

1947

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

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TRANSLATION  
OF  
ANNUAL REPORT  
AND  
STATEMENT OF ACCOUNTS  
AT  
31st DECEMBER 1947

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*Lever Brothers & Unilever N.V., the Dutch Company, is referred to as  
“N.V.”*

*Lever Brothers & Unilever Limited, the English Company, is referred to as  
“LIMITED”.*

*They are referred to jointly as “The Parent Companies”.*

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# LEVER BROTHERS & UNILEVER N.V.

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## DIRECTORS

PAUL RIJKENS *Chairman*

ARTHUR HARTOG  
SIR GEOFFREY HEYWORTH } *Vice-Chairmen*

M. G. DE BAAT

HAROLD HALL BAGNALL

JAMES P. VAN DEN BERGH

SIDNEY J. VAN DEN BERGH

CHARLES HUGH CLARKE

SIR HERBERT DAVIS

JOHN HENRY HANSARD

JAMES LAURENCE HEYWORTH

ROGER HARDMAN HEYWORTH

RALPH ESTILL HUFFAM

RUDOLF G. JURGENS

THE VISCOUNT LEVERHULME

ROWLAND HUNTLY MUIR

FRANK SAMUEL

A. E. J. SIMON THOMAS

F. J. TEMPEL

## ADVISORY DIRECTORS

J. M. HONIG

RUDOLF JURGENS

K. P. VAN DER MANDELE

J. L. POLAK

J<sup>HR.</sup> J. A. G. SANDBERG

H. L. WOLTERSOM

## SECRETARY

E. A. HOFMAN

## AUDITORS

PRICE, WATERHOUSE & Co.

COOPER BROTHERS & Co.

## SALIENT POINTS

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

*Figures relating to the year 1946 are given in brackets.*

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CAPITAL EMPLOYED has increased by Fl. 201,593,560 to Fl. 2,267,540,485, due mainly to:—

- (i) An issue by N.V. of Fl. 40,550,000 4% Preference Capital.
- (ii) Increases to Reserves of Fl. 158,415,477, including the premium on the above issue and an increase to the Future British Tax Reserve.

FIXED ASSETS AND LONG TERM CLAIMS have increased by Fl. 71,322,558 to Fl. 1,384,758,368.

NET CURRENT ASSETS have increased by Fl. 130,271,002 to Fl. 882,782,117.

TURNOVER was Fl. 5,124,324,000 (Fl. 3,618,882,000).

DEPRECIATION provided was Fl. 36,060,380 (Fl. 28,967,695).

FIXED ASSETS REPLACEMENT RESERVES charged to revenue amount to Fl. 38,882,000 (nil).

STOCK RESERVES set aside amount to Fl. 44,585,385 (Fl. 12,835,419).

TAXATION ON PROFITS amounted to Fl. 179,315,617 (Fl. 120,315,116).

CONSOLIDATED NET PROFIT after setting aside the above reserves of Fl. 83,467,385 (Fl. 12,835,419) was Fl. 91,003,333 (Fl. 115,118,578 of which Fl. 26,727,500 was appropriated to Future British Tax Reserve).

ORDINARY SHAREHOLDERS' FUNDS are now Fl. 1,158,122,701 (Fl. 999,457,224).

PROFIT ACCRUING TO THE ORDINARY SHAREHOLDERS on these funds was Fl. 54,676,515 or 4.7% (Fl. 54,590,903 or 5.4%).

ORDINARY DIVIDENDS proposed — N.V. 8.9% (8.9%); LIMITED 10% (10%) — absorb Fl. 23,395,431 or 2.0% on these funds (Fl. 23,373,182 or 2.3%), leaving, in addition to the Reserves referred to above,

PROFITS RETAINED IN THE BUSINESS of Fl. 31,281,084 or 2.7% on these funds (Fl. 31,217,721 or 3.1%).

# REPORT OF THE DIRECTORS FOR THE YEAR 1947

TO BE SUBMITTED AT THE GENERAL MEETING OF  
SHAREHOLDERS ON 26TH AUGUST 1948

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The Directors submit their Report and the Accounts for the year 1947 which, as hitherto, deal with the operations and results of both N.V. and LIMITED. The general method of presentation is similar to that adopted for the previous year. In the Balance Sheets, the Ordinary Capital and Reserves have been grouped to show the funds of the Ordinary shareholders as it is to these funds that the Ordinary dividends should be related.

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

## RESULTS

Details of the results are given in the Consolidated Profit and Loss Accounts (Statement F) and the figures must be considered in conjunction with the notes on that Statement and the General Notes on the Accounts set out on pages 20 and 21.

Out of the profits, reserves for replacement of fixed assets have been made amounting to — N.V. Fl. 17,500,000 (nil); LIMITED £2,000,000 (nil) — in addition to the normal provisions for depreciation which, in view of the rise in prices throughout the world, are insufficient. They represent the difference between applying the normal depreciation rates to original cost (or valuation) and applying them to the current replacement costs. Although the conservative dividend policy hitherto adopted has safeguarded the position, it is felt advisable to set aside specific amounts for this purpose. A view is thus obtained of the yearly profits after maintaining real capital.

Reserves have also been set aside against stock values amounting to — N.V. Fl. 10,000,000 (Fl. 6,000,000); LIMITED £3,235,000 (£639,362) — because profits have again arisen in 1947 on the turnover of stocks purchased at prices considerably below replacement cost and, having regard to present high prices, it has been considered prudent further to increase the reserves for stocks from current revenue. The necessity for the continuation of this charge will depend on the future trend of raw material and merchandise prices.

Details of the proposed appropriations are set out on Statements B and D from which it will be seen that the Directors propose to appropriate £1,500,000 (nil) to the General Reserve of LIMITED and to distribute a dividend of 8.9% (8.9%) on the Ordinary Capital of N.V. and a dividend of 10% (10%) on the Ordinary Stock of LIMITED. Together these proposed dividends represent 2.0% (2.3%) on the total funds of the Ordinary shareholders. They are equivalent in value under the terms of the Equalisation Agreement, and, if approved, will be payable on 3rd September, 1948. After the proposed appropriations, the profit carried forward is increased by Fl. 2,316,766 (Fl. 3,876,444) in N.V. and by £109,897 (£540,413) in LIMITED.

The results of our businesses in the Netherlands East Indies are included for the first time since the war; the loss sustained during the years 1940 to 1946 has been charged to revenue.

The provision of Fl. 1,457,500 made last year for estimated losses in Germany in 1946 is now considered to be sufficient to cover also the 1947 estimated losses. Information is again insufficient for the accounts of our German subsidiaries to be consolidated but it is hoped that it will be possible next year.

Results achieved to date in the current year are satisfactory.

## **REVIEW OF OPERATIONS**

During the past year the political and economic groupings of the nations of the world have grown more marked. This tendency cannot but have an effect upon your Companies, which operate in so many countries and are influenced by world conditions everywhere. We are therefore reviewing the year's operations by reference, as far as possible, to these groupings, dealing with each Group generally and discussing operations in individual countries where their importance or interest calls for special comment. In this way we present a picture of the Companies' operations against a world background, which with the accompanying Accounts should give shareholders the best possible understanding of the position of the business. The groupings we have selected are as follows:—

- I Western Europe;
- II North and South America;
- III Africa and The Middle East (excluding the United Africa Group) and Australasia;
- IV The Orient;
- V Eastern Europe;
- VI The United Africa Group.

To illustrate the relative importance of our businesses in the various groupings we give the turnover figures for the years 1947 and 1946.

### **I WESTERN EUROPE**

Operating as we do in all the countries of Western Europe, we have to contend to the full with the economic disorganisation that the war has left behind. With few exceptions supplies of raw materials have been rationed and rigid controls have been imposed. The lack of basic raw materials is not the only difficulty, however; often it is the shortage of some other essentials, such as packing materials, that holds production back. We are further handicapped by the balance of payments problem and the need to curtail capital expenditure. Everywhere throughout Western Europe we have had to apply the policy of "make do and mend" to plant which has been operating with very little spent upon it during the war or in subsequent years. In many countries Governments are struggling with inflation and we have had to adapt our operations to fit in with price and wage fixing regulations.

Over the period, however, there has been a gradual improvement and the volume of trade has shown an increase which has been more marked in those countries where shortages at the beginning of the period were the greatest. In Western Germany, too, the first signs of improved conditions are reflected in the increase of the fat ration.

A feature common to all Western European countries during the year was the development in the toilet preparations trade, the sales value of which increased by 80% as compared with 1946.

Throughout Western Europe and in particular in the Netherlands and in the United Kingdom our organisation is doing all it can to help with the export drive, in spite of the fact that the industries in which we are concerned do not normally play a great part in the export

trade: in the edible fat and detergent industries the most economic method of operation is normally by means of local production. On the other hand, as importers of merchandise in Africa and the Middle East we have had opportunities of greatly stimulating export trade and have been able to make a substantial contribution. Exports from the Netherlands reached a total of Fl. 38,722,000 and from the United Kingdom £13,815,000. In addition, profits made abroad have made a substantial contribution to the foreign exchange resources of both the Netherlands and the United Kingdom.

So long as the shortage of raw materials continues, and it is expected to do so for some time, we shall have a substantial surplus of production capacity in Western Europe. A further economic integration of the Western European countries would enable us to make better use of this capacity, and avoid having to increase it before the supply position for the whole of Western Europe makes it necessary.

For Western Europe the turnover was:—

1947	1946
Fl.	Fl.
2,784,599,000	1,898,989,000

No figures for Germany have been included, either in these figures or in the Consolidated Accounts.

#### THE NETHERLANDS

Although our businesses in the Netherlands have made considerable progress towards recovery, they had to operate under margins which left practically no profit after providing for the essential reserve for replacement of fixed assets to which reference has been made earlier in this report.

Supplies of raw materials in 1947 were more regular and also a little more plentiful than last year, mainly owing to the arrival of copra. Imports of other oil seeds were, however, still inadequate.

Although the position was less unfavourable than in 1946, our seed crushing mills were still working considerably below capacity. The refineries and hardening plant had a slightly greater throughput, due in part to commissions carried out for foreign account.

After a small decline in the spring, there was a gradual increase in margarine production. In October it was possible to reintroduce our high-quality product, Blue Band, which has been very favourably received by the public.

Our quick-freezing business was adversely affected by the dry summer, since less vegetables and fruit were available for processing and the production period was abnormally short. Our quick-frozen products were sold under the Birds Eye brand for the first time.

Rations of soap and other detergents for consumers were considerably increased. This permitted a substantial rise in production although it was often impossible to obtain raw materials of the kind and quality desired. Toilet soap and soft soap could only be made in relatively small amounts; the fat content of washing powders still fell short of the pre-war standard. There was a strong public demand for Vim scourer, which is unrationed. Solidox tooth-paste was re-introduced, although shortage of tubes made it impossible to meet the full public demand.

Exports of oils, fats, meats and some other foodstuffs were resumed on a limited scale towards the end of the year, and met with a good reception where they could be made available.

We were able to make important purchases of merchandise from Dutch industry for the United Africa Company Limited and its subsidiaries.

