NATIONAL
FOOD PRODUCTS CORPORATION

Annual Report

1947
To the Stockholders:

The annual report of your corporation for the year 1947, including the balance sheet and statements of income and surplus as reported upon by independent auditors, is respectfully submitted.

In 1947 the income of your corporation amounted to $502,748.53, of which $502,583.25 was received from Colonial Stores Incorporated in the form of dividends on its common stock. This was $107,703.19 greater than the income received from that company in 1946. This increase is due to the fact that during the year 1947 Colonial Stores Incorporated paid dividends aggregating $1.62½ per share as compared with $1.28½ per share in 1946. Each of the last two quarterly dividends paid by Colonial Stores Incorporated on December 1, 1947, and March 1, 1948, was 50¢ per share.

The net income of your corporation for the year 1947 as reported herein amounted to $449,096.55, which compares with net income for the year 1946 of $338,081.82. Federal income taxes for the year amounted to $27,145.81. Expenses of $26,506.17 include $8,446.46 of legal and auditing fees, of which approximately $7,500 should be nonrecurring.

The year 1947 was a year of progress. The bank loan of $350,000 which was negotiated in May, 1946, to retire a loan bearing a higher rate of interest and to add to working capital, was paid in full on September 12, 1947. During the year your corporation purchased 1,152 additional shares of its common stock. At the end of the year the number of shares outstanding, less treasury stock and 27 shares represented by expiring scrip certificates, amounted to 309,286 shares, as against 309,282 shares of common stock of Colonial Stores Incorporated held by your corporation, being practically a share-for-share basis.

Dividends amounting to 30¢ per share were paid to the holders of common stock during the year.
Since the reorganization of your corporation in December, 1938, its annual net income has been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>$100,026.15</td>
</tr>
<tr>
<td>1940</td>
<td>101,717.42</td>
</tr>
<tr>
<td>1941</td>
<td>124,633.04</td>
</tr>
<tr>
<td>1942</td>
<td>122,803.36</td>
</tr>
<tr>
<td>1943</td>
<td>$130,256.99</td>
</tr>
<tr>
<td>1944</td>
<td>145,035.23</td>
</tr>
<tr>
<td>1945</td>
<td>158,424.82</td>
</tr>
<tr>
<td>1946</td>
<td>338,081.82</td>
</tr>
<tr>
<td>1947</td>
<td>$449,096.55</td>
</tr>
</tbody>
</table>

Colonial Stores Incorporated continued its progress during 1947 with record sales and earnings. Its comparative income account for the fiscal years ended December 27, 1947, and December 28, 1946, is presented herewith for the information of our stockholders.

<table>
<thead>
<tr>
<th></th>
<th>1947</th>
<th>1946</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$159,509,376</td>
<td>$126,555,327</td>
</tr>
<tr>
<td>Net Profit before Provision for Taxes on Income</td>
<td>4,071,378</td>
<td>3,592,694</td>
</tr>
<tr>
<td>Provision for State and Federal Taxes on Income</td>
<td>1,667,907</td>
<td>1,466,301</td>
</tr>
<tr>
<td>Net Profit for Year</td>
<td>2,403,471</td>
<td>2,126,393</td>
</tr>
<tr>
<td>Appropriation to reserve for possible future inventory price declines</td>
<td>-</td>
<td>600,000</td>
</tr>
<tr>
<td>Balance transferred to Earned Surplus</td>
<td>$2,403,471</td>
<td>$1,526,393</td>
</tr>
</tbody>
</table>

Net profits for the year were equivalent to 20.8 times the annual dividend requirements on the 4% Preferred Stock outstanding as of December 27, 1947, and $3.70 per share on the number of shares of Common Stock outstanding on the same date.

At the close of the year 384 stores were in operation, including 170 supermarkets, as compared with a total of 410 stores, including 162 supermarkets, at the close of the year 1946.

It is the intention of the company to continue its stores’ development program, which when completed should add materially to its sales volume. The year-end balance sheet indicates a strong financial position.

A copy of the annual report of Colonial Stores Incorporated will be mailed to any stockholder of National Food Products Corporation upon request.

Audited figures of the H. C. Bohack Company for the fiscal year ended January 31, 1948, are not available at the date hereof. The company’s treasurer advises that sales for the year amounted to $92,027,920, as compared with $77,935,967 for the previous year; and that net income was approximately $1,500,000, after provision for Federal Income Taxes of an estimated $900,000. During the fiscal year dividends aggregating $9.50 per share were paid on the 7% Cumulative First Preferred Stock. The arrears on the 30,000 shares of First Preferred Stock outstanding as of February 16, 1948, amounted to $32.50 per share.
As a result of numerous conferences and negotiations between the Bohack interests, your corporation, and other common stockholders, a plan of recapitalization of that company has been agreed upon, and the trustees under the will of H. C. Bohack filed on December 15, 1947, a petition in the Surrogate Court asking for instructions with respect to their power to carry out the plan. The plan contemplates the discharge of the arrears on the First Preferred Stock accrued prior to its effective date, as well as the arrears on the Second Preferred Stock. Accordingly, upon the adoption of the plan, its common stock will be in a position, subject to payment of regular preferred dividends, to receive dividends as declared by the board of directors.

