

1946

LEVER BROTHERS & UNILEVER
N.V.

TRANSLATION
OF
ANNUAL REPORT
AND
STATEMENT OF ACCOUNTS
AT
31st DECEMBER 1946

CONTENTS.

*Lever Brothers & Unilever N.V., the Dutch Company, is referred to as
"N.V."*

*Lever Brothers & Unilever Limited, the English Company, is referred to as
"LIMITED".*

N.V. AND LIMITED.		Page
SUMMARY OF THE MORE IMPORTANT POINTS ON THE ACCOUNTS.		5
REPORT OF THE DIRECTORS.		6—15
ANNUAL ACCOUNTS: GENERAL NOTES.		16—17
Statement	N.V.	
A	BALANCE SHEET.	18
B	PROFIT AND LOSS ACCOUNT.	19
LIMITED.		
C	BALANCE SHEET.	20
D	PROFIT AND LOSS ACCOUNT.	21
N.V. AND LIMITED.		
E	CONSOLIDATED BALANCE SHEETS.	22—23
F	CONSOLIDATED PROFIT AND LOSS ACCOUNTS.	24—25
G	CAPITAL EXPENDITURE AND DEPRECIATION.	26
H	TURNOVER OF PRINCIPAL COMMODITIES.	27
I	PENSIONS.	27
J	CAPITAL EMPLOYED AND PROFITS DISTRIBUTED AND RETAINED 1937—1946.	28
ORGANISATION: THE TECHNICAL DIVISION.		29—31

LEVER BROTHERS & UNILEVER N.V.

DIRECTORS.

PAUL RIJKENS, *Chairman.*

ARTHUR HARTOG,
GEOFFREY HEYWORTH, } *Vice-Chairmen.*

M. G. DE BAAT.

HAROLD HALL BAGNALL.

CROUDSON WILLIAM BARNISH.

JAMES P. VAN DEN BERGH.

SIDNEY J. VAN DEN BERGH.

CHARLES HUGH CLARKE.

SIR HERBERT DAVIS.

JOHN HENRY HANSARD.

JAMES LAURENCE HEYWORTH.

ROGER HARDMAN HEYWORTH.

RALPH ESTILL HUFFAM.

RUDOLF G. JURGENS.

THE VISCOUNT LEVERHULME.

ROWLAND HUNTLY MUIR.

FRANK SAMUEL.

A. E. J. SIMON THOMAS.

F. J. TEMPEL.

ADVISORY DIRECTORS.

J. M. HONIG.

RUDOLF JURGENS.

K. P. VAN DER MANDELE.

J. L. POLAK.

JHR. J. A. G. SANDBERG.

H. L. WOLTERSOM.

SECRETARY.

E. A. HOFMAN.

AUDITORS.

PRICE, WATERHOUSE & Co.

COOPER BROTHERS & Co.

SUMMARY OF THE MORE IMPORTANT POINTS ON THE ACCOUNTS.

All figures relate to N.V. and LIMITED combined, details of which are set out in Statements E to H attached and should be considered in conjunction with the notes thereon.

Figures relating to the year 1945 are given in brackets.

THE CAPITAL has been increased by fl. 34.873.896 to fl. 1.107.450.284 as the result of the issue by N.V. of 4% Redeemable Preference Capital in part satisfaction of dividends declared on N.V.'s Ordinary Capital on 28th June, 1946, and the issue of £83.658 Ordinary Stock of LIMITED for the acquisition of a new business.

RESERVES have been increased by fl. 56.075.619 and are now fl. 656.323.258. These are subject to the amount required to be allocated against interests in Germany, certain other enemy countries and in certain countries formerly under enemy occupation.

THE TOTAL CAPITAL EMPLOYED (Capital, Reserves and Long Term Liabilities) is fl. 2.038.685.017 (fl. 2.002.416.405). This is represented by Fixed Assets and Long Term Claims fl. 1.313.435.810 (fl. 1.296.440.757) and Net Working Capital fl. 725.249.207 (fl. 705.975.648).

LONG TERM LIABILITIES have been reduced by fl. 21.819.167, mainly due to the redemption of the 4% Debenture Stock of The Niger Company, Limited.

NET CAPITAL EXPENDITURE was fl. 45.076.476 (fl. 12.960.607). The provision for Depreciation was fl. 27.275.588 (fl. 25.667.742).

TURNOVER was fl. 3.618.882.000 (fl. 3.285.857.000).

PROVISION AGAINST STOCK VALUES has been increased by fl. 12.715.306 to fl. 16.691.000 in view of the general raw material and merchandise position.

TAXATION on Profits amounted to fl. 120.315.116 (fl. 139.969.523).

THE CONSOLIDATED NET PROFIT was fl. 114.470.018 (fl. 83.929.952). Allowing for interest on long term liabilities this represents 6,37% (4,76%) on the relative capital employed.

THE PROFIT ACCRUING TO THE ORDINARY SHAREHOLDERS was fl. 81.318.403 (fl. 53.827.092) after taxation.

THE ORDINARY DIVIDEND proposed is 8,9% (4,45%) in N.V. and 10% (5%) in LIMITED. Including a dividend of fl. 35.281 (nil) on the Deferred Stock this absorbs fl. 23.373.182 (fl. 11.644.355) of the profits of the year, leaving fl. 31.217.721 (fl. 42.182.737) retained in the business after appropriating fl. 26.727.500 to the Reserve for future British income tax.

REPORT OF THE DIRECTORS

FOR THE YEAR 1946.

The Directors submit their Report and the Accounts for the year 1946 which, as hitherto, deal with the operations and results of both N.V. and LIMITED.

Although the general method of presentation is similar to the one adopted last year, changes have been made with the object of facilitating the review of the year's operations. The more important points in the accounts are summarised on page 5. The Review of the Companies' operations is now embodied in this Report. Notes on the accounts are to be found in a separate section dealing with the annual accounts. A short description of one part of the organisation, the Technical Division, is given.

The Annual General Meetings will be addressed by their respective Chairmen and reports of their speeches, not necessarily identical in content, will be issued to the Press.

RESULTS.

Details of the results are given in the Consolidated Profit and Loss Accounts (Statement F) and the figures must be considered in conjunction with the notes on that Statement and the General Notes on the Accounts set out on pages 16 and 17. Attention is drawn to the alteration in the method of showing the dividend appropriations of LIMITED. Hitherto these have been shown gross, the tax recovery being deducted from the provision for taxation. This year it has been decided to conform to the method now more generally adopted of showing the taxation in full and appropriating the dividends net. Following this change, an amount of £2,500,000 has been appropriated to the Reserve for future British income tax which hitherto had been reduced by the anticipated recovery of tax from the preferential dividends of the following year. Where necessary, the comparative figures for 1945, shown below in brackets, have been adjusted to give effect to these changes.

	N.V. fl.	LIMITED £	COMBINED fl.
The Consolidated Net Profits for the year were—			
Statement F IX	31,722,618 (18,079,358)	7,739,912 (6,159,442)	114,470,018 (83,929,952)
The dividends received on shares in N.V. held by subsidiary companies of N.V. and LIMITED (see General Note 6 on page 17) were	328,280 (Nil)	29,958 (Nil)	648,560 (Nil)
	32,050,898 (18,079,358)	7,769,870 (6,159,442)	115,118,578 (83,929,952)
Of this amount there has been retained by subsidiary companies in the form of a net increase to their undistributed profits	4,648,176 (2,625,807)	1,582,223 (1,520,336)	21,563,722 (18,879,719)
Leaving Net Profits shown by the Profit and Loss Accounts—Statements B and D	27,402,722 (15,453,551)	6,187,647 (4,639,106)	93,554,856 (65,050,233)

The results of Italy, Siam and the Philippines are included for the first time since the war and provision has been made for the estimated losses in Germany during 1946. The estimated war losses in the Philippines amounting to fl. 2.023.425 have been written off out of the Capital Reserves of N.V. No loss arose in Italy, our interests in which had previously been written down to a nominal figure, and a small loss in Siam was charged against revenue. Now that the subsidiary companies in Italy, Siam and the Philippines are included in the consolidation, the amount shown as invested in non-consolidated companies has been reduced accordingly.

As regards the capital increment tax, more precise rules for the valuation of investments for the purpose of calculating the increment have still to be laid down in a supplementary Act; having regard, however, to the general position of N.V. at the end of 1945 compared with that at 1st May, 1940, it is not considered likely that there can be any question of capital increment within the meaning of the relevant Act.

In view of the improved results achieved by N.V. the Directors propose a dividend of 8,9 % (4,45 %) on the Ordinary Capital of N.V. and a dividend of 10 % (5 %) on the Ordinary Stock of LIMITED. The proposed dividends are equivalent in value under the terms of the Equalisation Agreement and, if approved, will be payable on 12th September, 1947.

After the proposed appropriations the undistributed balance on Profit and Loss Account is increased by fl. 3.876.444 in N.V. and by £540.413 in LIMITED.

As announced on 3rd June, 1947, the 20 % reduction applied since 1941 to the dividends on the 7 % and 6 % Preference Capital of N.V. in accordance with the authority granted by the Decree of 1942 concerning the introduction of the Company Tax, has now been withdrawn, the full dividends having been resumed with the interim payments made on 1st July, 1947.

Results achieved to date in the current year are satisfactory.

REVIEW OF OPERATIONS.

In the Review of the Companies' operations we have sought to provide a background against which to consider the accounts and the trading results. Throughout the world our return to normal trading conditions is handicapped by shortage of raw materials. This can be readily seen from the soap tonnages and to a lesser extent from the margarine and oils and fats tonnages given in Statement H. Almost everywhere operations are subject to Government controls and it was only during the last two months of the year that a free market existed in the United States. The improvement in the earnings of N.V. is attributable in great measure to the business in that country.

THE NETHERLANDS.

Trading in the Netherlands steadily improved throughout 1946 as the country emerged from the economic dislocation caused by the occupation and the fighting of 1944 and 1945. During the early part of the year operations were handicapped by the shortage of oilseeds, and the seed crushing mills had to be closed in the spring. During the summer some parcels of copra were received. By the autumn consignments became somewhat more regular and the factories were able to resume continuous operation, but at a level considerably below their capacity. Sufficient crude oils were received to keep the refineries and hardening plant in operation, the output being at about half the normal rate.

The shortage of raw materials was reflected in the production of margarine and cooking fats, which was seriously curtailed during the first part of the year. However, the turnover for the whole year was not unsatisfactory, although still short of the pre-war level. Suitable

oils and fats were not available during the year in sufficient quantities to permit the production of Blue Band, the high quality margarine sold before the war.

Food requirements having first call on the available supplies of oils and fats, production of detergents was irregular, and the ration remained far below reasonable requirements. A certain quantity of hard soap, washing powders and soft soap and a small quantity of toilet soap were made but the better quality soap powders and soap flakes could not be produced at all. Regular supplies of Vim were maintained.

On the toilet preparations side production consisted mainly of shaving soaps and soapless shampoos. The re-introduction of Solidox toothpaste had to be deferred until 1947 owing to the difficulty of obtaining raw materials and tubes.

Sales of meat products gradually increased during the year but remained considerably below the turnover of pre-war years. It has not yet been possible to resume exports.

During the year, the quick-freezing of fruit and vegetables could be resumed to a limited extent only. The processing of fruit had to be restricted because of the rise in price and owing to insufficient allocations of sugar. The vegetable market was more satisfactory and greater progress was made. An experimental plant for freezing fish was installed.

Important orders were placed on behalf of the United Africa Group for export of goods manufactured in the Netherlands.

UNITED KINGDOM.

The allocation of oils and fats for the production of soap has been well below the average for 1945, and as a result the year has shown a further substantial fall in production. The soap companies are making improvements in their plant and organisation, the full benefit of which will be reaped when shortages and restrictions are less severe. Trade in toilet preparations increased during 1946 and is continuing to expand.

The margarine and compound fat industry remains under Government control and distribution continues to be made by the war-time company Marcom Limited as agents for the Ministry of Food. Wear and tear of plant and equipment in the margarine factories during the war years was heavy, but substantial repairs and replacements are now being effected. New plants to refine various fish liver oils containing Vitamin A for fortifying margarine are now in full operation.

