1949

LEVER BROTHERS & UNILEVER

TRANSLATION

OF

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

AT

31st DECEMBER 1949

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."

They are referred to jointly as "The Parent Companies."

LEVER BROTHERS & UNILEVER N.V.

DIRECTORS

PAUL RIJKENS *Chairman*

ARTHUR HARTOG } *Vice-Chairmen*
SIR GEOFFREY HEYWORTH }

M. G. DE BAAT
HAROLD HALL BAGNALL
JAMES P. VAN DEN BERGH
SIDNEY J. VAN DEN BERGH
CHARLES HUGH CLARKE
GEORGE JAMES COLE
SIR HERBERT DAVIS
W. A. FAURE
JOHN HENRY HANSARD
HAROLD HARTOG
JAMES LAURENCE HEYWORTH
ROGER HARDMAN HEYWORTH
RALPH ESTILL HUFFAM
RUDOLF G. JURGENS
FRANCIS DAVID MORRELL
ROWLAND HUNTLY MUIR
FRANK SAMUEL
A. E. J. SIMON THOMAS
ARTHUR HENRY SMITH
F. J. TEMPEL

ADVISORY DIRECTORS

J. M. HONIG
RUDOLF JURGENS
K. P. VAN DER MANDELE
JHR. J. A. G. SANDBERG
H. L. WOLTERSOM

SECRETARY

E. A. HOFMAN

AUDITORS

PRICE, WATERHOUSE & Co.
COOPER BROTHERS & Co.

SALIENT POINTS

All figures relate to the N.V. and LIMITED Groups combined; details are set out in the accompanying Statements and should be considered in conjunction with the Notes thereon.

Figures relating to the year 1948 are given in brackets.

CAPITAL EMPLOYED at 31st December, 1949, was Fl. 2,909,985,524 (Fl. 2,485,549,992).

TURNOVER was Fl. 8,521,544,000 (Fl. 6,601,778,000).

CONSOLIDATED PROFIT BEFORE TAXATION was Fl. 407,733,340 (Fl. 273,245,291)

including:—

EXCHANGE SURPLUSES	Fl. 60,444,589	(deficit Fl. 4,160,082),
STOCK RESERVES.............................	Fl. 19,400,000	(charge Fl. 44,215,115),

and after charging:—

DEPRECIATION...............................	Fl. 70,275,482	(Fl. 44,682,105),
FIXED ASSETS REPLACEMENT RESERVES	Fl. 45,196,000	(Fl. 43,531,150).

CONSOLIDATED NET PROFIT accruing to the Parent Companies' shareholders was Fl. 208,332,549 (Fl. 111,814,055) after taxation of Fl. 186,934,420 (Fl. 150,702,758).

ORDINARY SHAREHOLDERS' FUNDS have increased by Fl. 254,504,200 to Fl. 1,545,085,406, due to retention of profits and increases in reserves.

PROFIT ACCRUING TO THE ORDINARY SHAREHOLDERS on these funds was Fl. 171,313,585 or 11.1% (Fl. 74,673,147 or 5.8%).

ORDINARY DIVIDENDS proposed—N.V. 8.9% (8.9%); LIMITED 10% (10%)—absorb Fl. 23,358,276 or 1.5% on these funds (Fl. 23,395,431 or 1.8%).

REPORT OF THE DIRECTORS FOR THE YEAR 1949

TO BE SUBMITTED AT THE GENERAL MEETING OF SHAREHOLDERS ON 27TH JULY, 1950.

The Directors submit their Report and the Accounts for the year 1949. N.V. and LIMITED are linked together by a series of agreements of which the principal is the Equalisation Agreement, which in effect equalises the dividend rights of the Ordinary Shares of the two Companies and their capital values on liquidation on the basis of £1 nominal of LIMITED's Ordinary Capital being equivalent to Fl. 12 nominal of N.V.'s Ordinary Capital. For this reason the Report and Accounts deal, as hitherto, with the operations and results of both Companies.

No material changes have been made in the presentation of the accounts except that the consolidated figures for LIMITED have been converted into guilders to make comparisons easier. The summary of consolidated figures has been rearranged to bring out more clearly the relationship of profits to turnover and capital employed.

The annual General Meetings will be addressed by their respective Chairmen, and reports of their speeches will be published in the Press.

GERMANY AND AUSTRIA

For the first time since the war it has proved possible to consolidate the accounts of our West German and Austrian interests. The West German accounts have been prepared in accordance with the Government regulations issued after the currency reform in June, 1948. They consequently reflect war losses and losses arising from the currency reform. Fixed assets have been included in the West German balance sheets at values arrived at in accordance with the regulations. For plant and equipment the basis is replacement values depreciated for age and therefore the values in D. Marks substantially exceed the old R. Mark values. Those of land and buildings are also somewhat higher than the old R. Mark values. Provision has been made to cover our interests in the Eastern Zone of Germany and the Eastern Sector of Berlin. For purposes of consolidation the amounts in respect of assets and liabilities in the West German balance sheets have been converted at the rate of exchange operative since September, 1949, of D.M. 100 = Fl. 90.48. The whole position is reflected in the capital reserves of the N.V. Group, which have been increased by Fl. 54,483,095. Since no accounts at 31st December, 1948, were prepared for the German companies the profits for the period from 21st June, 1948, to 31st December, 1949, have unavoidably been included in the consolidated profit and loss account for 1949.

In Austria there are no Government regulations for revising balance sheets. The consolidation has been prepared on similar principles to those for Western Germany, namely up-to-date valuations in Austrian currency converted at current rates of exchange. Provision has been made to cover assets in the Russian Zone.

RESULTS

Details of the results are given in the Consolidated Profit and Loss Accounts (Statement B) and the figures must be considered in conjunction with the notes on that Statement.

The net consolidated profit for the year amounts to Fl. 208,332,549 (including approximately Fl. 1,300,000 for Western Germany and Austria) compared with Fl. 111,814,055 for the previous year. When considering this increase the following circumstances should be borne in mind:—

(1) The devaluations of the guilder and the pound in September, 1949, have given rise to substantial exchange profits—N.V. Fl. 43,681,780; LIMITED Fl. 16,762,809, which are included in the net consolidated profit for the year; amounts in excess of these have been retained by subsidiary companies.

(2) In 1948, Fl. 44,215,115 for Stock Reserves was deducted before arriving at the consolidated net profit whereas this year Fl. 19,400,000 has been brought back and is included in the consolidated net profit. The tendency for prices to level out during the year has made it unnecessary to make further charges against profits for Stock Reserves; the re-transfer arises because prices in the United States have fallen sharply during 1949.

(3) On the other hand adjustments of taxation relating to previous years contributed Fl. 7,779,278 to the 1949 profits as against Fl. 35,541,610 in 1948.

The revenue from actual trading has been maintained at Fl. 339,921,033 compared with Fl. 321,743,361, despite adverse results in the American Lever company.

These trading figures are reached after making reserves for replacement of fixed assets of Fl. 17,000,000 (Fl. 15,200,000) for N.V. and Fl. 28,196,000 (Fl. 28,331,150) for LIMITED, in addition to the normal provisions for depreciation.

Details of the proposed appropriations are set out on Statement C, from which it will be seen that the Directors propose to distribute a dividend of 8.9% (8.9%) on the Ordinary Capital of N.V. and a dividend of 10% (10%) on the Ordinary Stock of LIMITED and to appropriate

£2,000,000 (£1,500,000), equivalent to Fl. 21,280,000 (Fl. 16,036,500), to the General Reserve of LIMITED. Together these proposed dividends represent 1.5% (1.8%) on the total funds of the Ordinary shareholders. They are equivalent in value under the terms of the Equalisation Agreement and, if approved, will be payable on 4th August, 1950. After the proposed appropriations, the profits carried forward are increased by Fl. 934,915 (Fl. 810,249) in N.V. and by £353,763 (£344,442), equivalent to Fl. 3,764,038 (Fl. 3,682,429), in LIMITED.

Results achieved in the current year to date are satisfactory.

INTERESTS NOT CONSOLIDATED

This item is now confined to our interests in Czechoslovakia, Yugoslavia, Roumania and Poland, which have been nationalised, and to those in Hungary and China. Little progress has been made in connection with the compensation to be paid for our businesses which have been nationalised. The negotiations for the sale of our business in Hungary, to which reference was made in the last Report, were completed and the first instalment of the purchase price has been received. The position in China is again too uncertain to justify consolidation.

The position of these interests, all of which are held by the N.V. Group, is likely to remain obscure for some years but N.V.'s capital reserves greatly exceed their book value.

REVIEW OF OPERATIONS

GENERAL

In line with the general tendency in industry there was an increase in production throughout the Unilever business in 1949. This was most marked in Western Europe and was caused mainly by the increase in supplies of raw materials.

At the same time—as a symptom of further progress towards financial stabilisation—money incomes in most countries did not rise in proportion to the availability of consumer goods. Therefore, like many other businesses concerned with the marketing of consumer products, we had for the first time since the war to concentrate more on selling than on the procurement of raw materials. Competitive conditions were restored in most countries. This applied to the important merchandise business carried on by the United Africa Group as well as to sales of soap products, edible fats and foods.

On the whole, Unilever has more than maintained its position and the total turnover has increased. Profit margins, however, tended to be narrower, owing mainly to the more competitive conditions referred to above, but in certain countries also to unavoidable increases in the costs of production which were partly due to the devaluation of various currencies against the dollar. These increases could not in all cases be offset by higher prices.

THE UNITED STATES

The year 1949 was a difficult one for our soap, edible fat and toilet preparations business in the United States. Raw material prices, which had been declining over the latter months of 1948, fell rapidly in 1949. On 1st January, cotton oil—which determines the cost of our main edible product, "Spry"— was 19½ cents per lb. It fell steadily until it reached 12 cents in June and then rose again to 18 cents for a short period in August before falling back again to the 12 cents level. Tallow—which determines the cost of our soap products—started the year at 10 cents per lb., falling to 5½ cents in April and remaining at that level or slightly above it for the rest of the year.

These exceptional falls were accompanied by contractions of stocks of finished products in the hands of the trade and selling prices had to be reduced more quickly than the raw material cover cost could be adjusted. Losses of this nature had been anticipated by allocations to the special stock reserve accumulated during the upward trend of prices in the previous three years. The proportion of that reserve attributable to our operations in the United States has now been released and largely covers the 1949 losses.

The results of the American business also bore a considerable charge for development of new products in the synthetic detergent field, leading up to the launching of an improved "Surf" in November. Again, in the cosmetics field the desirability of broadening the range of our lines led to the introduction of "Rayve" shampoo and "Rayve" home permanent wave sets. The development costs were absorbed in the year's results. The results of the Jelke margarine businesses acquired in July, 1948, were adversely affected by the raw material price slump already mentioned, and by a general overhaul of its organisation preparatory to the initiation of a programme of expansion.

Both the improvement of our position in the synthetic detergent field and the broadening of our operations in the cosmetics field are necessary for the long-term stability of our business. These operations will continue to be a charge on our profits this year. The health of our established brands is sound and their profitability is more than sufficient to absorb the cost of these special developments during their growth period.

Apart from these trading problems, in November the administration of the business—previously split between Boston, Chicago and New York — was concentrated in New York. Material economies and increased efficiency are expected to result. The greater part of the non-recurring cost of this move has been absorbed in the 1949 results.

