



Unilever in 1986

ANNUAL ACCOUNTS

ENGLISH VERSION IN GULDERS



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Introduction

This booklet contains the Unilever N.V. Annual Accounts for 1986, the Auditors' Report thereon, further statutory information (including where necessary a reference to the Chesebrough-Pond's Inc. Consolidated Financial Statements), and the company balance sheet of Unilever PLC. The Unilever N.V. Annual Accounts comprise the company accounts on the historical cost basis of Unilever N.V., and the consolidated accounts on the historical cost basis of the N.V. Group, the PLC Group and the combined N.V. and PLC Groups, together with supplementary current cost information on the combined N.V. and PLC Groups. Currency figures in the Unilever N.V. Annual Accounts are expressed in guilders, except where stated otherwise.

This booklet is an English translation of the original Dutch publication. There is also an English version issued by PLC with currency figures expressed in pounds sterling and containing the Unilever PLC Annual Accounts for 1986 together with the Auditors' Report thereon; it is identical with this booklet except for the difference in currency and for certain details which are required only in the United Kingdom or in the Netherlands and which are therefore not included in the N.V. or PLC versions respectively.

The Unilever N.V. Directors' Report for 1986, with figures expressed in guilders, is contained in a separate booklet entitled 'Unilever in 1986, Annual Report and Salient Figures' which is available in Dutch and in an English translation. In addition there is an English version with figures translated into US dollars, as well as an English version issued by Unilever PLC with figures in pounds sterling.

The documents 'Unilever in 1986, Annual Report and Salient Figures' and 'Unilever in 1986, Annual Accounts' in the Dutch language, with figures expressed in guilders, together where necessary with the Chesebrough-Pond's Inc. Consolidated Financial Statements for 1986, comprise the full Annual Report and Accounts and further statutory information, drawn up in accordance with Dutch legislation.

Copies of both Unilever documents and of all other versions thereof, together with copies of the Chesebrough-Pond's Inc. Consolidated Financial Statements for 1986, can be obtained without charge on application to: Unilever N.V., External Affairs Department, PO Box 760, 3000 DK Rotterdam, or Unilever PLC, External Affairs Department, PO Box 68, Unilever House, London EC4P 4BQ.

Unilever

The two parent companies, Unilever N.V. and Unilever PLC, operate as nearly as practicable as a single company, have identical Boards of Directors and are linked by agreements, including an Equalisation Agreement which is designed so that the position of the shareholders of both companies is as nearly as possible the same as if they held shares in a single company. The combined affairs of N.V. and PLC are, therefore, more important to shareholders than those of the two separate companies.

Consequently, combined accounts are prepared for Unilever N.V. and Unilever PLC which comprise an aggregation of the consolidated accounts of Unilever N.V. and its group companies and the consolidated accounts of Unilever PLC and its group companies.

The Equalisation Agreement, amongst other things, provides for both companies to adopt the same principles of accountancy and requires as a general rule the dividends and other rights and benefits (including rights on liquidation) attaching to each Fl. 12 nominal of ordinary capital of N.V. to be equal in value at the relevant sterling/guilder rate of exchange to those attaching to each £1 nominal of ordinary share capital of PLC as if each such unit formed part of the ordinary capital of one and the same company.

Companies legislation

The accounts set out on pages 2 to 39 have been prepared under the historical cost convention with the exception of pages 26 and 27, where current cost information has been presented. The accounts comply with Civil Code, Book 2 in the Netherlands and the United Kingdom Companies Act 1985.

Accounting standards

The accounts comply with Accounting Standards (SSAPs) in the United Kingdom, except for the treatment of deferred taxation as explained below, and with current Dutch accounting principles.

United Kingdom Accounting Standard SSAP 15 requires that no provision should be made for deferred taxation when it is probable, based on reasonable assumptions, that a liability will not crystallise. In this respect SSAP 15 is not in agreement with Dutch law as currently applied and, because of that and the Equalisation Agreement, full provision continues to be made for deferred taxation liabilities. The effects of this departure from SSAP 15 are shown in the notes to the accounts.

OECD Guidelines

In preparing our Report and Accounts we adhere to the disclosure recommendations of the OECD Guidelines for Multinational Enterprises.

Group companies

With the exception of the Chesebrough-Pond's group of companies acquired on 30th December, 1986, to which reference is made on page 5, companies included in the consolidation of N.V. (N.V. group companies) are the companies in which, directly or indirectly, N.V. holds more than half of the total issued capital and companies in which, directly or indirectly, N.V. holds half or less of the total issued capital where their consolidation is in accordance with the true and fair view required to be given by the accounts.

Companies included in the consolidation of PLC (PLC group companies) are those in which, directly or indirectly, PLC holds more than half of the equity capital and those in which, directly or indirectly, PLC is a shareholder and controls the composition of a majority of the board of directors.

The figures of all group companies are included in the consolidated accounts as at 31st December. In the 1985 accounts some group companies in Africa had prepared their annual accounts to 30th September and were included on that basis. The additional three months' turnover and profits included in the 1986 consolidated accounts as a consequence of this change are not material.

A list of principal group companies is given on pages 28 to 30.

Related companies

Related companies (associated companies and trade investments) are those, other than group companies, in which N.V. or PLC directly or indirectly has a shareholding, on a long-term basis, for the purpose of securing a contribution to the Group's activities.

Associated companies are related companies in respect of which N.V. or PLC is in a position to exercise significant influence. The results of associated companies included in the consolidated accounts are for periods ending not earlier than 30th June.

Trade investments are related companies other than associated companies.

A list of principal related companies is given on page 31.

Foreign currencies

Exchange differences arising in the accounts of individual companies from transactions denominated in foreign currencies are dealt with in the individual companies' profit and loss accounts. Those arising on trading transactions are taken to operating profit; those arising on cash, current investments and borrowings are considered similar in nature to the interest on the corresponding asset or liability and are therefore included with interest receivable or interest payable as appropriate. The amounts involved are shown in notes (5) and (6) on page 10.

In preparing the consolidated accounts of N.V. in guilders and of PLC in sterling, profit and loss accounts for the year and assets and liabilities at the year end are translated at year-end rates of exchange. The effect of exchange rate changes during the year on the assets and liabilities at the beginning of the year is recorded as a movement in profit retained.

In arriving at the combined figures in guilders or sterling, the figures for N.V. in guilders or PLC in sterling are translated at the year-end sterling/guilder exchange rate, except for the ordinary capital of N.V. or PLC, which is translated at the Equalisation Agreement rate of £1 = Fl. 12. The effect of restating the assets and liabilities of N.V. or PLC at the beginning of the year at the year-end sterling/guilder exchange rate is described as sterling/guilder realignment and is shown as a movement in profit retained.

Fixed assets

No value is attributed to intangible assets. Purchased goodwill, being the difference between the price paid for new interests and the fair value of the Group's share of their net assets at the date of acquisition, is written off in the year as a movement in profit retained.

Tangible assets are stated at cost (net of capital-based grants) less depreciation. Depreciation is provided by the straight-line method at percentages of cost based on the expected average useful lives of the assets. Estimated useful lives by major class of depreciable assets are as follows, the range of lives within each class reflecting the diversity of the assets:

Freehold buildings (no depreciation on freehold land)	33-40 years
Leasehold land and buildings (or life of lease if less than 33 years)	33-40 years
Plant and equipment	5-20 years
Motor vehicles	3- 6 years
Ships	10-20 years

Attention is drawn to note (8) on page 12.

Fixed investments comprise interests in and loans to related companies and other investments held on a continuing basis.

Interests in associated companies are stated in the consolidated balance sheets at the Group's share of their net assets; the Group's share of associated companies' profits and losses is included in the consolidated profit and loss accounts; and its share of their retained profits and reserves accrued since acquisition, or since the initial investment where a company has changed from being a group company to an associated company, is included in consolidated profit retained.

Trade investments are stated at cost less amounts written off and dividends from these shareholdings are accounted for when received.

Other fixed investments, which are stated at cost less amounts written off, consist of long-term shareholdings in companies that are not group companies or related companies and long-term loans other than to group companies or related companies.

Current assets

Stocks are stated at the lower of cost and estimated net realisable value, after provisions for obsolescence. Cost is mainly average cost. It comprises direct costs and, where appropriate, a proportion of production overheads.

Debtors are stated after deducting adequate provision for doubtful debts.

Current investments are liquid funds temporarily invested and are shown at their realisable value, the difference between this and cost being taken to other interest receivable and similar income in the profit and loss accounts.

Provisions for liabilities and charges

Liabilities in respect of retirement and death benefits to past and present employees are provided for by payments to pension and provident funds and by making provisions for unfunded pensions. The amounts of the payments/charges are determined on an actuarial basis so that over the long term the funds and provisions will be adequate to meet the liabilities. The provisions for unfunded pensions and similar obligations represent the estimated present value of the future liability for retirement and death benefits, other than benefits provided through pension and provident funds, after taking account of future charges.

Deferred taxation, calculated at current rates of tax unless future rates have been enacted, includes:

- (a) tax liabilities arising from the accelerated depreciation of tangible assets for tax purposes;
- (b) tax liabilities relating to stock reliefs;
- (c) estimated future tax relief on the provisions for unfunded pensions;
- (d) tax on short-term and other timing differences;
- (e) provision for taxation on the revaluation of the net assets of new interests acquired.

Provision is not regarded as necessary, and is not made, for taxation which would become payable if retained profits of group companies and associated companies were distributed to the parent companies, as it is not the intention to distribute more than the dividends the tax on which is included in the accounts.

The deferred taxation provisions which would be released if SSAP 15 were applied are given for information in notes (7) and (18) on pages 11 and 20.

Research and development

Expenditure on research and development is charged against the profit of the year in which it is incurred.

Turnover

Turnover comprises sales of goods and services after deduction of discounts and sales taxes. It includes sales to related companies but does not include sales by related companies or sales between group companies.

Inter-group pricing for goods and services

International trade in own manufactured goods between group companies is relatively unimportant, amounting to less than 7% of sales to third parties and related companies. The preferred method for determining the transfer prices is to take the market price; where there is no market price, the two managements concerned engage in arm's length negotiations. Normally this will lead to a price fixed at ex-works cost plus an appropriate percentage for a profit mark-up. Where required the method employed is discussed and agreed with the government authorities of the countries concerned.

