

Unilever Annual Accounts 1999

This booklet and the separate booklet 'Unilever Annual Review 1999' together comprise the full Annual Report and Accounts for 1999 of Unilever N.V. (NV) and Unilever PLC (PLC) when expressed in guilders and pounds sterling respectively.

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General information

Unilever

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

The Equalisation Agreement provides for both companies to adopt the same accounting principles and requires as a general rule the dividends and other rights and benefits (including rights on liquidation) attaching to each Fl. 12 nominal of ordinary capital of NV to be equal in value at the relevant rate of exchange to the dividends and other rights and benefits attaching to each £1 nominal of ordinary share capital of PLC, as if each such unit of capital formed part of the ordinary capital of one and the same company. The ordinary capitals of NV and PLC are currently denominated as Fl. 1.12 and 1.4p nominal per share respectively. Applying the formula under the Equalisation Agreement, therefore, gives the result that one NV ordinary share enjoys the same dividend rights and other rights and benefits as 6.67 PLC ordinary shares.

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

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

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

Basis of consolidation

By reason of the operational and contractual arrangements referred to above and the internal participating interests set out in note 20 on page 20, NV and PLC and their group companies constitute a single group under Netherlands and United Kingdom legislation for the purposes of presenting consolidated accounts. Accordingly the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts. These accounts are supplemented in note 33 on page 31 by additional information for the NV and PLC parts of the Group in which group companies are consolidated according to respective ownership.

General information

Companies legislation

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

Accounting standards

The accounts are prepared under the historical cost convention, in accordance with the accounting policies set out on pages 7 and 8, and comply in all material respects with applicable accounting standards in the Netherlands and the United Kingdom.

United Kingdom Statement of Standard Accounting Practice Number 15 (SSAP 15) requires that no provision should be made for deferred taxation where it is probable, based on reasonable assumptions, that a liability will not crystallise. In this respect, SSAP 15 is not in agreement with Dutch law as currently applied. For this reason, and because of the Equalisation Agreement, full provision continues to be made for deferred taxation. The effects of this departure from SSAP 15 are shown in note 6 on page 14, note 18 on page 19 and note 29 on page 27.

United Kingdom Urgent Issues Task Force Abstract 13 (UITF 13) requires that NV or PLC shares held by employee trusts to satisfy options should be classified by the sponsoring company as fixed assets. Dutch law requires such shares to be accounted for within capital and reserves. In order to comply with Dutch law and the Equalisation Agreement, the requirements of UITF 13 have not been followed. All shares held internally are accounted for in accordance with Dutch GAAP. The effects of this departure are shown in note 22 on page 22.

United Kingdom Financial Reporting Standard 12 'Provisions, Contingent Liabilities and Contingent Assets', Financial Reporting Standard 13 'Derivatives and Other Financial Instruments: Disclosures' and Financial Reporting Standard 15 'Measurement of Tangible Fixed Assets' have been applied for the first time in 1999; the application of these standards has not resulted in any prior year restatements.

OECD Guidelines

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

Statements of directors' responsibilities

Annual accounts

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

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

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

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

Going concern

The directors continue to adopt the going concern basis in preparing the accounts. This is because the directors, after making enquiries and following a review of the Group's budget for 2000 and 2001, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue in operation for the foreseeable future.

Internal control

Unilever has a well established control environment, which is well documented and regularly reviewed. This incorporates internal control procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. The Boards of NV and PLC have also established a clear organisation structure, including delegation of appropriate authorities. The Group's control environment is supported through a Code of Business Principles, which sets standards of professionalism and integrity for its operations worldwide.

The Boards have overall responsibility for establishing key procedures designed to achieve a system of internal control and for reviewing its effectiveness. The day to day responsibility for implementation of these procedures and ongoing monitoring of risk and the effectiveness of these controls rests with the Group's senior management at individual operating company and Business Group level. Business Groups, each of which have their own Risk Committees, review, on an ongoing basis, the risks faced by their group and the related internal control arrangements and provide written reports to the Corporate Risk Committee. This is comprised mainly of Board members and chaired by the Financial Director. The Corporate Risk Committee maintains oversight, on behalf of the Boards, of the controls in place to identify, evaluate and manage risk. It reports regularly to the Boards, which retain ultimate responsibility.

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

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

Unilever's system of internal control has been in place throughout 1999 and up to the date of this report, and complies with the recommendations of 'Internal Control – Guidance for Directors on the Combined Code', published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales in September 1999.

Corporate governance

A vital factor in the arrangements between NV and PLC is their having the same directors. As the concept of the non-executive director, as recognised in the United Kingdom, is not a feature of corporate governance in the Netherlands, and the Supervisory Board, as recognised in the Netherlands, is unknown in the United Kingdom, it is not practicable to appoint supervisory or non-executive directors who could serve on both Boards. The Articles of Association of NV and PLC make provision for the appointment of Advisory Directors by the Boards and they perform many of the functions of supervisory and non-executive directors. The Audit, External Affairs and Corporate Relations, and Remuneration Committees consist exclusively of Advisory Directors and the majority of the members of the Nomination Committee are Advisory Directors. Details of the Advisory Directors, their role and the arrangements for their appointment are given on pages 42 to 45 of the 'Unilever Annual Review 1999'.

The Committee on Corporate Governance in the Netherlands issued its report 'Recommendations on Corporate Governance in the Netherlands' in 1997. NV applies the Committee's recommendations for supervisory directors to its Advisory Directors in so far as these are in line with their specific role within Unilever. NV complies with all other recommendations of the Committee, except that the Board of Directors takes the view that requests for an item to be placed on the agenda for a shareholders' meeting must be supported by more than an insignificant proportion of the shareholders and will therefore only accept requests from a shareholder or group of shareholders holding at least 1% of the voting rights attaching to the issued share capital of NV. Requests must be submitted, at the latest, 60 days prior to the date of the meeting.

PLC is required, as a company that is incorporated in the United Kingdom and listed on the London Stock Exchange, to state how it has applied the principles and how far it has complied with the provisions set out in Section 1 of the Combined Code ('the Code') appended to the Listing Rules of the London Stock Exchange.

Unilever's corporate governance arrangements are described on pages 43 to 45 of the 'Unilever Annual Review 1999'. As explained there, the Board controls the company through the Executive Committee. Responsibilities are shared by the Chairmen of NV and PLC, while the Advisory Directors perform many of the functions of the supervisory board members or non-executive directors, although they are not formally members of the Board. For the purposes of the Code, the Board has not appointed a senior independent director, on the basis that issues for the Board can be raised with whichever Advisory Director is the Chairman of the relevant Board Committee and the Advisory Directors are entitled to meet as a body and appoint a senior member as their spokesman.

Unilever's remuneration policy is contained within the report by the Boards on the Directors' remuneration and interests on pages 32 to 40 of this volume. This also deals with any non-compliance with the Code in this area.

Members of the Audit, Remuneration and Nomination Committees will be available to answer questions at the Annual General Meetings of both NV and PLC. The members attending each meeting will not necessarily include the Chairman of the Committee, since these meetings take place at about the same time in Rotterdam and London respectively.

A description of Unilever's compliance with 'Internal Control – Guidance for Directors on the Combined Code' is given on page 4.

Unilever has, since its inception, adopted the principle that it is good practice that the most senior roles in NV and PLC are shared and not concentrated in one person. As a consequence it is a principal tenet of its governance philosophy, which finds expression in two people who each combine the roles of Chairman and Chief Executive and who meet regularly for joint decision making. This carefully balanced arrangement has served Unilever's unique constitutional arrangements very well for many years and the Boards believe that to separate these roles would only introduce undesirable and unnecessary complexity. Since the Advisory Directors are not formally members of the Boards, it would be inappropriate for one of them to act as a Chairman.

In all other respects, PLC has complied with the Code throughout 1999.

Report of the auditors

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

We have audited the accounts set out on pages 2 and 3, 7 to 31, 41 to 45 and 47 and 48.

Respective responsibilities of directors and auditors

As described on page 4, the directors are responsible for preparing the Annual Report and Accounts. This includes responsibility for preparing the accounts in accordance with applicable accounting standards in the Netherlands and the United Kingdom. Our responsibilities, as independent auditors, are established by Netherlands and United Kingdom law, relevant Stock Exchange rules and by our professional guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985. We would also report to you if, in our opinion, the directors' report was not consistent with the accounts, if proper accounting records had not been kept, if we had not received all the information and explanations we require for our audit, or if information required regarding directors' remuneration and transactions was not disclosed.