One other matter about our American business remains to be recorded. In January, 1950, a difference of opinion arose between ourselves and Mr. Charles Luckman, the President of Lever Brothers Company. This could not be resolved and resulted in his resignation. Before making a new appointment a detailed study of current American practice in the administration of large-scale enterprises was undertaken and the form most appropriate to the type and complexity of our operations was determined. The new structure consists of an active board, the members of which are in part men of wide general business experience and in part senior executive officers of Lever Brothers Company. We feel we have been fortunate in the individuals who have agreed to serve; the new arrangements announced in May last have been well received in American business circles and by our employees.

Western Europe

In Western Europe, where we operate in every major country, all our businesses benefited by the arrangements made towards freer international trade. Our greatest handicap continues to be lack of freedom to transfer capital from one country to another. This severely limits the effectiveness of our financial policy. From the point of view of our business it is important that the movement towards freer international trade should be extended to include not only commodities and services but the movement of capital as well.

The Orient

The political disturbances in Indonesia did not prevent our factories from manufacturing soaps, edible fats and toilet preparations to the limit of capacity. Various well-known brands such as Sunlight and Lux soaps and Blue Band margarine were reintroduced during the year. Demand for these outran the supply and we are planning an increase in the capacity of our factories. In Malaya, despite unrest up-country, our trade developed normally and we made a start on the building at Kuala Lumpur of plants for the manufacture of soap and edible products. In China the position continues to be very difficult.

Finance

During 1949 we continued with our programme of re-equipment and modernisation of factories in all parts of the world, but restrictions and shortages both of materials and skilled personnel prevented us from making the progress we would have wished. Despite these handicaps we have been able to carry out a substantial part of our programme. This has involved considerable capital expenditure, as the following figures of annual expenditure illustrate:—

1946	1947	1948	1949
Fl. 55,310,000	Fl. 100,179,000	Fl. 134,883,000	Fl. 170,956,000

These figures give an indication of the scale of capital expenditure since the war. They cover the expansion of our business as well as re-equipment and modernisation and reconstruction of damaged premises.

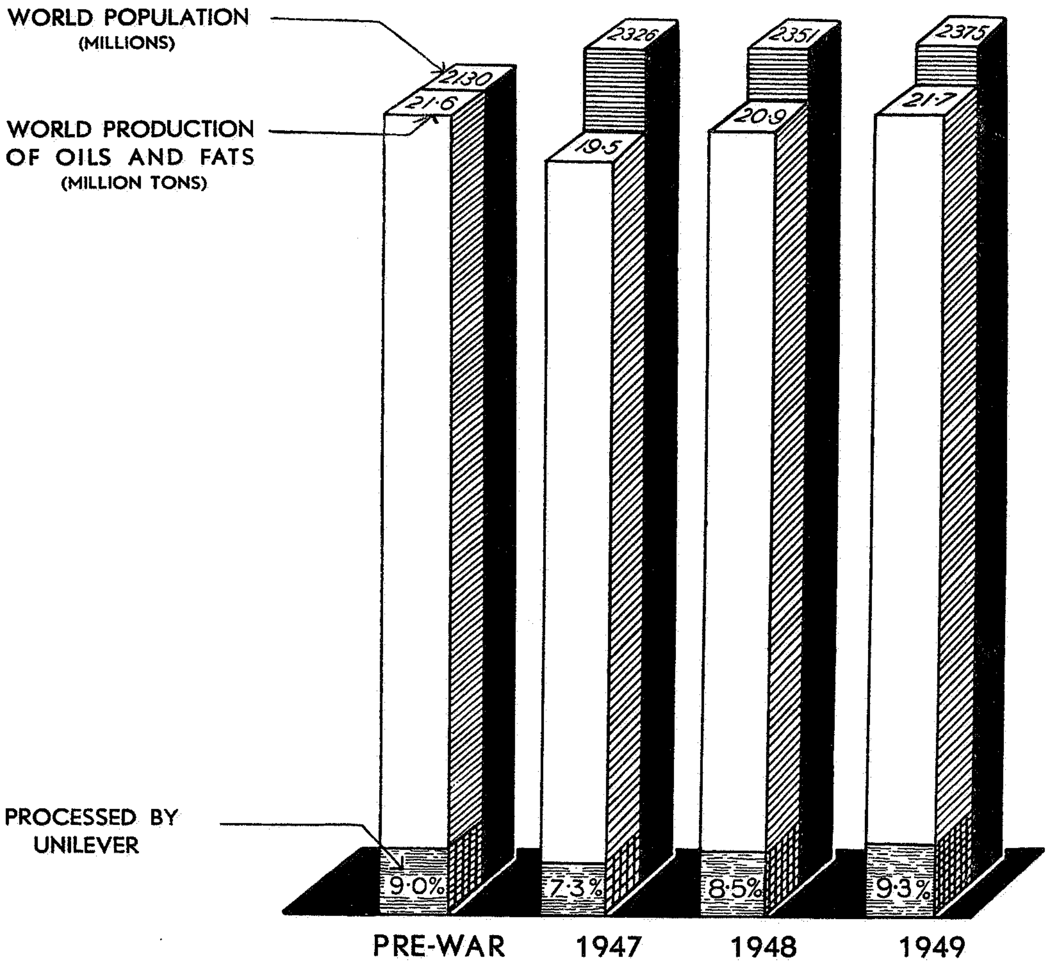
Our working capital requirements are growing and more and more money tends to be tied up in stocks and debtors. This situation is caused by the increased commitments which result from the transfer of stocks from Government account to our own account when controls are removed, by the higher prices which have to be paid for raw materials and, lastly, by the removal or reduction of Government subsidies.

The increased expenditure on fixed assets and the higher demands for working capital have depleted our liquid resources. In the case of N.V. the depletion has been met by the issue of Fl. 75,000,000 3½% Convertible Notes.

The West German subsidiary companies are being financed as far as working capital is concerned largely by means of short term facilities and this accounts for the increase in short term borrowings in the N.V. Group.

Oils and Fats

There was a general improvement of world supplies of oils and fats, and world production reached pre-war tonnage. The increase in the world population since 1939, estimated at 245 millions, means, however, that on a *per capita* basis available supplies are about 10% lower than before the war. The diagram below shows the relation between estimated world production and population during the years before and after the war. It also indicates the proportion processed by Unilever in the manufacture of soap, margarine and other edible fats, and in the processing of oils and fats sold by them to third parties.



	Estimated World Production m. tons (000)s.	Processed by Unilever m. tons (000)s.	Processed by Unilever Percentage of World Production
Pre-war	21,600	1,945	9.0
1947	19,500	1,423	7.3
1948	20,900	1,781	8.5
1949	21,700	2,019	9.3

The improvement was not uniform throughout the world. In some countries the consumption *per capita* has reached, or surpassed, the pre-war level, whereas in other parts of the world it remains very much below what it was before the war.

Throughout 1949 the disparity in prices between oils and fats produced in dollar areas and those produced elsewhere continued. This was due to the fact that in soft currency areas there were insufficient dollars to purchase the surplus supplies produced in hard currency areas.

The devaluation of guilder, sterling and other currencies in September, 1949, reduced the gap in price, but it did not solve the problem of dollar shortage.

In Western Germany there was a material improvement in supplies during the course of 1949. Indeed, the most important factor of the 1949 markets was the return of Western Germany as a substantial buyer of oils and fats. The average consumption *per capita*, however, is estimated to have been only 70% of what it was before the war. The extra pressure from the increasing requirements in this area will probably be felt for some time to come.

Synthetics

In the United States, the United Kingdom, on the Continent of Europe and in Trinidad there was a considerable increase in the supply of raw materials for synthetic detergents. Some of them, however, were not of a standard suitable for the production of high quality detergents.

Chemicals

Supplies of chemicals have been more satisfactory and for the first year since the war we were able to obtain sufficient quantities of caustic soda and soda ash. There remained a shortage of other essential chemicals outside the dollar area.

Packing Materials

The improvement in the supply of packing materials which started in 1948 continued throughout the year. This has enabled us to improve the presentation of many of our products. The quality of the materials available was in many countries still below pre-war standard.

SALES

The table below summarises territorially the comparative value of our sales other than those of the United Africa Group which are given on page 14.

	1948 Fl.	1949 Fl.
(1) Western Europe (1949 includes Western Germany and Austria)	3,417,613,000	5,223,102,000
(2) North and South America	1,237,472,000	1,064,894,000
(3) Africa, the Middle East and Australasia	228,296,000	261,212,000
(4) The Orient (excluding China)	370,347,000	418,886,000

Controls

The tendency noted a year ago towards greater freedom from controls on manufacture and sale gathered momentum. By the end of the year it was only in a few major countries that Government exercised direct control over production by allocation of raw materials or rationing finished products. On the other hand the control of selling prices continued to be the rule rather than the exception, though in some countries increased competition brought actual selling prices below the controlled maximum. In a number of European countries and many parts of the British Commonwealth price changes were subject to negotiation with the appropriate authorities. In Australia the delay in getting the authorities to agree to our application for a price increase, which we had been compelled to seek because of rising wages and other costs, meant that we had to sell for an inadequate return.

The United Kingdom is now the only major country in which we trade where soap is a rationed commodity, and margarine and edible fats are rationed only in the United Kingdom and Denmark. The substantial restoration to the consumer of freedom of choice which has resulted from the relaxation of controls has stimulated competition and should lead to greater efficiency both in distribution and production.

Margarine and Edible Fat Products

In the Netherlands changes in the relationship between the prices of butter and margarine had the effect of increasing sales of margarine, which reached record levels.

In the United Kingdom margarine continued to be manufactured in our factories on behalf of the Ministry of Food. Towards the end of the year the quantities produced were somewhat less than in the corresponding period of the previous year because the ration was not taken up in full by domestic consumers. This was the result, not of any change in public acceptance of margarine but of the effect of subsidies on purchasing habits. The retail price of butter was 1/6*d.* per lb.; unsubsidised it would have been 3/- per lb. The retail price of margarine was 10*d.* per lb.; unsubsidised it would have been 1/2½*d.* per lb. There were many indications of the housewife's desire to be able once again to buy proprietary brands of margarine instead of the pool brands which she has been obliged to purchase since 1940. We see no reason why proprietary brands should not now be reintroduced in the United Kingdom as they have been elsewhere.

In Western Germany the greater quantity of fat supplies enabled us substantially to increase our margarine production.

In 1948 the Federal ban on margarine manufacture was declared *ultra vires* by the Supreme Court of Canada and shortly after this we began the manufacture of margarine at our Toronto factory under the brand name of "Good Luck." Our business in this new field developed rapidly and most favourably.

The following figures show our sales in metric tons for the post-war years in comparison with the pre-war quantities.

1938	1946	1947	1948	1949
807,000	560,000	606,000	767,000	981,000

Detergents

Our total sales increased through the ability of our marketing organisations to take advantage of the greater availability of oils and fats for soap manufacture.

In the Netherlands and other parts of Western Europe we made particular progress in the manufacture and marketing of packaged soaps.

Our sales of synthetic detergents increased in the United Kingdom and our new products "Wisk" and "Quix" have become established throughout the country. We were also able to make a start in the manufacturing and marketing of this type of product in other countries of Western Europe. The development of synthetic detergents is still hampered by the quality of the basic raw material available from non-dollar sources, and by shortages of certain essential chemicals. The ultimate level of acceptance of synthetic detergents remains to be determined. Only when adequate supplies both of soap and synthetic products are available will the housewife be able to make up her mind on the basis of price and effectiveness.