The seed crushing mills have continued to work for the Ministry of Food. The quantities of seeds crushed during 1946 showed a slight drop from 1945 due to shortage of supplies. Plans are well advanced for improving the working conditions in the mills and at the same time raising the efficiency of their plant. The animal feeding stuffs businesses have continued to operate under Government regulations. During the second half of the year the animal feeding ration was cut, but in spite of this the growth in the number of our customers enabled us to increase production. The increase was particularly marked in the case of poultry foods.

The food companies, although still subject to Ministry of Food allocations and regulations, have made steady progress throughout the year. Batchelor's Peas Limited, hitherto best known for canned processed peas, have developed and marketed varieties of soups. In spite of shortage of raw materials T. Wall & Sons Limited have been able to manufacture a good quality ice cream, the demand for which greatly exceeds the supply. In preparation for the time when materials are freely available an additional manufacturing unit is being established. The Mac Fisheries Group has made excellent progress. The business of H. Smethurst (Fish Curers) Limited was acquired early in 1946 and plans are well advanced to enable that company to expand on the most modern lines in the national distribution of fish cakes and quick-

frozen fish. Restrictions in supplies, and especially the difficulty of obtaining the necessary plant and equipment, have handicapped Birds Eye Foods Limited in developing their patented processes for the quick-freezing of foods of all kinds; there is, however, a growing demand for these products and rapid development in this field is expected.

The severe winter and the coal shortage caused considerable dislocation of our manufacturing programmes. It was necessary at times to close certain of our factories, but in most cases the loss in output has since been regained. Full wages were paid during the periods of enforced idleness, and numerous improvisations were made to mitigate the interruptions in the flow of supplies of all kinds—involving in total a material addition to normal production costs. The most serious case of flooding took place at Selby, where the River Ouse burst its banks and inundated most of the Olympia Oil & Cake Company's factory and a number of our workpeople's homes. At one time the damage threatened to be very extensive, and there was a possibility that large stocks of materials would be ruined and much of the plant rendered unusable. Thanks, however, to the untiring efforts of management and works staff the situation was restored in a remarkably short time, and it was possible to make good much of the damage. Everywhere our employees co-operated splendidly in combating the difficulties caused by lack of fuel, the cold and floods, and we pay them a warm tribute for their loyalty and support.

In Eire sales of soap increased slightly compared with 1945. The production of margarine which was suspended in May, 1946, owing to shortage of raw materials was resumed in January, 1947.

OTHER COUNTRIES OF WESTERN EUROPE.

In France it was possible to secure fairly continuous running of the factories and good results were obtained in the seed crushing businesses. Production of margarine and cooking fats reached 82 % of the 1938 figures but soap production was unsatisfactory. It was not possible to resume the manufacture of Lux Toilet soap or other proprietary lines.

In Belgium there was a slight increase in the production of soap compared with 1945 but the production of margarine decreased. Of all the Western European countries Belgium has made the greatest progress towards the restoration of pre-war proprietary brands. Three of our main brands of soap — Sunlight, Vigor and Eve — and our Solo brand of margarine were re-launched during 1946 and there are prospects of re-establishing Deb and Flex, our two well-known brands of baking fats, in 1947.

In Switzerland the sales of edible products almost reached the 1938 peak level and our soap turnover exceeded the 1938 figure. Oil, cake and meal figures were also satisfactory.

The soap business in Finland is in a strong position and, when the supply of raw materials improves, a rapid expansion is expected. The production of margarine is increasing in spite of the shortage of raw materials.

The revival of business in Norway, which began towards the end of 1945, was well maintained, and by the end of 1946 trade had in some cases approximated to the pre-war volume and the pre-war quality of some of the principal brands was restored. It looks as if Norway will be the first country in Western Europe to abolish the rationing of soap and edible products. In co-operation with other interests we are pressing on with the development of the quick-freezing industry.

In Sweden, despite rationing and raw material difficulties, record sales were made of soap and other detergents. The accumulation in the country of large stocks of butter resulted in the manufacture of margarine being prohibited for nine weeks in the summer and the year's production was lower than in 1945.

The soap business in Denmark had a favourable year and margarine production was resumed in August on a restricted basis. During 1946 the turnover of our factory making packing materials showed a substantial increase. Existing plant is being modernised and additional machinery installed. The research staff is studying the introduction of new products.

All over Western Europe shortage of raw materials and the consequent controls continue to restrict our operations. In spite of this our businesses have been steadily improving, and this process is continuing. During the first months of 1947 the volume of our trade in the countries discussed under this heading was approximately 10% above the corresponding period in 1946, or nearly 90% of the 1938 volume.

CENTRAL, EASTERN AND SOUTHERN EUROPE.

Our two factories in Austria are in production but, owing to lack of raw materials, only on a limited scale. The principal factory is in the Russian zone and is not fully under our control. Negotiations with the Russians are proceeding.

The position in Germany remains unsatisfactory. The small crop of locally grown seed enabled the oil and margarine factories to continue production on a much reduced scale and then only for a part of the year. A small quantity of soap was manufactured, but this had of necessity to be of inferior quality. The production of toilet articles and Vim was fairly satisfactory. The same can be said of our interests in the paper industry. The most promising news received early in 1947 is that we are likely to reacquire our shares in a flourishing trawling and fish business which were taken away from us during the war. Relations with the British and American military authorities have been good. Towards the end of 1946 relations with the Russian military authorities were established for the first time and are continuing during 1947. We are, however, still severely handicapped in all zones by the limited extent to which, under existing conditions, we are permitted to control and develop our businesses.

In Italy our interests were never very large, the most important one being concerned with dentifrice and toilet preparations. Steps are being taken to acquire the outstanding shares in this business so as to combine it with our soap business.

In Hungary during the first part of the year it was only possible to work to a fraction of our capacity. Towards the end of the year, however, there was a sudden abundance of oilseeds and oil, and special efforts on the part of our plants and technical staffs were required to deal with the very high production level which had to be maintained.

In Roumania our factories operated in 1946, but little can as yet be said regarding the future of our business in that country.

The businesses in Czechoslovakia, Poland and Yugoslavia are out of our control through nationalisation, completed or impending. We are pressing for compensation or for some arrangement which will allow us to participate in their operation. It is not possible yet to say what the outcome will be.

OVERSEAS.

In the United States the outstanding feature affecting our operations was the removal in November of price controls under which we had been operating since 1942. This radically altered the position in the soap and edible fat industries and in the last two months of the year there was a substantial rise in prices followed by an increase in profit. The prices of raw materials and finished products have fallen considerably since the peak at the end of 1946 and are now approaching more normal levels. This is healthy and results continue to be satisfactory. Recently our American business has brought out a new product "Breeze"

which is a non-soapy detergent suitable for the fine fabric field. Its reception by the public has been highly encouraging. Our five soap and edible fat factories in the United States at Boston, Baltimore, Edgewater, Hammond and St. Louis are not sufficient to meet our expanding trade and we have decided to extend their capacity. The Pepsodent business has had another year of satisfactory trading. The Lipton business also continued to show good results; tea sales increased and prepared soups reached the highest level yet attained, though there has been a recession in 1947.

In Canada the shortage of oils and fats has adversely affected the output of soap and edible fats, both of which have remained subject to price controls and subsidy of raw materials. We are continuing the process of concentrating production. The numerous small factories which are widely dispersed throughout the country are being closed down and work has begun on a single soap and edible fat manufacturing unit in Toronto which will have a capacity sufficient to meet the needs of our entire business. Sales of our food products, notably of dried soups, have greatly increased.

In Newfoundland the level of operation of our margarine business has been maintained.

In South America our main businesses are soap and edible fats in the Argentine, soap in Brazil, and the Atkinson perfumery and toilet preparations in both countries. For the businesses in the Argentine 1946 was a fair year. Sales of a proprietary edible oil for salad and cooking purposes have achieved considerable prominence, while toilet preparations hold a leading position. In Brazil the businesses are sound and progress has been achieved with a number of the proprietary lines.

In Australasia the volume of our soap business was greater than pre-war, but the edible fat business on the other hand was, and continues to be, severely curtailed. In Australia raw materials have been short on account of transport difficulties and drought. Early this year raw materials rose in price, and with the approval of the controlling authorities prices of our finished products have been advanced in sympathy.

A survey of our properties in New Guinea and the Solomon Islands during the year disclosed that buildings, plant and roads had been destroyed and the majority of the cattle had disappeared during the Japanese occupation. It now appears that there is no immediate prospect of operating the plantations in either territory owing to the almost complete absence of labour.

In the Far East we regained control of our businesses in China, the Philippines, the Netherlands East Indies, Siam and Malaya.

In China possession of the margarine factory was regained in March, 1946, and production was re-started in May. Possession of the soap factory was regained in May, 1946, and production began in July. Trading conditions during most of the year were poor, due almost entirely to the disturbed state of the country, but in the December quarter sales greatly increased, and this trend is continuing.

Our two oil mills in the Philippines were destroyed during the war and we are engaged on the rebuilding of one unit in Manila, which will do an export oil business to the United States and also supply the requirements of the local edible fat business which is already operating profitably by making use of what remains of the pre-war plant.

In the Netherlands East Indies the margarine and soap factories at Batavia resumed production in May and by the end of the year were in full working order. The plant at Sourabaya was partly destroyed in 1945 but soap production was resumed in September 1946, and the manufacture of toilet preparations will be resumed during the course of this year. An oil mill at Batavia was acquired early in 1947 to safeguard the necessary supply of crude oils and fats for the manufacture of soap and edible products.

The factory in Siam was recovered in February and by September production of some of the staple lines of laundry soap and toilet soap exceeded pre-war figures. Sunlight soap, for which the Siamese pay one-fifth of the price they paid for the inferior soaps produced under the Japanese occupation, is even more popular than before the war and the outlets for toilet soap have expanded. Later, margarine and other edible products were re-introduced.

The Singapore office was re-opened during the year, but for a time supplies were limited to stocks released by the British Military Administration. Later, substantial quantities of toilet preparations were imported. Trade in margarine, edible oils and fats had not been resumed at the end of the year but it is hoped these trades will be restarted before the end of 1947. Plans are being proceeded with for the erection of a soap and edible plant. The first expansion of our interests in palm oil plantations to the Far East has been the recent acquisition of an estate in Malaya of some 4,600 acres.

The Indian businesses have been operating under trying and disturbed conditions, but nevertheless the results for the year were satisfactory. There was a considerable unsatisfied demand for our vegetable fats and the products of our soap and toilet preparations business. Sales of many products reached record figures, in spite of the limitations imposed by transport difficulties and shortage of raw materials. So far, 1947 has not been such a good year. Our Calcutta soap factory was closed during the early part of the year for a number of weeks owing to a general strike of local labour. It was also necessary to shut down our vegetable fats factory in Bombay for some time because of the imposition of uneconomical limits on prices.

The business in Burma ceased to function in 1942 owing to the Japanese occupation but re-opened during 1946 when the Government on taking charge of soap supplies appointed one of our companies as its adviser on all matters relating to the soap industry. Towards the end of the year it became possible for individual traders to import a small quantity of soap and toilet preparations, but poor communications made distribution extremely difficult. The erection of a local factory was decided upon and a site at Rangoon has been acquired.

In Ceylon, although the maintenance of supplies of raw materials was difficult, production of soap and edible products was maintained, but not at a level high enough to satisfy the demand. Additions to the buildings and plant were begun and will be completed towards the end of 1947.

The acute shortage of raw materials made it necessary to reduce production at all the factories in South Africa and a decline in sales was due entirely to that shortage. Long-term plans for the progressive development of the business have been prepared to meet the expansion of trade expected when materials become available. In Rhodesia production has been maintained at a reasonably high level. During the early part of this year we acquired an edible oil and soap factory in Salisbury, Southern Rhodesia, and a small soap factory in Blantyre, Nyasaland.

