

Unilever

Report and Accounts

1977



Unilever N.V., Rotterdam

Report and Accounts 1977

Directors

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Sir David Orr, *Vice-Chairman*
J. M. Goudswaard, *Vice-Chairman*
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K. Durham
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A. W. P. Stenham
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S. G. Sweetman
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Advisory Directors

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T. Browaldh
J. H. van Roijen
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, 1977. Mr. M. Ormerod was also a Director on that date.

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Cover
Design: Paul Reeves, Graham Spice
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This Report and Accounts is a translation of the original Dutch Report. French and German translations are also published.

A special survey of our animal feeds business is issued as a supplement to this Report.

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 deals, 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 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.

Unilever is one of the dozen largest businesses in the world by turnover — and the largest in consumer goods. The geographical spread and diversity of its operations help to give it strength and stability.

The year in brief

For the year as a whole sales rose by 11% at comparable rates of exchange, but this was entirely due to higher selling prices. We had satisfactory growth in the first half of the year, but not in the second half when economic conditions worsened, particularly in Europe. Additionally, the cold and wet summer affected some of our businesses unfavourably. As a result, profits in Europe for a number of product groups were below those of 1976 and margins were unsatisfactory.

In the United States, Lipton Inc. achieved good results but Lever Brothers had a difficult year. UAC International continued to do well and total results of other overseas countries showed a good improvement over last year.

Results were influenced throughout the year by the effect of the change in the shareholding of UAC of Nigeria. Based on a comparison with 1976 figures adjusted to show the effect of this change and at comparable exchange rates, sales for the year would have risen in value by 16%, while operating profits for the year would have risen by 6%.

The economic background

Growth in the world economy in 1977 was disappointing particularly in the second half of the year. In the countries where Unilever operates, Gross National Product rose, in real terms, by only some 2.5% on average for the whole year compared with almost 5% in 1976. In Europe economic growth and the rise of private consumption were below 2%, considerably lower than in the United States. Growth in consumer spending in these areas was mainly concentrated on durable goods and on services.

In many countries the rise of economic activity continued to be hampered by big balance-of-payments deficits and by low levels of private investment linked to a disappointing development of profitability.

The oil exporting countries continued to record high growth rates; so, too, did several countries which are heavily dependent on exports of other commodities such as coffee, cocoa and tea. However, some commodity prices were tending to decline towards the year-end.

Inflation rates declined somewhat in 1977 but remained high. Most governments have given priority to reducing inflation but high rates of unemployment have forced some countries to relax their deflationary policies and to look for higher growth through budgetary stimulation. This had little effect in 1977.

International developments

For the European Community (E.C.) it was a year of small steps towards further economic integration and harmonisation of legislation.

There was no progress towards a solution of the problems arising from the surpluses of agricultural produce, and the divergence between the exchange rates for agricultural products—the so-called ‘green currencies’—and the currency market rates. These problems can only be remedied by tackling their fundamental causes.

As an international company and a major importer of raw materials, we have a vital interest in free world markets. We therefore welcome the progress of the Multilateral Trade Negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT), which aim at the further liberalisation and expansion of world trade, and whose success would be an important contribution towards fighting protectionism.

This Report and Accounts again meets the Guidelines on Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD), for which we reiterate our previously expressed support.

Meanwhile the Governing Body of the International Labour Office (ILO) has adopted a Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; discussions on codes on a wider international scale are going on in the United Nations Commission on Transnational Companies and within the United Nations Conference on Trade and Development (UNCTAD). In addition, the E.C. draft Seventh Directive on company reports is under discussion. It is hoped that due attention will be given to achieving consistency between these various potential requirements. Otherwise a proliferation of possibly conflicting guidelines could frustrate the purpose of creating an international framework for multinational companies.

National Starch and Chemical Corporation

On 11th December, 1977, a letter of intent was signed between Unilever United States, Inc. and National Starch and Chemical Corporation, Bridgewater, N.J., (National Starch) for a proposed acquisition of National Starch. On 16th March, 1978, a definitive Merger Agreement was entered into for this proposed acquisition.

Under the proposed terms shareholders of National Starch would receive per share either \$73.50 cash or a \$73.50 non-voting 4½% cumulative preference share in a newly created subsidiary of Unilever United States, Inc. The total cost of this proposed acquisition will be approximately \$480 million. Completion of the transaction is subject to conditions described in the Merger Agreement, including obtaining a favourable tax ruling for which application has been made, and approval by stockholders.

If National Starch is acquired in 1978 an important new industrial activity will be added to our present operations in the United States, which are principally in consumer goods. National Starch is a leading manufacturer of adhesives, resins, food starches, industrial starches and specialty organic chemicals for industrial use. Main customers are the paper manufacturing, paper converting and packaging industries, the food and textile industries and wood, metal and plastics fabricators.

In 1977 National Starch reported net sales of \$ 371 million and net income of \$ 25 million.

Exchange rates

It was another year of substantial fluctuations in exchange rates between the major currencies. Strengthening of the deutschmark against the US dollar continued in 1977. However, in contrast to 1976, sterling strengthened against a number of other currencies. The guilder did not appreciate to the

same extent as the deutschmark and sterling. Sterling rose against the guilder—from £1 = Fl. 4.18 at end 1976 to £1 = Fl. 4.36 at end 1977.

For the purpose of calculating the 1977 combined results we have used the sterling exchange rate current at the year-end of 1977. This was 4% above the rate of the previous year, used for the 1976 results. Calculated at these rates, combined earnings per share fell by 6% in terms of guilders and by 10% in sterling. If the 1977 combined results had been calculated at the same rate of exchange as those for 1976, earnings per share would have fallen by 6% in both currencies.

Finance

Total net liquid funds remained substantial at Fl. 1 519 million at the end of 1977, but were down from the level at the end of 1976.

Capital expenditure was Fl. 600 million higher than depreciation. The working capital increase was lower than in 1976 because of lower raw material prices towards the end of the year, but was still substantial. The lower results had an unfavourable effect on funds generated from operations. The net liquid funds of UAC of Nigeria, amounting to Fl. 69 million at 31st December, 1976, were included in the consolidated figures at that date but not at the end of 1977 because of the reduction of our share in that company to 40%, and its consequent exclusion from the consolidated figures.

We spent Fl. 161 million on acquisitions; of these the most significant were A. Sutter A.G., a Swiss company specialising in industrial cleaning, and a majority share in Société Motta France S.A., an ice cream company.

We envisage financing the acquisition of National Starch by using some \$150 million of N.V.'s cash resources while the remainder will be borrowed long-term. It is estimated that this transaction will increase our gearing, which was 29% at the end of 1977, by some 6%.

Taxation

In a growing number of countries the imputation tax system for company profits is being introduced. Under this system shareholders resident in the country where the company has its seat are entitled to a full or partial refund of corporation tax attributable to the dividend received by them when they are assessed for income tax.

The system avoids full or partial double taxation on company profits. This would be a favourable development but for the fact that the consequences for shareholders of the company resident in other countries are hardly ever taken into account. This applies in

particular to non-resident parent companies, a discrimination which often results in an increase of their tax burden. A striking example of this situation has arisen by the introduction in Germany of the imputation tax system as from 1st January, 1977, and taxes payable on profits of our companies in Germany have increased considerably.

We hope that in new double tax treaties between Germany and other countries—or by tax harmonisation within the E.C.—an acceptable solution will be found.

Change in accounting policy

In our reporting prior to 1977 we have made no distinction between associated companies, which are minority shareholdings where we participate in commercial and financial policy decisions, and trade investments where we do not. The results of associated companies were in total immaterial and, therefore, such companies were treated as trade investments. Now that UAC of Nigeria has ceased to be a subsidiary and become an associated company, total results of associated companies in 1977 are material and a change in accounting policy was therefore required. The 1976 figures have been restated accordingly.

Throughout this Report and Accounts the substantial effect on the comparison of 1976 and 1977 figures caused by the change in status of UAC of Nigeria must be borne in mind.

Prospects

At the end of 1977 the world economic outlook in general was not encouraging and it is difficult to see a significant change in 1978.

We expect 1978 to be a difficult year for Unilever. However, with improving efficiency, we are well placed to take advantage of any upturn in economic conditions.

Employees

Inevitably our Report and Accounts concentrate on facts and figures. But the facts and the figures arise from the continuous effort of our employees throughout the world. Our thanks are due to them for the way in which they have dealt with the difficulties of the past year and we know that we can place our trust in them for the year ahead.

Quarterly results

Fl. million

	Sales to third parties		Operating profit		Profit attributable to ordinary capital		Earnings per share	
	1976	1977	1976	1977	1976	1977	1976 guilders per Fl. 20	1977 pence per 25p
1st Quarter	8 719	9 686	566	514	260	217	Fl. 4.67	Fl. 3.89
	24%	24%	22%	22%	22%	19%	16.77p	13.41p
2nd Quarter	9 016	10 132	721	699	293	343	Fl. 5.26	Fl. 6.16
	25%	26%	27%	29%	24%	31%	18.87p	21.19p
3rd Quarter	9 204	9 953	796	590	351	293	Fl. 6.30	Fl. 5.26
	25%	25%	30%	25%	29%	26%	22.59p	18.09p
4th Quarter	9 554	10 108	560	555	295	272	Fl. 5.28	Fl. 4.88
	26%	25%	21%	24%	25%	24%	18.97p	16.78p
Total year	36 493	39 879	2 643	2 358	1 199	1 125	Fl. 21.51	Fl. 20.19
	100%	100%	100%	100%	100%	100%	77.20p	69.47p

The published results for each of the quarters of 1976 and 1977 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	1976	1977
Results for the year ended 31st December		
Sales to third parties	36 493	39 879
Operating profit	2 643	2 358
Concern share of associated companies' profit	57	257
Non-recurring and financial items	147	218
Profit before taxation	2 553	2 397
Taxation	1 200	1 184
Profit after taxation	1 353	1 213
Outside interests and preference dividends	154	88
Profit attributable to ordinary capital	1 199	1 125
Ordinary dividends	395	413
Profit of the year retained	804	712
Assets and liabilities as at 31st December		
Capital employed		
Preferential share capital	286	287
Ordinary shareholders' equity	7 542	8 142
Outside interests in subsidiaries	425	307
Loan capital	2 314	2 303
Deferred liabilities	1 877	2 267
	12 444	13 306
Employment of capital		
Land, buildings and plant	5 644	6 110
Associated companies	168	737
Trade investments	98	90
Long-term debtors	162	230
Working capital	5 813	5 707
Provision for taxation	806	691
Dividends	332	396
Net liquid funds	1 697	1 519
	12 444	13 306

Value added statement

Fl. million

1976 1977

Sources					
Sales to third parties		36 493		39 879	
Other income		240		443	
		<u>36 733</u>		<u>40 322</u>	
Less cost of materials and services purchased		26 551		29 654	
Value added		<u>10 182</u>		<u>10 668</u>	
Disposal					
		%		%	
To employees in wages, salaries, pension contributions		65	6 646	67	7 160
To governments in taxation		12	1 200	11	1 184
To providers of capital					
— loans (interest)		3	289	3	362
— shareholders (dividends)		4	395	4	413
— outside shareholders and preference dividends		1	154	1	88
Reinvested in business					
— depreciation		7	694	7	749
— profit retained		8	804	7	712
		<u>100</u>	<u>10 182</u>	<u>100</u>	<u>10 668</u>

Value added statement

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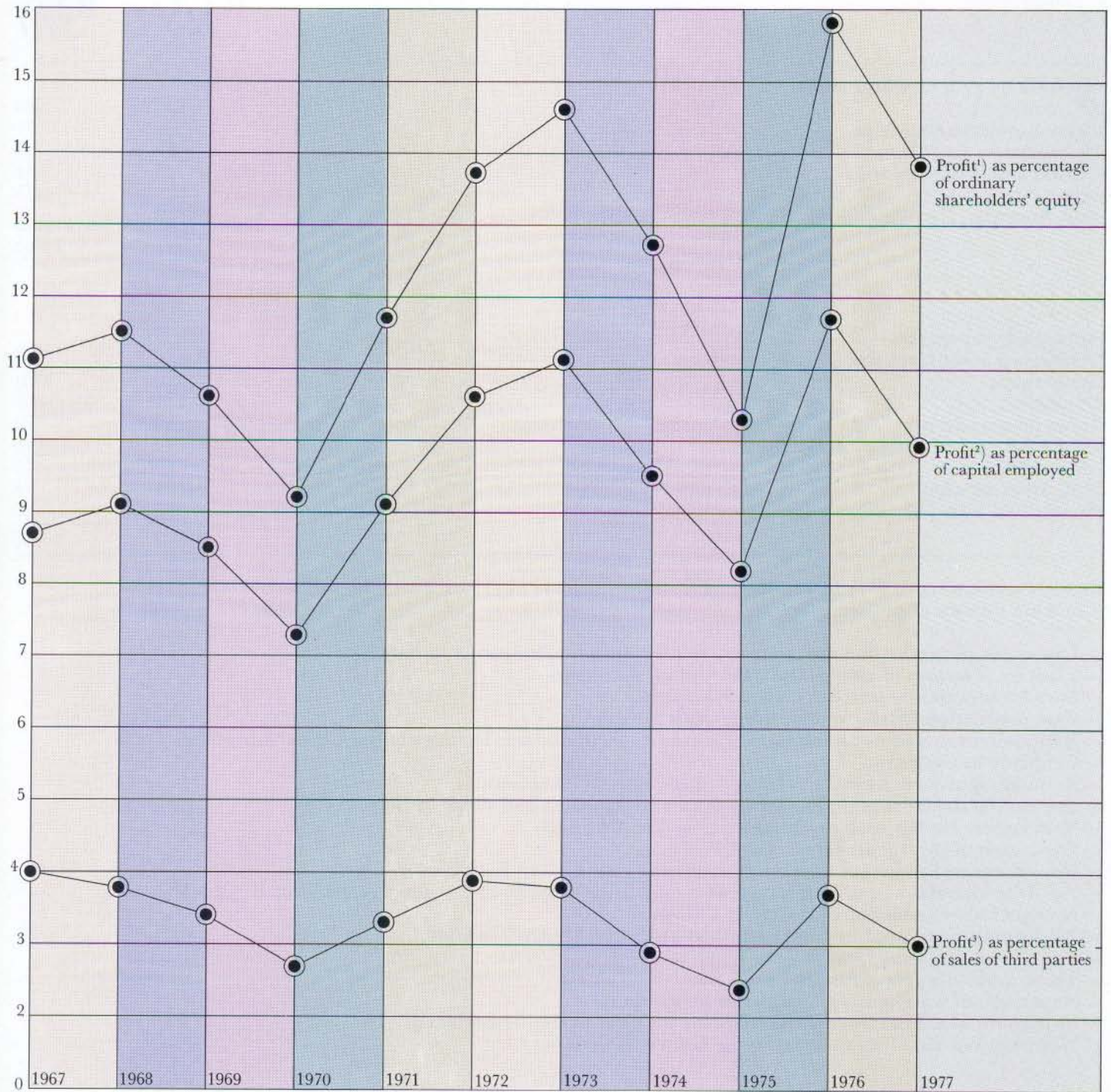
Capital expenditure

