NATIONAL FOOD PRODUCTS CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDING
DECEMBER 31, 1941

This report and the financial statements contained herein are submitted for the general information of the stockholders of the company as such, and are not intended as an offer to sell, or a solicitation of an offer to buy any of the securities of any of the companies mentioned herein.
NATIONAL FOOD PRODUCTS CORPORATION

ANNUAL REPORT
FOR THE YEAR ENDING
DECEMBER 31, 1941

March 10, 1942.

To the Stockholders:

The annual report of your Corporation for the year 1941, together with Financial Statements and the Accountants' Report in connection thereof, is respectfully submitted herewith.

The income of the Corporation consisted solely of dividends from its controlled company, Colonial Stores Incorporated, 61% of the common stock of which is owned by your Corporation. This income, amounting to $149,590.00, was approximately 52% of the earnings applicable to your Corporation's investment in that Company, and was $28,787.00 greater than the amount received from the same source last year.

Net Income as reported herein, after allowing for expenses of $24,206.96 and estimated Federal Income Taxes of $750.00, amounted to $124,633.04—which compares with net income as reported for the year 1940 of $101,717.42. After deducting dividends paid during 1941 upon the Class "A" Stock in the amount of $28,578.00, the remaining balance of net income of $96,055.04 was equivalent to $1.52 for each share of Class "B" Stock outstanding at the close of the year. Pursuant to the provisions of the Corporation's Charter, 70% of such income, equivalent to approximately $1.06 per Class B share, has been appropriated to the Sinking Fund for the retirement of Class A shares.

Regular semi-annual dividends aggregating $1.00 per share were paid upon the Class "A" Stock, and two dividends of 20c each per share were paid upon the Class "B" Stock.

Except for the sale of 600 shares of Philadelphia Dairy Products Company, Inc. Common Stock, there were no changes during the year in the Corporation's investment portfolio.

During the year 25,864 shares of the Corporation's Class "A" Stock have been retired through the application of all but $6.62 of the $468,935.48 appropriated for this purpose by the Board of Directors out of 1940 earnings and net proceeds from the disposition of capital assets. The difference between the average cost and the par value ($20.) of the Class "A" shares retired was $48,351.14 which amount has been credited to the Capital Surplus of the Corporation.

There has been appropriated out of 1941 earnings and net proceeds from disposition of capital assets the sum of $69,261.89 for retirement of Class "A" Stock, out of which sum $41,978.13 has been applied to reimburse the Corporation for the cost of 2,225 voting trust certificates for such Stock purchased in the open market. There remains unexpended in the Sinking Fund the sum of $27,290.38.
The following condensed comparative income account of Colonial Stores Incorporated for the 1940 and 1941 fiscal years, as shown in the Accountants' Reports of that Corporation, is presented for information of stockholders. A copy of this Corporation's 1941 Annual Report will, upon request, be mailed to any stockholder of National Food Products Corporation.

**COLONIAL STORES INCORPORATED**

**Profit and Loss Account**

<table>
<thead>
<tr>
<th></th>
<th>1941</th>
<th>1940</th>
<th>Increase or Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$58,178,638</td>
<td>$46,238,373</td>
<td>25.8%</td>
</tr>
<tr>
<td>Net Income, before Provision for Income and Excess Profits Taxes</td>
<td>1,273,729</td>
<td>983,788</td>
<td>29.5%</td>
</tr>
<tr>
<td>Provision for Federal and State Income Taxes, and Federal Excess Profits Tax of $336,000 (1941) $87,500 (1940)</td>
<td>662,450</td>
<td>350,000*</td>
<td>89.3%</td>
</tr>
<tr>
<td>Net Income, carried to Earned Surplus</td>
<td>$ 611,279</td>
<td>$ 633,788*</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

*These figures are those shown in the 1940 Annual Report. During 1941 reduction was made in the Provision for Federal Excess Profits Tax required for the year 1940 in the amount of $45,000.00, which amount was carried directly to Earned Surplus. This reduction was due to the enactment of amendments in 1941 to the Second Revenue Act of 1940.

The foregoing net income was equivalent to approximately 4.36 times the annual dividend requirements on the 5% Preferred Stock Series “A” now outstanding, and approximately $1.92 per share on the presently issued number of shares of Common Stock.