The position of our businesses in the United States has been referred to earlier in this report.

Our sales in metric tons for the post-war years in comparison with the pre-war quantities are:

1938	1946	1947	1948	1949
881,000	750,000	811,000	941,000	1,054,000

TOILET PREPARATIONS

The toilet preparations industry was one of the first to be affected by the change-over to the buyers' market and competition was keen in most markets. We have been able to consolidate our position at a satisfactory level. Wherever prospects offered reasonable scope we have introduced a number of new products. Notable among these have been the home permanent wave sets which we have manufactured and marketed in the Netherlands, a number of other countries in Europe, and also in the United States and Australia. The toilet preparations trade in Western Germany showed a marked decrease during the year as a greater variety of other consumer goods became available.

The figures below show the annual sales value of our toilet preparations business for the post-war years.

1946	1947	1948	1949
Fl. 91,953,000	Fl. 112,084,000	Fl. 120,210,000	Fl. 164,165,000

FOODS

In the main our food businesses have had another good year, notable progress being made by our American company, Thomas J. Lipton of Hoboken, which established new records for both tea and soup sales. In the course of the year a new frozen dessert product, on which the Company's research department had been working for some years, was sold in a number of test markets with encouraging results. It is being marketed throughout the country during the current year.

In the Netherlands meat rationing was abolished towards the end of the year. The substantial increase in turnover which followed made heavy demands on our factory at Oss, which also had to keep our marketing organisation in Belgium supplied. The Oss factory started the manufacture of chicken noodle soup which was successfully launched on the Belgian market and was introduced in the Netherlands in 1950.

In the United Kingdom the outstanding progress was in Wall's ice-cream business, where the turnover was again increased, and in Batchelors' canning business.

In all the United Kingdom food businesses the tendency for overheads to rise and margins to narrow is prevalent. This has been most marked in the fish industry where on occasion price control made trade uneconomic.

OIL, CAKE AND MEAL

Recovery in volume of seed crushing operations continued, although the level is still materially below what it was before the war.

In the Netherlands our crushing and extracting plants handled an increased quantity of oilseeds and larger sales of cake and meal resulted.

There was an expansion in the quantity of animal foods sold in the form of compounds in the United Kingdom, where further additions to our production facilities have been put in hand.

THE UNITED AFRICA GROUP

In general, trading conditions during the year in all the territories in which the Group carries on business continued to be favourable. The total value of merchandise sales and produce handled by the Group rose from Fl. 1,305,478,000 in 1948 to Fl. 1,504,000,000 in 1949.

The early months of the year were marked by the high prices and bumper crops of the 1948/49 season which resulted in greatly increased spending power. In the 1949/50 season the groundnut crop in Northern Nigeria was a poor one and the price of cocoa in both the Gold Coast and Nigeria was substantially lower than in the previous year. The cocoa crop in Western Nigeria was also below average and in the Gold Coast was 20,000 tons lower than the previous season. Increases in marketings of palm oil and palm kernels, combined with advances in the price of groundnuts, resulted in the aggregate, despite a decrease in the tonnage produced, in only a small reduction in the amount of money put into circulation. This decrease was more than offset by greatly increased Government and other expenditure.

In the whole area from the Senegal to the Belgian Congo the approximate tonnages and values for the principal crops were:

	1948		1949	
Commodity	Tonnage	£	Tonnage	£
Groundnuts	896,000	18,450,000	706,000	21,980,000
Palm Oil	278,000	12,420,000	303,000	12,500,000
Palm Kernels	611,000	14,370,000	654,000	17,000,000
Cocoa	460,000	48,670,000	433,000	41,290,000
Totals	2,245,000	93,910,000	2,096,000	92,770,000

In percentages the tonnage for 1949 was 6.6% less than that for 1948 and the value 1.2% less.

In all Colonies there has been a continued growth in the political consciousness of the people and for a time trading conditions in the Gold Coast were marked by uneasiness while the report of the Coussey Committee on constitutional reform was awaited.

One or two of the Group's properties in South-Eastern Nigeria suffered some damage as a consequence of disturbances in that area, but the losses have not been material and trade recovered rapidly.

For a long time now the cost of conducting operations has been increasing. In a number of cases there has been an upward revision of ground-rents. High building costs and additional rates have further increased the burden of charges on property, while in line with the general movement there have been advances in salaries and wages in all grades of employment.

Merchandise and Produce

The effect of the shortfall in production during the season 1949/50 was not felt until the early months of 1950. Merchandise sales during the calendar year once again rose to a new high level and the Group merchandise turnover in all African territories and the Middle East increased from £64,477,000 in 1948 to £78,061,000 in 1949, an advance of just over 21%.

Supplies of suitable merchandise for the requirements of the different markets were more easily obtained and there is now only a limited range of goods which present real difficulties of supply. Competition has become much more intense, particularly in the textiles markets where there has been an over-supply in certain types.

In the early part of the year the cost of merchandise supplies and their selling prices had tended to fall; in some commodities there was evidence of a return to the buyers' market. Following devaluation, however, this tendency was arrested and while any upward turn of prices has only been faintly marked, there is, nevertheless, a firmer undertone in the supplying markets. In these conditions margins generally have narrowed, but the increase in the volume of sales has enabled the amount of profit earned to be fully maintained.

The Group continued to make its produce purchases as Agents for the Marketing Boards in the British Territories.

In the French Territories palm oil and palm kernels were released from control in the middle of the year and thereafter the Group purchased as principals instead of as agents for the "Groupement National pour l'Achat des Produits Oléagineux". In October, immediately before the opening of the 1949/50 season, cocoa was similarly released from control. These relaxations have enabled the Group to secure materially better results on French produce commensurate with the increased risks which have been assumed.

The total value of produce handled by the Group during the year was Fl. 673,438,000.

The Nigerian Brewery, in which, in association with Heineken's Brewery and with leading West African merchants, the Group has a substantial interest, began production in July. The beer found a ready market and may be expected to establish itself.

Shipping

The Group's Palm Line ocean fleet of 15 vessels with a dead-weight tonnage of 127,000 was fully employed during the year. Import and export tonnages carried by vessels owned or chartered amounted to 1,336,000 tons, an increase of nearly a quarter-of-a-million tons over the preceding year, and 115 separate voyages were completed. The two remaining coal-fired vessels were converted to oil-burning during the year.

The river fleet operating on the Niger River was augmented during the year by 6 tugs and 16 barges. The programme of replacement of worn-out craft continues, and it is expected that 5 new ships and 8 additional barges will be available during 1950 to operate on the River Benue.

During the year 7 tugs and 37 barges were added to harbour craft.

Plantations

The companies of the Group have had a good year, the areas now under cultivation in the Congo, Nigeria, the Cameroons, and Malaya being:—

	Planted during 1949 (including replantings)	Total at end of 1949
	ha	ha
Oil Palms	47	42,223
Rubber	1,756	10,300
Cocoa	1,164	2,355
Bananas	—	484
Totals	2,967	55,362

The replanting programme for rubber in Nigeria is now completed and 50% of the total rubber acreage is now restocked with the most suitable varieties.

Of the 2,355 ha of cocoa in the Belgian Congo 776 ha are interplanted with rubber and oil palms.

Timber

The total volume of timber extracted from our Nigerian forest concessions was 106,490 tons. The output of lumber was 25,123 cu.m. while 15,302 cu.m. of veneer were produced, of which part was used in the manufacture of 9,295 cu.m. of plywood. The export of logs was 36,244 tons.

The production of plywood started in November, 1948, and progress was fairly steady and remarkably free of technical difficulties. The mill is producing at present at the rate of 12,000 cu. m. per year. The plywood is of high quality and good appearance and has been well received in all markets served.

The new sawmill at Sapele in Nigeria is expected to be in part production during the second quarter of 1950 and in full production within a year.

The progress and construction of the sawmill and other works to develop the resources of our Gold Coast Timber Concessions have been slower than was hoped, but the mill is expected to start operation by the end of 1950.

Health Service

During the year steps were taken to extend the Group's medical services. The hospital facilities at N'Dian in the Cameroons were doubled. A dispensary was built and a medical officer was established at the timber undertaking at Samreboi in the Gold Coast, and a medical officer began service at Sapele. A dispensary for the staff at Lagos is nearing completion.

EXPORT

In the Netherlands increased supplies of raw materials for the manufacture of detergents and edible fats enabled Government restrictions on allocations to be largely relaxed and we were thus in a position to increase our sales to export markets, our exports to overseas countries showing a particularly marked improvement. Exports of meat products increased, particularly to Belgium and Indonesia.

In both sales and profits 1949 was a record year for our export business in the United Kingdom, which took full advantage of the lifting of the quota arrangements by which the export of soap had previously been restricted. To enable soap makers in the United Kingdom to maintain their exports to dollar markets in the face of severe price competition from the United States, the Ministry of Food sanctioned arrangements by which manufacturers were permitted to purchase raw materials from the United States in proportion to the size of their soap exports to dollar markets. These arrangements made it possible to retain a substantial dollar business which would otherwise have been lost. The export of margarine and edible fats increased substantially but is still subject to restrictions which make it difficult to pursue a forward marketing policy. Our export business in toilet preparations continued to make steady progress.

The total value of our export trade from the Netherlands, including exports by the United Africa Group, rose from Fl. 82,014,000 in 1948 to Fl. 94,123,000 in 1949. Our exports from the United Kingdom, including those of the United Africa Group, reached a total of £25,546,000, compared with £19,957,000 in 1948.

The contribution which our export businesses have made to the foreign exchange resources of the Netherlands and the United Kingdom has been reinforced, as in previous years, by the dividends from our interests abroad.

PERSONNEL

The Management Training Scheme has continued to operate at home and abroad; out of a large number of candidates 6 trainees were appointed in the Netherlands, 12 in the United Kingdom and 18 in other European countries. A start has been made on a Management Training Scheme for India. A number of employees attended courses at the Administrative Staff College, Henley, England, and at the Harvard School of Business Administration in the United States. The "Training Within Industry" schemes have been continued in the Netherlands and in the United Kingdom and were introduced during the year in India and South America. The supervisors' training courses begun in the United Kingdom in 1948 have continued to be held in London throughout the year.

Production study continued on an increased scale with the organisation of a short course for factory production study officers and the appointment of area advisers. Incentive bonus schemes based on production study and designed to increase production and reduce costs were introduced in several factories with markedly successful results.

Our medical services were further developed, both in the Netherlands and abroad; additional medical officers and nurses were appointed for factories in the Netherlands, Norway and South Africa, and in India we have laid the foundations for a health service for our employees. Progress made in this field by the United Africa Group has already been mentioned.

The membership of the Pension and Provident Funds at the end of 1949 stood at 64,100 and the number of employees covered by outside pension schemes effected through insurance companies stands at 9,500, making a total of 73,600 employees in the various schemes.

RESEARCH

Our research establishments continued to assist our business throughout the world. In the Netherlands our research is gathering momentum and our laboratories have been extended. Despite the difficulties of obtaining suitably qualified personnel our research and development effort in the United Kingdom has been fully maintained, and will be increased when our new food laboratories at Colworth House, Bedfordshire, come more fully into operation during the latter half of 1950. In the United States we have decided to build new research laboratories adjacent to our factory at Edgewater, New Jersey, our present facilities at Cambridge, Mass., being unsuitable for extension.