In Nigeria the increasing demand for our products has exceeded the production of our soap factory. In the Belgian Congo we are unable to satisfy the present demands, and we are making plans for expansion.

The prospects for our new factory in Egypt are good, and most of the preliminary work has been completed. Pending its erection our trade is being maintained by limited sales of imports, which keep our brands of household soaps before the public. There has been an expansion of sales of toilet soaps.

The margarine business in Palestine was restricted by the shortage of raw materials, and at present there seems little likelihood of our being able to extend this business.

EXPORT.

The practice of drawing on our factories overseas for products for the export market has been continued. The extension of this trade to cover soups manufactured by the Lipton business in the United States is showing good results. Owing to the raw material shortage, only small quantities of oils, margarine and soap could be exported from the United Kingdom and the Netherlands. So long as this shortage continues, it will not be possible to proceed with the plans for the expansion of the export of these products. Progress has, however, been made in the export from the United Kingdom of toilet preparations.

THE UNITED AFRICA COMPANY'S GROUP.

The demand for the products of British West Africa has been maintained. The purchase of all major commodities is still under a strict control and the Group continued to operate as an agent for the West African Produce Control Board.

On the trading side there has been some improvement in the supply of goods other than textiles although in general the weight and assortment of merchandise fall very far short of requirements. Turnover showed an increase of nearly 30% over 1945. It looks as though for some considerable time it will be difficult to obtain adequate supplies of textiles.

Two modern ships of the company's ocean fleet which were seized at Dakar in 1940 were reacquired during the year and there are five ships now under construction, all of which are expected to be delivered during 1947; the company's fleet will then comprise 15 ships of 127,000 tons dead-weight, equal to that of the pre-war fleet of 16 ships.

The timber developments referred to in last year's review have proceeded satisfactorily. The new plywood mill at Sapele is about to come into production and the construction of new saw mills at Sapele has started; important timber concessions have been acquired in the Gold Coast and plans are well forward for the development of these areas.

The large expenditure to be undertaken in the coming years on building construction on the part of Government and private interests offers considerable scope for the development of a building construction company and the Group has joined with Taylor Woodrow Limited—the well-known contractors—in forming a company to be known as Taylor Woodrow (West Africa) Limited, in which both parties have an equal interest.

There has been a large development in the French Colonial companies whose volume of trade had declined to a low level due to the war and its after-effects. Merchandise turnover, due mainly to the large increase in produce prices, was nearly double that of 1945 but the disruption caused by the war and the general shortage of consumer goods has resulted in a slight decline in produce production. An arrangement has been reached with the Government of French Equatorial Africa and with French banking interests for the creation of a modern palm oil plantation in the French Congo, the management of which will be entrusted to the company.

Trading conditions in the Belgian Congo continued to be good; although consumer goods for the European population have become more readily available, there was still a marked shortage of goods which are suited to the African trade. The Huileries du Congo Belge had a satisfactory year, the total palm oil production from plantations and natural palmeries being 37,500 tons against 34,500 tons in 1945. During the year 1,250 hectares of rubber and 350 hectares of oil palm plantations were completed, whilst clearing work for the 1947 programme advanced. The Congo river fleet has been fully occupied, and the annual tonnage carried increased by 15,000 to 70,000 tons.

The company's various schemes for the social welfare of its native labour have made progress. In spite of the shortage of labour and materials some 1,030 new permanent houses were built and 356 houses reconditioned. Work was commenced on two new hospitals, and the new agricultural school for the training of plantation overseers was opened. The provision of rations was extended to members of the workers' families. Wage rates have been progressively increased to meet higher living costs.

In East Africa the businesses of Gailey & Roberts Limited and Bullows & Roy Limited progressed satisfactorily. The business of the former, which covers all aspects of farm, agricultural and industrial plant and engineering services, is only restricted by the scarcity of supplies, which is particularly marked in the specialist field which it covers. Its subsidiary company, The Construction Company Limited, has again undertaken a series of important public works contracts and, with the large development programmes in East Africa, has a considerable field for extension of its activities.

In the Middle East and Morocco the Group has shared in the growing export and import trades. Its activities extend to almost every country in this wide area from Turkey and Iran to the Western Mediterranean, and covers an ever-growing variety of merchandise.

The review of the Group's operations would not be complete without a reference to the part played in the great development being undertaken by the British Government in what is known as the East African Groundnut Scheme. This vast enterprise, which has for its purpose the clearing and cultivation of some three million acres of uncultivated lands in Tanganyika, Kenya and Northern Rhodesia in a period of some six years, is by far the largest undertaking of its kind which has ever been attempted. The company is acting as Managing Agents for the Scheme until the Public Corporation to be constituted by Act of Parliament is ready to take over.

PERSONNEL.

During the year seven new Pension and Provident Funds were established or were in course of being established in various countries, bringing the total membership to over 47,000. The capital accumulated in the Funds is now equivalent to Fl. 240,000,000 of which Fl. 219,000,000 is invested outside the business; these amounts take no account of the pension schemes operated in Switzerland, Norway and U.S.A., as those schemes are being carried out through insurance companies. A new Pension Scheme for male works employees in the United Kingdom to replace the existing Provident Fund will be introduced during the latter part of 1947; it will provide pensions for these employees and for their dependants and will be closely co-ordinated with the benefits of the new State Scheme of National Insurance. It will also embrace a large number of employees of Mac Fisheries, who hitherto have not come within any pension scheme. A similar scheme was introduced in the Netherlands after the liberation in 1945.

In the United Kingdom advantage has been taken of the Government's Training Within Industry Scheme, which has as its object the improvement of the methods of instruction and management of employees in factories and offices. Good results have been achieved and it is expected that the scheme will be given even wider application in the future. A similar scheme has been introduced by the Company in Holland. The pre-war Management Trainee Scheme is again in full operation.

The system of joint consultation has now been extended to all factories and offices in the Netherlands and is contributing to the maintenance of harmonious relations with our employees. In all our factories in the Netherlands an annual holiday for works employees of 12 working days with pay has been introduced.

The reinstatement of ex-service employees has continued to operate smoothly. In the United Kingdom by the end of 1946 over 87 % of our regular employees released from the Forces were back in our service. In addition over 45 % of the temporary war-time employees who served with the Forces have re-entered our employment. Refresher courses were given where necessary and, although many sections of the business still remain subject to restrictions, more important positions were found for a number of employees who had risen to positions of responsibility while in the Forces.

Steps were taken to extend the Industrial Health Service by the engagement of more whole-time industrial medical officers and State Registered Nurses and by the development of minor surgery work and activities of a preventive medicine type in the various factories in the United Kingdom and elsewhere.

MEMBERSHIP.

It is not possible to give the number of Shareholders in N.V. as almost the whole of the Share Capital is in bearer form. At 31st December, 1946, the number of Stockholders in LIMITED was 195,196, with an average holding of a little over £350.

BOARD OF DIRECTORS.

Since the last Annual General Meeting of N.V. Messrs. J. L. Polak and A. G. Short have retired, and Mr. R. J. H. Patijn, who was an Advisory Director and had been a member of the Board since the formation of the Company, retired in 1946 on the grounds of age; their many years of outstanding service to the Company are recorded with thanks. Messrs. Roger H. Heyworth, A. E. J. Simon Thomas and F. J. Tempel have been appointed Directors and Mr. J. L. Polak and Jonkheer J. A. G. Sandberg Advisory Directors.

In accordance with Article 15 of the Articles of Association all the Directors retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

AUDITORS.

Messrs. Price, Waterhouse & Co. and Messrs. Cooper Brothers & Co., the joint auditors, retire and offer themselves for re-appointment.

ON BEHALF OF THE BOARD,

P. RIJKENS, *Chairman.*

A. HARTOG, *Vice-Chairman.*

ROTTERDAM, 24th July, 1947.

ANNUAL ACCOUNTS.

The accounts set out in Statements A to F attached are in similar form to that adopted last year except that dividends appropriated by LIMITED are shown after deduction of British income tax (see Directors' Report) and the Profit and Loss Accounts of N.V. and LIMITED (Statements B and D) are shown in abbreviated form. The provisions of the Companies Bill at present before the British Parliament endorse the view expressed last year that Profit and Loss Accounts of Holding Companies are not a reliable guide to the results of an organisation as a whole which results can only be seen from a Consolidated Profit and Loss Account.

GENERAL NOTES

The accounts now presented should be read in conjunction with the following notes on the principles adopted. Notes on individual items in the accounts are given on Statements A to F opposite the items to which they refer.

(1) SUBSIDIARY COMPANIES.

- (a) Companies treated as "subsidiary" companies are those in which over 50% of the ordinary capital or of the voting rights is held, directly or indirectly; thus they include sub-subsidiary companies.
- (b) The Net Profits shown in the Profit and Loss Accounts of N.V. and LIMITED include revenue from subsidiary companies only to the extent to which profits of directly held subsidiary companies have been declared as dividends. These dividends have either been received in cash or have been booked to the debit of the loan or deposit accounts with those companies. Where the direct subsidiary companies are themselves holding companies, the results of the sub-subsidiary companies have been taken up by them as if those companies were branches after making provision, where appropriate, for taxes that would become payable if their profits were distributed. In some cases, dividends declared by direct subsidiary companies were represented partly by dividends, including stock dividends, declared by the sub-subsidiary companies and partly by profits retained by those companies for the development of their businesses. Where there are serious restrictions on the movement of currency or on the distribution of profits, the holding companies have retained an amount at least equivalent to the profits of the year subject to such restrictions.
- (c) Amounts shown on Statements A and C as owing by subsidiary companies on loan and current account (including dividends receivable) include substantial sums which, owing to their retention by subsidiary companies for capital purposes or owing to currency restrictions, cannot be remitted.

(2) COMPANIES CONSOLIDATED.

The accounts of all subsidiary companies have been consolidated with the exception of:

- (a) Companies in Germany, Austria, Czechoslovakia, Hungary, Yugoslavia, Roumania, Poland, the Netherlands East Indies and China. For convenience these are referred to as "companies not consolidated". Subject to a provision of Fl. 1,457,500 for estimated losses arising in Germany in 1946—see Statement F I—no profit or loss is included in respect of these companies as information is still insufficient. The Directors are of opinion that any losses are covered by the Reserves of the N.V. Group which, to the extent required, will be applied against the amounts invested in those countries. At 31st December 1945, subsidiary companies in Italy, Siam and the Philippine Islands were included in this group but, accounts having been received, they are now taken up in the consolidation.
- (b) Two wholly owned subsidiary companies, Unilever Beleggingsbank N.V. and Unilever [Savings Bank Limited, with issued capital of Fl. 1,000 and £10,000 respectively. Both are purely employees' savings banks and it is considered that the inclusion of their assets (Fl. 10,005,529) and liabilities to depositors (Fl. 9,894,553) would be misleading.

(3) COMPANIES HAVING DIFFERENT YEAR-END.

- (a) In order to conform to the seasonal nature of their operations, the financial year of an important group of companies, The United Africa Company Limited and its subsidiaries, ends on 31st August and their accounts are audited at that date. The accounts of this group have therefore been consolidated on the basis of estimated accounts at 31st December, 1946.
- (b) The financial year of some other companies ends on 30th June, but in these cases accounts are prepared and audited at 31st December.

(4) CONVERSION OF FOREIGN CURRENCIES.

Foreign currencies have been converted into guilders or sterling respectively on the following bases:—

Fixed Assets: so far as was practicable, at the average rates ruling in the year of acquisition (commencing with the rates ruling, or deemed to be ruling on 31st December 1943, for N.V. and on 31st December, 1942, for LIMITED) or at the rates of the date of subsequent valuation.

Current Assets and Liabilities: at the rates ruling at the date of the Balance Sheet.

Profits and Losses: at the average rates of the year before charging depreciation on fixed assets. Depreciation has been provided on the value of the fixed assets in guilders or sterling calculated as above.

Combined figures: at the rate of £1 = Fl. 10.691 with the exception of the Ordinary Capital which has been calculated at the rate of £1 = Fl. 12 in accordance with the terms of the Equalisation Agreement. These combined figures are shown as a guide, and no more, to the financial position and trend of results of N.V. and LIMITED together and when considering them, the existence of restrictions on transfers of currency between countries must be borne in mind.

