ended Jan. 31	Net earnings after taxes	Total taxes Fed. State, Mun.	Taxes per share common
1942	\$ 937,290	\$1,428,592	\$9.21
1941	1,072,644	913,133	5.89
1940	1,008,141	785,284	5.06
1939	804,934	771,309	4.97
1938	802,546	754,106	4.86

Increasing sales volume, growing scarcity of merchandise, slower deliveries from our vendors and the need of maintaining assortments have made it necessary to carry increased inventories and to adopt a reasonable advance buying schedule. Every effort has been made to keep prices down, and where increases in wholesale and manufacturing costs have necessitated revisions, this has been done on the averaging basis. Critical materials required in the prosecution of the war have made it necessary for retailers to explore the use of substitutes and plastics and to develop new combinations of fibres and fabrics. The effect of the war effort must necessarily make inroads into items available for retailers, but even within the scope of the restrictive regulations there is still opportunity for creative merchandising and new and interesting fashions.

The future curtailment of consumer purchasing power, the restrictions dictated through necessary priorities, the obligation to curtail services and to conserve supplies heretofore regarded as necessities, and the calling into military service of employees with resultant personnel adjustments, present a challenge to management which will test its ingenuity and resourcefulness.

The esprit de corps of the organization has never been higher. A service flag recently dedicated shows that 157 employees are now in military service. Others are awaiting calls, and still others are serving in many civilian defense and service activities. We record with sincere appreciation the splendid and loyal cooperation of the entire organization and feel it will meet cheerfully and willingly the problems involved in the common effort of winning the war.

Yours very truly,

WALTER ROTHSCHILD,
President.

ABRAHAM & STRAUS INC.

COMPARATIVE PROFIT AND LOSS

	Year ended January 31,	
	1942	1941
NET SALES (including sales of leased departments)	\$27,216,444	\$24,167,486
COST OF GOODS SOLD AND EXPENSES, exclusive of items listed below (See Note 1)	24,745,566	22,026,332
	<u>\$ 2,470,878</u>	<u>\$ 2,141,154</u>
DEDUCT:		
Depreciation (See Note 2)	\$ 380,671	\$ 402,925
Maintenance and repairs	365,539	266,066
Interest on indebtedness and amortization of debt discount and expense	32,435	48,165
Losses in connection with New York World's Fair debentures . . .	—	1,302
	<u>\$ 778,645</u>	<u>\$ 718,458</u>
	<u>\$ 1,692,233</u>	<u>\$ 1,422,696</u>
OTHER DEDUCTIONS—net:		
Losses from properties rented to others, after deducting depreciation of \$15,131 for each year	\$ 31,315	\$ 28,777
Less:		
Refund (net) of taxes applicable to prior years	\$ —	\$ 6,377
Interest and dividends earned on securities, etc.	1,372	2,348
	<u>\$ 1,372</u>	<u>\$ 8,725</u>
	<u>\$ 29,943</u>	<u>\$ 20,052</u>
NET PROFIT, before federal taxes on income	\$ 1,662,290	\$ 1,402,644
PROVISION FOR FEDERAL TAXES ON INCOME (excess profits tax—\$250,000 for the year ended January 31, 1942—none for the year ended January 31, 1941) (See Note 1)	725,000	330,000
NET PROFIT (See Note 1)	<u>\$ 937,290</u>	<u>\$ 1,072,644</u>

ABRAHAM

(A New York Company)