Research on products has covered a wide field and currently the most interesting section is that dealing with synthetic detergents. We have carried out research in this field for some fifteen years, and have examined several hundred products during that time. The synthetic detergent chemicals themselves, while having many useful properties, are not good detergents for the washing of clothes. Their considerable advance in the American Continent has been mainly due to their admixture with specialised alkaline detergents which, in combination with the synthetic detergents, produce good washing results. These alkalines, while freely available in the United States, are either unobtainable or only in supply to a limited extent elsewhere. There is a wide field for continued research on this subject and our laboratories are devoting an important proportion of their facilities to its investigation.

In view of the continuing high value of oils and fats much of our research and development effort is still concerned with the improvement of processes. In all our major operations such as oil milling, oil refining, oil bleaching and hydrogenation, the value of the by-product oils and fats is much below that of the treated oils and fats themselves. In some countries the difference is hundreds of guilders per ton of oil, and the economy of our operations would be seriously affected if maximum efficiency were not maintained. The collaboration of our research departments with the manufacturing sections in these fields has produced many important savings. Similarly a continuous study has been made of packing operations in order to ensure proper economy and accuracy. To help in these important investigations we have set up an applied electronics laboratory which has made a good start in devising automatic controls for process and packaging operations.

MEMBERSHIP

It is not possible to give the number of N.V. shareholders as almost the whole of the share capital of that Company is in bearer form. At 31st December, 1949, the number of stockholders in LIMITED was 192,952, with an average holding of a little over £360.

DIRECTORS

All the Directors retire in accordance with Article 15 of the Articles of Association and, being eligible, offer themselves for re-election, with the exception of Mr. H. H. Bagnall who reaches retirement age in July.

AUDITORS

The Auditors, Messrs. Price, Waterhouse & Co. and Messrs. Cooper Brothers & Co., retire and offer themselves for re-appointment.

ROTTERDAM, 22nd June, 1950.

ON BEHALF OF THE BOARD,

PAUL RIJKENS, *Chairman.*

ARTHUR HARTOG, *Vice-Chairman.*

STATEMENT A

CONSOLIDATED

LEVER BROTHERS & UNILEVER N.V. AND LEVER

The figures are a guide, and no more, to the financial position,

Figures shown in italics

31st December 1948				31st December 1949		
N.V.	LIMITED	Combined		N.V.	LIMITED	Combined
Fl.	Fl.	Fl.	**CAPITAL EMPLOYED**	Fl.	Fl.	Fl.
213,136,000	**601,836,492**	**814,972,492**	(I) PREFERENTIAL CAPITAL—PARENT COMPANIES	**213,136,000**	**598,965,511**	**812,101,511**
			(II) ORDINARY CAPITAL AND RESERVES—			
169,600,000	146,533,540	316,133,540	(*a*) Ordinary Capital—Parent Companies	169,616,000	145,840,245	315,456,245
157,877,515	179,104,634	336,982,149	(*b*) Capital Reserves	229,206,399	209,119,698	438,326,097
123,133,995	424,527,122	547,661,117	(*c*) Revenue Reserves and Exchange Surpluses	160,398,264	513,864,800	674,263,064
—	89,804,400	89,804,400	(*d*) Future United Kingdom taxation	—	117,040,000	117,040,000
450,611,510	**839,969,696**	**1,290,581,206**	**ORDINARY SHAREHOLDERS' FUNDS—PARENT COMPANIES**	**559,220,663**	**985,864,743**	**1,545,085,406**
45,248,692	**139,822,939**	**185,071,631**	(III) OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARIES	**51,994,429**	**140,620,942**	**192,615,371**
193,305,051	**1,619,612**	**194,924,663**	(IV) LONG TERM LIABILITIES	**341,298,619**	**18,884,617**	**360,183,236**
118,808,388	*118,808,388*	—	(V) N.V./LIMITED INTER-GROUP ITEMS	**123,095,499**	*123,095,499*	—
1,021,109,641	**1,464,440,351**	**2,485,549,992**		**1,288,745,210**	**1,621,240,314**	**2,909,985,524**
			EMPLOYMENT OF CAPITAL			
288,269,315	**428,555,064**	**716,824,379**	(VI) PREMIUMS, less discounts, at which shares in subsidiaries are held, including Goodwill	**274,131,167**	**413,902,522**	**688,033,689**
399,028,094	**608,291,259**	**1,007,319,353**	(VII) LAND, BUILDINGS, PLANTATIONS, SHIPS, PLANT AND EQUIPMENT	**615,818,864**	**683,762,746**	**1,299,581,610**
179,806,867	*275,141,962*	*454,948,829*	*Less*: Provision for depreciation	*220,324,971*	*274,008,941*	*494,333,912*
507,490,542	**761,704,361**	**1,269,194,903**		**669,625,060**	**823,656,327**	**1,493,281,387**
155,677,339	**359,592**	**156,036,931**	(VIII) INTERESTS NOT CONSOLIDATED	**73,369,468**	—	**73,369,468**
13,044,383	**40,959,605**	**54,003,988**	(IX) TRADE INVESTMENTS	**25,760,923**	**41,563,596**	**67,324,519**
676,212,264	**803,023,558**	**1,479,235,822**	**FIXED ASSETS**	**768,755,451**	**865,219,923**	**1,633,975,374**
			(X) CURRENT ASSETS			
412,431,648	629,062,288	1,041,493,936	(*a*) Stocks.......................	538,833,754	761,078,338	1,299,912,092
146,116,748	454,986,691	601,103,439	(*b*) Debtors and payments in advance	266,031,843	477,251,018	743,282,861
92,840,331	4,451,123	97,291,454	(*c*) Short term advances and investments	175,237,007	9,830,583	185,067,590
57,523,748	104,022,500	161,546,248	(*d*) Balances at bankers and cash in hand......................	138,366,223	97,537,806	235,904,029
708,912,475	**1,192,522,602**	**1,901,435,077**		**1,118,468,827**	**1,345,697,745**	**2,464,166,572**
			(XI) CURRENT LIABILITIES AND PROVISIONS—			
189,093,259	*269,091,166*	*458,184,425*	(*a*) Creditors and accrued liabilities	*300,132,678*	*279,786,173*	*579,918,851*
45,127,838	*91,662,528*	*136,790,366*	(*b*) Short term borrowings	*125,643,203*	*103,444,442*	*229,087,645*
104,976,386	*126,110,833*	*231,087,219*	(*c*) Provision for taxation and contingencies.................	*148,689,549*	*168,975,234*	*317,664,783*
1,984,512	*17,148,032*	*19,132,544*	(*d*) Provision for deferred repairs..	*1,125,006*	*13,681,072*	*14,806,078*
—	*3,207,300*	*3,207,300*	(*e*) Provision for exchange losses..	—	—	—
22,833,103	*23,885,950*	*46,719,053*	(*f*) Dividends—net	*22,888,632*	*23,790,433*	*46,679,065*
364,015,098	*531,105,809*	*895,120,907*		*598,479,068*	*589,677,354*	*1,188,156,422*
344,897,377	**661,416,793**	**1,006,314,170**	**NET CURRENT ASSETS**	**519,989,759**	**756,020,391**	**1,276,010,150**
1,021,109,641	**1,464,440,351**	**2,485,549,992**		**1,288,745,210**	**1,621,240,314**	**2,909,985,524**

bearing in mind the existence of restrictions on transfers of currencies.

represent deductions.

NOTES

Foreign currencies have been converted into guilders or sterling on the following bases:
Fixed assets—as far as was practicable, at the average rates ruling in the year of acquisition or valuation.
Current assets and liabilities—at the rates ruling at the date of the Balance Sheets.

The guilder equivalents of all LIMITED figures for 1949 have been calculated at the rate of £1 = Fl. 10.64. Those for 1948 have been calculated at the rate of £1 = Fl. 10.691.

(II) (*a*) The Equalisation Agreement provides that the relationship between the Ordinary Capitals of N.V. and LIMITED, for dividend purposes and on liquidation, shall be based on a rate of £1 = Fl. 12. The conversion of Ordinary Capital at this rate would create a conversion difference of Fl. *18,487,851.*

(*b*) and (*c*) Details are given on Statement E. The capital reserves of N.V. are subject to any losses that may arise on interests not consolidated referred to under (VIII) below.

(*d*) The reserve is estimated to cover United Kingdom income tax on all profits to date subject to future assessment.

(IV) The increase in the N.V. Group arises from:

(i) The issue of Fl. 75,000,000 3½% convertible 25-year notes by the Parent Company (of which Fl. 40,000 were converted by the holders into Fl. 16,000 Ordinary Capital in 1949), and of Sw. Kr. 4,000,000 4% notes by a Swedish subsidiary, and the borrowing by a Norwegian subsidiary of N. Kr. 5,000,000 on 2% mortgage loan.

(ii) The devaluation of the guilder in September.

The increase in the LIMITED Group arises from the issue of $5,000,000 3% notes by a Canadian subsidiary.

Long term liabilities are secured to the extent of N.V. Group Fl. 4,866,758, LIMITED Group Fl. 1,611,886.

(V) This is the net balance of several accounts and incorporates loans of £11,500,000 by the LIMITED Group to the N.V. Group which are secured on shares of subsidiaries of N.V.

(VII) Details are given on Statement D.

(VIII) The principal reason for the reduction in this item is that the accounts of the West German and Austrian subsidiaries and of the employees' savings banks have been consolidated. The balance in the N.V. Group comprises interests in Czechoslovakia, Yugoslavia, Roumania, Poland, Hungary and China which have not been consolidated for the reasons stated in the Directors' Report.

(IX) This includes interests in companies in which 50% of the ordinary capital is owned, and other investments not held for sale.

In N.V., the increase mainly arises from the consolidation of our interests in Western Germany.

In LIMITED, trade investments are shown at net book value at 31st December, 1947, with additions at cost, less Fl. 182,646 written off since that date.

(X) (*a*) Stocks have been valued at or below cost.

(*c*) This item mainly consists of Treasury Bills, but includes quoted investments N.V. Fl. 6,981,495, LIMITED Fl. 8,242,925 — market value N.V. Fl. 11,336,135, LIMITED Fl. 7,818,740 — and unquoted investments N.V. Fl. 145,780, LIMITED Fl. 1,114,178.

(XI) (*b*) These include bank overdrafts which, in the case of the N.V. Group, are secured to the extent of Fl. 3,114,517.

(*c*) In LIMITED, the provision for taxation includes the United Kingdom profits tax liability on the profits of 1949 and the proposed distributions.

GENERAL.

The 1949 figures for the N.V. Group include the accounts of subsidiaries in Western Germany and Austria and to that extent are not comparable with those for 1948—see Directors' Report, pages 5 and 6.

In order to conform to the seasonal nature of their operations, the financial year of some subsidiaries of LIMITED having interests in Africa ends on 31st August. With the consent of the Board of Trade the accounts of these companies have been consolidated on the basis of estimated accounts at 31st December.

There are contingent liabilities under forward contracts, guarantees and other agreements.

The estimated commitments for capital expenditure at 31st December, 1949 were approximately—N.V. Fl. 37,000,000, LIMITED Fl. 101,000,000.

