

1945

**LEVER BROTHERS & UNILEVER**  
**N.V.**

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TRANSLATION  
OF  
ANNUAL REPORT  
AND  
STATEMENT OF ACCOUNTS  
AT  
31st DECEMBER 1945

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# LEVER BROTHERS & UNILEVER N.V.

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## DIRECTORS

PAUL RIJKENS *Chairman*

ARTHUR HARTOG }  
GEOFFREY HEYWORTH } *Vice-Chairmen*

M. G. DE BAAT

HAROLD HALL BAGNALL

CROUDSON WILLIAM BARNISH

JAMES P. VAN DEN BERGH

SIDNEY J. VAN DEN BERGH

CHARLES HUGH CLARKE

SIR HERBERT DAVIS

JOHN HENRY HANSARD

JAMES LAURENCE HEYWORTH

RALPH ESTILL HUFFAM

RUDOLF G. JURGENS

THE VISCOUNT LEVERHULME

ROWLAND HUNTLY MUIR

J. L. POLAK

FRANK SAMUEL

ARTHUR GODFREY SHORT

## ADVISORY DIRECTORS

J. M. HONIG

RUDOLF JURGENS

K. P. VAN DER MANDELE

R. J. H. PATIJN

H. L. WOLTERSOM

## SECRETARY

E. A. HOFMAN

## AUDITORS

PRICE, WATERHOUSE & Co.

COOPER BROTHERS & Co.

## REPORT OF THE DIRECTORS

### FOR THE YEAR 1945

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Where suitable, throughout the Report, Accounts, Statements and Review, Lever Brothers & Unilever N.V., our Dutch Company, is referred to as "N.V." and Lever Brothers & Unilever Limited, the English Company, is referred to as "LIMITED."

Following the practice adopted before the war, in view of the Equalisation Agreement between N.V. and LIMITED, the Report deals with both Companies and their Reports are published simultaneously. It was hoped that publication could have taken place earlier, but the work in connection with the Accounts of N.V. was greater than had been anticipated.

As from the year 1943 LIMITED has published a Consolidated Balance Sheet and Profit and Loss Account. Similar Accounts are now published by N.V. in respect of the year 1945. In addition, it has been decided to amplify the information given to the Shareholders of both Companies by submitting the following:

Statement	N.V.
A	BALANCE SHEET
B	PROFIT AND LOSS ACCOUNT
	<b>LIMITED</b>
C	BALANCE SHEET
D	PROFIT AND LOSS ACCOUNT
	<b>N.V. AND LIMITED</b>
E	CONSOLIDATED BALANCE SHEETS
F	CONSOLIDATED PROFIT AND LOSS ACCOUNTS
G	CAPITAL EXPENDITURE AND DEPRECIATION
H	TURNOVER OF PRINCIPAL COMMODITIES
	REVIEW OF OPERATIONS
	PLAN AND DESCRIPTION OF ORGANISATIONAL STRUCTURE—1946.

It is intended to further amplify the information to Members when larger supplies of paper become available here and in England.

The Annual General Meetings will be addressed by their respective Chairmen and a report of their speeches, not necessarily identical in content as was the case before the war, will be issued to the Press.

#### FORM OF ACCOUNTS

(1) As regards the form of the Accounts it has been decided to give effect to the recommendations contained in the report of the Committee on Company Law Amendment published in England in 1945, not only for LIMITED but also, so far as practicable, for N.V. These

recommendations impose considerably higher demands upon the publications of limited companies than those which up to the present have obtained in this country. Therefore the principles now adopted by both Companies include the following:—

- (a) All companies in which more than 50 % of the ordinary capital is owned, directly or indirectly, have been treated as "Subsidiary Companies":
  - (b) Whereas, hitherto, companies in which exactly 50 % of the equity was held were included in the Consolidated Accounts, they have now been excluded, the book value of the holdings being shown under "Trade Investments":
  - (c) Emoluments of Directors and Pensions and Compensation for loss of office to former Directors of N.V. and LIMITED are shown, see § (16):
  - (d) More detailed Profit and Loss Accounts are given. It is, however, emphasised that a proper view of the results of an organisation such as this can only be obtained from the Consolidated Profit and Loss Accounts:
  - (e) In the Consolidated Balance Sheets (Statement E), Premiums on Shares in Subsidiary Companies (by which is meant the difference between the book value of these shares and their nominal value) and Goodwill are grouped separately from other Fixed Assets such as Land, Buildings and Plant to facilitate comparison with the depreciation provided on the latter group. When acquiring new undertakings, this separation has been somewhat arbitrary in many cases and it is the aggregate of the two groups which is of significance in relation to earning capacity.
- (2) The only important recommendation affecting the Accounts which has not been adopted is the separation of the gross book values and depreciation provisions of the various classes of operating assets such as Land, Buildings, Plant, etc., as this was found to be impracticable. The movements in total are, however, given separately on Statement G.
- (3) With the exception of the N.V. Profit and Loss Accounts (for which the 1944 figures are not comparable), the comparative figures for 1944 have been adjusted to give effect to the alterations in the form of the Accounts. Where the 1944 figures are referred to in the following comments on the Accounts, they are shown in brackets.

#### RESULTS

(4)	N.V. fl.	LIMITED £	COMBINED fl.
The Consolidated Net Profits for the year are (Statement F) . . . . .	18,079,358	8,639,008 (8,562,171)	110,438,992
of which there has been retained by subsidiary companies in the form of a net increase in their undistributed profits . . . . .	2,625,807	1,520,336 (1,879,955)	18,879,719
leaving Net Profits shown by the Profit and Loss Accounts (Statements B and D) of . . . . .	15,453,551	7,118,672 (6,682,216)	91,559,273

As the 1944 Profits of N.V. included a considerable amount attributable to the years 1940 to 1943, comparative figures have no significance.

(5) Although the LIMITED Group has recently received £872,213 in respect of net Excess Profits Tax refund for the period to 31st December, 1944, it has not been taken up in the 1945 Balance Sheet in view of the uncertainty as to its treatment and to the actual amount of Excess Profits Tax ultimately payable.

(6) The Consolidated Net Profit of LIMITED is approximately the same as in 1944, due mainly to the effect of Excess Profits Tax.

(7) No profit or loss is included in respect of subsidiary companies in Germany, Austria, Czechoslovakia, Hungary, Jugoslavia, Roumania, Poland, Italy, the Netherlands East Indies, China, Siam and the Philippine Islands. For convenience these will be referred to as "companies not consolidated." Information from these companies is still insufficient to include their results in the Consolidated Accounts, but it can be safely assumed that any losses are covered by the Reserves of the N.V. Group which, to the extent required, will be applied against the amounts invested in those countries.

### BALANCE SHEETS (STATEMENTS A AND C)

#### (8) SHARE CAPITAL.

In N.V., the issue of the fl. 34,350,000 4% Redeemable Cumulative Preference Shares, in settlement of a portion of the dividends on the Ordinary Share Capital declared at the Annual General Meeting of 28th June, 1946, took place on 31st October, 1946, after the necessary approval of the authorities had been obtained.

#### (9) RESERVES.

(a) In N.V., in order to conform to the accounting principles adopted by LIMITED, a Reserve of fl. 56,022,962, resulting from the valuation of shares in subsidiary companies in 1939, has been shown separately as a Capital Reserve, these shares being included at the amount at which they were valued. A free Investment Reserve of fl. 8,192,627, also previously deducted from "Shares in Subsidiary Companies," has been transferred to the General Reserve, thus increasing it to fl. 43,052,371.

The Capital and Revenue Reserves, amounting in total to fl. 175,504,550, are subject to provisions which, having regard to war damage, loss of earning capacity and other losses of whatever nature, will require to be made against interests in the subsidiary companies not consolidated and against claims on third parties in the countries concerned.

(b) In LIMITED, the increase of £5,799,228 to the General Reserve is composed of £4,300,000 transferred from the Special Contingencies Reserve, as forecast in last year's Report, and £1,500,000 appropriated out of the profits of 1945, less £772 sundry small adjustments.

