NATIONAL
FOOD PRODUCTS CORPORATION

Annual Report
1948
To the Stockholders:

The net income of your corporation for the year 1948 was the highest in its history—amounting to $601,286.77 as compared with $449,096.55 for the year 1947. The net income for each of the past ten fiscal years, 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>338,081.32</td>
</tr>
<tr>
<td>1947</td>
<td>449,096.55</td>
</tr>
<tr>
<td>1948</td>
<td>601,286.77</td>
</tr>
</tbody>
</table>

During the year 1948, Colonial Stores Incorporated paid dividends aggregating $2.00 per share, as compared with $1.62½ per share in 1947.

In April, 1948, your corporation subscribed to 24,742 shares of Colonial Stores Incorporated common stock at $21.50 per share—through rights issued to all stockholders. Three quarterly dividends on this additional investment contributed to the increase in your corporation's earnings.

Expenses, including salaries and interest on indebtedness, amounted to $18,319.19, as compared with $26,506.17 for 1947 which included certain non-recurring items. Because of the larger dividends received, provision for Federal Income Taxes increased from $27,145.81 to $36,345.01.

As a result of the purchase of 24,742 shares of additional Colonial Stores Incorporated common stock, involving the investment of $531,953, your corporation now owns 334,024 shares. To provide part of the funds necessary for this purchase, a bank loan was made, the amount of which at December 31, 1948 was $300,000.

No changes in the holdings of other securities were made during the year.

The only change in the outstanding shares of common stock of your corporation during the year was the expiration of scrip certificates representing 11 shares—which shares were added to the number held in the Treasury. As at December 31, 1948, there were outstanding 309,275 shares.
Dividends amounting to $1.80 per share were paid to the holders of common stock during the year—80¢ on June 10, and 80¢ on December 10 and an extra dividend of 20¢ on December 10. The total amount of these dividends was $556,705.20, equal to approximately 92½% of the net income for the year.

COLONIAL STORES INCORPORATED

Your corporation has maintained its ownership of a majority of the common stock of Colonial Stores Incorporated, which completed another successful year. Its sales were the largest in the company's history, and the net profit for the year compared favorably with 1947. A condensed comparative statement of sales and earnings is shown, herewith:

<table>
<thead>
<tr>
<th></th>
<th>1948</th>
<th>1947</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales.</td>
<td>$169,202,900</td>
<td>$159,509,376</td>
</tr>
<tr>
<td>Net Profit before Provision for Taxes on Income and Special Charges</td>
<td>4,119,578</td>
<td>4,071,378</td>
</tr>
<tr>
<td>Provision for State and Federal Taxes on Income (without reduction resulting from special charges)</td>
<td>1,640,800</td>
<td>1,667,907</td>
</tr>
<tr>
<td>Profit before Special Charges</td>
<td>2,478,778</td>
<td>2,403,471</td>
</tr>
<tr>
<td>Special Charges (Net of Taxes)</td>
<td>122,408</td>
<td>—</td>
</tr>
<tr>
<td>Balance transferred to Earned Surplus</td>
<td>$2,356,370</td>
<td>$2,403,471</td>
</tr>
</tbody>
</table>

Net profits after special charges for the year were equivalent to $3.26 per share of common stock outstanding as of January 1, 1949, as compared with $3.70 per share on the number of shares of common stock outstanding a year ago.

During the year, Colonial Stores Incorporated issued 40,000 shares of $50 par value cumulative preferred stock 5% series and 49,431 shares of additional common stock. The net cash realized from this financing was $2,858,705. On January 5, 1949, the company sold privately at par $750,000 series B 3½% debentures. The foregoing financing was undertaken in order to provide additional funds required under the company's stores' development program.

At the close of the year, 367 stores were in operation, of which 248 were supermarkets or self-service stores. 32 new supermarkets and self-service stores were opened during the year, 10 of which were replacements of existing locations. 26 supermarkets were enlarged and modernized, and at the year end, a number of additional supermarkets were in varying stages of construction. It is the intention of the company to continue its stores' development program which, it is anticipated, will not require the sale of additional securities in 1949.

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

H. C. BOHACK CO. INC.

Sales for the fiscal year ended January 29, 1949 of H. C. Bohack Co. Inc. amounted to $99,670,128 as compared with $92,027,920 for the previous year.
Net income, after provision for Federal Income Taxes, declined as compared with the previous year and amounted to approximately $750,000, subject to certain year-end adjustments as may be found necessary upon completion of the year-end audit.

