NATIONAL FOOD PRODUCTS CORPORATION

REPORT TO THE STOCKHOLDERS

YEAR ENDED

DECEMBER 31, 1931
NATIONAL FOOD PRODUCTS CORPORATION

DIRECTORS

S. W. Allen
L. Benedict
P. M. Chandler
A. G. Deane
J. A. W. Iglehart

GEO. deB. Keim
R. H. Marshall
H. C. Phelan
A. M. Scarry
GEO. F. Trommer

L. H. Windholz

OFFICERS

H. C. Phelan .............................................. President
L. H. Windholz ........................................... Vice-President
R. Leonard ................................................ Vice-President
H. Williams, Jr. .......................................... Secretary and Treasurer
R. H. Marshall .......................................... Comptroller
E. J. Hall .................................................. Assistant Secretary and Assistant Treasurer

TRANSFER AGENT
Empire Trust Company
New York City

REGISTRAR
Trust Company of North America
New York City
To Stockholders

National Food Products Corporation:

Herewith is submitted the Annual Report of your Corporation for the fiscal year ended December 31st, 1931, a statement of the Income Account for that period and the Balance Sheet as at December 31st, 1931, together with the Auditors' Certificate.

You were advised of the sale of the stock of Old Dominion Ice Company and of advances to Richmond Ice Company, Inc., in the last Annual Report. Because this sale was concluded after December 31st, 1930, this transaction was not reflected in the Balance Sheet for that year although a reserve was created as at that date for the loss to arise therefrom. The consideration received from the sale was $200,548 cash for the advances and 10,238 shares of Class "A" stock of International Public Utilities Corporation for the stock.

At December 31st, 1931, your Corporation's investments were proportioned according to book costs, approximately as follows:

<table>
<thead>
<tr>
<th></th>
<th>Per cent of National Food Products Corporation's Total Investment Account</th>
<th>Per cent of Each Company's Outstanding Issue Represented by National Food Products Corporation's Ownership in Each Class of Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. C. Bohack Company, Inc., Common</td>
<td>22.78</td>
<td>20.3</td>
</tr>
<tr>
<td>D. Pender Grocery Company, Class &quot;B&quot; Common</td>
<td>19.18</td>
<td>91.6</td>
</tr>
<tr>
<td>Southern Grocery Stores, Inc., Class &quot;A&quot;</td>
<td>17.80</td>
<td>100.0</td>
</tr>
<tr>
<td>Southern Grocery Stores, Inc., Common</td>
<td>30.98</td>
<td>91.1</td>
</tr>
<tr>
<td>International Public Utilities Corporation,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class &quot;A&quot; Common</td>
<td>4.55</td>
<td>12.1</td>
</tr>
<tr>
<td>Other Miscellaneous investments</td>
<td>4.71</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>100.00%</td>
</tr>
</tbody>
</table>

It will be seen from the above that the income of National Food Products Corporation is substantially dependent upon earnings of the three companies first mentioned. For this reason, Condensed Statements for 1931 are provided below:

H. C. BOHACK COMPANY, INC.

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>January 31, 1932</th>
<th>January 31, 1931</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Net Earnings Available for Dividends</td>
<td>$606,667</td>
<td>$806,580</td>
</tr>
</tbody>
</table>

After deducting $219,000 Preferred Dividends, there remained a balance of earnings available for the Common Stock of $387,667, equivalent to $3.67 per share. The Management states that, although earnings for the fiscal year ended January 31st, 1932 were less than those for the preceding year, they are regarded as satisfactory in view of the constant decline of commodity prices in combination with the completion of an expansion program which increased the number of stores operated from 504 to 741 during the past two years, an increase of 237 or 47%. They report current earnings since the close of the year to be considerably in excess of those for the same period of 1931. The Company paid dividends of $4.00 per share upon its Common Stock during 1931 but the rate was reduced in order to conserve the Company's working capital during the first quarter of the current year to $2.50 per share per annum, resuming the old rate in effect prior to February 1931.

D. PENDER GROCERY COMPANY

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>January 2, 1932</th>
<th>January 3, 1931</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Earnings Available for Dividends</td>
<td>$122,822</td>
<td>$40,741</td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>390,800</td>
<td>310,457</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>1,481,133</td>
<td>1,756,425</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$1,871,933</td>
<td>$2,066,880</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>449,077</td>
<td>690,173</td>
</tr>
<tr>
<td>Working Capital</td>
<td>$1,422,856</td>
<td>$1,376,707</td>
</tr>
</tbody>
</table>
Due to substantial reductions of operating costs, earnings for 1931 improved over those for the preceding year, leaving a balance of $17,098 after Class "A" dividend amounting to $105,724, or $.26 per share available for the "B" Common Stock. In the preceding year the Class "A" dividend was not earned. Properties of the Company have been well maintained and it will be noted that the current asset position of the Company at the end of the year was satisfactory and improved over the end of the preceding year.

SOUTHERN GROCERY STORES, INC.

Fiscal Year Ended

<table>
<thead>
<tr>
<th></th>
<th>December 26, 1931</th>
<th>December 27, 1930</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Earnings Available for Dividends</td>
<td>$173,627</td>
<td>$167,688*</td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>306,298</td>
<td>292,335</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>1,194,018</td>
<td>1,424,900</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$1,500,316</td>
<td>$1,717,235</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>340,340</td>
<td>668,172</td>
</tr>
<tr>
<td>Working Capital</td>
<td>$1,159,976</td>
<td>$1,049,063</td>
</tr>
<tr>
<td>*Deficit.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Earnings of Southern Grocery Stores, Inc., reflect progress of the Management in reducing operating expense and benefits from closing a number of unprofitable retail outlets, including the Birmingham unit which was sold for cash. Proceeds from this sale, together with the improved earnings shown above, materially increased the Company's working capital position during the year.