STATEMENT B

CONSOLIDATED PROFIT

LEVER BROTHERS & UNILEVER N.V. AND LEVER BROTHERS

The figures are a guide, and no more, to the trend of results,
Figures shown in italics

1948				1949		
N.V.	LIMITED	Combined		N.V.	LIMITED	Combined
Fl.	Fl.	Fl.		Fl.	Fl.	Fl.
130,973,988	281,771,654	412,745,642	(I) BALANCES FROM TRADING ACCOUNT........	141,163,127	317,156,343	458,319,470
18,409,154	*26,272,951*	*44,682,105*	(*a*) Provision for depreciation	*37,254,540*	*33,020,942*	*70,275,482*
15,200,000	*28,331,150*	*43,531,150*	(*b*) Reserve for replacement of fixed assets ..	*17,000,000*	*28,196,000*	*45,196,000*
537,716	*1,603,008*	*2,140,724*	(*c*) Emoluments of Directors.............	*724,406*	*1,819,514*	*2,543,920*
87,035	*561,267*	*648,302*	(*d*) Pensions to former Directors	*101,288*	*281,747*	*383,035*
96,740,083	225,003,278	321,743,361	(II) TRADING PROFIT	86,082,893	253,838,140	339,921,033
805,911	5,980,278	6,786,189	(III) INCOME FROM TRADE INVESTMENTS.........	865,059	6,411,345	7,276,404
20,000,000	*24,215,115*	*44,215,115*	(IV) RESERVE FOR STOCKS...................	19,400,000	—	19,400,000
8,036,783	74,698	*7,962,085*	(V) EXCEPTIONAL ITEMS.....................	33,156,626	16,665,687	49,822,313
3,025,904	*81,155*	*3,107,059*	(VI) INTEREST ON LONG TERM LIABILITIES	*8,181,574*	*504,836*	*8,686,410*
417,323	417,323	—	(VII) INTER-GROUP INTEREST	201,277	*201,277*	—
66,065,984	207,179,307	273,245,291	(VIII) PROFIT BEFORE TAXATION	131,524,281	276,209,059	407,733,340
			(IX) TAXATION ON PROFIT—			
47,448,503	*138,795,865*	*186,244,368*	(*a*) Amount based on the profit of the year, including Indonesian and foreign taxes	*43,556,591*	*151,157,107*	*194,713,698*
20,673,668	14,867,942	35,541,610	(*b*) Adjustments relating to previous years	1,548,622	6,230,656	7,779,278
26,774,835	*123,927,923*	*150,702,758*		*42,007,969*	*144,926,451*	*186,934,420*
39,291,149	**83,251,384**	**122,542,533**	(X) **PROFIT AFTER TAXATION**	**89,516,312**	**131,282,608**	**220,798,920**
4,040,744	*6,687,734*	*10,728,478*	(XI) PROPORTION ATTRIBUTABLE TO OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARIES.......	*5,964,459*	*6,501,912*	*12,466,371*
35,250,405	**76,563,650**	**111,814,055**	(XII) **CONSOLIDATED NET PROFIT**	**83,551,853**	**124,780,696**	**208,332,549**

bearing in mind the existence of restrictions on transfers of currencies.

represent deductions.

NOTES

Foreign currencies have been converted into guilders or sterling at the average rates of the year. Depreciation has been provided on the guilder or sterling value of the fixed assets converted, as far as practicable, at the average rates ruling in the year of acquisition or valuation.

The guilder equivalents of all LIMITED figures for 1949 have been calculated at the rate of £1 = Fl. 10.64. Those for 1948 have been calculated at the rate of £1 = Fl. 10.691.

(I) (*b*) The amounts set aside to the reserves for replacement of fixed assets represent the difference between applying normal depreciation rates to the estimated current replacement costs of fixed assets and applying them to original cost or valuation.

(*c*) These amounts comprise salaries and pension fund contributions of the Directors of the Parent Companies, all of whom devote their full time to the business. No Directors' fees are paid.

(II) These amounts include income from quoted investments N.V. Fl. 112,848 (Fl. 95,579), LIMITED Fl. 276,204 (Fl. 35,890), and dividends on capital of parent companies held by subsidiaries N.V. Fl. 124,201 (Fl. 124,440), LIMITED Fl. 84,056 (Fl. 90,521).

(IV) The amount brought back to profits is in respect of our interests in the United States of America.

(V) Exchange differences incorporated in exceptional items amount to N.V. Group Fl. 43,681,780 (Fl. *849,069*), LIMITED Group Fl. 16,762,809 *(Fl. 3,311,013)*, and are referred to in the Directors' Report (page 6) and in note (XII) below.

(IX) In LIMITED taxation on profits comprises United Kingdom income and profits tax of Fl. *127,871,978* less foreign tax relief of Fl. 24,380,496, and foreign taxes of Fl. *41,434,969*. The additional profits tax on distributions declared and proposed is included.

(XII) The profits shown at (VIII), (X) and (XII) are after setting aside reserves for replacement of fixed assets and writing back reserve for stocks and after crediting net exchange differences in 1949 of N.V. Fl. 43,681,780, LIMITED Fl. 16,762,809 (including exchange surpluses arising only on consolidation), which have been transferred to Exchange Surpluses on Statement E.

GENERAL.

The 1949 figures for the N.V. Group include the accounts of subsidiaries in Western Germany and Austria and to that extent are not comparable with those for 1948—see Directors' Report, pages 5 and 6.

STATEMENT C

APPROPRIATION OF

LEVER BROTHERS & UNILEVER N.V. AND LEVER

The figures are a guide, and no more, to the trend of results,

Figures shown in italics

1948				1949		
N.V.	LIMITED	Combined		N.V.	LIMITED	Combined
Fl.	Fl.	Fl.		Fl.	Fl.	Fl.
35,250,405	76,563,650	111,814,055	CONSOLIDATED NET PROFIT (Statement B)	83,551,853	124,780,696	208,332,549
			PREFERENTIAL DIVIDENDS OF PARENT COMPANIES—			
2,030,000	*26,929,624*	*28,959,624*	7% Preference	*2,030,000*	*26,801,160*	*28,831,160*
6,548,160	—	*6,548,160*	6% Preference	*6,548,160*	—	*6,548,160*
—	*1,261,538*	*1,261,538*	5% Preference	—	*1,255,520*	*1,255,520*
3,000,000	—	*3,000,000*	4% Redeemable Preference	*3,000,000*	—	*3,000,000*
—	*13,395,182*	*13,395,182*	8% A Preference	—	*13,331,282*	*13,331,282*
—	*4,890,737*	*4,890,737*	20% Preferred Ordinary	—	*4,867,406*	*4,867,406*
11,578,160	*46,477,081*	*58,055,241*		*11,578,160*	*46,255,368*	*57,833,528*
—	20,914,333	20,914,333	*Less*: United Kingdom income tax	—	20,814,564	20,814,564
11,578,160	*25,562,748*	*37,140,908*		*11,578,160*	*25,440,804*	*37,018,964*
23,672,245	51,000,902	74,673,147	PROFIT ACCRUING TO ORDINARY AND DEFERRED CAPITAL	71,973,693	99,339,892	171,313,585
			ORDINARY AND DEFERRED DIVIDENDS OF PARENT COMPANIES PROPOSED—			
15,308,000	*14,640,266*	*29,948,266*	Ordinary (N.V. 8.9%; LIMITED 10%)	*15,309,424*	*14,570,427*	*29,879,851*
—	*64,146*	*64,146*	Deferred	—	*63,840*	*63,840*
—	6,616,981	6,616,981	*Less*: United Kingdom income tax	—	6,585,415	6,585,415
15,308,000	*8,087,431*	*23,395,431*		*15,309,424*	*8,048,852*	*23,358,276*
8,364,245	42,913,471	51,277,716	PROFIT RETAINED	56,664,269	91,291,040	147,955,309
			REPRESENTED BY ADDITIONS TO—			
—	16,036,500	16,036,500	General Reserves of Parent Companies	—	21,280,000	21,280,000
810,249	3,682,429	4,492,678	Profits carried forward by Parent Companies	934,915	3,764,038	4,698,953
7,553,996	23,194,542	30,748,538	Profits retained by subsidiaries including exchange surpluses—see note (XII), Statement B	55,729,354	66,247,002	121,976,356
8,364,245	42,913,471	51,277,716		56,664,269	91,291,040	147,955,309

bearing in mind the existence of restrictions on transfers of currencies.
represent deductions.

NOTES

The guilder equivalents of all LIMITED figures for 1949 have been calculated at the rate of £1 = Fl. 10.64. Those for 1948 have been calculated at the rate of £1 = Fl. 10.691.

The net profits of the Parent Companies included in the Consolidated Net Profit are:—

1948		1949
Fl.		Fl.
27,696,409	N.V.	27,822,499
53,369,108	LIMITED	58,533,694

The above profits include revenue from subsidiaries to the extent to which profits of direct subsidiaries have been declared as dividends. A number of direct subsidiaries are themselves holding companies. The results of these companies incorporate the results of their subsidiaries as if those companies were branches after making provision for taxes that would become payable if their profits were distributed to their holding companies. Dividends declared by direct subsidiaries may therefore be represented partly by dividends, including stock dividends, from their subsidiaries and partly by profits retained by those subsidiaries for the development of their businesses. The direct subsidiaries have retained, in the aggregate, amounts at least equivalent to the profits of the year which are subject to restrictions on the movement of currency, or on the distribution of profits.

STATEMENT D

LAND, BUILDINGS, PLANTATIONS, SHIPS, PLANT AND EQUIPMENT

Representing a consolidation of the figures of N.V. and LIMITED and their subsidiaries.

Figures shown in italics represent deductions.

1948 N.V.	1948 LIMITED	1948 Combined		1949 N.V.	1949 LIMITED	1949 Combined
Fl.	Fl.	Fl.	COST OR VALUATION	Fl.	Fl.	Fl.
			OTHER THAN WESTERN GERMANY AND AUSTRIA:			
360,432,711	537,765,586	898,198,297	At 1st January	420,833,913	595,228,306	1,016,062,219
51,834,720	83,048,426	134,883,146	Expenditure	69,546,953	101,408,893	170,955,846
4,440,344	*7,595,688*	*12,036,032*	Proceeds of sales	*5,954,945*	*6,213,781*	*12,168,726*
8,798,993	*4,927,065*	*13,726,058*	Eliminations in respect of disposals	*5,090,644*	*6,660,672*	*11,751,316*
			WESTERN GERMANY AND AUSTRIA:			
			At 31st December, 1949	136,483,587	—	136,483,587
399,028,094	608,291,259	1,007,319,353	At 31st December	615,818,864	683,762,746	1,299,581,610
			DEPRECIATION			
			OTHER THAN WESTERN GERMANY AND AUSTRIA:			
168,799,345	263,322,024	432,121,369	At 1st January	188,069,490	250,849,215	438,918,705
18,409,154	26,272,951	44,682,105	Charged to revenue	22,286,826	33,020,942	55,307,768
7,401,632	*5,067,791*	*12,469,423*	Eliminations in respect of disposals	*9,114,292*	*6,908,233*	*16,022,525*
—	*9,385,222*	*9,385,222*	Surpluses transferred to reserves	—	*2,952,983*	*2,952,983*
			WESTERN GERMANY AND AUSTRIA:			
			At 31st December, 1949	19,082,947	—	19,082,947
179,806,867	275,141,962	454,948,829	At 31st December	220,324,971	274,008,941	494,333,912
			NET BALANCE SHEET VALUES			
112,439,232	185,542,829	297,982,061	Land, Buildings and Plantations	198,985,746	213,533,245	412,518,991
106,781,995	147,606,468	254,388,463	Ships, Plant and Equipment	196,508,147	196,220,560	392,728,707
219,221,227	333,149,297	552,370,524	At 31st December	395,493,893	409,753,805	805,247,698

In addition to provisions for depreciation, amounts have been transferred in the last three years to reserves for replacement of fixed assets which, at 31st December, 1949, amounted to N.V. Fl. 48,949,318, LIMITED Fl. 105,697,313.