General services provided by central advisory departments and research laboratories are charged to group companies on the basis of fees under agreements approved where necessary by the government authorities of the countries concerned.

Where a central purchasing department buys goods for a group company for use in its production, then that company is either treated as the buyer in the contract or is given the benefit of the central purchasing department's contract price.

However, where a specialist buying service is provided directly by one unit for another, an appropriate commission is generally either included in the price or shown on the face of the relevant documents. In most of these cases the method applied is based on agreements with the taxation and other government authorities of the countries concerned.

Leases

Lease rental payments, which are principally in respect of operating leases, are charged to the profit and loss accounts on a straight-line basis over the lease term, or between rent reviews where these exist, except in cases where another systematic and rational basis is more appropriate.

Current cost information

The mandatory status of United Kingdom Accounting Standard SSAP 16 having been withdrawn, the opportunity has been taken to review the presentation of current cost information. The only significant changes from the presentation in earlier years, apart from a reduction of detail, are that information is given only for the Combined N.V. and PLC Groups and, in accordance with normal Netherlands practice, full provision for deferred taxation is now included. In previous years deferred taxation was provided on a SSAP 15 basis, with the effect of full provision for deferred taxation given by way of note. For further details of the accounting policies followed in preparing the current cost information see page 26.

Chesebrough-Pond's group of companies

Unilever's offer for Chesebrough-Pond's Inc. was declared unconditional on 30th December, 1986 and legal ownership of 95.4% of the company's stock vested on that date, the company thus becoming a Unilever subsidiary.

Significant parts of the Chesebrough-Pond's group are intended for early disposal and steps are actively being taken to sell them. Completion of the complex process of attributing fair values to the worldwide assets and liabilities of the remaining businesses, and of restating them in accordance with Unilever's accounting policies, would have given rise to a delay in the preparation of Unilever's group accounts disproportionate to the value of the information to shareholders. In view of the temporary nature of Unilever's control over significant parts of the Chesebrough-Pond's group, and the imprecision with which the remaining parts could be valued in the time available, it is considered that the true and fair view in the Unilever 1986 Annual Accounts is better served by not consolidating Chesebrough-Pond's Inc. and its subsidiaries.

Accordingly, the Unilever investment in Chesebrough-Pond's Inc. is included in the group accounts at cost. It is expected that, following the revaluation and restatement of the assets and liabilities of the Chesebrough-Pond's group in 1987, a substantial part of the purchase consideration will relate to intangible assets and goodwill.

A summary of the audited consolidated balance sheet of Chesebrough-Pond's Inc. and its subsidiaries as at 31st December, 1986, prepared in US dollars under United States' generally accepted accounting principles and translated into guilders at the year-end rate of exchange, appears in note (9) on page 14.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

for the year ended 31st December

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
66 771	55 363	Turnover (1)	40 790	36 146	25 981	19 217
(45 783)	(35 749)	Cost of sales (2)	(27 059)	(22 439)	(18 724)	(13 310)
20 988	19 614	Gross profit	13 731	13 707	7 257	5 907
(10 770)	(10 201)	Distribution and selling costs (2)	(7 665)	(7 632)	(3 105)	(2 569)
(6 568)	(5 913)	Administrative expenses (2)	(3 998)	(3 800)	(2 570)	(2 113)
147	132	Other operating income	54	79	93	53
3 797	3 632	Operating profit (3)	2 122	2 354	1 675	1 278
302	166	Income from fixed investments (4)	36	81	266	85
494	579	Other interest receivable and similar income (5)	348	370	146	209
(779)	(683)	Interest payable and similar charges (6)	(540)	(508)	(239)	(175)
17	62	Financial items	(156)	(57)	173	119
3 814	3 694	Profit on ordinary activities before taxation	1 966	2 297	1 848	1 397
(1 591)	(1 429)	Taxation on profit on ordinary activities (7)	(862)	(845)	(729)	(584)
2 223	2 265	Profit on ordinary activities after taxation	1 104	1 452	1 119	813
(159)	(121)	Outside interests in group companies	(80)	(62)	(79)	(59)
2 064	2 144	Profit on ordinary activities attributable to shareholders	1 024	1 390	1 040	754
(16)	(16)	Preference dividends	(15)	(15)	(1)	(1)
(718)	(751)	Dividends on ordinary capital	(474)	(490)	(244)	(261)
1 330	1 377	Profit of the year retained	535	885	795	492
1 330	1 377	Movements in profit retained				
(152)	(572)	Profit of the year retained	535	885	795	492
(1 526)	(799)	Goodwill	(132)	(550)	(20)	(22)
(209)	(1 234)	Effect of exchange rate changes	(743)	(557)	(783)	(242)
		Sterling/guilder realignment	-	-	(209)	(1 234)
(557)	(1 228)	Net movements during year	(340)	(222)	(217)	(1 006)
12 908	12 351	Profit retained - 1st January	6 280	5 940	6 628	6 411
12 351	11 123	Profit retained - 31st December (20)	5 940	5 718	6 411	5 405
1985	1986	Combined earnings per share				
		(for details of calculation see page 25)				
Fl. 36.79	Fl. 38.22	Guilders per Fl. 20 of ordinary capital				
137.96p	177.55p	Pence per 25p of ordinary capital				
Fl. 39.05	Fl. 39.61	On a SSAP15 basis the figures would be:				
146.31p	184.02p	Guilders per Fl. 20 of ordinary capital				
		Pence per 25p of ordinary capital				

References between brackets relate to notes on pages 9 to 11 and 23.

CONSOLIDATED BALANCE SHEETS

as at 31st December

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
12 162	11 316	Fixed assets				
–	6 438	Tangible assets (8)	7 305	7 235	4 857	4 081
1 246	795	Investment in Chesebrough-Pond's Inc. (9)	–	6 438	–	–
		Fixed investments (10)	498	485	748	310
13 408	18 549		7 803	14 158	5 605	4 391
		Current assets				
9 744	8 210	Stocks (11)	5 679	5 044	4 065	3 166
8 259	7 327	Debtors (12)	5 229	4 880	3 030	2 447
3 492	6 467	Current investments (13)	1 840	5 435	1 652	1 032
2 398	3 997	Cash at bank and in hand (14)	1 664	2 426	734	1 571
23 893	26 001		14 412	17 785	9 481	8 216
		Less:				
3 919	7 146	Creditors due within one year				
9 404	8 507	Borrowings (15)	3 063	5 613	856	1 533
	6 438	Trade and other creditors (16)	6 139	5 895	3 265	2 612
1 020	945	Unpaid acceptances from previous shareholders of Chesebrough-Pond's Inc. (9)	–	6 438	–	–
502	531	Taxation on profits	575	559	445	386
		Dividends	330	346	172	185
9 048	2 434	Net current assets/liabilities	4 305	(1 066)	4 743	3 500
22 456	20 983	Total assets less current liabilities	12 108	13 092	10 348	7 891
		Creditors due after more than one year				
2 587	2 678	Borrowings (15)	2 125	2 166	462	512
228	280	Trade and other creditors (16)	161	226	67	54
191	239	Taxation on profits	82	77	109	162
2 978	3 166	Provisions for liabilities and charges				
2 258	1 800	Pensions and similar obligations (17)	2 331	2 576	647	590
		Deferred taxation and other provisions (18)	1 258	1 089	1 000	711
–	–	Inter-group N.V./PLC	(1 085)	34	1 085	(34)
684	563	Outside interests in group companies	356	266	328	297
1 399	1 396	Capital and reserves				
87	81	Called up share capital (19)	905	905	494	491
12 044	10 780	Share premium account	52	52	35	29
		Profit retained and other reserves (20)	5 923	5 701	6 121	5 079
13 530	12 257		6 880	6 658	6 650	5 599
22 456	20 983	Total capital employed	12 108	13 092	10 348	7 891

31st March, 1987

References between brackets relate to notes on pages 12 to 23.

CONSOLIDATED SOURCE AND USE OF FUNDS

for the year ended 31st December

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
3 814	3 694	Funds generated from operations				
		Profit on ordinary activities before taxation	1 966	2 297	1 848	1 397
		Elimination of items not involving a flow of funds:				
1 385	1 282	Depreciation	837	851	548	431
231	361	Unfunded pension provisions less payments	284	294	(53)	67
(130)	(77)	Share of associated companies' profit before taxation, less dividends received	(7)	(31)	(123)	(46)
41	(24)	Others	114	(34)	(73)	10
5 341	5 236		3 194	3 377	2 147	1 859
		Funds from other sources				
(473)	330	Increase/decrease in borrowings due after more than one year	(60)	189	(413)	141
4 868	5 566	Total sources	3 134	3 566	1 734	2 000
		Payments for:				
(1 406)	(1 317)	Taxation	(759)	(838)	(647)	(479)
(690)	(704)	Dividends	(464)	(488)	(226)	(216)
(2 363)	(1 932)	Capital expenditure, less disposals	(1 500)	(1 267)	(863)	(665)
402	(605)	Purchase/sale of group companies (21)	(264)	(816)	666	211
57	25	Purchase/sale of fixed investments	4	26	53	(1)
		Increase/decrease in:				
(27)	209	Stocks	(118)	182	91	27
(476)	(189)	Debtors	(435)	(109)	(41)	(80)
891	428	Trade and other creditors	749	388	142	40
-	-	Inter-group N.V./PLC	(1 139)	910	1 139	(910)
(257)	(303)	Other uses	(199)	(189)	(58)	(114)
(3 869)	(4 388)	Total uses	(4 125)	(2 201)	256	(2 187)
999	1 178	Net increase/decrease in net liquid funds	(991)	1 365	1 990	(187)
323	1 971	Net liquid funds 1st January	998	441	(675)	1 530
628	464	Effect of exchange rate changes	434	442	194	22
21	(295)	Sterling/guilder realignment	-	-	21	(295)
972	2 140	Revised opening funds	1 432	883	(460)	1 257
999	1 178	Net increase/decrease in net liquid funds	(991)	1 365	1 990	(187)
1 971	3 318	Net liquid funds 31st December	441	2 248	1 530	1 070
		of which:				
3 492	6 467	Current investments	1 840	5 435	1 652	1 032
2 398	3 997	Cash at bank and in hand	1 664	2 426	734	1 571
(3 919)	(7 146)	Borrowings due within one year	(3 063)	(5 613)	(856)	(1 533)

The figures in the above statement are derived from movements between opening and closing balance sheet totals. Adjustments are, however, made to these movements to remove the effect of exchange rate changes (page 6), sterling/guilder realignment (page 6) and the purchase/sale of group companies (note (21) on page 23).