COMPARATIVE

ASSETS

	January 31, 1942	January 31, 1941
CURRENT ASSETS:		
Cash on demand deposit and on hand	\$ 1,004,489	\$ 1,463,090
Customers' accounts and notes receivable:		
Regular retail, less reserves of \$85,000 at January 31, 1942 and \$50,000 at January 31, 1941	2,101,100	1,906,615
Instalment (the terms on a small portion of which extend beyond one year), less reserves of \$172,000 at January 31, 1942 and \$168,000 at January 31, 1941	1,695,804	1,572,798
Merchandise on hand and in transit (See Note 1)	3,646,183	2,472,909
Sundry debtors	108,843	106,793
	<u>\$ 8,556,419</u>	<u>\$ 7,522,205</u>
OTHER ASSETS:		
Real estate not used in operations:		
Land—as appraised at January 31, 1933 (below cost)	\$ 105,000	\$ 105,000
Land and buildings—at cost less depreciation of \$94,341 at January 31, 1942 and \$79,209 at January 31, 1941	739,553	754,685
Investments and advances (including investments in and advances to joint purchasing and service organizations of \$60,975 at January 31, 1942 and \$57,975 at January 31, 1941)—at cost	74,588	71,988
	<u>\$ 919,141</u>	<u>\$ 931,673</u>
FIXED ASSETS:		
Buildings and building improvements on leased land—at cost, less write-down of \$1,259,668 (See Note 2) as of January 31, 1933, and less depreciation of \$2,446,260 at January 31, 1942 and \$2,207,031 at January 31, 1941	\$ 4,038,615	\$ 4,197,080
Store fixtures—at cost, less write-down of \$284,046 (See Note 2) as of January 31, 1933, and less depreciation of \$1,076,532 at January 31, 1942 and \$1,169,017 at January 31, 1941	665,190	666,367
	<u>\$ 4,703,805</u>	<u>\$ 4,863,447</u>
DEFERRED CHARGES:		
Supplies	\$ 76,312	\$ 24,478
Unexpired insurance, prepaid taxes, expenses, etc.	100,618	112,408
Unamortized expenses incurred in leasing premises to F. W. Woolworth Co.	90,877	94,475
	<u>\$ 267,807</u>	<u>\$ 231,361</u>
GOODWILL—at nominal amount	<u>\$ 1</u>	<u>\$ 1</u>
	<u>\$14,447,173</u>	<u>\$13,548,687</u>

STRAUS INC.

poration)

ANCE SHEET

LIABILITIES

	January 31, 1942	January 31, 1941
CURRENT LIABILITIES:		
Accounts payable—trade	\$ 996,993	\$ 585,294
Accrued liabilities:		
Compensation	182,262	136,274
Federal taxes on income (See Note 1)	725,000	330,000
Other taxes	140,539	139,960
Interest	8,500	10,000
Miscellaneous	107,956	91,058
Sundry creditors	46,795	34,946
	<u>\$ 2,208,045</u>	<u>\$ 1,327,532</u>
FIFTEEN-YEAR 3% NOTES, due October 1, 1950	<u>\$ 850,000</u>	<u>\$ 1,000,000</u>
 RESERVE FOR POSSIBLE ADDITIONAL ASSESSMENTS OF TAXES (See Note 6)	 <u>\$ 26,911</u>	 <u>\$ 86,325</u>
 CAPITAL STOCK AND SURPLUS:		
Capital stock:		
Preferred, 4¾% cumulative, par value \$100 a share, maximum redemption price \$105 a share:		
Authorized and issued, 22,739 shares, reduced from 25,000 shares by repurchase and amendment of certificate of incorporation	\$ 2,273,900	\$ 2,273,900
Less repurchased, 2,739 shares at January 31, 1942 and 1,372 shares at January 31, 1941	273,900	137,200
Outstanding, 20,000 shares at January 31, 1942, and 21,367 shares at January 31, 1941	\$ 2,000,000	\$ 2,136,700
Common:		
Authorized, 250,000 shares of no par value		
Issued and outstanding, 155,155 shares	1,405,325	1,405,325
Earned surplus (See Note 5)	7,956,892	7,592,805
	<u>\$11,362,217</u>	<u>\$11,134,830</u>
	<u>\$14,447,173</u>	<u>\$13,548,687</u>

ABRAHAM & STRAUS INC.