NOTES

The guilder equivalents of all LIMITED figures for 1949 have been calculated at the rate of £1 = Fl. 10.64. Those for 1948 have been calculated at the rate of £1 = Fl. 10.691.

The differences between the balances at 31st December, 1948, and those shown at 1st January, 1949, mainly arise from the adoption of revaluations of existing assets.

Land, Buildings, Plantations, Ships, Plant and Equipment are stated at cost in some cases and in others as valued by the Directors at various dates. Where appropriate, surpluses on valuations have been applied against Premiums.

Provisions for depreciation include amounts set aside prior to acquisition. In some countries where revaluation of fixed assets has been carried out, depreciation provisions have also been revalued on a similar basis.

For Western Germany and Austria the basis of conversion has been the rates of exchange ruling at 31st December, 1949.

Western Germany

The figures are based on the official valuations at 21st June, 1948, or cost if purchased since that date. Depreciation is the amount provided on those assets since valuation or date of purchase.

Austria

A revaluation of the cost and depreciation provision has been made as at 31st December, 1949.

CAPITAL AND REVENUE RESERVES AND EXCHANGE SURPLUSES

Representing a consolidation of the figures of N.V. and LIMITED and their subsidiaries.

31st December 1948				31st December 1949		
N.V.	LIMITED	Combined		N.V.	LIMITED	Combined
Fl.	Fl.	Fl.	CAPITAL RESERVES	Fl.	Fl.	Fl.
71,557,343	77,179,473	148,736,816	Premiums on Capital issued by the Parent Companies	71,580,985	76,811,298	148,392,283
53,999,537	17,845,000	71,844,537	Surplus on valuation of shares in subsidiaries and trade investments	53,999,537	17,759,873	71,759,410
32,127,171	75,002,785	107,129,956	Fixed assets replacement	48,949,318	105,697,313	154,646,631
193,464	9,077,376	9,270,840	Other	54,676,559	8,851,214	63,527,773
157,877,515	179,104,634	336,982,149		229,206,399	209,119,698	438,326,097
			REVENUE RESERVES AND EXCHANGE SURPLUSES			
			REVENUE RESERVES			
			Parent Companies			
43,052,371	180,127,185	223,179,556	General reserves	43,052,371	200,547,912	243,600,283
13,292,420	38,041,133	51,333,553	Profits carried forward	14,227,335	41,623,701	55,851,036
30,789,204	136,867,304	167,656,508	General reserves and profits carried forward of subsidiaries	42,836,778	185,770,378	228,607,156
36,000,000	69,491,500	105,491,500	Stock reserves	16,600,000	69,160,000	85,760,000
123,133,995	424,527,122	547,661,117		116,716,484	497,101,991	613,818,475
—	—	—	EXCHANGE SURPLUSES	43,681,780	16,762,809	60,444,589
123,133,995	424,527,122	547,661,117		160,398,264	513,864,800	674,263,064

The General reserves and profits carried forward include substantial amounts which have been retained by subsidiaries to finance fixed assets and working capital or which, owing to currency and dividend restrictions, cannot be remitted.

EXPLANATIONS OF MOVEMENTS

The guilder equivalents of all LIMITED figures for 1949 have been calculated at the rate of £1=Fl. 10.64. Those for 1948 have been calculated at the rate of £1=Fl. 10.691.

CAPITAL RESERVES

Fixed assets replacement

The increases—N.V. Fl. 16,822,147, LIMITED Fl. 30,694,528—consist of the Parent Companies' proportions of the amounts set aside out of current revenue—N.V. Fl. 17,000,000, LIMITED Fl. 28,196,000—and surpluses on disposals of fixed assets—LIMITED Fl. 2,952,983.

Other

The increase of Fl. 54,483,095 for N.V. represents the amount by which the figures for Western Germany and Austria in the Consolidated Balance Sheet (excluding the profits taken up in 1949) exceed the amounts included at 31st December, 1948, in respect of those countries in "Interests not consolidated".

The reduction of Fl. 226,162 for LIMITED arises from a revision of the Group excess profits tax liability.

REVENUE RESERVES

General reserves and profits carried forward

The material increases comprise the profits retained N.V. Fl. 56,664,269, LIMITED Fl. 91,291,040 shown in the Appropriations of Consolidated Net Profits (Statement C) less the exchange surpluses mentioned below.

Stock reserves

The decrease in N.V. is due to the transfer of Fl. 19,400,000 to profits as shown in the Consolidated Profit and Loss Account (Statement B).

EXCHANGE SURPLUSES

The amounts shown are the net exchange differences in 1949 referred to in note XII on Statement B and are included in the figures N.V. Fl. 56,664,269, LIMITED Fl. 91,291,040 shown in the Appropriations of Consolidated Net Profits (Statement C).

STATEMENT F

LEVER BROTHERS

BALANCE SHEET

Figures shown in italics

1948 Fl.	1948 Fl.		Fl. Authorised	Fl. Issued and fully paid	Fl.
		CAPITAL EMPLOYED			
		(I) PREFERENTIAL CAPITAL—			
	29,000,000	7% Cumulative Preference ... *Ranking pari passu*	30,000,000	29,000,000	
	109,136,000	6% Cumulative Preference ...	125,000,000	109,136,000	
	75,000,000	4% Redeemable Cumulative Preference ...	75,000,000	75,000,000	
213,136,000			230,000,000		**213,136,000**
		(II) ORDINARY CAPITAL AND RESERVES—			
	172,000,000	(a) ORDINARY CAPITAL	300,000,000	172,016,000	
	125,556,880	(b) CAPITAL RESERVES		125,580,522	
	56,344,791	(c) REVENUE RESERVES		57,279,706	
353,901,671					**354,876,228**
567,037,671					**568,012,228**
		(III) LONG TERM LIABILITIES—			
—		$3^1/_2\%$ Convertible Notes			**74,960,000**
21,878,469		(IV) INDEBTEDNESS TO LIMITED GROUP			**22,159,546**
588,916,140					**665,131,774**

1948 Fl.	1948 Fl.		Fl.	Fl.	Fl.
		EMPLOYMENT OF CAPITAL			
		(V) INTERESTS IN SUBSIDIARIES—			
	310,450,519	Shares at Directors' valuation 31st December, 1939, less amounts written off and additions at cost		310,450,519	
	359,334,053	Loans and current accounts (including dividends receivable)		352,809,470	
	669,784,572			663,259,989	
	47,996,394	*Less*: Deposits and current accounts		*39,151,286*	
621,788,178					**624,108,703**
		(VI) CURRENT ASSETS—			
	2,977,362	Debtors and payments in advance (Fl. 318,646)	9,606,255		
	2,250,656	Short term advances and Treasury bills	37,700,167		
	8,309,792	Balances at bankers and cash in hand	40,255,024		
	13,537,810			87,561,446	
		(VII) CURRENT LIABILITIES AND PROVISIONS—			
	12,830,066	Creditors, deposits and accrued liabilities	*11,794,470*		
	12,482,702	Provision for taxation and contingencies	*13,645,401*		
	21,097,080	Dividends, including that proposed on Ordinary Capital	*21,098,504*		
	46,409,848			*46,538,375*	
32,872,038					**41,023,071**
588,916,140					**665,131,774**

ON BEHALF OF THE BOARD,

PAUL RIJKENS, *Chairman*

ARTHUR HARTOG, *Vice-Chairman*

NOTES

(I) The 4% Redeemable Cumulative Preference Capital is redeemable at par at the Company's option either wholly or in part after 31st December, 1955.

(II) (*a*) The increase of Fl. 16,000 arises from the conversion of the 3½% Convertible Notes referred to in (III) below. Fl. 1,200,000 Ordinary Capital is held by a subsidiary of N.V. and Fl. 1,200,000 is held by a subsidiary of LIMITED.

(*b*) The Capital Reserves are subject to any provisions which may be required against interests not consolidated. The details comprise—

1948 Fl.		1949 Fl.
71,557,343	Premiums on issues of capital	71,580,985
53,999,537	Surplus on valuation 31st December, 1939, of shares in subsidiaries, less amounts written off	53,999,537
125,556,880		125,580,522

The increase to Premiums arises from the issue of Fl. 16,000 Ordinary Capital, less expenses.

(*c*) The details of Revenue Reserves are—

1948 Fl.		1949 Fl.
43,052,371	General	43,052,371
13,292,420	Profit carried forward	14,227,335
56,344,791		57,279,706

The increase of Fl. 934,915 to Profit carried forward is shown on the Appropriation of Consolidated Net Profits (Statement C).

(III) An issue of Fl. 75,000,000 3½% Convertible 25-year notes was made in February, 1949. Under the terms of the issue the notes are convertible into Ordinary Capital at the holders' option and up to 31st December, 1949, Fl. 40,000 has been converted into Fl. 16,000 Ordinary Capital.

(V) Amounts shown as owing by subsidiaries on loans and current accounts include substantial sums which, because of their retention by subsidiaries for capital purposes or owing to currency restrictions, cannot be remitted.

(VI) Debtors and payments in advance have been shown after provision for doubtful debts. The amount of Fl. 9,606,255 includes the equivalent of Fl. 596,906 which is subject to currency restrictions.

GENERAL

There are contingent liabilities under guarantees and agreements on account of subsidiary and other companies. Foreign currencies have been converted into guilders at the rates ruling at the date of the balance sheet.

STATEMENT G

LEVER BROTHERS &

BALANCE SHEET 31st

Figures shown in italics

1948 £	1948 £		£	£	£	£
		CAPITAL EMPLOYED		Authorised	Issued and fully paid	
		(I) PREFERENTIAL CAPITAL—				
	35,984,690	7% Cumulative Preference } *Ranking*		35,984,690	35,984,690	
	2,360,000	5% Cumulative Preference } *pari passu*		4,015,310	2,360,000	
	15,661,749	8% Cumulative A Preference		40,000,000	15,661,749	
	2,287,312	20% Cumulative Preferred Ordinary		2,287,312	2,287,312	
56,293,751				82,287,312		**56,293,751**
		(II) ORDINARY AND DEFERRED CAPITAL AND RESERVES—				
		(*a*) CAPITAL—				
	13,694,008	Ordinary		59,031,438	13,694,008	
	100,000	Deferred		100,000	100,000	
	13,794,008			59,131,438	13,794,008	
	10,430,919	(*b*) CAPITAL RESERVES			10,338,980	
	24,406,727	(*c*) REVENUE RESERVES			26,760,490	
	600,000	(*d*) FUTURE UNITED KINGDOM TAXATION			1,375,000	
49,231,654						**52,268,478**
105,525,405						**108,562,229**
13,117,792		(III) *Less*: INDEBTEDNESS OF N.V. GROUP				*13,256,335*
92,407,613						**95,305,894**
£	£	**EMPLOYMENT OF CAPITAL**	£ Cost	£ Depreciation	£	£
		(IV) FIXED ASSETS—				
	2,266,022	(*a*) Land and buildings	2,859,379	*620,451*	2,238,928	
	342,242	(*b*) Plant and office equipment	1,049,229	*593,108*	456,121	
	2,608,264		3,908,608	*1,213,559*	2,695,049	
	2,245,343	(*c*) Trade investments—at net book value at 31st December, 1947			2,245,343	
4,853,607						**4,940,392**
		(V) INTERESTS IN SUBSIDIARIES—				
	89,223,712	(*a*) Shares at Directors' valuation at 31st December, 1937, with additions at cost			91,300,158	
	31,335,128	(*b*) Loans and current accounts (including dividends receivable)			32,648,817	
	120,558,840				123,948,975	
	30,117,534	(*c*) *Less*: Deposits and current accounts (less dividends receivable)			*31,288,337*	
90,441,306						**92,660,638**
		(VI) CURRENT ASSETS—				
	576,718	Debtors and payments in advance		557,523		
	250,000	Tax Reserve Certificates		—		
	1,381,394	Balances at bankers and cash in hand		2,482,033		
	2,208,112				3,039,556	
		(VII) CURRENT LIABILITIES—				
	2,124,216	Trade creditors, deposits and accrued liabilities		*2,432,608*		
	1,019,199	United Kingdom taxation		*950,087*		
	1,951,997	Dividends (net) including those proposed on Ordinary and Deferred Capital		*1,951,997*		
	5,095,412				*5,334,692*	
2,887,300						*2,295,136*
92,407,613						**95,305,894**

GEOFFREY HEYWORTH, *Chairman*

PAUL RIJKENS, *Vice-Chairman*

represent deductions.