The Reserve of £1,825,000 for future income tax represents the estimated amount required to cover British income tax, at the current rate, on the profits of the LIMITED Group leviable under future assessments, after taking into account reserves of £3,175,000 made by British subsidiary companies and after allowing for income tax recoverable from preferential dividends in respect of the year 1946. As explained to the Members of LIMITED in previous Reports, the legal liability to British income tax in any year is based on the profits of the previous year. Thus income tax for the year ended 5th April, 1946, is calculated by reference to the profits of the financial year 1944 and is payable on 1st January, 1946. The accrued liability at 31st December, 1945, is therefore three-quarters of the 1945/46 assessment; provision is made, however, for the liability up to 5th April, 1946. In addition, in view of the high rates of tax now prevailing and the possibility of fluctuation in profits, it is considered prudent to maintain a Reserve to cover tax on all assessable profits to date. At 31st December, 1945, this was a free Reserve and has therefore been shown as such.

(10) INTERESTS IN SUBSIDIARY COMPANIES.

(a) In N.V., the decrease in the total of these interests from fl. 584,214,501 to fl. 576,362,505 is due mainly to the transfer of funds from some subsidiary companies offset in part by dividends receivable from other subsidiary companies which have been left on loan to those companies.

As indicated in §(7) and (9), the amounts shown under this heading are subject to the application of such reserves as may be necessary to adjust the values of interests in companies not consolidated and claims against third parties in the countries concerned, the total book value of which is fl. 171,289,924, as noted on the Balance Sheet.

(b) In LIMITED, the reduction in the total of these interests from £66,664,646 to £63,632,048 is due mainly to further surplus funds of subsidiary companies having been transferred to LIMITED. Most of the subsidiary companies engaged in the soap, margarine and oil milling industries in the United Kingdom operate for each other in the manufacture of common products and, in order to place these intercompany arrangements on a more permanent footing, agreements were entered into with effect as from 1st January, 1945, to pool results of the industries on a basis which fully preserves the interests of the preferential shareholders of the subsidiary companies concerned. As part of these arrangements, the subsidiary holding companies affected sold to LIMITED the shares of their subsidiary companies operating in the United Kingdom. This had the advantage of simplifying the structure of the LIMITED Group and with the same object LIMITED acquired the shares in The United Africa Company Limited which were held as to 80% by The Niger Company Limited and as to 20% by African and Eastern Trade Corporation Limited. The considerations in respect of these acquisitions have been credited to the companies concerned on loan or deposit account. The total amount shown as representing interests in subsidiary companies, therefore, remains unchanged by these arrangements although considerable movements have resulted as between shares, loans and deposits.

(c) In both N.V. and LIMITED, amounts shown as owing on loans and current accounts (including dividends receivable) include substantial sums which, owing to their retention by the subsidiary companies for capital purposes, cannot be remitted. In N.V., they also include amounts subject to currency restrictions.

(11) LAND, BUILDINGS, PLANT AND OFFICE EQUIPMENT.

(a) In N.V., the Office Buildings and equipment are owned by a subsidiary company.

(b) In LIMITED, of the amount of £3,622,776 (£3,623,011) shown as the cost of these assets, £991,851 (£991,938) represents Freehold Land and £1,729,271 (£1,731,706) represents Office Buildings and the Bromborough Dock to which only low rates of depreciation are applicable. This accounts for the relatively small annual provision for depreciation.

(12) TRADE INVESTMENTS.

In LIMITED, this is a new heading in conformity with the recommendations of the Committee on Company Law Amendment. The amount of £2,251,843 was included last year under the heading of "Shares in Allied Companies." It represents shares in companies in which 50% or less of the ordinary capital is held and which for that reason, as already explained, are not consolidated. A further £3,500,000 was formerly included under "Shares in Allied Companies" which represented the whole of the Ordinary Capital of the British Oil & Cake Mills Limited. The outside interests in the Preferential Capital of that Company hold a slight majority of voting power, so that under the present Companies Act it is not a subsidiary company. The Committee on Company Law Amendment has recommended that a holding such as this should be regarded as a subsidiary company and it has therefore been transferred to that heading.

Dutch factories, cost of war damage insurance and provision for payments to staff of its Netherlands East Indian companies. In 1944, a similar allowance amounting to fl. 2,500,000 was made without incurring additional taxation and the fl. 9,000,000 is now provided only on the assumption that the whole amount will similarly be available to Van den Bergh's en Jurgens' Fabrieken N.V. thus enabling that Company to meet the dividends on its Preference Shares and Ordinary Shares "A." The provision is included in the Balance Sheet as a deduction from "Interests in Subsidiary Companies - Loans and Current Accounts."

(16) EMOLUMENTS OF DIRECTORS.

No Directors' fees are paid. The amounts shown under this heading are the emoluments, including the Companies' contributions to the Pension Funds, of Directors as full time working managers; in 1945 there were 23 such Directors. The Directors do not hold outside directorships except in special cases, and then only with the sanction of the Boards. The fees received in this connection in 1945 amounted to £1,500 and fl. 1,000. Pensions to former Directors of LIMITED arose prior to Members of the Boards joining the Pension Fund.

(17) TAXATION.

In the Netherlands, for purposes of company taxation, N.V. and its wholly owned subsidiary companies are treated as one group. In the United Kingdom, the income tax is levied on the separate companies, but the Excess Profits Tax of the LIMITED Group is levied on LIMITED and it is at that Company's option whether and to what extent Excess Profits Tax, with the consequent effect on income tax, is charged out to its subsidiary companies. The charge against the results of N.V. and LIMITED as holding companies, has therefore little significance as it depends on the amounts provided by subsidiary companies. The full taxation charge can only be seen by reference to the Consolidated Profit and Loss Accounts (Statement F). In the case of LIMITED, the taxation charge is shown separately to conform to the recommendations of the Committee on Company Law Amendment and to show the treatment of income tax recoveries from dividends.

## CONSOLIDATED ACCOUNTS

(STATEMENTS E AND F)

(18) Companies whose accounts have been consolidated with those of N.V. and LIMITED are those in which over 50 % of the Ordinary Capital is owned, directly or indirectly, excluding those referred to in § (7) as "companies not consolidated."

An important group of companies, The United Africa Company Limited and its subsidiaries, make up their accounts to 31st August each year, and their figures have been based on an estimated balance sheet at 31st December, 1945. The figures shown separately for Stocks, Debtors and Creditors are, therefore, approximate; the Net Working Capital, however, is substantially correct.

As a guide, and no more, to the financial position and trend of results of N.V. and LIMITED together, the consolidated figures of each have been combined, but when considering these combined figures, the existence of restrictions on transfers of currency between countries must be kept in mind.

Comments on the Consolidated Accounts are annexed to the Accounts themselves as being more convenient for reference.

Owing to the further delay in publication which would have occurred if these accounts had been examined in detail by the Auditors, a Report from them cannot be attached. It is hoped that this will be possible next year.

### APPROPRIATION OF PROFITS

(19) It is proposed that the profits shall be appropriated as set out in the Profit and Loss Accounts (Statements B and D).

The dividend on the Ordinary Capital of N.V. of 4.45 % is the equivalent of the dividend of 5 % on the Ordinary Capital of LIMITED calculated in accordance with the terms of the Equalisation Agreement and converted at the rate of fl. 10.691 to the £1. These Ordinary Dividends, if approved, will be payable on 4th December, 1946.

In LIMITED, as dividends on the "Preferential Certificates of the Co-Partnership Trust" are tantamount to pensions to retired employees, or their dependents, and therefore would be paid in any event, they have been treated in 1945 in the same manner as other pensions which are charged before arriving at the Profit.

### BOARD OF DIRECTORS

(20) The resignation of Mr. J. W. Beyen since the last General Meeting of N.V. to take up his appointment as a Director of the International Bank for Reconstruction and Development at Washington is recorded with regret.

In conformity with article 15 of the Articles of Association all Members of the Board of Directors resign at the Annual General Meeting and offer themselves for re-election.

### AUDITORS

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

ON BEHALF OF THE BOARD

P. RIJKENS *Chairman*

A. HARTOG *Vice-chairman*

ROTTERDAM, 31st October, 1946.