## UNITED KINGDOM

Owing to restrictions the tonnage of soap sold in 1947 was slightly less than in 1946. Two of our main brands—Lux Flakes and Pears Transparent soap—were re-introduced, albeit in quantities much below the public demand. Soap production costs have continued to rise principally because of a large increase in the price of oils and fats, but also by reason of additions to the cost of labour, transport and coal. During the fuel crisis in the early part of the year certain factories were partially closed and mainly as a result of that crisis the chemical trade of Joseph Crosfield & Sons Limited showed a reduction during the year.

Control is still exercised by the Ministry of Food over the margarine and compound fat industry and distribution of its products continues to be made by the Ministry's agents. Although it is not known for how much longer this control will continue, plans for the resumption of normal trading are constantly under review. The policy of concentrating production in the larger manufacturing units is being pursued, and a new unit at Bromborough is nearing completion, equipped with the latest type of plant for the manufacture of margarine and edible fats for the confectionery trade. Plant and machinery which has become obsolete has to some extent been replaced by modern equipment but the recent tightening of restrictions on expenditure on capital projects will retard progress.

The seed crushing mills also continued to operate under the control of the Ministry of Food. Output was somewhat reduced due to a decrease in the quantity of raw materials available. Reduced rations caused a decrease in the output of animal feeding stuffs during the first half of the year but an improvement in the second half of the year resulted in a 10% increase in the sales for the year.

The Food Companies continued to make progress and, although their operations were still subject to Ministry of Food allocations, the sales exceeded those of any previous year. Batchelor's Peas Limited has developed its production of soups while maintaining a leading position in canned processed peas. MacFisheries Limited has had another satisfactory year. The completion of its factory at Great Yarmouth enabled Birds Eye Foods Limited to increase production of its quick-frozen products for which there is a growing demand. The ice-cream trade of T. Wall & Sons Limited has been further developed.

## EIRE

The reduction in the soap ration caused a decrease in output. The manufacture of margarine was resumed early in January, 1947, and continued throughout the year, but the quantity manufactured fluctuated.

## BELGIUM

Greater quantities of oils and fats were available in Belgium and rations were increased. This resulted in a general increase in production, in which we shared. Our sales of soap and other detergents reached the pre-war level again while those of margarine, cooking fats and edible oil were even higher. We have improved the system of marketing so as to reduce the time our margarine takes to reach the consumer. The soap sales were mainly of rationed soaps from subsidised materials from the Belgian Congo, but from December it has been permissible to make and sell soap off the ration from unsubsidised materials at a higher selling price than for rationed products. We have taken advantage of this permission to re-launch Lux Toilet Soap and Soleil perborate washing powder.

## FRANCE

Our businesses felt the effect of the country's political and economic difficulties. Supplies of raw materials for the seed-crushing industry still remained far behind pre-war quantities although compared with 1946 there was a slight improvement. The shortage of butter caused

a considerable increase in the consumption of margarine and production exceeded the pre-war level. For our soap factories, however, conditions continued to be unfavourable. The hoped for increase in the ration did not materialise and although production in 1947 exceeded that in 1946 it was still only about half the 1938 figure. To meet the demand for cattle food our compound factories are being extended. We have started freezing fruit and vegetables in suitable districts and to market them under the Birds Eye brand, both locally and for export.

#### SWITZERLAND

Rationing of soap to the public ceased in the second half of the year although supplies of raw materials to manufacturers continued to be rationed. By and large our sales of oils and fats stand at their pre-war level. Soap sales have risen appreciably since 1938.

#### ITALY

Rationing and price controls for soap have been abolished. Our sales of soap and toilet articles developed satisfactorily.

#### DENMARK

The Government has reverted to its former policy of encouraging the consumption of margarine to increase the quantity of butter available for export. The total consumption of margarine is now more than half what it was before the war, when Denmark's *per capita* consumption was the highest in the world. Our sales of soap and other detergents are also progressing, but raw materials are still short.

#### NORWAY

We produced more margarine than before the war. Output of soap rose throughout the year, but has not yet reached its pre-war level. The oil-hardening plant worked at full capacity, processing 50% more than its normal throughput; most of its production was exported.

#### SWEDEN

Our businesses are developing steadily. Our soap and other detergent products are well established and sales have risen.

#### FINLAND

All our businesses, soap, margarine and cream, made progress. We are building an oil refinery where we will refine oil for our own purposes and for third parties.

#### WESTERN GERMANY

Our businesses in the Western zones of Germany were in an extremely difficult position due to lack of raw materials. The oil and margarine factories which form the mainstay of our interests in Germany were at a standstill, or were operating at only a fraction of their capacity; losses on oil and margarine have thus been unavoidable. Fortunately our other interests made profits, notably those in the detergents and toilet preparations industries and those concerned with the manufacture of paper and allied products, quick-frozen foods and food substitutes.

Progress is being made in the repair of war damage.

Supplies of oils and fats have increased in 1948, so there should be an improvement in results this year. But we are still subjected to far-reaching restrictions in operating and reconstructing our businesses.

## II NORTH AND SOUTH AMERICA

Because the national economies included in this important area are so diverse it is not possible to deal comprehensively with the Unilever interests in these territories, which constitute a geographical rather than an economic grouping.

The turnover was:—

1947	1946
Fl.	Fl.
959,742,000	693,653,000

### UNITED STATES

As the largest individual market in the world, the United States naturally is of the utmost importance. The contact which it provides with the most modern methods of competitive business in marketing and production techniques, has a value unmatched in any other part of the world. Every opportunity is taken to ensure that the knowledge of these techniques is widely dispersed throughout the organisation.

Thanks to the continuance of good domestic crops and adequate feed for animals, supplies of raw materials for the soap and edible fat industries were adequate, although consumers could certainly have absorbed a greater supply than was actually available. These and other factors led to marked movements in raw material prices, and selling prices of finished products had of necessity to be increased considerably in the early part of the year. Towards the middle of the year prices declined sharply, but later on they rose steadily and by November were almost up to the highest level reached in the early part of the year. Sales increased so far as raw materials made this possible, and profits were satisfactory.

The rapid development of synthetic washing preparations continued throughout the year and we entered this field with an excellent product under the name of "Breeze" which had a most encouraging reception from the public. Immediate preparations were made to increase production facilities for this type of product.

During the year the old established high-class cosmetic and beauty preparation business of Harriet Hubbard Ayer Inc. with branches in Paris and Montreal was acquired. This business fits satisfactorily into our organisation and brings our American business into another field where there is room for development.

The business of Thomas J. Lipton Inc. continues to expand. Lipton's tea sales reached a new high record, but there was some decline in the sale of soups due to trade distributors reducing their stocks of most foodstuffs below previous levels. Consumer demand, however, remained satisfactory.

### CANADA

Both our soap and edible fat business remained under price control which during and since the war has necessitated a raw material subsidy. The Government's policy has been gradually to remove both price control and subsidies and during the year some increases in the prices of the finished products have taken place, bringing them more into line with the world prices for the corresponding raw materials. Profits remained relatively unaffected. Our sales of toilet preparations, for which there is an increasing market in Canada, showed a substantial rise. Work was started on the construction of the new soap factory at Toronto, referred to in last year's report. It is expected to be completed late in 1949 at an approximate cost of \$9,000,000.

### SOUTH AMERICA

Our main interests are in the higher priced soaps, a wide range of high-class perfumery, and in edible oil for the kitchen and the table.

Sales and profits in the Argentine reached the highest level so far achieved. We were fortunate in having ample factory capacity available.

In Brazil, with increased supplies of essential oils we were able to show an increase in sales over the previous year. Plans are in hand for the more rapid development of both the perfumery and soap businesses in this vast market.

#### WEST INDIES

Because of the tendency in the West Indies and along the shores of the Caribbean towards greater self-sufficiency in manufacture we have taken the opportunity of acquiring a substantial interest in the business of West Indian Oil Industries Limited in Trinidad. This acquisition places us in a position to take part in the industrialisation of the West Indies, where we should be able to raise the level of efficiency in the processing of the raw materials available.

### III AFRICA AND THE MIDDLE EAST (EXCLUDING THE UNITED AFRICA GROUP) AND AUSTRALASIA

With the principal exception of the Belgian Congo, our interests in these territories are in the Sterling area.

The interests of the United Africa Group are dealt with under VI.

Our operations have been restricted in most places by the shortage of raw materials and, because the demand for our products exceeds the supply, we have had to distribute on a quota basis.

In most of these territories the economy is expanding and the standard of living rising. To keep pace with these developments we have plans for the expansion of our businesses which involve both the extension of our factories and the building of new ones. Here, the problem of the balance of payments holds development in check, and the reduction of capital expenditure in accordance with Government policy has forced us to defer many of our plans. For territories in the Sterling area, in deciding upon the projects with which we should proceed we have had to consider the extent to which they would be likely to contribute to the economy of that area, either by stimulating the production of inducement goods, or by providing exports to hard-currency countries.

The total turnover for our businesses in this Group was:—

1947	1946
Fl.	Fl.
151,128,000	120,092,000

#### SOUTH AFRICA

Production of our soaps was at a higher level than in 1946, the improvement taking place in the latter half of the year. Satisfactory progress was made on the extensions to the soap factories at Cape Town and Durban. The manufacture of margarine began in July, 1947, limited quantities only being allowed to be made for distribution through Government controlled channels. Consumers received our Stork margarine enthusiastically, and the demand exceeded the quantity allocated under our licence.

#### WEST AFRICA

The soap factories at Apapa in Nigeria and Leopoldville in the Belgian Congo were not short of raw materials and there was a substantial increase in soap output. Plans have been approved for extensions to permit the production of toilet soap at Leopoldville and for new factories in the Belgian Congo and in Nigeria, at Alberta and Port Harcourt.

## DOMINIONS OF INDIA AND PAKISTAN

The creation of these two new Dominions during 1947 brought important political and commercial consequences to our Indian business, itself the largest of our businesses in this group. Our factories are in the Dominion of India, but some time prior to the partition we had undertaken to erect manufacturing facilities in Pakistan, and the construction of the factory is proceeding. It is, however, difficult to obtain early delivery of steel and plant. In the meantime we are able to supply Pakistan with a certain quantity of our products from our Indian factories.

The disturbed conditions and shortages of raw materials led to a reduction in sales, though there was no slackening in the demand for our products and the trade in toilet preparations has increased considerably.

## CEYLON

Our business made further progress during the year; production facilities were used to the utmost and output reached a record figure. Further manufacturing capacity will come into operation in the current year. A revised scale of customs duties was introduced towards the end of the year and the cost of a number of the raw materials which must still be imported will be increased. It is probable that the sale of imported toilet preparations will be adversely affected for the same reason.

## BURMA

Limited quantities of our brands were available from the United Kingdom and met with a ready reception. This was also the case with toilet preparations until the end of August, when import restrictions were imposed. We were not able to make progress towards the erection of a factory in Rangoon.

## CHINA

The continuing inflation, the disturbed political situation and disrupted communications made both manufacture and trading difficult during 1947. Restrictions on foreign exchange have limited the import of certain raw materials. In spite of all these difficulties, sales of our products by the end of the year were practically back to pre-war levels and the real capital value of our business has been maintained. The rehabilitation of the factory at Shanghai, which was badly neglected during the Japanese occupation, has been completed.

## MALAYA

A suitable site has been obtained for the erection of the soap and edible fats factory referred to in last year's report, and plans for construction are well in hand. Difficulties are arising, however, over delivery of steel and plant. In the meantime we have been able to continue our pre-war trade on a limited scale, through imports from the United Kingdom and the Netherlands East Indies, with good results.

