The income of your corporation for the year 1953 reached a new high mark. After expenses and provision for taxes, the net income amounted to $805,968.55, as compared with $697,064.69 for the year 1952.

Dividends received from Colonial Stores Incorporated amounted to $768,257, as compared with $668,048 in 1952; and from H. C. Bohack Co. Inc. $129,000, as compared with $107,500 in 1952. On March 27, 1953, Colonial Stores Incorporated distributed to its stockholders a 20% stock dividend.

Provision for Federal Income taxes amounted to $62,218.60, as compared with $53,005.47 for 1952.

On May 22, 1953, your corporation distributed to its stockholders one share of additional common stock for each four shares of common stock outstanding. Note 1 to the Balance Sheet explains the recording of this transaction.

During the year, quarterly cash dividends of 50¢ per share were distributed to stockholders. No extra dividends were paid in 1953, the quarterly rate of 50¢ per share being maintained on the additional shares issued in May. The total amount of such distributions was $734,306, as compared with $649,389.20 in 1952. During the year the bank loan was reduced $65,000.

The number of shares outstanding as of December 31, 1953 amounted to 386,465 shares.

The quoted market value of the shares of Colonial Stores Incorporated and H. C. Bohack Co. Inc. owned at the year end amounted to $17,295,540.

Sales of Colonial Stores Incorporated for the year were the largest in its history and amounted to nearly $234,000,000— an increase of about 9% over last year.

Profits before income taxes were more than $1,000,000 greater than in 1952, but because of higher Federal Income taxes, including provision for Excess Profits tax in the amount of $605,000, net profit increased only about $300,000. This, however, is an increase of almost 14%.
Common stock earnings amounted to $3.02 per share on the increased number of shares outstanding after the distribution on March 27, 1953 of a 20% stock dividend. Provision for income taxes in 1953 amounts to $5.08 per share.

At the close of the year, there were 344 stores in operation — all but 3 being modern self service units.

Because of the importance of your corporation’s investment in Colonial Stores Incorporated, we are enclosing, this year, a copy of that corporation’s annual report.

H. C. BOHACK CO. INC.

H. C. Bohack Co. Inc. also reached a new high in sales and earnings for its 52-week fiscal year ending January 30, 1954.

Subject to year-end adjustments and audit, the following comparative statement is submitted for your information:

<table>
<thead>
<tr>
<th></th>
<th>1953</th>
<th>1952</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>$128,102,527</td>
<td>$122,841,310</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>1,500,000</td>
<td>1,411,666</td>
</tr>
<tr>
<td>Reserve — Income Taxes</td>
<td>1,789,000</td>
<td>1,512,723</td>
</tr>
<tr>
<td>Excess Profits Tax</td>
<td>190,000</td>
<td>none</td>
</tr>
<tr>
<td>Total</td>
<td>$1,979,000</td>
<td>$1,512,723</td>
</tr>
<tr>
<td>Earned per share of Common Stock</td>
<td>2.98</td>
<td>2.77</td>
</tr>
<tr>
<td>Dividends paid per share of Common Stock</td>
<td>1.50</td>
<td>1.25</td>
</tr>
</tbody>
</table>

At the end of the fiscal year, the company had in operation a total of 193 stores, as compared with 214 at the end of the previous year.

Respectfully yours,

RUSSELL B. STEARNS

President.
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, 1953 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, 1953 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
January 11, 1954.
NATIONAL FOOD PRODUCTS CORPORATION

Balance Sheet

DECEMBER 31, 1953

ASSETS

INVESTMENTS, at cost:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock of Colonial Stores Incorporated (a controlled company), 400,830 shares</td>
<td>$3,197,200.50</td>
</tr>
<tr>
<td>Common stock of H. C. Bohack Co. Inc., 86,000 shares</td>
<td>1,275,180.61</td>
</tr>
<tr>
<td>Other</td>
<td>100,000.00</td>
</tr>
<tr>
<td></td>
<td><strong>4,572,381.11</strong>*</td>
</tr>
<tr>
<td>Cash in banks and on hand</td>
<td>53,699.63</td>
</tr>
<tr>
<td></td>
<td><strong>4,626,080.74</strong></td>
</tr>
</tbody>
</table>