(5) VALUATION OF STOCK-IN-TRADE.

(a) Stock-in-trade (Statement E, XIIIa) has been valued at the lower of cost or market value with the exception of certain by-products which have been valued considerably below current market prices. To conform to the general practice of the organisation, Lever Brothers Company, U.S.A., has this year eliminated the element of fixed expenses when valuing finished stocks or stocks in process. The exceptional charges thus arising in 1946 aggregating Fl. 8.802.754 have been shown under "Exceptional Profits and Losses"—Statement F.

(b) Some of the profits arising in 1946 have been due to the turnover of stocks which were purchased at prices considerably below replacement cost and, in view of the present high prices, it is considered prudent to build up a provision against the time when the converse occurs. Amounts of Fl. 6,000,000 and £639,362—combined Fl. 12,835,419—have therefore been set aside for this purpose and are also shown under "Exceptional Profits and Losses".

(6) DIVIDENDS ON THE COMPANIES' OWN SHARES.

As explained in previous Directors' Reports, £100,000 Deferred Stock of LIMITED and Fl. 2,400,000 Ordinary Capital of N.V. are held by subsidiaries of N.V. and LIMITED in such a manner as to preserve the relationship of the two companies under the terms of the Equalisation Agreement. In order that the Consolidated Net Profit may bear a proper relationship to the consolidated Ordinary Capital, the dividends received on the internal holdings are shown separately in the Consolidated Profit and Loss Accounts. In 1946, these dividends amounting to Fl. 328,280 and £29,958—combined Fl. 648,560—are larger than normal owing to the fact that those received in that year covered the period 1939 to 1945. These were satisfied partly in 4% Redeemable Cumulative Preference Shares of N.V. so that the inter-group shareholdings have temporarily been increased; steps are now being taken to dispose of these 4% Preference Shares.

BALANCE SHEET 31st DECEMBER 1946

1945	CAPITAL AND RESERVES		Authorised	Issued and fully paid	fl.
fl.	I. CAPITAL		fl.	fl.	fl.
29,000,000	7 1/2% Cumulative Preference Shares	} Ranking pari passu	30,000,000	29,000,000	
109,136,000	6 1/2% Cumulative Preference Shares		125,000,000	109,136,000	
100,000	5 1/2% Cumulative Preference Shares		—	—	
—	4 1/2% Redeemable Cumulative Preference Shares		45,000,000	34,450,000	
171,750,000	Ordinary Shares		300,000,000	171,750,000	
309,986,000			<u>fl. 500,000,000</u>		344,336,000
	II. PROVISION FOR ISSUE OF 4 1/2% REDEEMABLE CUMULATIVE PREFERENCE SHARES in part settlement of dividends on Ordinary Shares declared at the Annual General Meeting of 28th June, 1946				
34,350,000					
	III. CAPITAL RESERVES				
70,140,256	Premiums on issues of capital			70,140,256	
56,022,962	Surplus on valuation 31st December, 1939, of shares in subsidiary companies, less amount written off			53,999,537	
126,163,218					124,139,793
	IV. REVENUE RESERVES				
43,052,371	General			43,052,371	
6,288,961	Profit and Loss Account			10,165,405	
49,341,332					53,217,776
519,840,550					521,693,569
	V. LIMITED GROUP INDEBTEDNESS				
32,067,293	LIMITED—Loan and current accounts (£3,074,645)			32,871,034	
2,373,909	Subsidiary companies of LIMITED—(fl. 88,771, less credit balances of fl. 53,362)			35,409	
29,693,384					32,835,623
fl. 549,533,934					fl. 554,529,192
	ASSETS				
	VI. INTERESTS IN SUBSIDIARY COMPANIES				
312,174,044	Shares at Directors' valuation 31st December, 1939, less amount written off and additions at cost			310,150,619	
313,941,720	Loans and current accounts (including dividends receivable)			317,730,178	
626,115,764				627,880,797	
49,753,259	Less: Deposits and current accounts			52,199,192	
576,362,505					575,681,605
	VII. CURRENT ASSETS				
7,065,025	Debtors, loans and payments in advance (fl. 220,668)			4,711,029	
16,500,000	Treasury Bills			8,100,000	
2,389,201	Balance at bankers and cash in hand			5,556,256	
25,954,226				18,367,285	
	VIII. Less: CURRENT LIABILITIES AND PROVISIONS				
	fl.		fl.		
5,764,360	Trade and sundry creditors, deposits and accrued liabilities		8,283,121		
13,705,881	Provision for taxation, staff pensions and contingencies		7,710,297		
13,733,056	Provision for dividends on Preferential Capital		8,240,528		
11,936,625	Provision for that portion of the 1939 to 1944 dividends on the Ordinary Shares payable in cash		—		
7,642,875	Provision for proposed dividend on the Ordinary Shares		15,285,750		
52,782,797					39,519,696
26,828,571					21,152,491
fl. 549,533,934					fl. 554,529,192
	ON BEHALF OF THE BOARD,				
					P. RIJKENS, Chairman.
					A. HARTOG, Vice-Chairman.

REPORT OF THE AUDITOR

We report to the Members that we have examined the above Balance Sheet with the books of the Company Eastern Europe and in the Far East, and we are unable to estimate the extent to which the Company's reserves may be affected. Subject to this remark, we report that we have obtained all the information and explanations we have required and we exhibit a true and correct view of the state of the Company's affairs as at the 31st December, 1946, according to the books of the Company.

24th July, 1947.

represent deductions.

PROFIT AND LOSS ACCOUNT—YEAR ENDED 31st DECEMBER 1946

1945 fl.		fl.	fl.
15,453,551	Net Profit as shown by the Consolidated Profit and Loss Account (Statement F)		27,402,722
	APPROPRIATIONS—		
	Dividends declared on—		
1,624,000	7 0/10 Preference Shares—a dividend of 5,6 0/10	1,624,000	
5,238,528	6 0/10 Preference Shares—a dividend of 4,8 0/10	5,238,528	
4,000	5 0/10 Preference Shares—a dividend of 4 0/10	—	
—	4 0/10 Redeemable Preference Shares—a dividend of 4 0/10	1,378,000	
6,866,528		<u>8,240,528</u>	
	NOTE:—The reduction of 20 0/10 in the Preference dividends is in accordance with the authority granted by the Decree of 1942 concerning the introduction of the Company Tax in order to share the burden of increased taxation equitably between Preference and Ordinary Shareholders.		
7,642,875	Dividend of 8,9 0/10 proposed on Ordinary Shares	<u>15,288,750</u>	
14,509,403			<u>23,526,278</u>
944,148	INCREASE IN UNAPPROPRIATED BALANCE		3,876,444
5,344,813	BROUGHT FORWARD FROM 1945		6,288,961
fl. 6,288,961	BALANCE CARRIED FORWARD TO 1947		<u>fl. 10,165,405</u>
	Note.— The profits and losses of subsidiary companies have been dealt with as shown by the Consolidated Profit and Loss Account (Statement F).		

NOTES ON BALANCE SHEET (STATEMENT A).

Principles adopted in the preparation of the accounts are dealt with in the General Notes. Particular items are referred to below.

There are contingent liabilities under guarantees and agreements on account of subsidiary and other companies.

- I & II. The increase in the Capital is due to the issue of fl. 34,350,000 4 0/10 Redeemable Cumulative Preference Shares as explained last year. During 1946 the fl. 100,000 5 0/10 Cumulative Preference Shares were converted to fl. 100,000 4 0/10 Redeemable Cumulative Preference Shares. Fl. 340,000 4 0/10 Preference Capital and fl. 1,200,000 Ordinary Capital is held by subsidiary companies of N.V. Fl. 240,000 4 0/10 Preference Capital and fl. 1,200,000 Ordinary Capital is held by a subsidiary company of LIMITED.
- III & IV. The Capital and Revenue Reserves amounting in total to fl. 177,357,569 are subject to provisions which, having regard to war damage, loss of earning capacity and other losses of whatever nature, will require to be made against interests in subsidiary companies not consolidated and against claims on third parties in the countries concerned. The reduction of fl. 2,023,425 in the surplus on valuation of 31st December, 1939, of shares in subsidiary companies arises from writing off estimated war losses sustained in the Philippines.
- VI. The decrease in the total of Interests in Subsidiary Companies from fl. 576,362,505 to fl. 575,681,605 is due mainly to writing off the war losses in the Philippines referred to above and to the transfer of funds from some subsidiary companies offset by (a) dividends receivable from other subsidiary companies and (b) a refund of fl. 3,000,000 on account of the special allowances made in 1944 and 1945 to Van den Bergh's and Jurgens' Fabrieken N.V. both of which have been left on loan to those companies. The total of fl. 575,681,605 includes fl. 159,296,565 in respect of interests in subsidiary companies not consolidated and claims against third parties in the countries concerned, the value of which cannot yet be ascertained. As indicated above, the amount of fl. 159,296,565 is subject to the application of such reserves as may be necessary to adjust its value.
- VII. Debtors, loans and payments in advance have been shown after deduction of provisions for bad and doubtful debts. The amount of fl. 4,711,029 includes the equivalent of fl. 2,548,082 which is subject to currency restrictions. Of this amount fl. 1,945,466 is deposited in a bank in Norway and its collection may be deferred.
- VIII. For purposes of taxation, N.V. and its wholly owned subsidiary companies in the Netherlands are treated as one group. The reduction in the provision for taxation and contingencies from fl. 13,705,881 to fl. 7,710,297 is due mainly to payments of taxation and the elimination of provisions made on behalf of subsidiary companies, now included in their accounts. The provision for dividends on Preferential Capital in 1945 related to the two years 1944 and 1945.

TO THE MEMBERS

Accounts were not available in respect of subsidiary companies in Germany and other countries in Central and South be required to write down its interests in those countries included in Interests in Subsidiary Companies at fl. 159,296,565. that in our opinion the above Balance Sheet, amplified by the notes relating thereto, is properly drawn up so as to best of our information and the explanations given to us and as shown by the books of the Company.

PRICE, WATERHOUSE & Co. }
COOPER BROTHERS & Co. } Chartered Accountants

BALANCE SHEET 31st DECEMBER 1946

1945	CAPITAL AND RESERVES		Authorised	Issued and converted into Stock	
£			£	£	£
	I. CAPITAL				
35,984.690	7 0/0 Cumulative Preference	} <i>Ranking pari passu</i>	35,984.690	35,984.690	
2,360.000	5 0/0 Cumulative Preference		4,015.310	2,360.000	
15,655.173	8 0/0 Cumulative A Preference		40,000.000	15,655.173	
2,287.312	20 0/0 Cumulative Preferred Ordinary		2,287.312	2,287.312	
13,610.350	Ordinary		59,031.438	13,694.008	
100.000	Deferred		100.000		
69,997.525			<u>£141,418.750</u>		70,081.183
	II. CAPITAL RESERVES				
7,086.222	Premiums on issues of capital			7,211.709	
1,669.161	Surplus on valuation 31st December, 1937, of shares in subsidiary companies and trade investments			1,669.161	
—	Excess profits tax post-war refund			765.117	
8,755.383					9,645.987
	III. REVENUE RESERVES				
13,848.319	General			13,848.488	
2,563.487	Profit and Loss Account			3,103.900	
16,411.806				16,952.388	
1,825.000	Future income tax			3,265.000	
18,236.806					20,217.388
96,989.714					99,944.558
	<i>Less:</i>				
	IV. N.V. GROUP INDEBTEDNESS				
2,999.466	N.V.—Loan and current accounts			3,074.645	
11,000.000	Subsidiary company of N.V.—secured loan			11,000.000	
147.968	Subsidiary companies of N.V.—(£137.115 less debit balances £41.242)			95.873	
14,147.434					13,978.772
£82,842.280					<u>£85,965.786</u>
	ASSETS				
	V. INTERESTS IN SUBSIDIARY COMPANIES			£	£
101,039.510	Shares at Directors' valuation 31st December, 1937, with additions at cost			83,992.153	
7,732.308	Loans and current accounts (including dividends receivable)			14,693.286	
—	Long term claims in respect of excess profits tax post-war refund			756.632	
108,771.818				99,442.071	
43,340.221	<i>Less:</i> Deposits and current accounts (less dividends receivable)			28,871.590	
65,431.597					70,570.481
3,622.776	VI. LAND, BUILDINGS, PLANT AND OFFICE EQUIPMENT at cost			3,607.439	
1,108.382	<i>Less:</i> Provision for depreciation to date			1,129.923	
2,514.394					2,477.516
2,251.843	VII. TRADE INVESTMENTS at Directors' valuation 31st December, 1937				2,251.843
70,197.834					75,299.840
	VIII. CURRENT ASSETS				
730.253	Debtors and payments in advance			462.391	
8,650.000	Tax Reserve Certificates			8,200.000	
—	Short term advances			300.506	
7,544.648	Balance at bankers and cash in hand			7,391.941	
16,924.901				16,354.838	
	IX. <i>Less:</i> CURRENT LIABILITIES AND PROVISIONS				
	£		£		
	698.710 Trade creditors, deposits and accrued liabilities		1,661.960		
	2,012.079 Provision for taxation		2,075.080		
	1,569.666 Provision for net dividends on Preferential Stock and, subject to confirmation, on Ordinary Stock and Deferred Stock		1,951.852		
4,280.455				5,688.892	
12,644.446					10,665.946
£82,842.280					<u>£85,965.786</u>