Reference between brackets relates to note on page 23.

NOTES TO THE CONSOLIDATED ACCOUNTS

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
(1) Turnover						
Analysis by geographical areas:						
42 381	33 823	Europe	27 055	23 334	15 326	10 489
11 553	9 726	North America	9 662	8 343	1 891	1 383
12 837	11 814	Rest of the World	4 073	4 469	8 764	7 345
66 771	55 363		40 790	36 146	25 981	19 217
Analysis by operations:						
33 930	27 536	Food products	22 901	19 293	11 029	8 243
16 242	15 566	Detergents and personal products	11 143	11 063	5 099	4 503
4 785	4 192	Speciality chemicals	3 864	3 357	921	835
11 814	8 069	Other operations	2 882	2 433	8 932	5 636
66 771	55 363		40 790	36 146	25 981	19 217
(2) Costs						
(45 783)	(35 749)	Cost of sales	(27 059)	(22 439)	(18 724)	(13 310)
(10 770)	(10 201)	Distribution and selling costs	(7 665)	(7 632)	(3 105)	(2 569)
(6 568)	(5 913)	Administrative expenses	(3 998)	(3 800)	(2 570)	(2 113)
(63 121)	(51 863)		(38 722)	(33 871)	(24 399)	(17 992)
These comprise:						
(9 180)	(7 982)	Remuneration of employees	(5 852)	(5 356)	(3 328)	(2 626)
(12)	(11)	Emoluments of Directors	(6)	(6)	(6)	(5)
(950)	(839)	Unilever pension schemes	(606)	(584)	(344)	(255)
(445)	(408)	State pension costs	(351)	(332)	(94)	(76)
(825)	(761)	Other social security costs	(674)	(633)	(151)	(128)
(6)	(5)	Superannuation of former Directors	(3)	(3)	(3)	(2)
(11 418)	(10 006)	Total staff costs	(7 492)	(6 914)	(3 926)	(3 092)
(37 312)	(28 319)	Raw materials and packaging	(21 765)	(17 372)	(15 547)	(10 947)
(1 385)	(1 282)	Depreciation	(837)	(851)	(548)	(431)
(123)	(103)	Lease rentals: Plant and machinery	(73)	(71)	(50)	(32)
(299)	(289)	Other tangible assets	(208)	(216)	(91)	(73)
(28)	(19)	Auditors' remuneration	(14)	(11)	(14)	(8)
(137)	(221)	Exceptional items (e.g. disposals and reorganisations)	(144)	(75)	7	(146)
(12 419)	(11 624)	Services and other costs	(8 189)	(8 361)	(4 230)	(3 263)
(63 121)	(51 863)		(38 722)	(33 871)	(24 399)	(17 992)

Fl. million

Combined		N.V.		PLC	
1985	1986	1985	1986	1985	1986
(3) Operating profit					
Analysis by geographical areas:					
2 083	2 047	1 381	1 574	702	473
432	369	395	353	37	16
1 282	1 216	346	427	936	789
3 797	3 632	2 122	2 354	1 675	1 278
Analysis by operations:					
1 958	1 973	1 331	1 497	627	476
699	815	229	420	470	395
508	441	385	332	123	109
632	403	177	105	455	298
3 797	3 632	2 122	2 354	1 675	1 278
(4) Income from fixed investments					
230	117	21	47	209	70
Share of associated companies' profit before taxation					
Income from trade investments:					
47	12	3	7	44	5
13	12	2	4	11	8
Income from other investments:					
9	22	7	20	2	2
3	3	3	3	—	—
302	166	36	81	266	85
Income from trade investments - listed shares includes in 1985 a Fl. 40 million profit on the sale of a trade investment.					
(5) Other interest receivable and similar income					
473	518	326	365	147	153
21	61	22	5	(1)	56
494	579	348	370	146	209
(6) Interest payable and similar charges					
(629)	(626)	(388)	(506)	(241)	(120)
(127)	(81)	(113)	(25)	(14)	(56)
(23)	24	(39)	23	16	1
(779)	(683)	(540)	(508)	(239)	(175)
(386)	(326)	(277)	(228)	(109)	(98)
Interest on borrowings, the final repayment of which will be made within five years, amounted to					

NOTES TO THE CONSOLIDATED ACCOUNTS

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
(7) Taxation on profit on ordinary activities						
Current year:						
(1 469)	(1 464)	Parent and group companies	(852)	(909)	(617)	(555)
(110)	(47)	Associated companies	(10)	(13)	(100)	(34)
(1 579)	(1 511)		(862)	(922)	(717)	(589)
Adjustments previous years:						
12	82	Parent and group companies	-	77	12	5
(24)	-	Associated companies	-	-	(24)	-
(12)	82		-	77	(12)	5
(1 591)	(1 429)		(862)	(845)	(729)	(584)
Full provision has been charged for deferred taxation, as explained on page 2, in respect of:						
(104)	(16)	Accelerated depreciation	(115)	(9)	11	(7)
75	55	Stock reliefs	75	55	-	-
48	133	Unfunded pension and other provisions	77	101	(29)	32
19	172		37	147	(18)	25
On a SSAP 15 basis this charge would be adjusted by:						
146	174	Accelerated depreciation	142	100	4	74
(12)	(116)	Other	(49)	(77)	37	(39)
134	58		93	23	41	35
2 357	2 323	Profit on ordinary activities after taxation on a SSAP 15 basis would amount to	1 197	1 475	1 160	848
The charge for PLC Parent and group companies comprises:						
					(459)	(399)
					260	239
					(418)	(395)
					(617)	(555)
The close company provisions of the United Kingdom Income and Corporation Taxes Act 1970 do not apply to PLC.						

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
3 916	3 605	(8) Tangible assets at cost less depreciation				
7 310	6 843	Land and buildings ^{a)}	2 356	2 339	1 560	1 266
		Plant and machinery	4 369	4 366	2 941	2 477
936	868	Payments on account and assets in course of construction	580	530	356	338
12 162	11 316		7 305	7 235	4 857	4 081
475	483	^{a)} includes: freehold land	325	342	150	141
45	33	leasehold land - long-term (50 years or over)	5	2	40	31
8	9	leasehold land - short-term	3	5	5	4
1 784	1 717	At 31st December, capital expenditure authorised by the Boards and not spent amounted to	1 089	1 145	695	572
530	531	Of these amounts commitments had been entered into for	299	376	231	155

A review of Unilever's methods and rates of depreciation has recently been completed. This review has indicated the need for two changes, and these are to be made with effect from 1st January, 1987:

(a) For many years the composite method of depreciation, under which average rates of depreciation are applied to groupings of fixed assets, has been widely used by Unilever. Key characteristics of the method are that depreciation of individual assets continues until retirement, whether or not the individual asset is fully depreciated, and profits and losses on the retirement of assets are retained within the cumulative depreciation provision.

With the increasingly divergent pace of technological change it is now considered more appropriate to the present needs of the business to depreciate assets individually, in line with more conventional practice. This change of method is expected to lead to a reduction in the accumulated Group provision for depreciation, and therefore to an increase in the net book value of tangible assets, of approximately Fl. 900 million at 1st January, 1987. The increase, less additional deferred taxation of approximately Fl. 400 million, will be taken direct to retained profits in the Annual Accounts for 1987. The requirement in United Kingdom SSAP 12, that a change from one method of depreciation to another should not give rise to a change of net book value, cannot be applied in this case in view of the characteristics of the composite method referred to above.

The change of method is estimated to increase operating profit in 1987 by approximately Fl. 45 million. In view of the small impact of the change on an annual basis, the profits of earlier years will not be restated.

(b) The rates of depreciation for certain categories of plant are to be reduced. In accordance with normal practice in such circumstances the net book value of the plant will remain unchanged. The reduction in rates of depreciation is expected to increase operating profit in 1987 by approximately Fl. 90 million.

NOTES TO THE CONSOLIDATED ACCOUNTS

Fl. million

	Cost			Depreciation			Net		
	Combined	N.V.	PLC	Combined	N.V.	PLC	Combined	N.V.	PLC
Tangible assets (continued)									
Movements during the year:									
Land and buildings									
1st January	5 607	3 553	2 054	1 691	1 197	494	3 916	2 356	1 560
Exchange rate changes	(279)	(281)	2	(79)	(75)	(4)	(200)	(206)	6
Sterling/guilder realignment	(395)	—	(395)	(95)	—	(95)	(300)	—	(300)
Expenditure	129	71	58	—	—	—	129	71	58
Disposals	(247)	(131)	(116)	(91)	(47)	(44)	(156)	(84)	(72)
Purchase/sale of group companies	159	194	(35)	48	55	(7)	111	139	(28)
Other adjustments	240	148	92	12	5	7	228	143	85
Charged to profit and loss account	—	—	—	123	80	43	(123)	(80)	(43)
31st December	5 214	3 554	1 660	1 609	1 215	394	3 605	2 339	1 266
Plant and machinery									
1st January	15 613	10 060	5 553	8 303	5 691	2 612	7 310	4 369	2 941
Exchange rate changes	(693)	(706)	13	(281)	(279)	(2)	(412)	(427)	15
Sterling/guilder realignment	(1 069)	—	(1 069)	(503)	—	(503)	(566)	—	(566)
Expenditure	1 130	744	386	—	—	—	1 130	744	386
Disposals	(844)	(505)	(339)	(689)	(414)	(275)	(155)	(91)	(64)
Purchase/sale of group companies	(188)	(40)	(148)	(146)	(67)	(79)	(42)	27	(69)
Other adjustments	745	522	223	8	7	1	737	515	222
Charged to profit and loss account	—	—	—	1 159	771	388	(1 159)	(771)	(388)
31st December	14 694	10 075	4 619	7 851	5 709	2 142	6 843	4 366	2 477
Payments on account and assets in course of construction									
1st January	936	580	356	—	—	—	936	580	356
Exchange rate changes	(79)	(74)	(5)	—	—	—	(79)	(74)	(5)
Sterling/guilder realignment	(69)	—	(69)	—	—	—	(69)	—	(69)
Expenditure	986	627	359	—	—	—	986	627	359
Disposals	(2)	—	(2)	—	—	—	(2)	—	(2)
Purchase/sale of group companies	30	30	—	—	—	—	30	30	—
Other adjustments	(934)	(633)	(301)	—	—	—	(934)	(633)	(301)
31st December	868	530	338	—	—	—	868	530	338
Total									
1st January	22 156	14 193	7 963	9 994	6 888	3 106	12 162	7 305	4 857
Exchange rate changes	(1 051)	(1 061)	10	(360)	(354)	(6)	(691)	(707)	16
Sterling/guilder realignment	(1 533)	—	(1 533)	(598)	—	(598)	(935)	—	(935)
Expenditure	2 245	1 442	803	—	—	—	2 245	1 442	803
Disposals	(1 093)	(636)	(457)	(780)	(461)	(319)	(313)	(175)	(138)
Purchase/sale of group companies	1	184	(183)	(98)	(12)	(86)	99	196	(97)
Other adjustments	51	37	14	20	12	8	31	25	6
Charged to profit and loss account	—	—	—	1 282	851	431	(1 282)	(851)	(431)
31st December	20 776	14 159	6 617	9 460	6 924	2 536	11 316	7 235	4 081