Notwithstanding the improvement in subsidiary companies' earnings, income to National Food Products Corporation was less than its interest requirements. It must be noted, however, that the Corporation received no income from D. Pender Grocery Company, not having paid a dividend upon its Class "B" Stock, and Southern Grocery Stores, Inc., which, due to a small remaining deficit resulting from losses in prior years, had no surplus from which dividends might be paid in spite of earnings and a current asset position justifying such payments.

Respectfully submitted,

HUNTER C. PHelan,
President.
### NATIONAL FOOD PRO1

**Balance**

**As at December**

**ASSETS**

Investments: (Estimated Market or Appraised Value $3,508,926.50)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary Company at Cost (Value as of April 1, 1931, as appraised by American Appraisal Co. $2,450,000.00)</td>
<td>$2,725,047.77</td>
</tr>
<tr>
<td>Other Companies, including Controlled Company, at Cost (Estimated Market Value $1,058,926.50)</td>
<td>2,870,893.16</td>
</tr>
</tbody>
</table>

(Of the above Investments, Securities of a cost of $4,942,872.49 and a Market Value of $3,107,875.00 are pledged as Collateral to Gold Bonds).

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in Banks</td>
<td>96,374.27</td>
</tr>
<tr>
<td>Notes Receivable—Less Reserve (Secured by 1,073 shares of Class “A” and 10,742 shares of Class “B” Stock of National Food Products Corporation)</td>
<td>41,428.67</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>145.64</td>
</tr>
<tr>
<td>Fifteen Year Collateral Trust 6% Sinking Fund Convertible Gold Bonds repurchased and held in Treasury (available for Sinking Fund) at par</td>
<td>28,000.00</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>4,500.96</td>
</tr>
<tr>
<td>Organization Expenses</td>
<td>75,173.21</td>
</tr>
</tbody>
</table>

**$5,841,563.68**
LIABILITIES

Accounts Payable and Sundry Accruals ........................................ $ 1,710.40
Accrued Interest on Gold Bonds .................................................. 23,720.00
Fifteen Year Collateral Trust 6% Sinking Fund Convertible Gold Bonds, Series “A”, due May 1, 1944 .................. 2,400,000.00

Capital Stock:
Class “A” Stock without Par Value (entitled in Liquidation to $35.00 per Share and redeemable at $50.00 per Share):
   Authorized and Issued, 75,000 Shares (Note). .......................... 3,053,413.92
Class “B” Stock without Par Value:
   Authorized, 1,000,000 Shares.
   Issued and Outstanding, 230,667.48 Shares
      (367,137 Shares reserved for Outstanding Warrants; 240,000 Shares reserved for Conversion of Bonds)

Surplus:
Paid-in:
   Balance at December 31, 1930 ............................................ $887,149.89
Less Operating Deficit:
   Balance at December 31, 1930 ........................................... $412,126.17
Deduct: Discount on 6% Gold Bonds repurchased .................. 41,217.50

Add:
   Reserve provided for Notes Receivable .................................. 50,000.00
   Federal Income Tax Prior Years ......................................... 12,572.39
   Other Surplus Charges (Net) ........................................... 128.29

Net Loss for Year ended December 31, 1931 ............... 90,821.18

Contingent Liability as Guarantor of Obligation of a former subsidiary company, $182,000.00 (secured by counter guarantee from Purchasing Co.)

Note: Dividends on Class “A” Stock are unpaid since February 14, 1930.

$5,841,563.68
NATIONAL FOOD PRODUCTS CORPORATION

INCOME ACCOUNT

For the Year Ended December 31, 1931

Income:
Dividends on Investments—
21,500 shares H. C. Bohack Company $ 86,000.00
10,238 shares International Public Utilities Corporation, Class "A" 11,005.85

Total Dividends $ 97,005.85

Interest on Advances to former subsidiary company (Richmond Ice Company, Inc.) 1,470.68
Miscellaneous Income from subsidiary company 6,416.62
Interest on Bank Balances 2,603.86

Total Income $ 107,497.01

Deduct:
Premiums on Life Insurance $ 13,506.59
Salaries, Transfer Agency Fees and other Expenses 39,347.27

Total Deductions $ 52,853.86

Net Income before Interest $ 54,643.15
Interest Paid on 6% Bonds 145,464.33

Net Loss (Exclusive of loss on sale of Investments of $373,515.79 charged to Reserve therefor) $ 90,821.18
To the Board of Directors,

NATIONAL FOOD PRODUCTS CORPORATION,
New York, N. Y.

We have examined the accounts of the National Food Products Corporation for the year ended December 31, 1931.

The securities representing the investments were confirmed by inspection or by acknowledgments from the custodians; they are carried at cost which was in excess of their appraised or market values as indicated on the Balance Sheet.

Under the terms of its Indenture the Corporation undertakes to pledge with the Trustee as collateral for its Gold Bonds securities having a market value of not less than 160 per cent. of the Bonds outstanding. Due to the decline in market value of securities pledged the provision was not met at December 31, 1931.

In our opinion, based on our examination and information furnished to us, the accompanying Balance Sheet and relative Income and Surplus Accounts set forth the financial condition of the Company as at December 31, 1931 and the result of its operations for the year on the basis stated.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,
March 24, 1932.