LEVERHULME, *Governor.*GEOFFREY HEYWORTH, *Chairman.*

REPORT OF THE AUDITORS

We report to the Members that we have examined the above Balance Sheet with the books of the Company amplified by the notes relating thereto, is properly drawn up so as to exhibit a true and correct view of the state of the us and as shown by the books of the Company.

24th July, 1947.

in italics represent deductions.

PROFIT AND LOSS ACCOUNT—YEAR ENDED 31st DECEMBER 1946

	1945		£	£	£
£	4,639,106	NET PROFIT as shown by the Consolidated Profit and Loss Account (Statement F)			6,187,647
		APPROPRIATIONS—			
		Dividends declared on—			
	2,518,905	7 0/0 Preference Stock	2,518,906		
	118,000	5 0/0 Preference Stock	118,000		
1,081,183	1,252,414	8 0/0 A Preference Stock	1,252,414		
	457,462	20 0/0 Preferred Ordinary Stock	457,462		
	4,346,781		4,346,782		
	2,173,333	Less: Income tax	1,956,019		
	2,173,448			2,390,763	
		Dividends proposed on—			
	680,518	Ordinary Stock of 10 0/0	1,369,401		
1,645,987	—	Deferred Stock of 6 0/0	6,000		
	680,518		1,375,401		
	306,233	Less: Income tax	618,930		
	374,285			756,471	
	—	Future income tax reserve		2,500,000	
	1,500,000	General Reserve		—	5,647,234
1,217,388	4,047,733				540,413
1,944,558	591,373	INCREASE IN UNAPPROPRIATED BALANCE			2,563,487
	1,972,114	BROUGHT FORWARD FROM 1945			£3,103,900
	£2,563,487	BALANCE CARRIED FORWARD TO 1947			
		NOTE.—The profits and losses of subsidiary companies have been dealt with as shown by the Consolidated Profit and Loss Account (Statement F).			
1,978,772					
965,786					

NOTES ON BALANCE SHEET (STATEMENT C).

Principles adopted in the preparation of the accounts are dealt with in the General Notes. Particular items are referred to below.

There are contingent liabilities under forward contracts and under guarantees and agreements on account of subsidiary companies of LIMITED and N.V. Indemnities have also been given to subsidiary companies in respect of assets held by these companies in territory formerly under enemy occupation.

I. £50,000 Deferred Stock is held by a subsidiary company of LIMITED and £50,000 by a subsidiary company of N.V. The increase in the Ordinary Capital is due to the issue of £83,658 Stock referred to in the note on heading V.

II. (a) The comparative figures of premiums on issues of capital and shares in subsidiary companies at 31st December, 1945, have been adjusted. In some instances, businesses acquired since 31st December, 1937, in consideration for issues of fully paid stock were recorded at the par value of such stock whereas others, as in the case of that referred to in note V below, were recorded at the market value of the stock so issued. It has now been decided to place these valuations uniformly on the latter basis. An amount of £1,799,549 has therefore been added to both premiums on issues of capital and shares in subsidiary companies. As all shareholdings were valued as at 31st December, 1937, issues prior to that date do not require adjustment.

(b) The increase of £125,487 in the premiums in 1946 arises from the acquisition of the business referred to in the note on heading V below.

(c) The amount of £765,117 shown as excess profits tax post-war refund represents £888,732 received in respect of the Group as a whole for the period to 31st December, 1944, less £123,615 allocated to subsidiary companies that had provided their own excess profits tax. Of the amount of £765,117, £8,485 is earmarked for capital expenditure by LIMITED itself and £756,632 is earmarked for capital expenditure by operating subsidiary companies, this amount having been transferred from their general indebtedness to long term claims. Of the total refund about £200,000 has been expended up to 31st December, 1946. As many points in connection with excess profits tax still remain unsettled, it is not possible to estimate the further amount, if any, that may be received.

III. As in previous years, the future income tax reserve in the balance sheet of LIMITED represents the total required for the Group as a whole less the amount reserved in the accounts of the subsidiary companies. The real position can only be seen from the Consolidated Balance Sheet (Statement E).

V. The considerable movements which have taken place during 1946 as between Shares, Loans and Deposits arise mainly from an internal rearrangement of holdings. The significant figure is the total of £70,570,481 which shows an increase of £5,138,884 over the previous year. Of this increase £292,803 is due to the acquisition during 1946 of the whole of the share capital of H. Smethurst (Fish Curers) Limited, the consideration for which was £83,658 Ordinary Stock of LIMITED valued at 50s. Od. per £1 stock (representing a premium of £125,487) and £83,658 in cash. The balance of £4,846,081 represents further advances to subsidiary companies to finance capital expenditure and additional working capital requirements.

IX. The increase from £698,710 to £1,661,960 in trade creditors, deposits and accrued liabilities is due mainly to an increase of £800,378 in the amount deposited by the Union Superannuation Fund, all of which has since been withdrawn for investment outside the organisation, and £224,341 being the balance of the Debenture Stock of The Niger Company, Limited called for redemption, the liability for which has been assumed by LIMITED.

1,570,481
477,516
251,843
299,840

665,946
965,786

REPORTORS TO THE MEMBERS.
and have obtained all the information and explanations we have required. In our opinion the above Balance Sheet, Company's affairs as at 31st December, 1946, according to the best of our information and the explanations given to

COOPER BROTHERS & Co. }
PRICE, WATERHOUSE & Co. } Chartered Accountants

LEVER BROTHERS & UNILEVER N.V. AND LEVER BROTHERS

31 December 1945		
N.V.	LIMITED	COMBINED
fl.	£	fl.
138.136.000	56.287.175	739.902.188
169.350.000	13.610.350	332.674.200
307.486.000	69.897.525	1.072.576.388
34.350.000	—	34.350.000
70.140.256	7.086.222	145.899.055
56.022.962	1.669.161	73.867.962
—	—	—
126.163.218	8.755.383	219.767.017
49.341.332	16.411.806	224.799.951
12.496.996	8.392.917	102.225.671
—	—	—
61.838.328	24.804.723	327.025.622
—	5.000.000	53.455.000
61.838.328	29.804.723	380.480.622
37.142.454	12.539.937	171.206.920
4.083.693	563.259	10.105.498
41.226.147	13.103.196	181.312.418
571.063.693	121.560.827	1.888.486.445
70.228.750	2.274.446	94.544.852
37.070.156	—	37.070.156
107.298.906	2.274.446	131.615.008
534.550	50.000	—
1.200.000	100.000	—
—	—	—
211	20	—
122.946.500	11.500.000	—
24.086.294	2.252.951	—
99.525.867	9.297.069	—
—	—	17.685.048
fl. 777.888.466	£114.538.204	fl. 2.002.416.405
302.105.586	42.802.658	759.708.802
219.044.717	43.961.570	689.037.862
125.056.723	23.515.018	376.455.780
396.093.580	63.249.210	1.072.290.884
171.289.924	26.739	171.575.791
11.507.003	3.781.301	51.932.892
641.190	—	641.190
fl. 579.531.697	£67.057.250	fl. 1.296.440.757
146.372.367	23.629.141	398.991.513
107.243.010	24.367.147	367.752.179
83.390	33.398	440.448
6.489.516	136.876	7.952.857
377.392	8.650.000	92.854.542
102.695.463	49.875	103.228.677
83.059.005	22.847.923	327.326.150
446.320.143	79.714.360	1.298.546.366
96.198.791	17.068.354	278.676.564
2.735.262	56.414	3.338.384
16.318.635	2.166.297	39.478.516
93.004.907	7.810.859	176.510.801
—	1.079.409	11.539.962
2.613.080	1.646.591	20.216.784
—	371.873	3.975.694
—	200.000	2.138.200
37.092.699	1.833.609	56.695.813
247.963.374	32.233.406	592.570.718
fl. 198.356.769	£47.480.954	fl. 705.975.648
fl. 777.888.466	£114.538.204	fl. 2.002.416.405

CAPITAL, RESERVES AND LONG TERM LIABILITIES

I. CAPITAL—N.V. AND LIMITED

- a. Preference and Preferred Ordinary
- b. Ordinary

II. Provision for REDEEMABLE PREFERENCE CAPITAL issued by N.V. in part settlement of Ordinary Dividends declared at the Annual General Meeting of 28th June, 1946

III. CAPITAL RESERVES—

- a. Premiums on capital issued by N.V. and LIMITED
- b. Surplus on valuation of shares in subsidiary companies and trade investments
- c. Excess profits tax post-war refund

IV. REVENUE RESERVES—

- a. General Reserve and Profit and Loss Account balances—N.V. and LIMITED
- b. Reserves and undistributed profits, less losses, of subsidiary companies

- c. Future British income tax

V. OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARY COMPANIES—

- a. Preference and Preferred Ordinary Capital
- b. Ordinary Capital and reserves and retained profits attributable thereto

VI. LONG TERM LIABILITIES—

- a. Debentures and Notes
- b. Others

VII. N.V. / LIMITED INTER-GROUP ITEMS—

- a. Deferred Capital of LIMITED
- b. Ordinary Capital of N.V.
- c. 4½% Preference Capital of N.V.
- d. Shares in subsidiary companies
- e. Secured loans
- f. Other loans and current accounts (net)

VIII. DIFFERENCE IN EXCHANGE ON CONVERSION OF ORDINARY CAPITAL

AGGREGATE OF CAPITAL, RESERVES AND LONG TERM LIABILITIES

FIXED ASSETS AND LONG TERM CLAIMS

- IX. a. PREMIUMS at which shares in subsidiary companies are held (less discounts and their capital reserves) and Goodwill (N.V. fl. 19.424.364; LIMITED £5.322.323)
- b. LAND, BUILDINGS, PLANTATIONS, SHIPS, PLANT, ETC.
- Less: Provision for depreciation

X. INTERESTS IN SUBSIDIARY COMPANIES NOT CONSOLIDATED

XI. TRADE INVESTMENTS

XII. LONG TERM CLAIMS

TOTAL FIXED ASSETS AND LONG TERM CLAIMS

WORKING CAPITAL

XIII. CURRENT ASSETS—

- a. Stock-in-trade
- b. Debtors and payments in advance
- c. Investments—unquoted
- d. Investments—quoted (market value—N.V. fl. 6.417.047; LIMITED £214.226)
- e. Tax Reserve Certificates
- f. Short term advances, Treasury Bills and Notes
- g. Balances at bankers and cash in hand

LESS:

XIV. CURRENT LIABILITIES AND PROVISIONS—

- Liabilities:
- a. Creditors and accrued liabilities
- b. Debentures redeemable within one year and interest accrued on debentures
- c. Bank overdrafts
- Provisions:
- d. Taxation and sundry contingencies
- e. Replacement of ships lost by enemy action
- f. Deferred repairs
- g. Stock values
- h. Exchange losses
- i. Dividends—net

NET WORKING CAPITAL

AGGREGATE OF FIXED ASSETS, LONG TERM CLAIMS AND WORKING CAPITAL

BALANCE SHEETS

STATEMENT E

represent deductions.