Fl. million	1976	1977
Analysis by geographical areas		
E.C. countries	708	901
Other European countries	68	90
United States and Canada	92	97
Central and South America	23	48
Africa	127	119
Asia, Australia, New Zealand	79	113
	1 097	1 368
Analysis by operations		
Margarine, other fats and oils, dairy products	208	267
Other foods	320	361
Detergents	131	205
Toilet preparations	35	71
Chemicals, paper, plastics, packaging	144	149
Animal feeds	26	48
UAC International	101	98
Plantations, transport, other interests	132	169
	1 097	1 368

Projects amounting to Fl. 1 883 million were approved in 1977 (1976: Fl. 1 456 million).
The more important projects were:

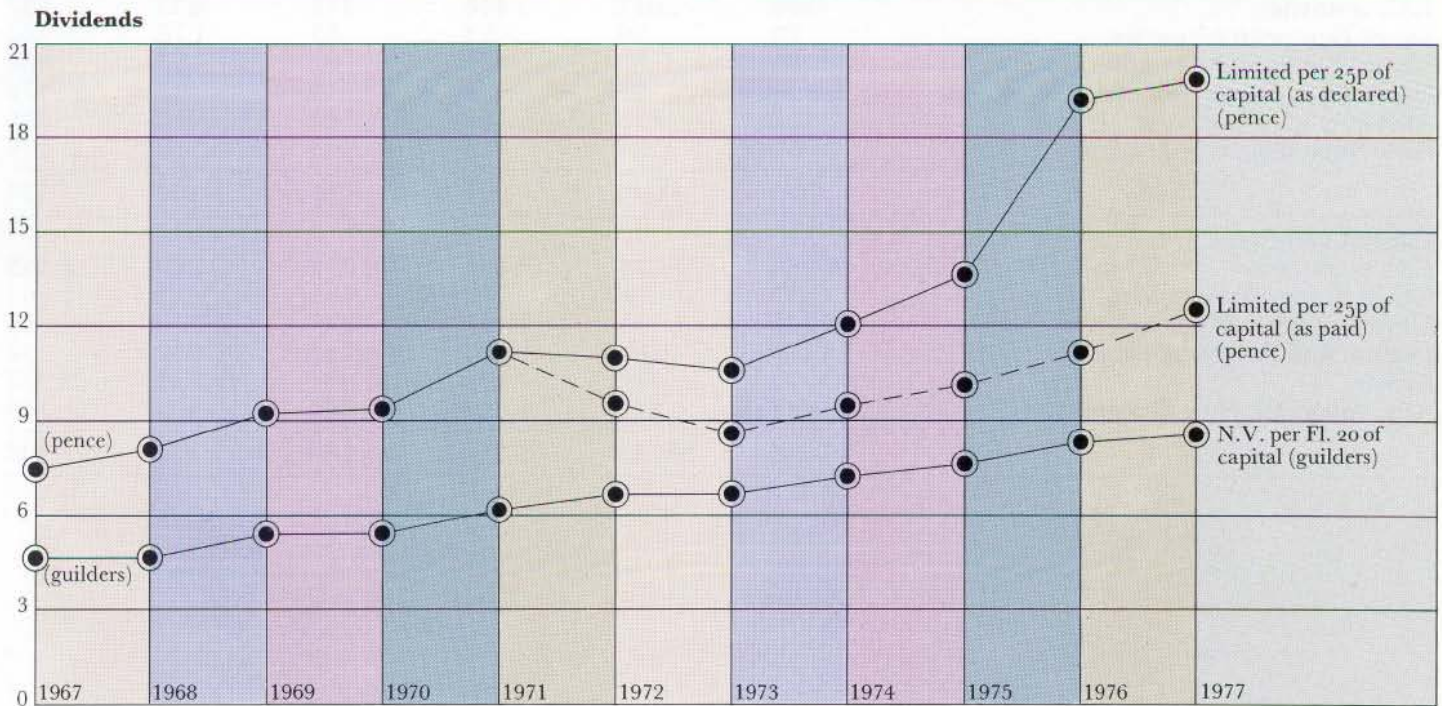
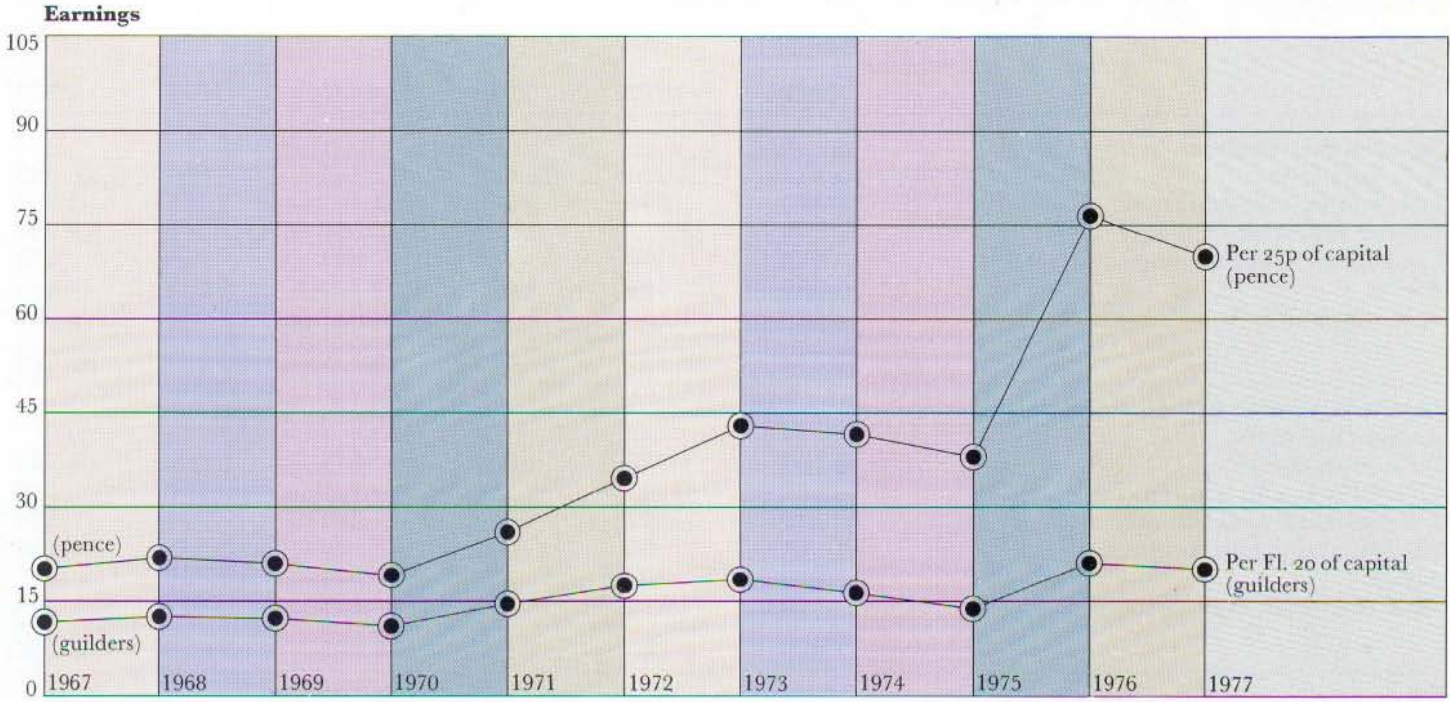
- Expansion of production and warehousing facilities for margarine in Brazil.
- Plant for filtration of edible oils in the United Kingdom.
- Sites for supermarkets in the United Kingdom.
- New production hall for quick-frozen foods in Italy.
- Rationalisation and mechanisation of frozen cooked products facilities in the United Kingdom.
- Coldstore in Germany.
- Rebuilding of a meat products factory in the United Kingdom.
- Expansion, modernisation and renovation of restaurants and shops in Germany.
- New factory for bar soap production in the United States.
- Expansion of detergents capacity in Greece.
- New integrated pulp mill and board machine in the United Kingdom.
- Plant for manufacture of four-metre-wide cushioned vinyl floor coverings in the United Kingdom.
- New perfumery complex in the United States.
- Modernisation of poultry processing facilities in the United Kingdom.
- Two feed mills in the United Kingdom.
- Three multi-purpose ships for Palm Line.
- Expansion of warehousing facilities in Switzerland.
- Expansion of animal feeds manufacturing facilities in the Netherlands.
- New regional distribution depot in the United Kingdom.

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					
	1972	1973	1974	1975	1976	1977
Sales to third parties						
E.C. countries	15 975	18 024	22 020	22 260	21 814	26 095
Other European countries	1 574	1 796	2 208	2 482	2 426	2 532
United States and Canada	3 149	3 072	3 293	3 856	3 648	3 582
Central and South America	568	597	757	864	948	936
Africa	3 386	3 424	3 690	4 326	4 733	3 635
Asia, Australia, New Zealand	2 180	2 284	2 503	2 917	2 924	3 099
	26 832	29 197	34 471	36 705	36 493	39 879
Operating profit before taxation and outside interests						
E.C. countries	1 101	1 248	1 099	815	1 296	1 349
Other European countries	156	187	150	130	159	198
United States and Canada	193	187	237	201	233	189
Central and South America	69	68	45	50	59	111
Africa	234	289	342	527	639	257
Asia, Australia, New Zealand	195	214	236	263	257	254
	1 948	2 193	2 109	1 986	2 643	2 358
Profit attributable to ordinary capital						
E.C. countries	580	617	446	313	633	537
Other European countries	79	99	73	53	76	101
United States and Canada	86	89	111	92	108	108
Central and South America	37	37	31	25	52	78
Africa	124	115	140	180	218	185
Asia, Australia, New Zealand	69	83	114	108	112	116
	975	1 040	915	771	1 199	1 125
Capital employed						
E.C. countries	6 788	7 033	7 652	8 073	7 920	8 545
Other European countries	577	668	774	786	932	1 107
United States and Canada	1 279	1 135	1 128	1 229	1 279	1 360
Central and South America	179	182	238	292	350	258
Africa	898	910	923	1 088	1 297	1 318
Asia, Australia, New Zealand	617	615	644	701	666	718
	10 338	10 543	11 359	12 169	12 444	13 306

Sales and profit by operations

	Fl. million					
	1972	1973	1974	1975	1976	1977
Sales						
Margarine, other fats and oils, dairy products	7 417	8 471	11 609	10 763	9 805	11 502
Other foods	7 978	8 886	9 252	10 220	10 224	11 345
Detergents	5 266	5 279	5 906	6 780	6 596	6 897
Toilet preparations	1 077	1 125	1 226	1 445	1 533	1 657
Chemicals, paper, plastics, packaging	1 938	2 256	2 971	2 515	2 790	3 159
Animal feeds	1 725	2 169	2 395	2 234	2 310	2 524
UAC International	3 020	2 932	3 328	4 258	4 656	4 261
Plantations, transport, other interests	1 720	1 828	1 982	1 880	1 992	2 369
Total sales¹⁾	30 141	32 946	38 669	40 095	39 906	43 714
of which internal sales ²⁾	3 309	3 749	4 198	3 390	3 413	3 835
Sales to third parties	26 832	29 197	34 471	36 705	36 493	39 879
Operating profit before taxation and outside interests						
Margarine, other fats and oils, dairy products	566	559	475	312	524	479
Other foods	416	514	354	422	542	545
Detergents	488	461	470	498	522	466
Toilet preparations	61	91	71	111	126	135
Chemicals, paper, plastics, packaging	142	218	309	73	182	185
Animal feeds	43	85	40	33	60	65
UAC International	135	172	255	450	584	283 ³⁾
Plantations, transport, other interests	97	93	135	87	103	200
	1 948	2 193	2 109	1 986	2 643	2 358

The movements in exchange rates have had a significant influence on the figures from 1972 to 1977. 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⁾ The fall in UAC International's operating profit for 1977 was entirely due to the reduction in our shareholding in UAC of Nigeria from 60% to 40%. As a result it ceased to be a subsidiary and became an associated company. Consequently, the whole of its results were excluded from operating profit in 1977 though they were included in full in 1976. On the other hand, the Concern share of associated companies' profit before taxation, which appears in the consolidated profit and loss accounts (page 38) below operating profit, is substantially increased by the inclusion of 40% of UAC of Nigeria under this heading. This is the reason for the increase in this item of over Fl. 170 million in 1977.

Review of operations

Margarine, other fats and oils, dairy products

	1976	1977
Total sales (Fl. million)	9 805	11 502
Increase/Decrease	9%	17%
Operating margin	5.3	4.2

Margarine, other fats and oils

World consumption of margarine, butter and all other edible fats and oils increased by 0.6% in 1977. In Western Europe consumption has once more remained practically stable, whilst the good progress made in the developing countries was offset to some degree by a fall in the United States. Margarine consumption increased slightly in relation to butter for the third consecutive year.

World market prices for oils and fats were volatile during 1977. In the first half year prices increased by some 30% but thereafter fell to levels even slightly below those prevailing at the beginning of the year. On the whole our selling prices were moved in line with the fluctuations in raw material prices and we succeeded in maintaining the level of profitability achieved last year. We could have performed even better but for the market disruption in most E.C. countries caused by authorities' disposal of butter stocks at low prices towards the end of the year.

We maintained our position in the world total edible fats and oils market, achieving some small improvement in our share on the consumer side of the business in all major areas.

In margarine we retained our share of the market in Europe and the United States despite increased competition. In the rest of the world we continued to improve our market shares.

In Europe premium brands did well and health brands led the way with a good sales increase. We continue to pioneer the development of this market. Medical support for polyunsaturated fats is growing.

In the United Kingdom our volume was up considerably in a market that has grown substantially despite the re-introduction of a consumer butter subsidy. In Germany, 'Rama', our leading brand of margarine, was relaunched successfully. In Portugal and Spain steady progress continued.

In Australia, Japan, South Africa and the United States we defended market share successfully against fierce price competition but with an adverse effect on profitability. In Brazil we continued to gain share in a market which is still growing rapidly.