## BALANCE SHEET 31st DECEMBER 1945

1944	CAPITAL AND RESERVES		Authorised	Issued and fully paid	
fl.			fl.	fl.	fl.
29,000,000	CAPITAL				
109,136,000	7 0/0 Cumulative Preference Shares	} <i>Ranking pari passu</i>	50,000,000	29,000,000	
100,000	6 0/0 Cumulative Preference Shares		125,000,000	109,136,000	
171,750,000	5 0/0 Cumulative Preference Shares		25,000,000	100,000	
309,986,000	Ordinary Shares		300,000,000	171,750,000	309,986,000
			<u>fl. 500,000,000</u>		
	NOTE:—Fl. 100,000 5 0/0 Preference Capital and fl. 1,200,000 Ordinary Capital is held by subsidiary companies of N.V. and fl. 1,200,000 Ordinary Capital is held by a subsidiary company of LIMITED.				
34,350,000	PROVISION FOR ISSUE OF 4 0/0 REDEEMABLE CUMULATIVE PREFERENCE SHARES in part settlement of dividends on Ordinary Shares declared at the Annual General Meeting of 28th June, 1946 . . . . .				
	CAPITAL RESERVES				
70,140,256	Premiums on issues of capital . . . . .			70,140,256	
56,022,962	Surplus on valuation 31st December, 1939, of shares in subsidiary companies . . . . .			56,022,962	
126,163,218					126,163,218
	REVENUE RESERVES				
43,052,371	General . . . . .			43,052,371	
5,344,813	Profit and Loss Account . . . . .			6,288,961	
48,397,184					49,341,332
	LIMITED GROUP INDEBTEDNESS				
30,229,295	LIMITED — Loan and current accounts (£2,999,466) . . . . .			32,067,293	
2,315,090	Subsidiary companies of LIMITED — (fl. 2,438,578, less credit balances of fl. 64,669) . . . . .			2,373,909	
27,914,205					29,693,384
fl. 546,810,607					<u>fl. 549,533,934</u>
	ASSETS				
	INTERESTS IN SUBSIDIARY COMPANIES				
312,174,044	Shares at Directors' valuation 31st December, 1939, with additions at cost . . . . .			312,174,044	
296,039,402	Loans and current accounts (including dividends receivable) — see Directors' Report § (10) (c) . . . . .			313,941,720	
608,213,446				626,115,764	
23,998,945	Less: Deposits and current accounts . . . . .			49,753,259	
584,214,501					576,362,505
	NOTE:—Included in this total is fl. 171,289,924 in respect of interests in subsidiary companies not consolidated and claims against third parties in the countries concerned, the value of which cannot yet be ascertained — see Directors' Report, § (7) and (10).				
	CURRENT ASSETS				
5,427,816	Debtors, loans and payments in advance — see Directors' Report § (13) . . . . .			7,065,025	
6,000,000	Dutch Treasury Bills . . . . .			16,500,000	
4,635,052	Balance at bankers and cash in hand . . . . .			2,389,201	
16,062,868					25,954,226
	Less: CURRENT LIABILITIES AND PROVISIONS				
14,408,377	Trade and sundry creditors, deposits and accrued liabilities . . . . .		fl.	5,764,360	
13,388,704	Provision for taxation, staff pensions and contingencies . . . . .			13,705,881	
13,733,056	Provision for 1944 and 1945 dividends on Preferential Capital . . . . .			13,733,056	
(1943 and 1944)	Provision for that portion of the 1939 to 1944 dividends on the				
11,936,625	Ordinary Shares which is payable in cash . . . . .			11,936,625	
—	Provision for proposed dividend on the Ordinary Shares for the				
53,466,762	year 1945 . . . . .			7,642,875	
37,403,894					52,782,797
fl. 546,810,607					<u>26,828,571</u>
	NOTE:—There are contingent liabilities under guarantees and agreements on account of subsidiary and other companies.				
					<u>fl. 549,533,934</u>
			P. RIJKENS Chairman		
			A. HARTOG Vice-Chairman		

## REPORT OF THE AUDITORS

We report to the Members that we have examined the above Balance Sheet with the books of the Company, South Eastern Europe and in the Far East, and we are unable to estimate the extent to which the Company's reserves Subject to this remark, we report that we have obtained all the information and explanations we have required and a true and correct view of the state of the Company's affairs as at the 31st December, 1945, according to the best of

ROTTERDAM,

31st October, 1946.

represent deductions

PROFIT AND LOSS ACCOUNT — YEAR ENDED 31st DECEMBER 1945

1944	fl.	fl.
PROFIT (including dividends from subsidiary companies) after providing for taxation, but before charging or crediting the items enumerated below — see Directors' Report § (15) as to special items included therein . . . . .		6,328,223
INTEREST — LIMITED GROUP	fl.	
LIMITED — Loan and current accounts . . . . .	318,884	
Subsidiary companies of LIMITED — Loan and current accounts . . . . .	99,455	
	219,429	
EMOLUMENTS OF DIRECTORS . . . . .	538,925	
Less: PROVIDED BY SUBSIDIARY COMPANIES . . . . .	375,780	
	163,145	
PENSIONS TO FORMER DIRECTORS . . . . .	—	
COMPENSATION TO DIRECTORS FOR LOSS OF OFFICE . . . . .	—	
	382,574	
EXCEPTIONAL PROFITS AND LOSSES		5,945,649
Exchange differences . . . . .	640,268	
Provisions no longer required . . . . .	3,560,903	
Adjustment of transactions with the LIMITED Group for the war period . . . . .	5,018,854	
Other exceptional profits and losses, including those relating to previous years . . . . .	287,877	
	9,507,902	
<b>Net Profit</b> . . . . .		15,453,551
APPROPRIATIONS—		
Dividends on Cumulative Preference Shares—		
7 0/0 Preference Shares — a dividend of 5.6 0/0 . . . . .	1,624,000	
6 0/0 Preference Shares — a dividend of 4.8 0/0 . . . . .	5,238,528	
5 0/0 Preference Shares — a dividend of 4 0/0 . . . . .	4,000	
NOTE:—The reduction of 20 0/0 in the Preference dividends is in accordance with the authority granted by the Decree of 1942 concerning the introduction of the Company Tax in order to share the burden of increased taxation equitably between Preference and Ordinary Shareholders.	6,866,528	
Dividend of 4.45 0/0 proposed on Ordinary Shares . . . . .	7,642,875	
	14,509,403	
INCREASE IN UNAPPROPRIATED BALANCE . . . . .		944,148
BROUGHT FORWARD FROM 1944 . . . . .		5,344,813
BALANCE CARRIED FORWARD TO 1946 . . . . .		fl. 6,288,961

NOTE:—The profits and losses of subsidiary companies have been dealt with as shown by the Consolidated Profit and Loss Account (Statement F).

P. RIJKENS *Chairman*  
A. HARTOG *Vice-Chairman*

TO THE MEMBERS

Accounts were not available in respect of subsidiary companies in Germany and other countries in Central and may be required to write down its interests in those countries included in the above Balance Sheet at fl. 171,289,924. that in our opinion the above Balance Sheet, together with the notes thereon, is properly drawn up so as to exhibit our information and the explanations given to us and as shown by the books of the Company.

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

No comparative figures are given as the results for the year 1944 included a large amount of profit attributable to the years 1940 to 1943.