& UNILEVER LIMITED AND THEIR SUBSIDIARY COMPANIES

31 December 1946

N.V.	LIMITED	COMBINED
fl.	£	fl.
172,006,000	56,287,175	773,772,188
169,350,000	13,694,008	333,678,096
341,356,000	69,981,183	1,107,450,284
—	—	—
70,140,256	7,211,709	147,240,637
53,999,537	1,669,161	71,844,537
—	888,732	9,501,434
124,139,793	9,769,602	228,586,608
53,217,776	16,952,388	234,455,757
17,145,172	9,975,140	123,789,393
70,362,948	26,927,528	358,245,150
—	6,500,000	69,491,500
70,362,948	33,427,528	427,736,650
37,460,640	12,538,774	171,512,673
4,909,502	606,867	11,397,517
42,370,142	13,145,641	182,910,190
578,228,883	126,323,954	1,946,683,732
68,829,500	151,493	70,449,112
39,346,729	—	39,346,729
108,176,229	151,493	109,795,841
534,550	50,000	—
1,200,000	100,000	—
240,000	22,449	—
211	20	—
122,946,500	11,500,000	—
27,041,281	2,529,350	—
96,810,880	9,043,119	—
—	—	17,794,556
fl. 783,215,992	£147,432,328	fl. 2,038,685,017
307,374,327	41,321,747	749,145,124
233,687,943	48,578,326	753,038,826
132,815,426	25,344,945	403,778,233
408,246,844	64,555,128	1,098,405,717
159,296,565	10,001	159,403,486
11,469,793	3,769,761	51,772,308
3,854,299	—	3,854,299
fl. 582,867,501	£68,334,890	fl. 1,313,435,810
167,618,430	33,867,933	529,700,503
102,114,564	25,720,221	377,089,448
59,812	13,567	204,857
6,102,733	198,236	8,222,074
188,087	8,200,000	87,854,287
84,875,183	350,381	88,621,106
80,641,440	22,531,413	321,524,777
441,600,249	90,881,751	1,413,217,052
91,710,619	20,488,603	310,754,273
1,764,150	4,125	1,808,250
19,337,315	5,632,691	79,556,413
93,814,750	9,341,315	193,682,748
—	988,767	10,570,908
2,397,079	1,894,962	22,656,118
6,000,000	1,000,000	16,691,000
—	200,000	2,138,200
26,227,845	2,233,850	50,109,935
241,251,758	41,784,313	687,967,845
fl. 200,348,491	£49,097,438	fl. 725,249,207
fl. 783,215,992	£117,432,328	fl. 2,038,685,017

NOTES.

- I. Details of the increases in the Capitals are explained in Note I on Statements A and C.
- IIIa. The increase of fl. 1,341,582 is explained in Note IIb on Statement C.
 IIIb. The decrease of fl. 2,023,425 is due to writing off estimated war losses in the Philippines.
 IIIc. This item is explained in Note IIc on Statement C.
- IVb. These balances represent only the reserves and undistributed profits retained by subsidiary companies subsequent to the valuations of the shares in those companies, the increase in 1946 being represented by the amounts retained by subsidiary companies as shown in the Consolidated Profit and Loss Accounts—Statement F XI.
 For the same reasons as are stated in the General Notes (1)(b) and (1)(c) these balances are not all available for distribution as dividends. A considerable proportion has been retained by the subsidiary companies to finance increases to their fixed assets and working capital.
- IVc. This represents the estimated amount required to cover British income tax, at the current rate, on the profits of the LIMITED Group leviable under future assessments before taking into account income tax recoverable from future preferential dividends.
- VIa. In N.V. the reduction of fl. 1,399,250 is due to contractual redemptions of the debentures and notes of Dutch subsidiary companies.
 In LIMITED the reduction of £2,122,953 is due to the redemption of the 4½% Debenture Stock of The Niger Company, Limited.
- VIIb. In N.V. the increase is due mainly to a loan of \$750,000, repayable 1949/56, negotiated by Thomas J. Lipton Inc. Hoboken, U.S.A.
- VIIc. These Loans are secured on shares of subsidiary companies of N.V.
- VIII. This difference arises on the conversion of N.V. Ordinary Capital at the rate of £1 = fl. 12.
- IXa. In N.V. the increase of fl. 5,268,741 arises mainly from the inclusion of companies previously not consolidated.
 In LIMITED the reduction of £1,480,911 is due mainly to the allocation to this heading of the surplus arising on the statutory valuation of the fixed assets in Metropolitan France.
- IXb. Details are given in Statement G and reference is made to its explanatory heading. The figures include amounts in respect of properties surplus to the requirements of the business with a net book value in N.V. of fl. 1,312,502, and in LIMITED of £1,119,100—combined fl. 13,276,800. Their disposal value is estimated by the Directors to exceed these amounts.
- X. The reasons for the decrease of fl. 11,993,359 in N.V. are explained in General Note (2)(a). In N.V. the figures include claims upon third parties in the countries concerned.
- XI. These include investments in which 50% of the Ordinary Capital is owned and other investments not held for sale.
- XII. In N.V. the increase of fl. 3,213,109 is due mainly to the inclusion of non-negotiable Government Bonds which have no redemption date.
- XIII. The amounts shown under Current Assets, and consequently the Net Working Capital, are subject to the qualifications inherent in all Consolidated Balance Sheets where foreign subsidiary companies are involved and these are accentuated under present conditions by the varying degrees of restrictions on the movement of funds between countries.
- XIIIa. For basis of valuation see General Note (5)(a).
 XIIIc. These amounts are in respect of British taxation.
- XIVc. In N.V. these are to the extent of fl. 1,020,355 secured by Stock-in-trade.
- XIVg. See General Note (5)(b).
- There are contingent liabilities under forward contracts, guarantees and agreements.
 The estimated commitments for capital expenditure at 31st December, 1946, were approximately—
 N.V. fl. 10,500,000; LIMITED £5,100,000; COMBINED fl. 65,000,000.

STATEMENT F

CONSOLIDATED PROFIT

Figures shown in italics

LEVER BROTHERS & UNILEVER N.V. AND LEVER BROTHERS

1945				1946		
N.V.	LIMITED	COMBINED		N.V.	LIMITED	COMBINED
fl.	£	fl.		fl.	£	fl.
55,355,517	19,012,149	258,614,402	I. Aggregate Profit	100,435,816	19,094,328	304,573,277
<i>9,439,574</i>	<i>1,637,650</i>	<i>26,947,690</i>	a. Depreciation	<i>11,465,063</i>	<i>1,637,137</i>	<i>28,967,695</i>
<i>1,236,808</i>	<i>148,115</i>	<i>2,820,305</i>	b. Interest on Debentures and Long Term Liabilities	<i>2,776,719</i>	<i>89,788</i>	<i>3,736,642</i>
<i>538,925</i>	<i>208,678</i>	<i>2,769,902</i>	c. Emoluments of Directors	<i>302,241</i>	<i>192,824</i>	<i>2,363,722</i>
—	<i>20,115</i>	<i>215,049</i>	d. Pensions to former Directors	<i>60,895</i>	<i>24,817</i>	<i>326,214</i>
—	<i>11,730</i>	<i>125,406</i>	e. Compensation to Directors for loss of office	—	<i>8,587</i>	<i>91,804</i>
<i>1,929,373</i>	<i>371,180</i>	<i>5,897,658</i>	f. Provision for deferred repairs	<i>906,018</i>	<i>549,710</i>	<i>6,782,968</i>
42,210,837	16,614,681	219,838,392		84,924,880	16,591,465	262,304,232
216,750	376,288	4,239,645	II. INCOME FROM —			
132,088	7,319	210,335	a. Trade Investments	281,530	312,286	3,620,180
37,984	—	37,984	b. Other investments	178,190	5,099	232,703
42,597,659	16,998,288	224,326,356	c. Long Term Claims	127,274	—	127,274
11,824,524	869,256	2,531,308	III. EXCEPTIONAL PROFITS AND LOSSES —	85,511,874	16,908,850	266,284,389
—	—	—	a. Exchange differences	160,114	94,011	1,165,186
—	—	—	b. Writing down stock values	<i>8,802,754</i>	—	<i>8,802,754</i>
4,506,716	353,929	8,290,571	c. Provision against stock values	<i>6,000,000</i>	<i>639,362</i>	<i>12,835,419</i>
367,102	179,874	2,290,135	d. Provisions no longer required	882,120	572,171	6,999,200
5,018,854	422,970	496,882	e. Other exceptional profits and losses, including those relating to previous years	<i>6,171,312</i>	<i>91,292</i>	<i>7,147,315</i>
20,982,992	1,118,171	9,028,626	f. Adjustment of inter-group transactions for the war period	—	—	—
63,580,651	15,880,117	233,354,982		19,931,832	64,472	20,621,102
2,683,409	250,997	—	IV. INTER-GROUP INTEREST ON LOANS AND CURRENT ACCOUNTS	65,580,042	16,844,378	245,663,287
60,897,242	16,131,114	233,354,982	V. Aggregate Net Profit before charging taxation on profits	1,447,177	135,364	—
31,802,556	10,534,737	144,429,429	VI. TAXATION ON PROFITS —	64,132,865	16,979,742	245,663,287
7,632,630	1,131,095	4,459,906	a. Amount based on the assessable profits of the year, including Dominion, Colonial and Foreign taxes	38,452,625	9,959,325	144,927,769
39,435,186	9,403,642	139,969,523	b. Adjustments relating to previous years	10,162,580	1,351,611	24,612,653
21,462,056	6,727,472	93,385,459	VII. Aggregate Net Profit	28,290,045	8,607,714	120,315,116
2,972,006	572,002	9,087,279	VIII. PROPORTION ATTRIBUTABLE TO OUTSIDE SHARE-HOLDERS' INTERESTS IN SUBSIDIARY COMPANIES —	35,842,820	8,372,028	125,348,171
410,692	3,972	368,228	a. Preference and Preferred Ordinary	2,986,342	625,448	9,673,006
18,079,358	6,159,442	83,929,952	b. Ordinary	1,133,860	6,668	1,205,147
—	—	—	IX. Consolidated Net Profit	31,722,618	7,739,912	114,470,018
18,079,358	6,159,442	83,929,952	X. Dividends received on Capital of N.V. held by subsidiary companies	328,280	29,958	648,560
2,625,807	1,520,336	18,879,719	XI. N.V.'s and LIMITED's proportions of the increase in the undistributed profits, less losses, of subsidiary companies	32,050,898	7,769,870	115,118,578
fl.15,453,551	£4,639,106	fl.65,050,233	XII. Net Profit as per Profit and Loss Accounts	4,648,176	1,582,223	21,563,722
				fl.27,402,722	£ 6,187,647	fl. 93,554,856

REPORT OF THE AUDITORS

We have examined the foregoing Consolidated Balance Sheets and Profit and Loss Accounts of the N.V. and Unilever N.V. and of Lever Brothers & Unilever Limited and from the accounts of the subsidiary companies which, Limited and its subsidiaries are based on estimated accounts as at 31st December, 1946, as explained in General Note those companies form a relatively minor proportion of the assets and liabilities of each Group. We are unable to Interests in Subsidiary Companies not Consolidated stated at Fl. 159,296,565. Subject to this remark we report that the state of affairs of each of the two Groups as at 31st December, 1946, and the results of each for the year.

24th July, 1947.

AND LOSS ACCOUNTS

STATEMENT F

represent deductions.

