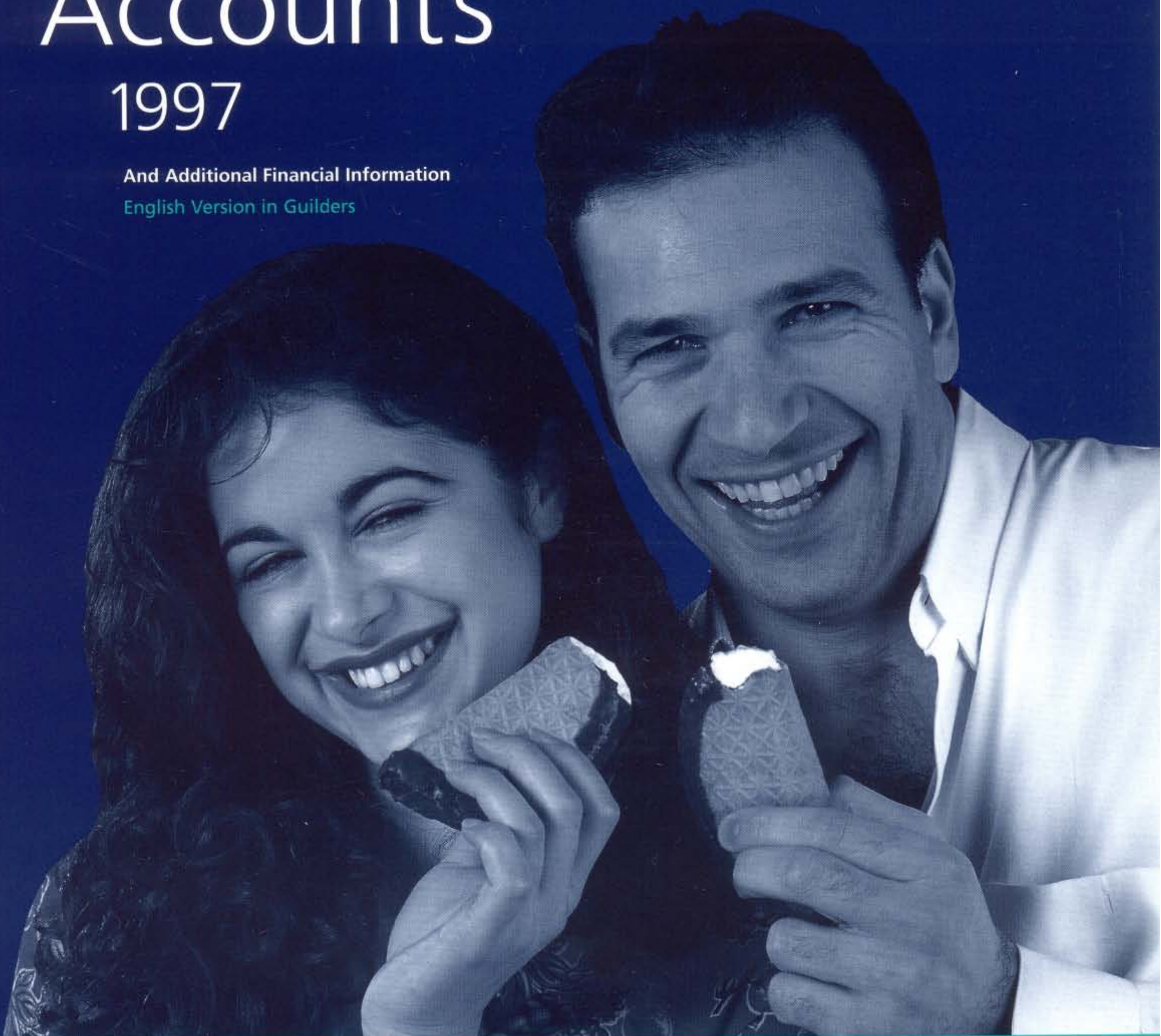
Annual Accounts 1997

And Additional Financial Information

English Version in Guilders



Unilever

General information

Unilever

The two parent companies, NV and PLC, operate as nearly as is practicable as a single entity (the Unilever Group, also referred to as Unilever or the Group). NV and PLC have the same directors and are linked by a series of agreements, including an Equalisation Agreement, which is designed so that the position of the shareholders of both companies is as nearly as possible the same as if they held shares in a single company.

The Equalisation Agreement provides for both companies to adopt the same accounting principles and requires as a general rule the dividends and other rights and benefits (including rights on liquidation) attaching to each Fl. 12 nominal of ordinary capital of NV to be equal in value at the relevant rate of exchange to the dividends and other rights and benefits attaching to each £1 nominal of ordinary share capital of PLC, as if each such unit of capital formed part of the ordinary capital of one and the same company. The ordinary capitals of NV and PLC are currently denominated as Fl. 1 and 1.25p nominal per share respectively. Applying the formula under the Equalisation Agreement, therefore, gives the result that twelve NV ordinary shares enjoy the same dividend rights and other rights and benefits as eighty PLC ordinary shares, ie one NV share equates to 6.67 PLC shares.

The shares of each of NV and PLC are not convertible into or exchangeable for shares of the other. There is no fixed parity in the trading prices of the shares of NV and PLC and the relative share prices on the various markets can and do fluctuate from day to day and hour to hour for various reasons, including changes in exchange rates and taxation regimes applicable to various shareholders. Over time, the prices of the shares of NV and PLC stay in close relation to each other because the dividends and other rights and benefits attaching to those shares are fixed in the manner referred to above.

Each of NV and PLC has always paid its own dividends and, therefore, neither company has ever been called upon to make a payment to the other, as might be required under the Equalisation Agreement.

A contractual agreement has been established between NV and PLC under which each company agrees on request to guarantee the borrowings of the other or of any Unilever Group company where the other parent itself guarantees them. These arrangements are applied as a matter of Unilever's financial policy to certain significant public borrowings of each parent and of group companies. The purpose of the arrangement is for lenders of such borrowings to be able to rely on the combined financial strength of the Group.

Basis of consolidation

By reason of the operational and contractual arrangements referred to above and the internal participating interests set out in note 18 on page 18, NV and PLC and their group companies constitute a single group under Netherlands and United Kingdom legislation for the purposes of presenting consolidated accounts. Accordingly the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts. These accounts are supplemented in note 32 on page 27 by additional information for the NV and PLC parts of the Group in which group companies are consolidated according to respective ownership.

General information

Companies legislation

The consolidated accounts of the Unilever Group comply with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985. The company accounts, the notes to those accounts and the further statutory information given for each of NV and PLC comply with legislation in the Netherlands and the United Kingdom respectively. As explained under 'Group companies' on page 7, in order to give a true and fair view, the presentation of the consolidated capital and reserves differs from that specified by the United Kingdom Companies Act 1985.

Accounting standards

The accounts are prepared under the historical cost convention and comply in all material respects with applicable accounting principles in the Netherlands and with United Kingdom Accounting Standards.

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

United Kingdom Urgent Issues Task Force Abstract 13 (UITF 13) requires that NV or PLC shares held by employee trusts to satisfy options should be classified by the sponsoring company as fixed assets. Dutch law requires such shares to be deducted from capital and reserves. In order to comply with Dutch law and the Equalisation Agreement, the disclosure requirement of UITF 13 has not been followed. The effects of this departure are shown in note 20 on page 20.

OECD Guidelines

In preparing its annual accounts Unilever adheres to the disclosure recommendations of the OECD Guidelines for Multinational Enterprises.

Statements of directors' responsibilities

Annual accounts

The directors are required by Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Unilever Group, NV and PLC as at the end of the financial year and of the profit or loss for that year.

The directors consider that in preparing the accounts, the Group, NV and PLC have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, except as noted under 'Accounting standards' on page 3.

The directors have responsibility for ensuring that NV and PLC keep accounting records which disclose with reasonable accuracy their financial position and which enable the directors to ensure that the accounts comply with the relevant legislation. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement, which should be read in conjunction with the 'Report of the auditors' set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

Going concern

The directors continue to adopt the going concern basis in preparing the accounts. This is because the directors, after making enquiries and following a review of the Group's budget for 1998 and 1999, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue in operation for the foreseeable future.

Internal control

Unilever has a well established control environment which is well documented and regularly reviewed. This incorporates internal financial control procedures which are designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliable. The directors have also established a clear organisation structure, including delegation of appropriate authorities. The Group's control environment is supported through a Code of Business Principles which sets standards of professionalism and integrity for its operations worldwide.

Unilever's corporate internal audit function plays a key role in providing an objective view and continuing assessment of the effectiveness of the control environment throughout the world to both operating management and the directors. The Group has an independent Audit Committee, entirely composed of Advisory Directors. This Committee meets regularly with Corporate Audit and the external Auditors.

The directors have overall responsibility for establishing key procedures designed to achieve a system of internal financial control. The day to day responsibility for implementation of these procedures and monitoring the effectiveness of these controls rests with the Group's senior management at individual operating company and Business Group level. Business Groups, each of which have their own Risk Committees, are required each year to review, in a structured way, internal control arrangements throughout their group, and to provide a written report to the Corporate Risk Committee which is comprised of Board members and chaired by the Financial Director.

Unilever has a comprehensive budgeting system with an annual budget approved by the directors, which is regularly updated. Performance is monitored against budget and the previous year through monthly and quarterly reporting routines. The Group reports to shareholders quarterly.

Emoluments of directors

The report to shareholders by the Remuneration Committee on behalf of the Boards is set out on pages 39 to 47.

Corporate Governance

A vital factor in the arrangements between NV and PLC is their having the same directors. As the concept of the non-executive director, as recognised in the United Kingdom, is not a feature of corporate governance in the Netherlands, and the Supervisory Board, as recognised in the Netherlands, is unknown in the United Kingdom, it is not practicable to appoint supervisory or non-executive directors who could serve on both Boards. The Articles of Association of NV and PLC make provision for the appointment of Advisory Directors by the Boards and they perform many of the functions of supervisory and non-executive directors. The Audit, External Affairs and Corporate Relations, and Remuneration Committees consist exclusively of Advisory Directors and the majority of the members of the Nomination Committee are Advisory Directors. Details of the Advisory Directors, their role and the arrangements for their appointment are given on pages 40, 41 and 42 of the 'Unilever Annual Review 1997'.

The Committee on Corporate Governance in the Netherlands recommends that companies give an argued explanation of the extent of their compliance with the recommendations of the committee. NV subscribes to the principles that underlie the recommendations of the Committee. NV applies the recommendations for supervisory directors to its Advisory Directors in so far as these are in line with their specific role within Unilever. For an overview of the recommendations of the Committee and their application by NV, reference is made to the appendix to the NV Chairman's letter to NV shareholders accompanying the guilder versions of the 'Unilever Annual Review 1997'.

PLC is required, as a company that is incorporated in the United Kingdom and listed on the London Stock Exchange, to state whether or not it has complied during 1997 with:

(a) the Code of Best Practice ('the Code') published in 1992 by the Committee on the Financial Aspects of Corporate Governance; and

(b) Section A of the best practice provisions annexed to the Listing Rules ('Section A') of the London Stock Exchange.

PLC complies with the Code and Section A, except to the extent that they state that the Board should include, and the Remuneration Committee should comprise, non-executive directors elected by the shareholders. The reasons for this situation are given above.

The auditors of PLC have confirmed that, in their opinion, with respect to the directors' statements on internal financial control and going concern on page 4, the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with information of which they are aware from their audit work on the accounts; and that the directors' other statements on Corporate Governance above appropriately reflect the company's compliance with the other aspects of the Code specified for their review by Listing Rule 12.43 (j). They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures, nor on the ability of the company to continue in operational existence.

Report of the auditors

Report of the auditors to the shareholders of Unilever N.V. and Unilever PLC

We have audited the accounts set out on pages 2 and 3 and pages 7 to 36.

Respective responsibilities of directors and auditors

As described on page 4, the directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands and the United Kingdom. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the most important estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Unilever Group, Unilever N.V. and Unilever PLC at 31 December 1997 and of the profit, total recognised gains and cash flows of the Group for the year then ended. In our opinion the accounts of the Unilever Group, and of Unilever N.V. and Unilever PLC respectively, have been properly prepared in accordance with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985.

Coopers & Lybrand N.V.
Registeraccountants
Rotterdam
As auditors of Unilever N.V.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
As auditors of Unilever PLC

9 March 1998

Unilever Group

Accounting policies

Group companies

Group companies are those companies in whose share capital NV or PLC holds an interest directly or indirectly, and whose consolidation is required for the accounts to give a true and fair view.

In order that the consolidated accounts should present a true and fair view, it is necessary to differ from the presentational requirements of the United Kingdom Companies Act 1985 by including amounts attributable to both NV and PLC shareholders in the capital and reserves shown in the balance sheet. The Companies Act would require presentation of the capital and reserves attributable to PLC and NV shareholders as minority interests in the respective consolidated accounts of NV and PLC. This presentation would not give a true and fair view of the effect of the Equalisation Agreement, under which the position of all shareholders is as nearly as possible the same as if they held shares in a single company.

Net profit and profit of the year retained are presented on a combined basis on page 9, with the net profit attributable to NV and PLC shareholders shown separately. Movements in profit retained are analysed between those attributable to NV and PLC shareholders in note 19 on page 20.

Foreign currencies

Exchange differences arising in the accounts of individual companies are dealt with in their respective profit and loss accounts. Those arising on trading transactions are taken to operating profit; those arising on cash, current investments and borrowings are classified as interest.

In preparing the consolidated accounts, the profit and loss account, the cash flow statement and all movements in assets and liabilities are translated at annual average rates of exchange. The profit on the sale of the speciality chemicals businesses and associated taxation have been translated at the exchange rates prevailing on 8 July 1997, the transaction date. The 1997 results of these businesses, reported as Discontinued operations, are translated at the average rates of exchange for the period up to that date. The balance sheet, other than the ordinary share capital of NV and PLC, is translated at year-end rates of exchange. In the case of hyper-inflation economies, the accounts are adjusted to remove the influences of inflation before being translated.

The ordinary share capital of NV and PLC is translated at the rate of £1 = Fl. 12 contained in the Equalisation Agreement. The difference between this and the value derived by applying the year-end rate of exchange is taken to other reserves (see note 20 on page 20).

The effects of exchange rate changes during the year on net assets at the beginning of the year are recorded as a movement in profit retained, as is the difference between profit of the year retained at average rates of exchange and at year-end rates of exchange.

Intangible assets

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

On any subsequent disposal of a business previously acquired, purchased goodwill written off on acquisition is reinstated in arriving at the profit or loss on disposal.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight-line basis at percentages of cost based on the expected average useful lives of the assets. Estimated useful lives by major class of assets are as follows:

Freehold buildings	33 – 40 years
(no depreciation on freehold land)	
Leasehold land and buildings	* 33 – 40 years
Plant and equipment	4 – 20 years
Motor vehicles	3 – 6 years

* or life of lease if less than 33 years

Current cost information is given in note 7 on page 15.

Fixed investments

Associated companies are undertakings in which the Group has a participating interest and is able to exercise significant influence. Interests in associated companies are stated in the consolidated balance sheet at the Group's share of their underlying net assets.

Other fixed investments are stated at cost less any amounts written off to reflect a permanent diminution in value.

Unilever Group

Accounting policies

Current assets

Stocks are valued at the lower of cost and estimated net realisable value. Cost is mainly average cost, and comprises direct costs and, where appropriate, a proportion of production overheads.

Debtors are stated after deducting adequate provision for doubtful debts.

Current investments are liquid funds temporarily invested and are stated at their realisable value. The difference between this and their original cost is taken to interest in the profit and loss account.

Retirement benefits

The expected costs of providing retirement pensions under defined benefit schemes, as well as the costs of other post-retirement benefits, are charged to the profit and loss account over the periods benefiting from the employees' services. Variations from expected cost are normally spread over the average remaining service lives of current employees.

Contributions to defined contribution pension schemes are charged to the profit and loss account as incurred.

Liabilities arising under defined benefit schemes are either externally funded or provided for in the consolidated balance sheet. Any difference between the charge to the profit and loss account in respect of funded schemes and the contributions payable to each scheme is recorded in the balance sheet as a prepayment or provision.

Deferred taxation

Full provision is made for deferred taxation, at the rates of tax prevailing at the year-end unless future rates have been enacted, on all significant timing differences arising from the recognition of items for taxation purposes in different periods to those in which they are included in the Group accounts.

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

Financial instruments

Changes in the value of forward foreign exchange contracts are recognised in the results in the same period as changes in the values of the assets and liabilities they are intended to hedge. Interest payments and receipts arising from interest rate derivatives such as swaps and forward rate agreements are matched to those arising from underlying debt and investment positions.

Research and development

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

Turnover

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

Transfer pricing

The preferred method for determining transfer prices for own manufactured goods is to take the market price. Where there is no market price, the companies concerned follow established transfer pricing guidelines, where available, or else engage in arms' length negotiations.

Trade marks owned by the parent companies and used by operating companies are, where appropriate, licensed in return for royalties or a fee.

General services provided by central advisory departments and research laboratories are charged to operating companies on the basis of fees.

Leases

Lease payments, which are principally in respect of operating leases, are charged to the profit and loss account on a straight-line basis over the lease term, or over the period between rent reviews where these exist.

