NATIONAL FOOD PRODUCTS CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDING
DECEMBER 31, 1944

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.
To the Stockholders:

The annual report of your Corporation for the year 1944, together with Financial Statements and the Accountants' Report in connection therewith, is respectfully submitted herewith.

The income of the Corporation consisted of dividends from its controlled company, Colonial Stores Incorporated, approximately 60% of the Common Stock of which is owned by your Corporation. This income, amounting to $168,288.75, was approximately 42.5% of the earnings applicable to your Corporation's investment in that Company, and represents an increase of $18,698.75 over the $149,590.00 received from that source in the year 1943. This increase is accounted for by the payment by Colonial Stores Incorporated, on September 1 and December 1, 1944, of quarterly dividends of $0.3125 per share compared with the quarterly dividends of 25c per share which were paid on March 1 and June 1, 1944.

Net Income as reported herein, after allowing for expenses of $17,180.30 (including interest accrued of $2,475.00 on the bank loan hereinafter referred to) and estimated Federal Income Taxes of $6,073.22, amounted to $145,035.23—which compares with Net Income as reported for the year 1943 of $130,256.99. After deducting regular dividends paid to September 15, 1944 upon the Class "A" Stock, aggregating $17,058.60, the remaining balance of net income was $127,976.63 as compared with $106,565.99 for the preceding year.

At the beginning of the year there were outstanding 25,627 shares Class "A" Stock—including 3,207 shares reacquired in 1943 and held for retirement. During the year 7,103 additional shares were purchased and subsequently retired, together with the 3,207 shares reacquired in 1943—thus reducing the number of shares outstanding to 15,317.

In view of the relatively small amount of Class "A" Stock remaining outstanding, your Directors authorized the redemption thereof on September 15, 1944 at the redemption price of par ($20.00) plus accrued dividend, and to provide funds for such redemption authorized the borrowing of $300,000.00. Pursuant to such authority and approval of Stockholders at a Special Meeting held on September 15, 1944, the Corporation entered into a Loan Agreement covering the borrowing of $300,000.00 carrying interest at the rate of 23/4% and payable five years from September 15, 1944—subject to prepayment at the rate of $30,000.00 per year plus 40% of earnings but not in excess of $30,000.00 per year. The funds so borrowed, together with $6,340.00 additional appropriated out of cash on hand, were applied to the redemption on September 15, 1944 of all outstanding Class "A" Stock of the Corporation. The present capitalization of the Corporation consists of 63,006
shares of Class B Stock (outstanding) and the $300,000.00 bank loan mentioned above. The indicated value of the investments based on quoted market prices at December 31, 1944 amounted to approximately $3,833,000.00.

At the Special Meeting of the Stockholders held on September 15, 1944 the number of Directors of the Corporation was increased from seven to eight, and Mr. James W. Moss of Boston was elected a Director.

The following income account of Colonial Stores Incorporated for the fiscal year ended December 30, 1944, as condensed from the Accountants' Reports of that Corporation, is presented for information of stockholders. A copy of this Corporation's 1944 Annual Report will, upon request, be mailed to any stockholder of National Food Products Corporation.

Net Sales .................................................. $97,656,627
Net Income, before Provision for Income and Excess Profits Taxes .... 2,890,895
Provision for State and Federal Income and Excess Profits Taxes,
estimated (less post-war refund $180,000) ................................ 2,097,000
Net Income, carried to Earned Surplus .................................. $ 793,895

The foregoing net income was equivalent to 5.9 times the annual dividend requirements on the 5% Preferred Stock Series "A" outstanding as of December 30, 1944, and approximately $2.63 per share on the number of shares of Common Stock outstanding on the same date.

As of the close of the year 433 stores were in operation, including 74 supermarkets and 82 large self service stores, as compared with a total of 440 stores in operation at the end of the year 1943.

The Annual Report of the H. C. Bohack Company for the 1944 fiscal year is not available at the date hereof. The Treasurer of the Company, however, advises that sales for the year amounted to $55,348,000, as compared with $48,834,546 for the previous year; and that net income after provision for Federal Income and Excess Profits Taxes was estimated at $430,000, as compared with $469,179 for the previous year. Dividends aggregating $7.00 per share were paid during the year on the 7% Cumulative First Preferred Stock. Dividend arrears on the 30,000 shares of 7% First Preferred Stock outstanding at the end of the year amounted to $60.75 per share, and dividend arrears on the 1,500 shares of 6% Second Preferred Stock amounted to $67.50 per share on the same date. Until these arrears are discharged, no dividend payments on the Common Stock can be made. The Company at the close of the year operated a total of 354 stores—of which 69 were supermarkets.