& UNILEVER LIMITED AND THEIR SUBSIDIARY COMPANIES

1945			APPROPRIATIONS	1946		
N.V.	LIMITED	COMBINED		N.V.	LIMITED	COMBINED
fl.	£	fl.		fl.	£	fl.
18,079,358	6,159,442	83,929,952	PROFIT per Consolidated Profit and Loss Accounts	32,050,898	7,769,870	115,118,578
—	—	—	Appropriated to Reserve for future British income tax	—	2,500,000	26,727,500
18,079,358	6,159,442	83,929,952		32,050,898	5,269,870	88,391,078
			DISTRIBUTIONS BY N.V. AND LIMITED			
6,866,528	2,173,448	30,102,860	On Preference and Preferred Ordinary Capital .	8,240,528	2,390,763	33,800,175
7,642,875	374,285	11,644,355	On Ordinary Capital	15,285,750	753,171	23,337,901
—	—	—	On Deferred Stock	—	3,300	35,281
14,509,403	2,547,733	41,747,215		23,526,278	3,147,234	57,173,357
			RETAINED —			
2,625,807	1,520,336	18,879,719	Subsidiary Companies	4,648,176	1,582,223	21,563,722
944,148	2,091,373	23,303,018	N.V. and LIMITED	3,876,444	540,413	9,653,999
3,569,955	3,611,709	42,182,737		8,524,620	2,122,636	31,217,721

NOTES.

- I. The Aggregate Profit does not include any material amount of profits or losses of an exceptional nature and in the case of N.V. is shown after charging fl. 1,457,500 in respect of estimated losses in Germany in 1946.
- Ic, d and e. These amounts refer only to Directors or former Directors of N.V. and LIMITED who are or have been full-time working Directors and, as such, received emoluments as managers. No Directors' Fees are paid.
- IIb. See General Note (5) (a).
- IIc. See General Note (5) (b).
- IIId. In LIMITED the 1946 figure includes (i) surplus depreciation £158,274 (equivalent of fl. 1,692,107, see Statement G) mainly arising from abnormal rates of depreciation applied to expenditure incurred for war purposes in the British Empire and which has now been adapted to post-war requirements; (ii) provisions no longer required for foreign capital tax £125,000 and against assets in territory formerly under enemy occupation £86,638.
- IIIe. In N.V. the loss in 1946 of fl. 6,171,312 includes the cost of increases in Capital in France of fl. 4,632,164, following a revaluation of the fixed assets (see Statement C, note IXa), which the Directors consider will bring substantial financial advantages.
- VI. In LIMITED the taxation figures for 1945 have been adjusted in conformity with the alteration in method of presentation explained in the Directors' Report and General Notes.
- VIb. In N.V. the credit of fl. 10,162,580 arises mainly owing to the declaration of a stock dividend by Lever Brothers Company, Boston, U.S.A., out of profits retained in previous years thus releasing the provision for taxation thereon.
- In LIMITED these adjustments include £1,000,000 over-reserved at 31st December, 1945, on the Reserve for future British income tax. Adjustments relating to previous years of Dominion, Colonial and Foreign taxes are not included as these are offset by British taxation.
- X. See General Note (6).
- XI. In N.V. there is included in the amount of fl. 4,648,176 approximately fl. 1,700,000 representing profits retained under currency or dividend restrictions—see General Note (1) (b).

OF N.V. AND LIMITED.

LIMITED Groups which, with appropriate adjustments, have been compiled from the audited accounts of Lever Brothers & except as stated below, have been duly audited. The amounts included in respect of The United Africa Company (3) (a) on page 17. The accounts of a number of companies have not been audited but the assets and liabilities of estimate the extent to which the reserves of Lever Brothers & Unilever N.V. may be required to write down its in our opinion the Consolidated Accounts, amplified by the notes relating thereto, are properly drawn up so as to show

PRICE, WATERHOUSE & Co. }
COOPER BROTHERS & Co. } Chartered Accountants

STATEMENT G

CAPITAL EXPENDITURE AND DEPRECIATION

Representing a consolidation of the figures (some being at cost and others as valued at various dates) shown in the balance sheets of N.V. and LIMITED and their consolidated subsidiary companies, including provisions for depreciation set aside before the acquisition of interests in those companies.

Figures shown in italics represent deductions.

1945			N.V.	1946		
Land, Buildings and Plantations	Ships, Plant and Equipment	Total		Land, Buildings and Plantations	Ships, Plant and Equipment	Total
fl.	fl.	fl.		fl.	fl.	fl.
CAPITAL EXPENDITURE						
96.346.085	120.359.524	216.705.609	AT 1ST JANUARY *)	96.598.318	124.116.873	220.715.191
1.843.554	4.454.250	6.297.804	Expenditure	2.445.475	16.935.834	19.381.309
246.067	331.011	577.078	Proceeds of sales	1.129.904	2.613.700	3.743.604
			Inter-Group transfers and eliminations in respect of disposals, including war damage	2.120.013	544.940	2.664.953
2.026.725	1.354.893	3.381.618	AT 31ST DECEMBER	fl. 95.793.876	fl.137.894.067	fl.233.687.943
fl. 95.916.847	fl.123.127.870	fl.219.044.717				
DEPRECIATION						
36.662.265	81.428.654	118.090.919	AT 1ST JANUARY *)	39.338.227	86.341.786	125.680.013
2.987.922	6.451.652	9.439.574	Charged to revenue—Statement F Ia	3.200.588	8.264.475	11.465.063
701.115	208.848	492.267	Surpluses on disposals, including war damage claims	23.256	898.524	875.268
			Inter-Group transfers and eliminations in respect of disposals, including war damage	2.345.711	2.859.207	5.204.918
253.113	2.234.616	1.981.503	AT 31ST DECEMBER	fl. 40.169.848	fl. 92.645.578	fl.132.815.426
fl. 39.202.185	fl. 85.854.538	fl.125.056.723				

1945			N.V. and LIMITED	1946		
Land, Buildings and Plantations	Ships, Plant and Equipment	Total		Land, Buildings and Plantations	Ships, Plant and Equipment	Total
fl.	fl.	fl.		fl.	fl.	fl.
CAPITAL EXPENDITURE						
342.120.756	340.058.453	682.179.209	AT 1ST JANUARY *)	356.832.598	360.755.842	717.588.440
4.532.396	11.321.291	15.853.687	Expenditure	14.625.352	40.684.762	55.310.114
2.064.903	828.177	2.893.080	Proceeds of sales	5.245.186	4.988.452	10.233.638
			Eliminations in respect of disposals, including war damage	4.523.682	5.102.408	9.626.090
2.037.950	4.064.004	6.101.954	AT 31ST DECEMBER	fl.361.689.082	fl.391.349.744	fl.753.038.826
fl.342.550.299	fl.346.487.563	fl.689.037.862				
DEPRECIATION						
116.944.573	239.117.636	356.062.209	AT 1ST JANUARY *)	127.609.732	256.452.009	384.061.741
10.271.902	16.675.788	26.947.690	Charged to revenue—Statement F Ia	10.599.549	18.368.146	28.967.695
236.549	1.043.399	1.279.948	Surplus written back—Statement F III <i>d</i>	342.711	1.349.396	1.692.107
123.278	488.761	365.483	Surpluses on disposals, including war damage claims	1.169.029	1.933.146	3.102.175
			Eliminations in respect of disposals, including war damage	6.134.720	5.595.651	11.730.371
1.154.404	4.491.322	5.645.726	Transfer of provision for ships replacement	—	1.069.100	1.069.100
—	6.072	6.072	AT 31ST DECEMBER	fl.132.900.879	fl.270.877.354	fl.403.778.233
fl.125.702.244	fl.250.753.536	fl.376.455.780				

*) There are differences between the closing balances at 31st December, 1945, and the opening balances at 1st January, 1946, due to the latter including balances of companies not previously consolidated, the effect of valuations made as at 1st January, 1946, including that referred to in Note IXa on Statement E and fixed assets owned by companies acquired during the year.

STATEMENT H

TURNOVER OF PRINCIPAL COMMODITIES OF N.V. AND LIMITED GROUPS

(Excluding subsidiary companies not consolidated).

Supplies of marketable products—for use as raw materials—and services by one industry to other industries within the organisation are included in order to provide a proper ratio of turnover to capital employed and profits earned. The amounts include the full cost to any unit within the organisation of products which, although manufactured or processed by another concern unit, are marketable in their then condition in the normal course of trade.

In the case of production in the United Kingdom for the Ministry of Food and produce purchased for the West African Produce Control Board, a value has been included based on the Government controlled price.

1945			1946	
Metric Tons	fl.		Metric Tons	fl.
594.000	536.560.000	Margarine, Edible Oils and Fats	560.000	574.663.000
—	269.370.000	Other foods for human consumption	—	312.573.000
1.511.000	970.957.000	Other Vegetable and Animal Oils and Fats	1.479.000	1.014.084.000
1.187.000	154.121.000	Animal Feeding Stuffs	1.256.000	180.090.000
864.000	652.397.000	Soap and other Detergents	750.000	613.621.000
—	66.915.000	Toilet Preparations, including Perfumes	—	91.953.000
—	95.385.000	Miscellaneous manufactures, including Glycerine	—	103.970.000
855.000	193.111.000	Produce (mainly tropical produce handled by the United Africa Group)	891.000	303.154.000
—	301.540.000	Merchandise (mainly handled by the United Africa Group)	—	381.615.000
—	45.501.000	Services (including Ocean, River and Road Transport)	—	43.159.000
fl.3.285.857.000		TOTAL VALUE	fl. 3.618.882.000	

fl.		Represented by:—	fl.	
1.948.638.000		a. Sales to Third Parties	2.187.945.000	
703.179.000		b. Value of production for the Ministry of Food and produce purchased for the West African Produce Control Board	704.483.000	
634.040.000		c. Supplies of marketable products and services within the organisation	726.454.000	
fl.3.285.857.000			fl.3.618.882.000	
Expressed as percentages of the above total values:—				
fl. 139.969.523 or 4.26%		Direct taxation on profits	fl. 120.315.116 or 3.32%	
fl. 50.970.646 or 1.55%		Amount distributed as dividend (net) to shareholders of N.V. and LIMITED and outside shareholders of their subsidiary companies	fl. 66.852.173 or 1.85%	
—		Appropriated to Reserve for future British income tax	fl. 26.727.500 or 0.74%	
fl. 42.182.737 or 1.28%		Profit retained within the Organisation	fl. 31.217.721 or 0.86%	

STATEMENT I

PENSIONS

1945				1946		
N.V.	LIMITED	COMBINED		N.V.	LIMITED	COMBINED
10.100	36.200	46.300	EMPLOYEES COVERED BY COMPANIES' SCHEMES	12.200	35.600	47.800
fl.	£	fl.	COMPANIES' CONTRIBUTIONS DURING YEAR—	fl.	£	fl.
3.293.000	448.000	8.083.000	Contributions to Pension and Provident Funds	5.196.000	525.000	10.809.000
1.165.000	391.000	5.345.000	Pensions paid by the Companies supplementing those paid out of the Funds and lump sum payments on termination of service	1.315.000	525.000	6.928.000
1.044.000	433.000	5.673.000	Special provisions for future Pension liabilities	1.977.000	504.000	7.365.000
fl. 5.502.000	£1.272.000	fl. 19.101.000		fl. 8.488.000	£1.554.000	fl. 25.102.000
fl.	£	fl.	FUNDS ADMINISTERED BY TRUSTEES ON BEHALF OF MEMBERS—	fl.	£	fl.
31.453.000	15.944.000	201.910.000	Invested outside the Organisation	36.895.000	17.015.000	218.802.000
2.117.000	801.000	10.681.000	Invested inside the Organisation	2.544.000	1.813.000	21.927.000
fl. 33.570.000	£16.745.000	fl.212.591.000		fl. 39.439.000	£18.828.000	fl.240.729.000

STATEMENT J

CAPITAL EMPLOYED AND PROFITS DISTRIBUTED AND RETAINED 1937-1946

(000's omitted)