As of the close of the year 527 stores were in operation, including 66 supermarkets, which compared with 552 stores, including 50 supermarkets, in operation at the end of the year 1940.

The Annual Report for the 1941 fiscal year of the H. C. Bohack Co., Inc. is not available at the date hereof. Information which has been received from that Company indicates that their operations have shown a material improvement over the results for the 1940 fiscal year. No dividends have been paid by this Corporation. The large accumulations of dividends on both classes of Preferred Stock precludes the payment of dividends on the Common Stock within a predictable period.

It was with sincere regret that your Directors accepted the resignation of Mr. Robert Leonard as Vice President and Mr. Harry Williams, Jr. as Secretary and Treasurer of your Corporation effective as at February 25, 1942. Mr. Edward K. Dunn, who continues as a Vice President, has been elected Treasurer.

Respectfully submitted,

**BY ORDER OF THE BOARD OF DIRECTORS,**

**RUSSELL B. STEARNS,**

President.
NATIONAL FOOD PRODUCTS CORPORATION
BALANCE SHEET
As of December 31, 1941

ASSETS

INVESTMENTS (NOTE 1):

Common Stock of Colonial Stores Incorporated (a controlled company) —
149,590 shares ................................................................. $2,454,127.20
Common Stock of H. C. Bohack Co. Inc.—21,500 shares ............. 1,275,180.61
Common Stock of U. S. Stores Corporation—4,330 shares .......... 54,635.00

Less Reserve for Investments, per accompanying statement ........ 2,457,990.73

INVESTMENTS (net) — (NOTE 1) ........................................ 1,325,952.08
Cash in Banks and on Hand (including $27,290.38 to be applied to the retirement
of Class A Stock, per contra) .................................................. 97,198.87
Certificates of Indebtedness of Baltimore Trust Company, less Reserve $4,881.07 1.00

$1,423,151.95

Note 1: The amount at which investments are carried does not purport to be the market or realizable value
of such investments, but represents cost to the Corporation in cash and securities, less the remaining balance of a reserve
of $2,500,000.00 established by the Board of Directors on December 7, 1938. The indicated value of the investments based
on quoted market prices at December 31, 1941 amounted to approximately $1,740,000.00.
# NATIONAL FOOD PRODUCTS CORPORATION

**BALANCE SHEET**

As of December 31, 1941

## LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>$ 1,860.42</td>
</tr>
<tr>
<td>Provision for Federal Income Tax (subject to review by Treasury Department)</td>
<td>1,567.26</td>
</tr>
<tr>
<td>Liability for Retirement of Class A Stock through Sinking Fund</td>
<td>$ 69,268.51</td>
</tr>
<tr>
<td>Less Cost of Voting Trust Certificates for 2,225 shares of Class A Stock reacquired during year and held for retirement (Note 2)</td>
<td>41,978.13</td>
</tr>
<tr>
<td></td>
<td>27,290.38</td>
</tr>
<tr>
<td></td>
<td>30,718.06</td>
</tr>
</tbody>
</table>

## CAPITAL STOCK AND SURPLUS:

**CLASS A STOCK, 5% CUMULATIVE—$20.00 par value**

(redeemable at and having a preference in liquidation of $20.00 per share plus accrued dividends—dividends paid to November 1, 1941):

- Authorized, 29,360 shares.
- Issued, less retired, 29,359 shares

587,180.00

**CLASS B STOCK—$1.00 par value:**

- Authorized, 65,000 shares.
- Issued 64,738-6/30 shares
- Less in Treasury 1,698 shares

Outstanding 63,040-6/30 shares 63,040.20

650,220.20

## SURPLUS, per accompanying statement:

- Capital Surplus $614,055.49
- Earned Surplus from December 8, 1938 (including $141,736.44 applied or to be applied to retirement of Class A Stock) 197,426.71 811,482.20

1,461,702.40

- Deduct Amount Appropriated for Retirement of Class A Stock 69,268.51

1,392,433.89

$1,423,151.95

**Note 2:** Represents Voting Trust Certificates for 2,225 shares of Class A Stock purchased from general funds but transferred to Sinking Fund account pursuant to resolution of the Board of Directors adopted February 25, 1942.
STATEMENT OF INCOME
For the Year ended December 31, 1941

INCOME:
Dividends from Colonial Stores Incorporated
(a controlled company) ........................................... $149,590.00