Shares held by employee share trusts

The assets and liabilities of certain trusts and group companies which purchase and hold NV and PLC shares to satisfy options granted are included in the Group accounts. The book value of shares held is deducted from capital and reserves, and trust borrowings are included in the Group's borrowings. The costs of the trusts are included in the results of the Group.

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Unilever Group

Consolidated profit and loss account and Statement of total recognised gains and losses

for the year ended 31 December

	Fl. million 1997	Fl. million 1996
Consolidated profit and loss account		
Turnover 1	**94 597**	87 795
Continuing operations	**89 963**	80 821
Acquisitions	**637**	
Discontinued operations	**3 997**	6 974
Operating costs 2	**(87 021)**	(80 267)
Operating profit 1	**7 576**	7 528
Continuing operations	**6 993**	6 538
Acquisitions	**69**	
Discontinued operations	**514**	990
Operating profit before exceptional items – continuing businesses	**8 862**	7 145
Profit on sale of discontinued speciality chemicals businesses	**8 482**	—
Loss on disposal of fixed assets in continuing businesses	**(484)**	—
Income from fixed investments 8	**85**	89
Interest 5	**(230)**	(657)
Profit on ordinary activities before taxation	**15 429**	6 960
Taxation 6	**(4 185)**	(2 531)
Profit on ordinary activities after taxation	**11 244**	4 429
Minority interests	**(308)**	(214)
Net profit	**10 936**	4 215
Attributable to: NV 19	**7 662**	2 733
PLC 19	**3 274**	1 482
Preference dividends	**(15)**	(15)
Dividends on ordinary capital: Interim	**(760)**	(573)
Final	**(1 530)**	(1 217)
Profit of the year retained	**8 631**	2 410
Statement of total recognised gains and losses		
Net profit	**10 936**	4 215
Currency retranslation	**728**	915
Total recognised gains since last annual accounts	**11 664**	5 130
Combined earnings per share 28		
Guilders per Fl. 1 of ordinary capital	**9.74**	3.75
Pence per 1.25p of ordinary capital	**44.55**	21.47
On a SSAP 15 basis the figure would be:		
Guilders per Fl. 1 of ordinary capital	**9.16**	4.07
Pence per 1.25p of ordinary capital	**41.81**	23.30

Unilever Group

Consolidated balance sheet

as at 31 December

	Fl. million 1997	1996
Fixed assets		
Tangible fixed assets 7	**20 047**	23 509
Fixed investments 8	**328**	393
	20 375	23 902
Current assets		
Stocks 9	**10 378**	11 573
Debtors due within one year 10	**11 516**	12 264
Debtors due after more than one year 10	**2 412**	1 298
Current investments 11	**8 380**	1 110
Cash at bank and in hand 12	**11 150**	3 893
	43 836	30 138
Creditors due within one year		
Borrowings 13	**(3 139)**	(3 652)
Trade and other creditors 14	**(18 542)**	(17 424)
Net current assets	**22 155**	9 062
Total assets less current liabilities	**42 530**	32 964
Creditors due after more than one year		
Borrowings 13	**5 766**	6 365
Trade and other creditors 14	**1 497**	1 220
Provisions for liabilities and charges		
Pensions and similar obligations 15	**6 449**	6 413
Other provisions 16	**3 045**	2 601
Minority interests	**1 039**	1 015
Capital and reserves 17	**24 734**	15 350
Attributable to: NV: Called up share capital 18	**905**	905
Share premium account	**52**	52
Profit retained 19	**15 519**	8 990
Other reserves 20	**(378)**	(326)
	16 098	9 621
PLC: Called up share capital 18	**489**	489
Share premium account	**312**	277
Profit retained 19	**8 640**	5 687
Other reserves 20	**(805)**	(724)
	8 636	5 729
Total capital employed	**42 530**	32 964

Capital and reserves include amounts relating to preference shares in NV which under United Kingdom Financial Reporting Standard 4 are classified as non-equity.

Unilever Group

Consolidated cash flow statement

for the year ended 31 December	Fl. million	
	1997	1996
Cash flow from operating activities 25	**12 262**	9 993
Continuing businesses	**11 706**	8 984
Discontinued operations	**556**	1 009
Returns on investments and servicing of finance 26	**(750)**	(687)
Taxation	**(4 157)**	(1 877)
Capital expenditure and financial investment 26	**(2 774)**	(2 819)
Acquisitions and disposals 26	**13 749**	(2 275)
Dividends paid on ordinary share capital	**(2 075)**	(1 796)
Cash inflow before management of liquid resources and financing	**16 255**	539
Management of liquid resources 26	**(14 122)**	(766)
Financing 26	**(1 517)**	770
Increase/(decrease) in cash in the period	**616**	543

Reconciliation of cash flow to movement in net funds/(debt)

Net funds/(debt) at 1 January 27	**(5 014)**	(4 703)
Increase/(decrease) in cash in the period	**616**	543
Cash flow from (increase)/decrease in borrowings	**1 612**	(732)
Cash flow from increase/(decrease) in liquid resources	**14 122**	766
Change in net debt resulting from cash flows	**16 350**	577
Borrowings within group companies acquired	**(63)**	(307)
Borrowings within group companies sold	**292**	1
Liquid resources within group companies acquired	**1**	139
Liquid resources within group companies sold	**(10)**	(2)
Non cash movements	**72**	(74)
Currency retranslation	**(1 003)**	(645)
Increase/(decrease) in net funds in the period	**15 639**	(311)
Net funds/(debt) at 31 December 27	**10 625**	(5 014)

Unilever Group

Notes to the consolidated accounts

1 Segmental information

Fl. million	1997				1996		
Turnover (a)(b)	**Continuing operations**	**Acquisitions**	**Discontinued operations** (d)	**Total**	Continuing operations	Discontinued operations (d)	Total
By geographical area:							
Europe	**41 743**	**30**	**1 558**	**43 331**	39 930	2 776	42 706
North America	**17 944**	**—**	**1 669**	**19 613**	15 459	2 869	18 328
Africa and Middle East	**6 262**	**12**	**53**	**6 327**	5 406	107	5 513
Asia and Pacific	**13 831**	**195**	**587**	**14 613**	11 588	1 001	12 589
Latin America	**10 183**	**400**	**130**	**10 713**	8 438	221	8 659
	89 963	**637**	**3 997**	**94 597**	80 821	6 974	87 795
By operation: (c)(d)							
Foods	**46 730**	**486**		**47 216**	43 841		43 841
Home & Personal Care	**41 001**	**151**		**41 152**	34 583		34 583
Plantations, Plant Science & Trading Operations	**2 232**	**—**		**2 232**	2 397		2 397
Speciality Chemicals	**—**	**—**	**3 997**	**3 997**	—	6 974	6 974
	89 963	**637**	**3 997**	**94 597**	80 821	6 974	87 795
Operating profit (b)							
By geographical area before exceptional items:							
Europe	**4 463**	**(2)**	**251**	**4 712**	3 558	443	4 001
North America	**1 719**	**—**	**201**	**1 920**	1 273	412	1 685
Africa and Middle East	**472**	**1**	**6**	**479**	455	20	475
Asia and Pacific	**1 227**	**15**	**47**	**1 289**	984	103	1 087
Latin America	**912**	**55**	**9**	**976**	875	25	900
Operating profit before exceptional items	**8 793**	**69**	**514**	**9 376**	7 145	1 003	8 148
Exceptional items 4	**(1 800)**	**—**	**—**	**(1 800)**	(607)	(13)	(620)
Operating profit	**6 993**	**69**	**514**	**7 576**	6 538	990	7 528
By operation before exceptional items: (c)(d)							
Foods	**4 128**	**55**		**4 183**	3 487		3 487
Home & Personal Care	**4 425**	**14**		**4 439**	3 471		3 471
Plantations, Plant Science & Trading Operations	**240**	**—**		**240**	187		187
Speciality Chemicals	**—**	**—**	**514**	**514**	—	1 003	1 003
Operating profit before exceptional items	**8 793**	**69**	**514**	**9 376**	7 145	1 003	8 148
Exceptional items 4	**(1 800)**	**—**	**—**	**(1 800)**	(607)	(13)	(620)
Operating profit	**6 993**	**69**	**514**	**7 576**	6 538	990	7 528

Notes:

(a) The analysis of turnover by geographical area is stated on the basis of origin. Turnover on a destination basis would not be materially different. Inter-segment sales between operational segments and between geographical areas are not material.

(b) For the United Kingdom and the Netherlands, the combined turnover was Fl. 12 557 million (1996: Fl. 11 985 million) of which Fl. 947 million (1996: Fl. 1 633 million) relates to the speciality chemicals businesses sold, and the combined operating profit was Fl. 2 222 million (1996: Fl. 1 705 million) of which Fl. 142 million (1996: Fl. 247 million) relates to the speciality chemicals businesses sold.

(c) The segments formerly reported separately as Detergents and Personal Products have been combined into one segment, Home & Personal Care, to reflect the changes in the organisation in 1996. Continuing businesses previously reported as Speciality Chemicals have been reallocated to other segments in each year.

(d) In July 1997 Unilever sold its international speciality chemicals businesses – National Starch and Chemical Company, Quest International, Unichema International and Crosfield. These operations have been reported as discontinued in both years. No other business disposal qualifies to be treated as 'Discontinued operations' in these accounts.

(e) Net operating assets are tangible fixed assets, stocks and debtors less trade and other creditors (excluding taxation and dividends) and less provisions for liabilities and charges other than deferred taxation, deferred purchase consideration and certain balances arising as a result of the sale of the speciality chemicals businesses.

Unilever Group

Notes to the consolidated accounts

1 Segmental information *(continued)*

Fl. million	1997	1996 Continuing operations	1996 Discontinued operations (d)	1996 Total
Net operating assets (e)				
By geographical area:				
Europe	**6 208**	9 089	1 766	10 855
North America	**3 693**	4 254	1 867	6 121
Africa and Middle East	**2 279**	2 028	46	2 074
Asia and Pacific	**3 153**	2 619	670	3 289
Latin America	**2 999**	2 096	162	2 258
	18 332	20 086	4 511	24 597
By operation: (c)(d)				
Foods	**10 784**	11 918		11 918
Home & Personal Care	**7 124**	7 315		7 315
Plantations, Plant Science & Trading Operations	**424**	853		853
Speciality Chemicals	**—**	—	4 511	4 511
	18 332	20 086	4 511	24 597

2 Operating costs

Fl. million	1997 Continuing operations	1997 Acquisitions	1997 Discontinued operations	1997 Total	1996 Continuing operations	1996 Discontinued operations	1996 Total
Cost of sales	**(49 563)**	**(335)**	**(2 460)**	**(52 358)**	(46 167)	(3 944)	(50 111)
Distribution and selling costs	**(21 668)**	**(167)**	**(465)**	**(22 300)**	(19 373)	(901)	(20 274)
Administrative expenses	**(11 739)**	**(66)**	**(558)**	**(12 363)**	(8 743)	(1 139)	(9 882)
	(82 970)	**(568)**	**(3 483)**	**(87 021)**	(74 283)	(5 984)	(80 267)
Operating costs include:							
Staff costs 3				**(14 091)**			(13 622)
Raw materials and packaging				**(41 519)**			(39 363)
Depreciation				**(2 336)**			(2 224)
Advertising and promotions				**(11 545)**			(9 915)
Research and development				**(1 734)**			(1 573)
Lease rentals: Plant and machinery				**(280)**			(274)
Other				**(663)**			(640)
Remuneration of auditors:							
Audit fees				**(23)**			(22)
Payments to Coopers & Lybrand for non-audit services				**(46)**			(35)

Non-audit services include due diligence work in respect of acquisitions and disposals; tax compliance and advisory services and other general consultancy. In addition, Coopers & Lybrand were paid Fl. 19 million for services in connection with the sale of the speciality chemicals businesses. This amount has been charged against the profit on disposal.

3 Staff costs and employees

Fl. million	1997	1996
Staff costs:		
Remuneration of employees	**(11 771)**	(11 322)
Emoluments of directors as managers	**(26)**	(24)
Pension costs:		
Defined benefit schemes	**(367)**	(407)
Defined contribution schemes	**(80)**	(73)
Post-retirement health benefits	**(111)**	(122)
Social security costs	**(1 727)**	(1 669)
Superannuation of former directors	**(9)**	(5)
Total staff costs	**(14 091)**	(13 622)

Details of the remuneration of directors which form part of these accounts are given in the following sections of the Report of the Remuneration Committee: 'Directors' pensions' on pages 40 and 41; 'Directors' emoluments' on page 42; 'Directors' interests: share options' on pages 43, 44 and 45; 'Former directors' and 'Advisory Directors' on page 47.

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Notes to the consolidated accounts

3 Staff costs and employees
(continued)

	1997	1996
The average number of employees during the year was, in thousands:		
Europe	**91**	100
North America	**27**	29
Africa and Middle East	**63**	70
Asia and Pacific	**76**	77
Latin America	**30**	30
	287	306

4 Exceptional items

	Fl. million	
	1997	1996
Included in operating profit		
Restructuring	**(1 492)**	(912)
Other including business disposals	**(308)**	292
	(1 800)	(620)
By geographical area:		
Europe	**(860)**	(435)
North America	**(808)**	(57)
Africa and Middle East	**—**	(2)
Asia and Pacific	**(61)**	(54)
Latin America	**(71)**	(72)
	(1 800)	(620)
By operation:		
Foods	**(1 438)**	(360)
Home & Personal Care	**(360)**	(255)
Plantations, Plant Science & Trading Operations	**(2)**	8
Speciality Chemicals	**—**	(13)
	(1 800)	(620)
Non-operating exceptional items		
Profit on sale of speciality chemicals businesses	**8 482**	—
Loss on disposal of fixed assets	**(484)**	—
	7 998	—

Of the above profit on sale of the speciality chemicals businesses Fl. 53 million is attributable to minority interests and is reported under this heading in the profit and loss account.

5 Interest

	1997	1996
Interest payable and similar charges:		
Bank loans and overdrafts	**(306)**	(272)
Bonds and other loans	**(686)**	(697)
Interest receivable and similar income	**857**	362
Exchange differences	**(95)**	(50)
	(230)	(657)

6 Taxation on profit on ordinary activities

	Fl. million	
	1997	1996
Parent and group companies (a)	**(4 177)**	(2 512)
Associated companies	**(8)**	(19)
	(4 185)	(2 531)
Of which:		
Tax on non-operating exceptional items	**(1 613)**	—
Tax on profit on sale of discontinued speciality chemicals businesses	**(1 771)**	—
Tax on loss on disposal of fixed assets in continuing businesses	**158**	—
Adjustments to previous years	**17**	68
(a) United Kingdom Corporation Tax at 31.5% (1996: 33%)	**(648)**	(466)
less: double tax relief	**182**	161
plus: non-United Kingdom taxes	**(3 711)**	(2 207)
	(4 177)	(2 512)
Deferred taxation has been included on a full provision basis for:		
Accelerated depreciation	**298**	(84)
Other	**383**	(380)
	681	(464)
On a SSAP 15 basis the credit/(charge) for deferred taxation would be:	**30**	(106)
Profit on ordinary activities after taxation on a SSAP 15 basis would be:	**10 593**	4 787

Europe is Unilever's domestic tax base. The reconciliation between the computed rate of income tax expense which is generally applicable to Unilever's European companies and the actual rate of taxation charged, expressed in percentages of the profit on ordinary activities before taxation, excluding both the profit and the tax on the profit on non-operating exceptional items, is as follows:

	%	
	1997	1996
Computed rate of tax (see below)	**31**	33
Differences due to:		
Other rates applicable to non-European countries	**2**	2
Incentive tax credits	**(1)**	(1)
Withholding tax on dividends	**1**	1
Adjustments to previous years	**—**	(1)
Other	**2**	2
Actual rate of tax	**35**	36

In the above reconciliation, the computed rate of tax is the average of the standard rates of tax applicable in the European countries in which Unilever operates, weighted by the amount of profit on ordinary activities before taxation generated in each of those countries.