## BALANCE SHEET 31st DECEMBER, 1945

1944 £	CAPITAL AND RESERVES	Authorised £	Issued and converted into Stock £	£
35,984,690	CAPITAL			
2,360,000	7% Cumulative Preference } <i>Ranking pari passu</i>	35,984,690	35,984,690	
15,655,173	5% Cumulative Preference }	4,015,310	2,360,000	
2,287,312	8% Cumulative A Preference . . . . .	40,000,000	15,655,173	
13,610,350	20% Cumulative Preferred Ordinary . . . . .	2,287,312	2,287,312	
100,000	Ordinary . . . . .	59,031,438	13,610,350	
69,997,525	Deferred . . . . .	100,000	100,000	
	NOTE:—£50,000 Deferred Stock is held by a subsidiary company of LIMITED and £50,000 by a subsidiary company of N.V.	£141,418,750		69,997,525
5,286,673	CAPITAL RESERVES			
1,669,161	Premiums on issues of capital . . . . .		5,286,673	
6,955,834	Surplus on valuation 31st December, 1937, of shares in subsidiary companies and trade investments . . . . .		1,669,161	6,955,834
8,049,091	REVENUE RESERVES			
1,972,114	General . . . . .		13,848,319	
10,021,205	Profit and Loss Account . . . . .		2,563,487	
2,500,000			16,411,806	
12,521,205	Future income tax—see Directors' Report § (9) (a) . . . . .		1,825,000	18,236,806
4,300,000	SPECIAL CONTINGENCIES RESERVE . . . . .			—
93,774,564	Less:			95,190,165
2,827,546	N.V. GROUP INDEBTEDNESS			
11,000,000	N.V.—Loan and current accounts . . . . .		2,999,466	
53,669	Subsidiary company of N.V.—secured loan . . . . .		11,000,000	
13,773,877	Subsidiary companies of N.V.—(£163,254, less credit balance £15,286) . . . . .		147,968	14,147,434
£80,000,687				£ 81,042,731
71,771,258	ASSETS			
10,674,229	INTERESTS IN SUBSIDIARY COMPANIES			
82,445,487	Shares at Directors' valuation 31st December, 1937, with additions at cost . . . . .		99,239,961	
15,780,841	Loans and current accounts (including dividends receivable)—see Directors' Report § 10 (c) . . . . .		7,732,308	
66,664,646			106,972,269	
3,623,011	Less: Deposits and current accounts (less dividends receivable) . . . . .		43,340,221	63,632,048
1,049,203	LAND, BUILDINGS, PLANT AND OFFICE EQUIPMENT at cost . . . . .		3,622,776	
2,573,808	Less: Provision for depreciation . . . . .		1,108,382	2,514,394
2,251,843	TRADE INVESTMENTS at Directors' valuation 31st December, 1937 . . . . .			2,251,843
71,490,297				68,398,285
663,134	CURRENT ASSETS			
9,050,000	Debtors and payments in advance . . . . .		730,253	
3,681,185	Tax Reserve Certificates . . . . .		8,650,000	
13,394,319	Balance at bankers and cash in hand . . . . .		7,544,648	
4,883,929			16,924,901	
8,510,390	Less: CURRENT LIABILITIES AND PROVISIONS			
	1,793,825 Debenture Stock redeemed during 1945 and interest (net) . . . . .		—	
	1,431,692 Trade creditors, deposits and accrued liabilities . . . . .	698,710		
	139,212 Provision for taxation . . . . .	2,012,079		
	Provision for net dividends on Preferential Stock and, subject to confirmation, on Ordinary Stock (and, in 1944, on Preferential Certificates) . . . . .	1,569,666		
	1,519,200		4,280,455	12,644,446
£80,000,687	NOTES:—There are contingent liabilities under forward contracts and under guarantees and agreements on account of subsidiary companies of LIMITED and N.V. Indemnities have also been given to subsidiary companies in respect of assets held by these companies in territory formerly under enemy occupation. The total estimated commitments for capital expenditure at 31st December, 1945, amounted to approximately £500,000, mainly on behalf of subsidiary companies.			
	LEVERHULME Governor			£81,042,731
	GEOFFREY HEYWORTH Chairman			

## REPORT OF THE AUDITORS

We report to the Members that we have examined the above Balance Sheet with the books of the Company is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1945,

LONDON, E.C.

31st October, 1946.

## STATEMENT E

## CONSOLIDATED

Figures shown in italics

## LEVER BROTHERS &amp; UNILEVER N.V. AND LEVER BROTHERS

31st December 1944		
N.V.	LIMITED	COMBINED
fl.	£	fl.
138,136,000	56,287,175	739,902,188
169,350,000	13,610,350	332,674,200
307,486,000	69,897,525	1,072,576,388
34,350,000	—	34,350,000
70,140,256	5,286,673	126,660,077
56,022,962	1,669,161	73,867,962
126,163,218	6,955,834	200,528,039
48,397,184	10,021,205	155,533,887
9,871,189	6,872,581	83,345,952
8,112,595	—	8,112,595
66,380,968	16,893,786	246,992,434
—	5,472,022	58,501,387
66,380,968	22,365,808	305,493,821
—	4,300,000	45,971,300
37,142,454	12,541,063	171,218,959
2,826,029	596,639	9,204,689
39,968,483	13,137,702	180,423,648
574,348,669	116,656,869	1,839,343,196
30,323,780	2,326,646	55,197,952
12,180,045	—	12,180,045
42,503,825	2,326,646	67,377,997
534,550	50,000	—
1,200,000	100,000	—
1,180,517	110,422	—
122,935,809	11,499,000	—
19,188,477	1,794,825	—
105,593,299	9,864,597	—
—	—	17,685,048
<b>fl. 722,445,793.</b>	<b>£109,118,918</b>	<b>fl. 1,889,036,145</b>
300,916,482	41,154,471	740,898,931
216,705,609	43,538,827	682,179,209
118,090,919	22,259,030	356,062,209
399,531,172	62,434,268	1,067,015,931
171,541,191	19,796	171,752,830
12,255,818	3,823,050	53,128,046
854,082	—	854,082
<b>fl. 584,182,263</b>	<b>£66,277,114</b>	<b>fl. 1,292,750,889</b>
150,513,351	26,376,002	432,499,188
89,987,133	19,164,720	294,877,154
171,879	493,366	5,446,455
8,206,094	720,013	15,903,753
588,753	9,050,000	97,342,303
45,338,689	49,687	45,869,893
45,687,026	16,702,663	224,255,196
340,492,925	72,556,451	1,116,193,942
71,941,975	14,726,154	229,379,287
743,388	1,848,443	20,505,092
14,994,304	623,438	21,659,480
84,555,885	7,677,325	166,634,167
—	1,079,977	11,546,034
684,139	1,289,228	14,467,275
—	700,000	7,483,700
29,309,704	1,770,082	48,233,651
202,229,395	29,714,647	519,908,686
<b>fl. 138,263,530</b>	<b>£42,841,804</b>	<b>fl. 596,285,256</b>
<b>fl. 722,445,793</b>	<b>£109,118,918</b>	<b>fl. 1,889,036,145</b>

## SHARE CAPITAL, RESERVES AND LONG TERM LIABILITIES

## (I) ISSUED SHARE CAPITAL—N.V. AND LIMITED—

- (a) Preference and Preferred Ordinary . . . . .
- (b) Ordinary . . . . .

## (II) REDEEMABLE PREFERENCE SHARE CAPITAL since issued by N.V. in part settlement of Ordinary Dividends declared at the Annual General Meeting of 28th June, 1946 . . . . .

## (III) CAPITAL RESERVES—

- (a) Premiums on shares issued by N.V. and LIMITED . . . . .
- (b) Surplus on valuation of shares in subsidiary companies and trade investments . . . . .

## (IV) REVENUE RESERVES—

- (a) General Reserve and Profit and Loss Account balance—N.V. and LIMITED . . . . .
- (b) Reserves and undistributed profits (less losses) of subsidiary companies . . . . .
- (c) Exchange adjustments carried forward . . . . .

- (d) Future British income tax . . . . .

## (V) SPECIAL CONTINGENCIES RESERVE . . . . .

## (VI) OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARY COMPANIES—

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

## (VII) LONG TERM LIABILITIES—

- (a) Debentures and Notes . . . . .
- (b) Others . . . . .

## (VIII) N.V. / LIMITED INTER-GROUP ITEMS—

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

## (IX) DIFFERENCE IN EXCHANGE ON CONVERSION OF ORDINARY CAPITAL . . . . .

## AGGREGATE OF SHARE CAPITAL, RESERVES AND LONG TERM LIABILITIES . . . . .

## FIXED ASSETS AND LONG TERM CLAIMS

## (X) (a) PREMIUMS at which shares in subsidiary companies are held (less discounts and capital reserves) and Goodwill (N.V. fl. 19,926,739, LIMITED £5,715,676). . . . .

- (b) LAND, BUILDINGS, PLANTATIONS, SHIPS, PLANT, ETC. (See Statement G) . . . . .
- Less: Provision for depreciation . . . . .

## (XI) INTERESTS IN COMPANIES NOT CONSOLIDATED . . . . .

## (XII) TRADE INVESTMENTS . . . . .

## (XIII) LONG TERM CLAIMS . . . . .

## TOTAL FIXED ASSETS AND LONG TERM CLAIMS . . . . .

## WORKING CAPITAL

## (XIV) CURRENT ASSETS—

- (a) Stocks at the lower of cost or market value . . . . .
- (b) Debtors and payments in advance . . . . .
- (c) Investments—unquoted . . . . .
- (d) Investments—quoted (market value—N.V. fl. 7,293,913, LIMITED £750,842) . . . . .
- (e) Tax Reserve Certificates . . . . .
- (f) Short term advances, Treasury Bills and Notes . . . . .
- (g) Balances at bankers and cash in hand . . . . .