## THE PHILIPPINES

We were able to reconstruct our mill in Manila temporarily from salvaged plant and thus to participate in the coconut oil export business and provide raw materials for the manufacture of finished products for local consumption. The year on the whole was one of progress, though marred by a lengthy strike in the latter part. Towards the end of the year we had some difficulty in obtaining raw materials, and operations during the current year have been difficult. We have started to build a new plant, which will be one of the most modern copra mills in the world. It will be ready for operation in the autumn of 1948.

## V EASTERN EUROPE

Little progress can be reported since last year. Negotiations arising out of the nationalisation of our interests have continued with the Polish and Czechoslovak authorities. In 1948, we have agreed with the Czechoslovak authorities that we shall act as their agents for the purchase of oils and fats; for this, we shall receive amounts which will be taken into account when eventually agreement is reached on our claims in Czechoslovakia.

In Roumania and Hungary our local managements experienced great difficulty in operating our businesses independently. During 1948, our last non-Roumanian employee was refused permission to remain in the country; since then our businesses were nationalised. Recently, Hungarian legislation provided for further nationalisation of industry and other stringent controls, which may have a further adverse effect on our business.

In Austria we have been able to control our businesses to some degree, and to operate them at a profit. Our margarine and edible oil plant, however, is still under Russian administration.

## VI THE UNITED AFRICA GROUP

In West Africa the harvest of all the principal crops except cocoa showed an increase on previous years. The United Africa Company continued, together with other firms, to act as agents for the British Government in the purchase of produce subject to control.

There was a wider range of goods available in the merchandise business. During the year, direct territorial allocation of cotton goods from Lancashire was discontinued and this seriously reduced the volume of textiles available from England for the British West African market; but the shortfall was made good, although at higher prices, from continental and overseas markets. Supplies of merchandise other than textiles improved progressively during the year.

The development of the timber concessions in Nigeria and the Gold Coast has continued. From Nigeria over 40,000 tons of logs were exported, in addition to over 28,000 cu. m. of sawn timber produced at the saw mill at Sapele. The new plywood mill began producing veneer in July, 1947, and is now shipping over 740,000 sq. m. of veneer monthly to the United Kingdom. The high quality of this material and of its manufacture has created a very favourable impression. The manufacture of plywood was started in 1948.

Progress in the establishment of saw-mills and a plywood plant on the Gold Coast has not proceeded as rapidly as had been planned due to delay in the delivery of materials, but the rail-head depot has been completed, together with 22 km. of roadway through the virgin forest to the site of the plant. The site has been cleared and constructional work has started.

During the year three of the five vessels needed to complete the ocean fleet were brought into commission. Delays arising from the shortage of materials prevented delivery of the other two vessels.

The business in French Colonial territories has continued to develop and the value of merchandise turnover nearly doubled that of 1946.

The Belgian Congo, as a producer of much needed raw materials, was very prosperous during 1947. Our merchandise turnover increased by 33%. Over 41,500 tons of palm oil were produced from the Company's plantations and concessions, the highest figures so far achieved. Production is expected to increase progressively as additional areas, at present immature, come into production. During the year, 1,398 ha. of oil palm plantations came into production and 1,025 ha. of rubber and 380 ha. of oil palms were planted. The total area now planted with rubber is 4,434 ha. and with oil palms 33,507 ha. Surveys proceeded for the establishment of cocoa plantations. The Company's river fleet was occupied to capacity, carrying higher tonnages than in 1946. Continued attention has been given to the welfare of African

workers in the plantations. The medical staff, both doctors and nurses, has been increased. Two special schools have been established to train Congolese overseers and mechanics, and a comprehensive labour department with representatives in all production centres has been established.

In East Africa the business continued to make good progress. Turnover increased by almost 50% in spite of the difficult supply position. The Construction Company Limited has opened departments to handle water-boring and building, and arrangements have been concluded for a joint interest in the Construction Company to be taken by John Mowlem & Co. Ltd., whose world-wide experience and specialised knowledge should ensure its sound development.

In Turkey, a number of important contracts have been secured and it is hoped to obtain a substantial share of the trade resulting from the new five-year plan on which Turkey is embarking. Further East several branches have been opened at ports in the Persian Gulf.

Through The United Africa Company (Managing Agency) Ltd., the Company has acted in an honorary capacity as Managing Agents for the British Government's East African Groundnut Scheme, handing over their responsibility to the Overseas Food Corporation on the 1st April, 1948. Much of what the Agency has done has been pioneer work, laying the foundations of a vast and unprecedented enterprise. During the course of this work, experience and knowledge have been gained which should prove invaluable as the scheme develops. We are proud to have had the opportunity of playing a part in this great undertaking, which is also of importance as a prototype for the development of tropical territory by mechanised cultivation.

The turnover was:—

1947	1946
Fl.	Fl.
978,194,000	702,131,000

The United Africa Company Limited has begun to publish the series of Bulletins \*) dealing with its business in West Africa to which the Chairman referred at the Annual General Meeting in 1946.

### VISITS

Frequent interchange of visits has helped to maintain the vital link of personal contact between headquarters and our managements all over the world. During the year nearly a thousand visits were paid by Directors and other members of the Rotterdam and London Head Office staffs to companies abroad, and over three hundred visits were paid to these Head Offices by members of our staff serving abroad.

### RESEARCH

To expand our research activities on the food side we have acquired Colworth House Estate of 478 ha. in Bedfordshire, England. We are establishing a research station there. The work to be undertaken will include the study of the best methods of cultivating fruit and vegetables for processing both by freezing and canning. We shall pay special attention to improvements in flavour and yield. Part of the estate will be used as an experimental farm, where we will concentrate on finding improvements for our animal-feeding products.

Our other research activities in the Netherlands, England, and the United States of America are being further developed.

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\*) Copies of the current issues can be obtained on application to the Secretary of Lever Brothers & Unilever N.V. at Museumpark 1, Rotterdam, or the Secretary of the United Africa Company Limited at Unilever House, Blackfriars, London E.C. 4.

## **PERSONNEL**

The total membership of the Pension and Provident Funds increased by approximately 3,500 and at the end of 1947 amounted to 47,300. In addition, 7,900 employees in U.S.A., Norway and Switzerland, are covered by pension schemes effected through Insurance Companies. The capital accumulated in our Funds is now equivalent to Fl. 273,711,000 of which all but Fl. 18,388,000 is invested outside the Organisation.

The development of the industrial health services has continued and further whole-time medical officers and nurses have been appointed. During the year our principal medical officer paid a number of visits to our businesses in Europe and other parts of the world. These visits have been of great value in raising the standard of our health services and providing us with a clearer understanding of how to meet the problems which confront us in this important field.

Good progress has been made during 1947 with the Revisionary Training Scheme under which members of the management and staff in all parts of the world are continually brought into contact with current developments. Many of those taking part in this revisionary training during 1947 had returned during the previous twelve months from service with the Forces and were thus re-equipped for business life after the war interlude.

A Roll of Honour has been completed which records the names of 1,039 members of our Organisation who, either in the Allied Armed Forces or as civilians, died during the war years as a result of enemy action. A memorial has been erected in Rotterdam and one is being prepared for London.

## **MEMBERSHIP**

It is not possible to give the number of N.V. shareholders as almost the whole of the share capital of that Company is in bearer form. At 31st December, 1947, the number of stockholders in LIMITED was 194,872, with an average holding of nearly £360.

## **BOARD OF DIRECTORS**

Mr. C. W. Barnish retired from the Board on the 30th June, 1948, having reached retirement age. He had been in the service of the Company for over 50 years and had been a Director for 27 years.

All the Directors retire in accordance with Article 15 of the Articles of Association and, being eligible, offer themselves for re-election.

## **AUDITORS**

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

ROTTERDAM, 22nd July, 1948.

ON BEHALF OF THE BOARD,

P. RIJKENS, *Chairman*

A. HARTOG, *Vice-Chairman*

## REPORT OF THE AUDITORS TO THE MEMBERS OF LEVER BROTHERS & UNILEVER N.V.

We report to the Members that we have examined the balance sheet set out on Statement A, which is in agreement with the books of account. In our opinion these have been properly kept. Sufficient information is not available to enable us to estimate the extent to which the company's Reserves may be required to write down its interests in Germany and certain other countries in Central and South-Eastern Europe and the Far East, which have a book value of Fl. 155,540,624 and are reflected in the item Interests in Subsidiaries. As in past years the company's net profit has been arrived at after crediting dividends from its direct subsidiaries which are represented in part by profits of their subsidiaries capitalised by them as bonus shares or retained and not declared in dividend; the amount so included in dividends credited in 1947 approximates to the profit shown on Statement B. Subject to the foregoing remarks we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and in our opinion the balance sheet, amplified by the notes applicable thereto, gives a true and fair view of the state of the company's affairs as at 31st December, 1947.

We have also examined the consolidated balance sheet and consolidated profit and loss account of the company and its subsidiaries dealt with thereby set out on Statements E and F, with the accounts of those companies. Some of these have not been audited by us and some, forming a relatively small proportion of the assets and liabilities of the group, have not been audited. Subject to the foregoing and to the extent to which the Reserves may be required to write down Interests in Subsidiaries not consolidated, referred to above, in our opinion such consolidated balance sheet and consolidated profit and loss account, amplified by the notes applicable thereto, have been properly prepared so as to give a true and fair view respectively of the state of affairs and of the profit of Lever Brothers & Unilever N.V. and its subsidiaries dealt with thereby.

22nd July, 1948.

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

## REPORT OF THE AUDITORS TO THE MEMBERS OF LEVER BROTHERS & UNILEVER LIMITED

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company so far as appears from our examination of those books. We have examined the balance sheet set out on Statement C, which is in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, amplified by the notes applicable thereto, gives the information required by the Companies Act, 1948, in the manner so required and gives a true and fair view of the state of the company's affairs at the 31st December, 1947.

We have also examined the consolidated balance sheet and consolidated profit and loss account of the company and its subsidiaries dealt with thereby set out on Statements E and F with the accounts of those companies. The accounts of some of the subsidiaries have not been audited by us and those of an important group of subsidiaries having interests in Africa are estimated accounts as at 31st December, 1947. Subject to the foregoing in our opinion such consolidated balance sheet and consolidated profit and loss account, amplified by the notes applicable thereto, have been properly prepared in accordance with the provisions of the Companies Act, 1948, so as to give a true and fair view respectively of the state of affairs and of the profit of the Companies dealt with thereby so far as concerns the members of Lever Brothers & Unilever Limited.

22nd July, 1948.

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

# GENERAL NOTES ON THE ACCOUNTS

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The accounts set out in Statements A to F are in similar form to that adopted last year. Certain minor alterations have been made to comply with the Companies Act, 1948, mainly a re-allocation of Reserves and Provisions, and the Ordinary Capital and Reserves have been grouped in order to show more clearly the Ordinary Shareholders' Funds to which the proposed dividend distributions should be related.

The comparative figures of the previous year have been adjusted accordingly.

The accounts now presented should be read in conjunction with the following General Notes on the principles adopted. Notes on individual items in the accounts are given on the relevant Statements.