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Notes to the consolidated accounts

7 Tangible fixed assets

	1997 Fl. million	1996 Fl. million
At cost less depreciation:		
Land and buildings (a)	**6 384**	7 255
Plant and machinery	**13 663**	16 254
	20 047	23 509
(a) includes: freehold land	**759**	918
leasehold land (mainly long-term leases)	**217**	233
Approximate current replacement cost of tangible fixed assets net of accumulated current cost depreciation	**23 374**	26 677
On a current replacement cost basis the depreciation charge to the profit and loss account would have been increased by	**(635)**	(625)
Commitments for capital expenditure at 31 December	**576**	625

Movements during 1997	Land and buildings	Plant and machinery
Cost		
1 January	10 056	29 834
Currency retranslation	691	1 841
Capital expenditure	438	2 625
Disposals	(543)	(2 681)
Acquisition/disposal of group companies	(1 654)	(5 017)
Other adjustments	4	(17)
31 December	8 992	26 585
Depreciation		
1 January	2 801	13 580
Currency retranslation	195	850
Disposals	(186)	(1 739)
Acquisition/disposal of group companies	(456)	(2 136)
Charged to profit and loss account	235	2 101
Other adjustments	19	266
31 December	2 608	12 922
Net book value 31 December	6 384	13 663
Includes payments on account and assets in course of construction	160	863

8 Fixed investments

	1997 Fl. million	1996 Fl. million
Associated companies	**41**	60
Other fixed investments	**287**	333
	328	393
Investments listed on a recognised stock exchange	**35**	85
Unlisted investments	**293**	308
	328	393
Market value of listed investments	**63**	183
Movements during the year:		
1 January	**393**	
Acquisitions/disposals	**(48)**	
Currency retranslation	**26**	
Additions/reductions	**(38)**	
Share of profits of associated companies	**(5)**	
31 December	**328**	
Income from fixed investments		
Share of associated companies' profit before taxation	**57**	56
Income from other fixed investments	**26**	7
Profit on disposal	**2**	26
	85	89

9 Stocks

	1997	1996
Raw materials and consumables	**4 564**	4 914
Finished goods and goods for resale	**5 814**	6 659
	10 378	11 573

10 Debtors

	1997	1996
Due within one year:		
Trade debtors	**8 490**	9 205
Prepayments and accrued income	**839**	857
Other debtors	**2 187**	2 202
	11 516	12 264
Due after more than one year:		
Prepayments to funded pension schemes	**1 185**	906
Deferred taxation 16	**892**	—
Other debtors	**335**	392
	2 412	1 298
Total debtors	**13 928**	13 562

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Notes to the consolidated accounts

	Fl. million 1997	1996
11 Current investments		
Listed	**8 159**	975
Unlisted	**221**	135
	8 380	1 110

Current investments includes short-term deposits, government securities and A1/P1 rated corporate commercial paper.

	Fl. million 1997	1996
12 Cash at bank and in hand		
On call and in hand	**2 214**	2 197
Repayment notice required	**8 936**	1 696
	11 150	3 893

	Fl. million 1997	1996
13 Borrowings		
Bank loans and overdrafts	**2 268**	2 604
Bonds and other loans	**6 637**	7 413
	8 905	10 017
The repayments fall due as follows:		
Within 1 year:		
Bank loans and overdrafts	**1 824**	2 086
Bonds and other loans	**1 315**	1 566
Total due within one year	**3 139**	3 652
After 1 year but within 2 years	**587**	1 020
After 2 years but within 5 years	**3 069**	3 355
After 5 years: By instalments	**20**	12
Not by instalments	**2 090**	1 978
Total due after more than one year	**5 766**	6 365
Total amount repayable by instalments any of which are payable after 5 years	**66**	136
Secured borrowings – mainly bank loans and overdrafts	**188**	428
Of which secured against tangible fixed assets	**123**	168
Bonds and other loans		
NV		
8% Notes 1999 (US $)	**406**	349
9% Bonds 2000 (a)	**500**	500
3½% Bonds 2001 (Swiss Frs.) (b)	**414**	387
5⅛% Notes 2001 (Deutschmarks) (c)	**337**	337
6% Notes 2001 (US $)	**406**	349
6⅝% Notes 2001 (US $)	**507**	436
6½% Bonds 2004 (a)	**350**	350
7⅛% Bonds 2004 (French Frs.)	**505**	499
7¼% Bonds 2004 (US $)	**507**	436
6⅝% Notes 2005 (US $)	**406**	349
Other	**132**	1 219
Total NV	**4 470**	5 211

	Fl. million 1997	1996
13 Borrowings *(continued)*		
PLC		
7⅜% Notes 1998 (d)	**334**	296
Other	**—**	28
Total PLC	**334**	324
Sterling equivalent in millions	**100**	109
Other group companies		
USA		
8⅞% Notes 1998	**304**	262
9¼% Notes 2000 (e)	**811**	698
Other	**189**	368
Other loans	**529**	550
Total other group companies	**1 833**	1 878
Total bonds and other loans	**6 637**	7 413

Swapped into:
(a) floating rate guilders
(b) floating rate guilders and United States dollars
(c) floating rate Deutschmarks and fixed rate Canadian dollars
(d) floating rate sterling
(e) floating rate United States dollars

Derivative financial instruments are used to swap portions of fixed interest debt into floating rate debt as part of Unilever's interest rate management policy. Further details are set out in note 31 on page 26.

The average interest rate on short-term borrowings in 1997 was 8% (1996: 9%).

The Group's principal lines of credit are multi-currency facility agreements with nine banks under which the Group may borrow funds aggregating US $ 2 700 million for general financing purposes or for acquisitions up to 1 May 2000. These lines of credit were undrawn at 31 December 1997.

All facilities are in accordance with normal terms for prime commercial borrowers and carry commitment fees, the amounts of which are not material.

In addition, there are extensive facilities available to Unilever in all the principal countries in which it operates to meet the day to day needs of operating companies.

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Notes to the consolidated accounts

	Fl. million 1997	1996
14 Trade and other creditors		
Due within one year:		
Trade creditors	**7 948**	8 355
Social security and sundry taxes	**922**	836
Accruals and deferred income	**3 853**	3 585
Taxation on profits	**1 227**	759
Dividends	**1 561**	1 281
Others	**3 031**	2 608
	18 542	17 424
Due after one year:		
Accruals and deferred income	**199**	156
Taxation on profits	**1 050**	762
Others	**248**	302
	1 497	1 220
Total creditors	**20 039**	18 644

	Fl. million 1997	1996
15 Pensions and similar obligations		
These are predominantly long-term liabilities:		
Unfunded pension schemes	**4 730**	4 780
Funded pension schemes	**163**	180
Post-retirement health benefits	**1 556**	1 453
	6 449	6 413
Movements during the year:		
1 January	**6 413**	
Currency retranslation	**374**	
Profit and loss account	**558**	
Payments	**(548)**	
Acquisitions/disposals	**(492)**	
Other adjustments	**144**	
31 December	**6 449**	

	Fl. million 1997	1996
16 Other provisions		
Deferred taxation on:		
Accelerated depreciation	**2 896**	3 553
Stock reliefs	**95**	132
Pension and similar provisions	**(1 045)**	(1 058)
Short-term and other timing differences	**(2 687)**	(1 689)
Advance Corporation Tax	**(151)**	(129)
	(892)	809
Reclassified as debtors due after more than one year 10	**892**	—
	—	809
Restructuring provisions	**2 528**	1 547
Other provisions	**517**	245
	3 045	2 601

Advance Corporation Tax is available for offset against future United Kingdom Corporation Tax liabilities.

	Fl. million 1997	1996
16 Other provisions *(continued)*		
Movements in deferred taxation:		
1 January	**809**	
Currency retranslation	**(56)**	
Acquisition/disposal of group companies	**(969)**	
Profit and loss account	**(681)**	
Other movements	**5**	
31 December	**(892)**	
On a SSAP 15 basis provision for deferred taxation would be:	**100**	157
Movements in restructuring provisions:		
1 January	**1 547**	
Currency retranslation	**110**	
Profit and loss account	**2 075**	
Utilisation	**(1 204)**	
31 December	**2 528**	
Movements in other provisions:		
1 January	**245**	
Currency retranslation	**(4)**	
Acquisition/disposal of group companies	**322**	
Profit and loss account	**78**	
Utilisation	**(124)**	
31 December	**517**	

	Fl. million 1997	1996
17 Capital and reserves		
Movements during the year:		
1 January	**15 350**	13 989
Profit of the year retained	**8 631**	2 410
Goodwill written back on the sale of speciality chemicals businesses	**1 729**	—
Other goodwill movements	**(1 606)**	(1 908)
Currency retranslation	**701**	910
Change in book value of shares or certificates held in connection with share options 18	**(72)**	(52)
Issue of new shares under PLC share option schemes	**1**	1
31 December	**24 734**	15 350
As required by United Kingdom Financial Reporting Standard 4 capital and reserves can be analysed as follows:		
Equity:		
Ordinary capital	**24 469**	15 085
Non-equity:		
7% Cumulative Preference	**29**	29
6% Cumulative Preference	**161**	161
4% Cumulative Preference	**75**	75
	24 734	15 350

Unilever Group

Notes to the consolidated accounts

18 Called up share capital

Authorised 1997	Authorised 1996		Nominal value per share	Number of shares allotted	Allotted, called up and fully paid 1997	Allotted, called up and fully paid 1996
		Preferential share capital				
Fl. million		**NV**			Fl. million	
75	75	7% Cumulative Preference	Fl. 1 000	29 000	**29**	29
200	200	6% Cumulative Preference	Fl. 1 000	161 060	**161**	161
75	75	4% Cumulative Preference	Fl. 100	750 000	**75**	75
350	350				**265**	265
		Ordinary share capital				
Fl. million		**NV**			Fl. million	
1 000	1 000	Ordinary	Fl. 1	640 165 000	**640**	640
2	2	Ordinary (shares numbered 1 to 2 400 - 'Special Shares')	Fl. 1 000	2 400	**2**	2
—	—	Internal holdings eliminated in consolidation (Fl. 1 000 shares)			**(2)**	(2)
1 002	1 002				**640**	640
		Total NV share capital			**905**	905
£ million		**PLC**			£ million	
136.2		Ordinary: (1997)	1.25p	3 260 613 800	**40.8**	
	136.2	(1996)	1.25p	3 260 395 172		40.8
0.1	0.1	Deferred	£1 stock	100 000	**0.1**	0.1
—	—	Internal holdings eliminated in consolidation (£1 stock)			**(0.1)**	(0.1)
136.3	136.3	Total PLC share capital			**40.8**	40.8
		Guilder equivalent in millions			**489**	489

The classes of preferential share capital of NV are entitled to dividends at the rates indicated. A nominal dividend of ¼% is paid on the deferred stock of PLC.

The 4% cumulative preference capital of NV is redeemable at par at the Company's option either wholly or in part. The other classes of preferential share capital of NV and the deferred stock of PLC are not redeemable.

On 13 October 1997, the ordinary share capital of NV and PLC was divided so that each existing Fl. 4 and 5p ordinary share was split into four shares of Fl. 1 and 1.25p respectively. References to the nominal value and the number of shares at the end of 1996 have been restated.

Each shareholder of NV has one vote for each Fl. 1 of capital held of whatever class. Each shareholder of PLC has one vote for each 1.25p of capital held. N.V. Elma and United Holdings Limited (see 'Internal holdings') may not, by law, exercise any votes in general meetings of shareholders of NV, and United Holdings Limited may not exercise any votes in general meetings of PLC.

In accordance with the Equalisation Agreement and the Articles of Association of NV and PLC, if either or both companies go into liquidation, the amounts available for distribution amongst shareholders are applied firstly to the repayment of preferential capital and arrears of dividends on preferential capital, and secondly to the distribution to ordinary shareholders of any reserves that have arisen under the Equalisation Agreement. Any remaining surplus is then pooled and distributed amongst the holders of ordinary shares of both companies such that the amount payable on each Fl. 12 nominal of ordinary capital of NV is equal at the relevant rate of exchange to the amount payable on each £1 nominal of ordinary capital of PLC. The holders of PLC's deferred stock are only entitled to repayment of capital.

The increase during the year in PLC ordinary shares and share premium account is due to the issue of shares under the PLC 1985 Executive Share Option Schemes.

Under the arrangements for the variation of the Leverhulme Trust, shares in a group company have been issued which are convertible at the end of the year 2038 into a maximum of 207 500 000 ordinary shares of PLC.

Internal holdings

The ordinary shares numbered 1 to 2 400 (inclusive) in NV and deferred stock of PLC are held as to one half of each class by N.V. Elma – a subsidiary of NV – and one half by United Holdings Limited – a subsidiary of PLC. This capital is eliminated in consolidation. It carries the right to nominate persons for election as directors at general meetings of shareholders. The above mentioned subsidiaries have waived their rights to dividends on their ordinary shares in NV.

The directors of N.V. Elma are NV and PLC, who with Mr N W A FitzGerald and Mr M Tabaksblat are also directors of United Holdings Limited.

Unilever Group

Notes to the consolidated accounts

18 Called up share capital *(continued)*

Share options

At 31 December 1997 certain group companies held certificates or depositary receipts representing 5 061 068 (1996: 6 216 912) Fl. 1 ordinary shares of NV and 4 562 480 (1996: nil) 1.25p ordinary shares of PLC in connection with NV share option schemes and North American stock option/purchase plans. The book value of these shares, Fl. 419 million (1996: Fl. 326 million), is eliminated in consolidation by deduction from other reserves (see note 20 on page 20). The market value of these shares at 31 December 1997 was Fl. 712 million (1996: Fl. 475 million).

Trusts exist in Jersey and the United Kingdom to purchase and hold PLC and NV shares to satisfy options granted under the share option schemes in the United Kingdom. A trust also exists in Ireland which purchased and still holds PLC shares to satisfy options granted under the share option scheme in Ireland which terminated during 1997. At 31 December 1997 the trusts together held 43 072 741 (1996: 53 578 380) 1.25p ordinary shares of PLC and 220 276 (1996: nil) Fl. 1 ordinary shares of NV. The book value of these shares, Fl. 449 million (1996: Fl. 390 million), is deducted from other reserves (see note 20 on page 20). The trustees of each of the trusts have agreed, until further notice, to waive dividends on the PLC shares held, save for the nominal sum of 0.0025p per 1.25p ordinary share of PLC. The market value of these shares at 31 December 1997 was Fl. 776 million (1996: Fl. 562 million).

Options granted to directors and employees to acquire ordinary shares of NV and PLC and still outstanding at 31 December 1997 were as follows:

	Number of shares	Range of option prices per share	Date normally exercisable
NV Executive Share Option Scheme	73 932	Fl. 49.27 – Fl. 55.35	1998
(Shares of Fl. 1)	289 764	Fl. 48.00 – Fl. 51.27	1998-1999
	628 460	Fl. 50.30 – Fl. 56.62	1998-2000
	618 116	Fl. 58.52 – Fl. 71.62	1998-2001
	347 268	Fl. 94.30	1998-2002
(Shares of 1.25p)	2 296 184	£4.07	1998-2002
North American Executive Stock Option Plan	81 800	US $ 25.69	1998-2002
(Shares of Fl. 1 of the New York Registry)	186 428	US $ 26.81	1998-2003
	305 424	US $ 25.67	1998-2004
	396 019	US $ 31.60 – US $ 31.95	1998-2005
	440 540	US $ 33.89	1998-2006
	325 752	US $ 48.74	1998-2007
(Shares of 1.25p in the form of American Depositary Receipts)	2 177 968	US $ 6.72	1998-2007
PLC 1985 Executive Share Option Schemes	43 140	£1.34	1998
(Shares of 1.25p)	166 908	£1.62 – £1.66	1998-1999
	181 704	£1.83 – £1.84	1998-2000
	573 636	£2.07 – £2.27	1998-2001
	676 500	£2.54 – £2.62	1998-2002
	1 660 332	£2.54 – £2.83	1998-2003
	2 183 472	£2.83 – £2.98	1998-2004
	1 046 888	£3.07	1998-2005
	1 513 100	£3.08	1999-2005
	809 136	£3.43	1999-2006
	27 660	£4.07	2000-2006
	6 620	£4.53	2000-2007
PLC International 1997 Executive Share Option Scheme	220 276	Fl. 94.30	2000-2006
(Shares of Fl. 1)	1 436	Fl. 109.38	2000-2007
(Shares of 1.25p)	1 420 464	£4.07	2000-2006
	2 656	£4.53	2000-2007
NV Employee Share Option Scheme	71 026	Fl. 50.87	1998-1999
(Shares of Fl. 1)	81 346	Fl. 68.75	1998-2000
	83 656	Fl. 94.75	1998-2001
North American Employee Stock Purchase Plan	912 752	US $ 47.83	1999
(Shares of Fl. 1 of the New York Registry)			
PLC 1985 Sharesave Scheme	772 837	£1.82	1998
(Shares of 1.25p)	5 906 559	£2.28	1998-1999
	4 916 138	£2.29	1999-2000
	7 531 249	£2.68	2000-2001
	8 226 707	£2.78	2001-2002
	10 085 741	£3.71	2002-2003

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Notes to the consolidated accounts

Fl. million	NV 1997	NV 1996	PLC 1997	PLC 1996
19 Profit retained				
Net profit	**7 662**	2 733	**3 274**	1 482
Preference dividends	**(15)**	(15)	**—**	—
Dividends on ordinary capital	**(1 428)**	(1 117)	**(862)**	(673)
Profit of the year retained	**6 219**	1 601	**2 412**	809
Goodwill written back on sale of speciality chemicals businesses	**1 318**	—	**411**	—
Other goodwill movements	**(1 571)**	(1 461)	**(35)**	(447)
Currency retranslation	**563**	260	**165**	655
Net movement during the year	**6 529**	400	**2 953**	1 017
Profit retained – 1 January	**8 990**	8 590	**5 687**	4 670
Profit retained – 31 December	**15 519**	8 990	**8 640**	5 687
Of which retained by:				
Parent companies	**6 118**	4 551	**2 989**	2 604
Other group companies	**9 418**	4 449	**5 650**	3 058
Associated companies	**(17)**	(10)	**1**	25
	15 519	8 990	**8 640**	5 687
Cumulative goodwill written off	**(14 340)**	(14 087)	**(6 291)**	(6 667)
20 Other reserves				
Adjustment on translation of PLC's ordinary capital at £1 = Fl. 12	**—**	—	**(353)**	(368)
Capital redemption reserve	**—**	—	**38**	34
Book value of shares or certificates held in connection with share options [a]	**(378)**	(326)	**(490)**	(390)
	(378)	(326)	**(805)**	(724)

(a) Under UITF 13 these shares would be classified as fixed assets.

