

# LEVER BROTHERS & UNILEVER LIMITED

## REPORT OF THE DIRECTORS

For the Year ended 31st December 1942

The Directors submit the Accounts for the year ended 31st December, 1942, and their Annual Report thereon, together with a Review by the Chairman.

In order to make the Accounts more informative, the form of the Balance Sheet has been altered and the Statement of Consolidated Profits has been set out to show further details of the organisation as a whole. In both cases the comparative figures of the previous year have been similarly adjusted.

Members are familiar from previous announcements with the reasons why the results of this company—for convenience referred to as "LIMITED"—should be considered in conjunction with those of Lever Brothers & Unilever N.V.—for convenience referred to as "N.V."—Owing to present conditions this is not possible and so, as in the three previous years, this report can deal only with the accounts and results of LIMITED. These results by themselves are such as to justify the directors in recommending a dividend of 5% on the Ordinary Stock, the same as last year, whilst at the same time appropriating £700,000 to Special Contingencies Reserve. This Special Contingencies Reserve, which including this appropriation is now £2,900,000, is established to provide, if necessary and subject to certain conditions, corresponding dividends of equal value for the Ordinary Shareholders of N.V. It is emphasised that payment to the Ordinary Shareholders of N.V. out of this reserve cannot be made at present and will not be made unless and until it is legally permissible to do so. Payment will also be subject to the resumption of normal relations between the two companies. The existence of this reserve creates no rights or benefits which are not subject to these over-riding considerations. The application of this reserve will be entrusted, as in previous years, to a member of each of the firms of Messrs. Price, Waterhouse & Co., and Messrs. Cooper Brothers & Co.

Since the Annual General Meeting last year, the results of N.V. for the year 1941 have been published. No ordinary dividend was declared but the profits available were sufficient to cover the dividends on the preference capital of that company. The Directors see no necessity for making any provision for the possibility of N.V. having failed to earn its preference dividends for 1942.

### STATEMENT OF CONSOLIDATED PROFITS

(Figures printed in italics represent the corresponding amount of the previous year).

The Statement of Consolidated Profits set out opposite has been extended this year to show the aggregate provisions for depreciation, debenture interest and deferred repairs, also British Taxation on the profits of the year including excess profits tax.

In certain cases, final settlements with the Ministry of Food for processing margins and supplies of goods have not yet been agreed and in such cases estimates have been included; the excess of final figures over estimates for 1941 have been included in the 1942 results. The aggregate profits do not include any material amounts of profits or losses of an exceptional nature. A dividend of £440,177 from the Southern Whaling & Sealing Company Limited representing the surplus on the sale of its whaling fleet has been credited direct to the General Contingencies Reserve of LIMITED.

Compared with the provision for depreciation of £2,055,680 (£1,974,688), the net capital expenditure amounted to £441,484 (£731,567), excluding expenditure on, or compensation received for, assets lost by enemy action.

The reduction in the charge for debenture interest is due mainly to the redemption of £1,319,564 of 5% Guaranteed Debenture Stock of The Niger Company Limited on 15th December, 1941, and, in part, to the redemption on 1st October, 1942, of £2,751,400 of 5% Debenture Stock of LIMITED. On 31st December, 1942, the outstanding £594,010 of 4½% Debenture Stock of The British Oil & Cake Mills Limited was called for redemption at 110%, the premium being written off against that company's contingencies reserve.

Provision has been made in previous years for War Damage Contributions which is estimated to cover, so far as is known, the balance of the instalments payable under Part I of the War Damage Act for the whole period of risk. Premiums payable under Part II of that Act have been charged against the results according to the periods covered by the policies.

In addition to the provision for deferred repairs of £419,865 (£176,083) revenue has been charged with £1,821,246 (£1,787,928) for expenditure on repairs and renewals. The total provision for deferred repairs now amounts to £841,811.

The amount of £6,873,686 (£5,413,586) shown under the heading of British Taxation represents the provision for national defence contribution, excess profits tax and income tax in respect of the profits of the year.

Excess profits tax has not yet been agreed with the taxation authorities for any part of the period during which it has been in force so that the provision for both excess profits tax and income tax is subject to adjustment when a settlement is reached.