## LESS:

## (XV) CURRENT LIABILITIES AND PROVISIONS—

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

## NET WORKING CAPITAL . . . . .

## AGGREGATE OF FIXED ASSETS, LONG TERM CLAIMS AND WORKING CAPITAL . . . . .

# BALANCE SHEETS

# STATEMENT E

represent deductions

## & UNILEVER LIMITED AND THEIR SUBSIDIARY COMPANIES

31st December 1945

NOTES

N.V.	LIMITED	COMBINED
fl.	£	fl.
138,136,000	56,287,175	739,902,188
169,350,000	13,610,350	332,674,200
307,486,000	69,897,525	1,072,576,388
34,350,000	—	34,350,000
70,140,256	5,286,673	126,660,077
56,022,962	1,669,161	73,867,962
126,163,218	6,955,834	200,528,039
49,341,332	16,411,806	224,799,951
12,496,996	8,392,917	102,225,671
—	—	—
61,838,328	24,804,723	327,025,622
—	5,000,000	53,455,000
61,838,328	29,804,723	380,480,622
—	—	—
37,142,454	12,539,937	171,206,920
4,083,693	563,259	10,105,498
41,226,147	13,103,196	181,312,418
571,063,693	119,761,278	1,869,247,467
70,228,750	2,274,446	94,544,852
37,070,156	—	37,070,156
107,298,906	2,274,446	131,615,008
534,550	50,000	—
1,200,000	100,000	—
211	20	—
122,946,500	11,500,000	—
24,086,294	2,252,951	—
99,525,867	9,297,069	—
—	—	17,685,048
fl. 777,888,466	£112,738,655	fl. 1,983,177,427
302,105,586	41,003,109	740,469,824
219,044,717	43,961,570	689,037,862
125,056,723	23,515,018	376,455,780
396,093,580	61,449,661	1,053,051,906
171,289,924	16,739	171,468,881
11,507,003	3,781,301	51,932,892
641,190	—	641,190
fl. 579,531,697	£65,247,701	fl. 1,277,094,869
146,372,513	23,257,268	395,015,965
107,180,312	24,367,227	367,690,336
83,390	159,001	1,783,270
6,855,310	740,166	14,768,425
377,392	8,650,000	92,854,542
104,573,343	49,875	105,106,557
83,066,961	22,862,544	327,494,694
448,509,221	80,086,481	1,304,713,789
98,387,869	17,810,574	288,800,716
2,735,262	56,414	3,338,384
16,318,635	2,166,297	39,478,516
93,004,907	7,802,633	176,422,856
—	1,079,409	11,539,962
2,613,080	1,646,591	20,216,784
—	200,000	2,138,200
37,092,699	1,833,609	56,695,813
250,152,452	32,595,527	598,631,231
fl. 198,356,769	£47,490,954	fl. 706,082,558
fl. 777,888,466	£112,738,655	fl. 1,983,177,427

Foreign currencies have been converted into sterling and guilders respectively on the following bases: Fixed Assets, so far as was practicable, at the average rate ruling in the year of acquisition, or, alternatively, at the rates ruling, or deemed to be ruling, on 31st December, 1942, for LIMITED and 31st December, 1943, for N.V.

Current Assets and Liabilities at the rates ruling on 31st December.

In conformity with the principles previously applied by LIMITED, this basis was adopted by N.V. as from 1st January, 1945. To facilitate comparison, the consolidated figures of N.V. for 1944 have been converted on this basis and the resulting profit on exchange, shown separately under Revenue Reserves, Item (IV) (c), has been taken up in 1945. (See Statement F (III) (a).)

Combined figures have been calculated at the rate of £1 = fl. 10.691 with the exception of Ordinary Capital which has been converted at the rate of £1 = fl. 12 in accordance with the terms of the Equalisation Agreement.

(II) Details relating to the issue of 4% Redeemable Cumulative Preference Shares of N.V. were given in N.V.'s Report for 1944.

(III) { See Directors' Report, § (7) and (9).

(IV) (b) Reconciliation of this item is as follows:

	N.V. fl.	LIMITED £	Combined fl.
Balances at 31st December, 1944	10,802,719	7,576,789	91,806,170
Elimination of 50% interests and other adjustments	931,530	704,208	8,460,218
Adjusted amount at 31st December 1944	9,871,189	6,872,581	83,345,952
Profits retained in 1945 as per Consolidated Profit and Loss Accounts, Statement F (X)	2,625,807	1,520,336	18,879,719
Balances at 31st December, 1945	12,496,996	8,392,917	102,225,671

The above balances represent only the reserves and undistributed profits retained by subsidiary companies subsequent to the valuations of the shares in those companies.

For reasons stated in the Director's Report § (15), these balances are not all available for distribution as dividends. Also, a considerable proportion has been retained by the subsidiary companies to finance increases to their fixed assets and working capital.

(V) See Directors' Report, § (9) (b).

(VII) In N.V. the increase of fl. 64,795,081 in Long Term Liabilities is due to Lever Brothers Company, Boston, U. S. A., having negotiated in December, 1945, loans of \$25,000,000 (repayable by instalments over 15 years) to finance proposed developments. This increase is partly offset by contractual annual redemptions of the debentures and notes of the Dutch subsidiary companies.

(IX) This difference arises on the conversion of Ordinary Share Capital at the rate of £1 = fl. 12.

(X) (a) See Directors' Report, § (1) (e).

(X) (b) The figures include amounts in respect of properties surplus to the requirements of the business with a net book value in N.V. of fl. 1,407,249 and in LIMITED of £1,288,382 (COMBINED fl. 15,181,341). Their disposal value is estimated to exceed these amounts.

(XI) In N.V., the figures include claims on third parties in the countries concerned—see Directors' Report, § (10) (a).

Interests in territory formerly under enemy occupation in respect of which information is now available have been brought into consolidation and the 1944 figures have been similarly adjusted.

(XII) These include investments in companies in which 50% of the ordinary share capital is owned, and other investments not held for sale.

(XIV) The amounts shown under Current Assets, and consequently the Net Working Capital, are subject to the qualifications inherent in all Consolidated Balance Sheets where foreign subsidiary companies are involved and these are accentuated under present conditions by the varying degrees of restrictions on the movement of funds between countries.

(XIV) (e) These amounts are in respect of British taxation.

(XV) (g) In view of the uncertainty of the value of some currencies in relation to sterling, part of the LIMITED provision for exchange at 31st December, 1944, has been maintained.

In N.V., the large increase in Net Working Capital is due mainly to the temporary investment of the proceeds of the long term loans, referred to in (VII) above, in U. S. A. Treasury Savings Notes and Certificates of Indebtedness.

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

The estimated commitments for capital expenditure at 31st December, 1945, were approximately—N.V. fl. 3,500,000; LIMITED £2,200,000; COMBINED fl. 27,000,000.

