Unilever
Report and Accounts
1978

Unilever N.V., Rotterdam
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The Unilever group of companies provides a wide range of products and services in some 75 countries, employing over 300 000 people. It has existed for nearly 50 years as a group, but can trace its roots much further back than that.

There are two parent companies: Unilever N.V., Rotterdam, and Unilever Limited, London. Equal partners, they have identical Boards of Directors and are linked by agreements, one of which equalises the dividends payable on the ordinary capital of N.V. and of Limited, according to a formula set out elsewhere in this Report. Unilever operates as one group. The combined affairs of N.V. and Limited are, therefore, more important to shareholders than those of the two separate companies and the Report and Accounts deal, as usual, with the operations and results of Unilever as a whole: except where stated otherwise, all the figures are for N.V. and Limited combined.

The larger part of Unilever's business is in branded and packaged consumer goods: mainly foods, detergents and toilet preparations. The foods include margarine, other fats and oils, ice cream, frozen and other convenience products, meat, fish, tea and other drinks.

Unilever has other important activities, such as chemicals, paper, plastics and packaging, animal feeds, transport and tropical plantations. UAC International, a major Unilever company, has substantial interests in Africa and other parts of the world in diverse industrial ventures, and as merchants and specialist distributors.

Contents

Cover
Design: Charles Barker City
Photograph: Chris Dreja

This Report and Accounts is a translation of the original Dutch Report. French and German translations are also published.

A special survey of our chemicals, paper, plastics and packaging businesses is issued as a supplement to this Report.

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Sir David Orr, *Vice-Chairman*
J. M. Goudswaard, *Vice-Chairman*
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O. Strugstad
K. H. Veldhuis
E. J. Verloop

Advisory Directors

B. W. Biesheuvel
T. Browaldh
Sir Eric Faulkner
The Viscount Leverhulme
Milton C. Mumford
Sir Frank Roberts
P. P. Schweitzer
D. Spethmann
E. P. Wellenstein

Secretaries

C. Zwagerman
J. D. Keir

Auditors

Price Waterhouse & Co.
Coopers & Lybrand Nederland

All the present Directors named above were Directors on 31st December, 1978. Mr. G. E. Graham was also a director on that date.

Review of 1978

The year in brief
Our results once again suffered from the effects of widespread and substantial exchange rate movements, notably in currencies such as sterling, the United States dollar, the Brazilian cruzeiro, the Indonesian rupiah and the Nigerian naira. For the year as a whole, sales rose by 8% at comparable rates of exchange. Of this about 3% arose from increased volume. At year-end rates, however, sales decreased by 2%.

In Europe most product groups apart from our toilet preparations and paper, plastics and packaging businesses increased their profits.

In North America the results of National Starch, which were included as from 15th August, were good. Those of our other businesses there were affected by heavy expenditure for the launching of new products.

In most other countries outside Europe and North America profits at comparable rates of exchange were above those of 1977. UAC International again did well but profits in Nigeria began to decline towards the end of the year.

The economic background
In the industrialised countries where Unilever operates growth in 1978 was about 3%, compared with 2.5% in 1977.

In the United States growth at nearly 4% was faster than in Europe, where it was 3%. Moderately expansionary policies by European governments led to an increase in economic activity in the latter part of the year.

In Europe inflation generally eased; significant factors bringing this about were a fall in import prices and policies of restraint on wages. In the United States consumer prices rose by 7.5% and official policies moved towards monetary restraint.

The other countries where we operate generally had a year of good growth. Nigeria was an exception: its rapid expansion was checked by, amongst other things, lower export earnings, particularly from mineral oil.

International developments
Within the European Community (E.C.) national considerations and diverging economic policies amongst the member states continue to hinder progress towards integration. It is disappointing that so little progress has been made in dealing with the long-standing problems of the Common Agricultural Policy, notably those concerned with dairy surpluses and 'green currencies', and with fishing quotas. Nevertheless, there are developments which hold out

some promise for the future, such as the recent initiatives in the sphere of monetary co-operation and the forthcoming direct elections to the European Parliament.

A start has been made on negotiating a renewal of the Lomé Agreement involving the E.C. and more than fifty developing countries. A successful feature of the existing agreement is a system for stabilising the earnings of these developing countries, in so far as they are derived from exports to the E.C. of a number of commodities, including certain oil seeds, vegetable oils and tea. We should like to see this system extended.

The conclusion of the wide-ranging multilateral trade negotiations within the framework of the General Agreement on Tariffs and Trade (GATT) now seems to be within sight. It is hoped that the results will include not only a reduction of tariff and non-tariff barriers to trade, but also a revision of various rules governing international trade; both these changes should make a major contribution to the fight against protectionism.

A number of organisations have developed codes of conduct aimed at regulating the activities of multinational enterprises. These include the Guidelines issued by the Organisation for Economic Co-operation and Development (OECD), and the Declaration of Principles drawn up by the International Labour Office (ILO), for both of which we have expressed our support. We have taken a positive interest in the work being done on a code of conduct by the United Nations Commission on Transnational Corporations and within the United Nations Conference on Trade and Development (UNCTAD).

National Starch and Chemical Corporation
Last year we referred to the proposed acquisition of the National Starch and Chemical Corporation of Bridgewater, N.J. (National Starch). This acquisition was approved by the stockholders of National Starch on 15th August, 1978, and was completed on that date.

Accordingly, we are happy to welcome National Starch to Unilever. Its results from 15th August, 1978, have been consolidated into the figures shown in this Report and Accounts.

Exchange rates
There continued to be sizeable movements in exchange rates between the major currencies. The most important feature was the weakening of the U.S. dollar in the second half of the year against almost all other major currencies. Sterling weakened against the guilder and the deutschmark, but strengthened against the dollar. At the end of 1978 the sterling/guilder rate was £1 = Fl. 3.99, compared with £1 = Fl. 4.36 at the end of 1977.

For the purpose of calculating the 1978 combined results we have used the sterling exchange rate current at the year-end of 1978. Combined earnings per share fell by 3% in guilders and rose by 6% in sterling. If the combined results had been calculated at the same rate of exchange as those for 1977, earnings per share would have risen by 9% in both currencies.

Finance
The major feature of the year was the payment of $485 million for the acquisition of National Starch. We financed $310 million of this by bridging loans which are available until August, 1981, and are treated as loan capital. These bridging loans will be consolidated into longer term loans as favourable opportunities arise. The balance of $175 million (Fl. 345 million) of the purchase of National Starch was paid out of our own funds.

Total net liquid funds declined from Fl. 1 519 million at the end of 1977 to Fl. 1 151 million at the end of 1978.

Capital expenditure remains substantially above depreciation and working capital increased rather faster than in 1977. The net liquid funds of Lever Brothers Nigeria amounting to Fl. 70 million on 31st December, 1977, were included in the consolidated figures at that date, but not at the end of 1978 because of the reduction of our shareholding in that company to 40% and its consequent exclusion from the consolidated figures. This followed a similar shareholding change in UAC of Nigeria in the previous year.

Our gearing, which was 29% at the end of 1977, rose to 33% at the end of 1978 caused by the acquisition of National Starch.

Taxation
We have previously mentioned the disadvantages holding companies suffer when a country in which they have subsidiaries introduces the imputation tax system for company profits without paying sufficient attention to the consequences for non-resident shareholders. This is notably the case under the present German tax regime. Unfortunately, a satisfactory solution to the problem has not yet been found, but we hope that some progress may result from the current discussions between Germany and the major countries with which it is negotiating tax treaties.

Prospects
In most European countries economic growth in 1979 is expected to be slightly higher than in 1978. However, inflation does not seem likely to decrease further and upward pressure on costs is continuing. In the United States continuing high inflation may result in restrictive policies leading to rather lower growth. In most of

the other countries in which we operate growth is expected to continue at present levels. Nigeria, however, is facing a difficult period.

On the whole, we expect economic conditions to be about the same as in 1978. We hope that in these conditions we will be able to improve our performance.

Employees

The results reported upon in this document were achieved by the hard work of more than 300 000 Unilever employees throughout the world in meeting the challenges and difficulties that every year brings forth. The resource and diligence with which they have dealt with these problems and the harmony with which Unilever people of all nationalities constantly work together are the foundation of our ability to make continued progress. We thank them for all they have done in 1978 to achieve the year's results.

Quarterly results

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total year
Sales to third parties						
1978	Fl. million	**9 142**	**9 917**	**9 897**	**10 315**	**39 271**
	%	**23**	**26**	**25**	**26**	**100**
1977	Fl. million	9 686	10 132	9 953	10 108	39 879
	%	24	26	25	25	100
Operating profit						
1978	Fl. million	**430**	**715**	**650**	**602**	**2 397**
	%	**18**	**30**	**27**	**25**	**100**
1977	Fl. million	514	699	590	555	2 358
	%	22	29	25	24	100
Profit before taxation						
1978	Fl. million	**440**	**737**	**678**	**576**	**2 431**
	%	**18**	**30**	**28**	**24**	**100**
1977	Fl. million	541	716	631	509	2 397
	%	23	30	26	21	100
Profit attributable to ordinary capital						
1978	Fl. million	**182**	**334**	**321**	**251**	**1 088**
	%	**17**	**31**	**29**	**23**	**100**
1977	Fl. million	217	343	293	272	1 125
	%	19	31	26	24	100
Earnings per share						
1978	Guilders per Fl. 20	**3.27**	**5.99**	**5.76**	**4.51**	**19.53**
	Pence per 25p	**12.28**	**22.56**	**21.64**	**16.96**	**73.44**
1977	Guilders per Fl. 20	3.89	6.16	5.26	4.88	20.19
	Pence per 25p	13.41	21.19	18.09	16.78	69.47

The published results for each of the quarters of both years have been recalculated at the year-end rates of exchange which have been used for the results of the respective years.

The figures in the table therefore differ from the figures originally published for each quarter.

Summary of Combined figures

Fl. million	1977	1978
Results for the year ended 31st December		
Sales to third parties	39 879	39 271
Operating profit	2 358	2 397
Concern share of associated companies' profit	257	256
Non-recurring and financial items	*218*	222
Profit before taxation	2 397	2 431
Taxation	*1 184*	*1 259*
Profit after taxation	1 213	1 172
Outside interests and preference dividends	*88*	*84*
Profit attributable to ordinary capital	1 125	1 088
Ordinary dividends	*413*	*423*
Profit of the year retained	712	665

Assets and liabilities as at 31st December		
Capital employed		
Preferential share capital	287	286
Ordinary shareholders' equity	8 142	7 735
Outside interests in subsidiaries	307	502
Loan capital	2 303	2 845
Deferred liabilities	2 267	2 696
	13 306	14 064
Employment of capital		
Land, buildings and plant	6 110	6 630
Associated companies	737	862
Trade investments	90	84
Other long-term assets	230	455
Working capital	5 707	6 022
Provision for taxation	*691*	*697*
Dividends	*396*	*443*
Net liquid funds	1 519	1 151
	13 306	14 064

Fl. million	1977	1978
Source and use of funds for the year ended 31st December		
Funds generated from operations	2 996	3 139
Funds from other sources	9	601
Total sources	2 987	3 740
Taxation payments during year	*608*	*729*
Capital expenditure less disposals	*1 235*	*1 211*
Purchase/sale of subsidiaries	*90*	*1 054*
Purchase/sale of associated companies/trade investments	*171*	64
Additional/reduced working capital	*496*	*574*
Dividends paid during year	*371*	*372*
Other sources/*uses*	*178*	*75*
Total uses	*3 149*	*4 079*
Net increase/*decrease* in net liquid funds	*162*	*339*

The net increase/*decrease* above excludes the effect of exchange rate changes.

	1977	1978
Earnings per share		
per Fl. 20 of capital	Fl. 20.19	Fl. 19.53
per 25p of capital	69.47p	73.44p

The basis of calculation is shown on page 42. The decrease in guilders is 3% and the increase in sterling 6%. The difference arises from the use of the rate of £1 = Fl. 4.36 in 1977 and £1 = Fl. 3.99 in 1978.

	1977	1978
Ordinary dividends		
N.V. per Fl. 20 of capital	Fl. 8.56	Fl. 8.80
Limited per 25p of capital (declared/proposed)	19.94p	21.92p
Limited per 25p of capital (paid/payable)	12.61p	13.94p
Ordinary shareholders' equity per share		
per Fl. 20 of capital	Fl. 146.13	Fl. 138.81
per 25p of capital	502.73p	521.86p

The figures above and on page 8 are combined figures and should be read in conjunction with the consolidated accounts on pages 38 to 40 which also give details of other movements in profit retained. Reference should also be made to the note on page 33.

Value added statement

Fl. million		1977		1978
Sources				
Sales to third parties		39 879		39 271
Other income		443		464
		40 322		39 735
Less cost of materials and services purchased		*29 654*		*28 809*
Value added		10 668		10 926

	%		%	
Disposal				
To employees in wages, salaries, pension contributions	67	7 160	67	7 338
To governments in taxation	11	1 184	12	1 259
To providers of capital				
—loans (interest)	3	362	3	380
—shareholders (dividends)	4	413	4	423
—outside shareholders and preference dividends	1	88	1	84
Reinvested in business				
—depreciation	7	749	7	777
—profit retained	7	712	6	665
	100	10 668	100	10 926

Capital expenditure

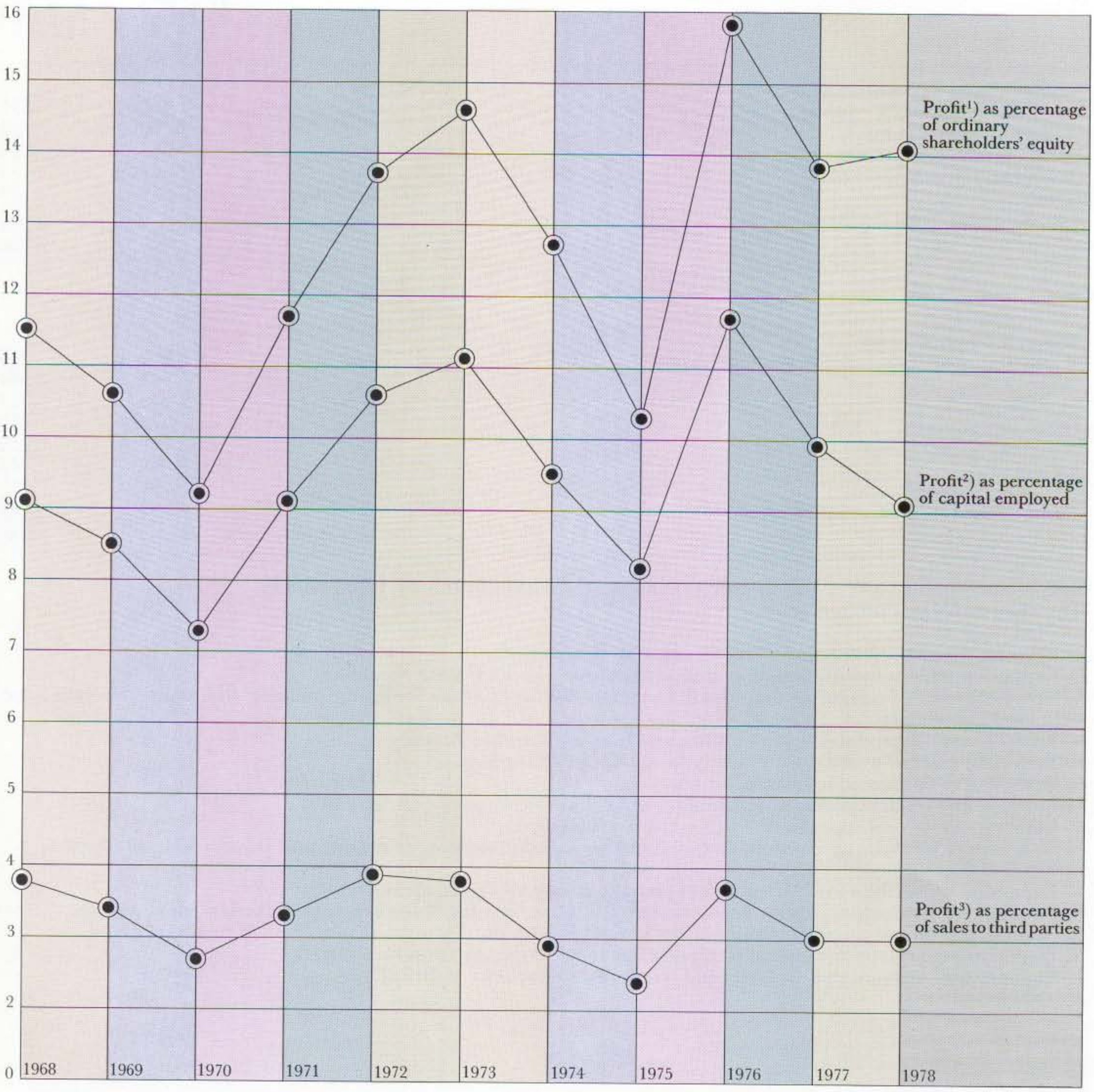
Fl. million	1977	1978
Analysis by geographical areas		
European Community countries	901	857
Other European countries	90	102
United States and Canada	97	125
Central and South America	48	55
Africa	119	81
Asia, Australia, New Zealand	113	138
	1 368	1 358

Analysis by operations		
Margarine, other fats and oils, dairy products	267	225
Other foods	361	364
Detergents	205	211
Toilet preparations	71	50
Chemicals, paper, plastics, packaging	149	213
Animal feeds	48	42
UAC International	98	95
Plantations, transport, other interests	169	158
	1 368	1 358

Projects amounting to Fl. 1 438 million were approved in 1978 (1977: Fl. 1 883 million).
The more important projects were:

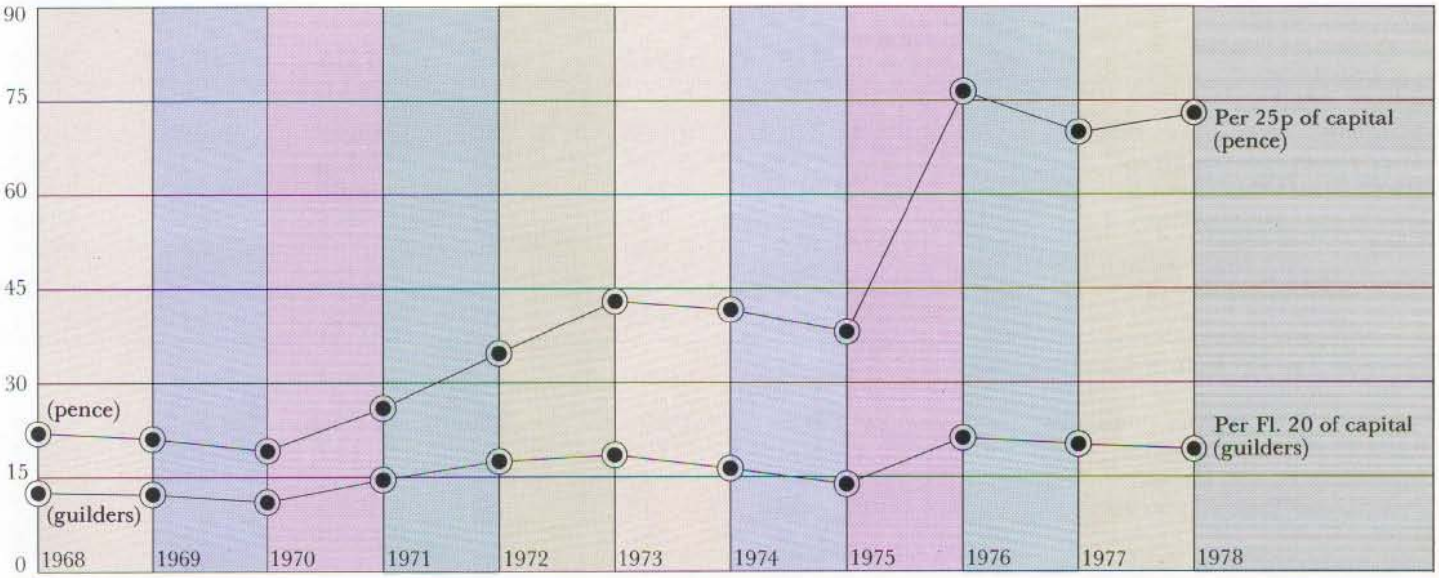
—Plant for multi-purpose solvent fractionation in the Netherlands.
—Expansion and modernisation of an edible oil refinery in the United Kingdom.
—Reorganisation of margarine factories in Germany, and of facilities for filling, packing and palletising margarine in the Netherlands.
—Facilities for the production of two and three layer desserts in Germany.
—Redevelopment of an ice cream factory in the United Kingdom.
—Extension of coldstore facilities in Austria.
—Building and modernisation of restaurants and shops in Germany and Austria.
—Construction of new supermarket in the United Kingdom.
—New factory for NSD production, and facilities for liquid detergent, toilet soap and laundry soap production in Brazil.
—Expansion of facilities for NSD powders manufacturing and packing in Portugal.
—Facilities for production of wide encapsulated glass fibre base for floor coverings in the United Kingdom.
—Coating line for vinyl wall coverings in the United Kingdom.
—Development and rationalisation of plantations in the Solomon Islands.
—Expansion of warehousing facilities and steam raising capacity in Brazil.

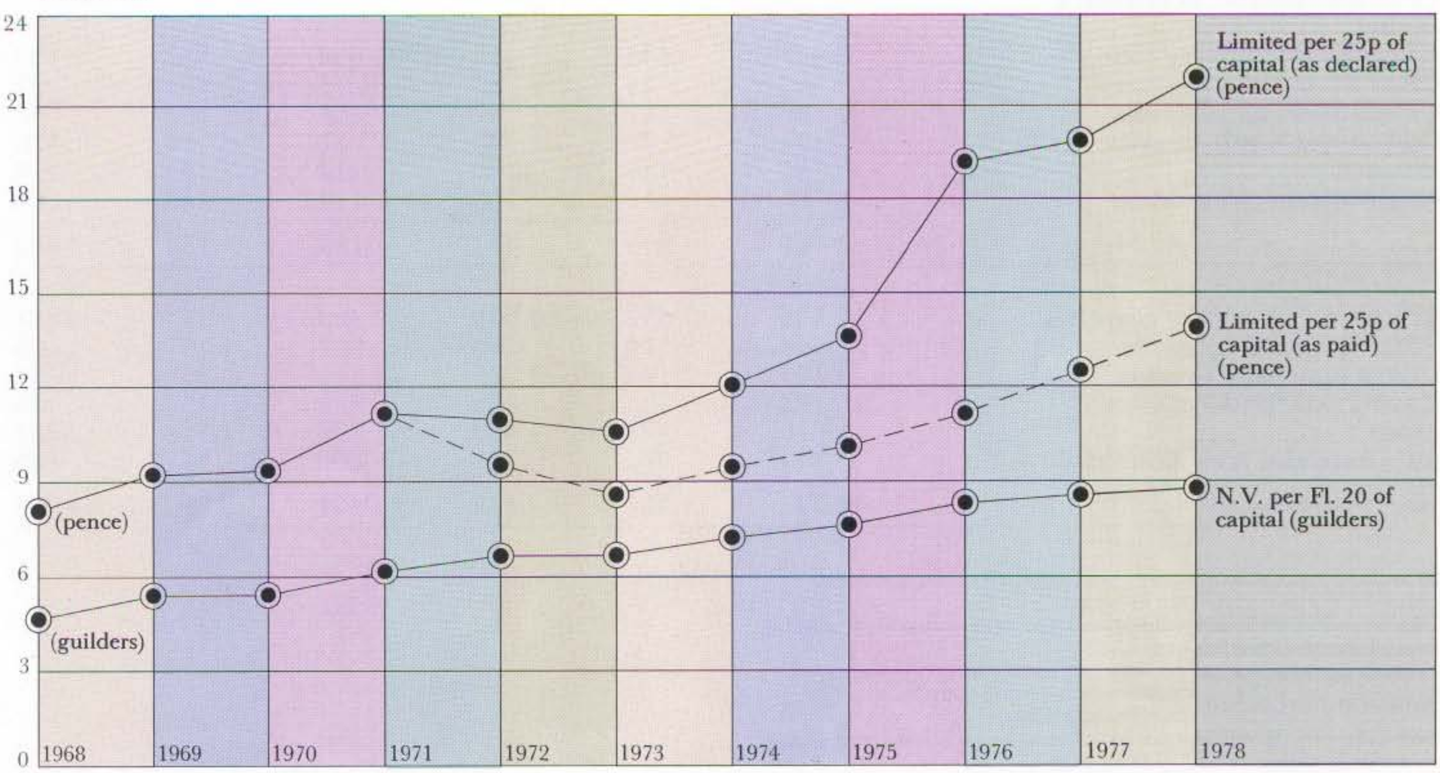
Return on shareholders' equity, capital employed and sales



¹) Based on profit attributable to ordinary capital.
²) Based on profit after taxation but before loan interest.
³) Based on profit after taxation.

Earnings and dividends per share





The greater increase in **Limited** dividends compared with that in **N.V.** dividends arises from the requirement of the Equalisation Agreement to pay the same dividend to both groups of shareholders at the prevailing rate of exchange as explained on page 33. The decline in sterling relative to the guilder, therefore, accounts for the divergent trends. The apparent change in trend in **Limited's** dividends in the years 1971 to 1973 is caused by the introduction of Advance Corporation Tax in the United Kingdom. (See also note 2 on page 61).

Sales, profit and capital employed by geographical areas

Fl. million

	1973	1974	1975	1976	1977	1978
Sales to third parties						
European Community countries	18 024	22 020	22 260	21 814	26 095	26 353
Other European countries	1 796	2 208	2 482	2 426	2 532	2 598
United States and Canada	3 072	3 293	3 856	3 648	3 582	3 613
Central and South America	597	757	864	948	936	1 004
Africa	3 424	3 690	4 326	4 733	3 635	2 858
Asia, Australia, New Zealand	2 284	2 503	2 917	2 924	3 099	2 845
	29 197	34 471	36 705	36 493	39 879	39 271
Operating profit before taxation and outside interests						
European Community countries	1 248	1 099	815	1 296	1 349	1 470
Other European countries	187	150	130	159	198	169
United States and Canada	187	237	201	233	189	172
Central and South America	68	45	50	59	111	112
Africa	289	342	527	639	257	221
Asia, Australia, New Zealand	214	236	263	257	254	253
	2 193	2 109	1 986	2 643	2 358	2 397
Profit attributable to ordinary capital						
European Community countries	617	446	313	633	537	635
Other European countries	99	73	53	76	101	51
United States and Canada	89	111	92	108	108	70
Central and South America	37	31	25	52	78	70
Africa	115	140	180	218	185	168
Asia, Australia, New Zealand	83	114	108	112	116	94
	1 040	915	771	1 199	1 125	1 088
Capital employed						
European Community countries	7 033	7 652	8 073	7 920	8 545	8 867
Other European countries	668	774	786	932	1 107	1 075
United States and Canada	1 135	1 128	1 229	1 279	1 360	1 891
Central and South America	182	238	292	350	258	322
Africa	910	923	1 088	1 297	1 318	1 224
Asia, Australia, New Zealand	615	644	701	666	718	685
	10 543	11 359	12 169	12 444	13 306	14 064

In considering the figures on pages 14 and 15 the treatment of associated companies should be noted.
Sales include sales by subsidiaries to associated companies (sales by associated companies are excluded).
Operating profit does not include any contribution by associated companies but profit attributable includes the concern share of associated companies' profit after taxation.
Capital employed includes our investment in associated companies on the basis shown in note (18) on page 47.

Sales and profit by operations

Fl. million

	1973	1974	1975	1976	1977	1978
Sales						
Margarine, other fats and oils, dairy products	8 471	11 609	10 763	9 805	11 502	11 248
Other foods	8 886	9 252	10 220	10 224	11 345	11 332
Detergents	5 279	5 906	6 780	6 596	6 897	6 412
Toilet preparations	1 125	1 226	1 445	1 533	1 657	1 706
Chemicals, paper, plastics, packaging	2 256	2 971	2 515	2 790	3 159	3 421
Animal feeds	2 169	2 395	2 234	2 310	2 524	2 444
UAC International	2 932	3 328	4 258	4 656	4 261	4 017
Plantations, transport, other interests	1 828	1 982	1 880	1 992	2 369	2 558
Total sales[1])	32 946	38 669	40 095	39 906	43 714	43 138
of which internal sales[2])	*3 749*	*4 198*	*3 390*	*3 413*	*3 835*	*3 867*
Sales to third parties	29 197	34 471	36 705	36 493	39 879	39 271
Operating profit before taxation and outside interests						
Margarine, other fats and oils, dairy products	559	475	312	524	479	602
Other foods	514	354	422	542	545	568
Detergents	461	470	498	522	466	481
Toilet preparations	91	71	111	126	135	60
Chemicals, paper, plastics, packaging	218	309	73	182	185	200
Animal feeds	85	40	33	60	65	63
UAC International	172	255	450	584	283	273
Plantations, transport, other interests	93	135	87	103	200	150
	2 193	2 109	1 986	2 643	2 358	2 397
Concern share of associated companies' profit before taxation[3])						
UAC International				44	228	185
Other operations				13	29	71
				57	257	256

The movements in exchange rates have had a significant influence on the figures from 1973 to 1978. When expressed in sterling as in the accounts of **Limited** the yearly percentage changes are different from those in guilders.

[1]) The sales figures reported for product groups are total sales, comprising sales to third parties and internal sales. Internal sales represent supplies of marketable products and services between one industry and another within the organisation.
[2]) The inclusion of internal sales in the total sales of the product groups properly reflects the sales to which the operating profit of these groups should be related. For the business as a whole only sales to third parties are used.
[3]) This heading was introduced into the profit and loss accounts in 1977 when UAC of Nigeria became an associated company and its results had to be excluded from operating profit. This change in the status of UAC of Nigeria explains the sharp fall in UAC International's operating profit in 1977.
Some further companies became associated companies in 1978. The largest was Lever Brothers Nigeria (mainly detergents, but also margarine, other foods and toilet preparations).
The contribution shown above as 'Other operations' consists of several commodity groups with margarine and detergents the most significant.

Review of operations

Margarine, other fats and oils, dairy products

	1977	1978
Total sales (Fl. million)	11 502	**11 248**
Increase/*Decrease*	17%	***2%***
Operating margin	4.2%	**5.4%**

World consumption of margarine, butter and all other edible fats and oils increased by 2%. Consumption in Western Europe has remained stable; in North America it has increased by 1.6%; and in the developing countries by over 4%. For the fourth year in succession margarine consumption increased slightly in relation to butter, as did shortenings and compounds in relation to lard and other animal fats.

World market prices for oils and fats followed a rather uneven pattern. The sharp drop in Brazilian soya bean and Malaysian palm oil production caused a steady rise in prices which began early in March. From June prices slipped in anticipation of a record soya bean crop in the United States but subsequently rose again to finish the year somewhat higher than at the start. On the whole we were able to keep our selling prices in line with the changes in raw material prices, whilst a slightly higher sales volume and general efficiency improvements have led to better profitability. Once again, market disruption caused by the E.C. authorities' disposal of butter stocks at low prices towards the year-end has stopped our performance from being quite as good as it would otherwise have been.

We made a small but worthwhile improvement in our share of the world total edible fats and oils market, and small increases in market share were achieved in the consumer and catering and industrial sectors. In margarine we managed to maintain our share in most countries in Europe, despite increasingly aggressive price competition; the exception was the United Kingdom, where fierce competition in the retail trade led to loss of market share to competitors' lower priced brands. Our health margarines continued to do well.

Per caput consumption of butter and margarine in most countries in Northern Europe declined but markets grew in most Mediterranean countries where we improved our position. In both the United States and Canada our share of the margarine market increased slightly, though results in the United States remained poor. In the rest of the world we made good progress generally, with particularly good performances in Brazil, Indonesia and Kenya. Investment is being undertaken to provide additional production capacity in Nigeria, so as to take full advantage of opportunities there.

Consumer needs in margarine and the availability and relative prices of raw materials vary from country to country. Our research has given us some flexibility in the selection and processing of raw materials to give the required properties.

Our table oil business made good progress in consumer sales in Europe; growth continued in France with 'Fruit d'Or', a sunflower oil; Elaïs in Greece also made worthwhile gains with their olive oil, 'Altis'. Some progress was made in the cooking fat business.

Our business in yoghurts, desserts and other fresh dairy products continued to show a marked improvement and is now in total making profits. Progress was particularly evident in desserts in Belgium and France. We attribute the improvement to a significant extent to the success of efforts to improve productivity and contain costs.

The bakery and catering business did considerably better than in 1977. Most of this improvement came in the bakery field, where small, independent bakery businesses continued to do well.

In speciality fats for the food industry we again improved our performance very satisfactorily. We are making further significant investment in the manufacture of cocoa butter equivalents.

The oil milling division has had another difficult year, although the results of most activities were better than last year. The major problem has been the low margin obtainable for soya bean crushing, due to tough competition, mainly as a result of the further weakening of the U.S. dollar. The new mill at Europoort, Rotterdam, is now fully operational.

Production of vegetable protein concentrates for animal feeds is proceeding according to plan; progress with textured vegetable protein for human consumption has been less satisfactory, since the food industry is taking longer than expected to accept these products.

Our new soya mill at Europoort, Rotterdam, came into full production during the year. The size of the plant is such that radio is needed for communication between operatives on the site, and the entire process is monitored and recorded by one person in the central control room. The large picture shows the exterior of that part of the plant in which oil is extracted from soya beans.

Other foods

	1977	1978
Total sales (Fl. million)	11 345	**11 332**
Increase	11%	—
Operating margin	4.8%	**5.0%**

Frozen foods
Markets expanded almost everywhere, and our volume increased proportionately. Sales of frozen vegetables were better than in 1977, but sales of frozen fish declined, mainly due to the high levels to which fish prices have climbed. Consumers still prefer cod, but other varieties of good quality fish have been well accepted, especially in Continental Europe. The market for frozen meat products is still growing, although our own volume was lower than in 1977.

Our sales of pizza products have shown good growth, especially in Germany. In Italy, where our frozen foods business achieved an excellent sales increase, dessert products did especially well. In the United Kingdom, strikes led to stock shortages and reduced sales.

Major investments are being made in factories in the United Kingdom, Germany and Italy.

Ice cream
The weather, while not good, was better than in 1977. Sales of ice cream, therefore, were higher than in the previous year. Almost all European companies produced considerably better results than in 1977.

Once again the 'Cornetto' range of products has been successful, with high quality products backed by strong advertising support. Other new, attractively promoted products were introduced into the ranges for consumption out of doors.

The market for ice cream for home consumption, which is highly price competitive, is still growing, with increasing ownership of home freezers. We have successfully launched new sophisticated products, including the 'Bouquet' range and 'Rumba' in Germany, and ice cream rolls in the United Kingdom and Denmark. In France we have made good progress.

Our results in Australia improved in spite of a declining market, and the market position of our Brazilian company improved. Results were depressed in South Africa because of fierce competition and a slow-moving market.

In Yugoslavia, work has started on a new ice cream factory for Frikom, a venture in which we have a 25% share. The factory is expected to be completed early in 1980.

Sundry foods and drinks
Tea prices in the world market remained fairly stable, though the average price was higher than in 1977. However, the effect of high consumer and trade stocks at the beginning of 1978 reduced volume, although sales recovered later and profitability was maintained at the satisfactory 1977 level. The 'Lipton of London' range of premium quality teas was extended to the Netherlands. Our most rapidly growing markets for tea bags were in the Middle East and Nigeria. Lipton 'Yellow Label' tea bags were introduced in Brazil.

Sales of soup in Europe generally declined, heavily influenced by continued weakness in the canned soup market in the Netherlands and Belgium; in Germany, however, the market continues to grow. In the Netherlands we launched successfully a concentrated liquid instant soup under the brand name 'Unox Express'. In dried soups price competition remained severe everywhere and profitability was reduced.

Sales of mayonnaise and salad dressings continued to grow and new products were launched in several countries.