## ACCOUNTS OF N.V. AND LIMITED

### (1) BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS

- (a) Amounts shown on Statements A and C as owing by subsidiaries on Loans and Current Accounts (including dividends receivable) include substantial sums which, owing to their retention by subsidiaries for capital purposes, or owing to currency restrictions, cannot be remitted.
- (b) The net profits shown in the Profit and Loss Accounts of N.V. and LIMITED (Statements B and D) include revenue from subsidiaries only to the extent to which profits of direct subsidiaries have been declared as dividends. These dividends have either been received in cash or have been booked to the debit of the Loan or Deposit Accounts of those subsidiaries. Where the direct subsidiaries are themselves holding companies the results of their subsidiaries have been taken up as if those companies were branches after making provision for taxes that would become payable if their profits were distributed. In some cases, dividends from direct subsidiaries were represented partly by dividends, including stock dividends, from their subsidiaries and partly by profits retained by them for the development of their businesses. Where there are restrictions on the movement of currency or on the distribution of profits, the direct subsidiaries have retained amounts at least equivalent to the profits of the year subject to such restrictions.

## CONSOLIDATED ACCOUNTS

### (2) COMPANIES NOT CONSOLIDATED

The accounts of the following subsidiaries have been omitted from consolidation for the reasons stated:—

- (a) In Czechoslovakia, Yugoslavia, Roumania and Poland our interests have been nationalised. For those in Germany, Austria, Hungary and China, information is still insufficient. No profit or loss is included in respect of these companies. The Directors are of opinion that such losses as may subsequently be ascertained are more than covered by the Reserves of the N.V. Group which, to the extent required will be applied against the amounts invested in those countries. The provision of Fl. 1,457,500 made in 1946 for estimated losses in Germany in that year is now considered to be in excess of what was required and to be sufficient to cover also the estimated losses in 1947. At 31st December, 1946, subsidiaries in the Netherlands East Indies were included in this group, but accounts having now been received, they are taken up in the consolidation.
- (b) Two wholly-owned subsidiaries, Unilever Beleggingsbank N.V. and Unilever Savings Bank Limited, with issued capitals of Fl. 1,000 and £10,000 respectively are both purely employees' savings banks and, as their business is so different from that of other subsidiaries in the Groups, the Directors are of opinion that it would be misleading to consolidate them. Their assets amount to Fl. 10,098,050 (including claims on the parent companies and fellow subsidiaries Fl. 662,187), and liabilities to depositors Fl. 9,982,995. The Dutch company lost Fl. 17,816 in 1947 and had accumulated losses of Fl. 58,676. Provision for these losses has been made by the N.V. Group under guarantee to the depositors. The English company earned a profit of £2,070 in 1947 and has accumulated Revenue Reserves of £5,901 at 31st December, 1947. No dividends have been received by the Parent Companies from either company.

### (3) COMPANIES HAVING DIFFERENT YEAR END

- (a) In order to conform to the seasonal nature of their operations, the financial year of various subsidiaries of LIMITED having interests in Africa ends on 31st August. With the consent of the Board of Trade, the accounts of this group have been consolidated on the basis of estimated accounts at 31st December.
- (b) The financial years of three small subsidiaries also do not coincide with that of LIMITED, but in these cases accounts are prepared at 31st December.

#### (4) CONVERSION OF FOREIGN CURRENCIES

Foreign currencies have been expressed in guilders or sterling respectively on the following bases:—  
Fixed Assets: so far as was practicable, at the average rates ruling in the year of acquisition or valuation.  
Current Assets and Liabilities: at the rates ruling at the date of the balance sheet.  
Profits and Losses: at the average rates of the year, except for depreciation, which has been provided on the value of the fixed assets calculated as above in guilders or sterling.  
Combined figures: at the rate of £1 = Fl. 10.691 with the exception of the ordinary capital, which has been calculated at the rate of £1 = Fl. 12 in accordance with the terms of the Equalisation Agreement.

#### (5) VALUATION OF STOCKS

- (a) Stocks (Statement E (X) (a)) have been valued at the lower of cost or market value with the exception of certain by-products which have been valued considerably below market prices.
- (b) Amounts of Fl. 10,000,000 and £3,235,000—combined Fl. 44,585,385—have been added to the reserves for stocks in N.V. and LIMITED for the reasons stated in the Directors' Report. They are charged to revenue as "Exceptional Items" on Statement F (III) (c).

#### (6) FIXED ASSETS REPLACEMENT RESERVE

Amounts of Fl. 17,500,000 and £2,000,000—combined Fl. 38,882,000—have been set aside in N.V. and LIMITED for the reasons stated in the Directors' Report. These have been shown in the Consolidated Profit and Loss Accounts (Statement F (I) (b)) as amounts properly set aside out of profits so that a view may be obtained of the results of the year after allowing for the wastage of real values. In the Balance Sheets they have been shown as Capital Reserves.

#### (7) TAXATION

The main differences arising on British excess profits tax have now been settled with the British tax authorities and the opportunity has been taken of increasing the Future British Tax Reserve to cover in full the taxes which it is estimated would become payable if all the revenue reserves of overseas subsidiaries were distributed as dividends to the British holding companies. Hitherto British taxes had not been reserved on that part of these revenue reserves which it was anticipated would be retained to finance fixed assets and working capital. These two factors are reflected in the net credit adjustment for LIMITED of £1,143,402—Statement F (VI) (b).

The Reserve for future British tax shown on Statement E (II) (c) (2) now covers the estimated liability on all profits to date subject to future assessment, except the additional profits tax payable in the event of a subsequent distribution of retained profits of British companies.

#### (8) RESERVES

The amounts shown in the Consolidated Balance Sheets (Statement E) under the heading of General Reserves and profits carried forward—Heading II (c) (iii)—include those of subsidiaries. For the same reasons as are stated in General Note (1), these reserves and profits carried forward are not all available for distribution. A considerable portion has been retained by subsidiaries to finance fixed assets and working capital.

The following are explanations of movements in the consolidated reserves which are not shown in the accounts:

##### CAPITAL RESERVES

###### Fixed assets replacement

The increase of £2,507,302 for LIMITED consists of £2,000,000 set aside out of current revenue and of £507,302 accumulated surpluses on disposals of fixed assets and claims arising out of the war.

##### REVENUE RESERVES

###### Future British Tax

In N.V. the increase of Fl. 254,980 has been drawn from current revenue of a subsidiary of N.V. trading in the United Kingdom.

The increase of £3,300,000 for LIMITED represents the amount required to increase the reserve to cover British tax on all profits earned to date and has been drawn as to £149,298 from general reserves and £3,150,702 from current revenue.

###### General reserves and profits carried forward

The increase of £2,247,762 for LIMITED consists of profits retained of £2,139,583 and the release of surplus depreciation provisions of £257,477 of previous years less a transfer to reserve for future British tax of £149,298.



represent deductions.

**PROFIT APPROPRIATION ACCOUNT — YEAR ENDED 31ST DECEMBER 1947**

1946		Fl.	Fl.
Fl. 27,402,722	<b>Net Profit</b> as shown by the Consolidated Profit and Loss Account (Statement F) . . . .		28,391,926
	<b>APPROPRIATIONS—</b>		
	Dividends declared on—		
1,624,000	7% Preference Shares . . . . .	2,030,000	
5,238,528	6% Preference Shares . . . . .	6,548,160	
1,378,000	4% Redeemable Preference Shares . . . . .	2,189,000	
8,240,528		10,767,160	
15,285,750	Dividend of 8.9% proposed on Ordinary Shares . . . . .	15,308,000	
23,526,278			26,075,160
3,876,444	<b>INCREASE IN UNAPPROPRIATED BALANCE</b> . . . . .		2,316,766
6,288,961	<b>BROUGHT FORWARD FROM 1946</b> . . . . .		10,165,405
10,165,405	<b>BALANCE CARRIED FORWARD TO 1948</b> . . . . .		12,482,171

NOTES ON BALANCE SHEET (STATEMENT A)

There are contingent liabilities under guarantees and agreements on account of subsidiary and other companies.

Principles adopted in the preparation of the accounts are dealt with in the General Notes on pages 20 and 21.

Particular items are referred to below.

- (I) The 4% Redeemable Cumulative Preference Capital is redeemable at par at the Company's option either wholly or in part after 31st December, 1955. The increase is due to the issue for cash of Fl. 40,550,000 (nominal). Issue expenses of Fl. 1,143,065 have been written off as an exceptional loss—Statement F, heading (III) (e).
- (II) The increase in the Ordinary Capital arises from the issue of Fl. 250,000 Ordinary Shares on the acquisition of the whole of the share capital of N.V. Oliefabriek "Archa", an oil milling business in Batavia. In addition the vendors were paid Fl. 190,663 in cash.  
The increase of Fl. 1,417,087 in Premiums on issues of Capital arises from the two issues referred to under (I) and (II).  
Fl. 1,200,000 Ordinary Capital is held by a subsidiary of N.V. and Fl. 1,200,000 is held by a subsidiary of LIMITED. Fl. 240,000 4% Redeemable Cumulative Preference Capital is held by a subsidiary of LIMITED.  
The Capital and Revenue Reserves amounting in total to Fl. 181,091,422 are subject to provisions which, having regard to war damage, loss of earning capacity and other losses of whatever nature, will require to be made against interests in subsidiaries not consolidated and against claims on third parties in the countries concerned, the value of which cannot yet be ascertained. The book value of these non-consolidated interests and claims is Fl. 155,540,624.
- (IV) The increase in the total of Interests in Subsidiaries from Fl. 575,681,605 to Fl. 609,565,662 is due mainly to dividends receivable from subsidiaries and a further refund of Fl. 1,750,000 on account of the special allowances made in 1944 and 1945 to Van den Bergh's en Jurgens' Fabrieken N.V. which have been left on loan to those companies.
- (V) Debtors and payments in advance have been shown after provision for doubtful debts. The amount of Fl. 2,785,415 includes the equivalent of Fl. 602,906 which is subject to currency restrictions.