Our table oil business maintained its position despite the difficulties caused by fluctuating raw material prices. Worthwhile progress was made, particularly in France, where our sunflower oil, 'Fruit d'Or', continued to do well.

Results from the bakery and catering business were considerably better than in 1976, largely due to the resilience of the small, independent baker. This was particularly so in the United Kingdom and France where a return to profitability was achieved, and in Germany and Sweden where good profit increases were recorded.

Our speciality fats business produced very good results due to high demand from the chocolate and confectionery industry, caused partially by the very high cocoa butter prices prevailing in 1977. Exports increased substantially.

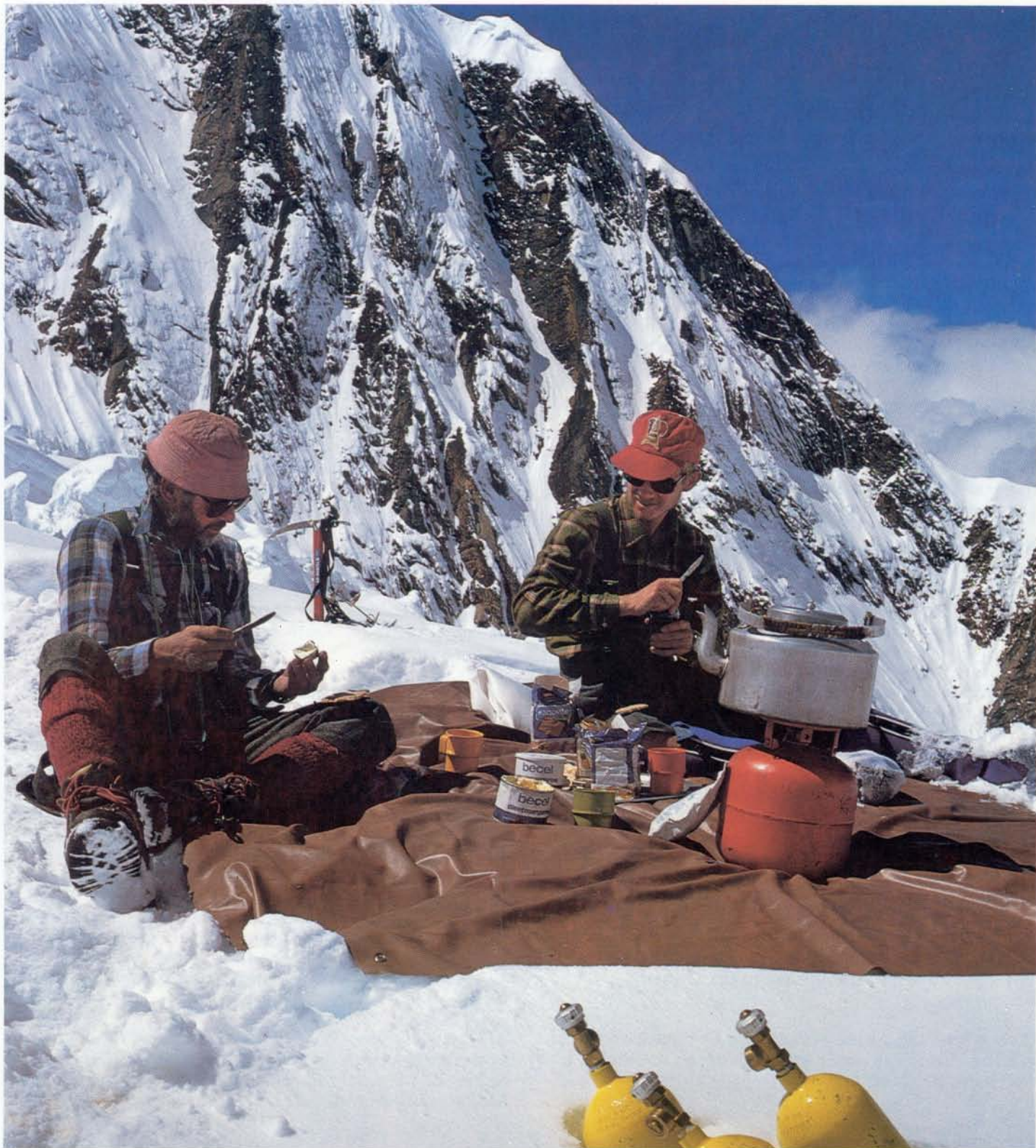
Our oil milling division results in 1977 were poor. This arose from lower availability of soya beans than expected, from considerable pressures on margins caused by sharper competition from the United States in consequence of the weakness of the United States dollar, and the availability of cheap meal from oil mills in Brazil.

The production of vegetable protein concentrates for animal feeding purposes and for human consumption has not progressed as fast as we had expected.

Dairy products

Our business in yoghurt, desserts and other fresh dairy products showed an improvement over last year in all countries, and most of these operations are now profitable.

Members of the successful Netherlands Anapurna Expedition 1977 enjoying 'Becel' health margarine high in the Himalayas.



Other foods

	1976	1977
Total sales (Fl. million)	10 224	11 345
Increase	—	11%
Operating margin	5.3	4.8

General

It was a year in which slow economic growth adversely affected sales of convenience and packaged foods. High unemployment and lack of consumer confidence meant cautious spending. Consumers were less willing to pay the additional price for convenience in ease of preparation and cooking.

The prices of tea, coffee and cocoa displayed instability and reached very high levels in 1977.

Finally, the weather is always an important factor and this year's wet, cool summer in most of Europe combined most of the characteristics which are unfavourable to us: plentiful fresh vegetables and no warmth to tempt ice cream purchasers.

Frozen foods

Except in the United Kingdom, total markets expanded despite the glut in vegetables and our volumes and margins improved, helped by higher productivity. In the United Kingdom, in addition to a stagnant market, we had to cope with damaging industrial disputes which produced some serious stock shortages.

Fish products have generally been very successful. The high price of cod has stimulated the increasing use of alternative species, such as saith and hake, which have generally been well received by consumers, particularly in Continental Europe.

Confectionery and desserts did well in the United Kingdom, as did snack products in Italy. In Germany our range of reformulated pizzas was a big success.

During the summer a new bakery started production at Birds Eye's Eastbourne factory in the United Kingdom.

Frozen food sales were extended to Denmark and Spain in 1977. There are now eleven European countries in which our products are sold.

Ice cream

The development of more sophisticated products for outdoor consumption both by younger people and

adults is proving successful, with the 'Cornetto' range particularly popular.

The United Kingdom, Germany and Ireland have made a feature of scooped ice cream in a variety of flavours.

More ice cream is being eaten in the home. Innovation in this 'take home' market has been concentrated on the more sophisticated products at the upper end of the market, such as the 'Royal' range in Germany. The marketing of single portion pieces of ice cream in a 'take home' presentation has been further developed in a number of countries, most successfully in Australia.

Manufacturing was further rationalised, notably by the concentration of facilities in Denmark and Spain. The Société Motta France acquisition strengthened our position in the important French market.

Sundry foods and drinks

World market prices for tea rose to unprecedented levels during 1977, almost tripling the price existing at the start of the year. Although prices had returned to more normal levels by the end of the year, market conditions were noticeably less stable. However, relative to coffee, tea remained a very economical beverage. This contributed to the increased volume of tea sales achieved during 1977. Excellent progress was made in Japan, the Middle East and Nigeria, and results in Europe, Australia, South Africa and the United States were satisfactory.

Improvements in profitability continue with further progress of tea bags in a number of markets. The introduction of the 'Sir Thomas Lipton' range of teas in tins throughout world markets continued successfully. Innovations included the launch of a filter blend tea in the United States, designed to be used in coffee making machines.

Influenced by the unfavourable economic conditions mentioned above, most convenience foods did not make progress though there was some growth in sales of soups and dressings, and in sales to the catering trade and institutions. With sales volumes hardly growing, margins have been depressed by industry overcapacity, and price control has also had a serious effect in certain countries.

The introduction of new varieties of 'extra filled' soups in the Netherlands and the United Kingdom has improved sales. Highly concentrated liquid instant soup has been introduced successfully in Belgium.

Ice cream is always popular with children, and increasingly with adults too. The tall building in the background is Unilever-Haus, Hamburg.



In the Netherlands, 'Pindarinda', an Oriental snack nut product, was successfully introduced as was a high-quality concentrated fruit drink.

John West had another good year particularly in Australia. A range of canned meats was introduced in the United Kingdom under the John West name. Rosella in Australia extended its already wide foods range. A low-calorie jam has been introduced in Germany, where demand is growing for this type of product.

With the growing habit of eating out, catering sales are increasing in importance. This area of our business, supported by our strong technological base, has shown progress.

Capital investment has been concentrated upon extending capacity and improving efficiency in our tea factories, and further development of the sophisticated reformed meat processing plant in the United Kingdom.

Meat products

In the United Kingdom there was little growth in demand in the markets which we serve. Although pig prices were lower than in 1976 for most of 1977, the competition from imported bacon, ham and other pigmeat products had an adverse effect on both volumes and margins. These imports continued to enjoy a benefit of about 30% of sales price in 1977 under the existing Common Agricultural Policy marketing arrangements, and the consequences for the British-based pigmeat industry are proving severe.

The Wall's Meat Company and Lawson of Dyce both suffered through competition from Danish imports. In spite of reorganisation and the achievement of planned cost savings, losses continue at both companies. Our other United Kingdom meat business, Mattessons, selling speciality lines, including imported goods, continued to show good results and existing production facilities are operating at close to capacity. Accordingly, a new factory in Chippenham has been purchased which will commence production in time to meet the peak summer volumes in 1978.

A major reappraisal of our meat businesses in the Netherlands was made in 1977. We have drawn up plans to meet the changed market conditions for manufactured exports and to reduce operating costs. Implementation of major reorganisation measures is being discussed with employee representatives. Meanwhile serious losses continue despite some savings arising from cutting costs and lower raw material prices.

Our businesses in Belgium and Germany again showed

good results, although sales volume in both countries proved to be less buoyant than expected. Sales of our 'Bi-Fi' snack product continued to show fast growth.

Our Canadian meat companies performed adequately in a rather depressed and difficult market. Our small Mexican company had a good year with increased volume and better margins.

Fish, restaurants and retailing

Our fish trawling, processing and trading company Nordsee, in Germany, has seen a continuation of profit recovery. Throughout the year there has been only restricted access to many traditional fishing grounds, and the dispute over European fishing rights continued. However, Nordsee utilised its fleet productively and profitably by fishing further afield and by catching less well-known species. The restaurant and wholesale trade sides of the Nordsee business are continuing to do well and their canned fish products have improved their market position. The opening of speciality Hamburger restaurants has had an encouraging initial success.

In the United Kingdom expenditure on food, in constant prices, fell in 1977. In spite of this the year opened well for our MacMarkets and, although both margins and volume came under increasing pressure from the mid-year onwards, the year's profits from our supermarkets were appreciably higher than in 1976. However, because of the continued difficulties in the United Kingdom fishing industry leading to limited supplies of fish at high prices, our small fish shops had a poor year and closures continued at an accelerated rate.

Detergents

	1976	1977
Total sales (Fl. million)	6 596	6 897
Increase/Decrease	3%	5%
Operating margin	7.9	6.8

In Europe economic conditions were not conducive to high market growth and this, together with intense competition, led to unsatisfactory margins. Progress has been made in our household cleaning products with launches of a new all-purpose cleaner 'Vigor' in the United Kingdom and of our hygiene product 'Domestos' in Germany. The latter has also been introduced on test in several other European countries. In France our new toilet soap 'Atlantic' was launched nationally and is progressing well.

In North America the results of our Canadian business improved, but in the United States our sales volume increased only marginally and results were disappointing. We have introduced 'Shield' toilet soap on test in the United States.

Outside Europe and North America good progress was sustained. In these rapidly developing markets our sales volume grew by almost 10% and there was some increase in our market share. In particular, our fabrics brand 'Omo' did well and 'Lux' toilet soap made substantial progress. Profits improved although increased competition led to some reduction in margins. Our businesses in Brazil, Indonesia and Kenya did particularly well, as did exports from Europe.

Our European industrial trade has been expanded by the acquisition of A. Sutter A.G., a company specialising in industrial cleaning equipment, with sales in France, Germany and Switzerland. Major capital projects for expansion include new manufacturing facilities under construction in the Hammond, Indiana, factory in the United States and projects in Australia, Brazil, Greece, Kenya and Nigeria.

Toilet preparations

	1976	1977
Total sales (Fl. million)	1 533	1 657
Increase	6%	8%
Operating margin	8.2	8.1

World consumption of toilet preparations showed modest growth over 1976, with lower increases in Europe and North America than the rest of the world. In Europe we were adversely affected by low growth of consumer spending. Most growth was achieved in skin care products and perfumery, but for the first time demand for aerosol hairspray and deodorant declined.

Market share increases were achieved in the dentifrice, shampoo, skin care and perfumery sectors. Outside Europe profit growth was quite good. Particularly good progress was achieved by our businesses in South America and South East Asia, and in export sales. In Europe results were substantially below 1976 in the Netherlands, France and Italy. Elsewhere in Europe there was satisfactory development.

The men's range, 'Denim', a range of products under the name 'Vikā', and the hand cream 'Olva', were successfully launched into new markets. In Japan our hair preparations operation, with specially formulated products, was extended nationally.

Chemicals, paper, plastics, packaging

	1976	1977
Total sales (Fl. million)	2 790	3 159
Increase	11%	13%
Operating margin	6.5	5.9

Chemicals

During the first half of the year our chemicals business benefited from relatively buoyant markets and our sales and profits were ahead of 1976. However, European industrial demand slackened after mid-year and this was reflected in our own performance. Sales for the year were ahead of 1976 both in value and in volume, but profits remained at about the same level.

In fatty acids and in food additives, trading conditions remained strongly competitive, especially in Continental Europe. However, further progress was made in extending sales of higher-margin products.

In the United Kingdom, Crosfield's had another good year and record sales of specialised silicas and textile chemicals were made. Proprietary Perfumes consolidated their position by a further volume increase.

Our European synthetic resin operations experienced fierce competition, especially in continental countries, and margins were squeezed appreciably.

In the Netherlands, Unilever-Emery — our joint venture with Emery Industries, Inc., of Cincinnati — was handicapped by the relative strength of the guilder, which markedly affected the profitability of exports. In addition, international over-capacity in organic chemicals reduced margins.

In Australia both sales and profits were all well up despite keen competition, and our South African business also performed well.

Capital expenditure was incurred during the year on further extensions of capacity including new plants for fatty acid processing by Unichema in Bromborough, United Kingdom, and Emmerich, Germany, and on new distillation facilities for aromatic materials at Grasse in France.