Soft drink sales were substantially lower in the Netherlands, Germany and Sweden. Sales of Batchelors' canned and dried vegetables in the United Kingdom were also somewhat lower but 'Quick Custard', introduced in March, captured a major share of the market.

In Australia, Rosella made further progress and introduced 'Promise' low calorie instant soups.

Our chocolate businesses, which operate only in the Netherlands, Austria and Ireland, had a disappointing year.

In the United States, Thomas J. Lipton, Inc. continued to perform very satisfactorily and their tea results were again outstanding. A new range of flavoured teas was successfully test marketed. A further development was the introduction nationally of instant snack meals under the name of 'Lite Lunch'. A new gelatine plant came into operation towards the end of the year. In the United States, as elsewhere, the 'Cup-a-Soup' range continues to make a solid contribution to profitability.

Business with the catering trade and institutions showed improved results, except in the United Kingdom.

Sir David Orr visited our companies in Japan during October. He is seen here inspecting a margarine tub filling line at the Shimizu factory of Nippon Lever Industries with Mr. I. Kashiwagi (right), President of the company, and Mr. M. Iwasa, Factory Director.

Capital expenditure was concentrated on projects to improve efficiency. Warehouse capacity for tea was expanded in Nigeria, and a tea blending plant was established in Singapore.

In the United Kingdom four people became ill with botulism after eating some of the contents of a can of John West salmon. We deeply regret the suffering their illness caused them and that two of them ultimately died. John West acquired the batch of canned salmon, of which the can in question formed part, from a reputable cannery in Alaska. John West and Unilever research services have co-operated to the full with exhaustive enquiries undertaken by the Government authorities in the United Kingdom and the United States; the results of these enquiries show no evidence of any fault on the part of John West.

The effect on sales of all brands of canned salmon in the United Kingdom was severe and was still being felt at the end of the year. Sales of other John West products remained satisfactory.

Meat products
The efforts made to overcome the problems of our major meat businesses are taking effect and results as a whole were considerably improved.

Meat consumption did not grow in Europe, and the volume sold by our companies showed no increase over 1977. Low meat prices in Continental Europe led to improved margins.

Under the Common Agricultural Policy of the E.C., imports of bacon, ham and other pigmeat products into the United Kingdom from other E.C. countries continued to enjoy a financial benefit equivalent to more than 25% of selling price. This competition put heavy pressure on the United Kingdom industry, including our own companies. The Walls Meat Company and Lawson of Dyce continued to trade at a loss, though Walls' results improved owing to cost-saving measures and better profitability from sausages and pies. Mattessons' business in speciality products again did well. Production capacity was expanded by an additional factory at Chippenham. The Walls factory at Evesham was replaced by a new factory on a nearby site.

The restructuring of the meat businesses in the Netherlands made good progress. Savings resulting from the reorganisation reduced losses. Declining sales volume in canned soups and canned meats was offset by an increase in fresh meat sales.

Our companies in Belgium and Germany had another good year, despite limited volume growth. Progress in the developing market for meat snacks was sustained by the introduction of new products and packs.

Outside Europe, our business in Mexico did well with a further sales gain over the preceding year; work was begun on a new factory. In Canada, our group of meat companies had a reasonable year.

Fish, restaurants and retailing
'Nordsee', our trawling, fish processing and trading company, had a difficult year.

It was in the restaurant and wholesale trade that most progress was made. The number of retail shops is almost unchanged. The restaurant sector is showing good growth, especially the self-service fish restaurants, which now number 119.

The failure to formulate an E.C. fishery policy, which also hampered negotiations with non-E.C. countries, adversely affected 'Nordsee's' business. The present catch quotas are insufficient for the existing fleet, and the trawling activities are therefore being restructured. Fish processing also made little progress. The herring shortage caused higher prices and lower demand for canned fish. The introduction of new species could only partly offset the effect of this on our business.

Despite severe price competition Mac Markets maintained their profit at a level similar to 1977.

Detergents

	1977	1978
Total sales (Fl. million)	6 897	**6 412**
Increase/*Decrease*	5%	***7%***
Operating margin	6.8%	**7.5%**

In Europe, 1978 was a year of progress. We achieved useful gains in shares of markets, which in several countries grew rather faster than in 1977. Our margins improved through a continued programme of rationalisation. However, they are still not satisfactory.

The progress of our fabric softener 'Coccolino', launched in Italy, is promising. In Germany, our hygienic cleaner 'Domestos', introduced in 1977, also did well and has now been introduced in Denmark and France. In Greece, a hand dishwash product was launched and in a number of countries new all-purpose cleaners were introduced. Among our established brands, 'Persil Automatic' in the United Kingdom maintained its excellent growth in the face of continuing heavy competition, and considerable progress was made with 'Sunlight' dishwashing liquid. In Switzerland A. Sutter is proving a rewarding addition to our industrial detergents business in Europe.

Sales volumes were up in the United States and Canada. Profitability also improved, but in the United States remains below a satisfactory level.

Outside Europe and North America performance was again satisfactory, though sales volume grew more slowly than in 1977. Worthwhile progress was achieved with fabric washing powders and toilet soaps, and products for household cleaning made significant gains. Generally, profit margins improved after the decline reported last year. Our businesses in Brazil, India and Indonesia did very well, and Argentina significantly improved upon previously disappointing results. However, keen competition had an adverse impact on profitability in some countries — notably the Philippines and Thailand.

A new detergents plant in Minto, Australia, has been commissioned and other major modernisation programmes are under way in the United Kingdom, Brazil, Germany, Greece, Italy, Nigeria, Portugal and the United States.

Everywhere there is an evolution of consumer needs and these must be matched with advances in science and technology. In Europe new products designed to wash fabrics at temperatures well below those currently used are being developed.

Toilet preparations

	1977	1978
Total sales (Fl. million)	1 657	**1 706**
Increase	8%	**3%**
Operating margin	8.1%	**3.5%**

The world market grew by some 10% in value over 1977. In Europe trading conditions were generally difficult, and in North America, the market, as in 1977, grew more slowly than in the rest of the world. Demand for aerosol products declined. In other fields such as skin products, dentifrices and shampoos, growth was satisfactory.

Our sales improved, particularly in North America and other countries outside Europe. 'Signal' mouthwash was introduced nationally in the United States; 'Impulse' perfumed deodorant and the 'Denim' men's range were introduced into new markets. Total results were lower than in 1977, partly because of the heavy cost of launching 'Signal' mouthwash, and developing sanitary protection products in Europe. Results in Europe were lower in Germany and Switzerland because of price competition; France and the Netherlands had losses but Italy showed a considerable improvement. 'Norsca' bath preparations were successfully introduced in the United Kingdom. In Austria a new anti-plaque toothpaste, 'Ziel' did well.

Countries outside Europe and North America showed improved results particularly in South America, where Argentina returned to profitability. Our Indonesian business is going from strength to strength and positive progress has been made in Japan.

New factories came into operation in Brazil and Spain and a substantial new distribution centre was completed in the United Kingdom.

Towards the end of the year arrangements were concluded for the sale of our hairdresser supplies businesses in the United Kingdom and Germany.

Chemicals, paper, plastics, packaging

	1977	1978
Total sales (Fl. million)	3 159	**3 421**
Increase	13%	**8%**
Operating margin	5.9%	**5.9%**

Chemicals
Demand ran more or less evenly throughout the year—albeit at a disappointing level. In Europe, total sales, both in value and volume, were slightly ahead of 1977. The generally low level of industrial demand resulted in intensified competition, with a consequent effect on some of our prices. None the less, measures taken to increase efficiency and contain costs maintained profit margins, though we found the burden of higher costs in Continental Europe particularly heavy.

Conditions were very difficult in the fatty acids market, where over-capacity, combined with low growth in Europe, led to severe competition. In addition, raw materials prices were higher and pressure on margins was considerable.

In the United Kingdom, Crosfields had another satisfactory year, although industrial activity was generally low. Both volume and profit improved and there was heartening progress with new products such as polyelectrolytes and concrete additives. Our food additives business continued extending into new markets with a useful improvement in both sales and profitability. Proprietary Perfumes again increased volume and sales and further reinforced their international market coverage.

In the Netherlands, Unilever-Emery—our joint venture with Emery Industries (now a subsidiary of National Distillers and Chemical Corporation)—was also affected by poor market conditions. This company depends heavily on exports which were adversely affected by the strength of the guilder; consequently only modest profits were achieved.

Our synthetic resin operations in Europe experienced low growth in common with other companies. Although we increased profitability, margins remained unsatisfactory. Plans for improving productivity are now being implemented and encouraging progress is being made.

In Australia and South Africa volume was well maintained. The erection of our sodium tripolyphosphate plant in India is now well under way.

Improved manufacturing facilities came into operation for fatty acids in the United Kingdom and Germany and for silicates and catalysts in the United Kingdom. Capital expenditure was authorised for new perfumery process development and manufacturing facilities in the United Kingdom.

The acquisition of National Starch represents a major expansion of our chemicals interests. Although the greater part of its business stems from the United States, it has substantial activities in the United Kingdom, Australia, Canada, France, Mexico and South Africa, and joint-venture operations in several countries. The company, which makes and sells adhesives, starches and speciality organic chemicals, made a worthwhile contribution to results.

Paper, plastics, packaging
Poor demand in Europe led to over-capacity and adversely affected our board-making, packaging and home improvement products.

Thames Board Mills was affected by imports into the United Kingdom of cartonboard from Continental European mills where weak demand led to depressed prices. The weakness of the dollar also meant increased imports of kraft liner boards from North America, affecting both sales volume and margins of its wastepaper-based liner boards. The big investment announced last year at Workington is progressing on schedule.

The Thames Case transit packaging business has consolidated the activities into which it has diversified. It has had considerable success with fruit and vegetable trays in particular.

The 4P Group, one of the largest packaging concerns in Europe, continued the rationalisation programme begun in 1977 to improve profitability. The loss-making plastic bottle factory at Neuss, Germany, has been closed and the Group has withdrawn from certain other unprofitable activities. Production of cartons, tubs, films and flexible packaging continues.

Nairn International continued to improve market share in the United Kingdom and some export markets for its wall and floor coverings and other home improvement products. The new factory at Kirkcaldy, Scotland, will commence production of four-metre-wide floor covering in the spring of 1979. Despite the adverse dollar exchange rate, Nairn now exports 45% of its production.

Mr. H. F. van den Hoven visited our Brazilian companies in September. At Indaiatuba, in the State of São Paulo, he planted a tree to commemorate the start of construction of a new detergents factory. Among those present were Mr. Paschoal Ricardo Netto (centre), Chairman of Indústrias Gessy Lever; Mr. O. Strugstad (second from left); and Mr. M. Tabaksblat (left), Managing Director of the Lever Division of Gessy Lever.

Animal feeds

	1977	1978
Total sales (Fl. million)	2 524	**2 444**
Increase/*Decrease*	9%	***3%***
Operating margin	2.6%	**2.6%**

During 1978 raw material prices were relatively stable, though some prices did rise as a result of cereal exports from the E.C. and a decline in soya bean supplies. Animal feed markets generally grew during the year, largely due to increased intensity of feeding; the important United Kingdom market, however, declined. Market prices for livestock rose less than expected.

Our United Kingdom compound businesses had another good year and further increased market share. Additional capacity was planned; two new mills came into operation in January, 1979. Through continuing research work, technical advances were made in product quality. Special attention was paid to the need to provide a more comprehensive service to our customers, including investment in advanced handling and bulk delivery facilities.

In the Netherlands and France, trading conditions in compound feeds were again difficult, particularly in the first half of 1978. However, the second half-year saw some substantial improvements in volume, and market shares were maintained. Modernisation and extensions to mill facilities are in progress and planned to continue in 1979. Our business in Ireland continued to grow in an expansive agricultural economy at a very satisfactory pace.

Amongst our other activities in the United Kingdom, agricultural merchanting had a better year than in 1977. Our Midland Poultry business had to cope with difficult market conditions, with margins under pressure towards the end of the year. Production levels were maintained during extensive modernisation and improvement work at the company's main unit at Craven Arms.

In the United Kingdom the seed crushing and oil refining operations had a very successful year but the nutritionally improved straw plants continued to encounter severe difficulties because of a surplus of alternative materials at competitive prices.

Fish farming made steady progress and a new hatchery was completed at Inchmore, Scotland.

UAC International

	1977	1978
Total sales (Fl. million)	4 261	**4 017**
Decrease	*8%*	***6%***
Operating margin	6.6%	**6.8%**

The figures above cover subsidiaries only and include sales to associated companies. The UACI contribution to Concern share of associated companies' profit before taxation was Fl. 185 million in 1978 compared with Fl. 228 million in 1977. The principal associated company in the UACI Group is UAC of Nigeria.

The review of UACI activities by divisions which follows includes both subsidiaries and associated companies.

Weaker commodity prices, often combined with government action to curb inflation and bring external payments into better balance, affected economic growth in many of the countries in which UACI operates. In Nigeria the business continued to expand rapidly in the early part of the year, but expansion was checked after the imposition of restrictions on imports and development expenditure and the raising of tax rates in the Federal Budget in April. Participation by Nigerians in the share capital of several Group companies was increased to comply with the 1977 Nigerian Enterprises Promotion Decree. Elsewhere, the impact of more difficult trading conditions was chiefly felt in French-speaking Africa and the Arabian Gulf. Nevertheless, substantial investment continued in the expansion of selected activities, especially those concerned with the motors, medical, brewing and technical fields in Africa. Development of the Group's businesses outside Africa, notably in the United Kingdom, continued.

The breweries had a much better year despite curtailment of production in Ghana due to lack of raw materials and a squeeze on margins by price controls in Sierra Leone. Increased capacity in Nigeria and Tchad, and a slight easing of price controls in Nigeria, contributed to the good results.

The foods business in Nigeria yielded satisfactory results despite restrictions on some imported items. Production capacity for snack foods and ice cream is being expanded to cater for the developing market.

Appreciably higher excise duties inhibited growth of the toiletries business in Nigeria. There were good results generally from proprietary medicines and pharmaceuticals. The hospital supplies and surgical business had a good year in most markets and a Fl. 32 million contract was secured for the supply of mobile medical units to India.

In Nigeria, power cuts and the aftermath of industrial unrest reduced the profits of the Motors business. In the United Kingdom, UACI's Motors Division acquired a motor parts and accessories business.

Though some activities did better than others, results in France remained depressed. Operating conditions deteriorated in some of the French-speaking African territories, notably in Gabon. This caused poorer results, particularly for those units dependent on government capital spending. Profits in textile distribution continued to grow but textile manufacturing in the Ivory Coast suffered from a labour dispute and price control.

Textiles and Industrial Services Division again experienced mixed fortunes. In both Ghana and Nigeria textiles manufacturing and distribution had improved results, though the factory in Northern Nigeria was subject to severe disruption of power supplies. The plastic foam businesses improved both sales and profits: production facilities are to be further expanded. The bed and mattress manufacturing business, however, did not do as well as last year, nor did the packaging business.

The general trading activities of G.B. Ollivant Division again yielded good results, although these suffered in the latter part of the year from changes in conditions in Nigeria. Franchise operations were also badly affected by import and sales curbs, and profits from office equipment fell because of a cut-back in government expenditure. Results from office equipment distribution in the United Kingdom improved. The Kingsway stores in Ghana and Nigeria did well, and further expansion is planned in Nigeria.

Profitability of Palm Line's ocean vessels was reduced by port congestion in West Africa early in the year, and later by a decrease in cargo from Northern Europe to Nigeria, coupled with increasing competition.

Timber activities had a more difficult year. Although the new particle board factory in Nigeria made a good start, demand slackened with the contraction in building activities. In the Far East lower log prices and, in Indonesia, the imposition of additional levies on the industry, resulted in lower profits.

The machinery sales and servicing operations of Unamec did well generally, and particularly in East Africa. In Australia the Detroit Diesel Allison distributorship produced encouraging results, but in Zambia was adversely affected by local economic conditions. The air-conditioning businesses made good progress, but after a promising start the radio, TV and electrical sectors in Nigeria finished the year disappointingly.

The Caterpillar dealership in Kenya had a particularly good year and profits were maintained at last year's level in Nigeria, despite a marked reduction in business in the latter months. Lower expenditure on construction projects affected the results of Leverton in the United Kingdom.

Plantations

Plantations Group had another good year. In Africa and West Malaysia yields of palm products, our principal crop, were affected by drought conditions of previous years, but by the end of the year they were recovering well. The estate in East Malaysia had a record year. Of our other crops, rubber and cocoa also produced tonnages above 1977 levels, although selling prices were lower. Edible oil prices, however, were higher on average than in 1977, so that we have maintained profits.

Our development programme has continued. We have planted new oil palm areas in the Cameroons and in Ghana and coconut palms in the Solomon Islands. The replanting and rehabilitation programme agreed with the Zaïre Government and the World Bank continued.

During 1978 Nigerian interests became the holders of 40% of the equity in Pamol (Nigeria) Limited so as to comply with the Nigerian Enterprises Promotion Decree. In Zaïre negotiations on participation with the Government have been concluded in which the Government acquired 40% of the shares of our plantations company.

Transport

In Europe, volume increase was disappointing and margins were still depressed. Results in total, after substantial reorganisation costs, were lower than in 1977.

Germany remains the most profitable country of operation, with continued successful growth in groupage, warehousing and distribution to which the recently-acquired parcels company, Klaus, made a satisfactory contribution. In Italy, a national distribution system has been completed, and progress has continued in Belgium in restructuring the depot network to meet changing requirements.

Norfolk Line has achieved a very high utilisation of its ships and trailers, with a consequent improvement of results. Alvracht in the Netherlands and our company in France have contributed a satisfactory profit in spite of rather disappointing sales.

In Spain, Unitransa, our groupage company, is carrying out a drastic programme of rationalisation and restructuring involving a significant reduction in staff and high redundancy costs; however, it has not been able to recover from its heavy losses.

In the United Kingdom the integration of the distribution services for frozen foods and ice cream is proceeding, but domestic distribution suffered from low volume. However, the turn-round in our business of distributing hanging garments, to which we referred last year, has continued and our position in this field, to which we have devoted considerable effort, has strengthened.