## BALANCE SHEET 31ST DECEMBER 1947

1946 £	CAPITAL EMPLOYED		Authorised £	Issued and fully paid £	£
	(I) PREFERENTIAL CAPITAL—				
35,984,690	7% Cumulative Preference { <i>Ranking pari passu</i> .....		35,984,690	35,984,690	
2,360,000	5% Cumulative Preference .....		4,015,310	2,360,000	
15,655,173	8% Cumulative A Preference .....		40,000,000	15,655,173	
2,287,312	20% Cumulative Preferred Ordinary .....		2,287,312	2,287,312	
56,287,175			<u>82,287,312</u>		56,287,175
	(II) ORDINARY AND DEFERRED CAPITAL AND RESERVES—				
	(a) CAPITAL—				
13,694,008	Ordinary .....		59,031,438	13,694,008	
100,000	Deferred .....		100,000	100,000	
13,794,008			<u>59,131,438</u>	13,794,008	
	(b) CAPITAL RESERVES—				
7,211,709	Premiums on issues of capital .....	7,211,709			
1,669,161	Surplus on valuation 31st December, 1937, of shares in subsidiaries and trade investments .....	1,669,161			
765,117	Excess profits tax post-war refund .....	719,751			
—	Fixed assets replacement .....	1,097,000			
9,645,987				10,697,621	
	(c) REVENUE RESERVES—				
13,848,488	General .....	15,348,488			
3,265,000	Future British tax .....	5,142,000			
3,103,900	Stocks .....	2,500,000			
20,217,388	Profit carried forward .....	3,213,797			
43,657,383				26,204,285	
99,944,558					50,695,914
	<i>Less:</i>				106,983,089
	(III) INDEBTEDNESS OF N.V. GROUP —				
3,074,645	N.V. Loan and current accounts .....			3,022,750	
11,000,000	Subsidiary of N.V.—secured loan .....			11,000,000	
95,873	Subsidiaries of N.V. (£168,172 less debit balance £106,070) .....			62,102	
13,978,772					13,960,648
85,965,786					<u>93,022,441</u>
	(IV) FIXED ASSETS—	Cost	Depreciation		
2,300,997	(a) Land and buildings .....	£ 2,920,618	£ 613,035	2,307,583	
176,519	(b) Plant and office equipment .....	845,060	534,150	310,910	
2,477,516		<u>3,765,678</u>	<u>1,147,185</u>	2,618,493	
2,251,843	(c) Trade investments .....			2,245,343	
4,729,359					4,863,836
	(V) INTERESTS IN SUBSIDIARIES—				
83,992,153	(a) Shares at Directors' valuation at 31st December, 1937, with additions at cost .....			89,530,298	
14,693,286	(b) Loans and current accounts (including dividends receivable) .....			22,994,399	
756,632	(c) Long-term claims in respect of excess profits tax post-war refund .....			711,266	
99,442,071				113,235,963	
28,871,590	(d) <i>Less:</i> Deposits and current accounts (less dividends receivable) .....			30,860,970	
70,570,481					82,374,993
	(VI) NET CURRENT ASSETS—				
	(a) CURRENT ASSETS—				
462,391	Debtors and payments in advance .....		499,105		
—	British taxation—excess profits tax recoverable less provision for current liabilities .....		946,790		
8,200,000	Tax Reserve Certificates .....		5,650,000		
300,506	Short-term advances .....		—		
7,391,941	Balances at bankers and cash in hand .....		2,675,723		
16,354,838				9,771,618	
	(b) <i>Less:</i> CURRENT LIABILITIES AND DIVIDENDS				
1,675,476	Trade creditors, deposits and accrued liabilities .....		2,036,154		
2,061,564	Provision for British taxation .....		—		
1,951,852	Dividends (net) including those proposed on Ordinary and Deferred Capital .....		1,951,852		
5,688,892				3,988,006	
10,665,946					5,783,612
85,965,786					<u>93,022,441</u>

LEVERHULME, *Governor*  
GEOFFREY HEYWORTH, *Chairman*

represent deductions.

## PROFIT APPROPRIATION ACCOUNT—YEAR ENDED 31ST DECEMBER 1947

1946		£	£
£			
6,187,647	NET PROFIT as shown by the Consolidated Profit and Loss Account (Statement F).....		4,757,132
	APPROPRIATIONS—		
	Dividends declared on—	£	
2,518,906	7% Preference Stock .....	2,518,906	
118,000	5% Preference Stock .....	118,000	
1,252,414	8% A Preference Stock .....	1,252,414	
457,462	20% Preferred Ordinary Stock .....	457,463	
4,346,782		4,346,783	
1,956,019	Less: Income tax .....	1,956,019	
2,390,763			2,390,764
	Dividends proposed on—		
1,369,401	Ordinary Stock of 10% .....	1,369,401	
6,000	Deferred Stock of 6% .....	6,000	
1,375,401		1,375,401	
618,930	Less: Income tax .....	618,930	
756,471			756,471
2,500,000	General Reserve .....		1,500,000
5,647,234	Future British tax reserve .....		—
			4,647,235
540,413	INCREASE IN UNAPPROPRIATED BALANCE .....		109,897
2,563,487	BROUGHT FORWARD FROM 1946 .....		3,103,900
3,103,900	BALANCE CARRIED FORWARD TO 1948 .....		3,213,797

## NOTES ON BALANCE SHEET (STATEMENT C)

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

There are outstanding commitments of LIMITED for funding pensions to pay The Union Pension Fund nine annual instalments of £136,545 and to pay The Union Superannuation Fund seven annual instalments of £57,700.

Principles adopted in the preparation of the accounts are dealt with in the General Notes on pages 20 and 21. Particular items are referred to below.

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

The fixed assets replacement reserve, the future British tax reserve and the stocks reserve represent the total for the LIMITED Group as a whole less the amounts reserved in the accounts of subsidiaries. The real position can only be seen from the Consolidated Balance Sheet (Statement E).

The excess profits tax post-war refund has been reduced by £45,366 as a result of the settlement of the main differences on excess profits tax referred to in General Note (7) and the long-term claims on subsidiaries - Heading (V) (c) - have been correspondingly reduced to £711,266.

(IV) Trade investments are stated at their net book value at 31st December, 1947.

(V) The movements which have taken place in 1947 in shares, loans and deposits arise mainly from subscription for additional share capital in The United Africa Company Limited and further advances to subsidiaries. The significant figure is the net increase of £11,804,512 the greater part of which represents additional amounts required to finance capital expenditure and a large expansion in stock values caused by a considerable advance in world commodity prices during the year.

## STATEMENT E

# CONSOLIDATED LEVER BROTHERS & UNILEVER N.V. AND LEVER BROTHERS

*The combined figures are shown as a guide, and  
and when considering them the existence of restrictions*

*Figures shown in italics*

31st December 1946		
N.V.	LIMITED	COMBINED
Fl.	£	Fl.
<b>172,006,000</b>	<b>56,287,175</b>	<b>773,772,188</b>
169,350,000	13,694,008	333,678,096
—	—	<i>17,794,556</i>
70,140,256	7,211,709	147,240,637
53,999,537	1,669,161	71,844,537
—	887,658	9,489,952
—	988,767	10,570,908
124,139,793	10,757,295	239,146,034
6,000,000	1,000,000	16,691,000
—	6,500,000	69,491,500
70,362,948	26,927,528	358,245,150
76,362,948	34,427,528	444,427,650
<b>369,852,741</b>	<b>58,878,831</b>	<b>999,457,224</b>
37,460,640	12,538,774	171,512,673
4,909,502	607,941	11,408,999
<b>42,370,142</b>	<b>13,146,715</b>	<b>182,921,672</b>
<b>584,228,883</b>	<b>128,312,721</b>	<b>1,956,151,084</b>
68,829,500	151,493	70,449,112
39,346,729	—	39,346,729
<b>108,176,229</b>	<b>151,493</b>	<b>109,795,841</b>
905,450	<i>72,449</i>	—
122,946,500	<i>11,500,000</i>	—
27,041,070	<i>2,529,330</i>	—
<b>96,810,880</b>	<i>9,043,119</i>	—
<b>789,215,992</b>	<b>119,421,095</b>	<b>2,065,946,925</b>
307,374,327	41,321,747	749,145,124
233,687,943	48,578,326	753,038,826
<i>132,815,426</i>	<i>25,344,945</i>	<i>403,778,233</i>
<b>408,246,844</b>	<b>64,555,128</b>	<b>1,098,405,717</b>
159,296,565	10,001	159,403,486
<b>11,469,793</b>	<b>3,769,761</b>	<b>51,772,308</b>
<b>3,854,299</b>	—	<b>3,854,299</b>
<b>582,867,501</b>	<b>68,334,890</b>	<b>1,313,435,810</b>
167,618,430	33,867,933	529,700,503
102,114,564	25,720,221	377,089,448
59,812	13,567	204,857
6,102,733	198,236	8,222,074
188,087	8,200,000	87,854,287
84,875,183	350,381	88,621,106
80,641,440	22,531,413	321,524,777
<b>441,600,249</b>	<b>90,881,751</b>	<b>1,413,217,052</b>
91,710,619	20,488,603	310,754,273
<i>1,764,150</i>	<i>4,125</i>	<i>1,808,250</i>
19,337,315	5,632,691	79,556,413
93,814,750	9,341,315	193,682,748
2,397,079	1,894,962	22,656,118
—	200,000	2,138,200
26,227,845	2,233,850	50,109,935
<i>235,251,758</i>	<i>39,795,546</i>	<i>660,705,937</i>
<b>206,348,491</b>	<b>51,086,205</b>	<b>752,511,115</b>
<b>789,215,992</b>	<b>119,421,095</b>	<b>2,065,946,925</b>

## CAPITAL EMPLOYED

(I) PREFERENTIAL CAPITAL—PARENT COMPANIES—	
(II) ORDINARY CAPITAL AND RESERVES—	
(a) ORDINARY CAPITAL—PARENT COMPANIES	.....
Difference in exchange on conversion.....	.....
(b) CAPITAL RESERVES—	
(i) Premiums on capital issued by the Parent Companies.....	.....
(ii) Surplus on valuation of shares in subsidiaries and trade investments.....	.....
(iii) Excess profits tax post-war refund.....	.....
(iv) Fixed assets replacement.....	.....
(c) REVENUE RESERVES—	
(i) Stocks.....	.....
(ii) Future British tax.....	.....
(iii) General Reserves and profits carried forward.....	.....
<b>ORDINARY SHAREHOLDERS' FUNDS—PARENT COMPANIES</b>	
(III) OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARIES—	
(a) Preferential Capital.....	.....
(b) Ordinary Capital and Reserves.....	.....
<b>TOTAL SHAREHOLDERS' FUNDS</b>	
(IV) LONG TERM LIABILITIES—	
(a) Debentures and Notes.....	.....
(b) Others.....	.....
(V) N.V./LIMITED INTER-GROUP ITEMS—	
(a) Capital of Parent Companies.....	.....
(b) Secured loans.....	.....
(c) Other accounts (net).....	.....

## EMPLOYMENT OF CAPITAL

(VI) PREMIUMS, less discounts, at which shares in subsidiaries are held, including Goodwill (N.V. Fl. 25,090,263, LIMITED £5,243,887).....	.....
LAND, BUILDINGS, PLANTATIONS, SHIPS, PLANT, ETC.	.....
Less: Provision for depreciation.....	.....
(VII) INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED.....	.....
(VIII) TRADE INVESTMENTS.....	.....
(IX) LONG TERM CLAIMS.....	.....
<b>FIXED ASSETS AND LONG TERM CLAIMS</b>	
(X) CURRENT ASSETS—	
(a) Stocks.....	.....
(b) Debtors and payments in advance.....	.....
(c) Investments—unquoted.....	.....
(d) Investments—quoted (market value—N.V. Fl. 6,042,366, LIMITED £128,864) ..	.....
(e) Tax Reserve Certificates.....	.....
(f) Short term advances, Treasury bills and notes.....	.....
(g) Balances at bankers and cash in hand.....	.....
Less:	
(XI) CURRENT LIABILITIES AND PROVISIONS—	
(a) Creditors and accrued liabilities.....	.....
(b) Debentures redeemable within one year and interest accrued on debentures.....	.....
(c) Bank overdrafts.....	.....
(d) Provision for taxation.....	.....
(e) Provision for deferred repairs.....	.....
(f) Provision for exchange losses.....	.....
(g) Dividends—net.....	.....

NET CURRENT ASSETS

# BALANCE SHEETS

# STATEMENT E

## & UNILEVER LIMITED AND THEIR SUBSIDIARIES

no more, to the financial position of both Groups on transfer of currencies must be borne in mind.

represent deductions.