Respectfully submitted,

BY ORDER OF THE BOARD OF DIRECTORS,

RUSSELL B. STEARNS,
President.
NATIONAL FOOD PRODUCTS CORPORATION

BALANCE SHEET

As of December 31, 1944

ASSETS

INVESTMENTS (See 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 P. H. Butler Company—216½ shares ....................... 54,635.00

Less Reserve for Investments ........................................ 3,783,942.81

Cash in Banks and on Hand ........................................ 2,457,990.73

Due from Commonwealth of Massachusetts, refund of corporate excise tax.... 1,325,952.08

123,586.35

150.00

$1,449,688.43

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, 1944 amounted to approximately $3,833,000.00 as compared with $2,556,000.00 at December 31, 1943.
NATIONAL FOOD PRODUCTS CORPORATION
BALANCE SHEET
As of December 31, 1944

LIABILITIES

Accounts Payable and Accrued Expenses ........................................ $ 5,642.15
Provision for Federal Income Tax (subject to review by Treasury Department) . 6,545.71
Bank loan, due September 15, 1949 $60,000.00 payable in 1945 (See Note "2")... 300,000.00

12,187.86

CAPITAL STOCK AND SURPLUS:

CAPITAL STOCK—Class B Stock—$1.00 par value:
  Authorized, 65,000 shares.
  Issued ........................................ 64,728 shares
  Less in Treasury ............................ 1,722 shares
  Outstanding ............................ 63,006 shares $ 63,006.00

Surplus, per accompanying statement:
  Capital Surplus ............................. $620,985.68
  Earned Surplus from December 8, 1938 453,508.89 1,074,494.57 1,137,500.57

1,449,688.43

Note 2: Five-year Note dated September 15, 1944 bearing interest at 23/4% per annum; subject to prepayment of principal at $30,000.00 each year plus a percentage of earnings not in excess of $30,000.00 each year. The proceeds of this loan were used towards the redemption of all the outstanding Class A Stock. The loan is unsecured, but the company has agreed not to pledge or encumber its assets for any further indebtedness without granting rateable security for this loan.
STATEMENT OF INCOME
For the Year ended December 31, 1944

INCOME:

Dividends from Colonial Stores Incorporated
(a controlled company) .............................................. $168,288.75

EXPENSES:

Salaries ................................................................. $8,112.50
Legal and Audit Fees ........................................ 2,326.99
Transfer Agency Fees ........................................ 1,055.36
Compensation and Expense of Voting Trustees ................. 531.24
Directors' Fees and Expenses ................................... 737.70
Taxes (other than Federal income tax) .......................... 1,060.90
Interest on Bank Loan ........................................... 2,475.00
General Expenses .................................................. 880.61

Net Income before Federal Income Tax ........................... 151,084.45

Provision for Federal Normal Income Tax and Surtax—(No excess profits tax payable) ........................................ 6,073.22

NET INCOME ................................................................ $145,015.23

EARNED SURPLUS FROM DECEMBER 8, 1938

Balance as of December 31, 1943 ................................ $350,740.06
Net Income for the year ended December 31, 1944 ............. 145,035.23

$495,775.29

DEDUCT DIVIDENDS PAID:

Class “A” Stock—to the redemption date ......................... $17,058.60
Class “B” Stock— 40c per share .................................. 25,207.80

42,266.40

Balance as of December 31, 1944 ............................... $453,508.89
CAPITAL SURPLUS

Balance as of December 31, 1943................................................................. $620,784.66

Add:

Excess of par value ($20.00 per share) over cost of Class A Stock purchased and retired through sinking fund ..................... $1,070.49

Credit resulting from expiration of capital stock scrip .................................. 2.00

1,072.49

Less excess of cost ($895.47) over par value of 24 shares of Class B Stock purchased and held in Treasury .......................... 871.47

Balance as of December 31, 1944 ................................................................. $620,985.68

RESERVE FOR INVESTMENTS

Balance as of December 31, 1943 and 1944 .................................................. $2,457,990.73

ACCOUNTANTS’ REPORT

To the Board of Directors,

National Food Products Corporation,
Boston, Massachusetts

We have examined the Balance Sheet of National Food Products Corporation as of December 31, 1944 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 depositaries 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, 1944 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.

Boston, Mass.
February 27, 1945.
NATIONAL FOOD PRODUCTS CORPORATION

24 Federal Street

Boston 10, Massachusetts

OFFICERS

Russell B. Stearns .............. President
T. Stockton Matthews ........... Vice-President and Treasurer
Edwin C. Gibbons ................ Assistant Secretary and Assistant Treasurer
M. May .......................... Assistant Secretary and Assistant Treasurer

DIRECTORS

J. M. Foster .............................. H. C. Phelan
G. F. Herbert ...................... Ellis D. Slater
T. Stockton Matthews .......... Russell B. Stearns
James W. Moss .................. C. T. Williams, Jr.

AUDITORS

Peat, Marwick, Mitchell & Co.

TRANSFER AGENT

Baltimore National Bank

Baltimore, Md.