Equipment for vacuum packing textile products to reduce bulk and therefore freight costs has been installed in both the United Kingdom and Hong Kong. The saving in freight costs and protection during handling are not only expected to reduce costs of distribution, but may also open up new markets for various products, or make possible alternative means of transport.

Other interests

In connection with the proposed acquisition of the American advertising agency SSC&B Inc. by the American Interpublic Group of Companies, itself a leading advertising concern, we have announced that agreement in principle has been reached with Interpublic for the acquisition by Interpublic of our 51% interest in the SSC&B:Lintas companies. SSC&B Inc. holds a 49% interest in these companies. Our agreement in principle with Interpublic is subject to a number of conditions yet to be fulfilled, including observance of procedures and statutory regulations in the various countries where the SSC&B:Lintas companies operate.

Exports

In 1978 our exports—involving nearly 40 countries throughout the world—reached a combined total of Fl. 6 133 million, compared with Fl. 5 970 million in 1977.

The values of our shipments from each of the three main exporting countries, and from all other countries combined, since 1976, are as follows:

Fl. million	1976	1977	**1978**
The Netherlands	1 730	1 749	**1 953**
United Kingdom	1 274	1 869	**1 867**
West Germany	1 015	1 314	**1 366**
Other countries	761	1 038	**947**

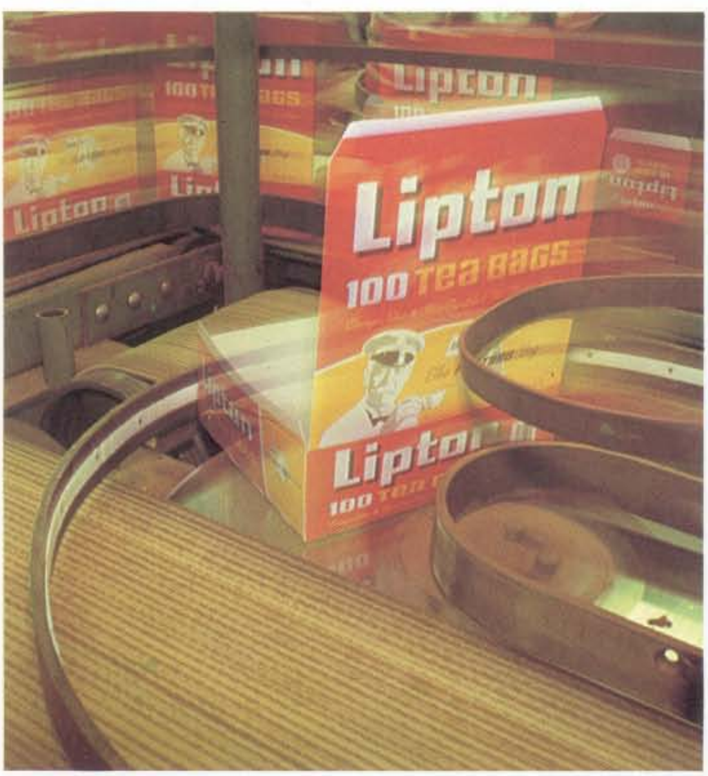
Oil milling products and chemicals were the main exports from both the Netherlands and Germany, and meat and sundry foods were also important for the Netherlands.

Exports from the United Kingdom were mainly in the form of merchandise shipped by UACI, chemicals, detergents, packaging, edible fats and other foods.

Lever Brothers Company in the United States produced and sold over 10 million cases of 'Wisk', the country's leading liquid laundry detergent, in 1978.

Thomas J. Lipton, Inc., founded in the 1890s by Sir Thomas Lipton, pioneered tea bags and iced tea mixes, and also has a record of innovation in convenience foods.

National Starch and Chemical Corporation is a research and product development oriented company with over 2 000 technically advanced products. Polymers, or materials that convert to polymers in use, form the basis for many of them. Experimental products are shown here under test in the laboratory.



Research and development

In 1978 we spent Fl. 532 million on research and development in 41 countries (1977: Fl. 513 million).

Research and development is a continuing process designed to improve existing products and to make new products with enhanced properties and devise efficient processes for manufacturing them.

As market conditions between countries vary considerably, we must develop and communicate technology appropriate to the receiving country. The fundamental technology is widely applicable, but often requires adaptation for transfer to another country. The formulation of a detergents product is governed by the quality of the local water, the availability and type of washing machine, and local washing habits. Special teams have been set up specifically to support our main businesses in the developing countries.

Because of our policy of local manufacture, we have great experience in technology transfer between countries. The basis of our ability in this field lies in the strength of our central services. Research laboratories in Europe, India and the United States undertake extensive programmes of applied and basic research which provide a basis for the development of high quality products specially designed for individual markets.

To make the best possible use of the results of research, rapid transfer of know-how from one product area to another is vital. For instance, the science and technology of emulsions is applicable to detergents and toilet preparations as well as to margarine and ice cream. Understanding of the technology of powders is relevant both to detergent powders and dried soup mixes.

We believe that large multi-discipline laboratories make for the efficient use of scientific resources and equipment and for more effective research. Consequently, our proposals to close the smaller laboratories at Duiven in the Netherlands and Isleworth in the United Kingdom and to transfer staff to the larger ones in the respective countries have been announced. The necessary consultations with the employees concerned are proceeding.

Personnel

The table below shows the total number of our employees, and of the employees of our associated companies, as well as their geographical distribution, together with comparative figures for 1977.

(000's)	1977			1978		
	Parent companies and subsidiaries	Associated companies	Total	Parent companies and subsidiaries	Associated companies	Total
European Community countries	177	3	180	**172**	**4**	**176**
Other European countries	17	1	18	**17**	**1**	**18**
United States and Canada	20	—	20	**24**	**—**	**24**
Central and South America	10	2	12	**10**	**3**	**13**
Africa	60	44	104	**56**	**53**	**109**
Asia, Australia, New Zealand	43	1	44	**39**	**6**	**45**
	327	51	378	**318**	**67**	**385**

The most striking aspect of these figures is the substantial increase in the numbers of employees of associated companies. This is mainly due to companies which were formerly subsidiaries becoming associated companies. The major examples during 1978 were Lever Brothers Nigeria and Lipton India. In addition, there was an expansion of activities by UACI associated companies in Nigeria which caused increases of staff.

The increase in numbers employed in the United States and Canada is due almost wholly to the acquisition of National Starch.

There were closures and rationalisations in some of the countries of the E.C. which resulted in reductions of staff.

The figures summarise a work-force made up of people of many nationalities, working in any one of the many countries where we are active. They include 20 000 managers whom we seek to train and whose experience we seek to broaden, to enable them to undertake the complex task of management both today and in the future. The cross-fertilisation of knowledge, background and philosophies of our managers in different countries is very important to our business and to the development of the individual managers. Therefore about 2 500 managers change their jobs in a year and some 1 300 managers are serving outside their home country.

Dividends

The proposed appropriations of the profits of **N.V.** and **Limited** are shown in the consolidated profit and loss accounts on page 38.

The Boards have resolved to recommend to the Annual General Meetings on 16th May, 1979 the declaration of final dividends in respect of 1978 on the ordinary capitals at the following rates, which are equivalent in value in terms of the Equalisation Agreement:

N.V.	
per Fl. 20 ordinary capital	
Interim	Fl. 3.40
Final	Fl. 5.40
Total	Fl. 8.80
	(1977: Fl. 8.56)

Limited	
per 25p ordinary share	
Interim	8.52p
Final	13.40p
Total	21.92p
	(1977: 19.94p)

It is intended to make the final dividend of Fl. 5.40 obtainable from 29th May, 1979.

N.V.'s final dividend is approximately 5% more than **N.V.'s** final dividend for 1977. It is the provisions of the Equalisation Agreement which require the proportionately greater increase in **Limited's** final dividend shown above.

Limited's total dividend declarations for 1978 are higher than the statutory limit in force for United Kingdom companies. As before the Treasury have agreed to such declarations subject to the condition that the total amount paid to shareholders by way of dividends for 1978 is kept within the statutory limit and payment of the balance of 1978 dividends is postponed.

It is therefore again proposed to make the final dividend of **Limited** payable by instalments. The first instalment of 8.74 pence per share will be paid on 29th May, 1979 to shareholders registered in the books of the Company on 27th April, 1979. This payment will bring **Limited's** dividend payments for 1978 up to 13.94 pence per share which is within the statutory limit. The balance of **Limited's** 1978 final dividend which together with the deferred balance of earlier dividends will amount in total to 33.52 pence per share, will be paid when circumstances permit to holders of Ordinary capital now in issue registered at the time of payment.

For the purpose of equalising dividends under the Equalisation Agreement the United Kingdom Advance Corporation Tax (ACT) in respect of any dividend paid by **Limited** has to be treated as part of the dividend. If the rate of United Kingdom ACT changes from the current rate before payment of these dividends has been completed, the figure shown above will be adjusted accordingly and a further announcement made.

The total dividend of 19.94 pence for 1977 includes a further payment of 0.11 pence made in 1978 as a consequence of the reduction in the rate of ACT in April 1978.

Final dividends on the New York shares of **N.V.** will be payable as from 18th June, 1979.

After provision for the Ordinary dividends for 1978 it is proposed to set aside Fl. 390 million (**N.V. Fl.** 192 million, **Limited** Fl. 198 million) to reserve for replacement of fixed assets (on behalf of subsidiaries).

Capital and membership

During 1978 there was no change in the share capital of **N.V.** or **Limited.**

Changes in loan capital are shown in the Notes to the consolidated accounts on page 44.

As most of **N.V.'s** share capital and all of its loan capital is held by the public in the form of bearer scrip, it is impossible to ascertain the number of holders. At the year-end **Limited** had 78 795 ordinary and 990 preferential shareholdings and 78 809 debenture and unsecured loan stockholdings.

The geographical spread of **N.V.'s** ordinary shareholdings based on the country of payment of final dividend paid in 1977 and 1978:

	1977	**1978**
	%	**%**
The Netherlands	58	**55**
Switzerland	20	**21**
Germany	5	**7**
United Kingdom	5	**4**
United States	3	**4**
France	4	**4**
Belgium	3	**3**
Other countries	2	**2**
	100	**100**

In 1978, as in 1977, the holders of over 99% of **Limited's** ordinary shares have registered addresses in the United Kingdom.

Directors

Mr. G. E. Graham whose intention to retire has already been announced will not offer himself for re-election at the Annual General Meeting.

Mr. Graham has served Unilever for 31 years, nearly nine of them as a Director. He began his service with The United Africa Company and since 1964 has been a member and latterly Chairman of the Overseas Committee. His colleagues place on record their appreciation of the part he has played in the success of the business.

In accordance with Article 21 of the Articles of Association all the remaining Directors named on page 3 will retire from office at the forthcoming Annual General Meeting and will offer themselves for re-election.

Mr. T. Thomas has also been nominated for election as a Director at the Annual General Meeting.

In August, 1978, Sir Eric Faulkner was appointed an Advisory Director of **N.V.** and **Limited,** The Viscount Leverhulme, Mr. Milton C. Mumford and Sir Frank Roberts were appointed Advisory Directors of **N.V.** and Mr. B. W. Biesheuvel, Dr. T. Browaldh, Dr. P. P. Schweitzer, Dr. D. Spethmann and Dr. E. P. Wellenstein were appointed Advisory Directors of **Limited.**

At the Annual General Meeting on 17th May, 1978, Mr. R. W. Archer, Mr. P. V. M. Egan and Mr. J. Louden were elected Directors.

Auditors

The auditors, Price Waterhouse & Co., The Hague, and Coopers & Lybrand Nederland, Rotterdam, offer themselves for reappointment.

By order of the Board
C. Zwagerman
J. D. Keir
Secretaries
27th March, 1979

Reports of the Auditors

N.V. and **Limited** are linked by a series of agreements of which the principal is the Equalisation Agreement. Amongst other things, this requires the dividends and other rights and benefits (including rights on liquidation) attaching to each Fl. 12 nominal of Ordinary share capital of **N.V.** to be equal in value at the current sterling/guilder rate of exchange to those attaching to each £1 nominal of Ordinary capital of **Limited** as if each such unit formed part of the Ordinary capital of one and the same company.

Combined figures are given for the information of shareholders.

N.V. Group[1])

To the Members of Unilever N.V.

In our opinion the accounts and the notes relevant thereto set out on pages 33 to 51 and 56 to 59 together give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1978 and of the profit and source and use of funds of the Group for the year then ended.

Price Waterhouse & Co.
The Hague

Coopers & Lybrand Nederland
Rotterdam

27th March, 1979

[1]) Signed by auditors authorised under Article 102 of Dutch Civil Code, Book 2.

Limited Group

To the Members of Unilever Limited

In our opinion the accounts and the notes relevant thereto set out on pages 33 to 49 and 52 to 59 together give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1978 and of the profit and source and use of funds of the Group for the year then ended.

Coopers & Lybrand
London

Price Waterhouse & Co.
London

27th March, 1979

Accounting policies

Companies legislation
The accounts have been prepared on the historical cost convention and comply with Civil Code, Book 2 in the Netherlands and with the United Kingdom Companies Acts 1948 and 1967 and accounting standards in the Netherlands and the United Kingdom except where any change from present policy would have no material effect.

Foreign currencies
Gains and losses arising in each individual company as a result of changes in the relative value of currencies during the year are included in the local currency operating profit of the individual company concerned.

In consolidating subsidiary companies of **N.V.** into guilders and of **Limited** into sterling respectively, closing exchange rates, those current at the year-end, are used for translation of sales and profit for the year and assets and liabilities at the year-end. The effect of exchange rate changes during the year, on the assets and liabilities at the beginning of the year, is shown as a movement in profit retained.

In arriving at the combined figures in guilders the sterling figures of **Limited** are translated at the year-end sterling/guilder exchange rate, except for the ordinary capital of **Limited** which is translated at the Equalisation Agreement rate of £1 = Fl. 12. The effect of restating the assets and liabilities of **Limited** at the beginning of the year is described as sterling/guilder realignment and is shown as a movement in profit retained.

Consolidated companies
Companies included in the consolidated accounts of **N.V.** or **Limited** are those in which directly or indirectly **N.V.** or **Limited** either holds more than 50% of the equity capital or being a shareholder controls the composition of a majority of the Board of Directors. Further, in accordance with Civil Code, Book 2 in the Netherlands, **N.V.'s** consolidated accounts include those companies in which **N.V.** holds directly or indirectly more than 50% of the total issued capital.

A list of principal subsidiaries is given on pages 56 to 58.

Recognising the seasonal nature of their operations, some companies having substantial interests in Africa close their financial year on 30th September. Their accounts at this date are included in the consolidation.

Associated companies
These are companies, not being consolidated companies, in which **N.V.** or **Limited** has significant shareholdings and participates in commercial and financial policy decisions. The sales and operating profits of associated companies are excluded from the consolidated profit and loss account, but the concern share of the results of these companies including interest due on loans is shown separately after operating profit.

The results relate to periods ending not earlier than 30th June.

The concern share of retained profits and reserves which has accrued since acquisition, or since the initial investment where a company has changed from a subsidiary to an associate, is included in consolidated profit retained.

The principal associated companies are listed on page 59.

Trade investments
These are minority investments in companies not being associates with which **N.V.** or **Limited** has a long-term trading relationship. There are some 200 such investments throughout the world.

Trade investments are shown at cost less amounts written off and dividends are accounted for when received.

A statement summarising the interest in the results and net assets of all trade investments is given on page 47.

Goodwill
No value is attributed to Goodwill in the business and the difference between the price paid for new interests and the value of the net tangible assets is adjusted against profit retained in the year of acquisition.

Depreciation
Depreciation of fixed assets is provided by the straight-line method at percentages of cost, net of capital based grants, related to the expected average lives of the assets. The major classes of depreciable assets with their estimated useful lives are summarised below; the spread of lives recognises the diversity of the assets within each class:

Freehold buildings (no depreciation on freehold land)	33–40 years
Leasehold land and buildings (or life of lease if less than 33 years)	33–40 years
Plant and equipment	5–20 years
Motor vehicles	3– 6 years
Ships	10–20 years

Net current assets
Stocks are consistently stated on the basis of the lower of cost and net realisable value, after provisions for obsolescence. Cost — mainly averaged cost — includes

direct expenditure and, where appropriate, a proportion of manufacturing fixed costs.

Debtors are stated after deducting adequate provision for doubtful debts.

Marketable securities represent liquid funds temporarily invested and are shown at their realisable value.

That proportion of loan capital which is repayable within one year is included in loan capital.

Pensions
Liabilities in respect of retirement and death benefits are provided for by payments to pension and provident funds and by making unfunded provisions. The amounts of the payments/charges are determined on an actuarial basis so that over the long term the funds and provisions will be adequate to meet the liabilities.

The unfunded provisions represent the estimated present value of the future liability for retirement and death benefits to past and present employees, other than benefits provided through pension and provident funds, after taking account of future charges.

Deferred liabilities
Unfunded retirement provisions are explained above.

Taxation not due before 1st January, 1980 includes deferred taxation on short-term timing differences. Deferred taxation, provided at the rates of tax applicable at the current year-end, includes the accelerated write-off of fixed assets for tax purposes and tax reliefs relating to stock values, less the estimated future tax relief on the provision for unfunded retirement benefits. Provision is also made for deferred taxation on the revaluation of the net tangible assets of new interests acquired.

No provision has been made for the tax which would become payable if retained profits of subsidiaries and associated companies were distributed to the parent companies as it is not the intention to distribute more than the dividends, the tax on which is included in the accounts.

Research and development
Expenditure on research and the development of new products is charged against profits of the year in which it is incurred.

General notes to the accounts

Ordinary shareholders' equity
Ordinary shares numbered 1 to 2 400 (inclusive) in **N.V.** and the deferred stock of **Limited** are held as to one half of each class by N.V. Elma—a subsidiary of **N.V.**—and one half by United Holdings Limited—a subsidiary of **Limited.** This capital is eliminated in consolidation. It carries the right to nominate persons for election as directors at general meetings of shareholders.