We read the other information contained in the Annual Report and consider the implications for our audit report if we become aware of any material misstatements or inconsistencies with the accounts.

As auditors of Unilever PLC we review whether the statement on page 5 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange and we report if it does not. We are not required to consider whether the directors' statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Unilever Group, Unilever N.V. and Unilever PLC at 31 December 1999 and of the profit, total recognised gains and cash flows of the Group for the year then ended. In our opinion the accounts of the Unilever Group, and of Unilever N.V. and Unilever PLC respectively, have been properly prepared in accordance with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985.

PricewaterhouseCoopers N.V.

Registeraccountants

Rotterdam

As auditors of Unilever N.V.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

As auditors of Unilever PLC

7 March 2000

Accounting policies

Unilever Group

Group companies

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

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

Net profit and profit of the year retained are presented on a combined basis on page 9, with the net profit attributable to NV and PLC shareholders shown separately. Movements in profit retained are analysed between those attributable to NV and PLC shareholders in note 21 on page 22.

Foreign currencies

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

In preparing the consolidated accounts, the profit and loss account, the cash flow statement and all movements in assets and liabilities are translated at annual average rates of exchange. The balance sheet, other than the ordinary share capital of NV and PLC, is translated at year-end rates of exchange. In the case of hyper-inflationary economies, the accounts are adjusted to remove the influences of inflation before being translated.

The ordinary share capital of NV and PLC is translated at the rate of £1 = Fl. 12 contained in the Equalisation Agreement. The difference between this and the value derived by applying the year-end rate of exchange is taken to other reserves (see note 22 on page 22).

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

Goodwill and intangible assets

No value is attributable to internally generated intangible assets. Goodwill (being the difference between the consideration paid for new interests in group companies, joint ventures and associated companies and the fair value of the Group's share of their net assets at the date of acquisition) and identifiable intangible assets purchased after 1 January 1998 are capitalised and amortised in operating profit over the period of their expected useful life, up to a maximum of 20 years. Periods in excess of 5 years are used only where the directors are satisfied that the life of these assets will clearly exceed that period. Goodwill and intangible assets purchased prior to 1 January 1998 were written off in the year of acquisition as a movement in profits retained.

On disposal of a business acquired prior to 1 January 1998, purchased goodwill written off on acquisition is reinstated in arriving at the profit or loss on disposal.

Tangible fixed assets

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

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

* or life of lease if less than 33 years

Current cost information is given in note 9 on page 15.

Fixed investments

Joint ventures are undertakings in which the Group has a long-term participating interest and which are jointly controlled by the Group and one or more other parties. Associated companies are undertakings in which the Group has a participating interest and is able to exercise significant influence.

Interests in joint ventures and associated companies are stated in the consolidated balance sheet at the Group's share of their underlying net assets.

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

Accounting policies

Unilever Group

Current assets

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

Debtors are stated after deducting adequate provision for doubtful debts.

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

Retirement benefits

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

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

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

Deferred taxation

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

Provision is not made for taxation which would become payable if retained profits of group companies and joint ventures 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.

Derivative financial instruments

The types of derivative financial instruments used by Unilever are described in note 32 on page 29 and in the Unilever Annual Review 1999 in the Financial Review section on page 37.

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

Payments made or received in respect of the early termination of derivative financial instruments are spread over the original life of the instrument so long as the underlying exposure continues to exist.

Research and development

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

Turnover

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

Transfer pricing

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

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

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

Leases

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

Shares held by employee share trusts

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

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

Unilever Group

Consolidated profit and loss account for the year ended 31 December

	Fl. million	
	1999	1998
Turnover 1	90 296	89 112
Continuing operations	89 996	89 112
Acquisitions	300	
Operating costs 2	(80 814)	(79 394)
Operating profit 1	9 482	9 718
Continuing operations	9 495	9 718
Acquisitions	(13)	
Operating profit before exceptional items	10 076	9 442
Income from fixed investments 10	114	82
Interest 5	(30)	344
Profit on ordinary activities before taxation	9 566	10 144
Taxation 6	(3 017)	(3 338)
Profit on ordinary activities after taxation	6 549	6 806
Minority interests	(443)	(318)
Net profit	6 106	6 488
Attributable to: NV 21	3 882	3 655
PLC 21	2 224	2 833
Dividends	(2 787)	(19 116)
Preference dividends	(44)	(15)
Dividends on ordinary capital 7	(2 743)	(2 727)
Special dividend 7		(16 374)
Profit of the year retained	3 319	(12 628)
Combined earnings per share 29		
Guilders per Fl. 1.12 (1998: Fl. 1) of ordinary capital	5.80	5.80
Pence per 1.4p (1998: 1.25p) of ordinary capital	26.01	26.45
On a diluted basis the figure would be:		
Guilders per Fl. 1.12 (1998: Fl. 1) of ordinary capital	5.66	5.66
Pence per 1.4p (1998: 1.25p) of ordinary capital	25.36	25.80

See note 29 on page 27 for an explanation of the impact of the share consolidation on earnings per share.

Statement of total recognised gains and losses for the year ended 31 December

Net profit	6 106	6 488
Currency retranslation	837	(1 356)
Total recognised gains since last annual accounts	6 943	5 132

Consolidated balance sheet as at 31 December

Unilever Group

	Fl. million	
	1999	1998
Fixed assets	21 171	18 995
Goodwill and intangible assets 8	1 418	626
Tangible fixed assets 9	19 440	18 045
Fixed investments 10	313	324
Current assets		
Stocks 11	11 291	10 461
Debtors 12	16 935	14 849
Debtors due within one year 12	12 653	11 297
Debtors due after more than one year 12	4 282	3 552
Current investments 13	3 254	10 870
Cash at bank and in hand 14	8 807	12 011
Total current assets	40 287	48 191
Creditors due within one year	(26 740)	(39 614)
Borrowings 15	(6 469)	(5 123)
Trade and other creditors 16	(20 271)	(18 477)
Special dividend		(16 014)
Net current assets	13 547	8 577
Total assets less current liabilities	34 718	27 572
Creditors due after more than one year	6 241	6 702
Borrowings 15	4 084	5 023
Trade and other creditors 16	2 157	1 679
Provisions for liabilities and charges	10 097	9 507
Pensions and similar obligations 17	7 296	6 509
Deferred taxation and other provisions 18	2 801	2 998
Minority interests	1 275	899
Capital and reserves 19	17 105	10 464
Attributable to: NV: Called up share capital 20	926	905
Share premium account	3 076	52
Other reserves 22	(802)	(498)
Profit retained 21	10 292	7 355
	13 492	7 814
PLC: Called up share capital 20	489	489
Share premium account	333	293
Other reserves 22	(1 337)	(958)
Profit retained 21	4 128	2 826
	3 613	2 650
Total capital employed	34 718	27 572

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

Consolidated cash flow statement for the year ended 31 December

Unilever Group

	Fl. million	
	1999	1998
Cash flow from operating activities 26	12 460	9 948
Dividends from joint ventures	61	53
Returns on investments and servicing of finance 27	(344)	148
Taxation	(3 180)	(2 779)
Capital expenditure and financial investment 27	(3 307)	(3 083)
Acquisitions and disposals 27	(799)	744
Dividends paid on ordinary share capital	(2 791)	(2 365)
Special dividend	(13 427)	
Cash flow before management of liquid resources and financing	(11 327)	2 666
Management of liquid resources 27	12 509	(4 413)
Financing 27	(322)	92
Increase/(decrease) in cash in the period	860	(1 655)

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

Net funds/(debt) at 1 January 28	12 735	10 625
Increase/(decrease) in cash in the period	860	(1 655)
Cash flow from decrease/(increase) in borrowings	332	(55)
Cash flow from (decrease)/increase in liquid resources	(12 509)	4 413
Change in net funds resulting from cash flows	(11 317)	2 703
Borrowings within group companies acquired	(63)	(37)
Borrowings within group companies sold	10	7
Liquid resources within group companies acquired	6	—
Liquid resources within group companies sold	—	(4)
Non cash movements	(465)	(22)
Currency retranslation	602	(537)
(Decrease)/increase in net funds in the period	(11 227)	2 110
Net funds/(debt) at 31 December 28	1 508	12 735