Year	Capital		Reserves	Outside Shareholders' Interests in Subsidiary Companies	Long Term Liabilities	Fixed Assets and Long Term Claims	Net Working Capital	Total Capital Employed	Consolidated Net Profit	Distributed		Retained
	Preference	Ordinary								Preference	Ordinary and Deferred	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
N.V.												
	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.
1937	127.823	169.064	107.230	80.538	52.654	544.700	106.975	651.675	24.974	5.000	12.824	7.150
1938	132.929	169.337	110.190	70.493	54.808	534.109	131.800	665.909	28.949	8.243	12.880	7.826
1939	138.132	169.350	—	—	—	—	—	—	—	—	—	—
1940	138.136	169.350	—	—	—	—	—	—	113.174	44.777	51.439	16.958
1941	138.136	169.350	—	—	—	—	—	—	(average 18.862)	(average 7.463)	(average 8.573)	(average 2.826)
1942	138.136	169.350	—	—	—	—	—	—	—	—	—	—
1943	138.136	169.350	—	—	—	—	—	—	—	—	—	—
1944	138.136	169.350	—	—	—	—	—	—	—	—	—	—
1945	172.006	169.350	188.002	41.226	107.299	579.532	198.357	777.889	18.079	6.866	7.643	3.570
1946	172.006	169.350	194.503	42.370	108.176	582.868	200.348	783.216	32.051	8.240	15.286	8.525

N.V. and LIMITED

	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.	fl.
1937	631.166	306.092	234.427	237.201	146.344	1,177.103	343.666	1,520.769	75.239	33.206	20.546	21.487
1938	636.272	306.365	247.035	228.389	147.202	1,164.001	365.269	1,529.270	75.497	36.493	20.367	18.637
1939	739.896	327.786	—	—	—	—	—	—	—	—	—	—
1940	739.902	327.882	—	—	—	—	—	—	—	—	—	—
1941	739.902	327.882	—	—	—	—	—	—	* 429.371	194.622	78.370	* 156.379
1942	739.902	327.882	—	—	—	—	—	—	(average 71.562)	(average 32.437)	(average 13.062)	(average 26.063)
1943	739.902	332.674	—	—	—	—	—	—	—	—	—	—
1944	739.902	332.674	—	—	—	—	—	—	—	—	—	—
1945	773.772	332.674	600.248	181.312	131.615	1,296.441	705.976	2,002.417	83.930	30.102	11.645	42.183
1946	773.772	333.678	656.323	182.910	109.796	1,313.436	725.249	2,038.685	* 88.391	33.800	23.373	* 31.218

* The combined figures for the Consolidated Net Profit (Col. 10) and the amount retained (Col. 13) for the year 1940 and onwards are shown after deduction of appropriations by the LIMITED Group to Reserve for future British income tax, which now stands at £6,500,000 (Statement E, IVc). The principal amounts appropriated to build up this Reserve were

1940: £1,778,548 1941: £2,007,297 1946: £2,500,000

If these appropriations are taken into account, the combined profit figures (Col. 10 and Col. 13) are increased by:

1939-1944: fl. 40,474,469 (average fl. 6,745,745); 1946: fl. 26,727,500.

NOTES.

- (a) Companies in which exactly 50% of the Ordinary Capital was held have not been consolidated since 1943.
- (b) For the years 1945 and 1946 the book value of interests in companies which, owing to the war, have not been consolidated is included in Col. (7).
- (c) Complete information is not available as to the N.V. position and results for the separate years of the war.
- (d) From 1941 to 1946 the N.V. Preference dividends (Col. 11) were reduced by 20% under the Decree of 1942.
- (e) The N.V. Preference Capital (Col. 2) for the year 1945 includes fl. 33,870,000 4% Redeemable Preference Capital issued in 1946 for which provision was made in 1944. This ranked for dividend from 1st January, 1946.
- (f) Rates of exchange to £1 adopted for the combined figures are: Ordinary Capital fl. 12.—. Other headings, 1937/8 fl. 9.—, 1939/46 fl. 10.691.

THE UNILEVER ORGANISATION

THE TECHNICAL DIVISION

At the annual meeting of LIMITED in October, 1945, the Chairman indicated that an endeavour would be made to issue from time to time descriptive information as to the Unilever organisation, with the object of giving shareholders a clearer picture of some of the operational problems involved in the conduct of their business, and of the methods by which these are met and constant progress and development ensured.

A start in this direction was made last year by the issue of a note on the overall structural organisation with an accompanying chart. This year an account is given of a single highly important part of the whole structure, the Technical Division, one of the chain of Advisory and Service Departments referred to last year in the general description of the Unilever Organisation.

PURPOSE AND BACKGROUND.

Put quite simply, the duty of this Division is to ensure that the best scientific and technical knowledge is available to the organisation; that research and experiment towards new developments are maintained as a permanent and continuous process; and that this accumulated knowledge and experience, whether of existing practice or of progress in new directions, are not only at the disposal of the operating staffs throughout the world, but are used by them.

Since Unilever activities embrace a number of separate industries, covering many widely differing markets and including actual manufacturing plants in more than forty countries, the background against which the task of the Technical Division has to be carried out adds to the complexity of the task. Again, there is great variety between areas and units, whether in the scale of their operations or in the extent to which the units themselves have scientific or technical staff and resources of their own.

Appropriate technical staffs are maintained at all operating units. These vary in size from those with several hundred technical members on their staffs to small units with only two.

Serving, as it does, so many different people and units, so differently circumstanced from one another, the Division has to operate with extreme flexibility. Through its many activities it strives:

- (a) to maintain its own technical outlook on the highest and most up-to-date level;
- (b) to act as a clearing house to and from which a continuous flow of technical information is maintained between the various operating units, thus ensuring that new ideas, improvements or developments arising in any one section of the Unilever group are made available to all other sections in which they may prove of interest or value;
- (c) to encourage and assist research and technical development within the various areas, while at the same time preventing overlapping;

- (d) to be ready at all times to augment the technical resources of any unit, and if necessary to relieve it of major operations or of work which would overstrain the capacity of its existing staff.

An outline follows of how the Division is organised to attain these ends, and the methods which it employs.

ORGANISATION.

The Technical Division is based upon the London Head Office, and serves the needs of the N.V. and LIMITED Companies throughout the world.

It is in essence a small team of picked men, each of experience in some industry in which Unilever is engaged, working together under the chairmanship of a member of the Boards of the two Companies, who himself, besides possessing the requisite technical knowledge, has a wide general knowledge of the business as a whole. In framing the purposely simple organisation of the Division, regard has been had to the following principles:—

- (a) it should be small in size (it has at present eight members, supported by a small group of skilled assistants);
- (b) its members should be selected for the breadth of their experience in industry as well as for their technical qualifications;
- (c) these members should be highly mobile;

and of fundamental importance—

- (d) the Division should act in an advisory and service capacity, leaving executive decisions and action to the managements concerned.

METHODS.

The Technical Division is careful to avoid blunting the initiative of the manufacturing units by regimentation. The Division's influence depends ultimately upon the extent to which it can command the confidence of the various managements throughout the world, a confidence which happily does exist. This confidence has been built up over a long period of careful study of individual

personalities, problems and needs. It is maintained by constant interchange of visits, and detailed discussions between members of the Technical Division and the operating managements in the front line. These close contacts are invaluable to the operating units, for apart from technical problems of the moment, their long-term needs can thus be kept well to the fore, and the energies of the Technical Division directed to serving those needs. Conversely, to the extent that the members realise that they do serve those needs, so is their enthusiasm for their own work quickened.

ADVISORY CAPACITY.

On the advisory side the Division proceeds along two main lines: the first towards ensuring that all information which might increase efficiency is made available throughout the organisation; the second towards providing a consultative service on any *ad hoc* problems.

As to the first, arrangements are made to keep the technical staffs in all parts of the world abreast of whatever literature is appropriate, and to enable them to maintain contact with other organisations with similar interests. To ensure that information and experience gained within the organisation are used to the best advantage is a harder task. When an operating unit makes a discovery of importance it can be relied upon to report it to the Division, but many improvements in quality or methods of manufacture occur in gradual stages which may seem scarcely worth reporting at the time; yet these have all to be watched, since any of them may be the turning point in some considerable advance. Much first-hand information is acquired through the numerous visits to operating managements. Regular progress reports from travelling members of the Division provide a steady flow of material, and the total information to be collated and sifted from month to month is very considerable. The needs of the various units vary greatly, both in the nature of their operations and in their field of operation. What may be of interest to a soap company in the United Kingdom may or may not be of interest to a similar company in South America. The same information may, or may not, also interest a margarine or edible oil company. Merely to circulate information in some formal way to operating managements, whose preoccupation with their particular business may prevent them from seeing at first its value to them, would be inadequate. The Division makes a practice, therefore, of indicating the particular application of any information to any individual unit, not only saving the time of unit managements, but establishing the Technical Division in their minds as something far more than a post-box. Even so, the mere circulation of information, however well directed, would not be sufficient without the intimate knowledge which members of the Division already possess of the units and plants, and the personal touch they have with the managements concerned.

CONSULTATIVE CAPACITY.

On the consultative side, the Division advises upon all kinds of questions arising in the course of unit operations,

when scientific or other technical guidance is needed. Such cases range over a wide field, and may be general or particular. Our businesses in the Netherlands and the United States have their own advanced Technical Departments; they need to refer to the Division only on particular matters of major importance. Others, however, use the Division constantly on more general matters, and these consultative services are found to be of great value.

TECHNICAL AND ENGINEERING SERVICES.

Beyond its advisory activities, the Division seeks to ensure that the technical personnel throughout the organisation is adequate in number and of a sufficiently high standard. Further, within the strict limits of engineering and research, the Division also provides certain *ad hoc* services. The large undertakings, as already indicated, carry a technical administration and staff capable of ensuring the highest level of efficiency, and they can themselves deal with their engineering problems. The managements in countries where our interests are not so great employ only such engineering staff as is necessary for their current needs; extensions and alterations of any importance are beyond their scope and for this reason an Engineering Service Department exists within the Technical Division.

This department undertakes, particularly in regard to some overseas groups, the design and layout of new factories, extensions and alterations to existing installations, the placing of orders and contracts, and the supervision of actual construction and equipment. It is also used for investigations relating to engineering practice within the many industries covered by the Unilever organisation, since these can be more efficiently and economically carried out by a central service. A wealth of experience is thus accumulated and made available to the whole organisation.

A good example of the operation of the Engineering Department is provided by the development of a new unit comprising a seed crushing, soap and edible oil factory situated in a country as yet undeveloped industrially. The initiative would originate from the responsible group management. The project, involving the establishment of up-to-date plant in an area where adequate power facilities or public water supply are not at present available, would almost certainly be beyond the scope of the local management, and would therefore become the responsibility of the Technical Division. A thorough study would be made on the site, to which the Engineering Department would bring to bear experience gained in the erection of similar plant in other parts of the world. Finally plans would be produced, and after study and discussion, approved by the local management, the group management responsible, and ultimately by the Board.

SCIENTIFIC RESEARCH.

Unilever's scientists throughout the world are engaged on continuous research work connected with our many and varied activities. The scope of some of their activities is limited, as will be understood, by the facilities available on the spot, and as a rule work of this kind done in the operating units and the group managements is designed

to meet local problems, though it may prove to have wider application.

The principal centres at which research work is carried out are in the United Kingdom, the United States and the Netherlands. The Technical Division being responsible for the co-ordination of research at all levels, it also provides the vital link between scientific study and everyday business operations, and keeps research in line with the needs of our operating units. The structure and organisation of the Division enable it to keep in close touch with policy through its chairman being a member of the main Boards, and through its members being in daily contact with the Head Office managements who are responsible

for the various sides of the business. Thus the Division has the knowledge necessary to guide research in the right direction, and to instil into the research staffs enthusiasm and an understanding of the purpose of their work, without which much of it could be wasted or misdirected. At the same time the Division's constant touch with the operating units enables it to measure results by learning from personal contact with the men on the spot just how valuable in practice any particular piece of research work may have been.

The Technical Division has established itself as an essential part of the Unilever organisation, and is making a valuable contribution to its progress and success.