The Directors of N.V. Elma are **N.V.** and **Limited,** who with Mr. H. F. van den Hoven and Sir David Orr are also Directors of United Holdings Limited. The above-mentioned subsidiaries have waived their rights to dividends on their ordinary shares. A nominal dividend of ¼% was paid on the deferred stock of **Limited.**

Contingent liabilities
Contingent liabilities of the Group are not expected to give rise to any material loss. They include guarantees and bills discounted as follows:

Fl. million

	N.V.		Limited		Combined	
	1977	**1978**	1977	**1978**	1977	**1978**
Guarantees	135	**148**	216	**286**	351	**434**
Bills discounted	143	**88**	33	**32**	176	**120**

In addition the parent companies have given guarantees in respect of subsidiary companies' liabilities included in the consolidated accounts.

Secured liabilities
Liabilities included in the consolidated accounts and which are secured on the assets of the Group are:

Fl. million

	N.V.		Limited		Combined	
	1977	**1978**	1977	**1978**	1977	**1978**
Loan capital	203	**190**	144	**130**	347	**320**
Bank advances	87	**86**	104	**76**	191	**162**
Creditors	22	**22**	11	**—**	33	**22**

Commitments
Long-term commitments in respect of leaseholds, rental agreements, hire purchase and other contracts are mainly in respect of buildings and computers. The commitments are as follows:

Fl. million

	N.V.		Limited		Combined	
	1977	**1978**	1977	**1978**	1977	**1978**
Total	733	**914**	862	**842**	1595	**1756**
of which payable within one year	123	**154**	46	**57**	169	**211**

Fl. million

Pensions	1977	**1978**
Contributions amounted to:		
Pensions and provident funds	341	**347**
State and other schemes	364	**384**
	705	**731**
In addition provisions were made for unfunded schemes amounting to	230	**250**

At the end of 1978 the book value of the assets of the funds amounted to Fl. 5 059 million (1977: Fl. 4 689 million), and provisions in the consolidated accounts to meet obligations under unfunded schemes amounted to Fl. 998 million (1977: Fl. 917 million). These provisions, together with the assets of the pension funds, are sufficient in total to cover all pensions in course of payment at their existing levels and all contractual entitlements to deferred benefits in respect of service to date.

Interests in land
N.V. and **Limited** have interests in land in Europe, North and South America, Africa, Asia, Australia and New Zealand. Such interests are developed either as purpose-designed factories, warehouses and trading establishments with ancillary offices and laboratories or as plantations. Substantially, all the land and buildings are fully used in the business and their continued suitability for these purposes is kept under review. In these circumstances it is considered that an assessment of the market value of all interests in land throughout the world would not produce information of significance to members or debenture or unsecured loan stockholders in terms of Section 16 of the United Kingdom Companies Act 1967.

Inter-group pricing for goods and services
International trade in own manufactured goods between Unilever companies is relatively unimportant. Such transactions represent under 7% of total turnover and under 3% involve sales to or from the developing countries.

The preferred method for determining the transfer prices is to take the market price; where there is no market price, the two managements concerned engage in arm's length negotiations. Normally this will lead to a price fixed at ex-works cost plus an appropriate percentage for a profit mark-up. Where required the method employed is discussed and agreed with the government authorities of the countries concerned.

General services provided by central advisory departments and research laboratories are charged to Unilever companies on the basis of fees under agreements approved where necessary by the government authorities of the countries concerned.

Where a central purchasing department buys goods for a Unilever company for use in its production, then that company is either treated as the buyer in the contract or is given the benefit of the central purchasing department's contract price. However, where a specialist buying service is provided directly by one unit for another, an appropriate commission is generally either included in the price or shown on the face of the relevant documents. In most of these cases the method applied is based on agreements with the taxation and other government authorities of the countries concerned.

General
The close company provisions of the United Kingdom Income and Corporation Taxes Act 1970 do not apply to **Limited.**

The Trustees of the Leverhulme Trust have waived their right to that proportion of the 1977 and 1978 dividends on the Trustees' holding of ordinary shares of **Limited** which would flow back to the Company through its wholly-owned subsidiary which has a beneficial interest in the income of the Trust.

Discussions are in progress with the Canadian Foreign Investment Review Agency to resolve the question of the Canadian Government's recently-announced disallowance of our acquisition of control of National Starch's Canadian subsidiaries.

Consolidated profit and loss accounts

Unilever N.V. and Unilever Limited and their subsidiaries
for the year ended 31st December

1977 Limited (Fl. million)	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	1978 Limited (Fl. million)
17 256	22 623	39 879	**Sales to third parties**	39 271	23 293	15 978
16 036	*21 485*	*37 521*	Costs (1)	*36 874*	*22 052*	*14 822*
1 220	1 138	2 358	**Operating profit**	2 397	1 241	1 156
10	*52*	*42*	Non-recurring items (2)	*50*	*39*	*11*
224	33	257	Concern share of associated companies' profit before taxation	256	42	214
5	—	5	Income from trade investments (3)	14	3	11
33	*148*	*181*	Interest (4)	*186*	*159*	*27*
1 426	971	2 397	**Profit before taxation**	2 431	1 088	1 343
720	*460*	*1 180*	Taxation on profit of the year (5)	*1 229*	*527*	*702*
8	4	*4*	Taxation adjustments previous years (6)	*30*	*19*	*11*
698	515	1 213	**Profit after taxation**	1 172	542	630
40	*48*	*88*	Outside interests and preference dividends (7)	*84*	*60*	*24*
658	467	1 125	**Profit attributable to ordinary capital**	1 088	482	606
			Combined earnings per share (8)			
		Fl. 20.19	per Fl. 20 of capital	Fl. 19.53		
		69.47p	per 25p of capital	73.44p		
139	*274*	*413*	Dividends on ordinary and deferred capital	*423*	*282*	*141*
519	193	712	**Profit of the year retained**	665	200	465
			Movements in profit retained			
2 792	3 830	6 622	Profit retained—1st January—restated (9)	7 212	3 878	3 334
542	48	590	Net additions to profit retained	*387*	*509*	122
519	193	712	Profit of the year retained*)	665	200	465
8	*48*	*56*	Goodwill	*557*	*546*	*11*
89	*97*	*186*	Effect of exchange rate changes (10)	*212*	*163*	*49*
120	—	120	Sterling/guilder realignment	*283*	—	*283*
3 334	3 878	7 212	Profit retained—31st December	6 825	3 369	3 456
179	195	374	*) of which added to fixed asset replacement reserve	390	192	198

The notes on pages 33 to 37 and 41 to 49 form part of these accounts.
Figures between brackets refer to notes on pages 41 and 42.

Consolidated balance sheets

Unilever N.V. and Unilever Limited and their subsidiaries
as at 31st December

1977 Limited Fl. million	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	1978 Limited Fl. million
			Capital employed			
22	265	287	**Preferential share capital** (11)	286	265	21
3 572	4 570	8 142	**Ordinary shareholders' equity**	7 735	4 061	3 674
549	640	1 189	Ordinary share capital (12)	1 189	640	549
3 334	3 878	7 212	Profit retained (13)	6 825	3 369	3 456
311	52	*259*	Other reserves (14)	*279*	52	*331*
130	177	307	**Outside interests in subsidiaries**	502	392	110
710	1 593	2 303	**Loan capital** (15)	2 845	2 184	661
1 111	1 156	2 267	**Deferred liabilities** (16)	2 696	1 445	1 251
14	14	—	Inter-Group—**N.V./Limited**	—	31	*31*
5 531	7 775	13 306		14 064	8 378	5 686
			Employment of capital			
2 273	3 837	6 110	**Land, buildings and plant** (17)	6 630	4 306	2 324
633	104	737	**Associated companies** (18)	862	149	713
35	55	90	**Trade investments** (19)	84	56	28
57	173	230	**Other long-term assets** (20)	455	403	52
2 697	3 010	5 707	**Working capital**	6 022	3 330	2 692
2 867	3 568	6 435	Stocks (21)	6 374	3 713	2 661
1 753	2 518	4 271	Debtors (22)	4 757	2 845	1 912
1 923	*3 076*	*4 999*	Creditors (23)	*5 109*	*3 228*	*1 881*
472	*219*	*691*	**Provision for taxation**	*697*	*275*	*422*
227	*169*	*396*	**Dividends**	*443*	*177*	*266*
535	984	1 519	**Net liquid funds**	1 151	586	565
87	287	374	Marketable securities (24)	418	287	131
1 100	1 273	2 373	Cash and deposits (25)	2 153	1 049	1 104
652	*576*	*1 228*	Short-term borrowings	*1 420*	*750*	*670*
5 531	7 775	13 306		14 064	8 378	5 686

The notes on pages 33 to 37 and 41 to 49 form part of these accounts.
Figures between brackets refer to notes on pages 43 to 48.

Consolidated source and use of funds

Unilever N.V. and Unilever Limited and their subsidiaries
for the year ended 31st December

1977 Limited Fl. million	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	1978 Limited Fl. million
1 422	1 574	2 996	**Funds generated from operations**	3 139	1 737	1 402
1 426	971	2 397	Profit before taxation	2 431	1 088	1 343
202	*10*	*212*	Elimination of concern share of associated companies' profit before taxation, less dividends and interest received	*212*	25	*187*
			Costs not involving outflow of funds:			
36	98	62	Unfunded retirement benefits	143	129	14
234	515	749	Depreciation	777	545	232
			Funds from other sources			
25	*34*	*9*	Loan capital issued/*repaid*	601	582	19
1 447	1 540	2 987	**Total sources**	3 740	2 319	1 421
213	*395*	*608*	**Taxation payments during year**	*729*	*396*	*333*
539	*696*	*1 235*	**Capital expenditure less disposals**	*1 211*	*690*	*521*
39	*129*	*90*	***Purchase*/sale of subsidiaries** (26)	*1 054*	*1 038*	*16*
159	*12*	*171*	***Purchase*/sale of associated companies/trade investments**	*64*	*13*	*51*
317	*179*	*496*	***Additional*/reduced working capital**	*574*	*300*	*274*
474	*190*	*664*	Stocks	*302*	*177*	*125*
129	*341*	*470*	Debtors	*670*	*347*	*323*
286	352	638	Creditors	398	224	174
82	*289*	*371*	**Dividends paid during year**	*372*	*288*	*84*
125	*53*	*178*	**Other sources/*uses***	*75*	11	*86*
1 396	*1 753*	*3 149*	**Total uses**	*4 079*	*2 714*	*1 365*
51	*213*	*162*	**Net increase/*decrease* in net liquid funds**	*339*	*395*	56
443	1 254	1 697	Net liquid funds 1st January as reported	1 519	984	535
22	*57*	*35*	Effect of exchange rate changes	*16*	*3*	19
19	—	19	Sterling/guilder realignment	*45*	—	*45*
484	1 197	1 681	Revised opening funds	1 490	981	509
51	*213*	*162*	Net increase/*decrease* in net liquid funds	*339*	*395*	56
535	984	1 519	**Net liquid funds 31st December**	1 151	586	565

The method of presenting the consolidated source and use of funds has been changed to show separately the *purchase*/sale of subsidiaries; 1977 figures have been restated accordingly.

The notes on pages 33 to 37 and 41 to 49 form part of these accounts.
The figure between brackets refers to notes on page 49.

Notes to the consolidated accounts

Fl. million 1977 Limited	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	Fl. million 1978 Limited
16 036	***21 485***	*37 521*	(1) Costs	*36 874*	***22 052***	***14 822***
8 107	*11 962*	*20 069*	Raw materials and packaging	*18 912*	*11 579*	*7 333*
78	*94*	*172*	Hire of plant and machinery	*182*	*97*	*85*
6	*7*	*13*	Auditors' remuneration	*14*	*9*	*5*
5 238	*4 120*	*9 358*	Other costs	*9 651*	*4 799*	*4 852*
2 368	*4 778*	*7 146*	Remuneration of employees including social security contributions	*7 324*	*5 014*	*2 310*
3	*7*	*10*	Emoluments of Directors as managers including contributions to pension funds for superannuation	*11*	*8*	*3*
2	*2*	*4*	Superannuation of former Directors	*3*	*1*	*2*
234	*515*	*749*	Depreciation	*777*	*545*	*232*
234	*515*	*749*	Depreciation as above based on historic cost of assets	*777*	*545*	*232*
413	*710*	*1 123*	Depreciation based on replacement value of assets	*1 167*	*737*	*430*
179	*195*	*374*	Difference being current basis of addition to fixed asset replacement reserve	*390*	*192*	*198*
			(2) Non-recurring items are provisions for nationalisation of interests, war damage, disposal and closing of units.			
5	—	5	(3) Income from trade investments	14	**3**	**11**
2	1	3	From listed shares	3	1	2
5	—	5	From unlisted shares	8	2	6
—	1	1	Interest on loans	—	—	—
2	2	4	Other profits/*losses* including disposals	3	—	3
33	***148***	*181*	(4) Interest	*186*	***159***	***27***
57	*131*	*188*	Interest on loan capital	*203*	*150*	*53*
49	*125*	*174*	Interest on short-term borrowings	*177*	*118*	*59*
73	108	181	Interest received including change in market value of marketable securities	194	109	85
			Interest on loan capital includes:			
26	*63*	*89*	Interest on loans, the final repayment of which will be made within 5 years	*83*	*75*	*8*
720	***460***	*1 180*	(5) Taxation on profit of the year	*1 229*	***527***	***702***
612	*448*	*1 060*	Parent companies and their subsidiaries	*1 105*	*511*	*594*
108	*12*	*120*	Associated companies	*124*	*16*	*108*
612			The taxation charge for **Limited** Parent and subsidiaries is made up of:			*594*
509			United Kingdom corporation tax*)			*498*
145			less: double tax relief			128
248			plus: non-United Kingdom taxes			*224*

*) The United Kingdom corporation tax for 1978 has been based on a rate of 52% (1977: 52%). The charge includes Fl. 134 million (1977: Fl. 236 million) transferred to deferred taxation.

Notes to the consolidated accounts

1977 Fl. million Limited	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	1978 Fl. million Limited
8	*4*	*4*	**(6) Taxation adjustments previous years**	*30*	*19*	*11*
7	6	1	Parent companies and their subsidiaries	18	18	—
1	2	3	Associated companies	12	1	11
40	*48*	*88*	**(7) Outside interests and preference dividends**	*84*	*60*	*24*
39	33	72	Outside interests	68	45	23
1	15	16	Preference dividends	16	15	1

(8) Combined earnings per share
The calculation of earnings per share is based on the combined profit of the year attributable to ordinary capital divided by the combined number of share units representing the combined ordinary capital of **N.V.** and **Limited** of Fl. 1 189 million (as set out on page 43) less Fl. 75 million (1977: Fl. 75 million) being 74% (1977: 74%) of the ordinary capital held by the Leverhulme Trust on which the rights to dividends, which would flow back to the Company, have been waived. For the calculation of combined ordinary capital the rate of exchange £1 = Fl. 12 has been used, in accordance with the Equalisation Agreement.

The combined number of share units is therefore 55 719 254 (1977: 55 719 254) of Fl. 20 or alternatively 371 461 691 (1977: 371 461 691) of 25 pence.

The calculations for 1977 and 1978 are therefore:

1977		1978
Fl. 1 125 million	Profit attributable to ordinary capital (see page 38)	Fl. 1 088 million
55 719 254	Divided by units of Fl. 20	55 719 254
Fl. 20.19	=	Fl. 19.53
258.0 million	Profit attributable to ordinary capital in sterling	272.8 million
371 461 691	Divided by units of 25p	371 461 691
69.47p	=	73.44p

1977 Limited	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	1978 Limited
2 792	**3 830**	6 622	**(9) Profit retained 1st January—restated**			
2 748	3 798	6 546	Balance 1st January as previously reported			
44	32	76	Prior year adjustment arising from the inclusion of the concern share of associated companies' profits and reserves			
89	*97*	*186*	**(10) Effect of exchange rate changes**	*212*	*163*	*49*
60	39	99	Fixed assets	117	94	23
29	58	87	Other	95	69	26

Notes to the consolidated accounts

1977 Authorised	1977 Issued and fully paid		1978 Issued and fully paid	1978 Authorised
	287	**(11) Preferential share capital** (Fl. million)	286	
Fl. million	Fl. million	**Unilever N.V.**	Fl. million	Fl. million
75	29	7% Cumulative Preference } *Ranking*	29	75
200	161	6% Cumulative Preference } *pari*	161	200
75	75	4% Cumulative Preference } *passu*	75	75
350	**265**		**265**	350
£million	£million	**Unilever Limited*)**	£million	£million
0.2	0.2	5% First Cumulative Preference	0.2	0.2
3.5	3.5	7% First Cumulative Preference	3.5	3.5
1.2	1.2	8% Second Cumulative Preference	1.2	1.2
0.2	0.2	20% Third Cumulative Preferred Ordinary	0.2	0.2
5.1	**5.1**		**5.1**	5.1
	22	Guilder equivalent (million)	**21**	

*) The rates shown for the preferential capital of **Limited** are before the reduction of three tenths which followed the introduction of the imputation system of taxation in the United Kingdom in April, 1973.

The 4% cumulative preference capital of **N.V.** is redeemable at par at the Company's option either wholly or in part.