Fl. million	1997	1996
21 Commitments		
Long-term lease commitments under operating leases in respect of:		
Land and buildings	**2 584**	3 085
Other tangible fixed assets	**1 177**	1 016
	3 761	4 101
The commitments fall due as follows:		
Within 1 year	**712**	701
After 1 year but within 5 years	**1 873**	1 796
After 5 years	**1 176**	1 604
	3 761	4 101
Other commitments	**346**	453
Of which payable within one year	**246**	301

22 Contingent liabilities

Contingent liabilities amounting to Fl. 399 million (1996: Fl. 378 million) arise from guarantees. These guarantees are not expected to give rise to any material loss. Guarantees given by parent or group companies relating to liabilities included in the consolidated accounts are not included.

Other contingent liabilities arise in respect of litigation against companies in the Group, investigations by competition authorities and obligations under environmental legislation in various countries. These are not expected to give rise to any material loss.

Unilever Group

Notes to the consolidated accounts

23 Transactions with discontinued businesses

Following the sale of the speciality chemicals businesses (refer to page 12) the Group maintained trading relationships with a number of the companies disposed of. In the period from 8 July to 31 December 1997 purchases from these businesses were Fl. 352 million; sales to them were Fl. 48 million and the net amount payable to the businesses at 31 December 1997 was Fl. 34 million.

24 Acquisition and disposal of group companies

The net assets and results of acquired businesses are included in the consolidated accounts from their respective dates of acquisition. The following table sets out the effect of acquisitions of group companies in 1997 on the consolidated balance sheet.

Fl. million **Acquisitions**	Balance sheets of acquired businesses	Adjustments to align accounting policies	Revaluations and other adjustments	**Fair values at date of acquisition**
Intangible assets	233	(233)	—	—
Fixed assets	394	59	(38)	**415**
Current assets	338	—	(24)	**314**
Creditors	(156)	—	14	**(142)**
Provisions for liabilities and charges:				
Pensions and similar obligations	—	(9)	(9)	**(18)**
Deferred taxation	17	(11)	534	**540**
Other provisions	3	—	(48)	**(45)**
Minority interests	(63)	—	47	**(16)**
Total net assets acquired	766	(194)	476	**1 048**

	Fl. million	
	1997	1996
Acquisitions		
Net assets acquired	**(1 048)**	(1 087)
Goodwill written off	**(2 000)**	(2 221)
Consideration	**(3 048)**	(3 308)
Of which:		
Cash	**(2 941)**	(3 264)
Non cash and deferred consideration	**(107)**	(44)

The principal acquisition was Kibon, an ice cream company in Brazil. The deferred taxation adjustment arises mainly as a result of the deductibility in future periods of the goodwill written off to reserves on this acquisition.

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Notes to the consolidated accounts

24 Acquisition and disposal of group companies *(continued)*

Fl. million	1997			1996
Disposals	Speciality chemicals businesses	Other	Total	Total
Fixed assets	**3 951**	**591**	**4 542**	296
Current assets	**3 069**	**792**	**3 861**	380
Creditors	**(1 141)**	**(384)**	**(1 525)**	(202)
Provisions for liabilities and charges:				
Pensions and similar obligations	**(365)**	**(145)**	**(510)**	(11)
Deferred taxation	**(432)**	**3**	**(429)**	—
Other provisions	**214**	**63**	**277**	(5)
Minority interests	**27**	**(1)**	**26**	3
Net assets sold	**5 323**	**919**	**6 242**	461
Attributable goodwill	**1 730**	**394**	**2 124**	364
Profit on sale attributable to Unilever	**8 419**	**(95)**	**8 324**	275
Consideration	**15 472**	**1 218**	**16 690**	1 100
Of which:				
Cash	**15 257**	**1 126**	**16 383**	901
Non cash and deferred consideration	**215**	**92**	**307**	199

The values of net assets acquired and of consideration payable and receivable are provisional and will be subject to adjustment as fair values are finalised during 1998.

25 Reconciliation of operating profit to operating cash flows

	1997		1996	
Fl. million	Continuing businesses	Discontinued operations	Continuing businesses	Discontinued operations
Operating profit	**7 062**	**514**	6 538	990
Depreciation	**2 188**	**148**	1 972	252
Changes in working capital:				
Stocks	**259**	**(8)**	143	(11)
Debtors	**(331)**	**(151)**	183	(58)
Creditors	**901**	**(29)**	(41)	(55)
Pensions and similar provisions less payments	**(7)**	**17**	(337)	2
Restructuring and other provisions less payments	**1 258**	**57**	488	(30)
Other adjustments	**376**	**8**	38	(81)
Cash flow from operating activities	**11 706**	**556**	8 984	1 009

In 1997 an exceptional charge of Fl. 1 800 million was taken in operating profit, of which Fl. 1 492 million was for restructuring.

The net cash flow in respect of these restructuring charges is expected to be Fl. 646 million. Of this, Fl. 385 million is in respect of employee compensation costs; proceeds of disposal of fixed assets Fl. 13 million, with other related cash outflows of approximately Fl. 274 million. Of these cash flows, Fl. 83 million arose in 1997 and Fl. 563 million is expected in 1998 and later years.

The other operating exceptional items, principally the disposal of businesses, amount to Fl. 308 million. The cash impact of these items is expected to be Fl. 1 321 million of which Fl. 1 146 million arose in 1997 and Fl. 175 million will flow in 1998.

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26 Analysis of cash flows for headings netted in the cash flow statement

	Fl. million 1997	1996
Returns on investments and servicing of finance		
Dividends from fixed investments	**85**	51
Interest received	**730**	348
Interest paid	**(1 160)**	(934)
Preference dividend paid	**(15)**	(15)
Dividends and other payments to minority shareholders	**(390)**	(137)
	(750)	(687)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(3 038)**	(3 061)
Disposal of tangible fixed assets	**309**	350
Acquisition/disposal of fixed investments	**27**	(56)
Purchase of own shares (employee share schemes)	**(72)**	(52)
	(2 774)	(2 819)

The discontinued speciality chemicals businesses accounted for Fl. 249 million (1996: Fl. 382 million) of net capital expenditure and Fl. 117 million (1996: Fl. 311 million) of taxation. In addition, payments of approximately Fl. 1 300 million were made during the year in respect of taxation on the profit on disposal of these businesses.

26 Analysis of cash flows for headings netted in the cash flow statement *(continued)*

	Fl. million 1997	1996
Acquisitions and disposals		
Acquisition of group companies 24	**(2 941)**	(3 264)
Cash balances of businesses acquired	**65**	81
Consideration paid in respect of acquisitions made in previous years	**—**	(2)
Disposal of group companies 24	**16 383**	901
Speciality chemicals businesses	**15 257**	—
Other disposals	**1 126**	901
Cash balances of businesses sold	**16**	2
Speciality chemicals businesses	**(77)**	—
Other disposals	**93**	2
Consideration received in respect of disposals made in previous years	**226**	7
	13 749	(2 275)
Management of liquid resources		
Purchase of current investments	**(7 177)**	(1 070)
Sale of current investments	**38**	895
(Increase)/decrease in cash on deposit	**(6 983)**	(591)
	(14 122)	(766)
Financing		
Issue of ordinary share capital (employee share schemes)	**1**	1
Issue of shares by group companies to minority shareholders	**94**	37
Debt due within one year:		
Increases	**1 584**	3 616
Repayments	**(3 199)**	(3 858)
Debt due after one year:		
Increases	**188**	1 327
Repayments	**(185)**	(353)
	(1 517)	770

Included as liquid resources are term deposits of less than one year, government securities and A1/P1 rated corporate commercial paper.

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Fl. million

27 Analysis of net funds/(debt)

	1 January 1997	Cash flow	Acquisitions/ Disposals (excluding cash & overdrafts)	Other non cash changes	Currency movement	31 December 1997
Cash on call and in hand	2 197	660			(643)	2 214
Overdrafts	(744)	(44)			(24)	(812)
		616				
Borrowings due within one year	(2 908)	1 615	177	(1 086)	(125)	(2 327)
Borrowings due after one year	(6 365)	(3)	52	1 109	(559)	(5 766)
		1 612				
Current investments	1 110	7 139	(9)	49	91	8 380
Cash on deposit	1 696	6 983	—	—	257	8 936
		14 122				
Net funds/(debt)	(5 014)	16 350	220	72	(1 003)	10 625

Other non cash changes include profits and losses on disposal and adjustments to realisable value of current investments; exchange gains and losses on borrowings; and the reclassification of long-term borrowings falling due within one year at the balance sheet date.

28 Combined earnings per share

The calculations of combined earnings per share are based on the Unilever Group net profit attributable to ordinary capital divided by the average number of share units representing the combined ordinary capital of NV and PLC in issue during the year, after deducting those PLC shares held by Unilever employee share trusts on which dividends are effectively waived. For the calculation of combined ordinary capital the exchange rate of £1 = Fl. 12 has been used, in accordance with the Equalisation Agreement. Figures for 1996 have been restated to reflect the four-for-one share split.

The calculations are:

	Thousands of Fl. 1 share units		Thousands of 1.25p share units	
	1997	1996	**1997**	1996
Average ordinary capital: NV	**640 165**	640 165	**4 267 767**	4 267 767
PLC	**489 080**	489 041	**3 260 536**	3 260 272
less: PLC shares held by employee share trusts	**(7 773)**	(8 845)	**(51 823)**	(58 967)
Combined average number of share units	**1 121 472**	1 120 361	**7 476 480**	7 469 072

	Fl. million		£ million	
Net profit	**10 936**	4 215	**3 335**	1 610
less: Preference dividends	**(15)**	(15)	**(5)**	(6)
Net profit attributable to ordinary capital	**10 921**	4 200	**3 330**	1 604
Divided by the combined average number of share units equals:	**Fl. 9.74**	Fl. 3.75	**44.55p**	21.47p

The combined earnings per share following (a) full conversion into PLC ordinary shares of the shares in a group company which are convertible in the year 2038 as described in note 18 on page 18, and (b) the exercise of share options, details of which are set out in note 18 on page 19, would be Fl. 9.43 (1996: Fl. 3.63) per Fl. 1 of ordinary capital and 43.13p (1996: 20.81p) per 1.25p of ordinary capital.

	Fl. million		£ million	
On a SSAP 15 basis the calculations would be:				
Net profit attributable to ordinary capital	**10 270**	4 558	**3 125**	1 740
Divided by the combined average number of share units equals:	**Fl. 9.16**	Fl. 4.07	**41.81p**	23.30p

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29 Pension schemes

In the majority of countries in which the Group operates, employees' retirement arrangements are provided by defined benefit schemes based on employee pensionable remuneration and length of service. These are either externally funded, with the assets of the scheme held separately from those of the Group in independently administered funds, or are unfunded but with provisions maintained in the Group balance sheet. All are subject to regular actuarial review. Actuarial advice is provided by both external consultants and actuaries employed by the Unilever Group.

Valuations are carried out annually for the largest schemes and at least every three years for other schemes using the projected unit method, with the aim of ensuring that as far as possible current and future regular pension charges remain a stable percentage of pensionable payroll. The actuarial assumptions used to calculate the benefit obligation vary according to the economic conditions of the country in which the plan is situated. It is usually assumed that, over the long term, the annual rate of return on investments will be higher than the annual increase in pensionable remuneration and in present and future pensions in payment. For the key factors influencing the actuarial valuations, the average assumptions for the principal schemes, weighted by market value, at their most recent valuation were: interest rate 8.0% p.a.; salary increases 5.1% p.a.; pension increases 3.6% p.a.; assets at smoothed market value.

At 31 December 1997 the market value of the assets of externally funded defined benefit schemes was Fl. 29 766 million (1996: Fl. 24 711 million), and net provisions in the accounts amounted to Fl. 3 708 million (1996: Fl. 4 054 million). The level of funding of all defined benefit schemes at the dates of the last valuations, in aggregate, was 124% (1996: 130%). The levels of funding represent the actuarial value of fund assets and the provisions held in the consolidated accounts at the dates of the most recent valuations expressed as a percentage of the value of benefits that had accrued to members at those dates, after allowing for expected future increases in pensionable remuneration and pensions in the course of payment.

Pension costs and company contributions to defined benefit schemes (as shown in note 3 on page 13) have been reduced in recent years by the amortisation of surpluses in some funds. It is expected that pension costs will continue to benefit from the amortisation of substantial fund surpluses for a number of years. The impact of the 1997 Budget change in the United Kingdom to tax credits has been to reduce slightly the expected investment return on the UK Fund assets. The financial impact for the UK Fund is estimated to be a reduction in surplus of around Fl. 200 million and an increase in the regular pension cost of around Fl. 6 million per annum. As a result of the normal annual review of the accounting for pension costs for the UK Fund, other concurrent mitigating factors have largely offset the impact of the tax credit change.

In 1997 the Group received a cash refund of Fl. 248 million from a United Kingdom fund in a surplus position. This cash refund does not directly impact the pension charge for 1997 as the surplus is amortised in accordance with accounting policies.

The Group also operates a number of defined contribution schemes. The assets of all the Group's defined contribution schemes are held in independently administered funds. The pension costs charged to the profit and loss account represent contributions payable by the Group to the funds. The market value of the assets of externally funded defined contribution schemes as at 31 December 1997 was Fl. 3 140 million (1996: Fl. 2 690 million).

30 Post-retirement health benefits

Group companies provide post-retirement health care benefits to a number of retired employees in certain countries, principally the United States, under several different plans which are predominantly unfunded. In assessing the liability in respect of these benefits, advice is obtained from independent actuaries. The valuations typically assume that medical cost inflation will fall from its current level of approximately 9% over the next few years and reach a constant level of approximately 5% by the year 2006. The weighted average discount rate has reduced from approximately 7% at 1 January 1997 to approximately 6.5% at 31 December 1997. The net provisions in the accounts at 31 December 1997 amounted to Fl. 1 556 million (1996: Fl. 1 453 million). The level of funding of all schemes at the last valuation was, in aggregate, 107% (1996: 107%). The level of funding represents the actuarial value of plan assets and the provisions held in the consolidated accounts at the dates of the most recent valuations, expressed as a percentage of the value of the benefits that had accrued to members at those dates.

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31 Financial instruments

As outlined in the 'Unilever Annual Review 1997', in the Financial Review section on page 35, there are comprehensive policies in place, approved by the directors, covering the use of straightforward derivative financial instruments. Such instruments are used solely for hedging purposes. The use of leveraged instruments is not permitted. The accounting policies governing these instruments are fully in line with generally accepted practice. Details of the instruments used in connection with interest rate and foreign exchange risk management, together with information on related exposures, are given below.

Under the interest rate management policy, interest rates are fixed on a proportion of debt and investments for periods up to 10 years. This is achieved by using fixed rate long-term debt issues together with a range of derivative financial instruments such as interest rate swaps, cross currency swaps, forward rate agreements, swaptions, and interest rate caps and floors.

At the end of 1997 interest rates were fixed on approximately 80% of the projected debt for 1998 and 74% for 1999 (compared to 52% for 1997 and 47% for 1998 at the end of 1996). Similarly, interest receivable was fixed on approximately 48% of projected funds for 1998 and 35% for 1999 (compared to 61% for 1997 and 52% for 1998 at the end of 1996). This change in fixing levels resulted from the inflow of funds from the sale of speciality chemicals businesses. Fixing is expected to revert to previous levels during the next year. Nominal values of interest rate derivative instruments are shown in the table below. These nominal values are relatively high in relation to total debt and investments because certain financial instruments have consecutive strike and maturity dates on the same underlying debt in different periods. In addition, derivatives are used to swap fixed interest long-term debt into floating rate debt. Whilst the nominal amounts reflect the volume of activity, they do not therefore properly reflect the considerably lower amounts of credit and market risks to which the Group is exposed. The market value of these interest rate instruments at the end of 1997 represented an unrealised gain of Fl. 107 million (1996: Fl. 157 million).

Fl. million	Nominal amounts at 31 December	
	1997	1996
Interest rate swaps	**14 495**	16 534
Forward rate agreements	**—**	539
Swaptions, caps, floors	**337**	435
Total	**14 832**	17 508

Under the Group's foreign exchange policy, exposures with a maximum of one year maturity are generally hedged; this is achieved through the use of forward foreign exchange contracts and, to a limited extent, foreign currency options. The market value of these instruments at the end of 1997 represented an unrealised loss of Fl. 46 million (1996: Fl. 101 million).

Fl. million	Nominal amounts at 31 December	
	1997	1996
Foreign exchange contracts - buy	**4 670**	4 404
- sell	**8 590**	8 140
Total	**13 260**	12 544

The undernoted table summarises the fair values and carrying amounts of the various classes of financial instruments as at 31 December.

Fl. million	Fair value		Carrying amount	
	1997	1996	**1997**	1996
Fixed investments	**315**	356	**287**	333
Current investments	**8 380**	1 110	**8 380**	1 110
Cash	**11 150**	3 893	**11 150**	3 893
Bonds and other loans	**(6 912)**	(7 645)	**(6 637)**	(7 413)
Bank loans and overdrafts	**(2 268)**	(2 604)	**(2 268)**	(2 604)
Interest rate swaps - assets	**270**	421	**43**	77
- liabilities	**(163)**	(246)	**—**	—
Forward rate agreements	**—**	—	**—**	—
Foreign exchange contracts - assets	**127**	56	**(47)**	(101)
- liabilities	**(173)**	(157)	**—**	—
Swaptions, caps, floors - liabilities	**—**	(18)	**—**	—

The fair values of fixed investments are based on their market value. The fair values of forward foreign exchange contracts represent the unrealised gain or loss on revaluation of the contracts to year end rates of exchange. The fair values of bonds and other loans, interest rate swaps, forward rate agreements, swaptions, caps and floors are estimated based on the net present value of the discounted anticipated future cash flows associated with these instruments.