Income tax included in the above amount is based on the profits of the year which fall to be assessed in the fiscal year ending 5th April, 1944, and represents the net charge after deducting income tax recoverable from dividends in respect of 1942. The amount of £893,493 (£1,122,782) shown as "Adjustments relating to previous years and additional reserve for income tax" includes the additional amount required to complete the provision for the estimated future net liability on the aggregate profits up to the date of the Balance Sheet. At 31st December, 1942, this estimated future net liability, which is calculated after allowing for the recovery of income tax from the fixed preferential dividends of 1943, amounted to £4,064,000. This is now fully covered in the accounts of subsidiary, sub-subsidiary and allied companies and includes £185,247 transferred to wholly owned sub-subsidiary companies from the reserve of £400,000 appearing in LIMITED'S accounts at 31st December, 1941. The balance of £214,753 being no longer required has been taken credit for in the adjustments relating to previous years. No credit has been taken for refund of 20% of the excess profits tax under the provisions of Sec. 37 of the Finance Act, 1942.

Details of taxation provided by LIMITED itself have not been shown in its Profit and Loss Account. They have no significance and would only be misleading as the provision for both excess profits tax and income tax depends on the extent to which LIMITED decides to exercise its right of recovering excess profits tax from other companies within the group.

After deducting £1,158,729 (£1,247,600) representing the proportion of the aggregate net profit attributable to the interests of outside shareholders of subsidiary and allied companies, the net consolidated profit attributable to LIMITED'S interests is £6,913,003 (£6,299,663). Of this amount, £884,169 (£464,074) represents LIMITED'S proportion of the profits less losses of the year retained by subsidiary and allied companies in the form of an aggregate increase to their undistributed profits, leaving a net profit of £6,028,834 (£5,835,589) as shown by the Profit and Loss Account, which includes the results of those companies only to the extent to which they have been declared as dividends.

### BALANCE SHEET

The Balance Sheet is now presented in a form to show more clearly the reserves in the books of LIMITED itself, indicating those which are of a capital nature. Further details are given of current liabilities and provisions and of that portion of the deposits, loans and current accounts with allied companies which relates to balances due to or by companies which if their shares were directly held by LIMITED would fall under the category of subsidiary companies—these have been described as "sub-subsidiary companies" and include all companies in which an indirect controlling interest is held.

Owing to this alteration in form, the following features call for comment:—

#### Reserves

The £10,000,000, formerly shown as General Reserve, has been divided to show the portion (£5,286,673) representing premiums on issues of capital and the portion (£4,713,327) representing amounts set aside out of revenue.

The Capital Reserve of £1,669,161 (£1,683,561), described as the surplus arising on the valuation of shares in subsidiary and allied companies at 31st December, 1937, was previously deducted from these assets. During 1942, a small subsidiary company became dormant and the premium of £14,400 on its shares has been written off against this reserve.

The amount of £951,504 shown as the balance on General Contingencies Reserve at 31st December, 1941, was included in last year's Balance Sheet as to £351,504 under Creditors and as to £600,000 as a deduction from shares in subsidiary and allied companies; both these amounts have been accumulated out of the profits of previous years. The increase of £692,424 which brings up this reserve to £1,643,928 at 31st December, 1942, represents £440,177 receivable as dividend from the Southern Whaling & Sealing Company Limited referred to previously, £250,000 appropriated out of the profits of 1942 as shown in the Profit and Loss Account and £2,247 surplus reserve on a small property.

In addition to the reserves shown in the Balance Sheet, there is an amount of £4,097,565 representing the company's proportion of the increase to the undistributed profits of subsidiary and allied companies, since the valuation at 31st December, 1937.

#### Current liabilities and provisions

Provision for taxation of £2,303,347 (£385,274) represents mainly the estimated undischarged liability for excess profits tax for all companies which for this purpose fall within the LIMITED group. At 31st December, 1941, the greater part of this tax had been paid on account whereas at 31st December, 1942, it has been covered by the purchase of Tax Reserve Certificates which are shown under current assets.

#### Shares in subsidiary and allied companies

The amount shown under this heading in last year's Balance Sheet was £70,512,573 the increase to £72,796,134 now shown as the 1941 figure being due, as previously explained, to the transfer of £1,683,561 to Capital Reserve and of £600,000 to General Contingencies Reserve which have hitherto been deducted from these assets.