In India, the new plant for the manufacture of ossein — an intermediate for gelatine — has been satisfactorily commissioned, and work on a new plant

for the manufacture of sodium-tripoly-phosphate is proceeding according to plan.

Paper, plastics, packaging

The progress made in 1976 following the restructuring which was accomplished in the previous year, was well sustained in the early months. Difficulties were encountered in the early summer and continued with only a minor recovery in profitability towards the year-end.

Low economic growth in Europe, where our operations are concerned mainly with boardmaking, plastic film, packaging products, and wall and floor coverings, led to diminished industrial confidence and a low demand for our products. This was aggravated by a stock run-down by many of our customers. In these circumstances, our companies held their shares in most markets, though costly industrial disputes in the United Kingdom led to some loss of market share. During the year a number of new packaging products and décor effects were launched which will contribute usefully in the near future.

The lower level of demand resulted in smaller orders and shorter delivery times. This, coupled with the strength of the deutschmark and, more recently, of sterling, which made imported products more competitive in Germany and the United Kingdom, squeezed margins. To offset this we have intensified our efforts to raise plant productivity, economise in material and fuel usage, and reduce waste throughout our plants.

Thames Case, our transit packaging business in the United Kingdom, again did quite well and continued to diversify into related fields such as fibre-based honeycomb panels used for exhibitions, shop displays, pallets and in the building industry.

Investment in plastic film making in the Folie Forchheim business in Germany continued, and progress was made with the film and flexible packaging activities of Fayard et Ravel in France. A small paper mill at Günzach, Germany, was sold.

Nairn International made further substantial progress in a number of foreign markets but in the United Kingdom and elsewhere consumer demand for décor products was muted by the economic conditions. More recently the relative strengthening of sterling proved unhelpful to exports to some countries for us as well as for other exporters. Investment continued at our plants at Cramlington, Lancaster, and especially Kirkcaldy in Scotland, where work on a major new plant for four-metre-wide cushion flooring was commenced. A business at Preston has been acquired for engraving copper rollers for printing wall and floor coverings.

Part of the new plant for making ossein, an intermediate for gelatine, which was commissioned during 1977 in Bombay by Hindustan Lever.



A notable investment of about Fl. 350 million was approved toward the year-end. It concerns the tripling of the capacity of Thames Board Mills' successful integrated pulp mill and board machine installation for high-quality cartonboard at Workington in the United Kingdom. In view of the importance of this investment to the United Kingdom economy, substantial grants towards its cost have been approved by the British Government. It is expected to come into operation in 1981.

Animal feeds

	1976	1977
Total sales (Fl. million)	2 310	2 524
Increase	3%	9%
Operating margin	2.6	2.6

In the first half of the year the profitability of livestock farming was squeezed between weak product prices and escalating feed costs; livestock slaughterings increased and livestock numbers contracted. As the year progressed feed costs declined, partly because farm-produced fodder became plentifully available.

These conditions combined to depress animal feed markets below 1976 levels. 1977 was, therefore, a difficult year for our compound feed companies in the Netherlands and France, though all of them maintained or slightly increased market share. Our United Kingdom compound business had a good year; our business in Ireland also achieved better results than in 1976, following the relocation of its manufacturing facilities.

The home trade activities of our feed supplement companies in the United Kingdom and France suffered from the same adverse market environment, but their export divisions had a good year. The domestic operations of both companies are being restructured. Among other established activities, the agricultural merchanting business in the United Kingdom had to operate in a dull market in both livestock and arable sectors during the second half year, but achieved significantly better results than in 1976. Our Midland Poultry business also had a satisfactory year.

Seven plants have now been constructed in the United Kingdom for the production of nutritionally improved straw; one of these is also equipped to operate another new process for extracting high-protein material from

grass. In 1977 the plentiful supply and low cost of competitive animal feed materials adversely affected the profitability of this operation.

UAC International

	1976	1977
Total sales (Fl. million)	4 656	4 261
Increase/Decrease	9%	8%
Operating margin	12.5	6.6

The continued good performance of the UACI Group as a whole is obscured by the fact that there was an enforced sale of a further 20% of the equity of UAC of Nigeria during the year, leaving us with 40%. This caused a change in the status of that company from a subsidiary to an associated company and the whole of its results have been excluded from sales and operating profit in 1977 in accordance with international accounting standards. The comparison between 1976 and 1977, both for sales and operating profit, is therefore substantially affected, though the impact on sales is reduced by the inclusion in 1977 of exports to UAC of Nigeria. Excluding UAC of Nigeria, there was a sales increase of 30% in the rest of the business and the operating margin was unchanged.

UAC of Nigeria also achieved satisfactory growth in sales and profits and their contribution is now shown in the consolidated profit and loss account under the heading of Concern share of associated companies' profit before taxation. The total under this heading increased by over Fl. 170 million compared with the previous year.

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

The breweries had a difficult year. In inflationary conditions margins were squeezed by price controls. Consequently, profits were much lower than last year. We believe that these difficulties are temporary and plans are being implemented to increase capacity substantially in Nigeria and Tchad.

Sales of proprietary medicines increased and new products are being added to the surgical instrument range which is now being exported from the United Kingdom to more than 50 countries.

Whilst Motors Division's profits increased over last year, they were adversely affected due to industrial unrest in the assembly plant in Nigeria. Despite delivery problems the businesses in the United Kingdom made progress, particularly in specialised body fabrication.

General economic conditions in France adversely affected parts of our business there although progress was made in the electrical materials field. In French-speaking Africa our companies benefited from increased purchasing power resulting from higher prices for petroleum, cocoa and coffee. In the Ivory Coast in particular, textile manufacture and distribution made satisfactory profits, and the motors and other capital goods businesses recovered.

In the G.B. Ollivant Division, whose business is in general trading, department stores, office equipment and building materials, some product groups had lower profits but more specialised activities did very well. Sales of office equipment under the 'BEAM' brand name developed well, building materials maintained their profitability and the Kingsway department stores had a good year.

Palm Line's ocean vessels had a good year and another 'combo' ship was added to the fleet. A further two ships have been ordered.

The Textiles and Industrial Services Division encountered mixed fortunes. Textile manufacture remained unprofitable in Nigeria, but textile distribution yielded good results despite supply shortages. Packaging profits improved appreciably, but our plastics operations were affected by industrial unrest. Our bedding manufacturing interests did well.

Sales volumes and results from our timber operations were well up on previous years. Improved prices helped our Indonesian and Solomon Islands operations to have a successful year. In Nigeria demand was strong for all wood products during a boom year in construction, and a new particle board plant has just been commissioned at Sapele.

Substantial growth in sales and profits was achieved in many parts of the Unamec operations, which deal in mechanical goods, radios, refrigeration, air-conditioning and electrical equipment. In the United Kingdom, hydraulic fittings manufacture and direct export sales did well. In Nigeria demand for contractors' plant and electrical contracting materials was particularly strong, whilst production and sales of radio, television and domestic electrical equipment increased further. In East Africa the general machinery businesses had a good year whilst in Zambia, although

our company was profitable, its supplies were restricted due to import licensing.

The Caterpillar Dealerships comprising the business of the Unatrac Division had another good year. Results increased substantially, especially in Nigeria. The market in Kenya was dull but in Tanzania an improved level of orders was achieved. In the United Kingdom, Leverton coped well with difficult economic conditions.

Plantations

Although slightly better than 1976, production of all crops was less than expected because of abnormal weather conditions, particularly in West Africa.

Improved selling prices on export and local markets have compensated for higher production costs, and profits have been maintained. Local sales of palm oil further increased during the year and two-thirds of our total tonnage was sold in the country of production, either for local refining and re-export in the case of West Malaysia, or for direct local consumption as in Africa.

Further increases were made in the sales of oil palm seeds from our seed production units in the Camerouns and Zaire. Work continues with the transfer of tissue culture technology from our laboratories at Colworth in the United Kingdom to our plantation company in Malaysia.

Our plantation in West Malaysia was expanded by the purchase of a neighbouring oil palm estate of 5 500 acres and in Ghana our first full year's development work in the new oil palm project resulted in the planting of 1 200 acres. Rehabilitation of our plantations in Zaire has been commenced in expectation of satisfactory arrangements being agreed with the Government and the lending consortium led by the World Bank.

Transport

The slow growth in the economies of Europe has made it very difficult for our companies to attract an additional volume of business, although sales value did increase somewhat. Third-party business as a proportion of the whole also increased. Cost increases have continued at a high rate and the necessary price adjustments have been difficult to achieve. We have,

therefore, given special attention to cost control in order to preserve margins.

All our companies in the United Kingdom have shown improved profit, and the turnaround of the United Kingdom hanging garments distribution business was most encouraging. Our experience in Germany, Italy and Spain gives us ground for believing that, with good organisation, a national warehousing and distribution service in these countries can be profitable.

In Germany we have acquired a national parcels company, Klaus, which will complement the wide-ranging activities of our successful company Elbe. This also increases our international spread in the parcels industry which will be to the benefit of our existing operations in the United Kingdom and Spain. These two operations have found trading conditions very difficult in 1977, and in Spain Unitransa had to reduce staff levels drastically.

In warehousing and distribution, the mainstay of our transport business in Europe, we have continued to be adaptable to changing market conditions and in offering alternative services to attract new third-party customers.

Exports

In 1977 our exports—from over thirty countries throughout the world—reached a combined total of Fl. 5 970 million compared with Fl. 4 780 million in 1976.

The values of these shipments from each of the three main exporting countries, and from all other countries combined, since 1975, are as follows:

Fl. million	1975	1976	1977
The Netherlands	1 748	1 730	1 749
United Kingdom	1 272	1 274	1 869
West Germany	1 029	1 015	1 314
Other countries	683	761	1 038

Our Netherlands exports of edible oils and fats increased, but this was offset by lower shipments of canned meat products.

The increase in exports from the United Kingdom included merchandise shipped by UAC International, edible fats and tea.

The increase in exports from Germany included higher shipments of industrial oils and fats, fish, frozen products and packaging.

Research and development

Our total expenditure on research and development in 1977 amounted to Fl. 513 million (1976: Fl. 457 million).

Unilever has research laboratories in the Netherlands, the United Kingdom, France, Germany, India and the United States employing in total some 4 500 people. Effective research requires a steady programme of investment in up-to-date buildings, equipment and services. During the year completion of a building programme has enabled all food research in the United Kingdom to be concentrated at our Colworth laboratory. A major modernisation programme to enable our Port Sunlight laboratory to meet the needs of the detergents business for new and improved manufacturing processes in the 1980's has been authorised. But more important than any buildings and equipment is our continuing ability to recruit and motivate high-calibre scientists. Our selection and management development policies are designed with this aim in view.

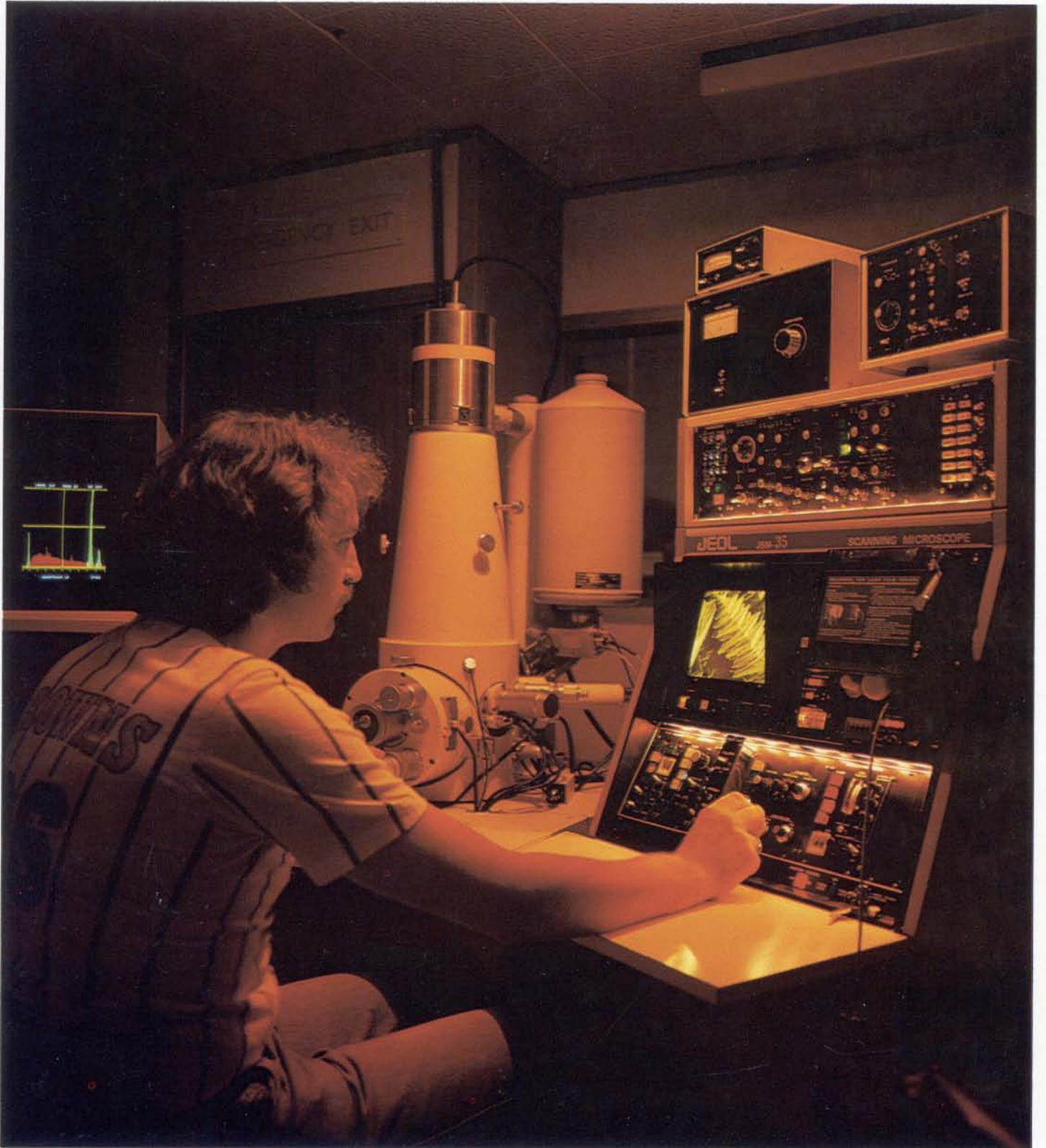
An important strength of our research is that it has the resources to undertake sustained programmes of basic and background research which may not see practical exploitation in products and processes for at least ten years, often in ways which could not have been conceived at the time the research started. Similarly, applications of research becoming profitable in 1977 may be the result of research programmes started ten or more years ago. A few examples will serve to illustrate this theme.