1977 Authorised	1977 Issued and fully paid		1978 Issued and fully paid	1978 Authorised
	1 189	**(12) Ordinary share capital** (Fl. million)	1 189	
Fl. million	Fl. million	**Unilever N.V.**	Fl. million	Fl. million
1 002	**642**	Ordinary	**642**	1 002
	2	Internal holdings eliminated in consolidation	2	
	640		**640**	
£million	£million	**Unilever Limited**	£million	£million
136.2	**45.8**	Ordinary (in 25p shares)	**45.8**	136.2
0.1	0.1	Deferred	0.1	0.1
	0.1	Internal holdings eliminated in consolidation	*0.1*	
	45.8		**45.8**	
	549	Guilder equivalent (million)	**549**	

1977 Limited	1977 N.V.	1977 Combined	Fl. million	1978 Combined	1978 N.V.	1978 Limited
3 334	**3 878**	7 212	**(13) Profit retained**	6 825	**3 369**	**3 456**
1 496	1 912	3 408	Parent companies**)	3 609	2 125	1 484
1 603	1 933	3 536	Subsidiaries	2 923	1 205	1 718
235	33	268	Associated companies	293	39	254
613	925	1 538	**) Includes fixed asset replacement reserve on behalf of subsidiaries	1 875	1 117	758
311	**52**	*259*	**(14) Other reserves**	*279*	**52**	***331***
39	52	91	Premiums on capital issued***)	87	52	35
350	—	*350*	Adjustment on conversion of **Limited's** ordinary capital at £1 = Fl. 12	*366*	—	*366*

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

1977	(15) Loan capital (Fl. million)	1978
2 303		2 845
Fl. million	**Unilever N.V.**	Fl. million
210	6% Bonds 1972/91	195
100	10½% Euroguilder Notes 1979	100
54	9¾% Euro DM Notes 1981 (DM 50 million)	54
125	8¾% Bonds 1981/85	125
68	6¾% Bonds 1981/86 (Swiss Frs. 60 million)	73
108	8½% Bonds 1981/87 (DM 100 million)	108
—	9⁹⁄₁₆%–12¼% Bridging Loans 1981 ($310 million)	611
665		**1 266**
	Subsidiaries	
73	Netherlands: 4½% Loans 1968/87	65
100	9¾% Loans 1980/89	100
	Germany: 4%–7¼% Mortgage loans on ships repayable period	
73	to 1989	62
94	6%–11% Bank Loans 1979/90	131
23	U.S.A.: 4⅝% Notes 1973/82	16
68	7⁹⁄₂₀% Notes 1982/97	59
57	9⅛% Notes 1982/91	49
—	8⅖%–9⅞% loans 1980/93	54
114	Curaçao: 7¾% Notes 1979 (Swiss Frs. 100 million)	—
326	Others	382
1 593		**2 184**

1977		1978
£million	**Unilever Limited**	£million
9.2	4% Debenture stock 1960/80 } *Ranking pari passu*	8.1
11.0	6¾% Debenture stock 1985/88 } *Ranking pari passu*	11.0
2.2	5½% Unsecured loan stock 1991/2006 } *Ranking pari passu*	2.2
54.7	7¾% Unsecured loan stock 1991/2006 } *Ranking pari passu*	54.7
50.8	Bank Loans 1982/87	50.6
127.9		**126.6**
	Subsidiaries	
—	United Kingdom: 7½% Mortgage loan on ship 1980/86	3.2
2.7	Canada: 6% Debenture Series A 1985	2.2
9.5	8⅞% Debenture Series B 1993	8.3
3.6	Australia: 7¾% Debentures 1982/87	3.4
19.1	Others	22.0
162.8		**165.7**
710	Guilder equivalent (million)	**661**

The issues of debenture stock of **Limited** are secured by a floating charge on the assets of the Company.

Unless otherwise indicated, the loans are fixed in the currency of the country in which they were raised.

1977 Limited (Fl. million)	1977 N.V.	1977 Combined	The repayments fall due as follows:	1978 Combined	1978 N.V.	1978 Limited (Fl. million)
14	92	106	Within 1 year	298	282	16
116	785	901	After 1 year but within 5 years	1 281	1 146	135
248	523	771	After 5 years but within 10 years	857	601	256
78	185	263	After 10 years but within 20 years	166	143	23
254	8	262	After 20 years	243	12	231
594	1 017	1 611	Loans on which the final repayment will be made after 5 years amount to	1 669	1 146	523

Notes to the consolidated accounts

1977 Limited (Fl. million)	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	1978 Limited (Fl. million)
1 111	**1 156**	2 267	**(16) Deferred liabilities**	2 696	**1 445**	**1 251**
244	673	917	Unfunded retirement benefits	998	768	230
75	54	129	Taxation not due before 1st January, 1980	315	115	200
116	—	*116*	Advance Corporation Tax — United Kingdom	*131*	—	*131*
908	429	1 337	Deferred taxation	1 514	562	952

Advance Corporation Tax, which includes Fl. 104 million in respect of the dividends declared/proposed but not payable because of dividend restraint, is available for offset against future United Kingdom corporation tax liabilities.

Relief in respect of tax postponed on increases in stocks in the United Kingdom in 1973–1978 amounted to Fl. 460 million, of which Fl. 124 million relates to 1973 and 1974.

1977 Limited (Fl. million)	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	1978 Limited (Fl. million)
2 273	**3 837**	6 110	**(17) Land, buildings and plant**	6 630	**4 306**	**2 324**
101	201	302	Land	324	236	88
822	1 311	2 133	Buildings	2 257	1 461	796
923	1 512	2 435	Total land and buildings*)	2 581	1 697	884
1 130	2 090	3 220	Plant and equipment	3 591	2 403	1 188
167	143	310	Motor vehicles	326	143	183
53	92	145	Ships	132	63	69
			*) Land and buildings			
701	1 474	2 175	— freehold	2 301	1 624	677
166	10	176	— leasehold — long-term (50 years or over)	166	9	157
56	28	84	— leasehold — short-term	114	64	50
4 063	7 983	12 046	**Cost**	12 579	8 604	3 975
106	217	323	Land	346	253	93
1 214	2 053	3 267	Buildings	3 351	2 217	1 134
2 333	5 041	7 374	Plant and equipment	7 806	5 486	2 320
307	373	680	Motor vehicles	706	384	322
103	299	402	Ships	370	264	106
1 790	4 146	5 936	**Depreciation**	5 949	4 298	1 651
5	16	21	Land	22	17	5
392	742	1 134	Buildings	1 094	756	338
1 203	2 951	4 154	Plant and equipment	4 215	3 083	1 132
140	230	370	Motor vehicles	380	241	139
50	207	257	Ships	238	201	37
1 153	545	1 698	At 31st December, capital expenditure authorised by the Boards and not spent was	1 344	727	617
318	173	491	Of these amounts commitments had been entered into for	462	215	247

The estimated remainder life replacement value of our fixed assets is Fl. 10 508 million (1977: Fl. 10 341 million), compared with net historic book value of Fl. 6 630 million (1977: Fl. 6 110 million).

Remainder life replacement value is, in general, calculated by applying specific price indices, in the country of location, to the original purchase price of assets and deducting cumulative depreciation based on their estimated useful lives.

Notes to the consolidated accounts

1977 Limited (Fl. million)	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	1978 Limited (Fl. million)
			Land, buildings and plant (continued)			
			Movements during the year			
4 063	7 983	12 046	**Cost**—31st December	12 579	8 604	3 975
3 826	7 388	11 214	1st January	12 046	7 983	4 063
165	—	165	Sterling/guilder realignment	*345*	—	*345*
119	*63*	*182*	Exchange rate changes	*323*	*233*	*90*
612	756	1 368	Expenditure	1 358	774	584
207	*65*	*272*	Disposals—proceeds	*196*	*85*	*111*
261	*197*	*458*	—depreciation	*421*	*264*	*157*
25	164	189	New subsidiaries	434	423	11
22	—	22	Other adjustments	26	6	20
1 790	4 146	5 936	**Depreciation**—31st December	5 949	4 298	1 651
1 784	3 786	5 570	1st January	5 936	4 146	1 790
77	—	77	Sterling/guilder realignment	*152*	—	*152*
59	*24*	*83*	Exchange rate changes	*206*	*139*	*67*
261	*197*	*458*	Disposals	*421*	*264*	*157*
11	61	72	New subsidiaries	2	1	1
4	5	9	Other adjustments	13	9	4
234	515	749	Charged to profit and loss accounts	777	545	232
612	756	1 368	**Expenditure**	1 358	774	584
12	8	20	Land	13	7	6
133	135	268	Buildings	238	132	106
343	527	870	Plant and equipment	896	544	352
98	84	182	Motor vehicles	178	84	94
26	2	28	Ships	33	7	26
234	515	749	**Depreciation charged to profit and loss accounts**	777	545	232
—	—	—	Land	1	1	—
29	58	87	Buildings	91	61	30
155	372	527	Plant and equipment	546	395	151
45	59	104	Motor vehicles	111	64	47
5	26	31	Ships	28	24	4

Notes to the consolidated accounts

1977 Limited	1977 N.V.	1977 Combined	Fl. million	1978 Combined	1978 N.V.	1978 Limited
633	**104**	**737**	**(18) Associated companies**	**862**	**149**	**713**
49	8	57	Listed shares—at cost	85	9	76
39	53	92	Unlisted shares—at cost	138	82	56
310	10	320	Loans	346	19	327
235	33	268	Concern share of retained profit and reserves	293	39	254
182	25	207	Market value of listed shares	315	22	293
53	69	122	Directors' valuation of unlisted shares—on the basis of the book value of underlying net assets	180	105	75
631	99	730	Attributable share of net assets	852	142	710
556	13	569	Movements during the year:	125	45	80
4	—	4	Sterling/guilder realignment	*54*	—	*54*
3	4	1	Exchange rate changes	*40*	*5*	*35*
467	19	486	Additions	214	42	172
115	19	134	Concern share of profit after taxation	120	25	95
22	*23*	*45*	Dividend and interest	*44*	*17*	*27*
5	6	*11*	Disposals and other adjustments	*71*	—	*71*
35	**55**	**90**	**(19) Trade investments**	**84**	**56**	**28**
17	35	52	Listed shares	45	34	11
14	15	29	Unlisted shares	31	18	13
4	5	9	Loans	8	4	4
34	19	53	Market value of listed shares	52	17	35
52	20	72	Directors' valuation of unlisted shares—on the basis of the book value of underlying net assets	80	27	53
			Attributable share of:			
117	116	233	Net assets	215	99	116
16	8	24	Net profits after tax	21	7	14
4	*4*	*8*	Movements during the year:	*6*	1	*7*
2	—	2	Sterling/guilder realignment	*3*	—	*3*
2	2	*4*	Exchange rate changes	—	*1*	1
—	2	2	Additions	9	5	4
4	*4*	*8*	Disposals and other adjustments	*12*	*3*	*9*

(20) Other long-term assets
These are amounts not due within one year less provisions. In 1978 they include Fl. 200 million of marketable securities held as security for, and eventual redemption of, the preference shares of National Starch and Chemical Holding Corporation. These shares are included in Outside interests in subsidiaries.

Notes to the consolidated accounts

1977 Limited	1977 N.V.	1977 Combined	Fl. million	1978 Combined	1978 N.V.	1978 Limited
2 867	**3 568**	6 435	**(21) Stocks**	6 374	**3 713**	**2 661**
1 184	1 791	2 975	Raw materials and stocks in process	2 939	1 899	1 040
837	1 478	2 315	Finished products	2 281	1 517	764
846	299	1 145	Merchandise and other stocks	1 154	297	857
1 753	**2 518**	4 271	**(22) Debtors**	4 757	**2 845**	**1 912**
1 409	1 774	3 183	Trade	3 609	2 113	1 496
344	744	1 088	Other	1 148	732	416
1 923	***3 076***	*4 999*	**(23) Creditors**	*5 109*	***3 228***	***1 881***
1 261	*1 495*	*2 756*	Debts to suppliers	*2 781*	*1 545*	*1 236*
38	*66*	*104*	Short-term portion of unfunded retirement benefits	*105*	*69*	*36*
624	*1 515*	*2 139*	Other	*2 223*	*1 614*	*609*
87	**287**	374	**(24) Marketable securities**	418	**287**	**131**
72	97	169	Listed—at market value	175	55	120
15	190	205	Unlisted	243	232	11
1 100	**1 273**	2 373	**(25) Cash and deposits**	2 153	**1 049**	**1 104**
330	382	712	On call	795	461	334
770	891	1 661	Repayment notice required	1 358	588	770

1977 Limited Fl. million	1977 N.V.	1977 Combined		1978 Combined	1978 N.V.	1978 Limited Fl. million
39	***129***	*90*	**(26) *Purchase*/sale of subsidiaries**	*1 054*	***1 038***	***16***
			Effect on the consolidated balance sheets			
120	98	22	Land, buildings and plant	416	454	*38*
315	—	315	Associated companies	78	33	45
16	—	*16*	Trade investments	—	—	—
1	7	8	Other long-term assets	215	221	*6*
570	14	*556*	Working capital	195	216	*21*
58	4	*54*	Net liquid funds	*37*	*5*	*32*
139	*3*	136	Outside interests	*199*	*216*	17
3	27	*24*	Loan capital	*70*	*70*	—
120	*9*	111	Deferred liabilities	*100*	*116*	16
139	*3*	136	Provision for taxation	*1*	25	24
47	81	34	Net assets acquired/*sold*	497	492	5
8	48	56	Goodwill written off against profit retained (see page 38)	557	546	11
39	129	90	Total assets acquired/*sold*	1 054	1 038	16

Unilever N.V. balance sheet

as at 31st December

Fl. 000's 1977			1978 Fl. 000's	
		Capital employed		
265 060		**Preferential share capital** (11)		265 060
		Ordinary capital and reserves		
	642 565	Ordinary share capital (12)	642 565	
	52 166	Premiums on capital issued (14)	52 166	
	1 912 017	Profit retained	2 125 447	
2 606 748				2 820 178
665 220		**Loan capital** (15)		1 266 260
961		**Deferred liabilities**		3 820
12 154		Inter-Group—**Limited**		*26 754*
3 523 913				4 328 564
		Employment of capital		
		Interests in subsidiaries		
	1 615 877	Shares	1 929 583	
	1 604 122	Advances	2 336 699	
	358 711	Deposits	*46 691*	
2 861 288				4 219 591
231		**Other long-term assets**		6 320
		Working capital		
	86 625	Debtors and prepaid expenses	55 967	
	114 105	Creditors	*136 330*	
27 480				*80 363*
21 820		**Taxation**		22 528
168 691		**Dividends due or proposed**		*176 661*
		Net liquid funds		
	50 866	Marketable securities	12 568	
	829 519	Cash and deposits	324 581	
880 385				337 149
3 523 913				4 328 564

The Board of Directors

The notes on pages 34 to 37, 43, 44, 51 and 56 to 59 form part of these accounts.
Figures between brackets refer to notes on pages 43 and 44.

Unilever N.V. notes to the balance sheet profit and loss account

Fl. 000's 1977		1978 Fl. 000's
	Profit retained	
1 695 820	1st January	1 912 017
216 197	Profit of the year retained	213 430
1 912 017	31st December	**2 125 447**
	Fixed asset replacement reserve (on behalf of subsidiaries)	
730 000	1st January	925 000
195 000	Additions for year	192 000
925 000	31st December	1 117 000
	Loan capital includes an amount of Fl. 115 million repayable within one year.	
	Deferred liabilities	
3 698	Unfunded retirement benefits	5 716
4 659	Deferred taxation	*1 896*
961		**3 820**
	Interests in subsidiaries Shares in subsidiaries are stated at cost. Profit retained and profit of the year shown in this balance sheet and the notes thereto are less than the amounts shown under those headings in the consolidated balance sheet and profit and loss account mainly because only part of the profits of the subsidiaries is distributed in the form of dividend.	
	Debtors and prepaid expenses include:	
4 306	Prepaid expenses	1 751
	Creditors include:	
2 690	Debts to suppliers	*2 387*
	Marketable securities	
50 866	Listed stocks	**12 568**

PROFIT AND LOSS ACCOUNT

1977		1978
504 881	Profit of the year	509 797
	Proposed profit appropriation in accordance with Art. 41 of the Articles of Association	
504 881	Profit of the year	509 797
14 694	Preference dividends	*14 694*
490 187	Profit at disposal of the annual general meeting of shareholders	495 103
273 990	Ordinary dividends	*281 673*
216 197	Profit of the year retained	213 430
	Analysis of operating profit Unilever N.V. and subsidiaries	
706 372	Foods	819 941
284 451	Detergents and toilet preparations	265 643
144 915	Chemicals, paper, plastics, packaging, and other interests	143 931
1 982	Animal feeds	4 745
749	UAC International and plantations	6 926
1 138 469		1 241 186

Unilever Limited balance sheet

as at 31st December

£million 1977			1978	£million
		Capital employed		
5.1		**Preferential share capital** (11)		**5.1**
		Ordinary and deferred capital and reserves		
	45.8	Ordinary share capital (12)	45.8	
	0.1	Deferred capital (12)	0.1	
	8.8	Premiums on capital issued	8.8	
	343.2	Profit retained and other reserves	371.7	
397.9				**426.4**
127.9		**Loan capital** (15)		**126.6**
16.1		**Deferred liabilities**		***20.5***
5.9		Inter-Group—**N.V.**		**4.9**
520.7				**542.5**
		Employment of capital		
27.5		**Land, buildings and plant**		**32.1**
1.6		**Associated companies**		**3.5**
2.2		**Trade investments**		**0.9**
		Interests in subsidiaries		
	226.6	Shares	238.5	
	349.4	Advances	353.8	
	144.8	Deposits	*173.2*	
431.2				**419.1**
		Working capital		
	3.2	Stocks	6.3	
	8.7	Debtors	18.7	
	23.8	Creditors	*29.5*	
11.9				***4.5***
22.5		**Provision for taxation**		***33.9***
52.1		**Dividends due or proposed**		***66.8***
		Net liquid funds		
	9.7	Marketable securities	18.3	
	173.2	Cash and deposits	226.3	
	38.2	Short-term borrowings	*52.5*	
144.7				**192.1**
520.7				**542.5**

DAVID ORR, Chairman
H. F. VAN DEN HOVEN, Vice-Chairman

The notes on pages 34 to 37, 43, 44 and 53 to 59 form part of these accounts.
Figures between brackets refer to notes on pages 43 and 44.

£million 1977			1978 £million	
		Profit retained and other reserves		
312.5		1st January		343.2
	62.9	Profit of the year	64.3	
	0.3	Preferential dividends	*0.3*	
	31.9	Dividends on ordinary and deferred capital	*35.5*	
30.7		Profit of the year retained		28.5
343.2		31st December		**371.7**
		Fixed asset replacement reserve (on behalf of subsidiaries)		
99.5		1st January		140.5
41.0		Additions for year		49.5
140.5		31st December		190.0
		Deferred liabilities		
	4.0	Unfunded retirement benefits	3.6	
	0.3	United Kingdom corporation tax	0.7	
	28.6	Advance Corporation Tax	*34.1*	
	8.2	Deferred taxation	9.3	
	16.1		***20.5***	

The Advance Corporation Tax borne by the parent company will be surrendered and set off against liabilities of the subsidiary companies, where appropriate. The total of £34.1 includes £1.2 recoverable against 1978 liabilities and £32.9 against those for later years.