Notes to the consolidated accounts

Unilever Group

1 Segmental information

Fl. million	1999			1998
	Continuing operations	Acquisitions	Total	Total
Turnover ^{(a)(b)}				
By geographical area:				
Europe	41 308	96	41 404	41 805
North America	19 473	1	19 474	18 552
Africa and Middle East	5 065	—	5 065	4 911
Asia and Pacific	14 668	147	14 815	12 786
Latin America	9 482	56	9 538	11 058
	89 996	300	90 296	89 112
By operation:				
Foods – Oil & dairy based foods and bakery	16 038	—	16 038	16 952
– Ice cream and beverages	14 464	161	14 625	14 593
– Culinary and frozen foods	14 437	83	14 520	14 840
Home Care and Professional Cleaning	20 018	47	20 065	19 422
Personal Care	23 514	9	23 523	21 971
Other Operations	1 525	—	1 525	1 334
	89 996	300	90 296	89 112
Operating profit ^(a)				
By geographical area before exceptional items:				
Europe	4 980	8	4 988	4 670
North America	2 144	—	2 144	1 991
Africa and Middle East	553	—	553	493
Asia and Pacific	1 472	(17)	1 455	1 120
Latin America	940	(4)	936	1 168
Operating profit before exceptional items	10 089	(13)	10 076	9 442
Exceptional items 4 ^(d)	(594)	—	(594)	276
Operating profit	9 495	(13)	9 482	9 718
By operation before exceptional items:				
Foods – Oil & dairy based foods and bakery	1 715	(1)	1 714	1 628
– Ice cream and beverages	1 327	(20)	1 307	1 312
– Culinary and frozen foods	1 449	11	1 460	1 464
Home Care and Professional Cleaning	1 883	(3)	1 880	1 983
Personal Care	3 479	—	3 479	2 812
Other Operations	236	—	236	243
Operating profit before exceptional items	10 089	(13)	10 076	9 442
Exceptional items 4 ^(d)	(594)	—	(594)	276
Operating profit	9 495	(13)	9 482	9 718

Notes:

- (a) The analysis of turnover by geographical area is stated on the basis of origin. Turnover on a destination basis would not be materially different. Inter-segment sales between operational segments and between geographical areas are not material. For the United Kingdom and the Netherlands, the combined turnover was Fl. 10 996 million (1998: Fl. 10 846 million) and the combined operating profit was Fl. 1 589 million (1998: Fl. 2 916 million).
- (b) Group share of the turnover of joint ventures was Fl. 628 million (1998: Fl. 445 million) of which Fl. 200 million (1998: Fl. 192 million) was in Europe. These figures are not included in the analysis above.
- (c) Net operating assets are goodwill and intangible assets purchased after 1 January 1998, tangible fixed assets, stocks and debtors less trade and other creditors (excluding taxation and dividends) and less provisions for liabilities and charges other than deferred taxation and deferred purchase consideration. 1998 has been restated to include goodwill and intangible assets.
- (d) 1998 included the profit on disposal of Plant Breeding International.

Unilever Group Notes to the consolidated accounts

1 Segmental information (continued)

	Fl. million	
	1999	1998
Net operating assets ^(c)		
By geographical area:		
Europe	7 572	7 187
North America	4 399	3 831
Africa and Middle East	1 794	1 542
Asia and Pacific	3 304	2 825
Latin America	3 350	3 019
	20 419	18 404
By operation:		
Foods – Oil & dairy based foods and bakery	2 786	2 854
– Ice cream and beverages	5 516	4 935
– Culinary and frozen foods	3 414	2 991
Home Care and Professional Cleaning	4 715	4 046
Personal Care	3 641	3 213
Other Operations	347	365
	20 419	18 404

2 Operating costs

Cost of sales	(49 010)	(49 167)
Continuing operations	(48 806)	(49 167)
Acquisitions	(204)	
Distribution and selling costs	(22 312)	(21 752)
Continuing operations	(22 250)	(21 752)
Acquisitions	(62)	
Administrative expenses	(9 492)	(8 475)
Continuing operations	(9 445)	(8 475)
Acquisitions	(47)	
	(80 814)	(79 394)
Operating costs include:		
Staff costs ³	(12 842)	(13 370)
Raw materials and packaging	(38 634)	(39 008)
Amortisation of goodwill and intangibles	(50)	(17)
Depreciation of tangible fixed assets	(2 479)	(2 051)
Advertising and promotions	(11 779)	(11 432)
Research and development	(2 060)	(1 828)
Lease rentals: Plant and machinery	(241)	(280)
Other	(819)	(678)
Remuneration of auditors:		
Audit fees	(27)	(23)
Payments to PricewaterhouseCoopers for non-audit services ^(a)	(77)	(66)
(a) Non-audit services include due diligence work in respect of acquisitions and disposals Fl. 7 million (1998: Fl. 7 million); tax compliance and advisory services Fl. 30 million (1998: Fl. 10 million) and other general consultancy Fl. 40 million (1998: Fl. 49 million).		

3 Staff costs and employees

	Fl. million	
	1999	1998
Staff costs:		
Remuneration of employees	(10 794)	(11 251)
Emoluments of directors as managers	(24)	(26)
Pension costs:		
Defined benefit schemes:		
Regular cost	(651)	(650)
Other	(245)	(245)
Amortisation of surpluses/deficits ³⁰	534	626
Defined contribution schemes	(10)	(35)
Post-retirement health benefits	(129)	(154)
Social security costs	(1 523)	(1 635)
Total staff costs	(12 842)	(13 370)

Details of the remuneration of directors which form part of these accounts are given in the following sections of the Directors' remuneration and interests report: 'Directors' pensions' on pages 33 and 34; 'Directors' emoluments' on page 35; 'Directors' interests: share options' on pages 36, 37 and 38 and 'Advisory Directors' on page 40.

The average number of employees during the year was, in thousands:

Europe	79	83
North America	22	23
Africa and Middle East	52	58
Asia and Pacific	72	73
Latin America	30	30
	255	267

4 Exceptional items

Included in operating profit		
Restructuring	(512)	(585)
Other including business disposals	(82)	861
	(594)	276
By geographical area:		
Europe	(213)	398
North America	(278)	86
Africa and Middle East	32	(3)
Asia and Pacific	(40)	(115)
Latin America	(95)	(90)
	(594)	276
By operation:		
Foods – Oil & dairy based foods and bakery	(165)	(154)
– Ice cream and beverages	(111)	(168)
– Culinary and frozen foods	(263)	(112)
Home Care and Professional Cleaning	(76)	(135)
Personal Care	(81)	(49)
Other Operations	102	894
	(594)	276

These amounts are mainly included in administrative expenses.

Unilever Group Notes to the consolidated accounts

4 Exceptional items (continued)

Exceptional items are those items within ordinary activities which, because of their size or nature, are disclosed to give a proper understanding of the underlying result for the period. These include restructuring charges associated with reorganising businesses (comprising impairment of fixed assets, costs of severance, and other costs directly attributable to the restructuring), and profits and losses on disposal of businesses. Provisions for impairment of fixed assets are recognised immediately the decision to reorganise is taken; provisions for other costs are taken when the obligation arises – normally on announcement; consequential costs within restructuring which arise in the ongoing business e.g. training, relocation and information technology, are recognised as they arise and are not normally treated as exceptional.

On 22 February 2000, the Group announced a series of linked initiatives to align the organisation behind plans for accelerating growth and expanding margins. These initiatives are estimated to cost Fl. 11.0 billion over five years, most of which is expected to be exceptional restructuring costs. Provisions for these costs and asset write downs will be made as necessary consultations are completed and plans finalised.