#### Lever Brothers & Unilever N.V. and its allied companies

A summary of the position of LIMITED and N.V. and the interests of each at 10th May, 1940, when Holland was invaded, was set out in the Directors' Report on the Accounts for the year 1939. The net indebtedness between the two groups has not altered materially since and, as was mentioned in that Report, the LIMITED group has, on balance, no amount at risk in connection with its outstanding indebtedness with the N.V. group, the amount of £2,827,546 shown in the Balance Sheet as owing by N.V. to LIMITED being more than covered by an amount owing by a subsidiary of LIMITED to a subsidiary of N.V. in connection with the purchase of French interests in 1939. As previously explained, balances on loan and current account between N.V. and its allied companies overseas, were, by previous agreement, transferred to LIMITED when the invasion of Holland took place. These balances at the rates of exchange of 31st December, 1942 (where available), had a net sterling value of £2,475,842 and are blocked for the duration of the war against a similar amount owing to N.V. in respect of such transfers.

#### Assets in enemy occupied territories

The LIMITED group has interests in territories occupied by Germany, principally in France, in respect of which neither profit nor loss has been taken into account. It also has interests in Burma and the Pacific Islands which are occupied by Japan; in this case provision has been made by the holding companies concerned against the book value of the current assets. The whole of the Ordinary Stock of the companies concerned is owned directly or indirectly by LIMITED and, having ample free reserves for the purpose, LIMITED has indemnified these companies against any loss which might arise in the value of these interests in their books.

#### Current assets

The increase from £3,787,893 to £9,090,064 arises mainly from £7,050,000 Tax Reserve Certificates held by LIMITED to cover unpaid taxation assessed and to be assessed on all profits of the group up to the date of the Balance Sheet. This is mainly reflected in the decrease from £12,692,099 to £6,990,141 in the net amount due from subsidiary, sub-subsidiary and allied companies and partly in the increase in the provision for taxation included under current liabilities.

### APPROPRIATIONS OF PROFITS

The Directors propose that the profits shall be appropriated as set out in the Profit and Loss Account. These appropriations have been included in the Balance Sheet and, in so far as the dividends on the Ordinary Stock and Preferential Certificates of the Co-Partnership Trust are concerned, are subject to the confirmation of members at the Annual General Meeting. All dividends are shown before deduction of income tax which is included in the figure of £3,066,764 shown as recoveries from dividends in the Statement of Consolidated Profits.

### BOARD OF DIRECTORS

In accordance with Article 83 of the Articles of Association, all Directors retire and, being eligible, offer themselves for re-election.

### AUDITORS

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

By order of the Board,

L. V. FILDES

Secretary.

16th September, 1943.

## REVIEW BY THE CHAIRMAN

*(It will be proposed at the Annual General Meeting that this Review be taken as read, and there will be no speech from the Chair)*

The Balance Sheet, Profit and Loss Account and Report on the Accounts, set out the figures in greater detail than hitherto, and in this Review it is not proposed to comment further on them. Figures, at the best, give no more than a bare outline, and the Board wish that this Review could provide what is lacking to bring the finished picture into being. Such a picture would demonstrate better than in any other way that the enterprise and initiative of the Company continue to flourish; but, as our activities are part of the war effort of this country, the Commonwealth and the Empire, this cannot be done. Such additional details as it is possible to give are meagre, but perhaps with the knowledge of the Company's past history and the use of their imagination, the members will be able to form a more finished picture in their minds.

### TRADING—HOME

**Soap Trade** The outstanding event was the introduction of rationing in the second week of February, 1942. The consumers' freedom of choice of type and brand was interfered with as little as possible, and this combined with a minimum of administrative detail, ensured the willing co-operation of the public, distributors and manufacturers. The scheme worked smoothly from the outset, and the Ministry of Food are to be congratulated on the result. The effect has been to reduce the consumption of oils and fats used as soap in the home by approximately 18% for 1942. The effect in 1943 will be slightly greater. Some modifications of the restrictions on toilet preparations were made during the year, but the volume permitted is still substantially below pre-war level.

Side by side with rationing there has been concentration of manufacture in the Soap trade. Several of our factories are producing for companies unconnected with us. Interchange of manufacture between our own companies resulted in a saving of approximately six million ton-miles of transport per annum.

**Margarine Trade** There was substantially no change during the year in the Margarine trade, which continues to be carried on for Government account. The Company plays an important part in the provision of the necessary vitamins for this product.

**Seed Crushing** Seed Crushing shewed a slight increase in 1942 but continued to be below the pre-war level. Refining and hardening remained above normal. The volume of animal feeding stuffs continued to contract but there has been some improvement in recent months.

**Other Foods** The main event in the food group was the discontinuance of ice-cream manufacture in September, 1942. This has not affected the trading result for the year, but will be felt in 1943. A new addition to this group in 1943 has been the acquisition of a large interest in Frosted Foods Limited, which holds an important position in the production of quick-frozen foodstuffs.