The 1977 relaunch of the important German margarine brand 'Rama' has been founded on a continuing programme of flavour research started in the 1950's and sustained for more than twenty years.

The product and process for Batchelors canned meat pie fillings, now launched nationally in the United Kingdom, can be traced back to research on the restructuring of meat started in 1959.

The now severe shortage of cod has fully justified our decision taken many years ago to investigate alternative sources of prime fish. In 1977, we have made important progress, in co-operation with local producer countries and the United Nations Food and Agricultural

Our Isleworth laboratory in the United Kingdom has gained an international reputation for the innovatory techniques developed there for detailed studies of the surface layers of hair, skin and teeth using the electron scanning microscope.



Organisation, on the handling and utilisation of hake caught in South American waters.

Among the toiletries products, advances in research have contributed to 'Elida Handbalsam' and 'Mentadent' gum health toothpaste, known as 'SR' in the United Kingdom, both now successfully marketed internationally.

In the detergents field we have invested heavily for a number of years in exploring the science and technology of structuring liquids. The fruits of this work are now being exploited internationally in the liquid abrasives 'Cif' and 'Jif', and in the hygiene cleanser 'Domestos'.

Energy

In constant U.S. dollar terms, world energy prices remained at the same level as in 1976.

By close management control and the introduction of newer and more efficient processes and equipment, we seek continuously to use energy more effectively.

Environment

Over the years a substantial effort has been made in order to meet environmental demands in industrialised countries. An awareness of the environment is also growing in developing countries, and our companies in a number of these countries have been co-operating with the national and regional authorities in the development of environmental policy. Projects for effluent treatment are in progress in many overseas countries and our specialists play an important part in these projects.

Personnel

The total number of our employees, the employees of our associated companies, and their geographical distribution is shown in the table below:

(000's)	1976			1977		
	Parent companies and subsidiaries	Associated companies	Total	Parent companies and subsidiaries	Associated companies	Total
E.C. countries	177	3	180	177	3	180
Other European countries	17	1	18	17	1	18
United States and Canada	20	—	20	20	—	20
Central and South America	9	2	11	10	2	12
Africa	51	20	71	60	44	104
Asia, Australia, New Zealand	41	1	42	43	1	44
	315	27	342	327	51	378

The figures for 1977 include our employees in Zaire, numbering 26 000, who were not included in 1976.

Continuous cost pressures and a lack of satisfactory volume growth have made strict control of the number of employees more important than ever.

In our companies we are continually striving to involve our employees more fully in decision-taking, particularly in fields directly affecting their work environment. We believe that more openness and frank dialogues between management and employees at all levels stimulate individual performance and will improve the quality of business decisions. This will also help to strengthen our position under the continuing difficult economic conditions in the markets where we operate.

Pay freezes or income policies often discriminate against management rewards in particular. In many instances this shows a lack of understanding for the essential and decisive part performed by management in guiding enterprises to success under fiercely competitive circumstances. We are concerned that despite the major contribution they make to the role of industry and trade as the main creators of wealth, rewards for creativity, success, vision, flexibility and risk-taking are neglected.

Together with employees and their representatives we are continuing with our efforts to decrease the level of absenteeism by improving the motivation of all those committed to the productivity of the business.

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 17th May, 1978 the declaration of final dividends in respect of 1977 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. 5.16
<hr/>	
Total	Fl. 8.56
	(1976: Fl. 8.36)

Limited	
per 25p ordinary share	
Interim	7.64p
Final	12.19p
<hr/>	
Total	19.83p
	(1976: 19.35p)

It is intended to make the final dividend of Fl. 5.16 obtainable from 30th May, 1978.

Limited's total dividend declarations for 1977 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 1977 is kept within the statutory limit and payment of the balance of 1977 dividends is postponed.

It is therefore again proposed to make the final dividend of **Limited** payable by instalments. The first instalment of 7.84 pence per share will be paid on 30th May, 1978 to shareholders registered in the books of the Company on 5th May, 1978. This payment will bring **Limited's** dividend payments for 1977 up to 12.50 pence per share which is within the statutory limit. The balance of **Limited's** 1977 final dividend which together with the deferred balance of earlier dividends will amount in total to 25.12 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 figures now

announced will be adjusted accordingly and a further announcement made.

The total dividend of 19.35 pence for 1976 includes a further payment of 0.11 pence made in 1977 as a consequence of the reduction in the rate of ACT in April 1977.

Final dividends on the New York shares of **N.V.** will be payable as from 19th June, 1978.

After provision for the Ordinary dividends for 1977 it is proposed to set aside Fl. 374 million (**N.V.** Fl. 195 million, **Limited** Fl. 179 million) to reserve for replacement of fixed assets (on behalf of subsidiaries).

Capital and membership

During 1977 there was no change in the share capital of **N.V. or Limited**.

Changes in loan capital are shown in the General notes to the accounts on page 44.

At the year end **Limited** had 81 783 ordinary and 1 046 preferential shareholdings and 88 460 debenture and unsecured loan stockholdings. 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.

Directors

As already announced, Mr. M. Ormerod retired in March and Mr. S. G. Sweetman will not offer himself for re-election at the Annual General Meetings. In accordance with Article 21 of the Articles of Association all the remaining Directors named on page 1 will retire from office at the forthcoming Annual General Meetings and will offer themselves for re-election.

Mr. R. W. Archer, Mr. P. V. M. Egan and Mr. J. Loudon have also been nominated for election as Directors at the Annual General Meetings.

Mr. Sweetman joined Unilever in 1936 and has served on the Boards of N.V. and **Limited** for nearly 17 years. He has worked in many parts of the business in the Netherlands, the United Kingdom and Germany and, for the last four years of his distinguished service to Unilever, he has been a Vice-Chairman of **Limited**. His colleagues wish to pay tribute to his leadership and wisdom.

Mr. Ormerod has been in Unilever's service for nearly 40 years, seven of them as a Director of N.V. and **Limited**. He has served in the Netherlands and the United Kingdom in many fields. The Boards wish to record their warm appreciation of his contribution to the business.

On the 1st January, 1978, Dr. E. P. Wellenstein was appointed an Advisory Director of N.V.

Dr. J. H. van Roijen, an Advisory Director of N.V., will retire in May 1978. His wide experience of international affairs has been of great value to us.

Lord O'Brien has indicated his wish to retire as an Advisory Director of **Limited**. The Board acknowledges with gratitude the benefit the company has enjoyed from his wide knowledge of the world financial scene.

At the Annual General Meetings on 11th May, 1977, Mr. F. W. L. Mann was elected a Director of both companies.

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
30th March, 1978

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. Group¹⁾

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, 1977 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

30th March, 1978

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, 1977 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

30th March, 1978

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 recommended 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 September.

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 corresponding figures for the previous year have been restated. This method of accounting is a change in policy and particulars of the effect are given in notes (9) and (13). 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.

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.

There are some 200 such investments in businesses throughout the world. The principal trade investments are listed on page 59.

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 related to the expected average lives of the assets.

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.

Deferred liabilities include:

Unfunded retirement provisions as explained above.

Deferred taxation, provided at the rates of tax applicable at the current year-end, arises mainly from the charge made to profits in respect of the tax postponed through fixed assets being written off in some countries more rapidly for tax purposes than under the group depreciation policy, less the estimated future tax relief on the provision for unfunded retirement benefits. Short-term timing differences are included in Taxation not due before 1st January, 1979.

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 1/4% 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, security issued and bills discounted as follows:

	Fl. million					
	N.V.		Limited		Combined	
	1976	1977	1976	1977	1976	1977
Guarantees	134	135	158	216	292	351
Security issued:						
Loan capital	197	203	132	144	329	347
Bank advances	75	87	57	104	132	191
Creditors	21	22	—	11	21	33
Bills discounted	89	143	27	33	116	176

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

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	
	1976	1977	1976	1977	1976	1977
Total	616	733	644	862	1260	1595
of which payable within one year	112	123	37	46	149	169

	Fl. million	
	1976	1977
Pensions		
Contributions amounted to:		
Pensions and provident funds	297	341
State and other schemes	334	364
	631	705

	1976	1977
In addition provisions were made for unfunded schemes amounting to	251	230

At the end of 1977 the book value of the assets of the funds amounted to Fl. 4 689 million (1976: Fl. 4 209 million), and provisions in the consolidated accounts to meet obligations under unfunded schemes amounted to Fl. 917 million (1976: Fl. 860 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 and Australasia. 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 1976 and 1977 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.

Zaire

No amounts were taken up in respect of Zaire in the 1976 consolidated accounts. Negotiations are continuing with the Zaire authorities on the structure of the Group's investments and future role in Zaire. In the 1977 consolidated accounts, sales for Zaire have been included.

Consolidated profit and loss accounts

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

1976			1977		
Fl. million			Fl. million		
Limited	N.V.	Combined	Combined	N.V.	Limited
15 765	20 728	36 493	39 879	22 623	17 256
14 342	19 508	33 850	37 521	21 485	16 036
1 423	1 220	2 643	2 358	1 138	1 220
35	6	41	42	52	10
41	16	57	257	33	224
8	1	9	5	—	5
26	89	115	181	148	33
1 411	1 142	2 553	2 397	971	1 426
708	519	1 227	1 180	460	720
6	33	27	4	4	8
697	656	1 353	1 213	515	698
99	55	154	88	48	40
598	601	1 199	1 125	467	658
Sales to third parties Costs (1)			Sales to third parties Costs (1)		
Operating profit Non-recurring items (2) Concern share of associated companies' profit before taxation Income from trade investments (3) Interest (4)			Operating profit Non-recurring items (2) Concern share of associated companies' profit before taxation Income from trade investments (3) Interest (4)		
Profit before taxation Taxation on profit of the year (5) Taxation adjustments previous years (6)			Profit before taxation Taxation on profit of the year (5) Taxation adjustments previous years (6)		
Profit after taxation Outside interests and preference dividends (7)			Profit after taxation Outside interests and preference dividends (7)		
Profit attributable to ordinary capital Combined earnings per share (8) per Fl. 20 of capital per 25p of capital			Profit attributable to ordinary capital Combined earnings per share (8) per Fl. 20 of capital per 25p of capital		
Fl. 21.51 77.20p			Fl. 20.19 69.47p		
— — — Profit after extraordinary items Dividends on ordinary and deferred capital			— — — Profit after extraordinary items Dividends on ordinary and deferred capital		
598	601	1 199	1 125	467	658
127	268	395	413	274	139
471	333	804	712	193	519
Profit of the year retained			Profit of the year retained		
Movements in profit retained Profit retained—1st January—restated (9) Net additions to profit retained			Movements in profit retained Profit retained—1st January—restated (9) Net additions to profit retained		
2 883	3 702	6 585	6 622	3 830	2 792
91	128	37	590	48	542
471	333	804	712	193	519
9	3	6	56	48	8
86	202	116	186	97	89
657	—	657	120	—	120
2 792	3 830	6 622	7 212	3 878	3 334
137	174	311	374	195	179
Profit retained—31st December *) of which added to fixed asset replacement reserve			Profit retained—31st December *) of which added to fixed asset replacement reserve		

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

Consolidated balance sheets

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

1976			1977		
Fl. million			Fl. million		
Limited	N.V.	Combined	Combined	N.V.	Limited
Capital employed					
21	265	286	287	265	22
3 020	4 522	7 542	8 142	4 570	3 572
549	640	1 189	1 189	640	549
2 792	3 830	6 622	7 212	3 878	3 334
321	52	269	259	52	311
244	181	425	307	177	130
674	1 640	2 314	2 303	1 593	710
912	965	1 877	2 267	1 156	1 111
8	8	—	—	14	14
4 879	7 565	12 444	13 306	7 775	5 531
Employment of capital					
2 042	3 602	5 644	6 110	3 837	2 273
77	91	168	737	104	633
39	59	98	90	55	35
41	121	162	230	173	57
2 927	2 886	5 813	5 707	3 010	2 697
2 893	3 417	6 310	6 435	3 568	2 867
1 865	2 212	4 077	4 271	2 518	1 753
1 831	2 743	4 574	4 999	3 076	1 923
528	278	806	691	219	472
162	170	332	396	169	227
443	1 254	1 697	1 519	984	535
79	327	406	374	287	87
794	1 568	2 362	2 373	1 273	1 100
430	641	1 071	1 228	576	652
4 879	7 565	12 444	13 306	7 775	5 531

The notes on pages 33 to 37 and 43 to 48 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

1976			1977		
Fl. million			Fl. million		
Limited	N.V.	Combined	Combined	N.V.	Limited
1 661	1 693	3 354	3 039	1 574	1 465
1 411	1 142	2 553	2 397	971	1 426
30	7	37	212	10	202
58	86	144	105	98	7
222	472	694	749	515	234
209	59	268	19	7	26
1 870	1 752	3 622	3 058	1 567	1 491
303	470	773	625	383	242
452	594	1 046	1 349	794	555
9	3	6	56	48	8
36	—	36	102	13	89
718	425	1 143	525	193	332
602	553	1 155	722	233	489
428	275	703	523	388	135
312	403	715	720	428	292
100	273	373	371	289	82
38	24	62	123	60	63
1 566	1 789	3 355	3 151	1 780	1 371
304	37	267	93	213	120
241	1 222	1 463	1 697	1 254	443
—	—	—	69	—	69
46	69	23	35	57	22
56	—	56	19	—	19
139	1 291	1 430	1 612	1 197	415
304	37	267	93	213	120
443	1 254	1 697	1 519	984	535

The analysis for 1977 of net increase/decrease in net liquid funds excludes movements relating to the change in status of UAC of Nigeria.