EXPENSES:
Salaries .......................................................... $ 17,025.00
Legal and Audit Fees ........................................... 740.21
Transfer Agency Fees ........................................... 976.80
Compensation and Expense of Voting Trustees ............... 750.00
Directors' Fees and Expenses ................................ 792.20
Taxes (other than Federal income tax) ......................... 2,345.15
General Expenses .............................................. 1,577.60  24,206.96

Net Income before Federal Income Tax ....................... 125,383.04

Provision for Federal Income Tax—subject to review by Treasury Department
(Note 1) ............................................................ 750.00

NET INCOME (Note 2) ........................................... $124,633.04

NOTES: (1) Provision has been made for Federal income tax after deduction of losses on investments sold, computed on the basis of original cost allowable for tax purposes. Without the benefit of such deduction the provision for Federal income tax would have amounted to approximately $4,250.00. There is no excess profits tax payable.

(2) The net income reported above is exclusive of $873.36 representing the excess of proceeds from sale of investment over the gross carrying value thereof which amount has been credited to the Reserve for Investments provided by the Board of Directors on December 7, 1938 as shown in the accompanying statement thereof.

EARNED SURPLUS FROM DECEMBER 8, 1938

Earned Surplus as of December 31, 1940 ........................................... $126,588.87
Net Income for the year ended December 31, 1941 ..................... 124,633.04

DEDUCT DIVIDENDS PAID:
Class "A" Stock—$1.00 per share .................................. $ 28,578.00
Class "B" Stock—40c per share .................................. 25,217.20

................................................................. 53,795.20

Earned Surplus as of December 31, 1941 ..................... $197,426.71
CAPITAL SURPLUS

Capital Surplus as of December 31, 1940 .................................................. $565,129.09

Add:

Excess of par value ($517,280.00) of 25,864 shares Class “A”
Stock, retired through Sinking Fund, over the cost
($468,928.86) of such shares ........................................... $ 48,351.14

Receipt of 5% distribution on Certificates of Indebtedness of
Baltimore Trust Company carried on books at nominal
amount ................................................................. 542.46

Credit resulting from expiration of capital stock scrip ........... 32.80

......................................................................................... 48,926.40

Capital Surplus as of December 31, 1941 ................................................ $614,055.49

RESERVE FOR INVESTMENTS

Balance as of December 31, 1940 .................................................. $2,457,117.37

Add Excess of proceeds from sale of 600 shares of Common Stock of Philadelphia Dairy Products Co., Inc. over gross carrying value of investment therein ................................................................. 873.36

Balance as of December 31, 1941 .................................................. $2,457,990.73

ACCOUNTANTS’ REPORT

To the Board of Directors,

NATIONAL FOOD PRODUCTS CORPORATION,
BOSTON, MASS.

We have examined the Balance Sheet of National Food Products Corporation
as of December 31, 1941 and the Statements of Income, Surplus and Reserve for
Investments for the year then ended. In connection therewith, we have examined
or tested accounting records of the Corporation and other supporting evidence, by
methods and to the extent we deemed appropriate. The investments were con-
formed by inspection and the cash in banks and on hand by certificates from the
depositories or by count. Our examination was made in accordance with generally
accepted auditing standards applicable in the circumstances and included all pro-
cedures which we considered necessary.

In our opinion, the accompanying Balance Sheet and related Statements of
Income, Surplus and Reserve for Investments present fairly the position of Na-
tional Food Products Corporation at December 31, 1941 and the results of the
operations for the year, in conformity with generally accepted accounting prin-
ciples applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,
February 24, 1942.
NATIONAL FOOD PRODUCTS CORPORATION
24 Federal Street
Boston, Massachusetts

OFFICERS
Russell B. Stearns ........................................ President
E. K. Dunn .................................................. Vice-President and Treasurer
Joseph Seitz ................................................. Assistant Secretary and Assistant Treasurer
M. May ......................................................... Assistant Secretary and Assistant Treasurer

DIRECTORS
P. M. Chandler ................................. G. F. Herbert
E. K. Dunn ............................................. H. C. Phelan
J. M. Foster ........................................... Russell B. Stearns
C. T. Williams, Jr.

AUDITORS
Peat, Marwick, Mitchell & Co.

TRANSFER AGENT
Baltimore National Bank
Baltimore, Md.