31st December 1947		
N.V.	LIMITED	COMBINED
Fl.	£	Fl.
<b>212,896,000</b>	<b>56,287,175</b>	<b>814,662,188</b>
169,600,000	13,694,008	333,928,096 <i>17,794,556</i>
71,557,343	7,211,709	148,657,724
53,999,537	1,669,161	71,844,537
193,079	882,182	9,624,487
17,500,000	3,496,069	54,876,473
143,249,959	13,259,121	285,003,221
16,000,000	4,235,000	61,276,385
254,980	9,800,000	105,026,780
78,769,750	29,175,290	390,682,775
95,024,790	43,210,290	556,985,940
<b>407,874,689</b>	<b>70,163,419</b>	<b>1,158,122,701</b>
38,033,223	12,546,064	172,163,193
6,361,651	470,046	11,386,913
<b>44,394,874</b>	<b>13,016,110</b>	<b>183,550,106</b>
<b>665,165,563</b>	<b>139,466,704</b>	<b>2,156,334,995</b>
67,430,250	151,493	69,049,862
42,155,628	—	42,155,628
<b>109,585,878</b>	<b>151,493</b>	<b>111,205,490</b>
905,450	72,449	—
122,946,500	11,500,000	—
614,653	57,492	—
<b>123,237,297</b>	<b>11,514,957</b>	<b>—</b>
<b>897,988,738</b>	<b>128,103,240</b>	<b>2,267,540,485</b>
279,451,529	40,541,159	712,877,060
352,739,451	49,620,665	883,233,981
<i>165,325,052</i>	<i>24,308,487</i>	<i>425,207,093</i>
<b>466,865,922</b>	<b>65,853,337</b>	<b>1,170,903,948</b>
<b>155,540,624</b>	<b>10,000</b>	<b>155,647,534</b>
<b>13,038,670</b>	<b>3,828,723</b>	<b>53,971,548</b>
<b>4,235,338</b>	<b>—</b>	<b>4,235,338</b>
<b>639,680,554</b>	<b>69,692,060</b>	<b>1,384,758,368</b>
325,656,668	54,516,400	908,491,500
128,555,704	32,418,568	475,142,618
62,132	8,255	150,386
5,894,731	126,723	7,249,527
187,627	5,650,000	60,591,777
107,695,579	—	107,695,579
51,490,938	10,854,554	167,536,975
<b>619,543,379</b>	<b>103,574,500</b>	<b>1,726,858,362</b>
165,564,278	21,838,995	399,044,970
1,750,594	2,087	1,772,906
36,849,860	8,993,881	133,003,442
128,553,026	8,495,196	219,375,166
3,330,018	1,799,456	22,568,002
2,350,000	1,800,000	21,593,800
22,837,419	2,233,705	46,717,959
361,235,195	45,163,320	844,076,245
<b>258,308,184</b>	<b>58,411,180</b>	<b>882,782,117</b>
<b>897,988,738</b>	<b>128,103,240</b>	<b>2,267,540,485</b>

### NOTES

- (I) and (II) Details of the increases in the Capital of N.V. are explained in Notes (I) and (II) on Statement A. Fl. 340,000 of internally held 4% Redeemable Cumulative Preference Capital of N.V. was sold during the year.
- (II) (a) The difference in exchange arises on the conversion of Ordinary Capital at £1 = Fl. 12.
- (II) (b) (i) See Note (II) on Statement A.
- (II) (b) (iv) See General Notes (6) and (8).
- (II) (c) (i) See General Note (5).
- (II) (c) (ii) This represents the estimated amount required to cover British tax, at the current rate, on the profits to 31st December, 1947, subject to future assessments—see General Note (7).
- (II) (c) (iii) See General Note (8).
- (IV) (b) The increase is due mainly to a further amount of \$750,000 borrowed by Thomas J. Lipton, Inc., U.S.A., repayable 1949/56.
- (V) (b) The loans are secured on shares of subsidiaries of N.V.
- (V) (c) The movement in the Inter-Group items is largely due to the return of certain interests from LIMITED to N.V. Corresponding movements are reflected in practically every heading under Employment of Capital. In the aggregate Fixed Assets of N.V. increased by Fl. 36,553,000 and Net Current Assets by Fl. 7,355,000 and those of LIMITED were reduced accordingly.
- (VI) Land, Buildings, Plantations, Ships, Plant, etc., are stated at cost in some cases and in others as valued by the Directors at various dates. The surplus on a statutory valuation in 1947 in Belgium has been applied against Premiums and accounts mainly for the reduction of Fl. 27,922,798 in that item for N.V. Details of Land, Buildings, Plantations, Ships, Plant, etc., are given in Statement G and reference should be made to its explanatory heading.
- (VII) The decrease is mainly due to the consolidation of subsidiaries in the Netherlands East Indies; also see General Note (2).
- (VIII) This includes interests in companies in which 50% of the ordinary capital is owned, and other investments not held for sale.
- (X) and (XI) The amounts shown as NET CURRENT ASSETS are subject to the qualifications inherent in all Consolidated Balance Sheets where foreign subsidiary companies are involved and these qualifications are accentuated under present conditions by the varying degrees of restrictions on the movement of funds between countries.
- (X) (a) For basis of valuation see General Note (5).
- (X) (e) These amounts are in respect of British taxation.
- (XI) (c) In N.V. these are secured by stocks and bills receivable to the extent of Fl. 2,521,509.
- (XI) (d) In LIMITED the provision for taxation includes British income tax for the assessments 1947/48.
- (XI) (e) The net decrease of Fl. 88,116 is made up of Fl. 5,228,226 charged against the balance at 31st December, 1946, in respect of repairs executed during 1947, less a further provision of Fl. 5,140,110.
- (XI) (f) Mainly relates to the devaluation of the French franc in January, 1948.
- There are contingent liabilities under forward contracts, guarantees and agreements.
- The estimated commitments for capital expenditure at 31st December, 1947, were approximately—N.V. Fl. 20,000,000, LIMITED £5,800,000, COMBINED Fl. 82,000,000.

## STATEMENT F

# CONSOLIDATED PROFIT

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

*The combined figures are shown as a guide, and no more, to the trend of results of both Groups and when considering*

*Figures shown in italics*

1946				1947		
N.V.	LIMITED	COMBINED		N.V.	LIMITED	COMBINED
Fl.	£	Fl.		Fl.	£	Fl.
100,435,816	19,094,328	304,573,277	(I) <b>Aggregate Profit</b> subject to:—	152,022,411	25,912,038	429,048,009
<i>11,465,063</i>	<i>1,637,137</i>	<i>28,967,695</i>	(a) Provision for depreciation	<i>15,571,560</i>	<i>1,916,455</i>	<i>36,060,380</i>
—	—	—	(b) Reserve for replacement of fixed assets	<i>17,500,000</i>	<i>2,000,000</i>	<i>38,882,000</i>
2,776,719	89,788	3,736,642	(c) Interest on Long Term Liabilities	<i>2,753,378</i>	<i>7,583</i>	<i>2,834,448</i>
<i>302,241</i>	<i>192,824</i>	<i>2,363,722</i>	(d) Emoluments of Directors	<i>402,354</i>	<i>159,866</i>	<i>2,111,481</i>
60,895	24,817	326,214	(e) Pensions to former Directors	<i>117,323</i>	<i>33,125</i>	<i>471,462</i>
—	8,587	91,804	(f) Compensation to Directors for loss of office	—	—	—
<i>906,018</i>	<i>549,710</i>	<i>6,782,968</i>	(g) Provision for deferred repairs	<i>1,506,410</i>	<i>339,884</i>	<i>5,140,110</i>
84,924,880	16,591,465	262,304,232	(II) <b>INCOME FROM</b> —	114,171,386	21,455,125	343,548,128
281,530	312,286	3,620,180	(a) Trade Investments	491,024	583,097	6,724,914
178,190	5,099	232,703	(b) Other Investments	164,042	4,203	208,976
<i>127,274</i>	—	<i>127,274</i>	(c) Long Term Claims	116,657	—	116,657
85,511,874	16,908,850	266,284,389	(III) <b>EXCEPTIONAL ITEMS</b> —	114,943,109	22,042,425	350,598,675
160,114	94,011	1,165,186	(a) Exchange differences	<i>2,563,921</i>	<i>1,527,551</i>	<i>18,894,969</i>
<i>8,802,754</i>	—	<i>8,802,754</i>	(b) Adjustment of stock values	<i>1,518,340</i>	—	<i>1,518,340</i>
<i>6,000,000</i>	<i>639,362</i>	<i>12,835,419</i>	(c) Reserve for stocks	<i>10,000,000</i>	<i>3,235,000</i>	<i>44,585,385</i>
882,120	572,171	6,999,200	(d) Provisions no longer required	856,643	68,961	1,593,905
<i>6,171,312</i>	<i>91,292</i>	<i>7,147,315</i>	(e) Other profits and losses including those relating to previous years	<i>6,636,054</i>	<i>54,724</i>	<i>6,051,000</i>
<i>19,931,832</i>	<i>64,472</i>	<i>20,621,102</i>	(IV) <b>INTER-GROUP INTEREST ON LOANS AND CURRENT ACCOUNTS</b>	<i>19,861,672</i>	<i>4,638,866</i>	<i>69,455,789</i>
65,580,042	16,844,378	245,663,287	(V) <b>AGGREGATE NET PROFIT BEFORE CHARGING TAXATION ON PROFITS</b>	95,081,437	17,403,559	281,142,886
<i>1,447,177</i>	135,364	—	(VI) <b>TAXATION ON PROFITS</b> —	<i>1,003,885</i>	93,900	—
64,132,865	16,979,742	245,663,287	(a) Amount based on the assessable profits of the year, including taxes in the Dutch Overseas Territories and abroad	94,077,552	17,497,459	281,142,886
<i>38,452,625</i>	<i>9,959,325</i>	<i>144,927,769</i>	(b) Adjustments relating to previous years	<i>66,110,624</i>	<i>12,725,728</i>	<i>202,161,382</i>
10,162,580	1,351,611	24,612,653	(VII) <b>Aggregate Net Profit</b>	<i>10,621,654</i>	1,143,402	22,845,765
<i>28,290,045</i>	<i>8,607,714</i>	<i>120,315,116</i>	(VIII) <b>PROPORTION ATTRIBUTABLE TO OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARIES</b> —	<i>55,488,970</i>	<i>11,582,326</i>	<i>179,315,617</i>
35,842,820	8,372,028	125,348,171	(a) Preferential	38,588,582	5,915,133	101,827,269
<i>2,986,342</i>	<i>625,448</i>	<i>9,673,006</i>	(b) Ordinary	<i>3,601,849</i>	<i>626,633</i>	<i>10,301,183</i>
<i>1,133,860</i>	<i>6,668</i>	<i>1,205,147</i>	(IX) <b>Dividends received on Capital of Parent Companies held by Subsidiaries</b>	<i>642,811</i>	<i>12,579</i>	<i>777,293</i>
31,722,618	7,739,912	114,470,018	(X) <b>Consolidated Net Profit</b>	34,343,922	5,275,921	90,748,793
328,280	29,958	648,560	(XI) <b>PARENT COMPANIES' PROPORTIONS OF THE NET PROFITS RETAINED BY SUBSIDIARIES</b>	138,040	10,897	254,540
<b>32,050,898</b>	<b>7,769,870</b>	<b>115,118,578</b>	(XII) <b>PROFITS CARRIED TO PROFIT AND LOSS ACCOUNTS OF THE PARENT COMPANIES (Statements B and D)</b>	<b>34,481,962</b>	<b>5,286,818</b>	<b>91,003,333</b>
4,648,176	1,582,223	21,563,722		6,090,036	529,686	11,752,909
27,402,722	6,187,647	93,554,856		28,391,926	4,757,132	79,250,424
<b>32,050,898</b>	<b>7,769,870</b>	<b>115,118,578</b>		<b>34,481,962</b>	<b>5,286,818</b>	<b>91,003,333</b>

# AND LOSS ACCOUNTS

## & UNILEVER LIMITED AND THEIR SUBSIDIARIES

STATEMENT F

them the existence of restrictions on transfers of currencies must be borne in mind.  
represent deductions.