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32 Summarised accounts of the NV and PLC parts of the Group

The following summarised accounts present the profit and loss account and balance sheet of the Unilever Group, analysed between the NV and PLC parts of the Group according to respective ownership.

Fl. million	NV		PLC	
	1997	1996	**1997**	1996
Profit and loss account				
for the year ended 31 December				
Turnover	**65 239**	62 092	**29 358**	25 703
Continuing operations	**62 062**	57 333	**27 901**	23 488
Acquisitions	**524**		**113**	
Discontinued operations	**2 653**	4 759	**1 344**	2 215
Operating profit	**4 568**	4 885	**3 008**	2 643
Continuing operations	**4 164**	4 158	**2 829**	2 380
Acquisitions	**66**		**3**	
Discontinued operations	**338**	727	**176**	263
Profit on sale of discontinued speciality chemicals businesses	**6 463**	—	**2 019**	—
Loss on disposal of fixed assets in continuing businesses	**(330)**	—	**(154)**	—
Income from fixed investments	**69**	40	**16**	49
Interest	**(182)**	(436)	**(48)**	(221)
Profit on ordinary activities before taxation	**10 588**	4 489	**4 841**	2 471
Taxation	**(2 857)**	(1 705)	**(1 328)**	(826)
Profit on ordinary activities after taxation	**7 731**	2 784	**3 513**	1 645
Minority interests	**(69)**	(51)	**(239)**	(163)
Net profit	**7 662**	2 733	**3 274**	1 482
Balance sheet				
as at 31 December				
Fixed assets	**13 605**	16 156	**6 770**	7 746
Current assets				
Stocks	**6 738**	7 387	**3 640**	4 186
Debtors due within one year	**8 645**	8 895	**2 871**	3 369
Debtors due after more than one year	**1 508**	536	**904**	762
Cash and current investments	**14 415**	3 847	**5 115**	1 156
	31 306	20 665	**12 530**	9 473
Creditors due within one year				
Borrowings	**(1 919)**	(2 864)	**(1 220)**	(788)
Trade and other creditors	**(12 706)**	(11 940)	**(5 836)**	(5 484)
Net current assets	**16 681**	5 861	**5 474**	3 201
Total assets less current liabilities	**30 286**	22 017	**12 244**	10 947
Creditors due after more than one year				
Borrowings	**5 434**	5 450	**332**	915
Trade and other creditors	**1 180**	935	**317**	285
Provisions for liabilities and charges	**7 448**	6 936	**2 046**	2 078
Intra-group – NV/PLC	**(163)**	(1 285)	**163**	1 285
Minority interests	**289**	359	**750**	656
Capital and reserves	**16 098**	9 622	**8 636**	5 728
Total capital employed	**30 286**	22 017	**12 244**	10 947

Unilever Group

Principal group companies and fixed investments

as at 31 December 1997

The companies listed below and on pages 29 to 31 are those which in the opinion of the directors principally affect the amount of profit and assets shown in the Unilever Group accounts. The directors consider that those companies not listed are not significant in relation to Unilever as a whole.

Full information as required by Articles 379 and 414 of Book 2, Civil Code, in the Netherlands has been filed by Unilever N.V. with the Commercial Registry in Rotterdam.

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

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

Holding companies	H
Foods	F
Home & Personal Care	P
Plantations, Plant Science & Trading Operations	O

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

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

The percentage of equity capital directly or indirectly held by NV or PLC is mentioned in the margin, except where it is 100%. All percentages are rounded down to the nearest whole number.

Principal group companies

%	Europe	
	Austria – NV	
	Eskimo-Iglo Ges.m.b.H.	F
	Österreichische Unilever Ges.m.b.H.	FP
	Unifrost Ges.m.b.H.	F
	Belgium – NV	
	Unilever Belgium N.V.	FPO
	Czech Republic – NV	
	Unilever ČSFR spol. sr. o.	FP
	Denmark – NV	
	Unilever Danmark A/S	FP
	Finland – NV	
	Suomen Unilever Oy	FP
	France – NV	
99	Astra-Calvé S.A.	F
99	Boursin S.A.	F
99	Choky S.A.	F
99	Cogesal S.A.	F
99	Elida Fabergé S.A.	P
99	Fralib S.A.	F
99	Frigedoc S.A.	F
99	Lever S.A.	P
99	Ortiz-Miko S.A.	F
99	Unilever France S.A.	H
	Germany – NV	
	Deutsche Unilever GmbH	H
	DiverseyLever GmbH	P
	Fritz Homann Lebensmittelwerke GmbH	F
	Frozen Fish International GmbH	F
	HPC Deutschland GmbH	P
	Langnese-Iglo GmbH	F
	Meistermarken-Werke GmbH, Spezialfabrik für Back- und Grossküchenbedarf	F
	Union Deutsche Lebensmittelwerke GmbH	F
	Greece – NV	
51	'Elais' Oleaginous Products A.E.	F
	Lever Hellas A.E.B.E.	FP
	Hungary – NV	
	Unilever Magyarország Beruházási Kft	FP
	Ireland – PLC	
	Elida Lever Ireland Ltd.	P
80	Lyons Tea Ireland Ltd.	F
	Van den Bergh Foods Ltd.	F
	W. & C. McDonnell Ltd.	F
	Italy – NV	
	Unilever Italia SpA	FP

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Principal group companies and fixed investments

as at 31 December 1997

Principal group companies *(continued)*

%	Europe *(continued)*	
	The Netherlands – NV	
	DiverseyLever B.V.	P
	Elida Andrélon B.V.	P
	Iglo-Ola B.V.	F
	Lever Nederland B.V.	P
	Loders Croklaan B.V.	F
	Mora B.V.	F
*	Unilever N.V.	H
	Unilever Nederland B.V.	H
	UniMills B.V.	F
	Van den Bergh Nederland B.V.	F
	Poland – NV	
99	Unilever Polska S.A.	FP
	SZPT-Van den Bergh Foods S.A.	F
	Portugal – NV	
74	IgloOlá-Distribuição de Gelados e de Ultracongelados, Lda.	F
60	LeverElida-Distribuição de Produtos de Limpeza e Higiene Pessoal, Lda.	P
	Romania – NV	
99	Unilever Romania	FP
	Russia – NV	
99	Severnoye Siyaniye	P
	Slovakia – NV	
	Unilever Slovensko spol. sr. o.	FP
	Spain – NV	
	Agra S.A.	F
	Elida Fabergé S.A.	P
99	Frigo S.A.	F
	Frudesa S.A.	F
	Lever España S.A.	P
	Unilever España S.A.	H
	Sweden – NV	
	DiverseyLever AB	P
	Elida Fabergé AB	P
	GB Glace AB	F
	Lever AB	P
	Unilever Sverige AB	H
	Van den Bergh Foods AB	F

* See 'Basis of consolidation' on page 2.

%	Europe *(continued)*	
	Switzerland – NV	
	DiverseyLever A.G.	P
	Elida Fabergé A.G.	P
	Lever A.G.	P
	Lipton-Sais	F
	Pierrot-Lusso A.G.	F
	Meina Holding A.G.	H
	Sunlight A.G.	O
	Unilever Cosmetics International S.A.	P
	Unilever (Schweiz) A.G.	O
	United Kingdom – PLC	
	Birds Eye Wall's Ltd.	F
	Calvin Klein Cosmetics (UK) Ltd.	P
	Colman's of Norwich Ltd.	F
	DiverseyLever Ltd.	P
	Elida Fabergé Ltd.	P
	Elizabeth Arden Ltd.	P
	Lever Brothers Ltd.	P
	Lipton Ltd.	F
	Plant Breeding International Cambridge Ltd.	O
*	Unilever PLC	H
	Unilever U.K. Central Resources Ltd.	O
	Unilever U.K. Holdings Ltd.	H
	Unipath Ltd.	P
	Van den Bergh Foods Ltd.	F

* See 'Basis of consolidation' on page 2.

Unilever Group

Principal group companies and fixed investments

as at 31 December 1997

Principal group companies *(continued)*

%	North America	
	Canada – PLC	
	Helene Curtis Ltd.	P
	UL Canada Inc.	FP
	Unilever Canada Limited	H
	United States of America – NV (75%); **PLC** (25%)	
*	Calvin Klein Cosmetics Company	P
*	Chesebrough-Pond's USA Co.	P
	Diversey Lever, Inc.	P
*	Elizabeth Arden Co.	P
*	Good Humor-Breyers Ice Cream	F
	Gorton's	F
	Helene Curtis, Inc.	P
*	Lever Brothers Company	P
*	Lipton	F
	Unilever Capital Corporation	O
*	Unilever Home & Personal Care USA	P
	Unilever United States, Inc.	H

%	Africa and Middle East	
	Côte d'Ivoire – PLC	
90	Blohorn S.A.	FPO
	Democratic Republic of Congo – NV	
	Compagnie des Margarines, Savons et Cosmétiques au Zaïre s.a.r.l.	FP
76	Plantations Lever au Zaïre s.a.r.l.	O
	Dubai – PLC	
	Unilever Gulf Free Zone Establishment	O
	Egypt – PLC	
60	Fine Foods Egypt SAE	F
	Lever Egypt SAE	P
	Ghana – PLC	
67	Unilever Ghana Ltd.	FPO
	Israel – PLC	
50	Glidat Strauss Ltd.	F
	Lever Israel Ltd.	P
	Kenya – PLC	
88	Brooke Bond Kenya Ltd.	O
61	East Africa Industries Ltd.	FP
	Malawi – PLC	
	Lever Brothers (Malawi) Ltd.	FP
	Morocco – PLC	
	Lever Maroc S.A.	P
	Nigeria – PLC	
50	Lever Brothers Nigeria PLC	FP
	Saudi Arabia – PLC	
49	Binzagr Lever Ltd.	P
49	Binzagr Lipton Ltd.	F
49	Binzagr Wall's Ltd.	F
49	Lever Arabia Ltd.	P

** A division of Conopco, Inc., a subsidiary of Unilever United States, Inc.*

%	Africa and Middle East *(continued)*	
	South Africa – PLC	
	Unilever South Africa (Pty.) Ltd.	FP
	Tanzania – PLC	
	Brooke Bond Tanzania Ltd.	O
	Turkey – NV	
75	Elida Kozmetik Sanayi ve Ticaret A.Ş.	P
88	Lever Temizlik Maddeleri Sanayi ve Ticaret A.Ş.	P
	Unikom Sanayi ve Ticaret A.Ş.	F
	Unilever Sanayi ve Ticaret Türk A.Ş.	F
	Uganda – PLC	
	Unilever Uganda Ltd.	P
	Zambia – PLC	
	Lever Brothers Zambia Limited	P
	Zimbabwe – PLC	
	Lever Brothers (Private) Ltd.	FP

%	Asia and Pacific	
	Australia – PLC	
	Unilever Australia Ltd.	FPO
	Bangladesh – PLC	
61	Lever Brothers Bangladesh Ltd.	FP
	China – NV/PLC	
60	Guangdong Lipton Foods Company Ltd.	F
70	Hefei Lever Detergent Co. Ltd.	P
90	Shanghai Elida Co. Ltd.	P
54	Shanghai Lever Company Ltd.	P
50	Shanghai Pond's Company Ltd.	P
50	Shanghai Van den Bergh Company Ltd.	F
	Unilever (China) Ltd.	H
87	Unilever (Shanghai) Company Ltd.	P
60	Unilever (Shanghai) Toothpaste Company Ltd.	P
97	Wall's (China) Company Ltd.	F
70	ZhangJiaKou Unilever Detergent Co., Ltd.	P
	China S.A.R. – NV	
	Unilever Hong Kong Ltd.	FP
	India – PLC	
51	Hindustan Lever Ltd.	FPO
52	Pond's India Ltd.	PO
	Indonesia – NV	
85	P.T. Unilever Indonesia	FP
	Japan – NV	
	Nippon Lever B.V. (incorporated in the Netherlands)	FP
	Japan – PLC	
	Lever Brothers Ltd. (incorporated in the United Kingdom)	P

Unilever Group

Principal group companies and fixed investments

as at 31 December 1997

Principal group companies *(continued)*

%	Asia and Pacific *(continued)*	
	Malaysia – PLC	
70	Unilever (Malaysia) Holdings Sdn. Bhd.	FP
	Pamol Plantations Sdn. Bhd.	O
	New Zealand – PLC	
	Unilever New Zealand Ltd.	FP
	Pakistan – PLC	
69	Lever Brothers Pakistan Ltd.	FP
	Philippines – NV	
	Unilever Philippines Inc.	FP
	Singapore – PLC	
	Unilever Singapore Private Ltd.	FP
	South Korea – NV	
	Unilever Korea	P
	Sri Lanka – PLC	
	Unilever Ceylon Ltd.	FPO
	Taiwan – NV	
	Unilever Taiwan Ltd.	P
	Thailand – NV	
	Unilever Thai Holdings Ltd.	FP
	Vietnam – NV	
66	Lever VISO	P
66	Lever HASO	P

%	Latin America	
	Argentina – NV	
	Unilever de Argentina S.A.	FP
	Bolivia – NV	
	Quimbol Lever S.A.	FP
	Brazil – NV	
99	Indústrias Gessy Lever Ltda.	FP
	Kibon S.A. Indústrias Alimenticias	F
	Chile – NV	
	Lever Chile S.A. (PLC 25%)	FP
	Colombia – NV	
	Unilever Andina (Colombia) S.A. (PLC 40%)	FP
	El Salvador – NV	
60	Industrias Unisola S.A.	FP
	Mexico – NV	
99	Anderson Clayton & Co. S.A.	FO
	Pond's de Mexico S.A. de C.V.	P
	Netherlands Antilles – NV	
	Unilever Becumij N.V.	O

%	Latin America *(continued)*	
	Paraguay – NV	
	Unilever Capsa del Paraguay S.A.	FP
	Peru – NV	
72	Industrias Pacocha S.A.	FP
	Trinidad & Tobago – PLC	
50	Lever Brothers West Indies Ltd.	FP
	Uruguay – NV	
	Sudy Lever S.A.	FP
	Venezuela – NV	
	Unilever Andina S.A.	FP

Principal fixed investments

Associated companies

%	Europe	
	Portugal – NV	
40	FIMA – Produtos Alimentares, Lda.	F
40	Victor Guedes – Indústria e Comércio S.A.	F

%	North America	
	United States of America – NV (75%); **PLC** (25%)	
50	The Pepsi/Lipton Tea Partnership	F

Unilever N.V.

Company accounts

	Fl. million 1997	1996
Balance sheet		
as at 31 December		
Fixed assets		
Fixed investments	**1 795**	1 966
Current assets		
Debtors	**16 753**	14 499
Current investments	**661**	—
Cash at bank and in hand	**1 046**	238
	18 460	14 737
Creditors due within one year	**(8 884)**	(7 190)
Net current assets	**9 576**	7 547
Total assets less current liabilities	**11 371**	9 513
Creditors due after more than one year	**4 364**	4 040
Provisions for liabilities and charges	**307**	293
Capital and reserves	**6 700**	5 180
Called up share capital:		
Preferential share capital 18	**265**	265
Ordinary share capital 18	**642**	642
	907	907
Share premium account	**52**	52
Profit retained and other reserves	**5 741**	4 221
Total capital employed	**11 371**	9 513

Profit and loss account

for the year ended 31 December

	1997	1996
Income from fixed investments after taxation	**2 294**	1 168
Other income and expenses	**716**	166
Profit of the year	**3 010**	1 334

Pages 7 to 31 and 33 contain the notes to the NV company accounts. For the information required by Article 392 of Book 2, Civil Code, refer to pages 6 and 34.

As the accounts of NV have been included in the consolidated accounts, the profit and loss account mentions only income from fixed investments after taxation as a separate item. The balance sheet includes the proposed profit appropriation.

The Board of Directors

9 March 1998

References relate to a note on pages 18 and 19.

Unilever N.V.

Notes to the company accounts

	Fl. million 1997	1996
Fixed investments		
Shares in group companies	**1 795**	1 966

Shares in group companies are stated at cost in accordance with international accounting practice in various countries, in particular the United Kingdom. The cost of NV shares purchased and held by group companies has been deducted from this heading.