COMPARATIVE EARNED SURPLUS

	Year ended January 31,	
	1942	1941
BALANCE, beginning of period	\$ 7,592,805	\$ 7,111,485
ADD:		
Net profit (See Note 1)	\$ 937,290	\$ 1,072,644
Discount (net) on repurchase of 4¾% preferred stock (premiums paid in prior years have been deducted from earned surplus and exceed this amount)	8,386	3,254
Transfer of excess reserve provisions in prior years—net (See Note 6)	57,325	56,400
	<u>\$ 1,003,001</u>	<u>\$ 1,132,298</u>
	<u>\$ 8,595,806</u>	<u>\$ 8,243,783</u>
DEDUCT:		
Premium paid on redemption of \$350,000 face amount of fifteen-year notes	\$ —	\$ 6,000
Dividends on:		
4¾% preferred stock—four quarterly dividends of \$1.1875 each to January 24, 1942 and January 25, 1941, respectively.....	95,872	101,935
Common Stock—\$3.50 a share in each year.....	543,042	543,043
	<u>\$ 638,914</u>	<u>\$ 650,978</u>
BALANCE, end of period (See Note 5)	<u>\$ 7,956,892</u>	<u>\$ 7,592,805</u>

ABRAHAM & STRAUS INC.

NOTES TO FINANCIAL STATEMENTS

- (1) In the preparation of balance sheets and the determination of net profits of prior years, merchandise inventories have been stated on the basis of "cost or market, whichever is lower", as determined by the retail method of inventories. The use of this basis has been continued as at January 31, 1942, but, in arriving at cost, a change has been made to the "last-in first-out" method of valuation by use of an index of retail price changes. The use of this method has resulted in (1) a reduction of merchandise inventories by \$364,356 with a corresponding reduction of net profit before provision for federal taxes on income, (2) a reduction of \$265,000 in the provision for federal taxes on income, and (3) a reduction of \$99,356 (being the difference between the two preceding figures) in net profit after providing for such taxes. The last-in first-out method may not be used by the Company for tax purposes under existing provisions of the federal tax laws but there is some reason to believe that retroactive legislation will be enacted permitting its use for the year covered by this report. In the event, however, that such retroactive legislation of a satisfactory nature is not enacted, the taxable income of the Company would be increased by the aforementioned \$364,356 and the tax liability would be increased by the \$265,000.
- (2) The amounts of \$1,259,668 and \$284,046 were written off to reduce the investments in building and fixtures made during the years ended January 31, 1930 and January 31, 1931 to replacement cost as of January 31, 1933. At the same time, leaseholds of \$265,833 were written off.
- (3) Subsequent to January 31, 1942, the Corporation issued an additional \$1,500,000 face amount of fifteen-year 3% notes, due October 1, 1950 pursuant to a supplement dated February 25, 1942 to the indenture under which the notes were originally issued; in addition, on March 30, 1942, the Corporation negotiated bank loans in the aggregate amount of \$983,000 due in three years with interest at 2%.
- (4) On or before June 1st of each year, the Corporation is required to expend for the repurchase of preferred stock the greater of (a) \$25,000 or (b) 4% of the net profit after preferred dividends for the preceding fiscal year. The repurchases to January 31, 1942 exceed by \$274,381 the requirements to and including June 1, 1942.
- (5) Of earned surplus, \$3,892,914 at January 31, 1942 and \$3,980,399 at January 31, 1941 were not available for payment of common stock dividends under terms of the indenture covering the fifteen-year notes.
- (6) Reserves at the beginning of the year were adjusted to uniform bases agreed upon by the subsidiary companies of Federated Department Stores, Inc. Such adjustment resulted in a reduction of \$73,325 in the "reserve for possible assessment of taxes, for insurance and for other contingencies", less an increase of \$16,000 in the "reserve for customers' accounts receivable", with a corresponding net credit of \$57,325 to earned surplus.

TOUCHE, NIVEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

EIGHTY MAIDEN LANE

NEW YORK

April 30, 1942

To the Board of Directors of Abraham & Straus, Inc.:

We have examined the balance sheet of Abraham & Straus, Inc. as of January 31, 1942 and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Several changes in accounting policy were made during the year ended January 31, 1942 both with regard to the use of the last-in first-out method of inventory basis and other matters; these are referred to in Notes 1 and 6 to the financial statements.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of Abraham & Straus, Inc. at January 31, 1942, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes in accounting policy, which we approve, explained in Notes 1 and 6 to the financial statements.

TOUCHE, NIVEN & Co.