Fl. million

Combined		N.V.		PLC	
1985	1986	1985	1986	1985	1986
-	6 438	-	6 438	-	-
(9) Investment in Chesebrough-Pond's Inc.					
At cost					
<p>The cost identified above is for 95.4% of the common stock of Chesebrough-Pond's Inc. This investment is taken up in the N.V. and Combined consolidated balance sheets at cost for the reasons given on page 5.</p> <p>Since 31st December, 1986 Unilever Acquisition Corp. II, a wholly-owned indirect subsidiary of Unilever N.V., has been merged into Chesebrough-Pond's Inc., as a consequence of which the minority shareholders in Chesebrough-Pond's Inc., representing 4.6% of the common stock, became entitled in aggregate to US\$ 142 million and ceased to be shareholders of the company.</p> <p>The following is a summary of the consolidated balance sheet of Chesebrough-Pond's Inc. and its subsidiaries as at 31st December, 1986 which has been audited by a firm other than the joint auditors. The original balance sheet was prepared in US dollars under United States generally accepted accounting principles, and the summary has been translated into guilders at the year-end rate of exchange (US\$ 1 = Fl. 2.18).</p>					
Fixed assets					
207			207		
533			533		
236			236		
<u>976</u>			<u>976</u>		
Net current assets					
1 256			1 256		
2 300			2 300		
342			342		
(772)			(772)		
(762)			(762)		
<u>2 364</u>			<u>2 364</u>		
3 340	Total assets less current liabilities		3 340		
Creditors due after more than one year					
(930)			(930)		
(191)			(191)		
<u>2 219</u>	Capital and reserves		<u>2 219</u>		
2 117	Unilever share of the above capital and reserves		2 117		

Copies of the Chesebrough-Pond's Inc. Consolidated Financial Statements for 1986 can be obtained without charge on application to Unilever N.V. or Unilever PLC, as explained on page 1.

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
Investment in Chesebrough-Pond's Inc. (continued)						
In due course the assets and liabilities of Chesebrough-Pond's Inc. and its subsidiaries at 31st December, 1986 will be attributed fair values, restated as appropriate in accordance with Unilever accounting principles and consolidated in the Unilever group accounts. In arriving at fair values, among other matters it will be necessary to attribute realisable values to those businesses the disposition of which Unilever has under consideration. The net assets of these businesses, including goodwill and other intangibles recognised in the Chesebrough-Pond's group accounts, are included at book value in the above balance sheet under the title 'Net assets of businesses held for sale'.						
(10) Fixed investments						
710	302	Associated companies	82	102	628	200
153	201	Trade investments	68	111	85	90
51	27	Loans to related companies	39	16	12	11
145	90	Other investments	137	88	8	2
187	175	Other loans	172	168	15	7
1 246	795		498	485	748	310
Associated companies at net asset value						
593	180	Shares listed on a recognised stock exchange	—	—	593	180
117	122	Unlisted shares	82	102	35	20
710	302		82	102	628	200
685	345	Market value of listed shares	—	—	685	345
Movements during the year:						
	710	1st January		82		628
	(312)	Exchange rate changes		(9)		(303)
	(121)	Sterling/guilder realignment		—		(121)
	15	Additions		12		3
	70	Share of profit after taxation		34		36
	(40)	Dividends		(16)		(24)
	(20)	Reclassifications and other adjustments		(1)		(19)
	302	31st December		102		200
Trade investments at cost less amounts written off						
101	122	Shares listed on a recognised stock exchange	33	56	68	66
52	79	Unlisted shares	35	55	17	24
153	201		68	111	85	90
222	370	Market value of listed shares	147	242	75	128
Movements during the year:						
	153	1st January		68		85
	(3)	Exchange rate changes		(1)		(2)
	(17)	Sterling/guilder realignment		—		(17)
	60	Additions		49		11
	(7)	Disposals		(5)		(2)
	15	Reclassifications (from associated companies)		—		15
	201	31st December		111		90

NOTES TO THE CONSOLIDATED ACCOUNTS

Fl. million

Combined		N.V.		PLC	
1985	1986	1985	1986	1985	1986
Fixed investments (continued)					
Loans to related companies					
Movements during the year:					
51			39		12
(8)			(8)		—
(2)			—		(2)
3			2		1
(17)			(17)		—
27			16		11
Other investments					
Unlisted, including Fl. 17 million (1985: Fl. 60 million) securities held for redemption of preference shares of National Starch and Chemical Holding Corporation					
145	90	137	88	8	2
Movements during the year:					
145			137		8
(27)			(27)		—
(2)			—		(2)
44			44		—
(70)			(66)		(4)
90			88		2
Other loans					
Movements during the year:					
187			172		15
(8)			(9)		1
(3)			—		(3)
48			45		3
(49)			(40)		(9)
175			168		7
(11) Stocks					
4 378	3 514	2 561	2 111	1 817	1 403
524	435	312	249	212	186
4 842	4 261	2 806	2 684	2 036	1 577
9 744	8 210	5 679	5 044	4 065	3 166
(12) Debtors					
Amounts due within one year:					
6 037	5 347	3 781	3 550	2 256	1 797
80	71	31	17	49	54
1 372	1 117	927	748	445	369
520	482	314	307	206	175
8 009	7 017	5 053	4 622	2 956	2 395
Amounts due after one year:					
17	16	5	9	12	7
216	277	158	235	58	42
17	17	13	14	4	3
250	310	176	258	74	52
8 259	7 327	5 229	4 880	3 030	2 447

NOTES TO THE CONSOLIDATED ACCOUNTS

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
		(13) Current investments				
2 317	5 902	Listed on a recognised stock exchange	1 151	4 947	1 166	955
1 175	565	Unlisted	689	488	486	77
3 492	6 467		1 840	5 435	1 652	1 032
3 299	6 369	The cost of current investments amounted to	1 678	5 420	1 621	949
		Listed investments of PLC include those listed on The United Kingdom Stock Exchange amounting to			613	-
		(14) Cash at bank and in hand				
1 356	1 976	On call	912	578	444	1 398
1 042	2 021	Repayment notice required	752	1 848	290	173
2 398	3 997		1 664	2 426	734	1 571
		(15) Borrowings				
4 430	7 032	Bonds and similar loans	3 768	6 287	662	745
2 076	2 792	Bank loans and overdrafts	1 420	1 492	656	1 300
6 506	9 824		5 188	7 779	1 318	2 045
3 919	7 146	The repayments fall due as follows:				
		Within 1 year	3 063	5 613	856	1 533
417	170	After 1 year but within 2 years	339	140	78	30
697	906	After 2 years but within 5 years	631	801	66	105
992	1 010	After 5 years but within 10 years	966	868	26	142
185	579	After 10 years but within 20 years	177	346	8	233
296	13	After 20 years	12	11	284	2
2 587	2 678		2 125	2 166	462	512
		Amounts repayable after 5 years				
		Repayable by instalments:				
388	363	Bonds and similar loans	375	355	13	8
53	96	Bank loans and overdrafts	51	95	2	1
441	459		426	450	15	9
		Not repayable by instalments:				
1 019	1 139	Bonds and similar loans	719	771	300	368
13	4	Bank loans and overdrafts	10	4	3	-
1 032	1 143		729	775	303	368
1 473	1 602		1 155	1 225	318	377
		Total amount due on borrowings repayable by instalments any of which are payable after 5 years:				
613	432	Bonds and similar loans	576	404	37	28
162	156	Bank loans and overdrafts	152	153	10	3
775	588		728	557	47	31

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
Borrowings (continued)						
Secured amounts are:						
67	46	Bonds and similar loans	41	30	26	16
460	416	Bank loans and overdrafts	285	289	175	127
527	462		326	319	201	143
of which:						
340	310	Secured against tangible assets	169	180	171	130
187	152	Secured against other assets	157	139	30	13
527	462		326	319	201	143
Bonds and similar loans						
Unilever N.V.						
90	75	6% Bonds 1972/91	90	75	-	-
276	-	9 1/4% Bonds 1987 (US \$)	276	-	-	-
257	-	9 3/4% Bonds 1986/90 (US \$)	257	-	-	-
-	201	7 3/4% Notes 1993 (US \$)	-	201	-	-
120	115	4 1/2% Bonds 1984/91 (Swiss Frs.)	120	115	-	-
134	135	6 3/4% Bonds 1991 (Swiss Frs.)	134	135	-	-
134	135	7 1/2% Bonds 1993 (Swiss Frs.)	134	135	-	-
7	27	Other	7	27	-	-
1 018	688	Total Unilever N.V. (see also page 33)	1 018	688	-	-
Group companies:						
France:						
92	85	10 3/8% Bonds 1992	92	85	-	-
U.S.A.:						
412	326	9 7/8% Notes 1992	412	326	-	-
-	327	8 7/8% Notes 1998	-	327	-	-
-	4 350	5 1/32% - 6 1/32% Commercial paper 1987	-	4 350	-	-
1 700	-	6 5/8% - 9 1/8% Commercial paper 1986	1 700	-	-	-
159	-	12 1/2% Note 1996	159	-	-	-
387	511	A series of other loans at various interest rates	387	511	-	-
3 768	6 287		3 768	6 287	-	-
Unilever PLC						
120	103	8% Unsecured loan notes 1985/92	-	-	120	103
8	6	5 1/2% Unsecured loan stock 1991/2006 } Ranking	-	-	8	6
220	178	7 3/4% Unsecured loan stock 1991/2006 } pari passu	-	-	220	178
-	126	12 1/2% Note 1996 (US \$)	-	-	-	126
52	42	Other	-	-	52	42
400	455	Total Unilever PLC	-	-	400	455
Pound sterling equivalent in millions 141 (1985: 100) (see also page 38)						
Group companies:						
Canada:						
-	68	6% Dual currency Bond 1986/91	-	-	-	68
262	222	A series of other loans at various interest rates	-	-	262	222
662	745		-	-	662	745
4 430	7 032		3 768	6 287	662	745
2 375	4 703	of which repayable within one year	2 096	4 432	279	271