At various dates during 1942 the production of such foods as canned, bottled and frozen vegetables and fruit, fresh meats, sausages, and all manufactured and pre-packed foods with certain exceptions, has been brought under Government control. This has had the effect of reducing turnover, which will be reflected in the 1943 figures.

The control of fish supplies, which was put into operation with the object of reducing internal transport, has continued to present many difficulties. Mac Fisheries have shown ingenuity and initiative in finding solutions.

### TRADING—OVERSEAS

The upward trend of our businesses in India, Canada, Australia and South Africa was checked towards the end of the year by the shadow of raw material shortages, caused by the development of the war in the Far East. Outputs did, however, reach new high records in both Australia and South Africa. In Canada, supplies were curtailed to 1941 levels but the full effect of this will not be felt until 1943. In India the restriction was not felt until the current year. In this market it has not been possible for Government controls to be instituted, and a considerable element of speculation has developed. The Ceylon factory which commenced operations in 1941 had a successful year. The production of margarine in Palestine and soap in Nigeria was substantially expanded during the year.

The activities of the United Africa Company have been maintained at a high level. The Allied war effort has called for ever-increasing quantities of West Africa's primary products and the Company has collaborated to the full with the British, French and Belgian Authorities in their drive for increased production. The resulting increase in exports has given added stimulus to the import and merchandising side of the Company's business and, equally in this field, very close collaboration with the Governments concerned has resulted in the overcoming of supply difficulties and the provision of a wide range of textile and other manufactured goods in quantities sufficient to assure the highest level of activity

on the part of the African producer. The Company's ocean, coast-wise and inland transport services have been occupied at high pressure.

The contribution of Overseas Interests to the combined trading profits was 37% (30%).

### CAPITAL EXPENDITURE

This has necessarily again been restricted and apart from the new Central Research Laboratory mentioned later has been confined to additional facilities for employees and essential expansion of the productive capacity in this country and in West Africa, South Africa, Canada and British India. The trawling fleet owned by a subsidiary company has been sold but, as the liquidation of that company is not yet completed, the surplus over book value, estimated at about £200,000, is not dealt with in the Accounts for 1942.

### RESEARCH AND DEVELOPMENT

During the year, research work was concentrated on problems connected with the war effort and on investigations undertaken at the request of Government Departments. The Board are very mindful of the importance of all sections of the business keeping in the forefront of new developments. A new Central Research Laboratory was completed and occupied during the year, which provides for the considerable additional staff required to carry out enlarged programmes of research that have been decided upon and also provides facilities for work on food products that have been lacking hitherto.

### SALVAGE—CONTAINER RECOVERY

There has been mention in the Press of our activities in collecting empty containers. We collect not only for ourselves but also for many other manufacturers of food, toilet and other household products. In this way 35,600,000 containers, weighing 40,000 tons, were collected in 1942, and we are now collecting at the rate of nearly 900,000 containers per week. With other dentifrice manufacturers we encourage the public to return empty tubes to traders; the metal thus saved is collected and sold and the proceeds are given to the Red Cross.

### STAFF

An admirable spirit permeates Management and Staff.

Of the regular peace-time employees of the Parent and Associated Companies in the United Kingdom nearly 11,000 on the 30th June, 1943, were in the Forces or full time National Service, as were more than 4,000 of the war-time staff. 213 had been killed or had died on Service; 240 were prisoners of war; 44 had earned decorations. Sir Herbert Davis, C.B.E., one of the Vice-Chairmen, received the honour of Knighthood.

Every endeavour has been made to release as many mobile and able-bodied employees as possible by making use of part-time labour. For instance, 27% of the total women employed in our Soap factories in the United Kingdom are part-timers.

At 31st December, 1942, there were 30,200 members of the Staff Pension and Provident Funds, and the capital of these Funds increased during the year from £10,641,000 to £12,065,000.

### MEMBERS

The number of Stockholders at 31st December, 1942, was 198,026; the number of Debenture Stockholders was 5,131.

### POST-WAR PROBLEMS

The pre-occupation of all senior personnel with day-to-day affairs necessarily limits consideration of post-war problems, but some progress is being made. The trend of future developments is being studied, particular attention being paid to the best methods for re-employment and re-training of personnel now in the Forces, and the national policies for Education and the Location of Industry.

Consistently with the Company's tradition of progressive interest in employment problems generally, a pamphlet dealing with post-war unemployment was published in January, 1943, and judged from the acceptance it received from every shade of political thought it may have served as a useful contribution to this subject.