## STATEMENT F

## CONSOLIDATED PROFIT

Figures shown in italics

## LEVER BROTHERS &amp; UNILEVER N.V. AND LEVER BROTHERS

1944			1945		
N.V.	LIMITED	Combined	N.V.	LIMITED	Combined
	£		fl.	£	fl.
	18,159,180				
	1,697,141				
	169,344				
	194,427				
	20,365				
	11,730				
	186,703				
	15,879,470				
	288,563				
	10,850				
	—				
	16,178,883				
	489,709				
	236,516				
	—				
	863,277				
	610,084				
	16,788,967				
	360,375				
	17,149,342				
	11,034,154				
	3,068,070				
	504,839				
	7,461,245				
	9,688,097				
	1,136,632				
	10,706				
	8,562,171				
	1,879,955				
	£6,682,216				
		(I) Aggregate Profit . . . . .	55,355,517	19,012,149	258,614,402
		(a) Depreciation . . . . .	9,439,574	1,637,650	26,947,690
		(b) Interest on Debentures and Long Term Liabilities . . . . .	1,236,808	148,115	2,820,305
		(c) Emoluments of Directors . . . . .	538,925	208,678	2,769,902
		(d) Pensions to former Directors . . . . .	—	20,115	215,049
		(e) Compensation to Directors for loss of office . . . . .	—	11,730	125,406
		(f) Provision for deferred repairs . . . . .	1,929,373	371,180	5,897,658
			42,210,837	16,614,681	219,838,392
		(II) INCOME FROM:			
		(a) Trade investments . . . . .	216,750	376,288	4,239,645
		(b) Other investments . . . . .	132,088	7,319	210,335
		(c) Long Term Claims . . . . .	37,984	—	37,984
			42,597,659	16,998,288	224,326,356
		(III) EXCEPTIONAL PROFITS AND LOSSES:			
		(a) Exchange differences . . . . .	11,824,524	869,256	2,531,308
		(b) Provisions no longer required . . . . .	4,506,716	353,929	8,290,571
		(c) Adjustment of transactions with the LIMITED Group for the war period . . . . .	5,018,854	422,970	496,882
		(d) Other exceptional profits and losses, including those relating to previous years . . . . .	367,102	179,874	2,290,135
			20,982,992	1,118,171	9,028,626
		(IV) INTER-GROUP INTEREST ON LOANS AND CURRENT ACCOUNTS . . . . .	63,580,651	15,880,117	233,354,982
			2,683,409	250,997	—
		(V) Aggregate Net Profit before charging taxation on profits . . . . .	60,897,242	16,131,114	233,354,982
		(VI) TAXATION ON PROFITS:			
		(a) Amount based on the assessable profits of the year, including Dominion, Colonial and Foreign taxes . . . . .	31,802,556	10,257,641	141,466,996
		(b) Income tax recoverable from dividends . . . . .	—	2,763,073	29,540,013
		(c) Adjustments relating to previous years . . . . .	7,632,630	1,131,095	4,459,907
			39,435,186	6,363,473	107,467,076
		(VII) Aggregate Net Profit . . . . .	21,462,056	9,767,641	125,887,906
		(VIII) PROPORTION ATTRIBUTABLE TO OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARY COMPANIES:			
		(a) Preference and Preferred Ordinary . . . . .	2,972,006	1,126,479	15,015,193
		(b) Ordinary . . . . .	410,692	2,154	433,721
		(IX) Consolidated Net Profit . . . . .	18,079,358	8,639,008	110,438,992
		(X) N.V.'s and LIMITED's proportions of the increase in the undistributed profits, less losses, of subsidiary companies . . . . .	2,625,807	1,520,336	18,879,719
		(XI) Net Profit as per Profit and Loss Account which includes the results of subsidiary companies only to the extent of dividends receivable therefrom . . . . .	fl. 15,453,551	£7,118,672	fl. 91,559,273

No comparative figures are given as the results for the year 1944 included a large amount of profit attributable to the years 1940 to 1943.

## AND LOSS ACCOUNTS

represent deductions

## &amp; UNILEVER LIMITED AND THEIR SUBSIDIARY COMPANIES

## NOTES

For the reasons stated, comparative figures of the N.V. Group for 1944 would be misleading and, therefore, have been omitted.

- (I) The Aggregate Profit does not include any material amount of profits or losses of an exceptional nature. Results in foreign currencies, before charging depreciation, have been converted to sterling or guilders at the average rates of the year, and depreciation on fixed assets has been provided on the basis of their equivalent sterling or guilder cost. No account has been taken of the results of the companies not consolidated (see Directors' Report § 7).
- (I) (c), (d) and (e). These amounts refer only to Directors of N.V. and LIMITED who, as stated in the Directors' Report, (§ 16), are full time working directors and, as such, receive emoluments as managers. No Directors' Fees are paid. Amounts relating to Directors, or former Directors, of subsidiary companies are not included as they are fixed by the Directors of N.V. and LIMITED as in the case of other senior executives.
- (III) (a) In N.V., the profit of fl. 11,824,524 is arrived at after crediting fl. 8,112,595 arising at 31st December, 1944, taken up in 1945, see Statement E (IV) (c), and fl. 3,963,970 arising in 1945 on the conversion into guilders of current assets, less liabilities, of foreign subsidiary companies on the lines indicated in the opening notes on Statement E. In LIMITED, the loss of £869,256 is after crediting £500,000 part of the provision for exchange losses at 31st December, 1944, and arises mainly on the devaluation of the French Franc.
- (b) In LIMITED, the 1945 figure includes surplus provisions of companies in the United Kingdom in respect of war damage premiums £69,616 and surplus depreciation £119,722, (see Statement G), mainly arising from abnormal rates of depreciation applied to expenditure incurred for war purposes in the British Empire, which has now been adapted to post-war requirements.
- (c) The combined figure of fl. 496,882 represents amounts booked in one Group and not booked by the other prior to 1945.
- (IV) Interest on the secured loans of £11,500,000 was reduced from 3% to 1% per annum as from 1st July, 1945.
- (VI) (a) In view of the provisions of the Finance (No. 2) Act, 1945, Dominion, Colonial and Foreign taxes are now included under this heading instead of, as hitherto, being deducted from the Aggregate Profit shown under heading (I).
- (b) This includes £306,233 (£340,259) recoverable from the proposed Ordinary Dividend of LIMITED.
- (c) Adjustments relating to previous years of Dominion, Colonial and Foreign taxes are not included as these are offset by British excess profits tax.
- (X) In N.V., included in the amount of fl. 2,625,807 is approximately fl. 1,400,000 representing profits retained under currency restrictions on the basis explained in the Directors' Report, § 15.

**STATEMENT G**

**CAPITAL EXPENDITURE AND DEPRECIATION**

*Figures shown in italics represent deductions*

**LAND, BUILDINGS, PLANTATIONS, SHIPS, PLANT, MOTOR VEHICLES,  
OFFICE EQUIPMENT, ETC.**

*Representing a consolidation of the figures shown in the balance sheets of N.V. and LIMITED and their subsidiary companies, including provisions set aside before the acquisition of interests in those companies.*

1944				1945		
N.V.	LIMITED	Combined		N.V.	LIMITED	Combined
fl.	£	fl.		fl.	£	fl.
211,918,393	43,270,559	674,523,939	<b>CAPITAL EXPENDITURE</b>			
5,805,894	813,976	14,508,112	At 1st January . . . . .	216,705,609	43,538,827	682,179,209
228,166	167,558	2,019,528	Expenditure . . . . .	6,297,804	893,825	15,853,687
790,512	378,150	4,833,314	Proceeds of sales . . . . .	577,078	216,631	2,893,080
			Inter-Group transfers and elimination in respect of disposals, including war damage . . . . .	3,381,618	254,451	6,101,954
<b>fl.216,705,609</b>	<b>£43,538,827</b>	<b>fl.682,179,209</b>	At 31st December . . . . .	<b>fl.219,044,717</b>	<b>£43,961,570</b>	<b>fl.689,037,862</b>
			<b>DEPRECIATION</b>			
109,676,024	20,840,744	332,484,418	At 1st January . . . . .	118,090,919	22,259,030	356,062,209
9,035,807	1,697,141	27,179,941	Charged to revenue—Statement F (I) (a) . . . . .	9,439,574	1,637,650	26,947,690
—	3,546	37,910	Surplus written back—Statement F (III) (b) . . . . .	—	119,722	1,279,948
80,843	321,399	3,516,920	Surpluses on disposals, including war damage claims	492,267	80,231	365,483
701,755	356,285	4,510,798	Inter-Group transfers and elimination in respect of disposals, including war damage . . . . .	1,981,503	342,739	5,645,726
—	240,423	2,570,362	Transfer of provision for ships replacement . . . . .	—	568	6,072
<b>fl.118,090,919</b>	<b>£22,259,030</b>	<b>fl.356,062,209</b>	At 31st December . . . . .	<b>fl.125,056,723</b>	<b>£23,515,018</b>	<b>fl.376,455,780</b>

**REVIEW OF**

Although it is possible this year to incorporate the trading activities of the greater part of the N.V. Group, the Review can again only be given in outline owing to paper shortage.

**TRADING**

**THE NETHERLANDS**

For many months before the liberation the Netherlands were a battle ground, and for the first half of 1945 our businesses were inoperative. Only one important factory, however, sustained serious war damage. It was, therefore, possible to go gradually into production again after the liberation.