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

General notes to the accounts

1976			1977		
Fl. million					Fl. million
Limited	N.V.	Combined	Combined	N.V.	Limited
14 342	19 508	33 850	37 521	21 485	16 036
6 665	10 567	17 232	20 069	11 962	8 107
66	87	153	172	94	78
6	7	13	13	7	6
5 125	3 987	9 112	9 358	4 120	5 238
2 253	4 379	6 632	7 146	4 778	2 368
3	7	10	10	7	3
2	2	4	4	2	2
222	472	694	749	515	234
222	472	694	749	515	234
359	646	1 005	1 123	710	413
137	174	311	374	195	179
(1) Costs					
Raw materials and packaging					
Hire of plant and machinery					
Auditors' remuneration					
Other costs					
Remuneration of employees including social security contributions					
Emoluments of Directors as managers including contributions to pension funds for superannuation					
Superannuation of former Directors					
Depreciation					
Depreciation as above based on historic cost of assets					
Depreciation based on replacement value of assets					
Difference being current basis of addition to fixed asset replacement reserve					
(2) Non-recurring items are provisions for nationalisation of interests, war damage, disposal and closing of units.					
8	1	9	5	—	5
1	1	2	3	1	2
5	5	10	5	—	5
—	—	—	1	1	—
2	5	3	4	2	2
(3) Income from trade investments					
From listed shares					
From unlisted shares					
Interest on loans					
Other profits/losses including disposals					
26	89	115	181	148	33
41	131	172	188	131	57
40	77	117	174	125	49
55	119	174	181	108	73
12	56	68	89	63	26
(4) Interest					
Interest on loan capital					
Interest on short-term borrowings					
Interest received including change in market value of marketable securities					
Interest on loan capital includes:					
Interest on loans, the final repayment of which will be made within 5 years					
708	519	1 227	1 180	460	720
695	512	1 207	1 060	448	612
13	7	20	120	12	108
695					612
414					509
113					145
394					248
(5) Taxation on profit of the year					
Parent companies and their subsidiaries					
Associated companies					
The taxation charge for Limited Parent and subsidiaries is made up of:					
United Kingdom corporation tax*)					
less: double tax relief					
plus: non-United Kingdom taxes					

*) The United Kingdom corporation tax for 1977 has been based on a rate of 52% (1976: 52%). The charge includes Fl. 103 million (1976: Fl. 37 million) transferred to deferred taxation.

General notes to the accounts

Fl. million			1976			1977			Fl. million		
Limited	N.V.	Combined				Combined	N.V.	Limited			
6	33	27	(6) Taxation adjustments previous years			4	4	8			
5	33	28	Parent companies and their subsidiaries			1	6	7			
1	—	1	Associated companies			3	2	1			
99	55	154	(7) Outside interests and preference dividends			88	48	40			
98	40	138	Outside interests			72	33	39			
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 (1976: Fl. 75 million) being 74% (1976: 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 (1976: 55 719 254) of Fl. 20 or alternatively 371 461 691 (1976: 371 461 691) of 25 pence.											
Fl. 1 199 million			The calculations for 1976 and 1977 are therefore:			Fl. 1 125 million					
55 719 254			Profit attributable to ordinary capital (see page 38)			55 719 254					
Fl. 21.51			Divided by units of Fl. 20			Fl. 20.19					
286.7 million			=			258.0 million					
371 461 691			Profit attributable to ordinary capital in sterling			371 461 691					
77.20p			Divided by units of 25p			69.47p					
2 883	3 702	6 585	(9) Profit retained 1st January—restated			6 622	3 830	2 792			
2 855	3 670	6 525	Balance 1st January as previously reported			6 546	3 798	2 748			
28	32	60	Prior year adjustment arising from the inclusion of the concern share of associated companies' profits and reserves			76	32	44			
86	202	116	(10) Effect of exchange rate changes			186	97	89			
74	206	132	Fixed assets			99	39	60			
12	4	16	Other			87	58	29			

General notes to the accounts

1976

1977

1976		1977	
Authorised	Issued and fully paid	Issued and fully paid	Authorised
	286	287	
Fl. million	Fl. million	Fl. million	Fl. million
75	29	29	75
200	161	161	200
75	75	75	75
<u>350</u>	<u>265</u>	<u>265</u>	<u>350</u>
£million	£million	£million	£million
0.2	0.2	0.2	0.2
3.5	3.5	3.5	3.5
1.2	1.2	1.2	1.2
0.2	0.2	0.2	0.2
<u>5.1</u>	<u>5.1</u>	<u>5.1</u>	<u>5.1</u>
	21	22	

(11) Preferential share capital (Fl. million)

Unilever N.V.
 7% Cumulative Preference } *Ranking*
 6% Cumulative Preference } *pari*
 4% Cumulative Preference } *passu*

Unilever Limited*

5% First Cumulative Preference
 7% First Cumulative Preference
 8% Second Cumulative Preference
 20% Third Cumulative Preferred Ordinary

Guilder equivalent (million)

*) 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.

1 189		1 189	
Fl. million	Fl. million	Fl. million	Fl. million
1 002	642	642	1 002
	2	2	
	<u>640</u>	<u>640</u>	
£million	£million	£million	£million
136.2	45.8	45.8	136.2
0.1	0.1	0.1	0.1
	0.1	0.1	
	<u>45.8</u>	<u>45.8</u>	
	549	549	

(12) Ordinary share capital (Fl. million)

Unilever N.V.
 Ordinary
 Internal holdings eliminated in consolidation

Unilever Limited

Ordinary (in 25p shares)
 Deferred
 Internal holdings eliminated in consolidation

Guilder equivalent (million)

1976			1977		
Fl. million	Fl. million	Fl. million	Fl. million	Fl. million	Fl. million
Limited	N.V. Combined	Combined	Combined	N.V. Limited	Limited
2 792	3 830	6 622	7 212	3 878	3 334
1 306	1 696	3 002	3 408	1 912	1 496
1 442	2 102	3 544	3 536	1 933	1 603
44	32	76	268	33	235
<u>416</u>	<u>730</u>	<u>1 146</u>	<u>1 538</u>	<u>925</u>	<u>613</u>
321	52	269	259	52	311
37	52	89	91	52	39
<u>358</u>	<u>—</u>	<u>358</u>	<u>350</u>	<u>—</u>	<u>350</u>

(13) Profit retained

Parent companies**)
 Subsidiaries
 Associated companies

** Includes fixed asset replacement reserve on behalf of subsidiaries

(14) Other reserves

Premiums on capital issued***)
 Adjustment on conversion of Limited's ordinary capital at £1 = Fl. 12

*** 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.

General notes to the accounts

1976

1977

2 314		(15) Loan capital (Fl. million)	2 303	
Fl. million		Unilever N.V.	Fl. million	
225		6% Bonds 1972/91	210	
100		10½% Euroguilder Notes 1979	100	
52		9¾% Euro DM Notes 1981 (DM 50 million)	54	
125		8¾% Bonds 1981/85	125	
60		6¾% Bonds 1981/86 (Swiss Frs. 60 million)	68	
104		8½% Bonds 1981/87 (DM 100 million)	108	
666			665	
		Subsidiaries		
80		Netherlands: 4½% Loans 1968/87	73	
100		9¾% Loans 1980/89	100	
		Germany: 4%–7¼% Mortgage loans on ships repayable period to 1989	73	
83		11% Bank Loan 1979	22	
21		10⅞% Bank Loan 1979	50	
54		6½% Bank Loan 1985/90	22	
—		U.S.A.: 4⅝% Notes 1973/82	23	
29		7½% Notes 1982/97	23	
74		9½% Notes 1982/91	68	
62		Curaçao: 7¾% Notes 1979 (Swiss Frs. 100 million)	57	
100		8¾% Notes 1979 (Swiss Frs. 100 million)	114	
100		Others	—	
271			326	
1 640			1 593	
£million		Unilever Limited	£million	
9.2		4% Debenture stock 1960/80 } <i>Ranking pari passu</i>	9.2	
11.0		6¾% Debenture stock 1985/88 } <i>Ranking pari passu</i>	11.0	
2.2		5½% Unsecured loan stock 1991/2006 } <i>Ranking pari passu</i>	2.2	
54.7		7¾% Unsecured loan stock 1991/2006 } <i>Ranking pari passu</i>	54.7	
50.5		Bank Loans 1982/87	50.8	
127.6			127.9	
		Subsidiaries		
3.7		Canada: 6% Debenture Series A 1985	2.7	
11.6		8⅞% Debenture Series B 1993	9.5	
3.8		Australia: 7¾% Debentures 1982/87	3.6	
14.4		Others	19.1	
161.1			162.8	
674		Guilder equivalent (million)	710	

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.

The repayments fall due as follows:

Within 1 year
 After 1 year but within 5 years
 After 5 years but within 10 years
 After 10 years but within 20 years
 After 20 years

Loans on which the final repayment will be made after 5 years amount to

Fl. million	Limited	N.V.	Combined
	11	70	81
	184	778	962
	136	536	672
	99	224	323
	244	32	276
	532	1 053	1 585

Fl. million	Combined	N.V.	Limited
	106	92	14
	901	785	116
	771	523	248
	263	185	78
	262	8	254
	1 611	1 017	594

General notes to the accounts

1976			1977		
Fl. million					Fl. million
Limited	N.V.	Combined	Combined	N.V.	Limited
912	965	1 877	2 267	1 156	1 111
274	586	860	917	673	244
502	195	697	783	221	562
154	—	154	116	—	116
290	184	474	683	262	421

(16) Deferred liabilities

Unfunded retirement benefits
 Taxation not due before 1st January, 1979
 Advance Corporation Tax—United Kingdom
 Deferred taxation

Taxation not due before 1st January, 1979 includes United Kingdom corporation tax on the profits of 1977 and Fl. 487 million in respect of tax postponed on increases in stocks in the United Kingdom in 1973–1977 together with certain other countries' taxes not due before that date. Advance Corporation Tax, which includes Fl. 89 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.

General notes to the accounts

Fl. million			1976			1977			Fl. million		
Limited	N.V.	Combined				Combined	N.V.	Limited			
2 042	3 602	5 644	(17) Land, buildings and plant			6 110	3 837	2 273			
635	1 360	1 995	Land and buildings — freehold			2 175	1 474	701			
174	10	184	— leasehold — long-term (50 years or over)			176	10	166			
73	31	104	— leasehold — short-term			84	28	56			
985	1 958	2 943	Plant and equipment			3 220	2 090	1 130			
175	243	418	Ships and motor vehicles			455	235	220			
3 826	7 388	11 214	Cost			12 046	7 983	4 063			
1 324	2 087	3 411	Land and buildings			3 590	2 270	1 320			
2 147	4 678	6 825	Plant and equipment			7 374	5 041	2 333			
355	623	978	Ships and motor vehicles			1 082	672	410			
1 784	3 786	5 570	Depreciation			5 936	4 146	1 790			
442	686	1 128	Land and buildings			1 155	758	397			
1 162	2 720	3 882	Plant and equipment			4 154	2 951	1 203			
180	380	560	Ships and motor vehicles			627	437	190			
669	600	1 269	At 31st December, capital expenditure authorised by the Boards and not spent was			1 698	545	1 153			
146	163	309	Of these amounts commitments had been entered into for			491	173	318			
The estimated remainder life replacement value of our fixed assets—after depreciation—is Fl. 10 341 million, compared with the net historic book value of Fl. 6 110 million.											
Movements during the year											
3 826	7 388	11 214	Cost—31st December			12 046	7 983	4 063			
4 274	7 394	11 668	1st January			11 214	7 388	3 826			
984	—	984	Sterling/guilder realignment			165	—	165			
160	414	254	Exchange rate changes			182	63	119			
472	625	1 097	Expenditure			1 368	756	612			
55	47	102	Disposals—proceeds			272	65	207			
114	196	310	— depreciation			458	197	261			
67	18	85	New subsidiaries			189	164	25			
6	8	14	Other adjustments			22	—	22			
1 784	3 786	5 570	Depreciation—31st December			5 936	4 146	1 790			
1 997	3 713	5 710	1st January			5 570	3 786	1 784			
460	—	460	Sterling/guilder realignment			77	—	77			
86	208	122	Exchange rate changes			83	24	59			
114	196	310	Disposals			458	197	261			
32	2	34	New subsidiaries			72	61	11			
21	3	24	Other adjustments			9	5	4			
222	472	694	Charged to profit and loss accounts			749	515	234			
472	625	1 097	Expenditure			1 368	756	612			
88	91	179	Land and buildings			288	143	145			
297	455	752	Plant and equipment			870	527	343			
87	79	166	Ships and motor vehicles			210	86	124			

General notes to the accounts

Fl. million						Fl. million		
1976			1977					
Limited	N.V.	Combined	Combined	N.V.	Limited			
77	91	168	737	104	633			
3	9	12	57	8	49			
13	37	50	92	53	39			
17	13	30	320	10	310			
44	32	76	268	33	235			
45	32	77	207	25	182			
22	67	89	122	69	53			
77	96	173	730	99	631			
—	—	—	4	—	4			
—	—	—	1	4	3			
—	—	—	486	19	467			
27	9	36	134	19	115			
11	9	20	45	23	22			
—	—	—	11	6	5			
39	59	98	90	55	35			
17	35	52	52	35	17			
18	18	36	29	15	14			
4	6	10	9	5	4			
38	22	60	53	19	34			
41	18	59	72	20	52			
101	108	209	233	116	117			
18	4	22	24	8	16			
31	—	31	2	—	2			
4	3	1	4	2	2			
13	18	31	2	2	—			
49	18	67	8	4	4			

General notes to the accounts

1976			1977			
Fl. million					Fl. million	
Limited	N.V.	Combined	Combined	N.V.	Limited	
(20) Long-term debtors are debtors not due for repayment within one year, less provisions.						
2 893	3 417	6 310	(21) Stocks	6 435	3 568	2 867
1 009	1 802	2 811	Raw materials and stocks in process	2 975	1 791	1 184
653	1 340	1 993	Finished products	2 315	1 478	837
1 231	275	1 506	Merchandise and other stocks	1 145	299	846
1 865	2 212	4 077	(22) Debtors	4 271	2 518	1 753
1 513	1 547	3 060	Trade	3 183	1 774	1 409
352	665	1 017	Other	1 088	744	344
1 831	2 743	4 574	(23) Creditors	4 999	3 076	1 923
1 201	1 394	2 595	Debts to suppliers	2 756	1 495	1 261
29	47	76	Short-term portion of unfunded retirement benefits	104	66	38
601	1 302	1 903	Other	2 139	1 515	624
79	327	406	(24) Marketable securities	374	287	87
52	86	138	Listed—at market value	169	97	72
27	241	268	Unlisted	205	190	15
794	1 568	2 362	(25) Cash and deposits	2 373	1 273	1 100
314	443	757	On call	712	382	330
480	1 125	1 605	Repayment notice required	1 661	891	770

General notes to the accounts

1976			1977		
Fl. million			Fl. million		
Limited	N.V.	Combined	Combined	N.V.	Limited
9	3	6	56	48	8
(26) Goodwill on acquisitions of subsidiaries					
Effect of acquisitions/disposals on consolidated balance sheet					
35	16	51	22	98	120
—	—	—	315	—	315
35	9	44	16	—	16
—	—	—	8	7	1
70	4	74	556	14	570
6	4	2	54	4	58
3	3	—	136	3	139
3	2	5	24	27	3
9	2	11	111	9	120
—	—	—	136	3	139
55	8	63	34	81	47
46	11	57	90	129	39

The change in status of UAC of Nigeria from a subsidiary to an associated company is reflected in the above figures.