5 Interest

	Fl. million	
	1999	1998
Interest payable and similar charges:		
Bank loans and overdrafts	(350)	(424)
Bonds and other loans	(638)	(424)
Interest receivable and similar income	929	1 187
Exchange differences	29	5
	(30)	344

6 Taxation on profit on ordinary activities

Parent and group companies (a)	(3 005)	(3 333)
Joint ventures	(12)	(5)
	(3 017)	(3 338)
Of which:		
Adjustments to previous years	291	146
(a) United Kingdom Corporation Tax at 30.0% (1998: 31.0%)	(981)	(803)
less: double tax relief	531	172
plus: non-United Kingdom taxes	(2 555)	(2 702)
	(3 005)	(3 333)
Deferred taxation has been included on a full provision basis for:		
Accelerated depreciation	187	177
Other	184	(125)
	371	52
On a SSAP 15 basis the credit/(charge) for deferred taxation would be:	307	(87)
Profit on ordinary activities after taxation on a SSAP 15 basis would be:	6 485	6 667

6 Taxation on profit on ordinary activities (continued)

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

	1999	1998
Computed rate of tax (see below)	32	32
Differences due to:		
Other rates applicable to non-European countries	2	1
Incentive tax credits	(2)	(1)
Withholding tax on dividends	2	1
Adjustments to previous years	(3)	(1)
Other	1	1
Actual rate of tax	32	33

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

7 Dividends on ordinary capital

Dividends on ordinary capital		
– Interim	(857)	(831)
– Normal final	(1 886)	(1 896)
– Special final (a)	–	(16 374)
(a) Assuming all shareholders had elected to take the cash dividend, further details are set out in note 19 on page 19 and note 20 on page 20.		

8 Goodwill and intangible assets (a)

Cost	
1 January	641
Acquisitions/disposals	731
Currency retranslation	115
31 December (b)	1 487
Amortisation	
1 January	15
Charged to profit and loss account	50
Currency retranslation	4
31 December	69
Net book value 31 December (b)	1 418

(a) Arising on businesses purchased after 1 January 1998.
(b) Of which identifiable intangibles have a net book value of Fl. 205 million and a cost of Fl. 220 million.

Unilever Group Notes to the consolidated accounts

9 Tangible fixed assets

	Fl. million	
	1999	1998
At cost less depreciation:		
Land and buildings (a)	6 019	5 631
Plant and machinery	13 421	12 414
	19 440	18 045
(a) includes: freehold land	722	675
leasehold land (mainly long-term leases)	205	168
Approximate current replacement cost of tangible fixed assets net of accumulated current cost depreciation	22 559	21 255
On a current replacement cost basis the depreciation charge to the profit and loss account would have been increased by	(559)	(565)
Commitments for capital expenditure at 31 December	547	627
Movements during 1999	Land and buildings	Plant and machinery
Cost		
1 January	8 145	25 228
Currency retranslation	623	1 742
Capital expenditure	374	2 501
Disposals	(413)	(2 355)
Acquisition/disposal of group companies	(101)	(123)
Other adjustments	20	(27)
31 December	8 648	26 966
Depreciation		
1 January	2 514	12 814
Currency retranslation	169	809
Disposals	(283)	(1 991)
Acquisition/disposal of group companies	(38)	(289)
Charged to profit and loss account (b)	259	2 220
Other adjustments	8	(18)
31 December	2 629	13 545
Net book value 31 December	6 019	13 421
Includes payments on account and assets in course of construction	178	881
(b) Including a charge of Fl. 385 million in respect of certain fixed assets written down to net realisable value in connection with restructuring projects.		

10 Fixed investments

	Fl. million	
	1999	1998
Share of joint ventures:		
Assets	147	166
Liabilities	(72)	(99)
Net assets	75	67
Other fixed investments	238	257
	313	324
Investments listed on a recognised stock exchange	51	25
Unlisted investments	262	299
	313	324
Market value of listed investments	82	62
Movements during the year:		
1 January	324	
Acquisitions/disposals	—	
Currency retranslation	15	
Additions/reductions	(40)	
Share of profits of joint ventures	14	
31 December	313	
Income from fixed investments		
Share of joint ventures' operating profit	93	67
Share of interest and other income	(12)	—
Share of joint ventures' profit before taxation	81	67
Income from other fixed investments	21	15
Profit on disposal	12	—
	114	82
11 Stocks		
Raw materials and consumables	4 619	4 508
Finished goods and goods for resale	6 672	5 953
	11 291	10 461
12 Debtors		
Due within one year:		
Trade debtors	9 287	8 204
Prepayments and accrued income	863	795
Other debtors	2 503	2 298
	12 653	11 297
Due after more than one year:		
Prepayments to funded pension schemes 17	1 350	1 258
Deferred taxation 18	2 596	1 939
Other debtors	336	355
	4 282	3 552
Total debtors	16 935	14 849

Unilever Group Notes to the consolidated accounts

13 Current investments

	Fl. million	
	1999	1998
Listed	2 946	10 711
Unlisted	308	159
	3 254	10 870

Current investments include short-term deposits, government securities and A- or higher rated money and capital market instruments.

14 Cash at bank and in hand

On call and in hand	3 032	2 047
Repayment notice required	5 775	9 964
	8 807	12 011

Interest rate profile and currency analysis of financial assets

Taking into account the various interest rate swaps, forward rate agreements and forward foreign currency contracts entered into by the Group, the table below sets out the interest rate profile of the Group's financial assets analysed by principal currency:

	Fl. million	Weighted average interest rate	Fixed rate Weighted average fixing period	Floating rate Fl. million	Total Fl. million
1999					
Sterling	177	5.3%	0.1 years	1 305	1 482
US Dollar	—	—	—	2 042	2 042
Euro	2 428	4.8%	1.0 years	3 829	6 257
Other	—	—	—	2 280	2 280
Total	2 605			9 456	12 061
1998					
Sterling	1 202	6.6%	1.1 years	3 256	4 458
US Dollar	—	—	—	4 973	4 973
Euro	6 547	5.1%	0.9 years	5 342	11 889
Other	—	—	—	1 561	1 561
Total	7 749			15 132	22 881

Interest on substantially all of the floating rate financial assets above is determined principally by reference to the 3 months LIBOR.

In addition to the above, the Group has other fixed investments of Fl. 238 million (1998: Fl. 257 million) which are non interest bearing and have no fixed repayment date.

Unilever Group Notes to the consolidated accounts

15 Borrowings

	Fl. million	
	1999	1998
Bank loans and overdrafts	4 551	4 064
Bonds and other loans	6 002	6 082
	10 553	10 146
The repayments fall due as follows:		
Within 1 year:		
Bank loans and overdrafts	4 063	3 686
Bonds and other loans	2 406	1 437
Total due within one year	6 469	5 123
After 1 year but within 2 years	1 777	1 317
After 2 years but within 5 years	1 697	1 677
After 5 years: By instalments	8	7
Not by instalments	602	2 022
Total due after more than one year	4 084	5 023
Total amount repayable by instalments any of which are payable after 5 years	54	53
Secured borrowings – mainly bank loans and overdrafts	113	286
Of which secured against tangible fixed assets	61	99

15 Borrowings (continued)

	Fl. million	
	1999	1998
Bonds and other loans		
NV		
8% Notes 1999 (US \$)	—	375
9% Bonds 2000 (NLG) (a)	486	485
3½% Bonds 2001 (Swiss Frs.) (b)	411	414
5½% Notes 2001 (Deutschmarks) (c)	337	338
6% Notes 2001 (US \$) (d)	440	375
6½% Notes 2001 (US \$) (d)	550	469
6½% Bonds 2004 (NLG) (a)	351	350
7½% Bonds 2004 (French Frs.) (e)	503	504
7¼% Bonds 2004 (US \$) (d)	550	469
6½% Notes 2005 (US \$) (d)	440	375
Other	912	879
Total NV	4 980	5 033
Other group companies		
USA		
9¼% Notes 2000 (d)	878	749
Other	16	6
Other loans	128	294
Total other group companies	1 022	1 049
Total bonds and other loans	6 002	6 082

Swapped into:

- (a) floating rate guilders (range 2.9% - 3.2% at 31 December 1999)
- (b) floating rate guilders (3.1% at 31 December 1999) and United States dollars (5.8% at 31 December 1999)
- (c) floating rate Deutschmarks (3.0% at 31 December 1999) and fixed rate Canadian dollars (6.7%)
- (d) floating rate United States dollars (range 5.8% - 7.5% at 31 December 1999)
- (e) floating rate French francs (7.9% at 31 December 1999)

Derivative financial instruments are used to swap portions of the fixed rate debt described above into floating rate debt. Further details are set out in note 32 on page 29.