	1997	
Movements during the year:		
1 January	**1 966**	
Transfer of shares from/(to) group companies	**(3)**	
NV shares held by group companies	**(47)**	
Other movements	**(121)**	
31 December	**1 795**	

	Fl. million 1997	1996
Debtors		
Loans to group companies	**7 972**	6 793
Other amounts owed by group companies	**8 493**	7 531
Amounts owed by undertakings in which the company has a participating interest	**154**	—
Other	**134**	175
	16 753	14 499
Of which due after more than one year	**3 341**	2 971
Current investments		
Listed stocks	**661**	—
Cost of current investments	**655**	—
Cash at bank and in hand		
This includes amounts for which repayment notice is required of	**743**	75
Creditors		
Due within one year:		
Bank loans and overdrafts	**22**	4
Bonds and other loans 13	**132**	1 197
Loans from group companies	**495**	28
Other amounts owed to group companies	**6 929**	4 906
Taxation and social security	**115**	89
Accruals and deferred income	**191**	196
Dividends	**958**	764
Other	**42**	6
	8 884	7 190
Due after more than one year:		
Bonds and other loans 13	**4 338**	4 014
Loans from group companies	**26**	26
	4 364	4 040
These include amounts due after more than five years:		
Bonds and other loans	**1 768**	1 634

References relate to a note on page 16.

	Fl. million 1997	1996
Provisions for liabilities and charges		
Pension provisions	**328**	303
Deferred taxation and other provisions	**(21)**	(10)
	307	293
Of which due within one year	**(8)**	13

Ordinary share capital

Shares numbered 1 to 2 400 are held by a subsidiary of NV and a subsidiary of PLC. Additionally, 5 281 344 Fl. 1 ordinary shares are held by other group companies. Full details are given in note 18 on pages 18 and 19.

Share premium account

For the application of Article 44 of the Income Tax Act 1964 only a small part, if any, of the premium shown in the balance sheet is available for issue of tax free bonus shares.

	1997	1996
Profit retained and other reserves		
Profit retained 31 December	**6 118**	4 551
Cost of NV shares purchased and held by group companies	**(377)**	(330)
Balance 31 December	**5 741**	4 221

Profit retained and profit of the year shown in the company accounts and the notes thereto are less than the amounts shown in the consolidated balance sheet and profit and loss account, mainly because only part of the profits of group companies is distributed in the form of dividends.

Contingent liabilities

These are not expected to give rise to any material loss and include guarantees given for group and other companies, under which amounts outstanding at 31 December were:

	1997	1996
Group companies	**3 231**	3 741
Other	**1**	—
	3 232	3 741
Of the above, guaranteed also by PLC	**1 351**	1 406

Unilever N.V.

Further statutory information

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

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

	Fl. million	
	1997	1996
Proposed profit appropriation		
Profit of the year	**3 010**	1 334
Preference dividends	**(15)**	(15)
Profit at disposal of the Annual General Meeting of shareholders	**2 995**	1 319
Ordinary dividends	**(1 428)**	(1 117)
Profit of the year retained	**1 567**	202
Profit retained – 1 January	**4 551**	4 349
Profit retained – 31 December	**6 118**	4 551

Special controlling rights under the Articles of Association

See note 18 on page 18.

Auditors

A resolution will be proposed at the Annual General Meeting on 6 May 1998 for the reappointment of Coopers & Lybrand N.V. as auditors of NV. The present appointment will end at the conclusion of the Annual General Meeting.

J W B Westerburgen
S G Williams

Joint Secretaries of Unilever N.V.
9 March 1998

Corporate Centre
Unilever N.V.
Weena 455
PO Box 760
3000 DK Rotterdam

Unilever PLC

Company accounts

Balance sheet

as at 31 December

	£ million 1997	£ million 1996
Fixed assets		
Fixed investments	**1 284**	1 333
Current assets		
Cash and current investments	**4**	—
Debtors due within one year	**486**	372
Debtors due after more than one year	**45**	63
	535	435
Creditors due within one year	**(777)**	(644)
Net current liabilities	**(242)**	(209)
Total assets less current liabilities	**1 042**	1 124
Creditors due after more than one year	**—**	100
Capital and reserves	**1 042**	1 024
Called up share capital 18	**41**	41
Share premium account	**94**	93
Profit retained	**896**	879
Capital redemption reserve 20	**11**	11
Total capital employed	**1 042**	1 124

All amounts included in capital and reserves are classified as equity as defined under United Kingdom Financial Reporting Standard 4.

As permitted by Section 230 of the United Kingdom Companies Act 1985, PLC's profit and loss account does not accompany its balance sheet.

On behalf of the Board of Directors

N W A FitzGerald *Chairman*
M Tabaksblat *Vice-Chairman*

9 March 1998

References relate to notes on pages 18 to 20.

Unilever PLC

Notes to the company accounts

	£ million 1997	1996
Fixed investments		
Shares in group companies	**1 149**	1 202
Book value of shares held in connection with share options	**135**	131
	1 284	1 333

Shares in group companies

Shares in group companies are stated at cost or valuation, less amounts written off.

	£ million 1997
Movements during the year:	
1 January	**1 202**
Additions	**9**
Disposals	**(62)**
31 December	**1 149**

Shares held in connection with share options

	£ million 1997
Movements during the year:	
1 January	**131**
Additions	**38**
Disposals	**(34)**
31 December	**135**

	£ million 1997	1996
Debtors		
Due within one year:		
Amounts owed by group companies	**477**	360
Other	**9**	12
	486	372
Due after more than one year:		
Amounts owed by group companies	**—**	19
Advance Corporation Tax	**45**	44
	45	63
Total debtors	**531**	435

The Advance Corporation Tax borne by the parent company will be surrendered and set off against liabilities of group companies where appropriate. The total of £45 million is recoverable against liabilities for 1998 and later years.

	£ million 1997	1996
Creditors		
Due within one year:		
Amounts owed to group companies	**380**	383
Bonds and other loans 13	**100**	9
Taxation and social security	**99**	76
Dividends	**181**	175
Other	**17**	1
	777	644
Due after more than one year:		
Bonds and other loans 13	**—**	100
Profit retained		
1 January	**879**	876
Goodwill movements	**—**	1
Profit of the year	**288**	259
Dividends on ordinary and deferred shares	**(271)**	(257)
31 December	**896**	879
Contingent liabilities		
These are not expected to give rise to any material loss and include guarantees given for group companies, under which amounts outstanding at 31 December were:	**1 216**	1 300
Of the above, guaranteed also by NV	**405**	474
Remuneration of auditors		
Parent company audit fee	**0.8**	0.7
Non-audit services provided by Coopers & Lybrand United Kingdom	**4.1**	0.4
Profit appropriation		
The proposed appropriation of the profit of PLC is as follows:		
Interim and recommended final dividends	**271**	257
Profit of the year retained	**17**	2

References relate to a note on page 16.

Unilever PLC

Further statutory information and other information

Capital and membership

At 31 December 1997 PLC had 97 960 ordinary shareholdings.

The following table analyses the registered holdings of PLC's 1.25p ordinary shares at 31 December 1997.

Number of shares	Number of holdings	%	Total shares held	%
1 – 1 000	18 491	18.88	11 806 830	0.36
1 001 – 2 500	30 496	31.13	52 183 934	1.60
2 501 – 5 000	22 275	22.74	80 916 679	2.48
5 001 – 10 000	14 392	14.69	103 601 942	3.18
10 001 – 25 000	7 956	8.12	121 365 928	3.72
25 001 – 50 000	2 032	2.08	69 404 276	2.13
50 001 – 100 000	856	0.87	60 299 442	1.85
100 001 – 1 000 000	1 082	1.10	349 332 392	10.71
Over 1 000 000	380	0.39	2 411 702 377	73.97
	97 960	100.00	3 260 613 800	100.00

Substantial interests in the share capital of PLC

The Register maintained by PLC pursuant to Section 211 of the Companies Act 1985 shows that at the date of signing the Report and Accounts 175 632 840 ordinary shares in PLC, representing approximately 5% of the issued ordinary capital, were held jointly by Sir Kenneth Durham, The Rt Hon The Viscount Leverhulme, Sir Michael Angus, Sir Michael Perry and NWA FitzGerald as trustees of the Leverhulme Trust and the Leverhulme Trade Charities Trust.

The Register also shows the following interests in PLC's Ordinary and Deferred capital on that date:

Holder	Class	Approximate % held
Prudential Corporation plc	Ordinary	5
N.V. Elma	Deferred	50
United Holdings Limited	Deferred	50

Directors' interests

The Register of Directors' Interests in the share capital of PLC and its subsidiaries, which contains full details of the directors' PLC shareholdings and options, is open to inspection by shareholders and will be open for inspection at the Annual General Meeting.

Employee involvement and communication

In 1997, the first meeting of the Unilever European Works Council took place in Rotterdam. The Council had been set up under Article 13 of the European Works Council Directive and included amongst other nationalities representatives from the United Kingdom. The Council reviewed Unilever's West European operations and agreed to set up a small representative committee which will be kept informed of relevant cross border issues between the Council's annual meetings. In the meanwhile, Unilever's companies continued to review and make improvements in their own communication and involvement arrangements at their individual sites and offices. Further progress was made in matching Unilever companies' learning and quality activities to the highest external standards.

The directors' reports of the United Kingdom group companies contain more details about how they have communicated with their employees during 1997.

Equal opportunities and people with disabilities

Every Unilever company in the United Kingdom has an equal opportunities policy and action plans are reviewed annually and pursued within each company. In addition, resources are provided from Unilever's United Kingdom National Management to help companies develop best practice.

The directors' reports of these companies contain statements describing the positive approach of group companies to the employment, and continued employment, of people with disabilities.

Charitable and other contributions

During the year group companies made financial contributions of £4 million to United Kingdom charitable organisations and assisted them with a further £1 million of support in other forms. No contribution was made for political purposes.

Unilever PLC

Further statutory information and other information

Supplier payment policies

Individual operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. The directors' reports of United Kingdom operating companies give information about their supplier payment policies as required by the Companies Act. PLC, as a holding company, does not itself make any relevant payments in this respect.

Interests in land

The majority of Unilever's land and buildings are used for the productive and distributive activities of the Group and are not held for resale. The directors take the view that any difference between their market value and the amount at which they are included in the balance sheet is not of such significance as to require that attention be drawn to it, as would be required by Schedule 7 (Part I) of the United Kingdom Companies Act 1985.

Auditors

A resolution will be proposed at the Annual General Meeting on 6 May 1998 for the reappointment of Coopers & Lybrand as auditors of PLC. The present appointment will end at the conclusion of the Annual General Meeting.

By Order of the Board

J W B Westerburgen
S G Williams

Joint Secretaries of Unilever PLC
9 March 1998

Corporate Centre
Unilever PLC
PO Box 68 Unilever House
Blackfriars
London EC4P 4BQ

Unilever PLC Registered Office
Port Sunlight
Wirral
Merseyside L62 4ZA

Unilever PLC Registrars
Lloyds Bank Registrars
54 Pershore Road South
Kings Norton
Birmingham B30 3EP

Unilever Group

Report of the Remuneration Committee

Emoluments and interests of directors

The following comprises the report to shareholders on behalf of the Boards by the Remuneration Committee. The members of this Committee are F H Fentener van Vlissingen (Chairman), Sir Derek Birkin and B Collomb.

In drawing up this report, the Committee has taken into account the recommendations of the Committee on Corporate Governance established by the Amsterdam Stock Exchange Association and the Association of Securities Issuing Companies.

The Remuneration Committee has also given full consideration to Section B of the best practice provisions annexed to the Listing Rules of the London Stock Exchange in framing its remuneration policy. PLC's statement of compliance with respect to Section A of the said best practice provisions is on page 5.

Policy: directors' emoluments

The objective of Unilever's remuneration policy for directors is to motivate and retain top class business people able to direct and lead a large global company, and to reward them accordingly.

The Remuneration Committee believes that the level of remuneration of Dutch or British directors resident in their home countries should be in line with that of executive directors of major international industrial companies based in the Netherlands and the United Kingdom respectively who have similar responsibilities to a Unilever director whilst recognising Unilever's size and special features. The levels of remuneration of the Chairmen and the members of the Executive Committee take into account their special responsibilities and provide differentials comparable to those found in other major international industrial companies. A director who is not resident in his home country is paid at the level of remuneration appropriate to his place of residence if this is higher than that in his home country. However, directors not of Dutch or British nationality are, in principle, to be no worse off than they would be if based in their home country in a job of comparable importance.

Levels of remuneration are reviewed annually by the Remuneration Committee in the light of external expert advice which assesses competitive levels of remuneration in the largest companies relevant to the residence of the group of Unilever directors concerned. Comparison is also made with the remuneration of other employees within Unilever.

The Remuneration Committee's policy is to seek to link reward closely to performance by using merit pay increases and bonuses based on both corporate and personal performance.

NV and PLC and their group companies constitute a single group. It is therefore the practice for directors to receive emoluments from both NV and PLC because, in varying proportions, they serve both companies. Emoluments, wherever stated, include payments from both NV and PLC. All emoluments and fees earned by directors from outside directorships and like sources are required to be paid to and are retained by Unilever.

All directors' emoluments, including those of the Chairmen, are made up of the following elements:

(i) Salary:
Salaries are fixed by the Remuneration Committee. They are usually fixed in the currency appropriate to the location, the Netherlands, United Kingdom or United States, where the director is based. Directors, like other employees, receive an additional month's salary in the year they complete 25 years' service with Unilever.

(ii) Allowances and value of benefits in kind:
In appropriate cases, and usually in accordance with the same rules as apply to all qualifying employees, directors receive allowances to help them meet expenses incurred by virtue of their employment, for example in respect of relocation and consequential disturbance and education expenses. Certain of the London based directors receive an allowance to take account of the fact that part of their remuneration is paid in the Netherlands. Benefits in kind are items such as a company car and medical insurance.

(iii) Performance related payments:
These arise primarily under an annual bonus scheme.

Bonuses are set by the Remuneration Committee. The maximum bonus for directors is 40% of salary. Bonuses are paid in cash and are based on achievement of a target or target range which may involve two measures of performance:

(a) a corporate target; and
(b) individual targets.

The corporate target is based on the average of the increase in earnings per share expressed in guilders and in pounds sterling. The individual targets are based on previously agreed key objectives.

There has also been an incentive scheme related to Unilever's share price under which certain directors received PLC notional executive share options. This scheme was described in last year's report and information on these notional options is presented with the information on share options on pages 44 and 45. However, no notional options have been granted since 1993 and this incentive scheme is being phased out. As at 31 December 1997, only one director still held such notional options.

Unilever Group

Report of the Remuneration Committee

Emoluments and interests of directors *(continued)*

Policy: directors' pensions

The aim of the Remuneration Committee is that pension and other related benefits should be in line with good practice by major companies in the Netherlands and the United Kingdom, bearing in mind the need to establish reasonable comparability between the conditions for the various nationalities of directors.

All directors are members of the normal Unilever pension schemes. Because directors are paid by both NV and PLC, they participate in both the NV and PLC normal pension schemes. The NV scheme was on company and employee contribution holidays in 1996 and 1997. The PLC scheme was on a company and employee contribution holiday effective January 1997, contributions having been payable in 1996.

All directors are also members of their respective early retirement scheme, which provides an overall pension coverage inclusive of benefits under other Unilever schemes. The current arrangements are that directors belong to either the NV or PLC scheme, depending on their contractual arrangements. NV finances the NV scheme and PLC finances the PLC scheme. Also, under the current arrangements, in order to equalise benefits amongst the directors, those directors who are members of the NV scheme and retire at normal retirement date, receive an additional lump sum amount equal to one year's final pensionable pay. The benefits received by directors under these early retirement schemes are, in most other respects, the same as those provided for senior managers.

Under both the early retirement schemes, final pensionable pay takes into account the bonuses paid in the last three years prior to termination of service, subject to a maximum of 20%. The Remuneration Committee believes that the policy of recent years of switching a significant part of the directors' emoluments from salary to performance related payments, whilst retaining control over the overall package of emoluments, should not affect the directors' reasonable expectations of a pension at a level that is in line with that provided by major companies in the Netherlands and the United Kingdom. The Committee continues to keep the development of best practice in respect of the pensionability of bonuses under review.

Directors' pensions

The pension entitlements of directors are shown separately for those in the NV and PLC early retirement schemes.

NV scheme (1)

	Age, at 31 December 1997		Normal Retirement Age(2)		Contributions paid by director during 1997	Increase in accrued pension during 1997 (3)(4)	Total accrued pension at 31 December 1997(4)
	yrs	mths	yrs	mths	Fl.	Fl.	Fl.
M Tabaksblat	60	3	60	0	0	79 901	1 464 003
A Burgmans	50	11	60	0	0	62 937	523 428
H Eggerstedt	59	10	60	0	0	77 503	1 060 867
A Kemner	58	3	60	0	0	110 228	738 403
O O H Müller (5)	61	11	60	0	0	4 786	977 832
J Peelen	57	10	60	0	0	109 783	728 003

PLC scheme

	Age, at 31 December 1997		Normal Retirement Age(2)		Contributions paid by director during 1997	Increase in accrued pension during 1997 (3)(6)	Total accrued pension at 31 December 1997(6)
	yrs	mths	yrs	mths	£	£	£
N W A FitzGerald	52	4	60	9	0	119 733	383 116
J I W Anderson	59	6	60	0	0	6 565	339 578
R D Brown	51	1	60	0	0	7 414	189 750
A C Butler	51	5	60	0	0	26 099	205 889
A S Ganguly (7)	62	5	61	10	0	22 490	174 042
C M Jemmett (8)	61	3	60	0	0	22 440	290 400
R M Phillips	59	6	60	0	0	28 285	476 817

(1) The NV early retirement scheme operates on the basis of a justifiable expectation and does not provide a vested deferred entitlement. Members leaving before age 55 have not received any benefit, while those terminating service at age 55 or older can expect to receive an immediate pension under the expectations of the scheme.