*Quoted market value, $17,295,540.00
NATIONAL FOOD PRODUCTS CORPORATION

Balance Sheet

DECEMBER 31, 1953

LIABILITIES

Notes payable to bank, due on demand. .................................................. $ 110,000.00
Accounts payable and accrued expenses.................................................. 5,107.06
Federal income tax payable (no excess profits tax), subject to review by Treasury Department ........................................................... 62,218.60

CAPITAL STOCK AND SURPLUS (Note 1):

CAPITAL STOCK:

Authorized, 500,000 shares of common stock of the par value of $1.00 each.
Issued, 391,790 shares: ................................................................. $ 391,790.00

SURPLUS, per accompanying statement:

Capital surplus ....................... $3,412,810.62
Earned surplus from December 8, 1938 . . . . 649,479.46 4,062,290.08
................................................................. 4,454,080.08
Less Treasury stock, 5,325 shares, at par value. ............... 5,325.00 4,448,755.08
................................................................. $4,626,080.74

Note 1: On May 22, 1953 one share of common stock for each four shares of common stock outstanding was distributed to stockholders. To record this distribution an amount of $77,295, representing the par value of the 77,295 shares distributed was transferred from earned surplus to capital stock. A further amount of $682,561.23 representing $8.8306 per share, the amount of capital surplus applicable to each share of common stock outstanding on May 11, 1953, the qualifying date, was transferred from earned surplus to capital surplus.
NATIONAL FOOD PRODUCTS CORPORATION

Statement of Income

Year Ended December 31, 1953

INCOME:
Dividends:
Colonial Stores Incorporated (a controlled company) $768,257.00
H. C. Bohack Co. Inc. 129,000.00
Interest 1,620.90
Total Income before Federal income taxes 868,187.15
Federal income taxes (no excess profits tax applicable) 62,218.60
Net Income 805,968.55

EXPENSES:
Salaries $11,509.55
Legal and audit fees 5,413.49
Transfer agency fees 4,067.10
Directors' fees and expenses 1,211.99
Taxes (other than Federal taxes on income) 628.84
Interest on bank loans 4,941.81
General expenses 2,922.94
Total Expenses 30,695.72
Miscellaneous Income 4.97
Total Expenses and Miscellaneous Income 30,700.69

Net Income 805,968.55
NATIONAL FOOD PRODUCTS CORPORATION

Statement of Surplus

Year Ended December 31, 1953

CAPITAL SURPLUS (Note 1)

Amount at December 31, 1952......................................................... $2,730,226.48
Add:
Amount transferred from earned surplus in connection with dis-
tribution of 77,295 shares of common stock......................... $682,561.23
Amounts resulting from expiration of capital stock scrip and sale
of fractional common share....................................................... 70.09
682,631.32

Deduct cost in excess of par value of stock purchased for treasury......................... 47.18
Amount at December 31, 1953......................................................... $3,412,810.62

EARNED SURPLUS FROM DECEMBER 8, 1938 (Note 1)

Amount at December 31, 1952......................................................... $1,337,673.14
Net income for the year.............................................................. 805,968.55
2,143,641.69

Deduct :
Cash dividends paid, $2.00 per share........................................ 734,306.00
Amount capitalized in connection with the distribu-
tion of 77,295 shares of common stock:
Par value of shares added to capital stock........... $ 77,295.00
Amount transferred to capital surplus................. 682,561.23 759,856.23 1,494,162.23
Amount at December 31, 1953......................................................... $ 649,479.46
$4,062,290.08
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
WILLIAM L. REED . . . . . . . . . . . . . Assistant Secretary and Assistant Treasurer
M. MAY . . . . . . . . . . . . . . . . . . . Assistant Secretary and Assistant Treasurer

Directors

EDWARD K. DUNN ROGER PRESTON
JOHN M. FOSTER ELLIS D. SLATER
JAMES W. MOSS RUSSELL B. STEARNS
HUNTER C. PHelan C. T. WILLIAMS, JR.

Auditors

PEAT, MARWICK, MITCHELL & CO.

Transfer Agent

BALTIMORE NATIONAL BANK
Baltimore, Md.