(27) Revised opening funds

Movements shown against individual headings on page 40 represent the differences between opening and closing balance sheets except that they exclude the effect on opening balances of both exchange rate changes and sterling/guilder realignment and do not include movements relating to the change in status of UAC of Nigeria. The effect of these items on opening net liquid funds is shown separately on page 40.

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

Fl. 000's

1976

1977

Fl. 000's

	Profit retained	
1 503 156	1st January	1 695 820
192 664	Profit of the year retained	216 197
<u>1 695 820</u>	31st December	<u>1 912 017</u>
	Fixed asset replacement reserve (on behalf of subsidiaries)	
556 000	1st January	730 000
174 000	Additions for year	195 000
<u>730 000</u>	31st December	<u>925 000</u>
	Loan capital includes an amount of Fl. 15 million repayable within one year.	
	Deferred liabilities	
2 000	Unfunded retirement benefits	3 698
1 712	Deferred taxation	4 659
<u>3 712</u>		<u>961</u>
	Interests in subsidiaries	
	Shares in subsidiaries are stated at cost. The increase arises from the formation of Unilever United States, Inc. which holds the major United States interests and all of whose shares are held directly by N.V. 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:	
3 694	Payments in advance	4 306
	Creditors include:	
2 158	Debts to suppliers	2 690
	Marketable securities	
42 429	Listed stocks	50 866
	PROFIT AND LOSS ACCOUNT	
474 947	Profit of the year	504 881
	Proposed profit appropriation in accordance with Art. 41 of the Articles of Association	
474 947	Profit of the year	504 881
14 694	Preference dividends	14 694
460 253	Profit at disposal of the annual general meeting of shareholders	490 187
267 589	Ordinary dividends	273 990
<u>192 664</u>	Profit of the year retained	<u>216 197</u>
	Analysis of operating profit Unilever N.V. and subsidiaries	
789 093	Foods	706 372
346 913	Detergents and toilet preparations	284 451
71 110	Paper, plastics, packaging, chemicals, and other interests	144 915
6 055	Animal feeds	1 982
7 513	Merchandise and other activities of UAC International and plantations	749
<u>1 220 684</u>		<u>1 138 469</u>

Unilever Limited balance sheet

as at 31st December

£million	1976	1977	£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
	312.5	Profit retained and other reserves	343.2
367.2			
127.6	Loan capital (15)		397.9
			127.9
16.9	Deferred liabilities		16.1
11.0	Inter-Group—N.V.		5.9
<u>494.0</u>			<u>520.7</u>
	Employment of capital		
23.4	Land, buildings and plant		27.5
1.7	Associated companies		1.6
2.2	Trade investments		2.2
	Interests in subsidiaries		
	224.7	Shares	226.6
	300.0	Advances	349.4
	120.0	Deposits	144.8
404.7			431.2
	Working capital		
	4.7	Stocks	3.2
	10.8	Debtors	8.7
	18.9	Creditors	23.8
3.4			
13.9	Provision for taxation		11.9
			22.5
38.9	Dividends due or proposed		52.1
	Net liquid funds		
	8.6	Marketable securities	9.7
	109.6	Cash and deposits	173.2
	—	Short-term borrowings	38.2
118.2			144.7
<u>494.0</u>			<u>520.7</u>

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

The notes on pages 34 to 37, 43, 44 and 53 to 55 form part of these accounts.
Figures between brackets refer to notes on pages 43 and 44.

Unilever Limited notes

£million **1976** **1977** £million

238.6		Profit retained and other reserves		
	104.6	1st January		312.5
	0.3	Profit of the year	62.9	
	30.4	Preferential dividends	0.3	
		Dividends on ordinary and deferred capital	31.9	
73.9		Profit of the year retained		30.7
<u>312.5</u>		31st December		<u>343.2</u>
		Fixed asset replacement reserve (on behalf of subsidiaries)		
66.6		1st January		99.5
32.9		Additions for year		41.0
<u>99.5</u>		31st December		<u>140.5</u>
		Deferred liabilities		
	4.4	Unfunded retirement benefits	4.0	
	9.0	United Kingdom corporation tax	0.3	
	36.8	Advance Corporation Tax	28.6	
	6.5	Deferred taxation	8.2	
	<u>16.9</u>		<u>16.1</u>	

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 £28.6 includes £1.8 recoverable against 1977 liabilities and £26.8 against those for later years.

		Land, buildings and plant	
8.1		Land and buildings—freehold	9.3
5.7		— leasehold—long-term (50 years or over)	6.4
9.6		Plant and equipment	11.8
<u>23.4</u>			<u>27.5</u>

Movements during the year:	Cost	Depreciation	Net book value
1st January, 1977	36.7	13.3	23.4
Expenditure	6.5	—	6.5
Proceeds of disposals	0.3	—	0.3
Other adjustments	0.4	0.4	—
Charged to profit and loss account	—	2.1	2.1
31st December, 1977	<u>42.5</u>	<u>15.0</u>	<u>27.5</u>

At 31st December, 1977 capital expenditure authorised by the Board and not spent was £17.3 (1976: £17.7). Of this amount commitments had been entered into for £3.6 (1976: £4.5).

Unilever Limited notes

£million	1976	1977	£million
	Associated companies at cost less £0.5 written off		
0.3	Unlisted shares		0.1
1.4	Loans		1.5
<u>1.7</u>			<u>1.6</u>
0.3	Directors' valuation of unlisted shares—on the basis of the book value of underlying net assets		—
	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		1.4
0.8	Unlisted shares		0.7
—	Loans		0.1
<u>2.2</u>			<u>2.2</u>
1.5	Market value of listed shares		1.8
1.4	Directors' valuation of unlisted shares—on the basis of the book value of underlying net assets		1.7
	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.		
	Dividends due or proposed		
11.2	Payable in 1978		12.5
27.7	Deferred dividends		39.6
<u>38.9</u>			<u>52.1</u>
	Marketable securities		
8.6	Listed—at market value		9.7
0.06	Profit of the year is after charging Auditors' remuneration		0.06

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 (including chairmen and directors of wholly-owned subsidiary companies) 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 3 Directors who served for only part of the year (1976: 3).

The Chairman of Limited Sir David Orr received remuneration of £56 000 (1976: £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			Senior employees	
1976	1977		1976	1977
-	-	£ 2 501-£ 5 000	-	-
2	1	£ 5 001-£ 7 500	-	-
2	2	£ 7 501-£10 000	-	-
2	2	£10 001-£12 500	323	486
2	3	£12 501-£15 000	171	222
2	2	£15 001-£17 500	94	123
-	-	£17 501-£20 000	54	68
1	-	£20 001-£22 500	39	46
2	2	£22 501-£25 000	13	31
1	-	£25 001-£27 500	13	14
4	1	£27 501-£30 000	8	11
2	3	£30 001-£32 500	7	11
-	4	£32 501-£35 000	6	6
1	-	£35 001-£37 500	-	5
1	1	£37 501-£40 000	2	3
-	-	£40 001-£42 500	-	2
-	-	£42 501-£45 000	1	-
1	1	£45 001-£47 500	2	-
-	1	£47 501-£50 000	1	1
-	-	£50 001-£52 500	-	-
1	-	£52 501-£55 000	-	-
24	23		734	1 029

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, 1977, 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	920	3 680
7 500	600	1 705	5 195
10 000	800	2 580	6 620
12 500	1 000	3 725	7 775
15 000	1 200	5 085	8 715
17 500	1 400	6 585	9 515
20 000	1 600	8 220	10 180
22 500	1 800	9 945	10 755
25 000	2 000	11 680	11 320
27 500	2 200	13 590	11 710
30 000	2 400	15 500	12 100
32 500	2 600	17 410	12 490
35 000	2 800	19 315	12 885
37 500	3 000	21 225	13 275
40 000	3 200	23 135	13 665
42 500	3 400	25 045	14 055
45 000	3 600	26 955	14 445
47 500	3 800	28 860	14 840
50 000	4 000	30 770	15 230
52 500	4 200	32 680	15 620
55 000	4 400	34 590	16 010

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; **Limited's** principal subsidiaries are held directly with the exception of Commercial Plastics, 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 [except Pamol (Cameroon)], Australasia, 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.

E.C. countries

Belgium—N.V. group

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. group

Uni-Dan A/S, Copenhagen

Germany—N.V. group

Bensdorp G.m.b.H., Cleves
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
75 Langnese-Iglo G.m.b.H., Hamburg
Lever Sunlight G.m.b.H., Hamburg
Meistermarken-Werke G.m.b.H., Spezialfabrik für Back- und
Grossküchenbedarf, Bremen
4P Nicolaus Kempton G.m.b.H., Kempton
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. group

99 Astra-Calvé S.A., Courbevoie
99 Bertrand Frères S.A., Grasse
99 Compagnie Française de Nutrition Animale S.A., Tours
99 Elida Gibbs S.A., Paris
99 4P Emballages France S.A., Allonne
79 Etablissements Fayard et Ravel S.A., Sainte-Sigolène
94 Etablissements Rousset S.A., 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 S.A., Nantes
99 Lever S.A., Paris
99 Société Autonome de Transports et de Magasinage S.A.,
Courbevoie
79 Société Motta France S.A., Nanterre
99 Sheby S.A., Bezons
99 Unilever Export France S.A., Courbevoie
79 Union Générale des Glycérides, Paris.
— **Limited group**
81 CNF S.A., Paris
85 Fragep S.A., Paris

Ireland—Limited group

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

Italy—N.V. group

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. group

Algemeen Vrachtkantoor B.V., Rotterdam
Bakhuys' Vleeswaren- en Conservenfabrieken Olba B.V., Olst
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
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
Handelmaatschappij Marko 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 Safal B.V., Rotterdam
Saponia B.V., Rotterdam
Scado B.V., Zwolle
Sheby-Kemi B.V., Wormerveer
U. Twijnstra's Oliefabrieken B.V., Akkrum
Exportslachterij Udem 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
Unox B.V., Oss
Verenigde Zeepfabrieken B.V., Rotterdam
Wemado B.V., Rotterdam
Zeepfabriek De Fenix B.V., Zwolle
Zwanenberg's Fabrieken B.V., Oss

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

United Kingdom—Limited group

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
Chemical and Industrial Investment Company Ltd., London
Clynol Ltd., Harrogate
Commercial Plastics Industries Ltd., London
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
MacFisheries Ltd., Bracknell
Robert B. Massey & Co. Ltd., York
Mattessons Meats Ltd., London
Midland Poultry Holdings Ltd., Craven Arms
Nairn Williamson Ltd., London
Palm Line Ltd., London
Proprietary Perfumes 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. group

Oy Leverindus AB, Turku
S.W. Paasivaara-Yhtymä Oy, Helsinki
Turun Saippua Oy, Turku

Greece—N.V. group

85 Industrie Hellénique de Détergents S.A. (E.V.A.), Athens

Austria—N.V. group

4P Allpack Verpackungen Gesellschaft m.b.H., Vienna
'Apollo' Seifen und Waschmittel G.m.b.H., Vienna
Bensdorp G.m.b.H., Vienna
Elida Gibbs Gesellschaft m.b.H., Vienna
75 Eskimo-Iglo G.m.b.H., Vienna
'Kunerol' Nahrungsmittel G.m.b.H., Vienna
Lever Industrie-Produkte und Systeme für Reinigung und Pflege
Vertriebsgesellschaft m.b.H., Vienna
Österreichische Unilever G.m.b.H., Vienna

Portugal—N.V. group

74 Iglo Indústrias de Gelados, Lda., Lisbon
60 Indústrias Lever Portuguesa, Lda., Sacavem

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

Spain—N.V. group

Agra S.A., Lamiaco
99 Frigo S.A., Barcelona
Lever Ibérica S.A., Madrid

Sweden—N.V. group

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. group

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. group

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

United States of America—N.V. group

Lever Brothers Company, Portland, Maine
99 Thomas J. Lipton Inc., Dover, Delaware
Unilever United States Inc., Wilmington, Delaware

Central and South America

Argentina—N.V. group

99 Lever y Asociados SACIF, Buenos Aires

Brazil—N.V. group

99 Industrias Gessy Lever Ltda., São Paulo

Colombia—N.V. group

Compañía Colombiana de Grasas 'Cogra' S.A., Bogotá
Productos Lever S.A., Bogotá

Mexico—N.V. group

Zwanenberg de Mexico S.A., Mexico

Netherlands Antilles—N.V. group

Mavibel International N.V., Willemstad
Unilever Becumij N.V., Willemstad

Trinidad—Limited group

60 Lever Brothers West Indies Ltd., Port of Spain

Venezuela—N.V. group

Lever S.A., Caracas

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

Africa

Gabon—Limited group

99 Hatton et Cookson S.A., Libreville

Ghana—Limited group

45 Lever Brothers Ghana Ltd., Accra

60 UAC of Ghana Ltd., Accra

Ivory Coast—Limited group

99 CFCI S.A., Abidjan

United Republic of Cameroons—Limited group

Pamol (Cameroons) Ltd., London

Plantations Pamol du Cameroun Ltd., Lobe

Kenya—Limited group

54 East Africa Industries Ltd., Nairobi

Gailey & Roberts Ltd., Nairobi

People's Republic of the Congo (Brazzaville)—Limited group

96 Société Commerciale du Kouilou Niari-Congo S.A., Brazzaville

Malawi—Limited group

80 Lever Brothers (Malawi) Ltd., Limbe

Nigeria—Limited group

60 Lever Brothers Nigeria Ltd., Apapa

Pamol (Nigeria) Ltd., Lagos

Uganda—Limited group

Gailey & Roberts (Uganda) Ltd., Kampala

Rhodesia—Limited group

Lever Brothers (Private) Ltd., Salisbury

Sierra Leone—Limited group

87 UAC of Sierra Leone Ltd., Freetown

Tanzania—Limited group

UAC of Tanzania Ltd., Dar es Salaam

Republic of Tchad—Limited group

78 Brasseries du Logone S.A., Moundou

Republic of Zaire—N.V. group

98 Plantations Lever au Zaïre s.a.r.l., Kinshasa

Compagnie des Margarines, Savons et Cosmétiques au Zaïre

s.a.r.l., Kinshasa

—Limited group

99 Sedec s.a.r.l., Kinshasa

Zambia—Limited group

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

South Africa—Limited group

Elida Gibbs (Pty.) Ltd., Durban

Glenton & Mitchell (Pty.) Ltd., Durban

Hudson & Knight (Pty.) Ltd., Durban

Lever Brothers (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 group

Rosella Foods Pty. Ltd., Richmond

Streets Ice Cream Pty. Ltd., Sydney

Unilever Australia Pty. Ltd., Sydney

Bangladesh—Limited group

61 Lever Brothers Bangladesh Ltd., Chittagong

Philippines—N.V. group

Philippine Refining Company Inc., Manila

India—Limited group

81 Hindustan Lever Ltd., Bombay

Indonesia—N.V. group

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. group

79 Nippon Lever Industries Ltd., Tokyo

Malaysia—Limited group

Lever Brothers (Malaysia) Sdn. Bhd., Kuala Lumpur

Pamol (Sabah) Ltd., London

Unipamol Malaysia Sdn. Bhd., Kuala Lumpur

New Zealand—Limited group

Lever Brothers (New Zealand) Ltd., Petone

Unilever New Zealand Ltd., Petone

Pakistan—Limited group

70 Lever Brothers Pakistan Ltd., Karachi

Republic of Singapore—Limited group

65 Walls Fitzpatrick's Sdn. Bhd., Singapore

Lever Brothers (Singapore) Sdn. Bhd., Singapore

Sri Lanka—Limited group

Lever Brothers (Ceylon) Ltd., Colombo

Thailand—N.V. group

Lever Brothers (Thailand) Ltd., Bangkok

Turkey—N.V. group

80 Unilever-Iş Ticaret ve Sanayi Türk Limited Şirketi, Istanbul

Principal investments

Associated companies

% of
equity held

E.C. countries

Germany—N.V. group

50 Fritz Homann Lebensmittelwerke G.m.b.H., & Co., K.G.

Other European countries

Greece—N.V. group

49 'Elais' Oleaginous Products S.A.