	Land, buildings and plant	
9.3	Land and buildings—freehold	11.5
6.4	—leasehold—long-term (50 years or over)	5.2
11.8	Plant and equipment	15.4
27.5		**32.1**

Movements during the year:	Cost	Depreciation	Net book value
1st January, 1978	42.5	*15.0*	27.5
Expenditure	7.9	—	7.9
Proceeds of disposals	*0.5*	—	*0.5*
Other adjustments	*0.8*	0.9	0.1
Charged to profit and loss account	—	2.9	2.9
31st December, 1978	49.1	*17.0*	32.1

At 31st December, 1978 capital expenditure authorised by the Board and not spent was £14.0 (1977: £17.3). Of this amount commitments had been entered into for £2.3 (1977: £3.6).

Unilever Limited notes

£million 1977		1978 £million
	Associated companies at cost less £0.5 written off	
0.1	Unlisted shares	2.2
1.5	Loans	1.3
1.6		**3.5**
—	Directors' valuation of unlisted shares—on the basis of the book value of underlying net assets	2.7
	Trade investments at net book value at 31st December, 1947 with additions at cost or valuation less £0.7 written off:	
1.4	Listed shares	0.1
0.7	Unlisted shares	0.7
0.1	Loans	0.1
2.2		**0.9**
1.8	Market value of listed shares	0.1
1.7	Directors' valuation of unlisted shares—on the basis of the book value of underlying net assets	2.4

Interests in subsidiaries
Shares in subsidiaries are stated at Directors' valuation made on the rearrangement of the Unilever Groups in 1937, with bonus shares at par and other additions at cost or valuation, less amounts written off.

Profit retained and profit of the year shown in this balance sheet and the notes thereto are less than the amounts shown under these headings in the consolidated balance sheet and profit and loss account, mainly because only part of the profits of the subsidiaries is distributed in the form of dividend.

£million 1977		1978 £million
	Dividends due or proposed	
12.5	Payable in 1979	*13.8*
39.6	Deferred dividends	*53.0*
52.1		***66.8***
	Marketable securities	
9.7	Listed—at market value	**18.3**
0.06	Profit of the year is after charging Auditors' remuneration	0.07

Unilever Limited notes

Emoluments of Directors and senior employees
The adjoining table shows the numbers of Directors of the Company (excluding the Chairman) and the numbers of employees of the Company and its subsidiaries employed wholly or mainly in the United Kingdom and receiving emoluments in excess of £10 000, whose emoluments fell within the ranges shown.

During the year there were 5 Directors who served for only part of the year (1977: 3).

The Chairman of **Limited** Sir David Orr received remuneration of £60 000 (1977: £56 000).

All contracts of service of Directors of the Company with the Company or any of its subsidiaries are determinable by the employing company without payment of compensation at less than one year's notice.

Directors 1977	Directors 1978		Senior employees 1977	Senior employees 1978
–	–	£ 2 501–£ 5 000	–	–
1	–	£ 5 001–£ 7 500	–	–
2	1	£ 7 501–£10 000	–	–
2	4	£10 001–£12 500	486	887
3	–	£12 501–£15 000	222	418
2	2	£15 001–£17 500	123	183
–	1	£17 501–£20 000	68	102
–	–	£20 001–£22 500	46	74
2	–	£22 501–£25 000	31	48
–	4	£25 001–£27 500	14	32
1	–	£27 501–£30 000	11	26
3	–	£30 001–£32 500	11	8
4	1	£32 501–£35 000	6	14
–	3	£35 001–£37 500	5	8
1	5	£37 501–£40 000	3	11
–	1	£40 001–£42 500	2	5
–	1	£42 501–£45 000	–	2
1	–	£45 001–£47 500	–	1
1	–	£47 501–£50 000	1	–
–	–	£50 001–£52 500	–	1
–	1	£52 501–£55 000	–	–
–	–	£55 001–£57 500	–	–
–	–	£57 501–£60 000	–	1
23	24		1 029	1 821

Effect of United Kingdom taxation on emoluments
The foregoing table deals with gross emoluments before taxation. The table adjoining gives examples of the amounts which would actually have been received, after United Kingdom taxation at the rates in force from 6th April, 1978, by a married man with two dependent children, no other source of income, and no deductions other than an 8% contribution to a Unilever retirement scheme:

Gross emoluments	Retirement contributions	Tax	Amount received
5 000	400	860	3 740
7 500	600	1 620	5 280
10 000	800	2 380	6 820
12 500	1 000	3 290	8 210
15 000	1 200	4 475	9 325
17 500	1 400	5 845	10 255
20 000	1 600	7 370	11 030
22 500	1 800	9 000	11 700
25 000	2 000	10 725	12 275
27 500	2 200	12 450	12 850
30 000	2 400	14 320	13 280
32 500	2 600	16 230	13 670
35 000	2 800	18 140	14 060
37 500	3 000	20 045	14 455
40 000	3 200	21 955	14 845
42 500	3 400	23 865	15 235
45 000	3 600	25 770	15 630
47 500	3 800	27 682	16 018
50 000	4 000	29 590	16 410
52 500	4 200	31 500	16 800
55 000	4 400	33 410	17 190
57 500	4 600	35 320	17 580
60 000	4 800	37 230	17 970

Principal subsidiaries

N.V.'s principal subsidiaries are held through subsidiaries with the exception of Nederlandse Unilever Bedrijven, Lipoma, Marga, Mavibel, Noorda, Saponia, Unilever Grondstoffen Mij. and Wemado, in the Netherlands and Unilever United States, Inc. in the United States; at 31st December, 1978 **Limited's** principal subsidiaries were held directly with the exception of Mattessons Meats, Synthetic Resins and Vinyl Products in the United Kingdom, Monarch Fine Foods, Hygrade Foods and A & W Food Services in Canada and the interests in Africa, Australia, New Zealand, France, Ireland, Malaysia and Sri Lanka.

Where holdings are less than 100% of the equity capital percentages are stated after rounding off. Where applicable the percentage of preference capital held is also stated.

The subsidiaries' registered offices are in the places mentioned.

The list of consolidated companies takes account of Article 320(3) of the Dutch Civil Code, Book 2.

The percentage of equity held is 100% except where otherwise stated.

European Community countries

Belgium — N.V.
Hartog's Levensmiddelen N.V., Brussels
Iglo-Ola N.V., Brussels
N.V. Jacky, Antwerp
Lever N.V., Brussels
S.B.T. N.V., Vorst
Union N.V., Merksem-Antwerp
N.V. Zwanenberg's Levensmiddelenbedrijf 'Zwan', Schoten

Denmark — N.V.
Uni-Dan A/S, Copenhagen

Germany — N.V.
Deutsche Unilever G.m.b.H., Hamburg
Schiffahrts- und Speditionskontor 'Elbe' G.m.b.H., Hamburg
Elida-Gibbs G.m.b.H., Hamburg
4P Folie Forchheim G.m.b.H., Forchheim
Hartog Lebensmittelwerk G.m.b.H., Hamburg
75 Langnese-Iglo G.m.b.H., Hamburg
Lever Sunlicht G.m.b.H., Hamburg
Meistermarken-Werke G.m.b.H., Spezialfabrik für Back- und Grossküchenbedarf, Bremen
4P Nicolaus Kempten G.m.b.H., Kempten
4P Nicolaus Ronsberg G.m.b.H., Ronsberg
68 'Nordsee' Deutsche Hochseefischerei G.m.b.H., Bremerhaven (Preference capital held 68%)
4P Rube Göttingen G.m.b.H., Göttingen
Scado G.m.b.H., Emslage
Schafft Fleischwerke G.m.b.H., Ansbach
'Unichema' Chemie-Gesellschaft m.b.H., Hamburg
Union Deutsche Lebensmittelwerke G.m.b.H., Hamburg

France — N.V.
99 Astra-Calvé, Courbevoie
99 Compagnie Française de Nutrition Animale, Tours
99 Elida Gibbs, Paris
99 4P Emballages France, Allonne
79 Etablissements Fayard et Ravel, Sainte-Sigolène
94 Etablissements Rousset, Vénissieux

The percentage of equity held is 100% except where otherwise stated.

99 Française d'Alimentation et de Boissons, La Garenne-Colombes
99 La Roche aux Fées, Vallet
99 Lever, Paris
79 Société Motta France, Nanterre
99 Sheby, Bezons
99 Unilever Export France, Courbevoie

— Limited
81 CNF, Paris
98 Fragep, Paris

Ireland — Limited
Lever Brothers (Ireland) Ltd., Dublin
W. & C. McDonnell Ltd., Dublin
Paul and Vincent Ltd., Dublin
H B Ice Cream Ltd., Dublin

Italy — N.V.
75 Algel S.p.A., Cisterna
75 Also S.p.A., Naples
75 Gelsi S.p.A., Turin
75 Sages S.p.A., Milan
Unil-It S.p.A., Milan

The Netherlands — N.V.
Algemeen Vrachtkantoor B.V., Rotterdam
Bensdorp B.V., Bussum
Van den Bergh en Jurgens B.V., Rotterdam
Koninklijke Maatschappij De Betuwe B.V., Tiel
Calvé-De Betuwe B.V., Delft
Croklaan B.V., Wormerveer
4P Drukkerij Reclame B.V., Rotterdam
50 N.V. Koninklijke Stearine Kaarsenfabrieken 'Gouda-Apollo', Gouda
Iglo-Ola B.V., Utrecht
Lever Industrial B.V., Maarssen
Lever Sunlight B.V., Rotterdam
Lipoma B.V., Rotterdam
Lucas Aardenburg B.V., Hoogeveen
Marga B.V., Rotterdam
Mavibel (Maatschappij voor Internationale Beleggingen) B.V., Rotterdam
Mengvoeder UT-Delfia B.V., Maarssen
Nederlandse Unilever Bedrijven B.V., Rotterdam (Preference capital held 99%)
Handelmaatschappij Noorda B.V., Rotterdam
Norfolk Line B.V., 's-Gravenhage
75 Safial B.V., Rotterdam
Saponia B.V., Rotterdam
Scado B.V., Zwolle
Exportslachterij Udema B.V., Gieten
50 Unilever-Emery N.V., Gouda (Preference capital held 50%)
Unilever Export B.V., Rotterdam
Unilever Grondstoffen Maatschappij B.V., Rotterdam
Unimills B.V., Zwijndrecht
UVG Nederland B.V., Oss
Wemado B.V., Rotterdam
Zeepfabriek de Fenix B.V., Zwolle

The percentage of equity held is 100% except where otherwise stated.

United Kingdom — Limited
Austin Packaging Group Ltd., Bromborough
Batchelors Foods Ltd., Sheffield
Birds Eye Foods Ltd., Walton-on-Thames
BOCM Silcock Ltd., Basingstoke
BOCM Silcock (N.I.) Ltd., Belfast
C.W.A. Holdings Ltd., London
Joseph Crosfield & Sons Ltd., Warrington
Elida Gibbs Ltd., London
Food Industries Ltd., Bromborough
Ford & Slater Group Ltd., Leicester
Kennedy's (Builders' Merchants) Ltd., Bournemouth
Lawson of Dyce Ltd., Aberdeen
Lever Brothers Ltd., Kingston-upon-Thames
Leverton Group Ltd., Windsor
Lipton Ltd., London
Loders and Nucoline Ltd., London
MacFisheries Ltd., Bracknell
Robert B. Massey & Co. Ltd., York
Mattessons Meats Ltd., London
Midland Poultry Holdings Ltd., Craven Arms
Nairn International Ltd., London
Palm Line Ltd., London
Proprietary Perfumes (International) Ltd., Ashford
S.P.D. Ltd., Watford
Synthetic Resins Ltd., Liverpool
Thames Board Mills Ltd., Purfleet
Thames Case Ltd., Purfleet
UAC International Ltd., London
Unichema Chemicals Ltd., Bromborough
Unilever Export Ltd., London
Unilever (Commonwealth Holdings) Ltd., London
UML Ltd., Port Sunlight
United Agricultural Merchants Ltd., Basingstoke
Van den Berghs and Jurgens Ltd., Burgess Hill
Vinyl Products Ltd., Carshalton
T. Wall & Sons Ltd., London
John West Foods Ltd., Liverpool

Other European countries

Finland — N.V.
Oy Leverindus AB, Turku
S.W. Paasivaara-Yhtymä Oy, Helsinki
Turun Saippua Oy, Turku

Greece — N.V.
87 Industrie Hellénique de Détergents S.A. (E.V.A.), Athens

Austria — N.V.
Bensdorp Ges.m.b.H., Vienna
Nordsee Ges.m.b.H., Vienna
Österreichische Unilever Ges.m.b.H., Vienna
75 Unifrost Nahrungsmittel Ges.m.b.H., Vienna

Portugal — N.V.
74 Iglo Indústrias de Gelados, Lda., Lisbon
60 Indústrias Lever Portuguesa, Lda., Sacavem

Spain — N.V.
Agra S.A., Lamiacó
99 Frigo S.A., Barcelona
Lever Ibérica S.A., Madrid

The percentage of equity held is 100% except where otherwise stated.

Sweden — N.V.
Gibbs AB, Stockholm
Leverindus AB, Nyköping
Novia Livsmedelsindustrier AB, Kristianstad
Pierre Robert AB, Malmö
Scado AB, Landskrona
AB Sunlight, Nyköping
Svenska Unilever Förvaltnings AB, Stockholm

Switzerland — N.V.
95 'Astra' Fett- und Oelwerke A.G., Steffisburg
Elida Cosmetic A.G., Zürich
Meina Holding A.G., Zürich
Sais, Zürich
Sunlight A.G., Olten
A. Sutter A.G., Münchwilen
Unilever (Schweiz) A.G., Zürich

United States and Canada

Canada — N.V.
99 Thomas J. Lipton Ltd., Toronto
— Limited
Hygrade Foods, Inc., Toronto
Lever Brothers Ltd., Toronto
Monarch Fine Foods Company Ltd., Toronto
A & W Food Services of Canada Ltd., Toronto

United States of America — N.V.
Lever Brothers Company, Portland, Maine
Thomas J. Lipton, Inc., Dover, Delaware
National Starch and Chemical Corporation, Bridgewater, N.J.
Unilever United States, Inc., Wilmington, Delaware

Central and South America

Argentina — N.V.
99 Lever y Asociados SACIF, Buenos Aires

Brazil — N.V.
99 Indústrias Gessy Lever Ltda., São Paulo

Colombia — N.V.
Compañia Colombiana de Grasas 'Cogra' S.A., Bogotá
Productos Lever S.A., Bogotá

Mexico — N.V.
Zwanenberg de Mexico S.A., Mexico

Netherlands Antilles — N.V.
Mavibel International N.V., Willemstad
Unilever Becumij N.V., Willemstad

Trinidad — Limited
60 Lever Brothers West Indies Ltd., Port of Spain

Venezuela — N.V.
Lever S.A., Caracas

The percentage of equity held is 100% except where otherwise stated.

Africa

Gabon — Limited
99 Hatton et Cookson S.A., Libreville

Ghana — Limited
60 UAC of Ghana Ltd., Accra

Ivory Coast — Limited
99 CFCI S.A., Abidjan

United Republic of Cameroons — Limited
Plantations Pamol du Cameroun Ltd., Lobe

Kenya — Limited
54 East Africa Industries Ltd., Nairobi
Gailey & Roberts Ltd., Nairobi

People's Republic of the Congo (Brazzaville) — Limited
99 Société Commerciale du Kouilou Niari-Congo S.A., Brazzaville

Malawi — Limited
80 Lever Brothers (Malawi) Ltd., Limbe

Nigeria — Limited
60 Pamol (Nigeria) Ltd., Lagos

Uganda — Limited
Gailey & Roberts (Uganda) Ltd., Kampala

Rhodesia — Limited
Lever Brothers (Private) Ltd., Salisbury

Sierra Leone — Limited
87 UAC of Sierra Leone Ltd., Freetown

Tanzania — Limited
UAC of Tanzania Ltd., Dar es Salaam

Republic of Tchad — Limited
78 Brasseries du Logone S.A., Moundou

Republic of Zaire — N.V.
58 Plantations Lever au Zaïre s.a.r.l., Kinshasa
Compagnie des Margarines, Savons et Cosmétiques au Zaïre s.a.r.l., Kinshasa
— Limited
99 Sedec s.a.r.l., Kinshasa

Zambia — Limited
K. B. Davies & Co. (Zambia) Ltd., Chingola

South Africa — Limited
Elida-Gibbs (Pty.) Ltd., Durban
Hudson & Knight (Pty.) Ltd., Durban
Lever Brothers (Pty.) Ltd., Durban
Lipton (S.A.) (Pty.) Ltd., Durban
Nairn Industries (Pty.) Ltd., Durban
Unilever South Africa (Pty.) Ltd., Durban
Van den Bergh and Jurgens (Pty.) Ltd., Durban
T. Wall & Sons (Pty.) Ltd., Durban
S.A. Warehousing Services (Pty.) Ltd., Durban

The percentage of equity held is 100% except where otherwise stated.