The manufacture of Margarine was resumed in the middle of 1945. Owing to irregularity of supplies of raw material the turnover fluctuated considerably. Even then, only particular, and not always suitable, oils and fats were available and it was therefore not possible to produce our normal high quality of Margarine.

Soap manufacture could not be resumed until September, 1945. At first it was confined to the making of low grade washing powders. It was only at the end of 1945 when there was a slight improvement in the raw material situation that the production of hard soaps was resumed and this led, at the beginning of 1946, to the re-introduction of Sunlight Soap.

Owing to the scarcity of Oil Seeds our Oil Mills have only been operating on a very modest scale.

Because of the extremely small Meat ration, the Meat business in 1945 was practically at a standstill. During 1945 the quick freezing of Vegetables and Fruit ceased, but was resumed on a small scale in 1946.

**UNITED KINGDOM**

The production of Soap was substantially reduced as a result of the decrease in the soap ration by one-eighth in May, 1945. The ration was further decreased in May, 1946.

The production of Munitions in the Soap Factories went on steadily until September, 1945, but had almost ceased by the end of the year.

The Margarine Industry continued throughout 1945, and still continues, to operate under the control of the Ministry of Food and it is impossible at present to envisage when a return to the pre-war system of trading by individual companies and the re-introduction of proprietary brands will occur.



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

*(Excluding subsidiary companies not consolidated)*

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

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

1944			1945	
Metric Tons	fl.		Metric Tons	fl.
517,000	449,717,000	Margarine, Edible Oils and Fats . . . . .	594,000	536,560,000
—	243,669,000	Other foods for human consumption . . . . .	—	269,370,000
1,343,000	849,186,000	Other Vegetable and Animal Oils and Fats . . . . .	1,511,000	970,957,000
1,039,000	131,563,000	Animal Feeding Stuffs . . . . .	1,187,000	154,121,000
864,000	650,505,000	Soap and other Detergents . . . . .	864,000	652,397,000
—	61,655,000	Toilet Preparations, including Perfumes . . . . .	—	66,915,000
—	98,731,000	Miscellaneous manufactures, including Glycerine . . . . .	—	95,385,000
871,000	174,499,000	Produce (mainly tropical produce handled by the United Africa Group) . . . . .	855,000	193,111,000
—	291,255,000	Merchandise (mainly handled by the United Africa Group) . . . . .	—	301,540,000
—	49,532,000	Services (including Ocean, River and Road Transport) . . . . .	—	45,501,000
<b>fl.3,000,312,000</b>		<b>TOTAL VALUE . . . . .</b>	<b>fl.3,285,857,000</b>	
fl.		Represented by:—	fl.	
1,761,150,000		(a) Sales to Third Parties . . . . .	1,948,638,000	
651,734,000		(b) Value production for the Ministry of Food or produce purchased for the West African Produce Control Board . . . . .	703,179,000	
587,428,000		(c) Supplies of marketable products and services within the organisation . . . . .	634,040,000	
<b>fl.3,000,312,000</b>			<b>fl.3,285,857,000</b>	

Expressed as percentages of the above total values:—

As explained in the Directors' Report, §(3), figures of the N.V. Group for 1944 are not comparable.

Direct taxation on profits . . . . .	fl. 137,007,089 or 4.17%
Amount distributed as dividend (net) to shareholders of N.V. and LIMITED and outside shareholders of their subsidiary companies . . . . .	fl. 53,946,165 or 1.64%
Profit retained within the organisation . . . . .	fl. 42,182,737 or 1.28%

## OPERATIONS

The Oilseed Crushing Mills also continued to operate for the Ministry of Food, the tonnage handled again showing a slight increase. Deliveries of Animal Feeding Stuffs continued to make appreciable progress in 1945 and the first half of 1946, after which there was a sharp drop.

The Food Companies' operations remained largely subject to Government control. The total volume of sales exceeded those of any previous year. The manufacture and sale of Ice Cream was recommenced during 1945, but it has not yet been possible to bring Walls' tricycles back on the road. The temporary wartime activity of Dehydration of Vegetables was discontinued during the course of 1945.

### CONTINENT

Direct war damage in countries other than Germany and Poland was relatively unimportant and normal contact with France, Belgium, Switzerland, Finland and the Scandinavian countries was quickly restored after the cessation of hostilities.

In Belgium recovery was more rapid than elsewhere. This was due principally to the availability of raw materials from the Belgian Congo and the fact that the liberation of Belgium was effected rapidly and was accompanied by relatively little material damage.

The situation was very different in France, where our businesses were handicapped by shortage of coal and raw materials, serious war damage in the country generally and dislocation of the transport system.

In the neutral countries, Sweden and Switzerland, results were well maintained. In Norway, lack of raw materials and the dislocation following upon the defeat of the German Armies reduced business virtually to a standstill. It began to revive towards the end of 1945 and this improvement has been maintained in 1946. In Denmark in 1945, production was at a very low level, but, in 1946, a slight improvement has set in. In Finland there has been a gradual increase in production.

We have regained possession of our factories in Austria, Hungary, Roumania and Italy, where some trade has been possible in spite of the difficulties inherent in the political and economic conditions and the instability of the currencies. Some war damage was suffered in those countries.

Our interests in Czechoslovakia, Yugoslavia and Poland are likely to be affected by the legislation regarding the nationalisation of industries, the effects of which are not yet certain.

In Germany a measure of contact has been restored with our extensive interests. War damage has certainly been serious. As no raw materials are being imported, our factories can only work on a limited scale, using the very small crop of locally grown seed.

## OVERSEAS

In the U.S.A. our businesses continued to show good results during 1945. The allocations of oils and fats for 1946, however are the lowest since 1942, and both turnover and profits of Soap and Edible Fats will be adversely affected. By contrast Dentifrices, Tea and Prepared Soups show every indication of reaching new high levels.

On the 30th June this year Mr. Francis A. Countway, who became President of our United States Company nearly 30 years ago and has been the mainspring of the remarkable development of our American business to its present important position, retired after over 40 years' service.

In Canada the general level of business was maintained throughout 1945. In 1946, however, there is likely to be a reduction in turnover following decreased allotments of raw material. The price control subsidy will have the effect of maintaining profits. We have acquired for development purposes a large site adjoining our main factory.

In Australia and New Zealand there was an upward trend during 1945, which continues. Raw materials are in fairly good supply.

In South Africa the demand for our products in 1945 exceeded our capacity for production, limited as it was by the shortage of raw materials. Important additions to our factory at Durban are in hand as also are plans for developing the new site we acquired at Johannesburg during the war.

In South America our Soap and Oil business and the Perfumery trade, which was curtailed in 1945 for lack of essential oils, are again increasing. We have acquired additional land adjoining our Sao Paulo factory.

In India the demand for our products continues to exceed the supply. Output has been adversely affected by a variety of difficulties, chiefly in connection with transport and labour.

In the areas lately under Japanese occupation we have now regained possession of our properties in Shanghai, Bangkok, Batavia, Sourabaya and the Philippines. Except in the Philippines, where both our Crushing Mills have been destroyed, our factories are intact but there is much to be done in putting them in good running order again. This work is proceeding satisfactorily and production has been resumed at all of them on a small but promising scale. In the Philippines we are producing coconut oil on a small scale for sale locally, pending rebuilding of one of the Mills. In the Solomon Islands production on all our coconut plantations is not yet possible. Many of the buildings and much of the equipment were destroyed by the Japanese and the labour position is still very difficult.

## EXPORT

Profits have continued to be good as we have been able to supplement the limited supplies available from our factories in The United Kingdom by drawing on our factories Overseas. Although we cannot make ambitious plans for export of Soaps, Margarine and other Edible Oils and Fats until raw materials are in better supply, our exports of Toilet Preparations show encouraging progress.

## THE UNITED AFRICA GROUP

All the products of West Africa and the Belgian Congo have continued in strong demand, and trading has been maintained at a high level.

The industrial activities of the Group are developing steadily. In Nigeria they include plans for expanding and modernising the Saw Mills at Sapele and, in association with other commercial interests, the establishment of a Brewery at Lagos. The new Plywood Mill is nearing completion.

In the Belgian Congo the planting of new areas with oil palms and rubber has continued steadily. Production of palm oil had a set back in 1945 owing to adverse weather conditions.