(2) Normal Retirement Age is that established for the purposes of the respective early retirement scheme for the director, and generally does not coincide with the termination date of his employment under the terms of his service contracts (see 'Service contracts' on page 47).

Unilever Group

Report of the Remuneration Committee

Emoluments and interests of directors *(continued)*

Directors' pensions *(continued)*

(3) The increase in accrued pension during the year excludes any increase for inflation over the year, and is shown on a consistent basis with the accrued pension at the end of the year. For directors retiring during the year, the accrued pension and its increase are based on the position when the director retired.

(4) For directors in the NV early retirement scheme aged 55 and over, the accrued pension is the immediate pension payable annually under all Unilever schemes. For directors in the NV early retirement scheme under age 55, no pension is included in respect of the NV early retirement scheme and the accrued pension is that payable in total, from age 65, under the normal Unilever schemes, ignoring any future inflationary increases.

(5) Retired during the year. In addition to the pension benefits shown, Dr O O H Müller received a lump sum payment of Fl. 1 641 845 (£515 979).

(6) For the PLC scheme, the accrued pension shown is that which would be paid annually from Normal Retirement Age, based on service to 31 December 1997, and includes benefits from all Unilever schemes. It does not include allowance for any future inflationary increases.

(7) Retired during the year. The pension shown at retirement includes an adjustment to achieve reasonable comparability of benefits between directors of various nationalities.

(8) Retired during the year.

Directors' pensions: further information

It is expected that the directors' pensions will be regularly increased in payment and in deferment in line with the increase in the consumer price index in the country, the Netherlands or United Kingdom, to which the scheme in which they participate relates. These pension increases are awarded at the discretion of NV or PLC, as appropriate, although the schemes in the United Kingdom guarantee increases in line with retail price inflation, up to a maximum of 5% per annum.

For directors in the NV early retirement scheme who are aged 55 or more, the immediate early retirement pension is shown. For directors in the NV early retirement scheme who have not attained age 55 by the year end, the pension payable under the normal NV scheme is subject to a full actuarial reduction on early payment, while that payable under the normal PLC scheme is payable unreduced (partly discretionary and partly by right) from age 60, and subject to a 5% per annum reduction for each year that retirement precedes age 60. For those concerned, in 1997 13% of the increase in accrued pension corresponds to the normal PLC scheme.

For directors in the PLC early retirement scheme, early retirement is possible from age 50, in which case the total accrued pension is reduced by 5% per annum for each year of early retirement prior to age 60.

Dependants' and children's pensions are payable under the normal and early retirement schemes in each country. Under the NV early retirement scheme, the spouse's pension is 70% of the member's pension, while under the PLC early retirement scheme, the spouse's pension is 66.7% of the member's retirement pension. Under the normal NV scheme, the spouse's pension is 70% of the member's pension, while under the normal PLC scheme, the spouse's pension is 50% of the member's pension.

Where, for directors in the NV early retirement scheme, the early retirement pension is shown, this amount will be reduced at age 65 by an allowance, currently Fl. 24 198, corresponding to the State benefits payable. The pension may also be subject to minor adjustments to equalise social security benefits.

Members may pay additional voluntary contributions. Neither the contributions nor the resulting benefits are included in the table of pension entitlements.

Unilever Group

Report of the Remuneration Committee

Emoluments and interests of directors *(continued)*

Directors' emoluments

The aggregate emoluments of the directors were as follows:

	Fl. 1997	Fl. 1996	£ 1997	£ 1996
Salary	15 930 952	16 412 142	5 006 522	6 266 568
Allowances and value of benefits in kind	2 411 952	1 678 745	757 986	640 987
Performance related payments (1)	7 614 630	5 595 250	2 393 008	2 136 407
Total	25 957 534	23 686 137	8 157 516	9 043 962
Gains on exercise of share options (2)	15 761 225	702 945	4 953 245	268 402

The emoluments of the individual directors were as follows:

	Salary	Allowances and value of benefits in kind	Performance related payments (1)	Total 1997	Total 1996	Equivalent totals (10) 1997	Equivalent totals (10) 1996
Paid in guilders:	Fl.	Fl.	Fl.	Fl.	Fl.	£	£
M Tabaksblat (3)	2 020 000	187 366	808 000	3 015 366	2 749 416	947 632	1 049 796
J I W Anderson	1 250 000	233 590	1 203 410	2 687 000 (7)	1 743 625	844 438	665 760
A Burgmans	1 264 752 (6)	33 005	460 000	1 757 757	1 322 498	552 406	504 963
A Kemner	1 170 000	36 126	468 000	1 674 126	1 544 871	526 124	589 871
O O H Müller (4)	560 417	73 453	224 167	858 037 (8)	1 783 646	269 653	681 041
J Peelen	1 200 000	254 130	480 000	1 934 130	1 486 689	607 835	567 655
Paid in pounds sterling:	£	£	£	£	£	Fl.	Fl.
N W A FitzGerald (5)	600 000	95 296	240 000	935 296	638 117	2 976 112	1 671 228
R D Brown	330 000	149 343	315 765	795 108	468 776	2 530 034	1 227 724
A C Butler	340 000	41 689	136 000	517 689	427 082	1 647 286	1 118 528
H Eggerstedt	500 000	17 583	200 000	717 583	797 241	2 283 349	2 087 974
A S Ganguly (4)	137 500	50 229	55 000	242 729	531 297	772 364	1 391 467
C M Jemmett (4)	151 250	27 950	60 500	239 700 (9)	491 773	762 725	1 287 953
Paid in US dollars:	$	$	$	$	$	Fl.	Fl.
R M Phillips	985 000	194 687	394 000	1 573 687	1 424 070	3 059 248	2 396 940
						£	£
						961 323	915 212

(1) Includes payments in respect of notional share options (see pages 39, 44 and 45).
(2) See pages 44 and 45.
(3) Chairman of NV.
(4) Retired on 31 May 1997.
(5) Chairman of PLC.
(6) Includes 25 year service award of Fl. 114 752 (£36 063).
(7) In addition, Dr J I W Anderson received Fl. 2 761 292 (£867 785) in respect of gains made on the exercise of share options.
(8) In addition, Dr O O H Müller received Fl. 905 168 (£284 465) as compensation for early retirement (see below).
(9) In addition, Mr C M Jemmett received £217 800 (Fl. 693 040) as compensation for early retirement (see below).
(10) Based on average rate for the year of £1 = Fl. 3.182, £1 = US $ 1.637, US $ 1 = Fl. 1.944 (1996: £1 = Fl. 2.619, £1 = US $ 1.556, US $ 1 = Fl. 1.683).

Under Dutch fiscal legislation, tax is charged on the grant of NV options. NV lends the amount of the tax to the recipients of the options. Amounts are repaid when the options are exercised. At 31 December 1997, a total of Fl. 1.3 million (1996: Fl. 1.5 million) was lent to directors.

Mr C M Jemmett and Dr O O H Müller retired as directors at the Annual General Meetings in 1997 and as Unilever employees on 31 May 1997. As compensation for the early termination of their service contracts, each of Mr C M Jemmett and Dr O O H Müller was entitled to receive the difference between his pension and basic salary for one year from 1 June 1997 and the bonuses for 1997 and the period January to May 1998 that would otherwise have been paid. Mr Jemmett may also benefit from compensation from NV for additional tax payable on any exercise of stock options occasioned by his early retirement.

No other compensation for loss of office, payments for loss of office or other termination payments were paid to directors in 1997, nor were any such payments made in 1996.

Unilever Group

Report of the Remuneration Committee

Emoluments and interests of directors *(continued)*

Directors' interests: share options

Directors are generally entitled to share options on the same basis as other employees. They participate in the NV Employee Share Option Scheme and the PLC 1985 Sharesave Scheme, which are all-employee schemes, and in the International 1997 Executive Share Option Scheme.

The NV Employee Share Option Scheme was introduced in 1995 and is open to all employees who participate in the Unilever Save-As-You-Earn Scheme in the Netherlands. The PLC 1985 Sharesave Scheme is open to all employees who work a minimum number of hours in the United Kingdom. The North American Employee Stock Purchase Plan was also introduced in 1995 and is open to all employees in the United States and Canada.

Grants of share options to directors and other senior executives in 1997 were made under the International 1997 Executive Share Option Scheme (the 'International Scheme'). The International Scheme comprises the NV Executive Share Option Scheme, the Unilever PLC International 1997 Executive Share Option Scheme and the North American Executive Stock Option Plan. The Boards granted options to acquire a number of ordinary shares in NV and a number of ordinary shares in PLC of approximately equal market value.

The Boards have established benchmark grant levels (the 'normal allocation') to assist in determining actual grant levels under the International Scheme. The actual level of grant made to each individual, which is decided by the Boards who are advised by the Remuneration Committee, is dependent on certain performance criteria, group and individual, which are set annually by the Boards and the Remuneration Committee. These criteria must be satisfied before an individual can be granted an option.

The Group criterion for 1997 was that the Group's earnings per share over the three financial years preceding the date of grant of any option should have cumulatively risen by at least 6% more than the rate of inflation. If it had not, no grants would have been made.

Once the Group criterion had been met, each individual who was to be granted an option was entitled to a percentage of the relevant normal allocation depending on satisfaction of the individual performance criterion. For the Chairmen and directors, the target was for the Group's earnings per share over the financial year preceding the date of grant of an option to have risen by a certain percentage above the rate of inflation. The level of grant would vary according to the amount of the percentage rise. The Remuneration Committee, after taking into account the guidelines and views of institutional investor committees, decided that for 1997 the targets and levels of grant would be:

EPS achieved	Level of grant as percentage of normal allocation
Inflation + less than 4%	0%
Inflation +4%	50%
Inflation +5%	75%
Inflation +6%	100%
Inflation +7%	125%
Inflation +8% or more	150%

The normal allocations in 1997 to which the percentages above would be applied were:

	NV shares	PLC shares
Chairmen	12 000	80 000
Other directors	6 000 - 7 500	40 000 - 60 000

The price payable for each ordinary share under an option is not less than the closing price on the Stock Exchange Daily Official List on the date of grant. In normal circumstances, an option granted under the International Scheme may not be exercised earlier than three years after the date of grant.

Participants will be further incentivised by the grant of 'premium options'. These are options granted to reward commitment and good performance over a five year period. The first premium options will therefore be granted in 2002. To qualify for the grant of a premium option, the Group must have performed well over the preceding five years and each individual must not have realised free cash from the exercise of options granted in the previous five years and must have received on average at least 100% of his normal allocation over the preceding five years. It is currently intended that premium options should be granted over 20% of the number of shares subject to the individual's initial grant of options under the scheme.

Formerly, options under the NV and PLC Executive Share Option Schemes were only granted if the Remuneration Committee was satisfied that there had been a sufficient improvement in the performance of the Group over the two to three years preceding the grant. The grant of options to an individual executive on the first and each subsequent occasion was discretionary. It was dependent on the Chairmen being satisfied that the grant was merited by the individual in the light of personal performance and potential for future contribution to the business. For the Boards, the Remuneration Committee had to be so satisfied. Options were phased in evenly over a three year period. The maximum number of options depended on seniority. The maximum aggregate value of the exercise prices of options that could be held at any one time was four times appropriate salary.

For convenience and ease of presentation, the information on share options and notional options is presented together on the next page.

Unilever Group

Report of the Remuneration Committee

Emoluments and interests of directors *(continued)*

Directors' interests: share options *(continued)*

Options to acquire NV ordinary shares of Fl. 1 each and options and notional options to acquire PLC ordinary shares of 1.25p each were granted, exercised and held during 1997 as follows:

Name		1 January	Granted	Exercised	31 December	Weighted Average Exercise Price of Options at 31 December
N W A FitzGerald	(a)	25 884	18 000 (1)	15 960 (5)	27 924	Fl. 80.46
	(c)	395 392	120 000 (2)	0	515 392	315p
	(d)	7 996	0	0	7 996	223p
M Tabaksblat	(a)	112 220	18 000 (1)	25 348 (6)	104 872	Fl. 61.09
	(c)	0	120 000 (2)	0	120 000	407p
	(d)	4 132	0	0	4 132	182p
J I W Anderson	(a)	55 996	11 252 (1)	24 776 (7)	42 472	Fl. 63.40
	(b)	24	16 (3)	0	40	Fl. 79.15
	(c)	239 640	75 000 (2)	239 640 (8)	75 000	407p
	(d)	7 996	0	4 132 (9)	3 864	268p
	(e)	98 352	0	98 352 (10)	0	0
R D Brown	(a)	17 740	9 000 (1)	14 680 (11)	12 060	Fl. 83.57
	(c)	291 004	60 000 (2)	180 348 (12)	170 656	339p
	(d)	9 504	0	8 264 (13)	1 240	278p
	(e)	79 380	0	79 380 (14)	0	0
A Burgmans	(a)	58 096	9 000 (1)	0	67 096	Fl. 59.60
	(b)	56	16 (3)	0	72	Fl. 66.58
	(c)	0	60 000 (2)	0	60 000	407p
	(d)	4 132	0	0	4 132	182p
A C Butler	(a)	16 692	11 252 (1)	8 960 (15)	18 984	Fl. 76.26
	(c)	238 212	75 000 (2)	0	313 212	330p
	(d)	10 328	4 652 (4)	10 328 (16)	4 652	371p
	(e)	67 472	0	0	67 472	227p
H Eggerstedt	(a)	87 840	11 252 (1)	39 172 (17)	59 920	Fl. 60.40
	(c)	0	75 000 (2)	0	75 000	407p
	(d)	7 996	0	4 132 (18)	3 864	268p
A Kemner	(a)	62 792	11 252 (1)	37 328 (19)	36 716	Fl. 65.70
	(b)	56	16 (3)	0	72	Fl. 66.58
	(c)	0	75 000 (2)	0	75 000	407p
	(d)	6 440	0	0	6 440	268p
J Peelen	(a)	59 592	11 252 (1)	11 236 (20)	59 608	Fl. 63.57
	(b)	56	16 (3)	0	72	Fl. 66.58
	(c)	0	75 000 (2)	0	75 000	407p
	(d)	6 884	0	0	6 884	250p
R M Phillips	(a)	0	9 000 (1)	0	9 000	Fl. 94.30
	(c)	337 928	60 000 (2)	0	397 928	315p
	(f)	71 800	0	0	71 800	US $ 26.05
A S Ganguly	(a)	13 744	0	0	13 744 (23)	Fl. 48.83
	(c)	171 780	0	0	171 780 (23)	283p
	(d)	7 996	0	0	7 996 (23)	223p
C M Jemmett	(a)	17 612	0	0	17 612 (23)	Fl. 50.25
	(c)	458 744	0	170 604 (21)	288 140 (23)	237p
	(d)	7 996	0	0	7 996 (23)	223p
	(e)	14 496	0	0	14 496 (23)	255p
O O H Müller	(a)	79 484	0	51 972 (22)	27 512 (23)	Fl. 55.23
	(b)	56	0	0	56 (23)	Fl. 58.53
	(d)	4 132	0	0	4 132 (23)	182p

(a) Number of NV shares the subject of options under the NV or PLC Executive Share Option Schemes.
(b) NV Employee Share Option Scheme.
(c) Number of PLC shares the subject of options under the NV or PLC Executive Share Option Schemes.
(d) PLC 1985 Sharesave Scheme.
(e) PLC Notional Executive Share Option Scheme.
(f) North American Executive Stock Option Plan.

Numbers of options granted, exercised and held during 1997 have been restated to reflect the four-for-one share split in October 1997. See also notes on page 45.

Unilever Group

Report of the Remuneration Committee

Emoluments and interests of directors *(continued)*

Directors' interests: share options *(continued)*
All share options and notional options are exercisable at a range of dates between 1998 and 2007 (see note 18 on page 19). No options lapsed unexercised during the year. The market price of the ordinary shares at the end of the year was, for NV Fl. 125.00 and US $ 62.44 and for PLC 521p, and the range during the year was between Fl. 74.38 and Fl. 125.00 and US $ 41.13 and US $ 62.69, and 338p and 523p respectively. There were no share options or notional options for which the exercise price exceeded the market price of the shares as at 31 December 1997.

Any payments in respect of PLC notional share options are included under 'Performance related payments' in the table of Directors' emoluments on page 42.