The plan of recapitalization referred to in last year's annual report was approved by the Bohack stockholders on July 28, 1948 and shortly thereafter by the Board of Directors. Accordingly, each share of 7% first preferred stock has been changed into 1.4 shares of new prior cumulative 5 1/2% preferred stock, and each share of former common stock has been changed into one share of new common stock. As a result of this exchange, all arrears in dividends on the first preferred stock have been discharged, and the arrears on the second preferred stock have been paid in cash.

On March 4, 1949, the Bohack Company sold privately at par $5,000,000 4 1/2% 15-year debentures. This loan is for the purpose of repaying all of the company's indebtedness existing prior to the date of the loan, and to provide funds to put into effect a three-year development and modernization program, and to add to working capital. Under the terms of this loan, no amortization will be required during the first three years.

At the end of the past fiscal year, the company had in operation a total of 300 stores.

Your President was elected a Director of the Bohack Company on November 10, 1948, in accordance with the vote of a special meeting of its common stockholders held on that date.

Respectfully yours,

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, 1948 and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We inspected the investment securities, confirmed the cash in banks by certificates from the depositaries and counted the cash fund.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of National Food Products Corporation at December 31, 1948 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Boston, Massachusetts.
February 18, 1949.
NATIONAL FOOD PRODUCTS CORPORATION

Balance Sheet
As of December 31, 1948

ASSETS

INVESTMENTS (See Note “1”):

Common stock of Colonial Stores Incorporated (a controlled company)—
334,024 shares .......................................................... $3,197,160.48

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

............................................................................................................. 4,526,849.91

CASH IN BANKS AND ON HAND .......................................................... 33,799.50

.................................................................................................................................................. 4,560,649.41

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, 1948 aggregated approximately $8,284,542.00 as compared with $8,644,000.00 at December 31, 1947.
NATIONAL FOOD PRODUCTS CORPORATION

Balance Sheet
As of December 31, 1948

LIABILITIES

Notes payable, banks, due in 1949 ........................................... $ 300,000.00
Accounts payable and accrued expenses .................................. 3,560.13
Provision for Federal taxes on income (subject to review by Treasury Department) 36,817.50

340,377.63

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 ...................................................... $2,730,168.48
Earned surplus from December 8, 1938 . . . . . . . . . . . . . 1,180,828.30 3,910,996.78

4,225,491.78
Less Treasury stock - 5,220 shares, at par value ................. 5,220.00 4,220,271.78

$4,560,649.41
NATIONAL FOOD PRODUCTS CORPORATION

Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1948

INCOME:

Dividends:

Colonial Stores Incorporated (a controlled company) . . . . . . . $ 655,677.00
P. H. Butler Company ........................................ 248.40

$ 655,925.40

Interest .......................................................... 25.57

$ 655,950.97

EXPENSES:

Salaries .......................................................... $ 10,457.32
Legal and audit fees .............................................. 148.12
Transfer agency fees ............................................. 591.32
Directors' fees and expenses .................................... 823.18
Taxes (other than Federal taxes on income) ....................... 178.66
Interest on bank loan ........................................... 4,263.92
General expenses ................................................ 1,856.67

18,319.19

Net Income before provision for Federal taxes on income ............... 637,631.78
Provision for Federal taxes on income ................................ 36,345.01

Net Income ...................................................... $ 601,286.77
NATIONAL FOOD PRODUCTS CORPORATION

Statement of Surplus

For the Year Ended December 31, 1948

CAPITAL SURPLUS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount at December 31, 1947</td>
<td>$2,730,157.48</td>
</tr>
<tr>
<td>Credit resulting from expiration of capital stock scrip, equivalent of 11 shares</td>
<td>11.00</td>
</tr>
<tr>
<td>Amount at December 31, 1948</td>
<td>$2,730,168.48</td>
</tr>
</tbody>
</table>

EARNED SURPLUS FROM DECEMBER 8, 1938

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount at December 31, 1947</td>
<td>$1,136,246.73</td>
</tr>
<tr>
<td>Net income for the year</td>
<td>601,286.77</td>
</tr>
<tr>
<td></td>
<td>1,737,533.50</td>
</tr>
<tr>
<td>Deduct cash dividends paid, $1.80 per share</td>
<td>556,705.20</td>
</tr>
<tr>
<td>Amount at December 31, 1948</td>
<td>$1,180,828.30</td>
</tr>
<tr>
<td></td>
<td>$3,910,996.78</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. Gibbons . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 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.