Asia, Australia, New Zealand

Australia — Limited
Rosella Foods Pty. Ltd., Richmond
Streets Ice Cream Pty. Ltd., Sydney
Unilever Australia Pty. Ltd., Sydney

Bangladesh — Limited
61 Lever Brothers Bangladesh Ltd., Chittagong

Philippines — N.V.
Philippine Refining Company Inc., Manila

India — Limited
65 Hindustan Lever Ltd., Bombay

Indonesia — N.V.
Van den Bergh's Fabrieken Indonesia N.V., Jakarta
Maatschappij ter Exploitatie der Colibri-fabrieken N.V., Jakarta
Lever's Zeepfabrieken Indonesia N.V., Jakarta

Japan — N.V.
79 Nippon Lever Industries Ltd., Tokyo

Malaysia — Limited
Lever Brothers (Malaysia) Sdn. Bhd., Kuala Lumpur
Pamol (Sabah) Ltd., London
Unipamol Malaysia Sdn. Bhd., Kuala Lumpur

New Zealand — Limited
Lever Brothers (New Zealand) Ltd., Petone
Unilever New Zealand Ltd., Petone

Pakistan — Limited
70 Lever Brothers Pakistan Ltd., Karachi

Republic of Singapore — Limited
65 Walls Fitzpatrick's Sdn. Bhd., Singapore
Lever Brothers (Singapore) Sdn. Bhd., Singapore

Sri Lanka — Limited
Lever Brothers (Ceylon) Ltd., Colombo

Thailand — N.V.
Lever Brothers (Thailand) Ltd., Bangkok

Turkey — N.V.
80 Unilever-Iş Ticaret ve Sanayi Türk Limited Şirketi, Istanbul

Principal investments

Associated companies

% of
equity held

European Community countries

Germany—N.V.
50 Fritz Homann Lebensmittelwerke G.m.b.H., & Co., K.G.

Other European countries

Greece—N.V.
49 'Elaïs' Oleaginous Products S.A.

Portugal—N.V.
40 FIMA—Fábrica Imperial de Margarina Ltda.

Central and South America

Chile—N.V.
50 Indus Lever S.A.C.I.

El Salvador—N.V.
50 Industrias Unisola S.A.

Africa

Ghana—Limited
45 Lever Brothers Ghana Ltd.

Nigeria—Limited
14 Guinness (Nigeria) Ltd.
40 Lever Brothers Nigeria Ltd.
14 Nigerian Breweries Ltd.
40 UAC of Nigeria Ltd.

Asia, Australia, New Zealand

Indonesia—N.V.
50 P.T. Sangkulirang

Trade investments

% of
equity held

European Community countries

The Netherlands—N.V.
43 Gamma Holding N.V.

Financial review 1968-1978

Fl. million

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Results											
Sales to third parties	**20 032**	**21 829**	**24 917**	**26 483**	**26 832**	**29 197**	**34 471**	**36 705**	**36 493**	**39 879**	**39 271**
Costs	*18 538*	*20 386*	*23 484*	*24 766*	*24 884*	*27 004*	*32 362*	*34 719*	*33 850*	*37 521*	*36 874*
Operating profit	**1 494**	**1 443**	**1 433**	**1 717**	**1 948**	**2 193**	**2 109**	**1 986**	**2 643**	**2 358**	**2 397**
Concern share of associated companies' profit	—	—	—	—	—	—	—	—	57	257	256
Non-recurring and financial items	*14*	*29*	*126*	*81*	*112*	*34*	*142*	*205*	*147*	*218*	*222*
Profit before taxation	**1 480**	**1 414**	**1 307**	**1 636**	**1 836**	**2 159**	**1 967**	**1 781**	**2 553**	**2 397**	**2 431**
Taxation	*716*	*672*	*633*	*771*	*793*	*1 035*	*961*	*883*	*1 200*	*1 184*	*1 259*
Profit after taxation	**764**	**742**	**674**	**865**	**1 043**	**1 124**	**1 006**	**898**	**1 353**	**1 213**	**1 172**
Outside interests and preference dividends	*50*	*53*	*45*	*46*	*68*	*84*	*91*	*127*	*154*	*88*	*84*
Profit attributable to ordinary capital	**714**	**689**	**629**	**819**	**975**	**1 040**	**915**	**771**	**1 199**	**1 125**	**1 088**
Extraordinary items, less taxation and outside interests	—	—	—	—	*110*	—	—	—	—	—	—
Profit after extraordinary items	**714**	**689**	**629**	**819**	**865**	**1 040**	**915**	**771**	**1 199**	**1 125**	**1 088**
Dividends on ordinary and deferred capital[2])	*264*	*305*[3])	*307*	*348*	*347*	*324*	*345*	*362*	*395*	*413*	*423*
Profit of the year retained	**450**	**384**	**322**	**471**	**518**	**716**	**570**	**409**	**804**	**712**	**665**
Assets and liabilities											
Preferential share capital	310	310	310	308	304	298	295	293	286	287	286
Ordinary shareholders' equity	6 221	6 515	6 826	6 982	7 107	7 134	7 199	7 513	7 542	8 142	7 735
Outside interests in subsidiaries	209	214	250	211	247	244	327	381	425	307	502
Loan capital	1 452	1 477	1 634	1 660	1 610	1 601	2 120	2 223	2 314	2 303	2 845
Deferred liabilities	770	804	888	979	1 070	1 266	1 418	1 759	1 877	2 267	2 696
Capital employed	**8 962**	**9 320**	**9 908**	**10 140**	**10 338**	**10 543**	**11 359**	**12 169**	**12 444**	**13 306**	**14 064**
Land, buildings and plant	4 679	5 003	5 439	5 371	5 287	5 238	5 577	5 958	5 644	6 110	6 630
Associated companies	—	—	—	—	—	—	—	—	168	737	862
Trade investments	209	214	199	208	175	215	197	256	98	90	84
Other long-term assets	179	174	187	198	205	203	291	184	162	230	455
Working capital	3 617	4 081	4 410	4 236	4 109	4 574	5 858	5 329	5 813	5 707	6 022
Provision for taxation	*550*	*528*	*610*	*704*	*736*	*801*	*639*	*694*	*806*	*691*	*697*
Dividends	*135*	*176*	*178*	*220*	*272*	*257*	*295*	*327*	*332*	*396*	*443*
Net liquid funds	963	552	461	1 051	1 570	1 371	370	1 463	1 697	1 519	1 151
Employment of capital	**8 962**	**9 320**	**9 908**	**10 140**	**10 338**	**10 543**	**11 359**	**12 169**	**12 444**	**13 306**	**14 064**
Source and use of funds											
Funds generated from operations	2 035	2 027	2 108	2 326	2 600	2 851	2 676	2 618	3 354	2 996	3 139
Funds from other sources	*15*	25	182	50	42	101	605	122	263	*9*	601
Total sources	**2 020**	**2 052**	**2 290**	**2 376**	**2 642**	**2 952**	**3 281**	**2 740**	**3 617**	**2 987**	**3 740**
Taxation payments during year	*654*	*706*	*598*	*589*	*705*	*692*	*906*	*592*	*784*	*608*	*729*
Capital expenditure, less disposals	*662*	*778*	*906*	*749*	*781*	*887*	*1 223*	*1 065*	*995*	*1 235*	*1 211*
Purchase/sale of subsidiaries	259	*132*	230	*34*	*213*	260	86	25	*57*	*90*	*1 054*
Purchase/sale of associated companies/trade investments	9	*20*	9	*12*	22	*57*	5	59	*9*	*171*	64
Additional/reduced working capital	*346*	*465*	*329*	112	96	*753*	*1 557*	449	*1 069*	*496*	*574*
Dividends paid during year	*282*	*322*	*324*	*322*	*303*	*337*	*311*	*327*	*373*	*371*	*372*
Other sources/*uses*	7	36	*3*	*188*	*1*	*71*	169	*18*	63	*178*	*75*
Total uses	***2 205***	***2 459***	***2 381***	***1 782***	***2 077***	***3 057***	***4 247***	***1 637***	***3 350***	***3 149***	***4 079***
Net increase/*decrease* in funds	***185***	***407***	***91***	**594**	**565**	***105***	***966***	**1 103**	**267**	***162***	***339***

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Shareholders' equity											
per Fl. 20 of capital (Fl.)	111	116	121	125	127	128	129	135	135	146	139
per 25p of capital (pence)	191	200	209	222	253	295	328	372	486	503	522
Earnings[1])											
per Fl. 20 of capital (Fl.)	12.71	12.28	11.17	14.69	17.48	18.64	16.43	13.84	21.51	20.19	19.53
per 25p of capital (pence)	21.94	21.19	19.29	26.06	34.63	43.02	41.76	38.23	77.20	69.47	73.44
Earnings plus depreciation											
per Fl. 20 of capital (Fl.)	22.03	22.46	23.00	26.64	29.02	30.36	28.31	26.26	33.98	33.63	33.47
per 25p of capital (pence)	38.02	38.77	39.71	47.27	57.50	70.06	71.97	72.53	121.93	115.70	125.85
Dividends											
N.V. per Fl. 20 of capital (Fl.)	4.70	5.43[3])	5.43	6.20	6.71	6.71	7.25	7.65	8.36	8.56	8.80
Limited per 25p of capital (pence)[2])	8.13	9.38[3])	9.42	11.20	11.02	10.63	12.09	13.67	19.35	19.94	21.92
Capital expenditure (Fl. million)	716	881	993	850	927	974	1 309	1 213	1 097	1 368	1 358
Depreciation (Fl. million)	523	572	666	667	644	653	662	692	694	749	777
Employees											
Remuneration of employees (Fl. million)	3 368	3 886	4 508	4 693	4 931	5 243	5 868	6 684	6 632	7 146	7 324
Number of employees (000's)	312	326	335	324	337	353	357	322	315	327	318
Ratios											
Sales : capital employed	2.2	2.3	2.5	2.6	2.6	2.8	3.0	3.0	2.9	3.0	2.8
Sales per employee (Fl.)	64 205	66 960	74 379	81 738	79 620	82 711	96 557	114 346	115 850	121 954	123 494
Sales : working capital	5.5	5.4	5.7	6.3	6.5	6.4	5.9	6.9	6.3	7.0	6.5
Dividends : earnings	0.37	0.44	0.49	0.43	0.36	0.31	0.38	0.47	0.33	0.37	0.39
Gearing[4])	0.24	0.24	0.25	0.25	0.23	0.22	0.30	0.29	0.29	0.29	0.33
Current assets : current liabilities	2.1	2.0	1.9	2.0	2.0	1.9	1.8	1.9	1.9	1.8	1.8
Share prices											
N.V. per Fl. 20 ordinary share in Amsterdam											
High	144	131	121	122	150	162	118	123	131	137	130
Low	105	98	79	87	118	100	69	80	100	118	111
Limited per 25p ordinary share in London											
High	420	350	313	345	405	397	339	434	500	596	602
Low	219	228	188	209	325	278	149	167	346	410	476

The 1971 figures reflect the realignment of major currencies and those for 1972 to 1978 the floating of sterling and other currencies. Figures for 1976 to 1978 include the effect of the change in accounting policy relating to associated companies. The figures for earlier years have not been adjusted as the effect was not material.

[1]) See notes on page 42.

[2]) The cost of dividends in 1968–1971 is the gross amount. In 1972 the first interim dividend of **Limited** is included gross. All subsequent dividends are included at the amounts paid or to be paid to the shareholders in line with the change to the imputation system of taxation from 1st April, 1973. The **Limited** dividends shown are the amounts declared. Since 1972 the amounts paid have been lower because of statutory dividend controls. The balance will be paid when circumstances permit.

[3]) Excludes special ordinary dividends of Fl. 0.73 and 1.25 pence paid with the final 1969 dividends, amounting to Fl. 41 million.

[4]) Gearing is loan capital plus short-term borrowings divided by the sum of loan capital, short-term borrowings, preferential share capital, ordinary shareholders' equity and outside interests in subsidiaries.

Salient figures in guilders and other currencies

1978 above 1977

Rates of exchange: one unit = Fl.	Dutch Guilders	Sterling Pounds	Belgian Francs	German Marks	French Francs	Austrian Schillings	U.S. Dollars	Swiss Francs
		3.99	0.0683	1.0820	0.4725	0.1477	1.9700	1.2210
		4.36	0.0689	1.0800	0.4860	0.1507	2.2800	1.1370
	In millions of currency							
Sales to third parties	39 271	9 842	574 995	36 319	83 070	265 844	19 980	32 185
	39 879	9 147	578 796	36 952	82 045	264 611	17 470	35 031
Operating profit	2 397	601	35 097	2 217	5 071	16 227	1 220	1 965
	2 358	541	34 224	2 185	4 851	15 647	1 033	2 071
Taxation on profit of the year	*1 229*	*308*	*17 990*	*1 136*	*2 599*	*8 318*	*625*	*1 007*
	1 180	*271*	*17 124*	*1 093*	*2 427*	*7 829*	*517*	*1 036*
Profit of the year attributable to ordinary capital	1 088	273	15 936	1 007	2 302	7 368	554	892
	1 125	258	16 329	1 042	2 315	7 465	493	988
Ordinary dividends	*423*	*106*	*6 196*	*391*	*895*	*2 865*	*215*	*347*
	413	*95*	*5 996*	*383*	*850*	*2 741*	*181*	*363*
Capital employed	14 064	3 525	205 916	13 006	29 749	95 204	7 155	11 526
	13 306	3 052	193 122	12 330	27 375	88 291	5 829	11 689
Ordinary shareholders' equity	7 735	1 938	113 247	7 153	16 361	52 359	3 935	6 339
	8 142	1 868	118 172	7 544	16 751	54 025	3 567	7 152
Loan capital	2 845	713	41 662	2 632	6 019	19 262	1 448	2 332
	2 303	528	33 417	2 133	4 737	15 278	1 009	2 023
Capital expenditure	1 358	340	19 875	1 255	2 871	9 189	691	1 113
	1 368	314	19 852	1 267	2 814	9 076	599	1 202
Depreciation	777	195	11 373	718	1 643	5 258	395	637
	749	172	10 868	694	1 541	4 969	328	658
Shareholders' equity	In units of currency							
Per Fl. 20 of capital	138.81	3 479.04p	2 032.41	128.29	293.79	939.84	70.46	113.69
	146.13	3 351.53p	2 120.85	135.30	300.67	969.65	64.09	128.52
Per 25p of capital	20.82	521.86p	304.86	19.24	44.07	140.98	10.57	17.05
	21.92	502.73p	318.13	20.30	45.10	145.45	9.61	19.28
Earnings[1]								
Per Fl. 20 of capital	19.53	489.57p	286.00	18.05	41.34	132.25	9.92	16.00
	20.19	463.10p	293.05	18.70	41.55	133.98	8.86	17.76
Per 25p of capital	2.93	73.44p	42.90	2.71	6.20	19.84	1.49	2.40
	3.03	69.47p	43.96	2.80	6.23	20.10	1.33	2.66
Dividends[2]								
N.V.—per Fl. 20 of capital	8.80	220.55p	128.84	8.13	18.62	59.58	4.47	7.21
	8.56	196.33p	124.24	7.93	17.61	56.80	3.75	7.53
Limited—per 25p of capital	0.87	21.92p	12.81	0.81	1.85	5.92	0.44	0.72
	0.87	19.94p	12.62	0.81	1.79	5.77	0.38	0.76

[1]) See note (8) on page 42.
[2]) See notes on pages 30 and 61.

Rates of exchange quoted above have been used to convert figures in this table. The change in rates between 1977 and 1978 results in the percentage growth being different according to the currency in which it is expressed. The value of dividends received by shareholders in currencies other than guilders or sterling will be affected by fluctuations in the rates of exchange after the year-end.

Current cost statement

Fl. million	1977	1978
Sales to third parties	39 879	39 271
Operating profit (historical)	2 358	2 397
Cost of sales adjustment	*414*	*213*
Depreciation adjustment	*374*	*390*
Current cost operating profit	1 570	1 794
Non-recurring items	*42*	*50*
Concern share of associated companies' profit	257	256
Income from trade investments	5	14
Interest	*181*	*186*
	1 609	1 828
Gearing adjustment	144	116
Adjusted profit before taxation	1 753	1 944
Taxation	*889*	*1 073*
Adjusted profit after taxation	864	871
Outside interests and preference dividends	*88*	*84*
Adjusted profit attributable to ordinary capital	776	787

The above figures are estimated and unaudited and are drawn up in accordance with the recommendations of the United Kingdom Accounting Standards Committee set out in the statement 'Inflation Accounting—an interim recommendation'.

Four adjustments have been made to historical profit. Cost of sales and depreciation adjustments represent the additional amounts needed to reflect the current cost of replacing materials and fixed assets used in the business. The gearing adjustment reflects the extent to which the first two adjustments have been financed by third party funds. Taxation has been adjusted to take account of the partial recognition by fiscal authorities, in some countries, usually by way of a deferral of the liability, of the impact of inflation.

The bases on which the adjustments have been made are:

1. Cost of sales. The current cost of materials consumed has been determined by correcting the cost of sales calculated on the historical cost convention for the price change between purchase and consumption. This price change is established using specific prices or indices applied to materials in the country of location.
2. Depreciation. This adjustment is the difference between depreciation on the historical cost of assets and on the current replacement value of assets. In general, current replacement value is determined by applying specific price indices in the country of location to the original purchase price of the assets.
3. Gearing. The adjustment has been calculated on a group basis and follows the method outlined in the interim recommendation, namely, to take credit for the proportion of cost of sales and depreciation adjustments financed by net monetary liabilities as a percentage of capital employed. Shareholders' equity, which includes outside interests, has been adjusted to include the write-back of tax deferred by stock relief and by allowances on capital expenditure and to include the excess of current over historical fixed asset values.
4. The tax charge in the historical accounts has been adjusted by deducting tax deferred by accelerated fiscal depreciation and by stock relief available in some countries.

No adjustments have been made to any of the figures relating to associated companies and outside interests.

Dates for dividend and interest payments

Ordinary	Interim	Announced mid-November. Payable second half of December.
	Final	Proposed early March. Payable second half of May (New York shares: beginning of June).
7% and 6% Cumulative Preference	First half	Payable 1st July.
	Second half	Payable 2nd January.
4% Cumulative Preference	First half	Payable 1st October.
	Second half	Payable 1st April.
6% Bonds 1972/91		Payable 15th January.
10½% Euroguilder Notes 1979		Payable 15th August.
9¾% Euro DM Notes 1981		Payable 1st December.
8¾% Bonds 1981/85		Payable 1st December.
6¾% Bonds 1981/86		Payable 15th February.
8½% Bonds 1981/87		Payable 1st May.

If the above dates fall on a Sunday or a public holiday, the dividends and interest will be payable on the next working day.

Interim announcements of results

First quarter results	Mid-May.
First half-year results	Mid-August.
Nine months results	Mid-November.
Provisional results for the year	Early March.

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