The average interest rate on short-term borrowings in 1999 was 9% (1998: 8%).

The day to day financing needs of Unilever's operating companies are met using short-term overdraft facilities, substantially all of which are uncommitted. In addition, at 31 December 1999 Unilever had committed borrowing facilities of Fl. 611 million, all of which mature within one year.

Unilever Group Notes to the consolidated accounts

15 Borrowings (continued)

Interest rate profile and currency analysis of financial liabilities

Taking into account the various interest rate swaps, forward rate agreements and forward foreign currency contracts entered into by the Group, the table below sets out the interest rate profile of the Group's financial liabilities analysed by principal currency:

	Fl. million	Weighted average interest rate	Fixed rate Weighted average fixing period	Floating rate	Total
				Fl. million	Fl. million
1999					
US dollar	—	—	—	3 325	3 325
Euro	106	6.6%	5.5 years	4 523	4 629
Sterling	—	—	—	269	269
Other	529	6.6%	3.0 years	1 801	2 330
Total	635			9 918	10 553
1998					
US dollar	2 063	6.9%	3.5 years	1 861	3 924
Euro	677	7.2%	5.5 years	3 191	3 868
Sterling	—	—	—	66	66
Other	621	7.0%	2.5 years	1 667	2 288
Total	3 361			6 785	10 146

Interest on substantially all of the floating rate financial liabilities above is determined principally by reference to LIBOR.

In addition to the above, the Group has preference shares denominated in guilders, which have no fixed repayment date. Details of the dividends payable on these preference shares are given in note 20 on page 20.

16 Trade and other creditors

	Fl. million	
	1999	1998
Due within one year:		
Trade creditors	8 933	7 688
Social security and sundry taxes	924	869
Accruals and deferred income	4 618	4 040
Taxation on profits	1 405	1 422
Dividends (a)	1 970	1 872
Others	2 421	2 586
	20 271	18 477
Due after one year:		
Accruals and deferred income	301	272
Taxation on profits	1 459	1 147
Others	397	260
	2 157	1 679
Total creditors	22 428	20 156

(a) Excludes the special dividend.

17 Pensions and similar obligations

	Fl. million	
	1999	1998
These are predominantly long-term liabilities:		
Unfunded pension schemes	4 829	4 681
Funded pension schemes	(680)	(990)
Post-retirement health benefits	1 797	1 560
	5 946	5 251
Add asset balances reclassified as debtors after more than one year 12	1 350	1 258
	7 296	6 509
Movements during the year:		
1 January	5 251	
Currency retranslation	196	
Profit and loss account	501	
Payments (a)	(70)	
Acquisitions/disposals	(15)	
Other adjustments	83	
31 December	5 946	

(a) Net of refunds received from pension funds totalling Fl. 587 million.

Further details of Unilever's pension and post-retirement health benefits are given in notes 30 and 31 on page 28.

Unilever Group Notes to the consolidated accounts

18 Deferred taxation and other provisions

	Fl. million	
	1999	1998
Deferred taxation on:		
Accelerated depreciation	2 527	2 547
Stock reliefs	153	126
Pension and similar provisions	(1 226)	(1 016)
Short-term and other timing differences	(2 430)	(2 305)
	(976)	(648)
Less asset balances reclassified as debtors due after more than one year 12	2 596	1 939
	1 620	1 291
Restructuring provisions	800	1 216
Other provisions	381	491
	2 801	2 998
Movements in deferred taxation:		
1 January	(648)	
Currency retranslation	45	
Acquisition/disposal of group companies	(2)	
Profit and loss account	(371)	
31 December	(976)	
On a SSAP 15 basis the deferred taxation asset would be:	(404)	(148)
Movements in restructuring provisions:		
1 January	1 216	
Currency retranslation	18	
Profit and loss account – new charges	438	
– releases	(130)	
Utilisation	(742)	
31 December	800	
Restructuring provisions include primarily provisions for severance costs in connection with business reorganisations which have been announced.		
Movements in other provisions:		
1 January	491	
Currency retranslation	35	
Acquisition/disposal of group companies	(1)	
Profit and loss account	(34)	
Utilisation	(110)	
31 December	381	

19 Capital and reserves

	Fl. million	
	1999	1998
Movements during the year:		
1 January	10 464	24 734
Profit of the year retained	3 319	(12 628)
Goodwill movements	83	6
Currency retranslation	774	(1 329)
Change in book value of shares or certificates held in connection with share options	(582)	(319)
Issue of new shares under PLC share option schemes	2	–
Issue of new NV preference shares	3 045	
31 December	17 105	10 464
As required by United Kingdom Financial Reporting Standard 4 capital and reserves can be analysed as follows:		
Equity:		
Ordinary capital	13 795	10 199
Non-equity:		
7% Cumulative Preference	29	29
6% Cumulative Preference	161	161
4% Cumulative Preference	75	75
10 cents Cumulative Preference	3 045	
Total non-equity	3 310	265
	17 105	10 464

Share capital and share premium

On 9 June 1999 NV issued 211 473 785 cumulative preference shares to those shareholders who elected to receive shares instead of the special dividend. The 10 cents cumulative preference shares were issued at a notional value of Fl. 14.50 per share, which is equal to the amount of the special dividend, of which Fl. 14.40 was credited to the share premium account. Further details are set out in note 20 on page 20 and in the share premium account note on page 45.

The issued share capital of NV increased by Fl. 21 million as a result of the issue of the 10 cents cumulative preference shares. NV share premium account increased by Fl. 3 024 million after charging issue costs of Fl. 21 million.

A small number of PLC shares were allotted during the year under the PLC 1985 Executive Share Option Schemes.

Unilever Group Notes to the consolidated accounts

20 Called up share capital

Authorised			Nominal value per share	Number of shares allotted	Allotted, called up and fully paid			
1999	1998				1999	1998		
Fl. million		Preferential share capital					Fl. million	
NV					NV			
75	75	7% Cumulative Preference	Fl. 1 000	29 000	29	29		
200	200	6% Cumulative Preference	Fl. 1 000	161 060	161	161		
75	75	4% Cumulative Preference	Fl. 100	750 000	75	75		
65		10 cents Cumulative Preference	Fl. 0.10	211 473 785	21			
415	350				286	265		
Fl. million		Ordinary share capital					Fl. million	
NV					NV			
1 120		Ordinary: (1999)	Fl. 1.12	571 575 900	640			
	1 000	(1998)	Fl. 1	640 165 000		640		
2	2	Ordinary (shares numbered 1 to 2 400 - 'Special Shares')	Fl. 1 000	2 400	2	2		
—	—	Internal holdings eliminated in consolidation (Fl. 1 000 shares)			(2)	(2)		
1 122	1 002				640	640		
		Total NV share capital			926	905		
£ million		PLC					£ million	
NV					PLC			
136.2		Ordinary: (1999)	1.4p	2 911 458 580	40.8			
	136.2	(1998)	1.25p	3 260 695 640		40.8		
0.1	0.1	Deferred	£1 stock	100 000	0.1	0.1		
—	—	Internal holdings eliminated in consolidation (£1 stock)			(0.1)	(0.1)		
136.3	136.3	Total PLC share capital			40.8	40.8		
		Guilder equivalent in millions (at Fl. 12 = £1)			489	489		

The 7%, 6% and 4% preference shares of NV are entitled to dividends at the rates indicated. The 10 cents preference shares of NV are entitled to a dividend of 65% of the 6 months Euribor interest rate on their notional value of Fl. 14.50 each. A nominal dividend of ¼% is paid on the deferred stock of PLC.

The 4% cumulative preference share capital of NV is redeemable at par at the Company's option either wholly or in part. The Company has agreed that it will not buy back the 10 cents cumulative preference share capital of NV before 9 June 2004. At any time after this date, at the Company's option, Fl. 14.40 of the notional value of the preference shares is convertible into ordinary NV shares and the remaining notional value is then redeemable. The Company expects to exercise the conversion right if any preference shares remain outstanding after 1 December 2004. The other classes of preferential share capital of NV and the deferred stock of PLC are not redeemable.

Each shareholder of NV has one vote for each Fl. 0.10 of capital held of whatever class. Each shareholder of PLC has one vote for each 1.4p of capital held. N.V. Elma and United Holdings Limited (see 'Internal holdings') may not, by law, exercise any votes in general meetings of shareholders of NV, and United Holdings Limited may not exercise any votes in general meetings of PLC.