In East Africa the business of Gailey & Roberts continues to expand in its specialised field of agricultural and general engineering, whilst the Construction Company has undertaken important contracts for the Kenya and Uganda Governments and the British Air Ministry.

The subsidiary companies in the Middle East, Turkey and Morocco have shared in the growing export and import trades of those markets.

We are now able to disclose that during the war nine of the Company's ocean fleet of sixteen ships were lost. Three were replaced during the war by new construction and three more are building or under contract. The fleet was released from charter to the British Ministry of War Transport early in 1946.

## RESEARCH

Research has continued to be active in all fields. The scientific staff is being steadily increased in spite of the shortage of suitably trained personnel from the Universities.

Considerable advances have been made in Research designed to improve production methods and the standard of our products. Special attention is being paid to the Food Industry, and in particular to the quick freezing process. The shortage of oils and fats has increased the importance of research into the possibilities of Soapless Detergents. In this field we have been pioneers, having introduced a soapless detergent shampoo powder as early as 1935. During the war years a soap for use in salt water, incorporating Soapless Detergents, was produced in large quantities for the Armed Forces. Soapless Detergents have hitherto been incapable of competing for general purposes with soaps on account of high cost and limited performance. With the fat shortage existing to-day circumstances are more favourable and products for the purposes for which Soapless Detergents are most suitable will be marketed as soon as adequate supplies of raw materials are available.

## STAFF

Membership of the Pension and Provident Funds, exclusive of companies in Germany and the other countries referred to in the Directors' Report as "not consolidated", exceeds 42,000. The Capital accumulated in the Funds has now reached the equivalent of about fl. 214,000,000 of which some fl. 203,000,000 is invested outside the businesses. These funds now include a contributory

pension fund for the African salaried personnel of the United Africa Group, which was inaugurated in 1945 and has a membership of some 7,000. In certain countries, where the Pension and Provident Funds are not operative, there are pension schemes in force. During 1945 the scope of these schemes has been extended and their terms improved; in the U.S.A. arrangements for a pension scheme were completed and in the United Africa Group a scheme was introduced for lump sum payments on retirement to African labourers with 10 or more years' service.

The number of employees who served on a full-time basis with the Allied Armed Forces exceeds 23,000. Of these no less than 794 gave their lives in the cause of the United Nations.

In addition a considerable number of employees rendered outstanding service as members of Resistance Movements in enemy-occupied territory. Many of them lost their lives, some in concentration camps, others while actively resisting the enemy.

The reinstatement of ex-service employees is operating smoothly. By the end of June, 1946, of the 14,677 employees discharged from the Forces, 12,677 had re-entered our employment. Of these more than 1,250 had wounds or other disabilities and have been placed in suitable positions.

Everywhere we are concerned with the task of helping our employees meet the many post-war problems with which they are faced. In particular pay and salary scales have been revised to meet the increased cost of living.

A special feature has been the renewal of contacts between our employees abroad and the Dutch and English organisations, enabling them to bring themselves up to date with the more recent developments in the various branches of our businesses.

### MEMBERSHIP

At 31st December, 1945, the number of Stockholders in LIMITED was 195,298, the average holding of an individual Stockholder being about £350 nominal. It is not possible to assess the number of N.V. Shareholders as almost the whole of the share capital of N.V. is in bearer form.

### FUTURE PROSPECTS

Supplies of oils and fats should gradually improve but for some time to come the shortage is likely to handicap the main branches of our business. The effect of the shortage falls more heavily on the N.V. Group than on the LIMITED Group because the latter contains many more businesses which are not dependent upon oils and fats. Supplies on the Continent in 1946 have been better than in 1945, but in the U.S.A. they have been worse.

On this occasion, owing to the lateness of the 1945 Accounts, it is possible to form a reasonable idea of the results for 1946, and it can be said that the results of the companies within the N.V. Group are, on the whole, beginning to show a healthier aspect, the improvement being more than sufficient to compensate for the absence of the exceptional exchange profits arising in 1945. In the case of the LIMITED Group, the net profits should not be materially different from those of 1945.

If there were freedom of movement of currencies, the policy of the Boards would be to declare a dividend based upon the aggregate earnings of N.V. and LIMITED, leaving a reasonable surplus to add to the aggregate reserves. If it so happened that the individual position of one company did not permit the payment of this dividend either through lack of earnings or through lack of funds, the situation would be met either by the operation of the Equalisation Agreement, which was designed for that purpose, or by a loan from one company to the other. Present restrictions, however, do not permit of this procedure, with the result that the Boards can only propose dividends based upon the lower of the amounts available in the two companies, with the consequence of a greater retention of profits in the other company than the Boards would consider necessary.

However, the earning capacity of N.V. should gradually improve, making the dividend policy of the two companies less dependent upon existing exchange restrictions. In this event, the Boards' first object would be to increase the dividend rather than add materially to existing reserves in N.V. As long as the amounts of profit retained in LIMITED appeared to be adequate for the business as a whole, they would consider such a course appropriate in view of the fundamental unity of the two Companies.

## NOTES ON ORGANISATIONAL STRUCTURE — 1946

The chart printed below shows, in a necessarily simplified form, the framework of the Organisational Structure of the two Unilever Companies in 1946. This structure is not static; it will undergo change as circumstances may require.

The structure has been planned to meet certain requirements which are of extreme importance in an undertaking of this size. These are:—

(a) The principle of delegation of responsibility should be followed to the utmost extent, consistent with efficiency and co-ordination of policy.

(b) Those responsible for broad policy should be adequately and continuously informed as to events and progress throughout the whole organisation, but at the same time kept free of all matters which can be properly decided by executives. They should be enabled to form a sound judgment of the abilities and experience of all members of the staff likely to be able to play a senior part in later years.

(c) Executive responsibility at home and abroad should be placed in the hands of picked personnel supported by all necessary technical and advisory services.

(d) All the knowledge and information likely to be of interest to the organisation should be collected from both internal and external sources, collated and passed on for practical application to all concerned.

(e) Apart from the normal interchange of correspondence and documents, there should be frequent personal contact between Directors of the two Parent Companies, the Technical and Advisory Services and the Executives of operating groups or units by visits to and from the centre.

(f) It should be established practice to move suitable personnel from one activity to another within the organisation, and thus develop individual experience, give opportunities for promotion, and build up a reserve of experienced personnel from which the higher posts may be filled.

To attain these ends the structure provides:—

(1) Identical membership of the Boards of the two Parent Companies.

(2) A Special Committee consisting of a few members of the Boards, to which the two Boards have delegated power to deal with broad policy, to co-ordinate the work of other Directors, to supervise the operations of the Advisory and Service Departments, and to undertake outside contacts at the highest level. Their recommendations are submitted to the appropriate

Board. Members of this Committee are free from all routine executive duties.

(3) A series of specialist Advisory and Service Departments working with the Group and National Managements. These Departments acquire and maintain competent and up-to-date knowledge within their respective spheres, and ensure that it is available throughout the whole organisation.

(4) The United Africa Company Limited operating as a self-contained organisation under its own Directorate, responsible for the control and management of the mercantile and industrial activities in British, Belgian and French West Africa, North Africa, East Africa and the Middle East.

(5) A U.K. Management responsible for production and distribution within the United Kingdom, arranged in the Main Divisions of Soap, Margarine, Oil Mills and Food.

(6) A panel of Contact Directors, common to the two Parent Companies, constantly visiting the Regional Groups and National Managements outside Western Europe. They act as advisers to responsible executives throughout these territories; assist in the correlation of policy and practice between territories; acquaint themselves with the personnel concerned; observe and assist the operations of the Advisory and Service Departments; and make recommendations on policy and development through the Special Committee to the Parent Boards.

(7) A Western European Management responsible for the supervision of all Unilever activities throughout Western Europe.

(8) Regional Groups, each covering several countries, in charge of Directors or senior executives to whom responsibility is delegated, subject to guidance on high policy from the Parent Boards, and which in turn delegate responsibility to National Managements.

(9) National Managements in each country comprised in a Regional Group, supervising the operating Units within their national frontiers.

(10) Two Export Divisions, one in Rotterdam and the other in London, promoting export from the most convenient production point.

It will be seen that the structure provides for the central determination of broad policy, and at the same time for freedom of action within Divisions, Groups and National Managements. In this way, rapidity of decision and action is effectively ensured.

# ORGANISATIONAL STRUCTURE 1946