NOTES TO THE CONSOLIDATED ACCOUNTS

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
Borrowings (continued)						
Bank loans and overdrafts						
1 241	2 044	Loans	972	1 087	269	957
835	748	Overdrafts	448	405	387	343
2 076	2 792		1 420	1 492	656	1 300
1 544	2 443	of which repayable within one year	967	1 181	577	1 262
(16) Trade and other creditors						
Amounts due within one year:						
4 740	4 237	Trade creditors	2 815	2 724	1 925	1 513
463	319	Bills of exchange payable	275	204	188	115
39	57	Amounts owed to related companies	15	14	24	43
646	555	Social security and sundry taxes	433	391	213	164
1 642	1 422	Others	1 091	957	551	465
1 874	1 917	Accruals and deferred income	1 510	1 605	364	312
9 404	8 507		6 139	5 895	3 265	2 612
Amounts due after one year:						
7	3	Trade creditors	5	2	2	1
146	155	Others	82	121	64	34
75	122	Accruals and deferred income	74	103	1	19
228	280		161	226	67	54
9 632	8 787	Total creditors	6 300	6 121	3 332	2 666
of which:						
12	24	Secured against current assets	12	24	-	-
(17) Pensions and similar obligations						
293	246	Amounts due within one year	203	168	90	78
2 685	2 920	Amounts due after one year	2 128	2 408	557	512
2 978	3 166		2 331	2 576	647	590
Movements during the year:						
	2 978	1st January		2 331		647
	(97)	Exchange rate changes		(99)		2
	(125)	Sterling/guilder realignment		-		(125)
	49	Purchase/sale of group companies		50		(1)
	627	Profit and loss account		484		143
	(266)	Payments		(190)		(76)
	3 166	31st December		2 576		590
The average number of employees during the year was: (in thousands)						
139	125	Europe	79	75	60	50
22	22	North America	16	16	6	6
151	155	Rest of the World	42	46	109	109
312	302		137	137	175	165

Fl. million

Combined		N.V.		PLC	
1985	1986	1985	1986	1985	1986
(18) Deferred taxation and other provisions					
Deferred taxation:					
2 044	1 736	967	895	1 077	841
383	316	381	316	2	-
(464)	(548)	(266)	(359)	(198)	(189)
(308)	(157)	(150)	(48)	(158)	(109)
1 655	1 347	932	804	723	543
(92)	(89)	-	-	(92)	(89)
695	542	326	285	369	257
2 258	1 800	1 258	1 089	1 000	711
Advance Corporation Tax is available for offset against future United Kingdom Corporation Tax liabilities.					
Movements during the year:					
2 258			1 258		1 000
(69)			(65)		(4)
(192)			-		(192)
45			46		(1)
(118)			(103)		(15)
(101)			(101)		-
(23)			54		(77)
1 800			1 089		711
On a SSAP 15 basis deferred taxation would be reduced by:					
(1 863)	(1 667)	(923)	(857)	(940)	(810)
(249)	(283)	(247)	(283)	(2)	-
406	528	205	339	201	189
304	189	179	85	125	104
(1 402)	(1 233)	(786)	(716)	(616)	(517)
(19) Called up share capital					
285	282	265	265	20	17
1 114	1 114	640	640	474	474
1 399	1 396	905	905	494	491

Authorised		Nominal value per share	Number of shares issued	Issued and fully paid	
1985	1986			1985	1986
Called up share capital (continued)					
Preferential share capital					
Unilever N.V.				Ft. million	
Ft. million					
75	75	7% Cumulative Preference	Ft. 1 000	29	29
200	200	6% Cumulative Preference	Ft. 1 000	161	161
75	75	4% Cumulative Preference	Ft. 100	75	75
350	350			265	265
Unilever PLC				£ million	
£ million					
0.2	0.2	5% (now 3½% plus tax credit) First Cumulative Preference	£1	0.2	0.2
3.5	3.5	7% (now 4¼% plus tax credit) First Cumulative Preference	£1	3.5	3.5
1.2	1.2	8% (now 5¾% plus tax credit) Second Cumulative Preference	£1	1.2	1.2
0.2	0.2	20% (now 14% plus tax credit) Third Cumulative Preferred			
		Ordinary	25p	0.2	0.2
5.1	5.1			5.1	5.1
Guilder equivalent in millions				20	17
				285	282
The 4% cumulative preference capital of N.V. is redeemable at par at the Company's option either wholly or in part.					
Ordinary share capital					
Unilever N.V.				Ft. million	
Ft. million					
1 000	1 000	Ordinary:		640	640
2	2	(In Ft. 20 shares)	32 008 250	2	2
		(In Ft. 1 000 shares numbered 1 to 2 400)	2 400	(2)	(2)
		Internal holdings eliminated in consolidation (Ft. 1 000 shares)			
				640	640
Unilever PLC				£ million	
£ million					
136.2	136.2	Ordinary (in 25p shares)	(1985) 158 073 358	39.5	39.5
0.1	0.1	Deferred (in £1 stock)	(1986) 158 082 493	0.1	0.1
		Internal holdings eliminated in consolidation (£1 stock)	100 000	(0.1)	(0.1)
Guilder equivalent in millions				39.5	39.5
				474	474
				1 114	1 114
The increase in Unilever PLC ordinary shares is due to the issue of shares under the share option schemes.					

Called up share capital (continued)

Under the arrangements for the variation of the Leverhulme Trust shares in a group company have been issued which are convertible at the end of the year 2038 into a maximum of 10 375 000 ordinary shares of PLC.

Options granted to Directors and employees to acquire ordinary shares of N.V. and PLC and still outstanding at 31st December were as follows:

		Number of shares	Nominal value		Option price per share	Date normally exercisable
			Per share	Total value		
N.V. Share Options	1986	39 670	Fl. 20	Fl. 793 400	Fl. 351.20	1987-1995
		3 416	Fl. 20	Fl. 68 320	Fl. 401.50	1987-1995
		23 540	Fl. 20	Fl. 470 800	Fl. 423.00	1987-1996
	1985	63 209	Fl. 20	Fl. 1 264 180	Fl. 351.20	1986-1995
		3 416	Fl. 20	Fl. 68 320	Fl. 401.50	1986-1995
	PLC 1985 Executive Share Option Schemes	1986	727 472	25p	£ 181 868	£ 11.375
476 403			25p	£ 119 101	£ 14.50	1989-1995
10 200			25p	£ 2 550	£ 19.60	1989-1996
1985		775 556	25p	£ 193 889	£ 11.375	1988-1994
PLC 1985 Sharesave Scheme		1986	1 965 889	25p	£ 491 472	£ 10.24
	302 928		25p	£ 75 732	£ 13.61	1991-1992
	1985	2 109 029	25p	£ 527 257	£ 10.24	1990-1991

Internal holdings

The ordinary shares numbered 1 to 2 400 (inclusive) in N.V. and deferred stock of PLC are held as to one half of each class by N.V. Elma – a group company of N.V. – and one half by United Holdings Limited – a group company of PLC. This capital is eliminated in consolidation. It carries the right to nominate persons for election as Directors at General Meetings of shareholders. A nominal dividend of 1/4% was paid on the deferred stock of PLC. The above-mentioned group companies have waived their rights to dividends on their ordinary shares in N.V. The Directors of N.V. Elma are N.V. and PLC, who with Mr F. A. Maljers and Mr M. R. Angus are also Directors of United Holdings Limited.

At 31st December, 1986 a group company of N.V. held certificates (depository receipts) representing 46 229 (1985: 49 728) Fl. 20 ordinary shares of N.V. in connection with Unilever N.V. share options. The book value of these shares is eliminated in consolidation by deduction from profit retained and other reserves (see note (20) on page 23).

NOTES TO THE CONSOLIDATED ACCOUNTS

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
(20) Profit retained and other reserves						
Profit retained:						
5 308	5 014	Parent companies	2 888	3 055	2 420	1 959
6 776	5 987	Group companies	3 049	2 642	3 727	3 345
267	122	Associated companies	3	21	264	101
12 351	11 123		5 940	5 718	6 411	5 405
Other reserves:						
(315)	(346)	Adjustment on translation of N.V.'s ordinary capital at £1 = Fl. 12	-	-	(315)	(346)
25	20	Capital redemption reserve	-	-	25	20
(17)	(17)	Book value of N.V. shares or certificates held by a group company in connection with N.V. share options	(17)	(17)	-	-
12 044	10 780		5 923	5 701	6 121	5 079
(21) Purchase/sale of group companies						
169	(99)	Tangible assets	(238)	(196)	407	97
(19)	(49)	Fixed investments	(19)	(51)	-	2
111	(63)	Net current assets	(43)	(70)	154	7
55	46	Creditors due after one year	32	43	23	3
5	(23)	Provisions for liabilities and charges	104	(7)	(99)	(16)
34	(31)	Outside interests	51	(39)	(17)	8
355	(219)	Net assets acquired/sold	(113)	(320)	468	101
(9)	121	Profit/loss on sale	25	115	(34)	6
(144)	(564)	Goodwill written off	(125)	(555)	(19)	(9)
202	(662)	Consideration	(213)	(760)	415	98
200	57	Net liquid funds of companies purchased/sold	(51)	(56)	251	113
402	(605)		(264)	(816)	666	211
The above table does not include the effect of acquiring Chesebrough-Pond's Inc. and its subsidiaries (see page 5).						
Pensions						
12 707	14 377	The book value of the assets of the funds at 31st December amounted to	6 451	6 783	6 256	7 594
2 978	3 166	Provisions in the consolidated accounts to meet obligations under unfunded schemes amounted to	2 331	2 576	647	590
These provisions, together with the assets of the funds, are sufficient in total to cover all pensions in course of payment at their existing levels and all contractual entitlements to deferred benefits in respect of service to date.						