In accordance with the Equalisation Agreement and the Articles of Association of NV and PLC, if either or both companies go into liquidation, the amounts available for distribution amongst shareholders are applied firstly to the repayment of preferential capital and arrears of dividends on preferential capital, and secondly to the distribution to ordinary shareholders of any reserves that have arisen under the Equalisation Agreement. Any remaining surplus is then pooled and distributed amongst the holders of ordinary shares of both companies such that the

amount payable on each Fl. 12 nominal of ordinary capital of NV is equal at the relevant rate of exchange to the amount payable on each £1 nominal of ordinary capital of PLC. The holders of PLC's deferred stock are only entitled to repayment of capital.

The reduction in the number of NV and PLC ordinary shares in issue during the year, and the change in the nominal values of the shares, arises from the consolidation of the ordinary share capitals, which together with the payment of a special dividend, was approved at the Annual General Meeting of each company on 4 May 1999. The consolidation of the NV ordinary shares was on the basis of 100 new shares of Fl. 1.12 each for every 112 existing shares of Fl. 1 each, and the consolidation of the PLC shares was on the basis of 100 new shares of 1.4p each for every 112 existing shares of 1.25p each.

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

Internal holdings

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

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

Unilever Group Notes to the consolidated accounts

20 Called up share capital (continued)

Share options

Options granted to directors and employees to acquire ordinary shares of NV and PLC and still outstanding at 31 December 1999 were as set out in the following table. The number of share options outstanding did not change as a result of the share consolidation.

	Number of shares	Range of option prices per share	Date normally exercisable
NV Executive Share Option Scheme	303 152	€22.82 - €25.69	2000
(Shares of Fl. 1.12)	477 716	€26.55 - €32.49	2000 - 2001
	336 448	€42.79	2000 - 2002
	530 026	€64.98 - €69.29	2000 - 2003
	1 131 315	€63.50	2000 - 2009
(Shares of 1.4p)	2 224 588	£4.07	2000 - 2002
	3 490 157	£6.09 - £6.68	2000 - 2003
	7 378 275	£5.55	2000 - 2009
North American Executive Stock Option Plan	43 000	US \$ 25.69	2000 - 2002
(Shares of Fl. 1.12 of the New York Registry)	117 236	US \$ 26.81	2000 - 2003
	225 398	US \$ 25.67	2000 - 2004
	293 366	US \$ 31.60 - US \$ 31.95	2000 - 2005
	413 140	US \$ 33.89	2000 - 2006
	317 420	US \$ 48.74	2000 - 2007
	260 023	US \$ 76.69	2000 - 2008
	293 888	US \$ 69.19	2000 - 2009
(Shares of 1.4p in the form of American Depositary Receipts)	2 122 188	US \$ 6.72	2000 - 2007
	1 740 116	US \$ 10.85	2000 - 2008
	1 968 176	US \$ 9.30	2000 - 2009
PLC 1985 Executive Share Option Schemes	29 264	£1.84	2000
(Shares of 1.4p)	254 840	£2.07 - £2.27	2000 - 2001
	324 316	£2.54 - £2.62	2000 - 2002
	991 355	£2.54 - £2.83	2000 - 2003
	1 568 052	£2.83 - £2.98	2000 - 2004
	2 149 600	£3.07 - £3.08	2000 - 2005
	749 460	£3.43 - £4.07	2000 - 2006
	6 620	£4.53	2000 - 2007
	282 976	£6.68 - £6.79	2001 - 2007
	550 506	£5.55	2002 - 2009
PLC International 1997 Executive Share Option Scheme	209 276	€42.79	2000 - 2006
(Shares of Fl. 1.12)	1 436	€49.63	2000 - 2007
	325 916	€69.29 - €73.97	2001 - 2007
	541 373	€63.50	2002 - 2009
(Shares of 1.4p)	1 347 964	£4.07	2000 - 2006
	2 656	£4.53	2000 - 2007
	1 853 054	£6.68 - £6.79	2001 - 2007
	3 017 619	£5.55	2002 - 2009
NV Employee Share Option Scheme	43 970	€23.08	2000
(Shares of Fl. 1.12)	56 753	€31.19	2000 - 2001
	58 766	€42.99	2000 - 2002
	259 199	€57.63	2003
	272 150	€63.65	2004
North American Employee Stock Purchase Plan			
(Shares of Fl. 1.12 of the New York Registry)	633 913	US \$ 52.43	2000 - 2001
PLC 1985 Sharesave Scheme	127 864	£2.29	2000
(Shares of 1.4p)	5 286 263	£2.68	2000 - 2001
	5 883 004	£2.78	2001 - 2002
	8 325 975	£3.71	2002 - 2003
	5 107 309	£5.94	2003 - 2004
	6 046 903	£5.14	2004 - 2005

Unilever Group Notes to the consolidated accounts

20 Called up share capital (continued)

Share options

To satisfy options granted under NV share option schemes and under North American stock option/purchase plans, certain group companies hold certificates or depositary receipts of ordinary shares of NV and of PLC. At 31 December 1999 there were options outstanding to purchase 6 066 879 Fl. 1.12 ordinary NV shares (1998: 9 670 233 Fl. 1 ordinary NV shares), and 18 923 500 1.4p ordinary PLC shares (1998: 4 949 657 1.25p ordinary PLC shares) in respect of these schemes and plans.

To satisfy options granted under the share option schemes in the United Kingdom, trusts in Jersey and the United Kingdom purchase and hold PLC shares. The book value of these shares, together with the borrowings of the trusts, is taken up in the entity accounts of PLC, as required by UITF Abstract 13. The trustees of these trusts have agreed, until further notice, to waive dividends on these shares, save for the nominal sum of 0.01p per 1.4p ordinary share. At 31 December 1999 there were options outstanding to purchase 1 078 001 Fl. 1.12 ordinary NV shares (1998: 546 328 Fl. 1 ordinary NV shares), and 43 905 600 1.4p ordinary PLC shares (1998: 42 720 873 1.25p ordinary PLC shares) in respect of these schemes.

At 31 December 1998 the Jersey trust held ordinary shares of NV for the purposes of the share option schemes in the United Kingdom. During 1999 its holding of NV shares was sold to NV, subject to an agreement to reacquire the shares at book value when needed to satisfy the exercise of the options. As a result the shares became NV 'treasury' shares, on which no dividend is payable.

The book value of all shares held in respect of stock option schemes is eliminated in consolidation by deduction from other reserves (see note 22 below).

	1999	By PLC trusts		By NV/Group companies	
		1998	1999	1998	
Number of ordinary PLC shares held (1999: 1.4p, 1998: 1.25p)	42 492 210	39 623 389	19 031 246	9 750 637	
Number of ordinary NV shares held (1999: Fl. 1.12, 1998: Fl. 1)	—	551 802	7 225 674	5 152 836	
Book value of shares held	Fl. million	638	537	1 196	593
Market value of shares held	Fl. million	605	859	1 144	1 032

At 31 December 1999 the exercise price of 31 435 091 PLC options and 4 247 803 NV options was above market price. These shares are accounted for in accordance with Dutch law. Any difference between the book value of the shares and the proceeds received when the shares are sold will be dealt with in reserves. Any difference between the cost of the shares and the exercise price of the related options is charged to the profit and loss account.

