National Food Products Corporation

Annual Report

For the Year Ending
December 31, 1942

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, 1942

March 10, 1943.

To the Stockholders:

The annual report of your Corporation for the year 1942, together with Financial Statements and the Accountants’ Report in connection therewith, 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 42% of the earnings applicable to your Corporation’s investment in that Company, and was the same as the amount received from that source last year.

Net Income as reported herein, after allowing for expenses of $21,786.64 and estimated Federal Income Taxes of $5,000.00, amounted to $122,803.36—which compares with net income as reported for the year 1941 of $124,633.04. After deducting dividends paid during 1942 upon the Class “A” Stock in the amount of $25,627.00, the remaining balance of net income of $97,176.36 was equivalent to $1.54 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 $1.08 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.

During the year 3,732 shares of the Corporation’s Class “A” Stock have been retired through the application of all but $17.56 of the $69,261.89 appropriated for this purpose by the Board of Directors out of 1941 earnings. The difference between the average cost and the par value ($20.) of the Class “A” shares retired was $5,389.05 which amount has been credited to the Capital Surplus of the Corporation.

There will be appropriated out of 1942 earnings prior to March 31, 1943 the sum of $68,023.45 for retirement of Class “A” Stock.

During the year United States Stores Corporation was merged with its subsidiary P. H. Butler Company. Under the terms of the merger agreement, the 4,330 common shares of United States Stores Corporation owned by your Corporation were exchanged for 216½ shares of P. H. Butler Company common stock. There were no other changes during the year in the Corporation’s investment portfolio.
The following income account of Colonial Stores Incorporated for the fiscal year ended December 26, 1942, as condensed from the Accountants' Reports of that Corporation, is presented for information of stockholders. A copy of this Corporation's 1942 Annual Report will, upon request, be mailed to any stockholder of National Food Products Corporation.

Net Sales .......................................................... $80,126,158
Net Income, before Provision for Income and Excess Profits Taxes .................................................. 1,907,860
 Provision for Federal and State Income Taxes, and Federal Excess Profits Tax of $980,000 (less post-war refund, $98,000.00) ........................................... $1,270,000
 Less credit arising from retroactive provisions of Revenue Act of 1942, applicable to earnings reported for the year 1941 ........................................... 88,025 1,181,975
 Net Income, carried to Earned Surplus .................. $ 725,885

The foregoing net income was equivalent to approximately 5.2 times the annual dividend requirements on the 5% Preferred Stock Series "A" now outstanding, and approximately $2.39 per share on the presently issued number of shares of Common Stock.

As of the close of the year 517 stores were in operation, including 73 supermarkets, which compared with 527 stores, including 66 supermarkets, in operation at the end of the year 1941.

The Annual Report for the fiscal year, ending January 31, 1942, 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 1941 fiscal year. Sales amounted to $39,700,785 as compared with $29,699,993 the previous year. Net income after provision for Federal Income Taxes amounted to $634,236 as compared with $373,352. Three dividends aggregating $3.00 per share were paid during the year on the 7% Cumulative First Preferred Stock. Dividend arrears on the 30,000 shares of this stock outstanding as at the end of the fiscal year amounted to $57.75 per share. These arrears precluded the payment of any dividends on the Common Stock.

As of September 30, 1942, Mr. Edward K. Dunn resigned as Treasurer and Director and as a Voting Trustee for the Class A Stock to accept a commission in the United States Army. Mr. T. Stockton Matthews has been elected Vice President, Treasurer and Director. Mr. Matthews and Mr. J. M. Foster have been appointed Voting Trustees to fill the vacancies created by the resignations of Mr. Dunn and Mr. P. M. Chandler.

Respectfully submitted,

BY ORDER OF THE BOARD OF DIRECTORS,

RUSSELL B. STEARNS,
President.
# NATIONAL FOOD PRODUCTS CORPORATION

## BALANCE SHEET

As of December 31, 1942

### ASSETS

**Investments (Note 1):**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock of Colonial Stores Incorporated (a controlled company)—149,590 shares</td>
<td>$2,454,127.20</td>
</tr>
<tr>
<td>Common Stock of H. C. Bohack Co. Inc.—21,500 shares</td>
<td>1,275,180.61</td>
</tr>
<tr>
<td>Common Stock of P. H. Butler Company—216⅔ shares</td>
<td>54,635.00</td>
</tr>
<tr>
<td><strong>Total Investments (Net)—(Note 1)</strong></td>
<td><strong>1,325,952.08</strong></td>
</tr>
</tbody>
</table>

**Cash in Banks and on Hand (including $68,041.01 to be applied to the retirement of Class A Stock, per contra).** | **146,982.30**

---

**Total Assets:** $1,472,934.38

---

**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, 1942 amounted to approximately $1,678,000.00,
# NATIONAL FOOD PRODUCTS CORPORATION
## BALANCE SHEET
### As of December 31, 1942

## LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>$1,787.19</td>
</tr>
<tr>
<td>Provision for Federal Income Tax (subject to review by Treasury Department)</td>
<td>$5,403.06</td>
</tr>
<tr>
<td>Liability for Retirement of Class A Stock through Sinking Fund</td>
<td>$68,041.01</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$75,231.26</strong></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, 1942):**

- Authorized, 25,628 shares.
- Issued, less retired, 25,627 shares | $512,540.00 |

**Class B Stock—$1.00 par value:**

- Authorized, 65,000 shares.
- Issued: 64,732 shares
- Less in Treasury: 1,698 shares
- Outstanding: 63,034 shares | $575,574.00 |

## Surplus, per accompanying statement:

- Capital Surplus               | $620,782.66 |
- Earned Surplus from December 8, 1938 (including $209,759.89 applied or to be applied to retirement of Class A Stock) | $269,387.47 | $890,170.13 |
- Deduct Amount to be Applied to Retirement of Class A Stock | $68,041.01 | $1,397,703.12 |
- **Total Surplus**             | **$1,472,934.38** |
# STATEMENT OF INCOME

For the Year ended December 31, 1942

**INCOME:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends from Colonial Stores Incorporated</td>
<td>$149,590.00</td>
</tr>
<tr>
<td>(a controlled company)</td>
<td></td>
</tr>
</tbody>
</table>

**EXPENSES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$16,608.05</td>
</tr>
<tr>
<td>Legal and Audit Fees</td>
<td>1,100.00</td>
</tr>
<tr>
<td>Transfer Agency Fees</td>
<td>611.33</td>
</tr>
<tr>
<td>Compensation and Expense of Voting Trustees</td>
<td>613.32</td>
</tr>
<tr>
<td>Directors' Fees and Expenses</td>
<td>457.55</td>
</tr>
<tr>
<td>Taxes (other than Federal income tax)</td>
<td>590.69</td>
</tr>
<tr>
<td>General Expenses</td>
<td>1,805.70</td>
</tr>
<tr>
<td><strong>Net Income before Federal Income Tax</strong></td>
<td>127,803.36</td>
</tr>
</tbody>
</table>

Provision for Federal Normal Income Tax and Surtax—subject to review by Treasury Department (No excess profits tax payable)..................................................................................5,000.0

**NET INCOME**.................................................................................$122,803.36

# EARNED SURPLUS FROM DECEMBER 8, 1938

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earned Surplus as of December 31, 1941</td>
<td>$197,426.71</td>
</tr>
<tr>
<td>Net Income for the year ended December 31, 1942</td>
<td>122,803.36</td>
</tr>
<tr>
<td><strong>Deduct Dividends Paid:</strong></td>
<td>320,230.07</td>
</tr>
<tr>
<td>Class &quot;A&quot; Stock—$1.00 per share</td>
<td>$25,627.00</td>
</tr>
<tr>
<td>Class &quot;B&quot; Stock—40c per share</td>
<td>25,215.60</td>
</tr>
<tr>
<td><strong>Total Dividends Paid</strong></td>
<td>50,842.60</td>
</tr>
<tr>
<td>Earned Surplus as of December 31, 1942</td>
<td>$269,387.47</td>
</tr>
</tbody>
</table>
CAPITAL SURPLUS

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

ADD:
Excess of par value ($74,640.00) of 3,732 shares Class “A”  
Stock, retired through Sinking Fund, over the cost  
($69,250.95) of such shares ........................................................................ $ 5,389.05

Net credit resulting from final distribution received on Certificates of Indebtedness of Baltimore Trust Company .............................................. 1,117.82

Credit resulting from expiration of capital stock scrip .................................. 6.20

Credit for excess balance reserved prior to reorganization  
against Federal tax on bond interest payments ........................................... 214.10

.................................................................................................................... 6,727.17

Capital Surplus as of December 31, 1942 .................................................. $620,782.66

RESERVE FOR INVESTMENTS

Balance as of December 31, 1942 .............................................................. $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, 1942 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  
confirmed 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  
procedures 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  
National Food Products Corporation at December 31, 1942 and the results of  
its operations for the year, in conformity with generally accepted accounting  
principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,  
March 5, 1943.
NATIONAL FOOD PRODUCTS CORPORATION
24 FEDERAL STREET
BOSTON, MASSACHUSETTS

OFFICERS

RUSSELL B. STEARNS ........................................... President
E. K. DUNN* .................................................. Vice-President
T. STOCKTON MATTHEWS ....................................... Vice-President and Treasurer
C. T. WILLIAMS, JR. ............................................ Secretary
EDWIN C. GIBBONS ........................................ Assistant Secretary and Assistant Treasurer
M. MAY .......................................................... Assistant Secretary and Assistant Treasurer

*On leave of absence.

DIRECTORS

P. M. CHANDLER ........................................ T. STOCKTON MATTHEWS
J. M. FOSTER ............................................. H. C. PHELAN
G. F. HERBERT ........................................... RUSSELL B. STEARNS

C. T. WILLIAMS, JR.

AUDITORS
PEAT, MARWICK, MITCHELL & CO.

TRANSFER AGENT
BALTIMORE NATIONAL BANK
BALTIMORE, MD.