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, 1945

To the Stockholders:

March 26, 1946.

The annual report of your Corporation for the year 1945, together with Financial Statements and the Accountants' Report in connection therewith, is respectfully submitted.

The income of the Corporation consisted principally of dividends from its controlled Company, Colonial Stores Incorporated, approximately 50.44% of the Common Stock of which Company was owned as of December 31, 1945. The Corporation also received dividends from P. H. Butler Company in the amount of $129.60 and interest of $3.10 on a tax abatement. The income received from Colonial Stores Incorporated, amounting to $187,196.88, represents an increase of $18,908.13 over the $168,288.75 received from that source in the year 1944. This increase is due to the fact that during the year 1945 Colonial Stores Incorporated paid dividends aggregating $1.25 per share as compared with $1.12½ per share in 1944.

Net Income of your Corporation as reported herein, after allowing for expenses of $22,222.60 including interest of $7,473.15 on the Bank Loan, and estimated Federal Income Taxes of $6,682.16, amounted to $158,424.82—which compares with Net Income for the year 1944 of $145,035.23. During the year dividends amounting to $1.20 per share were paid to the holders of Class B Stock (re-designated Common Stock on December 29, 1945).

The Bank Loan was reduced from $300,000.00 at the beginning of the year to $240,000.00 at the close of the year through payment of two instalments of $30,000.00 each. Under the terms of the Loan Contract $60,000.00 will become due and payable on the loan during the year 1946.

As of December 31, 1944 your Corporation owned 149,590 shares of Colonial Stores Incorporated Common stock, which represented approximately 60% of that Company's outstanding stock. On October 8, 1945, Colonial Stores Incorporated, through the issuance of a new 4% Preferred Stock, retired all of its 5% Preferred Stock—which carried Warrants for the purchase of Common Stock. As a result of the exercise during Colonial's fiscal year ended December 29, 1945 of these warrants and warrants held by certain officers of Colonial Stores Incorporated, the outstanding Common Stock was increased from 250,074 shares as of December 30, 1944 to 299,494 shares—your Corporation's percentage interest in Colonial was consequently reduced. Your Officers and Board of Directors deemed it advisable to increase the investment in the Common Stock of Colonial Stores Incorporated, and, accordingly, 1,475 additional shares were acquired during the year at a cost of $47,748.75. Since the year end 1,356 additional shares have been acquired.

Prior to December 31, 1945, the amount at which the investments of the Corporation were carried represented the 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 quoted market values of the investments at December 31, 1945 aggregated approximately $6,439,000. Your Directors deemed it no longer necessary to maintain this reserve and consequently voted to transfer the remaining balance ($2,457,866.80) to Capital Surplus.
By reason of the redemption, in 1944, of all of the Corporation’s Class A stock, the sole capitalization of the Company at the beginning of 1945 consisted of 64,728 shares Capital stock designated as Class B Stock of which 1,722 shares were held in the Corporation’s treasury. Script certificates representing 3 shares of Class B Stock expired during the year. To simplify the capitalization, and pursuant to action of your Board of Directors and approval of stockholders at a reconvened special meeting held on December 28, 1945, Articles of Reduction were filed with the State Tax Commission of Maryland whereby the Class B stock held in the Treasury was retired, and, on December 29, 1945, Articles of Amendment were filed with the State Tax Commission of Maryland whereby the amount of issued Capital stock was reduced to 63,003 shares and reclassified as Common Stock.

The following income account of Colonial Stores Incorporated for the fiscal year ended December 29, 1945, as condensed from the Accountants’ Reports of that Corporation, is presented for information of stockholders. A copy of this Corporation’s 1945 Annual Report will, upon request, be mailed to any stockholders of National Food Products Corporation.

**COLONIAL STORES INCORPORATED**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$99,193,050</td>
</tr>
<tr>
<td>Net Profit, before Provision for Income and Excess Profits Taxes</td>
<td>1,949,627</td>
</tr>
<tr>
<td>Provision for State and Federal Income and Excess Profits Taxes</td>
<td>1,289,100</td>
</tr>
<tr>
<td></td>
<td>$ 660,527</td>
</tr>
</tbody>
</table>

The foregoing net income was equivalent to 5½ times the annual dividend requirements on the 4% Preferred Stock outstanding as of December 29, 1945, and $1.77 per share on the number of shares of Common Stock outstanding on the same date.

As of the close of the year 426 stores were in operation, including 155 supermarkets and self service stores, as compared with a total of 432 stores in operation at the end of the year 1944.