Portugal—N.V. group

40 FIMA—Fábrica Imperial de Margarina Ltda.

Central and South America

Chile—N.V. group

50 Indus Lever S.A.C.I.

El Salvador—N.V. group

50 Industrias Unisola S.A.

Africa

Nigeria—Limited group

19 Guinness (Nigeria) Ltd.

22 Nigerian Breweries Ltd.

40 UÁC of Nigeria Ltd.

Asia, Australia, New Zealand

Indonesia—N.V. group

50 P.T. Sangkulirang

Trade investments

% of
equity held

E.C. countries

The Netherlands—N.V. group

43 Gamma Holding N.V.

United Kingdom—Limited group

32 Ellis & Everard Ltd.

Financial review 1967-1977

Fl. million	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Results											
Sales to third parties	19 714	20 032	21 829	24 917	26 483	26 832	29 197	34 471	36 705	36 493	39 879
Costs	18 303	18 538	20 386	23 484	24 766	24 884	27 004	32 362	34 719	33 850	37 521
Operating profit	1 411	1 494	1 443	1 433	1 717	1 948	2 193	2 109	1 986	2 643	2 358
Concern share of associated companies' profit	—	—	—	—	—	—	—	—	—	57	257
Non-recurring and financial items	71	14	29	126	81	112	34	142	205	147	218
Profit before taxation	1 340	1 480	1 414	1 307	1 636	1 836	2 159	1 967	1 781	2 553	2 397
Taxation	641	716	672	633	771	793	1 035	961	883	1 200	1 184
Profit after taxation	699	764	742	674	865	1 043	1 124	1 006	898	1 353	1 213
Outside interests and preference dividends	44	50	53	45	46	68	84	91	127	154	88
Profit attributable to ordinary capital	655	714	689	629	819	975	1 040	915	771	1 199	1 125
Extraordinary items, less taxation and outside interests	—	—	—	—	—	110	—	—	—	—	—
Profit after extraordinary items	655	714	689	629	819	865	1 040	915	771	1 199	1 125
Dividends on ordinary and deferred capital ²⁾	254	264	305 ³⁾	307	348	347	324	345	362	395	413
Profit of the year retained	401	450	384	322	471	518	716	570	409	804	712
Assets and liabilities											
Preferential share capital	310	310	310	310	308	304	298	295	293	286	287
Ordinary shareholders' equity	5 919	6 221	6 515	6 826	6 982	7 107	7 134	7 199	7 513	7 542	8 142
Outside interests in subsidiaries	205	209	214	250	211	247	244	327	381	425	307
Loan capital	1 491	1 452	1 477	1 634	1 660	1 610	1 601	2 120	2 223	2 314	2 303
Deferred liabilities	708	770	804	888	979	1 070	1 266	1 418	1 759	1 877	2 267
Capital employed	8 633	8 962	9 320	9 908	10 140	10 338	10 543	11 359	12 169	12 444	13 306
Land, buildings and plant	4 494	4 679	5 003	5 439	5 371	5 287	5 238	5 577	5 958	5 644	6 110
Associated companies	—	—	—	—	—	—	—	—	—	168	737
Trade investments	203	209	214	199	208	175	215	197	256	98	90
Long-term debtors	172	179	174	187	198	205	203	291	184	162	230
Working capital	3 271	3 617	4 081	4 410	4 236	4 109	4 574	5 858	5 329	5 813	5 707
Provision for taxation	520	550	528	610	704	736	801	639	694	806	691
Dividends	135	135	176	178	220	272	257	295	327	332	396
Net liquid funds	1 148	963	552	461	1 051	1 570	1 371	370	1 463	1 697	1 519
Employment of capital	8 633	8 962	9 320	9 908	10 140	10 338	10 543	11 359	12 169	12 444	13 306
Source and use of funds											
Funds generated from operations	1 882	2 032	2 027	2 108	2 326	2 600	2 851	2 676	2 618	3 354	3 039
Funds from other sources	77	15	25	182	50	42	101	605	122	268	19
Total sources	1 959	2 017	2 052	2 290	2 376	2 642	2 952	3 281	2 740	3 622	3 058
Taxation payments during year	533	635	706	598	589	705	692	906	592	773	625
Capital expenditure, less disposals	653	733	828	1 083	790	864	1 024	1 271	1 129	1 046	1 349
Goodwill on acquisition of subsidiaries	71	169	84	31	52	94	156	83	4	6	56
Purchase/sale of associated companies/trade investments	8	9	20	9	12	22	57	5	59	36	102
Additional/reduced working capital	10	346	465	329	112	96	753	1 557	449	1 143	525
Dividends paid during year	238	282	322	324	322	303	337	311	327	373	371
Other sources/uses	48	28	34	25	129	37	38	124	25	62	123
Total uses	1 465	2 202	2 459	2 381	1 782	2 077	3 057	4 247	1 637	3 355	3 151
Net increase/decrease in funds	494	185	407	91	594	565	105	966	1 103	267	93

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Shareholders' equity											
per Fl. 20 of capital (Fl.)	106	111	116	121	125	127	128	129	135	135	146
per 25p of capital (pence)	182	191	200	209	222	253	295	328	372	486	503
Earnings¹⁾											
per Fl. 20 of capital (Fl.)	11.74	12.71	12.28	11.17	14.69	17.48	18.64	16.43	13.84	21.51	20.19
per 25p of capital (pence)	20.26	21.94	21.19	19.29	26.06	34.63	43.02	41.76	38.23	77.20	69.47
Earnings plus depreciation											
per Fl. 20 of capital (Fl.)	20.93	22.03	22.46	23.00	26.64	29.02	30.36	28.31	26.26	33.98	33.63
per 25p of capital (pence)	36.13	38.02	38.77	39.71	47.27	57.50	70.06	71.97	72.53	121.93	115.70
Dividends²⁾											
N.V. per Fl. 20 of capital (Fl.)	4.67	4.70	5.43 ³⁾	5.43	6.20	6.71	6.71	7.25	7.65	8.36	8.56
Limited per 25p of capital (pence)	7.50	8.13	9.38 ³⁾	9.42	11.20	11.02	10.63	12.09	13.67	19.35	19.83
Capital expenditure (Fl. million)	616	716	881	993	850	927	974	1 309	1 213	1 097	1 368
Depreciation (Fl. million)	498	523	572	666	667	644	653	662	692	694	749
Employees											
Remuneration of employees (Fl. million)	3 245	3 368	3 886	4 508	4 693	4 931	5 243	5 868	6 684	6 632	7 146
Number of employees (000's)	304	312	326	335	324	337	353	357	322	315	327
Ratios											
Sales : capital employed	2.3	2.2	2.3	2.5	2.6	2.6	2.8	3.0	3.0	2.9	3.0
Sales per employee (Fl.)	64 849	64 205	66 960	74 379	81 738	79 620	82 711	96 557	114 346	115 850	121 954
Sales : working capital	6.0	5.5	5.4	5.7	6.3	6.5	6.4	5.9	6.9	6.3	7.0
Dividends : earnings	0.39	0.37	0.44	0.49	0.43	0.36	0.31	0.38	0.47	0.33	0.37
Gearing ⁴⁾	0.26	0.24	0.24	0.25	0.25	0.23	0.22	0.30	0.29	0.29	0.29
Current assets : current liabilities	2.2	2.1	2.0	1.9	2.0	2.0	1.9	1.8	1.9	1.9	1.8
Share prices											
N.V. per Fl. 20 ordinary share in Amsterdam											
High	112	144	131	121	122	150	162	118	123	131	137
Low	85	105	98	79	87	118	100	69	80	100	118
Limited per 25p ordinary share in London											
High	251	420	350	313	345	405	397	339	434	500	596
Low	149	219	228	188	209	325	278	149	167	346	410

The 1971 figures reflect the realignment of major currencies and those for 1972 to 1977 the floating of sterling and other currencies. Figures for 1976 and 1977 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 1967-1971 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.

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

1977 above 1976

Rates of exchange: one unit = Fl.	Dutch Guilders	Sterling Pounds	Belgian Francs	German Marks	French Francs	Austrian Schillings	U.S. Dollars	Swiss Francs
In millions of currency		4.36 4.18	0.0689 0.0689	1.0800 1.0420	0.4860 0.4924	0.1507 0.1463	2.2800 2.4600	1.1370 1.0020
Sales to third parties	39 879 36 493	9 147 8 731	578 796 529 680	36 952 35 009	82 045 74 122	264 611 249 431	17 470 14 842	35 031 36 406
Operating profit	2 358 2 643	541 632	34 224 38 373	2 185 2 536	4 851 5 370	15 647 18 070	1 033 1 075	2 071 2 637
Taxation on profit of the year	1 180 1 227	271 294	17 124 17 813	1 093 1 177	2 427 2 493	7 829 8 388	517 499	1 036 1 224
Profit of the year attributable to ordinary capital before extraordinary items	1 125 1 199	258 287	16 329 17 399	1 042 1 150	2 315 2 435	7 465 8 193	493 488	988 1 196
Ordinary dividends	413 395	95 95	5 996 5 728	383 379	850 802	2 741 2 698	181 161	363 394
Capital employed	13 306 12 444	3 052 2 977	193 122 180 615	12 330 11 938	27 375 25 275	88 291 85 053	5 829 5 061	11 689 12 414
Ordinary shareholders' equity	8 142 7 542	1 868 1 804	118 172 109 465	7 544 7 235	16 751 15 318	54 025 51 548	3 567 3 067	7 152 7 524
Loan capital	2 303 2 314	528 554	33 417 33 582	2 133 2 220	4 737 4 699	15 278 15 814	1 009 941	2 023 2 308
Capital expenditure	1 368 1 097	314 262	19 852 15 926	1 267 1 053	2 814 2 229	9 076 7 500	599 446	1 202 1 095
Depreciation	749 694	172 166	10 868 10 080	694 666	1 541 1 411	4 969 4 747	328 282	658 693
Shareholders' equity								
Per Fl. 20 of capital	In units of currency 146.13 135.35	3 351.53p 3 238.14p	2 120.85 1 964.51	135.30 129.90	300.67 274.89	969.65 925.18	64.09 55.02	128.52 135.08
Per 25p of capital	21.92 20.30	502.73p 485.72p	318.13 294.68	20.30 19.48	45.10 41.23	145.45 138.78	9.61 8.25	19.28 20.26
Earnings ¹⁾								
Per Fl. 20 of capital	20.19 21.51	463.10p 514.67p	293.05 312.24	18.70 20.65	41.55 43.69	133.98 147.05	8.86 8.75	17.76 21.47
Per 25p of capital	3.03 3.23	69.47p 77.20p	43.96 46.84	2.80 3.10	6.23 6.55	20.10 22.06	1.33 1.31	2.66 3.22
Dividends ²⁾								
N.V.—per Fl. 20 of capital	8.56 8.36	196.33p 200.00p	124.24 121.34	7.93 8.02	17.61 16.98	56.80 57.14	3.75 3.40	7.53 8.34
Limited—per 25p of capital	0.86 0.81	19.83p 19.35p	12.55 11.74	0.80 0.78	1.78 1.64	5.74 5.53	0.38 0.33	0.76 0.81

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 1976 and 1977 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

1976 1977

Sales to third parties	36 493	39 879
Operating profit (historical)	2 643	2 358
Cost of sales adjustment	473	414
Depreciation adjustment	311	374
Current cost operating profit	1 859	1 570
Non-recurring items	41	42
Concern share of associated companies' profit	57	257
Income from trade investments	9	5
Interest	115	181
	1 769	1 609
Gearing adjustment	137	144
Adjusted profit before taxation	1 906	1 753
Taxation	945	889
Adjusted profit after taxation	961	864
Outside interests and preference dividends	154	88
Adjusted profit attributable to ordinary capital	807	776

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'. The purpose of the current cost statement is to provide an indication of the distortion of profits, determined on the historical cost convention, by the effects of changing price levels. It is recognised that the discussion on the best method of reflecting this distortion is a continuing one but it is felt that the above figures are a better guide to the performance of the group than those on the historical basis.

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. Much debate still surrounds the nature and form of the gearing adjustment and we expect this to be an area for further development in the future. Taxation has been adjusted to take account of the partial recognition by fiscal authorities, in some countries, usually only 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. Current costs are determined by applying specific price indices, in the country of location, to the original purchase price of the assets. Depreciation is calculated on the current replacement cost at percentages related to the expected average lives of the assets. The difference between this figure and historical depreciation is the adjustment required.
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 has been adjusted to include the surplus arising on revaluation of assets and the write-back of deferred taxation on those assets. Outside interests have also been included in equity.
4. Two adjustments have been made to the tax charge in the historical accounts. Firstly the tax deferred by capital allowances has been deducted. Secondly, a deduction has been made in respect of the stock relief available in some countries.

No adjustments have been made to 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 announcement 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.