NOTES

(II) (*a*) £50,000 Deferred Stock is held by a subsidiary of LIMITED and £50,000 by a subsidiary of N.V.

(*b*) The details of Capital Reserves are—

1948 £		1949 £
7,219,107	Premiums on issues of capital	7,219,107
1,669,161	Surplus on valuation 31 December, 1937, of shares in subsidiaries and trade investments	1,669,161
682,901	Excess profits tax post-war refund	665,090
859,750	Fixed assets replacement	785,622
10,430,919		10,338,980

Explanations of the movements are—

Excess profits tax post-war refund

The reduction of £17,811 arises on revision of the Group excess profits tax liability.

Fixed assets replacement

The reduction of £74,128 arises from a subsidiary making the necessary reserve in its 1949 accounts, thus releasing £300,000 of the reserve at 31st December, 1948, offset by further amounts set aside of £171,440 and surplus on disposal of fixed assets of £54,432.

(*c*) The details of Revenue Reserves are—

1948 £		1949 £
16,848,488	General	18,848,488
3,558,239	Profit carried forward	3,912,002
4,000,000	Stocks	4,000,000
24,406,727		26,760,490

Explanations of the movements are—

General reserve and Profit carried forward—

The increases of £2,000,000 (or Fl. 21,280,000) to General reserve and £353,763 (or Fl. 3,764,038) to Profit carried forward are shown in the Appropriation of Consolidated Net Profits (Statement C).

(*d*) The reserve is estimated to cover income tax on all profits to date subject to future assessment.

(III) This includes a loan of £11,000,000 which is secured on the shares of subsidiaries of N.V.

(V) (*a*) Shares in subsidiaries are higher due to the transfer to the Parent Company of shares previously held by a direct subsidiary.

(*b*) Amounts shown as owing by subsidiaries on loans and current accounts include substantial sums which, because of their retention by subsidiaries for capital purposes or owing to currency restrictions, cannot be remitted.

GENERAL

There are contingent liabilities under guarantees and agreements on account of subsidiaries of LIMITED and N.V.

There are outstanding commitments to pay The Union Pension Fund seven annual instalments of £136,545 and to pay The Union Superannuation Fund five annual instalments of £57,700.

The estimated commitments for capital expenditure at 31st December, 1949, were £2,500,000, including £1,750,000 on behalf of subsidiaries.

Foreign currencies have been converted into sterling at the rates ruling at the date of the balance sheet.

REPORTS OF THE AUDITORS

N.V. GROUP

To the Members of Lever Brothers & Unilever N.V.

We report to the Members that we have examined the balance sheet set out on Statement F, which is in agreement with the books of account; these in our opinion have been properly kept. Sufficient information is not available to enable us to estimate the extent to which the company's Reserves may be required to write down its Interests not consolidated, which have a book value of Fl. 73,369,468 and are reflected in the item Interests in Subsidiaries. As in past years, the company's net profit, shown in the note on Statement C has been arrived at after crediting dividends from its direct subsidiaries which are represented in part by profits of their subsidiaries capitalised by them as bonus shares or retained and not declared in dividend. Subject to the foregoing remarks we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and in our opinion the balance sheet, amplified by the notes applicable thereto, gives a true and fair view of the state of the company's affairs as at 31st December, 1949.

We have also examined the consolidated accounts of the company and its subsidiaries dealt with thereby set out on Statements A to E inclusive, with the accounts of those companies. Some of these have not been audited by us and some, dealing with a relatively small proportion of the assets and liabilities of the group, have not been audited. As stated in Note (XII) on Statement B, the balances shown as profit on Statements B and C are after making transfers to and from reserves and after including exchange surpluses arising only on consolidation. Subject to the foregoing and to the extent to which the reserves may be required to write down Interests not consolidated, referred to above, in our opinion such consolidated accounts, amplified by the notes applicable thereto, have been properly prepared so as to give a true and fair view respectively of the state of affairs and of the profit of Lever Brothers & Unilever N.V. and its subsidiaries dealt with thereby.

22nd June, 1950.

Price, Waterhouse & Co.
Cooper Brothers & Co. } *Chartered Accountants.*

LIMITED GROUP

The following is the auditors' report on the accounts of LIMITED and the LIMITED Group which are expressed in sterling.

To the Members of Lever Brothers & Unilever Limited.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company so far as appears from our examination of those books. We have examined the balance sheet set out on Statement G, which is in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, amplified by the notes applicable thereto, gives the information required by the Companies Act, 1948, in the manner so required and gives a true and fair view of the state of the company's affairs at the 31st December, 1949.

We have also examined the consolidated accounts set out on Statements A to E inclusive with the accounts of the company and its subsidiaries. The accounts of some of the companies have not been audited by us and those of a group of major importance which has interests in Africa are estimated accounts based on unaudited returns as at 31st December, 1949. The balances shown as profit on Statements B and C are after making the transfer to reserve and after including exchange surpluses arising only on consolidation as stated in Note (XII) on Statement B. Subject to the foregoing in our opinion such consolidated accounts, amplified by the notes applicable thereto, have been properly prepared in accordance with the provisions of the Companies Act, 1948, so as to give, so far as concerns the members of Lever Brothers & Unilever Limited, a true and fair view respectively of the state of affairs and of the profit of the group.

22nd June, 1950.

Cooper Brothers & Co.
Price, Waterhouse & Co. } *Chartered Accountants.*

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

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.

In the case of production in the United Kingdom for the Ministry of Food and produce purchased for the West African Marketing Boards, a value has been included based on the Government controlled prices.

1948 *Excluding Western Germany and Austria* Metric Tons	1948 Fl.		1949 *Including Western Germany and Austria* Metric Tons	1949 Fl.
767,000	1,006,697,000	Margarine, edible fats and salad oils	981,000	1,337,778,000
—	432,397,000	Other foods for human consumption	—	581,816,000
1,859,000	2,067,083,000	Other vegetable and animal oils and fats	2,486,000	2,886,983,000
1,650,000	266,484,000	Animal feeding stuffs	2,216,000	452,966,000
941,000	1,111,522,000	Soap and other detergents	1,054,000	1,244,476,000
—	120,210,000	Toilet preparations, including perfumes	—	164,165,000
—	190,695,000	Miscellaneous manufactures, including glycerine	—	233,442,000
1,085,000	621,489,000	Produce (mainly tropical produce handled by the United Africa Group) including timber products	1,136,000	678,321,000
—	696,006,000	Merchandise (mainly handled by the United Africa Group)	—	832,846,000
—	89,195,000	Services (including ocean, river and road transport)	—	108,751,000
	6,601,778,000	TOTAL VALUE		**8,521,544,000**
	Fl.	Represented by:—		Fl.
	3,906,705,000	(*a*) Sales to third parties		5,214,909,000
	1,241,835,000	(*b*) Value of production in the United Kingdom for the Ministry of Food and produce purchased for the West African Marketing Boards		1,207,746,000
	1,453,238,000	(*c*) Supplies of marketable products and services within the organisation		2,098,889,000
	6,601,778,000			8,521,544,000
		Expressed as percentages of the above total values:—		
	Fl. 150,702,758 or 2.28%	Direct taxation on profits		Fl. 186,934,420 or 2.19%
		Dividends:—		
	Fl. 47,457,135 or 0.72%	Preferential		Fl. 47,343,531 or 0.56%
	Fl. 23,461,057 or 0.36%	Ordinary		Fl. 23,512,857 or 0.28%
	Fl. 51,277,716 or 0.78%	Profit retained		Fl. 147,955,309 or 1.74%

PENSIONS

1948		1949
	EMPLOYEES COVERED BY COMPANIES' SCHEMES—	
49,100	Pension and Provident Funds	64,100
9,400	Insurance Companies	9,500
Fl.	COMPANIES' CONTRIBUTIONS DURING YEAR—	Fl.
	Contributions to:	
20,958,000	Pension and Provident Funds	25,142,000
6,491,000	Insurance Companies	7,150,000
6,137,000	Pensions supplementing those paid out of the Funds and payments on termination of service	14,481,000
33,586,000		46,773,000
Fl.	PENSION AND PROVIDENT FUNDS ADMINISTERED BY TRUSTEES ON BEHALF OF MEMBERS—	Fl.
286,493,000	Invested outside the Organisation	317,444,000
19,896,000	Invested inside the Organisation	25,174,000
306,389,000		342,618,000

SUMMARY OF CONSOLIDATED FIGURES 1937-1949

N.V. and LIMITED Groups

(000's omitted)

Years	Preferential Capital	Ordinary Shareholders' Funds		Outside Shareholders' Interests	Long Term Liabilities	Total Capital Employed	Turnover
		Capital	Reserves				
	Fl.	Fl.	Fl.	Fl.	Fl.	Fl.	Fl.
1937—1938 average	633,719	272,272	240,731	232,795	146,773	1,526,290	2,120,796
1939—1944 average	739,898	312,128	430,456	189,119	103,788	1,775,389	—
1945	773,772	314,989	600,729	181,312	131,615	2,002,417	3,285,857
1946	773,772	315,883	683,574	182,922	109,796	2,065,947	3,618,882
1947	814,662	316,133	841,990	183,550	111,205	2,267,540	5,124,324
1948	814,972	316,133	974,448	185,072	194,925	2,485,550	6,601,778
1949	812,102	315,456	1,229,629	192,616	360,183	2,909,986	8,521,544

Years	Profit before Taxation	Taxation	Proportion attributable to Outside Share-holders' Interests	Dividends		Profit Retained after transfers to specific reserves	Ordinary Dividend	Profit Retained
				Preference	Ordinary and Deferred		Percentages on Ordinary Shareholders' Funds	
	Fl.	Fl.	Fl.	Fl.	Fl.	Fl.	%	%
1937—1938 average	156,825	61,029	20,430	34,848	20,456	20,062	4.0	3.9
1939—1944 average	204,433	124,016	9,730	32,437	13,062	25,188	1.8	3.4
1945	233,355	139,969	9,456	30,102	11,645	42,183	1.3	4.6
1946	246,312	147,043	10,878	33,800	23,373	31,218	2.3	3.1
1947	281,397	179,316	11,078	36,327	23,395	31,281	2.0	2.7
1948	273,245	150,703	10,728	37,141	23,395	51,278	1.8	4.0
1949	407,733	186,934	12,466	37,019	23,358	147,956	1.5	9.6

NOTES

The 1937-1938 average figures include companies in which exactly 50 % of the ordinary capital was held by the Groups.