21 Profit retained

Fl. million	NV		PLC	
	1999	1998	1999	1998
Net profit	3 882	3 655	2 224	2 833
Preference dividends	(44)	(15)	—	—
Normal dividends on ordinary capital	(1 562)	(1 594)	(1 181)	(1 133)
Special dividend	—	(9 282)	—	(7 092)
Profit of the year retained	2 276	(7 236)	1 043	(5 392)
Goodwill movements	54	(181)	29	187
Currency retranslation	607	(747)	230	(609)
Net movement during the year	2 937	(8 164)	1 302	(5 814)
Profit retained – 1 January	7 355	15 519	2 826	8 640
Profit retained – 31 December	10 292	7 355	4 128	2 826
Of which retained by:				
Parent companies	4 782	2 388	3 208	1 929
Other group companies	5 495	4 965	918	893
Joint ventures	15	2	2	4
	10 292	7 355	4 128	2 826
Cumulative goodwill written off	(14 467)	(14 521)	(6 075)	(6 104)

22 Other reserves

Adjustment on translation of PLC's ordinary capital at £1 = Fl. 12	—	—	(345)	(362)
Capital redemption reserve	—	—	40	36
Book value of shares or certificates held in connection with share options ^(a)	(802)	(498)	(1 032)	(632)
	(802)	(498)	(1 337)	(958)

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

Unilever Group Notes to the consolidated accounts

23 Commitments

	Fl. million	
	1999	1998
Long-term lease commitments under operating leases in respect of:		
Land and buildings	2 704	2 661
Other tangible fixed assets	969	943
	3 673	3 604
The commitments fall due as follows:		
Within 1 year	729	708
After 1 year but within 5 years	1 861	1 856
After 5 years	1 083	1 040
	3 673	3 604
Other commitments	563	553
Of which payable within one year	153	187

24 Contingent liabilities

Contingent liabilities amounting to Fl. 399 million (1998: Fl. 450 million) arise from guarantees. These guarantees are not expected to give rise to any material loss. Guarantees given by parent or group companies relating to liabilities included in the consolidated accounts are not included.

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

25 Acquisition and disposal of group companies

The net assets and results of acquired businesses are included in the consolidated accounts from their respective dates of acquisition. The following table sets out the effect of acquisitions of group companies in 1999 on the consolidated balance sheet. Acquisition accounting has been applied in all cases.

Fl. million	Balance sheets of acquired businesses	Adjustments to align accounting policies	Revaluations	Fair values at date of acquisition
Acquisitions				
Intangible assets	40	(12)	—	28
Fixed assets	206	(5)	16	217
Current assets	180	—	(3)	177
Creditors	(41)	(2)	—	(43)
Provisions for liabilities and charges:				
Pensions and similar obligations	(1)	(1)	—	(2)
Deferred taxation	1	1	(5)	(3)
Other provisions	(2)	—	2	—
Minority interests	—	22	(2)	20
Total net assets acquired	383	3	8	394
				Fl. million
				1999
				1998
Acquisitions				
Net assets acquired			394	109
Goodwill arising			707	493
Goodwill written off ^(a)			—	181
Consideration			1 101	783
Of which:				
Cash 27			1 064	747
Cash balances of businesses acquired 27			(43)	(35)
Current investments, cash deposits and borrowings of businesses acquired			57	38
Non cash and deferred consideration			23	33

(a) Adjustments to goodwill on acquisitions made before 1 January 1998.

Unilever Group Notes to the consolidated accounts

25 Acquisition and disposal of group companies (continued)

	Fl. million	
	1999	1998
Disposals		
Intangible assets	4	—
Fixed assets	114	161
Current assets	101	102
Creditors	(45)	(46)
Provisions for liabilities and charges:		
Pensions and similar obligations	(17)	(3)
Deferred taxation	(5)	(3)
Other provisions	(1)	16
Minority interests	20	(33)
Net assets sold	171	194
Attributable goodwill	83	187
Profit on sale attributable to Unilever	40	1 079
Consideration	294	1 460
Of which:		
Cash 27	270	1 460
Cash balances of businesses sold 27	7	4
Current investments, cash deposits and borrowings of businesses sold	10	(4)
Non cash and deferred consideration	7	—

26 Reconciliation of operating profit to operating cash flows

Operating profit	9 482	9 718
Depreciation and amortisation	2 529	2 068
Changes in working capital:		
Stocks	41	(940)
Debtors	(373)	(493)
Creditors	587	386
Pensions and similar provisions less payments	400	116
Restructuring and other provisions less payments	(417)	(101)
Other adjustments	211	(806)
Cash flow from operating activities	12 460	9 948

In 1999 a charge of Fl. 594 million was booked in operating profit for exceptional items of which Fl. 512 million was charged for restructuring projects, and a net Fl. 7 million for losses on disposal of businesses. Other exceptional items comprised primarily legal and insurance settlements and amounted to Fl. 75 million.

The cash inflow relating to exceptional disposals and other items was Fl. 167 million, all of which was received in 1999.

The net cash outflow in respect of the restructuring costs is estimated at Fl. 308 million. This comprises Fl. 248 million in respect of employee compensation costs and Fl. 80 million of other related costs less proceeds of disposal of fixed assets of Fl. 20 million. Of these cash flows, Fl. 238 million arose in 1999 and Fl. 70 million is expected in 2000 and later years.

Unilever Group Notes to the consolidated accounts

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

	Fl. million		Fl. million	
	1999	1998	1999	1998
Returns on investments and servicing of finance				
Dividends from other fixed investments	21	15		
Interest received	706	1 521		
Interest paid	(832)	(1 098)		
Preference dividend paid	(31)	(15)		
Dividends and other payments to minority shareholders	(208)	(275)		
	(344)	148		
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(2 894)	(2 934)		
Disposal of tangible fixed assets	143	172		
Acquisition/disposal of fixed investments	26	(2)		
Purchase of own shares (employee share schemes)	(582)	(319)		
	(3 307)	(3 083)		
Acquisitions and disposals				
Acquisition of group companies 25	(1 064)	(747)		
Cash balances of businesses acquired 25	43	35		
Consideration paid in respect of acquisitions made in previous years	(55)	—		
Disposal of group companies 25	270	1 460		
Cash balances of businesses sold 25	7	(4)		
Consideration received in respect of disposals made in previous years	—	—		
	(799)	744		
Management of liquid resources				
Purchase of current investments	(985)	(3 618)		
Sale of current investments	8 860	640		
(Increase)/decrease in cash on deposit	4 634	(1 435)		
	12 509	(4 413)		
Financing				
Issue of ordinary share capital (employee share schemes)	—	—		
Issue of shares by group companies to minority shareholders	10	37		
Debt due within one year:				
Increases	419	1 129		
Repayments	(861)	(1 102)		
Debt due after one year:				
Increases	136	79		
Repayments	(26)	(51)		
	(322)	92		

Included as liquid resources are term deposits of less than one year, government securities and A- or higher rated money and capital market instruments.

Unilever Group Notes to the consolidated accounts

28 Analysis of net funds/(debt)

Fl. million	1 January 1999	Cash flow	Acquisitions/ Disposals (excluding cash & overdrafts)	Other non cash changes	Currency retranslation	31 December 1999
Cash on call and in hand	2 047	786			199	3 032
Overdrafts	(2 404)	74			(57)	(2 387)
		860				
Borrowings due within one year	(2 719)	442	(44)	(1 492)	(269)	(4 082)
Borrowings due after one year	(5 023)	(110)	(9)	1 158	(100)	(4 084)
		332				
Current investments	10 870	(7 875)	6	(131)	384	3 254
Cash on deposit	9 964	(4 634)	—	—	445	5 775
		(12 509)				
Net funds/(debt)	12 735	(11 317)	(47)	(465)	602	1 508

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

Unilever Group Notes to the consolidated accounts

29 Combined earnings per share

The calculations of combined earnings per share are based on the net profit attributable to ordinary capital divided by the average number of share units representing the combined ordinary capital of NV and PLC in issue during the year, after deducting shares held to meet Unilever employee share options which are not yet vested. For the calculation of combined ordinary capital the exchange rate of £1 = Fl. 12 has been used, in accordance with the Equalisation Agreement. On 10 May 1999 the 1.25p ordinary shares of PLC were consolidated, so that every 112 1.25p ordinary shares were replaced by 100 1.4p ordinary shares. The Fl. 1 ordinary shares of NV were consolidated, so that 100 Fl. 1.12 ordinary shares replaced every 112 Fl. 1 ordinary shares. This consolidation was associated with the payment on 9 June 1999 of a special dividend, so that the economic impact was that of a share buy back at fair value at that date and therefore, in accordance with United Kingdom Financial Reporting Standard 14, earnings per share for prior years have not been restated.