### NOTES

- (I) (b) See General Note (6).
- (I) (d), (e) and (f). These amounts refer to Directors or former Directors of the Parent Companies who are or have been full-time working Directors, and, as such, received emoluments as managers. No Directors' fees as such are paid.
- (III) (a) These amounts consist mainly of provisions for losses on the devaluation of the French franc in January, 1948.
- (III) (b) This mainly represents further elimination of fixed expenses from stock values.
- (III) (c) See General Note (5).
- (III) (e) Includes: —
- (i) Funding staff pensions: N.V. Fl. 6,623,663; LIMITED £141,617.
  - (ii) Net surpluses on disposals of fixed assets: N.V. Fl. 203,140; LIMITED £158,714; combined Fl. 1,899,951. These surpluses form part of the combined net adjustment of Fl. 1,087,253 shown on Statement G.
  - (iii) N.V. Fl. 1,143,065 expenses of issue of Fl. 40,550,000 (nominal) 4% Redeemable Cumulative Preference Capital.
- (VI) The increase in the taxation charge is greater than the increase in the Aggregate Net Profit—Heading (V)—owing to the non-allowance for taxation of the reserves for stocks and for replacement of fixed assets and, in LIMITED, to the burden of profits tax.
- In LIMITED it is not practicable to distinguish between income tax and the profits tax owing to the incidence of foreign tax relief. The British taxation on profits is £12,392,999 before deducting foreign tax relief of £4,748,159. The additional tax on distributions declared and proposed is included.
- In N.V., the credit of Fl. 10,621,654 arises mainly from the declaration of a stock dividend by Lever Brothers Company, U.S.A., out of profits retained in previous years, thus releasing the provision for tax thereon. In LIMITED the credit of £1,143,402 is explained in General Note (7).
- (X) The Profits shown at (V), (VII) and (X) are after setting aside the reserves referred to in General Notes (5) and (6).

1946			SUMMARY OF APPROPRIATIONS	1947		
N.V.	LIMITED	COMBINED		N.V.	LIMITED	COMBINED
Fl.	£	Fl.		Fl.	£	Fl.
32,050,898	7,769,870	115,118,578	CONSOLIDATED NET PROFIT .....	34,481,962	5,286,818	91,003,333
—	2,500,000	26,727,500	Appropriation to future British tax reserve	—	—	—
8,240,528	2,390,763	33,800,175	Dividends on Preferential Capital of Parent Companies .....	10,767,160	2,390,764	36,326,818
23,810,370	2,879,107	54,590,903	PROFIT accruing to Ordinary and Deferred Capital .....	23,714,802	2,896,054	54,676,515
			RETAINED—			
4,648,176	1,582,223	21,563,722	Subsidiaries .....	6,090,036	529,686	11,752,909
3,876,444	540,413	9,653,999	Parent Companies .....	2,316,766	1,609,897	19,528,175
8,524,620	2,122,636	31,217,721		8,406,802	2,139,583	31,281,084
15,285,750	756,471	23,373,182	DISTRIBUTIONS PROPOSED.....	15,308,000	756,471	23,395,431
23,810,370	2,879,107	54,590,903		23,714,802	2,896,054	54,676,515

**STATEMENT G**
**CAPITAL EXPENDITURE AND DEPRECIATION**

Representing a consolidation of the figures of N.V. and LIMITED and of their subsidiaries, including provisions for depreciation set aside prior to acquisition.

The reserves for Fixed Assets Replacement are not included.

Figures shown in italics represent deductions.

1946			N.V.	1947		
Land, Buildings and Plantations	Ships, Plant and Equipment	Total		Land, Buildings and Plantations	Ships, Plant and Equipment	Total
Fl.	Fl.	Fl.		Fl.	Fl.	Fl.
<b>CAPITAL EXPENDITURE</b>						
96,598,318	124,116,873	220,715,191	At 1st January.....	138,111,170	185,624,097	323,735,267
2,445,475	16,935,834	19,381,309	Expenditure.....	10,599,156	24,559,725	35,158,881
<i>1,129,904</i>	<i>2,613,700</i>	<i>3,743,604</i>	Proceeds of sales.....	<i>54,596</i>	<i>2,339,220</i>	<i>2,393,816</i>
			Inter-Group transfers and eliminations in respect of disposals, including war damage.....	<i>622,372</i>	<i>3,138,509</i>	<i>3,760,881</i>
<i>2,120,013</i>	<i>544,940</i>	<i>2,664,953</i>	At 31st December .....	148,033,358	204,706,093	352,739,451
95,793,876	137,894,067	233,687,943				
<b>DEPRECIATION</b>						
39,338,227	86,341,786	125,680,013	At 1st January.....	45,271,985	108,207,400	153,479,385
3,200,588	8,264,475	11,465,063	Charged to revenue—Statement F (I) (a)	5,050,108	10,521,452	15,571,560
			Inter-Group transfers and eliminations in respect of disposals, including war damage.....	<i>671,309</i>	<i>4,347,038</i>	<i>5,018,347</i>
<i>2,345,711</i>	<i>2,859,207</i>	<i>5,204,918</i>	Adjustments (net) for surpluses on disposals	—	1,292,460	1,292,460
<i>23,256</i>	<i>898,524</i>	<i>875,268</i>	At 31st December .....	49,650,784	115,674,274	165,325,058
40,169,848	92,645,578	132,815,426				

1946			N.V. and LIMITED	1947		
Land, Buildings and Plantations	Ships, Plant and Equipment	Total		Land, Buildings and Plantations	Ships, Plant and Equipment	Total
Fl.	Fl.	Fl.		Fl.	Fl.	Fl.
<b>CAPITAL EXPENDITURE</b>						
356,832,598	360,755,842	717,588,440	At 1st January.....	383,594,534	415,109,368	798,703,902
14,625,352	40,684,762	55,310,114	Expenditure.....	27,364,224	72,814,369	100,178,593
<i>5,245,186</i>	<i>4,988,452</i>	<i>10,233,638</i>	Proceeds of sales.....	<i>864,881</i>	<i>5,218,309</i>	<i>6,083,190</i>
			Eliminations in respect of disposals, including war damage.....	<i>1,686,345</i>	<i>7,878,979</i>	<i>9,565,324</i>
<i>4,523,682</i>	<i>5,102,408</i>	<i>9,626,090</i>	At 31st December .....	408,407,532	474,826,449	883,233,981
361,689,082	391,349,744	753,038,826				
<b>DEPRECIATION</b>						
127,609,732	256,452,009	384,061,741	At 1st January.....	134,098,859	271,993,099	406,091,958
10,599,549	18,368,146	28,967,695	Charged to revenue—Statement F (I) (a)	12,191,279	23,869,101	36,060,380
			Eliminations in respect of disposals, including war damage.....	<i>1,993,187</i>	<i>11,112,119</i>	<i>13,105,306</i>
<i>6,134,720</i>	<i>4,526,551</i>	<i>10,661,271</i>	Adjustments (net) for surpluses on disposals	<i>65,568</i>	<i>1,021,685</i>	<i>1,087,253</i>
<i>1,169,029</i>	<i>1,933,146</i>	<i>3,102,175</i>	Surplus provisions transferred to general reserves and to revenue.....	<i>2,429,829</i>	<i>322,857</i>	<i>2,752,686</i>
<i>342,711</i>	<i>1,349,396</i>	<i>1,692,107</i>	At 31st December .....	141,801,554	283,405,539	425,207,093
132,900,879	270,877,354	403,778,233				

The differences between the balances at 31st December, 1946, and those shown at 1st January, 1947, arise from the inclusion of companies not previously consolidated, valuations, acquisition of new businesses and from the effect of the Inter-Group transfer of interests referred to in Note (V) (c) on Statement E.

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

(Excluding subsidiaries not consolidated).

Supplies of marketable products—for use as raw materials—and services by one industry to other industries within the organisation are included in order to provide a proper ratio of turnover to capital employed and profits earned.  
In the case of production in the United Kingdom for the British Ministry of Food and produce purchased for the West African Produce Control Board, a value has been included based on the Government controlled price.

1946			1947	
Metric Tons	Fl.		Metric Tons	Fl.
560,000	574,663,000	Margarine, Edible Fats and Salad Oils .....	606,000	749,974,000
—	312,573,000	Other foods for human consumption .....	—	364,082,000
1,479,000	1,014,084,000	Other Vegetable and Animal Oils and Fats .....	1,552,000	1,626,999,000
1,256,000	180,090,000	Animal Feeding Stuffs .....	1,288,000	194,437,000
750,000	613,621,000	Soap and other Detergents .....	811,000	904,822,000
—	91,953,000	Toilet Preparations, including Perfumes .....	—	112,084,000
—	103,970,000	Miscellaneous manufactures, including Glycerine .....	—	152,133,000
891,000	303,154,000	Produce (mainly tropical produce handled by the United Africa Group) .....	942,000	404,173,000
—	381,615,000	Merchandise (mainly handled by the United Africa Group) .....	—	542,365,000
—	43,159,000	Services (including Ocean, River and Road Transport) .....	—	73,255,000
<b>3,618,882,000</b>		<b>TOTAL VALUE .....</b>	<b>5,124,324,000</b>	
Fl.		Represented by:—	Fl.	
2,187,945,000		(a) Sales to Third Parties .....	3,053,050,000	
704,483,000		(b) Value of production for the British Ministry of Food and produce purchased for the West African Produce Control Board .....	999,085,000	
726,454,000		(c) Supplies of marketable products and services within the organisation .....	1,072,189,000	
<b>3,618,882,000</b>			<b>5,124,324,000</b>	
Fl. 120,315,116 or 3.32%		Expressed as percentages of the above total values:—	Fl. 179,315,617 or 3.50%	
Fl. 43,449,982 or 1.20%		Direct taxation on profits .....	Fl. 46,618,400 or 0.91%	
Fl. 23,402,191 or 0.65%		Dividends:—	Fl. 23,472,144 or 0.46%	
Fl. 31,217,721 or 0.86%		Preferential .....	Fl. 31,281,084 or 0.61%	
		Ordinary .....		
		Profit retained .....		