Notes:

Note number	Number of shares	Exercise price	Market price at date of exercise
(1)	all	Fl. 94.30	n/a
(2)	all	407p	n/a
(3)	all	Fl. 94.25	n/a
(4)	all	371p	n/a
(5)	7 840	Fl. 49.27	Fl. 95.13
	8 120	Fl. 51.27	Fl. 95.13
(6)	16 216	Fl. 46.25	Fl. 83.28
	9 132	Fl. 49.27	Fl. 119.61
(7)	24 776	Fl. 49.27	Fl. 96.13
(8)	96 132	183p	424p
	76 976	227p	424p
	66 532	262p	424p
(9)	4 132	182p	468p
(10)	36 512	162p	424p
	8 096	184p	424p
	53 744	227p	424p
(11)	1 796	Fl. 48.00	Fl. 115.22
	12 884	Fl. 49.27	Fl. 115.22

Note number	Number of shares	Exercise price	Market price at date of exercise
(12)	119 816	227p	458p
	36 304	254p	458p
	24 228	262p	458p
(13)	8 264	182p	468p
(14)	79 380	227p	458p
(15)	8 960	Fl. 49.27	Fl. 95.50
(16)	10 328	182p	480p
(17)	30 748	Fl. 46.25	Fl. 83.21
	8 424	Fl. 46.80	Fl. 106.10
(18)	4 132	182p	468p
(19)	27 488	Fl. 49.27	Fl. 95.85
	9 840	Fl. 51.27	Fl. 116.40
(20)	2 436	Fl. 49.27	Fl. 95.25
	8 800	Fl. 51.27	Fl. 95.25
(21)	114 832	109p	424p
	35 376	134p	424p
	20 396	162p	424p
(22)	42 628	Fl. 46.80	Fl. 94.93
	9 344	Fl. 49.27	Fl. 94.93
(23)	On retirement as a director on 31 May 1997		

The exercise of all options under the NV Executive Share Option Scheme and North American Executive Stock Option Plan have always been satisfied by the transfer of shares purchased in the market at the time of grant and held until exercise. The same practice has been adopted in respect of the PLC 1985 Sharesave and Executive Share Option Schemes for grants made from 1990 onwards and in respect of the NV Employee Share Option Scheme and the North American Employee Stock Purchase Plan from their inceptions during 1995. The Board has continued the same practice with the Unilever PLC International 1997 Executive Share Option Scheme in 1997. During 1997, 1 489 144 NV shares and 11 800 000 PLC shares were purchased in the market in respect of options granted under these schemes.

Share numbers and prices have been restated to reflect the four-for-one share split in October 1997.

Unilever Group

Report of the Remuneration Committee

Emoluments and interests of directors *(continued)*

Directors' interests: share capital

The interests in the share capitals of NV and PLC and their group companies of those who were directors at the end of 1997 and of their families were as shown in the tables below:

	1 January	31 December
NV (ordinary shares)		
N W A FitzGerald	—	4 000
R M Phillips	7 200	7 200
PLC (ordinary shares)		
N W A FitzGerald	22 400	22 472
	—	175 632 840 [a]
J I W Anderson	8 556	17 448
R D Brown	2 840	11 104
A Burgmans	7 704	7 704
A C Butler	12 000	22 328
H Eggerstedt	8 520	12 652
A Kemner	8 520	8 520
Margarine Union (1930) Limited (shares)		
N W A FitzGerald	—	600 [a]

(a) Held jointly as a trustee of the Leverhulme Trust and the Leverhulme Trade Charities Trust with no beneficial interest.

The directors, in common with other employees of PLC and its United Kingdom subsidiaries, have beneficial interests in the undermentioned NV and PLC ordinary shares acquired by the Unilever Employee Share Trusts for the purpose of satisfying options granted from 1990 onwards under the PLC 1985 Executive Share Option and Sharesave Schemes and the Unilever PLC International 1997 Executive Share Option Scheme.

	1 January	31 December
All directors - NV ordinary Fl. 1 shares	—	220 276
- PLC ordinary 1.25p shares	53 025 432	42 951 985

Further information, including details of the NV and PLC ordinary shares acquired by certain group companies in connection with other share option schemes, is given in note 18 on page 19.

The only changes in the interests of the directors and of their families in NV and PLC ordinary shares between 31 December 1997 and 28 February 1998 were that:

(i) the holdings of the Unilever Employee Share Trusts have reduced to 41 075 440 PLC shares.
(ii) Mr R D Brown sold 11 104 PLC shares.
(iii) Mr M Tabaksblat acquired 4 132 PLC shares through the exercise of options granted under the PLC 1985 Sharesave Scheme.

Unilever Group

Report of the Remuneration Committee

Emoluments and interests of directors *(continued)*

Service contracts

NV and PLC's Articles of Association require that at every Annual General Meeting all the directors shall retire from office. All directors' contracts of service with the Unilever Group are generally terminated at the end of the month in which the Annual General Meeting next before or after the director's 62nd birthday occurs.

Contracts are currently determinable by the employer at not less than two years' notice. Formerly, contracts were determinable by the employer at not less than three years' notice. The Remuneration Committee believes that this change for existing directors, as reported last year, has brought their service contracts into line with the arrangements for the existing directors of many peer group companies. The Committee has noted the various recommendations in the United Kingdom in favour of one year contracts and continues to be concerned to have regard to best practice in both the Netherlands and the United Kingdom. Consequently, developments in both countries are kept under regular review with respect to existing directors and new appointments.

The compensation payable to a director upon the termination of his service contract will be calculated in accordance with the law applicable. The company will take a rigorous approach in requiring mitigation of loss should the service contract of a director be terminated on the grounds of inadequate performance.

In 1997 three directors served for only part of the year. In 1996 one director served for only part of the year.

Former directors

The only significant payments made to former directors during 1997 were their entitlements under the Unilever pension and early retirement schemes. See 'Superannuation of former directors' in note 3 on page 13.

Advisory Directors

The Advisory Directors are not formally members of the Boards of NV and PLC and are therefore excluded when reference is made to directors in the preceding text.

The remuneration of the Advisory Directors is decided by the Boards. Advisory Directors receive an annual fee and are reimbursed expenses incurred in attending meetings. They do not receive any performance related bonuses, pension provisions, share options or other forms of benefit.

The annual fee paid in 1997 to each of B Collomb, O Fanjul, F H Fentener van Vlissingen, K O Pöhl and O Ruding was Fl. 80 000 and to each of Sir Derek Birkin, Sir Brian Hayes, J W Kinnear and Lord Wright of Richmond was £27 500.

At the end of 1997 the aggregate interests of the Advisory Directors in the share capital of NV and PLC were 7 960 (1996: 7 960) ordinary shares of NV and 4 240 (1996: 4 240) ordinary shares of PLC.

Unilever Group

Five year record

Fl. million	1993	1994	1995	1996	**1997**
Consolidated profit and loss account					
Turnover	77 626	82 590	79 703	87 795	**94 597**
Operating profit	5 415	7 030	6 389	7 528	**7 576**
Non-operating exceptional items [(a)]	245	38	—	—	**7 998**
Income from fixed investments	179	174	120	89	**85**
Interest	(472)	(608)	(645)	(657)	**(230)**
Profit on ordinary activities before taxation	5 367	6 634	5 864	6 960	**15 429**
Profit on ordinary activities after taxation	3 751	4 512	3 889	4 429	**11 244**
Net profit	3 612	4 339	3 725	4 215	**10 936**
Combined earnings per share [(b)(c)]					
Guilders per Fl. 1 of ordinary capital	3.23	3.88	3.32	3.75	**9.74**
Pence per 1.25p of ordinary capital	17.36	20.90	19.66	21.47	**44.55**
Ordinary dividends [(b)]					
NV – Guilders per Fl. 1 of ordinary capital	1.47	1.55	1.55	1.75	**2.23**
PLC – Pence per 1.25p of ordinary capital	6.26	6.70	7.35	8.01	**8.42**
Consolidated balance sheet					
Fixed assets	22 542	22 674	22 042	23 902	**20 375**
Stocks	9 901	10 168	10 683	11 573	**10 378**
Debtors	12 223	12 402	11 757	13 562	**13 928**
Trade and other creditors	(17 572)	(17 305)	(16 675)	(18 644)	**(20 039)**
	27 094	27 939	27 807	30 393	**24 642**
Net (funds)/debt [(d)]	4 973	4 789	4 703	5 014	**(10 625)**
Provisions for liabilities and charges	8 234	8 221	8 220	9 014	**9 494**
Minority interests	710	783	895	1 015	**1 039**
Capital and reserves	13 177	14 146	13 989	15 350	**24 734**
	27 094	27 939	27 807	30 393	**24 642**

(a) Non-operating exceptional items in 1997 includes Fl. 8 482 million profit on sale of speciality chemicals businesses.

(b) Figures for earnings per share and dividends have been restated in all years to reflect the four-for-one share split in October 1997.

(c) For the basis of the calculations of combined earnings per share see note 28 on page 24.

(d) Net (funds)/debt comprises borrowings less cash and current investments.

Unilever Group

Five year record

Fl. million	1993	1994	1995	1996	**1997**
By geographical area					
Turnover					
Europe	40 676	41 919	41 277	42 706	**43 331**
North America	15 907	16 548	14 993	18 328	**19 613**
Africa and Middle East	4 979	5 281	4 945	5 513	**6 327**
Asia and Pacific	9 464	10 891	10 924	12 589	**14 613**
Latin America	6 600	7 951	7 564	8 659	**10 713**
	77 626	82 590	79 703	87 795	**94 597**
Operating profit					
Europe	2 825	3 481	3 190	3 566	**3 852**
North America	689	1 405	1 109	1 628	**1 112**
Africa and Middle East	435	472	458	473	**479**
Asia and Pacific	864	931	951	1 033	**1 228**
Latin America	602	741	681	828	**905**
	5 415	7 030	6 389	7 528	**7 576**
Net operating assets (a)					
Europe	9 727	10 062	10 155	10 855	**6 208**
North America	6 130	5 651	5 067	6 121	**3 693**
Africa and Middle East	1 703	1 480	1 874	2 074	**2 279**
Asia and Pacific	2 319	2 886	2 876	3 289	**3 153**
Latin America	1 912	1 895	2 178	2 258	**2 999**
	21 791	21 974	22 150	24 597	**18 332**

By operation (b)	1993	1994	1995	1996	**1997**
Turnover					
Foods	39 703	43 033	41 690	43 841	**47 216**
Home & Personal Care	29 216	30 427	28 937	34 583	**41 152**
Plantations, Plant Science & Trading Operations	2 188	2 590	2 502	2 397	**2 232**
Speciality Chemicals (c)	6 519	6 540	6 574	6 974	**3 997**
	77 626	82 590	79 703	87 795	**94 597**
Operating profit					
Foods	2 804	3 422	2 828	3 127	**2 745**
Home & Personal Care	1 801	2 594	2 461	3 216	**4 079**
Plantations, Plant Science & Trading Operations	153	196	225	195	**238**
Speciality Chemicals (c)	657	818	875	990	**514**
	5 415	7 030	6 389	7 528	**7 576**
Net operating assets (a)					
Foods	11 052	11 052	11 176	11 918	**10 784**
Home & Personal Care	6 508	6 172	6 190	7 315	**7 124**
Plantations, Plant Science & Trading Operations	413	712	839	853	**424**
Speciality Chemicals (c)	3 818	4 038	3 945	4 511	**—**
	21 791	21 974	22 150	24 597	**18 332**
Capital expenditure					
Foods	1 852	1 984	1 614	1 642	**1 614**
Home & Personal Care	1 145	1 161	870	906	**1 117**
Plantations, Plant Science & Trading Operations	273	346	73	83	**70**
Speciality Chemicals (c)	560	484	513	430	**262**
	3 830	3 975	3 070	3 061	**3 063**

(a) See note 1 on pages 12 and 13.

(b) The segments formerly reported as Detergents and Personal Products have been combined into one segment, Home & Personal Care.

(c) The principal speciality chemicals businesses were sold in July 1997. Continuing businesses previously reported as Speciality Chemicals have been reallocated to other segments.

Unilever Group

Five year record

Fl. million	1993	1994	1995	1996	**1997**
Consolidated cash flow statement (a)					
Cash flow from operating activities	7 953	9 104	8 189	9 993	**12 262**
Returns on investments and servicing of finance	(618)	(658)	(756)	(687)	**(750)**
Taxation	(1 482)	(2 317)	(1 669)	(1 877)	**(4 157)**
Capital expenditure and financial investment	(3 403)	(3 837)	(2 953)	(2 819)	**(2 774)**
Acquisitions and disposals	(1 587)	(1 135)	(1 581)	(2 275)	**13 749**
Dividends paid on ordinary share capital	(1 415)	(1 511)	(1 540)	(1 796)	**(2 075)**
Cash inflow/(outflow) before management of liquid resources and financing	(552)	(354)	(310)	539	**16 255**
Management of liquid resources	706	(791)	651	(766)	**(14 122)**
Financing	(91)	621	(195)	770	**(1 517)**
Increase/(decrease) in cash in the period	63	(524)	146	543	**616**
Key ratios (b)					
Return on shareholders' equity (%)	28.5	32.0	26.4	29.4	**49.9**
Return on capital employed (%)	15.5	16.9	14.2	15.2	**29.0**
Operating margin (%)	7.0	8.5	8.0	8.6	**8.0**
Net profit margin (%) (c)	4.7	5.3	4.7	4.8	**11.6**
Net interest cover (times)	12.3	11.9	10.1	11.6	**68.1**
Net gearing (%)	26.3	24.3	24.0	23.5	**—**
Sterling/guilder exchange rates					
Annual average £1 = Fl.	2.79	2.78	2.53	2.62	**3.18**
Year-end £1 = Fl.	2.87	2.72	2.49	2.96	**3.34**

(a) The cash flow statement and the associated notes are presented in accordance with United Kingdom Financial Reporting Standard 1. Figures for prior years have been restated on the same basis.

(b) Return on shareholders' equity is net profit attributable to ordinary shareholders expressed as a percentage of the average capital and reserves attributable to ordinary shareholders during the year.

Return on capital employed is the sum of profit on ordinary activities after taxation, plus interest, after tax, on borrowings due after more than one year, expressed as a percentage of the average capital employed during the year.

Operating margin is operating profit expressed as a percentage of turnover.

Net profit margin is net profit expressed as a percentage of turnover.

Net interest cover is profit before net interest and taxation divided by net interest.

Net gearing is net debt (borrowings less cash and current investments) expressed as a percentage of the sum of capital and reserves, minority interests and net debt.

Return on shareholders' equity is substantially influenced by the Group's policy of writing off purchased goodwill in the year of acquisition as a movement in profit retained. Return on capital employed and net gearing are also influenced but to a lesser extent.

(c) Net profit margin includes the profit on sale of the speciality chemicals businesses in 1997.

Unilever Group

Additional information for United States investors

Unilever's consolidated accounts are prepared in accordance with accounting principles which differ in some respects from those applicable in the United States. The following is a summary of the approximate effect on the Group's net profit, combined earnings per share and capital and reserves of the application of United States generally accepted accounting principles (US GAAP).

	Fl. million	
	1997	1996
Net profit as reported in the consolidated profit and loss account	**10 936**	4 215
US GAAP adjustments:		
Profit on sale of speciality chemicals businesses	**244**	—
Goodwill	**(325)**	(356)
Identifiable intangibles	**(215)**	(223)
Restructuring costs	**89**	(200)
Interest	**(22)**	16
Pensions	**(192)**	(5)
Taxation effect of above adjustments	**79**	131
Net decrease	**(342)**	(637)
Approximate net income under US GAAP	**10 594**	3 578
Approximate combined net income per share under US GAAP		
Guilders per Fl. 1 of ordinary capital	**9.43**	3.18
Pence per 1.25p of ordinary capital	**43.06**	18.22
Capital and reserves as reported in the consolidated balance sheet	**24 734**	15 350
US GAAP adjustments:		
Goodwill	**9 999**	8 699
Identifiable intangibles	**6 638**	5 831
Restructuring costs	**539**	414
Interest	**1 225**	1 304
Pensions	**450**	507
Dividends	**1 558**	1 378
Taxation effect of above adjustments	**(2 702)**	(2 095)
Net increase	**17 707**	16 038
Approximate capital and reserves under US GAAP	**42 441**	31 388
Net gearing under US GAAP (%) [a]	**—**	13

(a) See note (b) on page 49.

Unilever Group

Additional information for United States investors

The following is a summary of the more important differences between Unilever's accounting principles and US GAAP.

Profit on sale of chemicals businesses

Unilever calculates profit on sale of businesses after writing back any goodwill previously charged directly to reserves but without adjusting for currency retranslation differences recognised through the statement of total recognised gains and losses. Under US GAAP the profit on disposal of the discontinued speciality chemicals businesses is adjusted to reflect the write-back of cumulative currency retranslation and the difference between the total goodwill written back and the unamortised balance charged under US GAAP.

Goodwill and other intangibles

Unilever writes off goodwill and all other intangible assets arising on the acquisition of new interests in group companies and associated companies directly to profit retained in the year of acquisition. Under US GAAP, goodwill and identifiable intangibles, principally trade marks, are capitalised and amortised against income over their estimated useful lives, not exceeding 40 years.

Restructuring costs

Unilever charges all restructuring costs to the profit and loss account in the period in which the decision has been made to restructure a part of the Group's activities. Under US GAAP, certain types of restructuring costs are only recognised when further specific criteria are also met.

Interest

Unilever treats all interest costs as a charge to the profit and loss account in the current period. Under US GAAP interest incurred during the construction periods of tangible fixed assets is capitalised and depreciated over the life of the assets.

Pensions

Under Unilever's accounting policy the expected costs of providing retirement pensions are charged to the profit and loss account over the periods benefiting from the employees' services. Variations from expected cost are similarly spread. Under US GAAP, pension costs are also spread, but based on prescribed actuarial assumptions.

Dividends

The proposed final ordinary dividends and related United Kingdom Advance Corporation Tax are provided for in the Unilever accounts in the financial year in respect of which they are subsequently recommended by the Boards of Directors for approval by the shareholders. Under US GAAP such dividends are not provided for until they become irrevocable.

Back cover: *Sunsilk* shampoo is Unilever's best selling global hair care brand. It is known under the *Seda* name in Brazil.

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