### THE FUTURE

It follows from what has gone before that the balance of changes brought about by the war since the beginning of 1943 is likely to have an adverse effect on the Company's gross earnings, but owing to the incidence of excess profits tax it is unlikely that the net profits will differ materially from those of 1942.



# STATEMENT OF CONSOLIDATED PROFITS

OF

LEVER BROTHERS & UNILEVER LIMITED AND ALL SUBSIDIARY  
AND ALLIED COMPANIES IN WHICH 50% OR OVER OF THE  
ORDINARY CAPITAL IS HELD EXCLUDING COMPANIES IN ENEMY  
OCCUPIED TERRITORIES

1941 £		1942 £
16,924,460	AGGREGATE PROFITS ... ..	18,733,055
	£                      Deduct:                      £	
	1,974,688 Depreciation ... .. 2,055,680	
	409,513 Debenture interest ... 305,822	
	280,545 War Damage Premiums... 112,777	
	Provision for deferred	
	176,083 repairs ... .. 419,865	
2,840,829		2,894,144
14,083,631	AGGREGATE PROFITS before charging British Taxation ... ..	15,838,911
	Deduct:	
	British Taxation:	
	8,482,465 On the profits of the year 9,940,450	
	Less:	
	3,068,879 Income tax recoveries from dividends ... 3,066,764	
	5,413,586	6,873,686
	Adjustments relating to previous years and additional reserve for	
	1,122,782 income tax ... .. 893,493	
6,536,368		7,767,179
7,547,263	AGGREGATE NET PROFIT ... ..	8,071,732
	Deduct:	
	Proportion attributable to the interests of outside shareholders of subsidiary and allied companies:—	
	Preference and Preferred	
	1,145,894 Ordinary ... .. 1,140,504	
	101,706 Ordinary ... .. 18,225	
1,247,600		1,158,729
6,299,663	CONSOLIDATED NET PROFIT ... ..	6,913,003
	Deduct:	
	The Company's proportion of the increase to the undistributed profits, less losses, of subsidiary and allied companies ...	
464,074		884,169
£5,835,589	NET PROFIT as per PROFIT AND LOSS ACCOUNT which includes the results of subsidiary and allied companies only to the extent of dividends receivable therefrom ... ..	£6,028,834

# LEVER BROTHERS & UNILEVER LIMITED

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the above-named company will be held at Unilever House, Blackfriars, London, E.C.4, on Thursday, the 7th day of October, 1943, at 11 a.m., for the following purposes, namely:—

- 1 To receive and consider the Annual Statement of Accounts and Balance Sheet and the Report of the Directors and Auditors thereon.
- 2 To sanction the declaration of dividends.
- 3 To elect Directors.
- 4 To appoint Auditors and fix their remuneration.
- 5 To transact any other ordinary business of the company.

The transfer books of the company so far as they relate to Ordinary Stock are closed and will remain closed up to and including 8th October, 1943.

Dated the 29th day of September, 1943.

By order of the Board,

L. V. FILDES

*Secretary.*

If undelivered, please return to—  
LEVER BROTHERS & UNILEVER LTD.,  
PORT SUNLIGHT, CHESHIRE

No. ....

## LEVER BROTHERS & UNILEVER LIMITED

### DIRECTORS

THE VISCOUNT LEVERHULME *Governor*  
GEOFFREY HEYWORTH *Chairman*

SIR HERBERT DAVIS, C.B.E. } *Vice-Chairmen*  
PAUL RYKENS }

CROUDSON WILLIAM BARNISH  
JAMES P. VAN DEN BERGH  
SIDNEY J. VAN DEN BERGH  
JOHAN WILLEM BEYEN  
CHARLES HUGH CLARKE  
JOHN HENRY HANSARD  
ARTHUR HARTOG  
JAMES LAURENCE HEYWORTH

RALPH ESTILL HUFFAM  
RUDOLF G. JURGENS  
ROWLAND HUNTLY MUIR  
IZAK L. POLAK  
FRANK SAMUEL  
GEORGE SCHICHT  
ARTHUR GODFREY SHORT  
JAMES LOMAX SIMPSON

### ADVISORY DIRECTORS

HORATIO BALLANTYNE

THE MARQUESS OF CARISBROOKE  
G.C.B., G.C.V.O.

### SECRETARY

LUKE V. FILDES

### AUDITORS

COOPER BROTHERS & CO.

PRICE, WATERHOUSE & CO.