Audited figures of the H. C. Bohack Company for the fiscal year ended February 2, 1946 are not available at the date hereof. The Company’s Treasurer advises that sales for the year amounted to $65,095,662, as compared with $55,347,949 for the previous year; and that net income was approximately $700,000, after provision for Federal Income and Excess Profits Taxes (estimated) of $1,772,185. During the fiscal year dividends aggregating $13.75 per share were paid on the 7% Cumulative First Preferred Stock—additional dividends aggregating $5.25 were declared payable February 15, 1946 and March 12, 1946. With the payment of these dividends, the arrears on the 30,000 shares of 7% First Preferred Stock outstanding, amounted to $50.00 per share at the date hereof. Dividend arrears on the 1,500 shares of 6% Second Preferred Stock amounted to $73.50 per share on the same date. There were in operation, at the close of the Company’s fiscal year, a total of 346 stores—of which 72 were Self Service Markets.

Respectfully submitted,

BY ORDER OF THE BOARD OF DIRECTORS,

RUSSELL B. STEARNS,
President.
NATIONAL FOOD PRODUCTS CORPORATION

BALANCE SHEET

As of December 31, 1945

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ASSETS

Investments (See Note "1"):

- Common stock of Colonial Stores Incorporated (a controlled company) — 151,065 shares
  $2,501,875.95
- Common stock of H. C. Bohack Company, Inc. — 21,500 shares
  1,275,180.61
- Common stock of P. H. Butler Company — 216 shares
  54,508.82

Total Investments
3,831,565.38

Cash in banks and on hand
99,018.68

Total Assets
$3,930,584.06

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. The quoted market value of the investments at December 31, 1945 aggregated approximately $6,439,000.00 as compared with $3,833,000.00 at December 31, 1944. By vote of the Board of Directors, the balance of the reserve for investments of $2,457,866.80 as of December 31, 1945 was returned to Capital Surplus.
NATIONAL FOOD PRODUCTS CORPORATION
BALANCE SHEET
As of December 31, 1945

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and accrued expenses</td>
<td>$ 5,241.22</td>
</tr>
<tr>
<td>Provision for Federal income tax (subject to review by Treasury Department)</td>
<td>$ 7,154.65</td>
</tr>
<tr>
<td>Bank loan, due September 15, 1949—$60,000.00 payable in 1946 (Note “2”)</td>
<td>$240,000.00</td>
</tr>
<tr>
<td></td>
<td>$252,395.87</td>
</tr>
</tbody>
</table>

CAPITAL STOCK AND SURPLUS:

CAPITAL STOCK:

Authorized, 65,000 shares of common stock of the par value of $1.00 each.

Issued, 63,003 shares                      $ 63,003.00

SURPLUS, per accompanying statement:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital surplus</td>
<td>$3,078,855.48</td>
</tr>
<tr>
<td>Earned surplus from December 8, 1938</td>
<td>536,329.71 3,615,185.19</td>
</tr>
<tr>
<td></td>
<td>3,678,188.19</td>
</tr>
<tr>
<td></td>
<td>$3,930,584.06</td>
</tr>
</tbody>
</table>

Note 2: Five-year Note dated September 15, 1944 bearing interest at 2 3/4% per annum; subject to prepayment of principal at $30,000.00 each year plus an additional yearly sum (not in excess of $30,000.00) based on a percentage of net earnings for the 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 ratable security for this loan.
STATEMENT OF INCOME
For the Year ended December 31, 1945

INCOME:

Dividends:
Colonial Stores Incorporated (a controlled company) .......... $187,196.88
P. H. Butler Company ................................................ 129.60

187,326.48

Interest ................................................................. 3.10
$187,329.58

EXPENSES:

Salaries ................................................................. 9,000.00
Legal and audit fees .................................................. 1,851.76
Transfer agency fees .................................................. 498.10
Directors' fees and expenses ......................................... 663.96
Taxes (other than Federal income tax) ............................... 922.98
Interest on bank loan .................................................. 7,473.15
General expenses ....................................................... 1,812.65

22,222.60

Net Income, before Federal Income Tax ............................. 165,106.98

Provision for Federal Normal Income Tax and Surtax (no excess profits tax payable) 6,682.16

NET INCOME ........................................................... $158,424.82

EARNED SURPLUS FROM DECEMBER 8, 1938

Balance as of December 31, 1944 ................................... $453,508.89
Net income for the year ended December 31, 1945 ............... 158,424.82

Deduct cash dividends ($1.20 per share) paid to holders of Class B stock (re-designated Common Stock on December 29, 1945) 611,933.71

75,604.00

Balance as of December 31, 1945 ................................. $536,329.71
CAPITAL SURPLUS

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

Add:
Credit resulting from expiration of capital stock scrip ...................... 3.00
Credit resulting from return of balance of reserve for investments ........... 2,457,866.80

$3,078,855.48

RESERVE FOR INVESTMENTS

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

Less charge in respect of net loss on sale of ½ share P. H. Butler Company common stock 123.93

Balance as of December 31, 1945, returned to Capital Surplus ............... $2,457,866.80

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, 1945 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. We inspected or otherwise accounted for the investment securities. We confirmed the cash in banks by certificates from the depositaries and counted the cash funds on hand. 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, 1945 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, Massachusetts.
March 7, 1946.
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.