Some of the figures for 1937/38 and the war years are approximations.

THE UNILEVER ORGANISATION

THE ACCOUNTS DEPARTMENT

This year, in continuation of the series of descriptions of central specialist departments that serve the needs of Unilever managements throughout the world, we describe the functions and methods of Accounts Department.

FUNCTIONS

The Department's most important functions are:

(a) to assist Management in the daily conduct of the business by the provision of an accounting service, the efficiency of which must be measured by the extent to which the information supplied enables Management to take timely and effective action, and to frame future policy;

(b) to supply all the accounting information the Boards of the Parent Companies may need for the purpose of guiding the managements of operating units;

(c) to prepare the Annual Accounts of the Parent Companies for issue to the shareholders.

Apart from these regular activities, the Department has many other duties and is required to stand ready at any time to advise Management either at the Head Offices or in operating units on any problems on which it may be able to help. These not only include new projects, but a variety of other questions such as economies in operation, staffing problems and reorganisations.

METHODS

In accordance with the general Unilever pattern of decentralisation, the Department is small in number, staffed by specialists well able to guide and advise the accounting personnel in the Group, National and Operating Managements. Not only have the senior members of the Department had their early training with professional accountants, but they have wide personal experience gained from having actually operated accounting systems, either outside or within Unilever units, and thus their advice is definitely practical. They are in turn supported by a staff skilled in the collection and presentation of information. As a matter of considered policy the Department is so organised as to allow the senior members to spend much of their time travelling and seeing at first hand how the services operate in the field.

Executive responsibility for accounting rests on the management of each operating unit. The Department, therefore, whilst maintaining close personal contact with the accountants within those units, does not issue instructions on methods direct to them. It makes such recommendations to the unit managements in the first place, leaving them to decide how and to what extent they act on this advice. Owing to the number and scattered nature of Unilever units, direct contact is not possible with each management at frequent intervals; consequently, as with other Head Office Service and Advisory departments, the regular channel is through Group or National Managements, who have an accountant on their staff.

GENERAL PRINCIPLES

The Department has established certain general principles which it endeavours constantly to follow, both in its service to the Boards of the Parent Companies and in its advisory capacity.

These principles are:—

First, that records of the past are of use in so far as they can act as a guide to the future. The extent and detail of such records, and the speed at which they are produced, must therefore always be governed by this consideration.

Second, that the proper function of the Accountant is not only to produce figures, but to visualise what they mean in terms of physical factors, and then so to explain them as to stimulate thought and point to practical action by Management.

Third, that figures must be presented simply and clearly in a manner which is easily understandable and not liable to misinterpretation.

Last, that figures must not be produced at all unless somebody will make practical use of them.

SERVICE TO MANAGEMENT

These are the general principles. It may be of interest to give some practical examples of the service rendered by accountants of the operating units to their own managements and through them to the Parent Companies.

The most important function of the Accountant being to project the future, in the light of the history of the past, his year therefore starts with the preparation for Management of the annual plan, which is formulated some time before the beginning of each financial year.

The first step is to ask the marketing management for an estimate of the quantities of each product it expects to sell. With the assistance of the production staff, this estimate is developed by the Accountant into an annual plan showing anticipated sales, the profit likely to be earned and any additional finance which may be required. The plan, accompanied by costs and margins on each product and comparable information for earlier years, is then considered by Management. Decisions are taken on whether to accept the plan as a target and the action to be taken to achieve it. The Accountant again assists at this stage by demonstrating how the figures compare with recent experience and how near they are to maximum possible efficiency. The plan, as amended, then passes to the groups of Directors responsible at the Head Offices. Their own accounting officer or Accounts Department then assists in scrutinising it.

From the moment the plan is accepted the Accountant has to keep Management currently advised how actual results compare with the plan and to emphasise any deviations of importance. Since estimates are supported by detailed costs statements, it is a simple operation to give Management the necessary data on which to take decisions should there be marked variations in raw material or other costs, or should some other reason indicate alterations in a production formula or selling price. Having regard to the large quantity of materials handled by Unilever, it will be appreciated that margins of profits on each article have to be closely watched.

The Management also calls upon the Accountant when a new project is under consideration, such as the acquisition of a new business, the construction of a new factory, the reorganisation of production and selling methods, or the launching of a new product. Whichever it may be, the Accountant has to estimate the profitability of the project based on the best information available as to market prospects, potential economies in processing and distribution expenses and other relevant considerations. This estimate may show a project to be sound from a profit angle or likely to become so sufficiently quickly to satisfy Management in embarking upon it. On the other hand it may show that there is little prospect of a proposal ever becoming economic.

Balance sheets and profit and loss accounts besides giving an account of the Management's stewardship for past periods provide a useful check on the advance estimates prepared before the periods began, on which Management's decisions were taken. These comparisons are of great value to Management, since they ensure constant revision of technique and lead to more reliable estimation.

Accountants in all Unilever organisations are expected to keep their managements fully posted on whether the best use is being made of available finances. To this end they have to ensure that collections are prompt, that full credit is obtained from suppliers and that stocks are no greater than is necessary.

ACCOUNTING CONTROL SYSTEM

Accounts Department has had experience of different methods of Cost Accounting and Expense Control which operated in various businesses brought together to form the Unilever organisation. At an early stage an attempt was made to retain the best of these, to reject the others, and thus to apply a suitable system to each unit. Any such system must be flexible and progressive and within the last twelve months a complete review has been made of the existing Costing and Expense control systems, to bring them into line with modern thought and to re-emphasise the general principles already mentioned, some of which are liable to become obscured by the passage of time. This review, which was made in consultation with accountants at operating units, has resulted in the establishment of new methods which can be applied to any of the Unilever businesses, subject, of course, to adaptation in detail to suit the peculiarities of each. The Department believed that its ideas were correct in principle, but before advising their general application, they were explained to a group of senior management from all sides of the business to obtain confirmation that in practice their adoption would give an improved service. Having obtained general agreement, subject to certain amendments arising out of the discussion, the Department was able to approach the many operating units with the assurance that the recommendations were sound in actual practice. This illustration shows the procedure which the Department follows in the exercise of its function in an advisory capacity.

STAFF SELECTION AND TRAINING

It is clearly impossible for a small number of people in the Head Offices by direct influence to ensure efficiency in a very large number of manufacturing and selling units operating in more than 50 countries. Consequently much of the work of the senior accountants at headquarters is concerned with ensuring—through contact on the spot with Management itself—that the accounting staff in each unit is rightly chosen. Naturally Accounts Department works closely with Personnel Division in this connection.

Arrangements are also made regularly for the unit accountants, particularly those stationed abroad, to visit other units and the Head Offices, so that they may see the latest methods in operation elsewhere and also make their own contributions by describing what improvements or adaptations they have themselves evolved.

RELATIONSHIP WITH MANAGEMENT

Accounts Department's close liaison with the accountancy staffs of Operating Managements contributes to the development of accounting services of increasing value to Management. The ultimate success of the Department's work, however, depends upon the extent to which Management itself understands and recognises the way in which these accounting services can help them. The Department therefore constantly strives to explain its methods and techniques to Management, so as to develop confidence and understanding of the many ways in which accounting services can lead to increased operational efficiency. It also encourages all accountants to acquire knowledge of the production and selling methods in use in their units and elsewhere.

INTERNAL CONTROLS

Accounts Department gives guidance from time to time as to how the general practices established for the control of fixed assets, cash and other assets and liabilities can be improved. The most usual source of trouble is failure to operate the controls already in force. Here the Internal Audit Department, which operates independently of the accounting organisation, renders valuable assistance by drawing attention to weaknesses in the control systems or in their application. From this source, and others, come suggestions for improvement.

ORGANISATION AND METHODS

This is a specialised section, and its services are available to any unit requiring them.

It exists not only to keep abreast of the most modern clerical methods, whether manual or mechanical, but also to produce original ideas to deal with the great variety of accountancy and organisational problems which arise within Unilever.

The wide field covered by its activities enables it to bring to bear on each problem an experience which is unlikely to be available in any one unit. Nevertheless its function is again purely advisory; the operating managements remain responsible for the work carried out in their own companies and they decide to what extent advice given is acted upon.

PROVISION OF INFORMATION FOR THE BOARDS OF THE PARENT COMPANIES

The information covering the whole organisation compiled for the Boards at regular intervals follows the same pattern as that outlined for the individual units.

As explained earlier, the annual plans are forwarded to the Head Offices, are summarised by Accounts Department and then, accompanied by brief comments, are submitted for approval by the Boards.

Shortly after the close of each month's accounts, monthly estimates of profits are received from National or Group Managements. Accounts Department summarises these in a common currency for the whole organisation and submits them to the Boards, together with the annual forecasts and results of earlier years for purposes of comparison.

Subsequently quarterly financial accounts are received. Any points arising from their examination are taken up and, if necessary, the estimates corrected.

Amongst other information regularly prepared for the Boards are reviews of capital expenditure and administrative expenses. Both are controlled by budget. All capital expenditure over certain limits is sanctioned by the Boards before being incurred; Accounts Department co-operates in the preparation of proposals and in the subsequent control of any expenditure authorised.

In addition, the Boards' requirements of accounting data are wide and varied; naturally so, in view of the many other matters which call for their consideration. Under the procedure in force, this information can normally be compiled from the quarterly accounts, forecasts and other records received from the units.

ANNUAL ACCOUNTS FOR SHAREHOLDERS

To enable the Directors to give account of their stewardship to the shareholders, Accounts Department has to ensure that all operating units supply the Head Offices with whatever information may be necessary for the annual accounts and reports of the Parent Companies.

Before the outbreak of war in 1939 Unilever published consolidated statements of certain of the more important items appearing in the accounts. In 1945, after international relations had been re-established, consolidation of the balance sheet and profit and loss account, covering nearly 500 companies operating in more than 50 different countries, was effected for both the Dutch and English organisations. Thus, on the introduction in England of the Companies Act, 1948, no material alterations had to be made in the form of LIMITED's published accounts.

To ensure a clear and informative picture of the state of the business and the result of the year's operations, preliminary guidance has to be given to all unit accountants on the forms and method of presentation of their annual financial accounts. The subsequent preparation of the consolidated accounts—in a common currency—can then be made by Accounts Department with the least possible delay.

In this connection the Department is responsible for ensuring that the professional Auditors are provided with any information that they may require and for dealing, as far as possible, with any points they may raise.

CONCLUSION

Accounts Department's object is to ensure that the greatest use is made throughout the Organisation of the knowledge and skill of the Accountant. It seeks to achieve this object not by the imposition of a rigid system of rules, but by spreading an understanding of the way in which accountancy can be applied in the day-to-day operations of business life and by gaining the acceptance of Management of this point of view. This can only be achieved by the maintenance and development of close personal contact with the Operating Managements throughout the world.