Fl. million

Combined			N.V.		PLC	
1985	1986		1985	1986	1985	1986
		Contingent liabilities are not expected to give rise to any material loss. They include:				
390	429	Guarantees	226	290	164	139
94	86	Bills discounted	52	66	42	20
		Guarantees given by the parent companies or by group companies relating to liabilities included in the consolidated accounts are not included above. A summary of guarantees given by each parent company is set out in the notes to the respective balance sheets on pages 34 and 39.				
		Litigation against companies in the Group and other contingent liabilities are not considered to be material in the context of these accounts.				
		Commitments				
		Long-term lease commitments, principally for operating leases, in respect of:				
2 098	1 863	Land and buildings	858	850	1 240	1 013
300	275	Other tangible assets	226	220	74	55
2 398	2 138		1 084	1 070	1 314	1 068
		The commitments fall due as follows:				
343	318	Within 1 year	223	217	120	101
297	275	After 1 year but within 2 years	192	188	105	87
247	236	After 2 years but within 3 years	156	159	91	77
204	190	After 3 years but within 4 years	124	121	80	69
172	156	After 4 years but within 5 years	100	99	72	57
1 135	963	After 5 years	289	286	846	677
2 398	2 138		1 084	1 070	1 314	1 068
921	710	Other commitments	882	609	39	101
674	358	of which payable within one year	641	295	33	63
		Exposures on third-party fixed price contracts outstanding at 31st December for commodities, to which the bulk of contracts refer, are:				
831	596	Purchase contracts (net)	365	235	466	361
311	113	Selling contracts (net)	183	40	128	73
		The consolidated accounts do not anticipate the results of such contracts except that provision is made where a loss would be incurred if market prices ruling at 31st December remained unchanged.				

	Fl. million		£ million	
	1985	1986	1985	1986
Combined earnings per share				
The calculation of earnings per share is based on the combined profit of the year on ordinary activities attributable to ordinary capital divided by the combined number of share units representing the combined issued ordinary capital of N.V. and PLC. For the calculation of combined ordinary capital the rate of exchange £1 = Fl. 12 has been used, in accordance with the Equalisation Agreement.				
The calculations are therefore:				
Combined ordinary capital (see page 21)	1 114	1 114	93	93
Less: N.V. shares held by a group company of N.V. in connection with N.V. share options	(1)	(1)	-	-
	<u>1 113</u>	<u>1 113</u>	<u>93</u>	<u>93</u>
The combined number of share units is therefore 55 674 395 (1985: 55 669 526) of Fl. 20 or alternatively 371 162 633 (1985: 371 130 171) of 25p.				
Profit on ordinary activities attributable to shareholders	2 064	2 144	516	664
Less: preference dividends	(16)	(16)	(4)	(5)
Profit on ordinary activities attributable to ordinary capital	2 048	2 128	512	659
Divided by combined share units =	Fl. 36.79	Fl. 38.22	137.96p	177.55p
On a SSAP 15 basis the calculations would be:				
Profit on ordinary activities attributable to ordinary capital	2 174	2 205	543	683
Divided by combined share units =	Fl. 39.05	Fl. 39.61	146.31p	184.02p
The effects on combined earnings per share of (a) full conversion into PLC ordinary shares of the shares in a group company, exercisable in the year 2038 as described in note (19), and (b) the issue of ordinary shares under option, details of which are set out in note (19), are not material.				
Profit and loss accounts - Parent companies				
As the accounts of Unilever N.V. have been included in the consolidated accounts its own profit and loss account on page 32 - in accordance with Dutch legislation - mentions only income from fixed investments after taxation as a separate item.				
As the profit and loss account of Unilever PLC has been included in the consolidated accounts advantage has been taken of provisions in United Kingdom legislation which permit the omission of a profit and loss account from accompanying the company balance sheet on page 37.				

Consolidated current cost information

Accounting policies

Introduction

The accounting policies set out on pages 3 to 5 have been followed in preparing the current cost information on page 27, except where they are inconsistent with current cost principles as explained below.

Tangible assets, depreciation and disposals

In general, the current replacement cost of tangible assets is determined by applying specific price indices in the country of location to the original cost of the assets, net of capital-based grants.

Land is stated at estimated market value based on current use.

The depreciation adjustment is the difference between depreciation on the historical cost of assets and on the current replacement cost of assets.

Net gains/losses on disposals represent the amounts necessary to restate profits and losses on the disposal of assets by reference to the current rather than historical cost of the assets concerned. The disposals dealt with in this way are those treated as exceptional items in the historical cost accounts.

Fixed investments

The share of the retained profit and reserves, and results for the year, of significant associated companies has been restated on a current cost basis consistent with that used for the consolidated companies.

Trade investments are included at estimated current value.

Net current assets

Current assets and current liabilities are stated at their values in the historical cost accounts. The difference between current replacement cost and historical cost of stocks at the balance sheet date is not material.

Working capital adjustment

The working capital adjustment comprises a cost of sales adjustment, which reflects the impact of price changes during the year on the value of normal stock required for the operation of the business, and a monetary working capital adjustment which reflects the impact of price changes on the amounts needed for monetary working capital. For this purpose monetary working capital is the net balance of debtors and creditors associated with the day to day activities of the business.

Gearing adjustment

The gearing adjustment takes credit for the proportion of the current cost adjustments to the profit and loss account which can be regarded as being financed by third parties. For this purpose finance from third parties includes all liabilities of the Group, other than creditors included in the calculation of monetary working capital, less current investments and cash. The gearing proportion is the average for the year, and is calculated as the ratio of net financial liabilities to net operating assets. In determining the average gearing proportion for 1986, the investment in Chesebrough-Pond's Inc. and the purchase consideration outstanding at 31st December, 1986 have been excluded from the calculation.

Taxation

Taxation in the profit and loss account is that shown in the historical cost accounts. In accordance with the Group policy of providing in full for deferred taxation, full provision is made in the balance sheet for deferred taxation on the current cost asset revaluations, with movements being taken direct to reserves.

Outside interests in group companies

The historical cost figures have been adjusted for the portion of the current cost adjustments attributable to outside interests.

Fl. million

Consolidated current cost information	Combined	
	1985	1986
Profit and loss account for the year ended 31st December		
Turnover	66 771	55 363
Historical cost profit on ordinary activities attributable to shareholders	2 064	2 144
Adjustments:		
Depreciation	(551)	(461)
Working capital	(31)	149
Net gains/losses on disposals	(59)	(286)
Operating adjustments	(641)	(598)
Gearing	324	265
Income from fixed investments	(91)	(18)
Outside interests in group companies	8	23
Financial adjustments	241	270
Current cost profit on ordinary activities attributable to shareholders	1 664	1 816
Dividends	(734)	(767)
Current cost profit of the year retained	930	1 049

Balance sheet as at 31st December

Tangible assets	19 430	17 890
Fixed investments (including Chesebrough-Pond's Inc.)	1 805	7 601
	21 235	25 491
Net current assets	9 048	2 434
Total assets less current liabilities	30 283	27 925
Creditors due after more than one year	3 006	3 197
Provisions for liabilities and charges ^{a)}	8 772	7 934
Outside interests in group companies	833	643
Capital and reserves	17 672	16 151
Total capital employed	30 283	27 925

^{a)} Provisions for liabilities and charges include deferred taxation provisions of Fl. 2 849 million (1985: Fl. 3 152 million) related to current cost revaluation surpluses.

Combined current cost earnings per share	1985	1986
Guilders per Fl. 20 of ordinary capital	29.60	32.33
Pence per 25p of ordinary capital	111.01	150.07

as at 31st December, 1986

Introduction

The group and related companies listed are those which in the opinion of the Directors principally affect the amount of profit and assets shown in N.V.'s and PLC's consolidated accounts.

Full information as required by Article 379 of Book 2, Civil Code, in the Netherlands in respect of companies in which N.V., directly or indirectly, has a shareholding of 20% or more of the total issued capital has been filed with the Commercial Registry in Rotterdam.

Particulars of PLC group and related companies as required by the United Kingdom Companies Act 1985 will be annexed to the next Annual Return of PLC.

The main activities of the companies listed below are indicated according to the following key:

Holding companies	H
Margarine, other fats and oils, dairy products	M
Other foods	F
Detergents	D
Personal products	P
Speciality chemicals	C
Paperboard and packaging	PP
Agribusiness	A
UAC International	U
Others	O

Unless otherwise indicated the companies are incorporated and principally operate in the countries under which they are shown.

The letters N.V. or PLC after the name of each country indicate whether in the country concerned the shares in the companies listed are held directly or indirectly by N.V. or by PLC.

The percentage of equity directly or indirectly held is mentioned in the margin, except where it is 100%. Where the percentage of total issued capital directly or indirectly held differs from the percentage of equity directly or indirectly held, this is stated separately. All percentages are rounded down to the nearest whole number.