## PENSIONS

## STATEMENT I

1946				1947		
N.V.	LIMITED	COMBINED		N.V.	LIMITED	COMBINED
12,200	35,600	47,800	EMPLOYEES COVERED BY COMPANIES' SCHEMES .....	16,000	39,200	55,200
Fl.	£	Fl.	COMPANIES' CONTRIBUTIONS DURING YEAR—	Fl.	£	Fl.
5,196,000	848,000	14,262,000	Contributions to Pension and Provident Funds .....	5,798,000	1,048,000	17,003,000
1,315,000	525,000	6,928,000	Pensions supplementing those paid out of the Funds and lump sum payments on termination of service .....	1,358,000	439,000	6,051,000
1,977,000	181,000	3,912,000	Special provisions for future Pensions ..	6,624,000	142,000	8,142,000
8,488,000	1,554,000	25,102,000		13,780,000	1,629,000	31,196,000
Fl.	£	Fl.	FUNDS ADMINISTERED BY TRUSTEES ON BEHALF OF MEMBERS—	Fl.	£	Fl.
36,895,000	17,015,000	218,802,000	Invested outside the Organisation .....	41,278,000	20,021,000	255,323,000
2,544,000	1,813,000	21,927,000	Invested inside the Organisation .....	4,458,000	1,303,000	18,388,000
39,439,000	18,828,000	240,729,000		45,736,000	21,324,000	273,711,000

## STATEMENT J

## SUMMARY OF CONSOLIDATED FIGURES 1937-1947

(000's omitted).

Year	Preferential Capital	Ordinary Shareholders' Funds		Outside Shareholders' Interests in Subsidiaries	Long Term Liabilities	Fixed Assets and Long Term Claims	Net Current Assets	Capital Employed	Consolidated Net Profit	Distributions		Retained
		Capital	Reserves							Preferential	Ordinary and Deferred	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<b>N.V.</b>												
1937	Fl. 127,823	Fl. 169,064	Fl. 107,230	Fl. 80,538	Fl. 52,654	Fl. 544,700	Fl. 106,975	Fl. 651,675	Fl. 24,974	Fl. 5,000	Fl. 12,824	Fl. 7,150
1938	132,929	169,337	110,190	70,493	54,808	534,109	131,800	665,909	28,949	8,243	12,880	7,826
1939	138,132	169,350	—	—	—	—	—	—	} 113,174 average	} 44,777 average	} 51,439 average	} 16,958 average
1940	138,136	169,350	—	—	—	—	—					
1941	138,136	169,350	—	—	—	—	—					
1942	138,136	169,350	—	—	—	—	—					
1943	138,136	169,350	—	—	—	—	—					
1944	138,136	169,350	—	—	—	—	—					
1945	172,006	169,350	188,002	41,226	107,299	579,532	198,357	777,889	18,079	6,866	7,643	3,570
1946	172,006	169,350	200,503	42,370	108,176	582,868	206,348	789,216	32,051	8,240	15,286	8,525
1947	212,896	169,600	238,275	44,395	109,586	639,681	258,308	897,989	34,482	10,767	15,308	8,407

**N.V. and LIMITED**

1937	Fl. 631,166	Fl. 306,092	Fl. 200,470	Fl. 237,201	Fl. 146,344	Fl. 1,177,607	Fl. 343,666	Fl. 1,521,273	Fl. 75,239	Fl. 33,206	Fl. 20,546	Fl. 21,487
1938	636,272	306,365	213,078	228,389	147,202	1,166,037	365,269	1,531,306	75,497	36,493	20,367	18,637
1939	739,896	327,786	—	—	—	—	—	—	} 429,371 average	} 194,622 average	} 78,370 average	} 156,379 average
1940	739,902	327,882	—	—	—	—	—					
1941	739,902	327,882	—	—	—	—	—					
1942	739,902	327,882	—	—	—	—	—					
1943	739,902	332,674	—	—	—	—	—					
1944	739,902	332,674	—	—	—	—	—					
1945	773,772	332,674	583,044	181,312	131,615	1,296,441	705,976	2,002,417	83,930	30,102	11,645	42,183
1946	773,772	333,678	665,779	182,922	109,796	1,313,436	752,511	2,065,947	88,391	33,800	23,373	31,218
1947	814,662	333,928	824,195	183,550	111,205	1,384,758	882,782	2,267,540	91,003	36,327	23,395	31,281

## NOTES.

(i) The consolidated net profit (Col. 10) is after setting aside amounts to reserves for replacement of fixed assets, stocks, and to build up the future British tax reserve, all of which are included in Column (4). The principal amounts set aside to build up the tax reserve were 1940: Fl. 19,014,457; 1941: Fl. 21,460,012; 1946: Fl. 26,727,500.

(ii) The 1946 figures have been amended to comply with the Companies Act, 1948, and for the exchange difference on conversion of ordinary capital has been included in reserves for all years.

(iii) Companies in which exactly 50% of the ordinary capital was held have not been consolidated since 1943.

(iv) As from 1945, Column (7) includes the book value of interests in companies which, owing to the war have not been consolidated.

(v) Complete information is not available as to the N.V. position and results for the separate years 1939 to 1944.

(vi) From 1941 to 1946 the dividends on the 7%, 6% and 5% Cumulative Preference Capital of N.V. (Col. 11) were reduced by 20% under the Decree of 1942 concerning the introduction of the Company Tax.

(vii) Rates of exchange to £1 adopted for the combined figures are: ordinary capital Fl. 12 — other headings, 1937/8 Fl. 9, 1939/47 Fl. 10,691.

# THE UNILEVER ORGANISATION

## THE MARKETING ADVISORY DIVISION

*Two years ago an abbreviated chart and notes on the organisational structure of the N.V. and LIMITED groups were issued with the Annual Report. Last year an explanatory account was given of the Technical Division.*

*This year the functions and methods of the Marketing Advisory Division are described, as another instance of the central specialist departments, planned to serve the needs of the Unilever managements throughout the world.*

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A preliminary word as to the title "Marketing Advisory Division" may be helpful. Although selling, advertising, and research into and assessment of markets are sometimes considered to be separate or even self-contained activities, Unilever experience has enforced the desirability of treating them as three integrated branches of the general function of distribution. This has now become standard practice throughout the operating Companies, and the word "marketing" is the term used to describe this integrated function.

### FUNCTIONS AND METHODS

The Unilever policy of decentralisation enables every operating company to take prompt decisions based on local expert knowledge. To strengthen the hands of those carrying the heavy responsibility of national and local management, it has been necessary to build up a comprehensive method of collating and disseminating the maximum amount of marketing knowledge in such a form as to ensure that it is both absorbed *and used* to the utmost advantage. How essential this is will be appreciated from the fact that there are at present several hundred Unilever companies marketing a wide variety of commodities in different parts of the world. Every one of these has acquired knowledge which may be put to good use elsewhere. The experience of one may save another a long and expensive period of trial and error.

The Marketing Advisory Division has, therefore, a two-fold and reciprocal function—on the one hand collecting, receiving and integrating this individual marketing knowledge, which arises from experience throughout the world markets, into a general Unilever "know-how"; on the other, passing it out again in all directions where it can be put to good use. The Division is thus in a unique position to observe and to determine general trends of development. It can, therefore, promote research into new products or marketing techniques which, viewed centrally, seem likely to be helpful to a number of companies.

The Division itself consists of a group of highly skilled executives with wide experience, all of whom have graduated from practical operating work in different parts of the world, either in selling, advertising, or company management. They are assisted by a small statistical staff to maintain essential records.

They work mainly by personal contact and discussion. The senior members of the Division travel extensively,

visiting various countries to study local problems and conditions on the spot, and to discuss them with the local group and national managements. Members of overseas staff are in turn called to the Head Offices for further discussions, and for personal study of information and operations at Headquarters.

At times, when members of the Division already have their hands full, or a problem of a specialised nature arises in a particular area which is best tackled by an expert engaged in the same type of work in another market, a member of the staff of an operating company may be borrowed for a special assignment.

It is unavoidable that there is a limit to the number of countries which can be visited in any one year, but taken as a whole the personal contact between the Division and the companies and groups is always extensive and continuous. And it is a rule that any problem of urgency is always made the subject of personal visits and discussion at comparatively short notice.

Many such discussions have arisen from the aftermath of war and the dislocation of normal marketing operations. A few examples may be of interest.

In one important area in Western Europe, the local management decided that the restoration of a leading pre-war brand of margarine, after some years absence from the market, could and should be effected more rapidly than had hitherto been thought possible. The Division's advice was invited under three heads—the steps to be taken in building up public goodwill for the product prior to its actual availability; the advertising policy to aid its re-launching on the market; and the re-shaping and re-education of the sales force. The fact that the Division was in close touch with markets throughout Europe, and had already studied this problem of re-introduction of pre-war products in many lands, enabled it to give immediate and effective assistance in this particular area.

In another area in the Middle East, the stoppage of import quotas covering several Unilever products necessitated an immediate decision for or against local manufacture. Again the resources of the Division were drawn upon, and an executive was sent out at once. A review of the general marketing situation, and tentative sales plans covering a five to ten years period, were formulated and discussed on the spot in conjunction with the local management, and all the material necessary for such an important decision was quickly available. Again this was due to the Division's storehouse of information, and its actual experience of similar

problems in other countries. In this particular case, it was in fact decided that it would be a practical proposition to proceed with local manufacture.

A last, and rather wider, illustration is taken from a non-European country, which has not suffered war damage. In this area the local management were not at all satisfied with their sales organisation, which they felt was in need of a thorough overhaul. They so informed the Marketing Advisory Division, whose immediate response was to send out one of its seniors, who had recently been studying sales organisation in several other and similar markets. He was, therefore, able to bring specialised knowledge to the problem, and to give valuable advice which was welcomed and put into force, with the result that substantial economies are being found possible, and a much more efficient organisation has been set up.

### **FLEXIBILITY OF PROCEDURE**

It is the basic policy of the Division that routine correspondence and reports in writing must be cut to the minimum. Each country sends a short commentary on its current marketing affairs to the Division at regular intervals, but this is confined to an explanation of new marketing developments, and of how agreed policy is working out in practice. Correspondence is of an *ad hoc* nature, and detail for its own sake is excluded. Such is the importance attached to this rule, in fact, that if letters and documents become voluminous, this is treated as a red light signal that a personal meeting is due.

Questions of special interest to a number of countries are written up by the Division in the form of a report for selective circulation. The Division also has access to certain confidential and commercial information at Headquarters, and by working closely with the Head Office Management and other Advisory and Service Departments (the Advertising Service in particular)

keeps abreast of developments affecting other phases of the business.

Problems frequently arise which affect the different sections of Head Office Management simultaneously. For instance, the introduction of a new product involves questions of raw materials, manufacture, costings and personnel, as well as marketing, which must be discussed as a commercial whole. All sections work together as a team, and their relations with the Marketing Advisory Division are close and continuous, in fact the individuals concerned meet informally nearly every day.

The successful working of a department which is essentially consultative, and does not wield any executive authority, is largely dependent upon wise handling of human relationships, since conclusions and advice must be practical, and cannot be forced down reluctant throats. The Division in turn depends for its own knowledge very largely on the willing co-operation of each operating company.

The method of working through personal visits, just described, has proved itself in practice, and may be regarded as probably the only way by which successful results could be obtained without creating any sense of interference. It ensures that the Division keeps its work on a realistic plane. Any alternative which was dependent upon automatic documentary reporting, would impede rapidity of action and decision, and there would be a danger of the Division becoming bureaucratic or lapsing into an armchair body.

The Marketing Advisory Division is a post-war addition to the system of central specialist departments. This system provides a satisfactory answer to the problem of maintaining contact and integrating knowledge in a business whose operations must be decentralised because of size, diversity of products, and the widespread areas covered. Happily it has been found possible to operate these central departments in such a way as to promote, rather than interfere with, local responsibility and efficiency.