Upon consummation of the reorganization of the Bohack Company, the problems which faced your directors upon its reorganization in 1938 will be substantially worked out. All the Class A stock of your corporation has been redeemed and retired, a majority interest in the common stock of Colonial Stores Incorporated has been maintained, a sufficient number of shares of its own common stock has been purchased to place the number of outstanding shares of common stock of this corporation on a substantial parity with the number of shares of Colonial Stores Incorporated held by it, and its bank debt has been paid off. Your directors, accordingly, are now in a position to distribute substantially larger dividends to the stockholders as earnings permit.

Respectfully submitted,

By order of the Board of Directors,

RUSSELL B. STEARNS,
President.

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, 1947 and the statements of income and surplus 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 the investment securities. We confirmed the cash in banks by certificates from the depositaries and counted the cash fund. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of National Food Products Corporation at December 31, 1947 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 3, 1948.
NATIONAL FOOD PRODUCTS CORPORATION

Balance Sheet

AS OF DECEMBER 31, 1947

ASSETS

INVESTMENTS (See Note “1”):

Common stock of Colonial Stores Incorporated (a controlled Company)—
  309,282 shares .................................................. $2,665,207.95

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

  3,994,897.38

CASH IN BANKS AND ON HAND .............................................. 223,381.73

$4,218,279.11

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, 1947 aggregated approximately $8,644,000.00 as compared with $8,783,000.00 at December 31, 1946.
NATIONAL FOOD PRODUCTS CORPORATION

Balance Sheet
As of December 31, 1947

LIABILITIES

Accounts Payable and accrued expenses: $ 14,970.60
Provision for Federal income tax (subject to review by Treasury Department): 27,618.30

CAPITAL STOCK AND SURPLUS:

CAPITAL STOCK:
Authorized, 325,000 shares of common stock of the par value of $1.00 each.
Issued, 314,495 shares: $ 314,495.00

SURPLUS, per accompanying statement:

Capital surplus: $2,730,157.48
Earned surplus from December 8, 1938: 1,136,246.73 3,866,404.21

Less Treasury stock—5,209 shares, at par value: 5,209.00 4,175,690.21

$4,218,279.11
Statement of Income

For the Year ended December 31, 1947

Income:

Dividends:
- Colonial Stores Incorporated (a controlled company) $502,583.25
- P. H. Butler Company 162.00

Total Dividends $502,745.25

Interest 3.28 $502,748.53

Expenses:

Salaries 10,365.85
Legal and audit fees 8,446.46
Transfer agency fees 702.61
Directors' fees and expenses 453.63
Taxes (other than Federal income tax) 1,281.79
Interest on bank loan 3,704.15
General expenses 1,551.68


Provision for Federal Income Tax 27,145.81

Net Income $449,096.55
Statement of Surplus
For the Year Ended December 31, 1947

Earned Surplus from December 8, 1938

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of December 31, 1946</td>
<td>$780,111.03</td>
</tr>
<tr>
<td>Net income for the year ended December 31, 1947</td>
<td>449,096.55</td>
</tr>
<tr>
<td>Deduct cash dividends paid (30 cents per share)</td>
<td>92,960.85</td>
</tr>
<tr>
<td>Balance as of December 31, 1947</td>
<td>$1,136,246.73</td>
</tr>
</tbody>
</table>

Capital Surplus

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of December 31, 1946</td>
<td>$2,747,540.73</td>
</tr>
<tr>
<td>Deduct excess of cost over par value of 1,152 common shares purchased for treasury</td>
<td>17,410.25</td>
</tr>
<tr>
<td></td>
<td>2,730,130.48</td>
</tr>
<tr>
<td>Add credit resulting from expiration of capital stock scrip—equivalent of 27 shares</td>
<td>27.00</td>
</tr>
<tr>
<td>Balance as of December 31, 1947</td>
<td>$2,730,157.48</td>
</tr>
</tbody>
</table>
NATIONAL FOOD PRODUCTS CORPORATION
24 FEDERAL STREET
BOSTON 10, MASSACHUSETTS

Officers

Russell B. Stearns ............ President
Edward K. Dunn ................ Vice-President and Treasurer
C. T. Williams, Jr. .......... Secretary
Edwin C. Giddings .......... Assistant Secretary and Assistant Treasurer
M. May ......................... Assistant Secretary and Assistant Treasurer

Directors

Edward K. Dunn
John M. Foster
George F. Herbert
James W. Moss

Hunter C. Phelan
Ellis D. Slater
Russell B. Stearns
C. T. Williams, Jr.

Auditors

PEAT, MARWICK, MITCHELL & CO.

Transfer Agent

BALTIMORE NATIONAL BANK
Baltimore, Md.