Principal group companies

Europe

%	
Austria - N.V.	
	Nordsee Ges.m.b.H. F
	Österreichische Unilever Ges.m.b.H. MFDPPP
	Unifrost Ges.m.b.H. F
Belgium - N.V.	
	Hartog N.V. F
	Iglo-Ola N.V. F
	Lever N.V. D
	S.B.T. N.V. O
	Union N.V. M
Denmark - N.V.	
	Uni-Dan A/S MFDP
Finland - N.V.	
	Paasivaara Oy MF
	Lever Oy DP
France - N.V.	
99	Astra-Calvé S.A. MF
99	Française de Soins et Parfums S.A. P
99	4P Emballages France S.A. PP
99	Française d'Alimentation et de Boissons S.A. F
99	Lever S.A. D
99	Compagnie des Glaces et Surgelés Alimentaires S.A. F
99	Unilever Export France S.A. O
- PLC	
99	CNF S.A. U
99	Niger France S.A. U
Germany - N.V.	
	Deutsche Unilever G.m.b.H. H
	'Elbe' Transport G.m.b.H. O
	Elida-Gibbs G.m.b.H. P
	4P Folie Forchheim G.m.b.H. PP
	Langnese-Iglo G.m.b.H. F
	Lever G.m.b.H. D
	Meistermarken-Werke G.m.b.H., Spezialfabrik für Back- und Grossküchenbedarf MF
	4P Nicolaus Kempten G.m.b.H. PP
	4P Verpackungen Ronsberg G.m.b.H. PP
	'Nordsee' Deutsche Hochseefischerei G.m.b.H. F
	4P Rube Göttingen G.m.b.H. PP
	Schafft Fleischwerke G.m.b.H. F
	'Unichema' Chemie G.m.b.H. C
	Union Deutsche Lebensmittelwerke G.m.b.H. MF
Greece - N.V.	
50	Lever Hellas A.E.B.E. D
	'Elais' Oleaginous Products A.E. M
Ireland - PLC	
	Lever Brothers (Ireland) Ltd. D
	W. & C. McDonnell Ltd. MF
	Paul and Vincent Ltd. A
	HB Ice Cream Ltd. F

as at 31st December, 1986

Principal group companies (continued)

%	Italy - N.V.		%	Joseph Crosfield & Sons Ltd.	C
	Sagit S.p.A.	F		Elida Gibbs Ltd.	P
	Lever Sodel S.p.A.	D		Ford & Slater Group Ltd.	U
	Unil-It S.p.A.	MFDP		Lever Brothers Ltd.	D
				Lever Industrial Ltd.	D
	The Netherlands - N.V.			H. Leverton Ltd.	U
	Algemeen Vrachtkantoor B.V.	O		Lipton Export Ltd.	F
	Van den Bergh en Jurgens B.V.	MF		Lipton Tea Company Ltd.	F
	Koninklijke Maatschappij De Betuwe B.V.	F		Loders & Nucoline Ltd.	M
	Calvé-De Betuwe B.V.	F		Marine Harvest Ltd.	A
	Croklaan B.V.	M		Mattessons Wall's Ltd.	F
	Crosfield Chemie B.V.	C		Oxoid Ltd.	O
	4P Drukkerij Reclame B.V.	PP		PPF International Ltd.	C
	Iglo-Ola B.V.	F		Thames Board Ltd.	PP
	Lever Industrial B.V.	D		Thames Case Ltd. (sold in 1987)	PP
	Lever B.V.	D		UAC Ltd.	U
	Lucas Aardenburg B.V.	F		UAC International Ltd.	U
99	Naarden International N.V.	C		UML Ltd.	O
	Nederlandse Unilever Bedrijven B.V.			Unichema Chemicals Ltd.	C
	(percentage of total issued capital held - 99)	H		Unilever Export Ltd.	O
	Exportslachterij Udema B.V.	F		Unilever U.K. Holdings Ltd.	H
	Unichema Chemie B.V.	C		United Agricultural Merchants Ltd.	A
	Unilever Export B.V.	O		Van den Berghs and Jurgens Ltd.	M
	Unilever Financieringsmaatschappij B.V.	O		Vinamul Ltd.	C
	UniMills B.V.	M		The Wall's Meat Company Ltd.	F
	UVG Nederland B.V.	F		John West Foods Ltd.	F
	Zeepfabriek de Fenix B.V.	D			
	Portugal - N.V.			North America	
74	Iglo Industrias de Gelados, Lda.	F			
60	Industrias Lever Portuguesa, Lda.	DP	%	Canada - PLC	
				Lever Brothers Limited	MDP
	Spain - N.V.			Thomas J. Lipton Inc.	MF
	Agra S.A.	M		A & W Food Services of Canada Ltd.	F
99	Frigo S.A.	F		Unilever Canada Limited	H
	Lever España S.A.	D			
	Unilever España S.A.	H		United States of America - N.V.	
90	Industrias Revilla S.A.	F		Lawry's Foods, Inc.	F
				Lever Brothers Company	MFDP
	Sweden - N.V.			Thomas J. Lipton, Inc.	F
	Gibbs AB	P		National Starch and Chemical Corporation	C
90	Glacé-Bolaget AB	F		Shedd's Food Products, Inc.	M
	Leverindus AB	D		Unilever Capital Corporation	O
55	Margarinbolaget AB			Unilever United States, Inc.	H
	(percentage of total issued capital held - 50)	M			
	Novia Livsmedelsindustrier AB	F		Rest of the World	
	Pierre Robert AB	P			
	AB Sunlight	DP	%	Argentina - N.V.	
	Svenska Unilever Förvaltnings AB	H		Lever y Asociados s.a.c.i.f.	MFDP
	Switzerland - N.V.			Australia - PLC	
95	'Astra', Fett- und Oelwerke A.G.	M		Unilever Australia Ltd.	MFDP
	Elida Cosmetic A.G.	P			
	Meina Holding A.G.	H		Bangladesh - PLC	
	Sais A.G.	MF		Lever Brothers Bangladesh Ltd.	FDP
	Sunlight A.G.	DP	61		
	A. Sutter A.G.	D		Brazil - N.V.	
	Unilever (Schweiz) A.G.	O		Anderson Clayton S.A. Indústria e Comércio	MF
				Industrias Gessy Lever Ltda.	MFDP
	United Kingdom - PLC				
	Batchelors Foods Ltd.	F	93		
	Birds Eye Wall's Ltd.	F	99		
	BOCM Silcock Ltd.	A		Cameroun - PLC	
	Brooke Bond Group Ltd.	H		Plantations Pamol du Cameroun Ltd.	A
	Brooke Bond Oxo Ltd.	F	99	R. W. King S.A.	U
	C.W.A. Holdings Ltd.	U			

as at 31st December, 1986

Principal group companies (continued)

%	Chile - N.V./PLC Lever Chile S.A.	MDFP	%	Sierra Leone - PLC UAC of Sierra Leone Ltd.	U
	Colombia - N.V. Compañía Colombiana de Grasas 'Cogra-Lever' S.A.	MDP		Singapore - PLC Lever Brothers Singapore Sdn. Bhd.	MDP
60	Plantaciones Unipalma de Los Llanos S.A.	A		Solomon Islands - PLC Lever Solomons Ltd.	A
	Côte d'Ivoire - PLC Blohorn S.A.	MDAPP		South Africa - PLC Unilever South Africa (Pty.) Ltd.	MFDPC
80	CFCI S.A.	U		Sri Lanka - PLC Lever Brothers (Ceylon) Ltd.	MDPCA
99	Uniwax S.A.	U		Taiwan - N.V. Formosa United Industrial Corporation Ltd.	D
67				Tanzania - PLC UAC of Tanzania Ltd.	U
	Gabon - PLC Hatton et Cookson S.A.	U		Tchad - PLC Brasseries du Logone S.A.	U
99				Thailand - N.V. Lever Brothers (Thailand) Ltd.	MFDPC
	Ghana - PLC UAC of Ghana Ltd.	U		Trinidad - PLC Lever Brothers West Indies Ltd.	MFDPC
60				Turkey - N.V. Unilever-İş Ticaret ve Sanayi Türk Limited Şirketi	MFDPC
	India - PLC Hindustan Lever Ltd.	MDPCA		Uganda - PLC Gailey & Roberts (Uganda) Ltd.	U
51				Venezuela - N.V. Lever S.A.	FDP
	Indonesia - N.V. P.T. Unilever Indonesia	MFDPC		Zaire - N.V. Plantations Lever au Zaïre s.a.r.l.	A
85				Compagnie des Margarines, Savons et Cosmétiques au Zaïre s.a.r.l.	MDPC
	Japan - N.V. Nippon Lever B.V. (incorporated in the Netherlands)	MDFP		- PLC Sedec s.a.r.l.	U
				Zambia - PLC K. B. Davies & Co. (Zambia) Ltd.	U
	Kenya - PLC Brooke Bond Kenya Ltd.	AO		Zimbabwe - PLC Lever Brothers (Private) Ltd.	MFDPC
88	East Africa Industries Ltd.	MFDPC			
54	Gailey & Roberts Ltd.	U			
	Malawi - PLC Lever Brothers (Malawi) Ltd.	MDPC			
	Malaysia - PLC Lever Brothers (Malaysia) Sdn. Bhd. Pamol Plantations Sdn. Bhd.	MFDPC A			
70					
	Mexico - N.V. Anderson Clayton & Co. S.A.	MFA			
60					
	Netherlands Antilles - N.V. Mavibel International N.V. Unilever Becumij N.V.	O O			
	New Zealand - PLC Unilever New Zealand Ltd.	FDPC			
	Niger - PLC Niger-Afrique S.A.	U			
99					
	Nigeria - PLC Pamol (Nigeria) Ltd.	A			
60					
	Pakistan - PLC Lever Brothers Pakistan Ltd.	MDPC			
66					
	Philippines - N.V. Philippine Refining Company Inc.	MFDPC			

PRINCIPAL RELATED AND CHESEBROUGH-POND'S COMPANIES

as at 31st December, 1986

Principal related companies

Associated companies

Europe		
%		
50	Denmark - N.V. Margarinefabrikken Alfa-Solo A/S	M
50	Germany - N.V. Fritz Homann Lebensmittelwerke G.m.b.H. & Co. K.G.	MF
40	Portugal - N.V. FIMA - Fábrica Imperial de Margarina Lda.	M

Rest of the World

%		
50	Korea - N.V. Aekyung Industrial Company Limited	DP
40	Nigeria - PLC Lever Brothers Nigeria Ltd.	MFDPC
14	Nigerian Breweries Ltd.	U
40	UAC of Nigeria Ltd.	U
50	El Salvador - N.V. Industrias Unisola S.A.	MFDPC
40	Saudi Arabia - PLC Binzagr-Lever Ltd.	P

Trade investments

Europe		
%		
37	The Netherlands - N.V. Gamma Holding N.V. (percentage of total issued capital held - 35)	O

Rest of the World

%		
48	Australia - PLC Bushells Pty. Ltd.	F

Principal Chesebrough-Pond's companies

Subsidiary companies

Europe		
%		
95	France - N.V. CP France Ltd. (incorporated in the United States of America)	P
86	Germany - N.V. Pond's G.m.b.H.	P
95	Italy - N.V. 3C Industriale S.p.A.	DP
95	Spain - N.V. Pond's Española S.A.	P
95	Switzerland - N.V. Chesebrough-Pond's (Genève) S.A.	P
95	United Kingdom - N.V. Chesebrough-Pond's Ltd.	P

North America

%		
95	Canada - N.V. Chesebrough-Pond's (Canada) Inc.	P
95	United States of America - N.V. Chesebrough-Pond's Inc.	P
95	G. H. Bass & Co.	O
95	Prince Manufacturing Inc.	O
95	Prince Matchabelli Inc.	P
95	Ragú Foods Inc.	F
95	Spectrum Group Inc.	C
95	Stauffer Chemical Company	C

Rest of the World

%		
95	Argentina - N.V. Pond's Argentina S.A.I.C.	P
95	Australia - N.V. Chesebrough-Pond's International Ltd. (incorporated in Canada)	P
95	Japan - N.V. Chesebrough-Pond's (Japan) Ltd. (incorporated in the United States of America)	P
95	Mexico - N.V. Pond's de Mexico S.A. de C.V.	P
95	Venezuela - N.V. Chesebrough-Pond's C.A.	P

Since 31st December, 1986 the Group interest in Chesebrough-Pond's Inc. and its wholly-owned subsidiaries has been increased to 100% and in Pond's G.m.b.H. to 90% (see note (9) on page 14).

The balance sheet below includes the proposed profit appropriation.

Fl. million

1985		1986
	Balance sheet as at 31st December	
3 010	Fixed assets	
	Fixed investments	2 245
	Current assets	
	1 742 Debtors	2 279
	345 Current investments	771
	543 Cash at bank and in hand	844
		<u>3 894</u>
	2 630 Less: Creditors due within one year	1 306
	1 152	
1 478	Net current assets	2 588
4 488	Total assets less current liabilities	4 833
684	Creditors due after more than one year	769
87	Provisions for liabilities and charges	51
(111)	Inter-group N.V./PLC	(1)
	Capital and reserves	
	Called up share capital:	
	265 Preferential share capital (19)	265
	642 Ordinary share capital (19)	642
		<u>907</u>
	52 Share premium account	52
	2 869 Profit retained and other reserves	3 055
3 828		4 014
4 488	Total capital employed	4 833
	Profit and loss account for the year ended 31st December	
501	Income from fixed investments after taxation	424
83	Other income and expense	267
584	Profit of the year	691

Pages 3 to 31, 33 and 34 contain the notes to the Unilever N.V. company accounts.
For the information as required by Article 392 of Book 2, Civil Code, reference is made to pages 35 and 36.

The Board of Directors
31st March, 1987

References between brackets relate to note on page 21.

Fl. million

1985	1986	1985	1986
Fixed investments		Creditors	
2 041	1 929	334	33
969	316	175	38
		198	331
3 010	2 245	-	470
Shares in group companies		45	48
Shares in group companies are stated at cost. The cost of N.V. shares purchased and held by a group company has been deducted from this heading. Profit retained and Profit of the year shown in this balance sheet and the notes thereto are less than the amounts shown under these headings in the consolidated balance sheet and profit and loss account, mainly because only part of the profits of the group companies is distributed in the form of dividend.		67	33
Movements during the year:		3	7
1st January	2 041	330	346
N.V. shares held by a group company	1	1 152	1 306
Own shares bought in by a group company	(113)	684	
31st December	1 929	-	
		684	
Loans to group companies		Due after one year:	
Movements during the year:		684	655
1st January	969	-	114
Redemptions	(575)		
Exchange differences	(78)		
31st December	316		
Debtors		These include amounts due after five years:	
1 643	2 186	326	330
3	2	Provisions for liabilities and charges	
94	85	81	91
2	6	(2)	(48)
		8	8
1 742	2 279	87	51
1	6	15	18
		of which due within one year	
Current investments		Ordinary share capital	
268	771	Shares numbered 1 to 2 400 are held by a group company of Unilever N.V. and a group company of Unilever PLC. Additionally, 46 229 Fl. 20 ordinary shares are held by another group company. Full details are given in note (19) on page 22.	
77	-	Share premium account	
345	771	For the application of Article 44 of the Income Tax Act 1964 only a small part, if any, of the premium shown in the balance sheet is available for issue of tax free bonus shares.	
The cost of current investments amounted to			
352	787		
Cash at bank and in hand			
includes items for which notice of repayment is required amounting to			
209	753		

References between brackets relate to note on page 18.

Fl. million

1985		1986
	Profit retained and other reserves	
2 888	Profit retained	3 073
(19)	Cost of Unilever N.V. shares purchased and held by a group company	(18)
2 869	31st December	3 055
	Contingent liabilities are not expected to give rise to any material loss. They include:	
	Guarantees given for group and other companies, under which amounts outstanding at 31st December were as follows:	
3 790	For N.V. group companies	6 430
—	For PLC group companies	30
26	Others	7
3 816		6 467
2 390	Of the above, guaranteed also by Unilever PLC	5 207

Further information Unilever N.V. as required by Article 392,
Book 2, Civil Code

Report of the auditors to the members of Unilever N.V.

We have examined the accounts expressed in guilders of Unilever N.V., which include the accounts of the N.V. Group, the PLC Group, and the combined N.V. and PLC Groups.

In our opinion the accounts set out on pages 2 to 34 give a true and fair view of the state of affairs of Unilever N.V., the N.V. Group, the PLC Group, and the combined N.V. and PLC Groups at 31st December, 1986 and of their profit and source and use of funds for the year then ended.

Price Waterhouse Nederland The Hague	Coopers & Lybrand London
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Coopers & Lybrand Nederland Rotterdam	Price Waterhouse London
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As auditors of Unilever N.V., in respect of the accounts of Unilever N.V., the N.V. Group and the combined N.V. and PLC Groups	As auditors of Unilever PLC, in respect of the accounts of Unilever PLC, the PLC Group and the combined PLC and N.V. Groups
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31st March, 1987

A separate audit report has been issued to the members of Unilever PLC on the accounts of Unilever PLC and the PLC Group, in accordance with legal requirements in the United Kingdom, and on the accounts of the N.V. Group and the accounts of the combined PLC and N.V. Groups. Those accounts are expressed in pounds sterling.

Fl. million

 Further information Unilever N.V. as required by Article 392,
 Book 2, Civil Code

The rules for profit appropriation in the Articles of Association (summary of Article 41)

The profit of the financial year is applied first to the reserves required by law or by the Equalisation Agreement, secondly to the covering of losses of previous years, if any, and thirdly to the reserves deemed necessary by the Board of Directors. Dividends due to the holders of the Cumulative Preference Shares, including any arrears in such dividends, are then paid; if the profit is insufficient for this purpose, the amount available shall be distributed to them in proportion to the dividend percentages of their shares. Any profit remaining thereafter is at the disposal of the General Meeting. Distributions from this remaining profit are made to the holders of the ordinary shares pro rata to the nominal amounts of their holdings.

Proposed profit appropriation		
1985		1986
584	Profit of the year	691
(15)	Preference dividends	(15)
<hr/>		
569	Profit at disposal of the Annual General Meeting of shareholders	676
	Proposed profit appropriation in accordance with Article 41 of the Articles of Association:	
(474)	Ordinary dividends	(491)
<hr/>		
95	Profit of the year retained	185
2 793	Balance 1st January	2 888
<hr/>		
2 888	Balance 31st December	3 073
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Special controlling rights under the Articles of Association

See page 22.

Chesebrough-Pond's Inc. Consolidated Financial Statements for 1986

In order to comply where necessary with Article 392 1(h), Book 2, Civil Code, the Chesebrough-Pond's Inc. Consolidated Financial Statements for 1986 will be filed with the Commercial Registry in Rotterdam.

UNILEVER PLC COMPANY BALANCE SHEET

as at 31st December

£ million

1985		1986
988	Fixed assets	
	Fixed investments	1 007
	Current assets	
2	Stocks	1
65	Debtors	75
383	Current investments	276
44	Cash at bank and in hand	333
		<hr/>
494		685
	Less:	
153	Creditors due within one year	403
		<hr/>
341	Net current assets/liabilities	282
1 329	Total assets less current liabilities	1 289
377	Creditors due after more than one year	599
18	Provisions for liabilities and charges	21
269	Inter-group N.V./PLC	2
	Capital and reserves	
	Called up share capital	
5	Preferential share capital (19)	5
40	Ordinary share capital (19)	40
		<hr/>
45		45
9	Share premium account	9
6	Capital redemption reserve (20)	6
605	Profit retained	607
		<hr/>
665		667
1 329	Total capital employed	1 289

M. R. Angus, Chairman
F. A. Maljers, Vice-Chairman

31st March, 1987

References between brackets relate to notes on pages 20 to 23.

£ million

1985	1986	1985	1986
Fixed investments		Debtors	
531	542	Due within one year:	
435	443	11	12
22	22	13	19
		2	-
988	1 007		
Shares in group companies		26	31
Shares in group companies are stated at Directors' valuation made on the rearrangement of the Unilever Groups in 1937, with bonus shares at par and other additions at cost or valuation, less amounts written off.		39	44
Profit retained and profit of the year shown in the balance sheet and the notes thereto are less than the amounts shown under these headings in the consolidated balance sheet and profit and loss account, mainly because only part of the profits of the group companies is distributed in the form of dividend.		65	75
Movements during the year:		The Advance Corporation Tax borne by the parent company will be surrendered and set off against liabilities of the group companies where appropriate. The total of £44 million includes £23 million recoverable against 1986 liabilities and £21 million against those for later years.	
1st January	531	Current investments	
Additions	18	279	276
Disposals	(7)	104	-
31st December	542	383	276
Loans to group companies		The cost of current investments amounted to	
Movements during the year:		375	252
1st January	435	Creditors	
Additions	99	Due within one year:	
Repayments	(91)	30	32
31st December	443	32	245
Shares in related companies - at cost		10	13
4	4	10	29
18	18	22	19
22	22	7	8
16	22	42	57
Market value of listed shares		153	403
There were no movements during the year.		Due after one year:	
		70	109
		307	490
		377	599
		The bonds and similar loans include amounts repayable after more than five years	
		70	109
		Provisions for liabilities and charges	
		21	23
		(3)	(2)
		18	21

References between brackets relate to note on page 18.

£ million

1985	1986
Profit retained	
604	605
62	83
(61)	(81)
605	607
<p>Contingent liabilities are not expected to give rise to any material loss. They include:</p> <p>Guarantees given for group and other companies, under which amounts outstanding at 31st December were as follows:</p>	
597	1 605
34	60
5	4
636	1 669
597	1 612