	Thousands of share units		Thousands of share units	
	Fl. 1.12	Fl. 1	1.4p	1.25p
	1999	1998	1999	1998
Average ordinary capital: NV	601 725	640 165	4 011 500	4 267 767
PLC	459 745	489 099	3 064 967	3 260 662
less shares held by employee share trusts and group companies	(16 287)	(13 100)	(108 583)	(87 331)
Combined average number of share units	1 045 183	1 116 164	6 967 884	7 441 098
		Fl. million		£ million
Net profit	6 106	6 488	1 825	1 973
less preference dividends	(44)	(15)	(13)	(4)
Net profit attributable to ordinary capital	6 062	6 473	1 812	1 969
Divided by the combined average number of share units equals:	Fl. 5.80	Fl. 5.80	26.01p	26.45p
Net profit	6 106	6 488	1 825	1 973
add exceptional items net of tax	408	(115)	122	(36)
Net profit before exceptional items	6 514	6 373	1 947	1 937
less preference dividends	(44)	(15)	(13)	(4)
Net profit before exceptional items attributable to ordinary capital	6 470	6 358	1 934	1 933
Divided by the combined average number of share units equals:	Fl. 6.19	Fl. 5.69	27.76p	25.97p

Earnings per share before exceptional items is provided because the directors believe it better explains the ongoing trends in the Group's performance.

The calculations of diluted earnings per share are based on (a) conversion into PLC ordinary shares of the shares in a group company which are convertible in the year 2038 as described in note 20 on page 20, and (b) the exercise of share options, details of which are set out in note 20 on page 21.

	Thousands of share units		Thousands of share units	
	Fl. 1.12	Fl. 1	1.4p	1.25p
	1999	1998	1999	1998
Combined average number of share units as above	1 045 183	1 116 164	6 967 884	7 441 098
add shares issuable in 2038	23 625	23 625	157 500	157 500
add shares under option	14 264	11 898	95 094	79 317
less shares issuable at fair value	(11 361)	(7 528)	(75 735)	(50 187)
Adjusted combined average number of share units	1 071 711	1 144 159	7 144 743	7 627 728
		Fl. million		£ million
Net profit attributable to ordinary capital as above	6 062	6 473	1 812	1 969
Divided by the adjusted combined average number of share units equals:	Fl. 5.66	Fl. 5.66	25.36p	25.80p
On a SSAP 15 basis the calculations would be:				
Net profit attributable to ordinary capital before adjustment	6 062	6 473	1 812	1 969
SSAP 15 taxation adjustment	(64)	(139)	(19)	(42)
Net profit attributable to ordinary capital on a SSAP 15 basis	5 998	6 334	1 793	1 927
Divided by the combined average number of share units equals:	Fl. 5.74	Fl. 5.67	25.73p	25.88p

Unilever Group Notes to the consolidated accounts

30 Pension schemes

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

Valuations are carried out annually for the largest schemes and at least every three years for other schemes using the projected unit method, with the aim of ensuring that as far as possible current and future regular pension charges remain a stable percentage of pensionable payroll. The actuarial assumptions used to calculate the benefit obligation vary according to the economic conditions of the country in which the scheme is situated. It is usually assumed that, over the long-term, the annual rate of return on investments will be higher than the annual increase in pensionable remuneration and in present and future pensions in payment. For the key factors influencing the actuarial valuations, the average assumptions for the principal schemes, weighted by market value, at their most recent valuation were: interest rate 7.2% p.a.; salary increases 4.6% p.a.; pension increases 3.2% p.a. Assets are generally valued at a smoothed market value by spreading gains and losses relative to the actuarial basis over a three to five year period.

At 31 December 1999 the market value of the assets of externally funded defined benefit schemes was Fl. 36 046 million (1998: Fl. 29 175 million), and net provisions in the accounts amounted to Fl. 4 149 million (1998: Fl. 3 691 million). The level of funding of all defined benefit schemes at the dates of the last valuations, in aggregate, was 124% (1998: 127%). The levels of funding represent the actuarial value of fund assets and the provisions held in the consolidated accounts at the dates of the most recent valuations expressed as a percentage of the value of benefits that had accrued to members at those dates, after allowing for expected future increases in pensionable remuneration and pensions in the course of payment.

Pension costs and company contributions to defined benefit schemes (as shown in note 3 on page 13) have been reduced in recent years principally by the amortisation of surpluses in the Group's two biggest funds, which have been amortised using the 'mortgage method'. The net amount of surplus recognised in the profit and loss account in 1999 was Fl. 534 million (1998: Fl. 626 million). It is expected that pension costs will continue to benefit from the amortisation of fund surpluses for a number of years.

In 1999 the Group received a gross cash refund of Fl. 350 million from a Netherlands fund in a surplus position, and Fl. 237 million from a Finnish fund in surplus. These cash refunds do not directly impact the pension charge for 1999 as the surplus is amortised in accordance with the Group's accounting policies. Further refunds from these funds may occur in 2000.

The Group also operates a number of defined contribution schemes. The assets of all the Group's defined contribution schemes are held in independently administered funds. The pension costs charged to the profit and loss account represent contributions payable by the Group to the funds. The market value of the assets of externally funded defined contribution schemes as at 31 December 1999 was Fl. 3 931 million (1998: Fl. 3 378 million).

31 Post-retirement health benefits

Group companies provide post-retirement health care benefits to a number of retired employees in certain countries, principally the United States, under several different plans which are predominantly unfunded. In assessing the liability in respect of these benefits, advice is obtained from independent actuaries. The valuations typically assume that medical cost inflation will fall from its current level of approximately 8.5% over the next few years and reach a constant level of approximately 5.0% by the year 2006. The weighted average discount rate has increased from approximately 6.0% at 1 January 1999 to approximately 7.5% at 31 December 1999. The net provisions in the accounts at 31 December 1999 amounted to Fl. 1 797 million (1998: Fl. 1 560 million). The level of funding of all schemes at the last valuation was, in aggregate, 109% (1998: 99%). The level of funding represents the actuarial value of plan assets and the provisions held in the consolidated accounts at the dates of the most recent valuations, expressed as a percentage of the value of the benefits that had accrued to members at those dates after allowing for increases in the costs of medical cover.

Unilever Group Notes to the consolidated accounts

32 Financial instruments

As outlined in the 'Unilever Annual Review 1999', in the Financial Review section on page 35, there are comprehensive policies in place, approved by the directors, covering the use of straightforward derivative financial instruments. These instruments are used only for hedging purposes. The accounting policies governing these instruments are in line with generally accepted practice and follow hedge accounting principles described in the accounting policies on page 8. The use of leveraged instruments is not permitted. Details of the instruments used for interest rate and foreign exchange exposure management, together with information on related exposures, are given below.

Except for the description of Unilever's currency exposures, all debtors and trade and other creditors have been excluded from the analysis below and from the interest rate and currency profiles in notes 14 and 15 on pages 16 and 18 either due to the exclusion of short-term items, as permitted by United Kingdom Financial Reporting Standard 13, or because the amounts are not material.

The reduction in the portion of fixed investments and fixed rate debt during 1999 and the position at the year end is in line with Unilever's interest rate management policy. Unilever operates an interest rate management policy aimed at optimising net interest and reducing volatility. In general, cash is invested short-term, at floating interest rates. The interest payable on debt is in general also floating, but depending on the Group's financial position, part may be fixed up to five years. This is achieved by using fixed rate long-term debt issues and derivative financial instruments such as interest rate swaps and forward rate agreements.

At the end of 1999 interest rates were fixed on approximately 22% of the projected debt for 2000 and 21% for 2001 (compared to 72% for 1999 and 50% for 2000 at the end of 1998). Interest receivable was fixed on approximately 34% of projected funds for 2000 and 15% for 2001 (compared to 31% for 1999 and 16% for 2000 at the end of 1998). Nominal values of interest rate derivative instruments are shown in the table below. These nominal values when compared to the nominal value of the underlying debt and investments do not reflect the actual level of use of financial instruments. This is because certain financial instruments have consecutive strike and maturity dates in the same underlying investments in different periods. Derivatives are primarily used to swap fixed interest long-term debt into floating rate debt or to swap floating rate investments into fixed rate investments. Whilst the nominal amounts reflect the volume of activity, they do not therefore properly reflect the amount of credit risk to which the Group is exposed. The market value of these interest rate instruments at the end of 1999 represented an unrealised and unrecognised loss of Fl. 60 million (1998: gain of Fl. 243 million). In 1998 losses of Fl. 47 million were deferred on the balance sheet. Of these derivative financial instruments 44% (1998: 50%) will mature within one year, 92% (1998: 93%) within five years and the balance within ten years.

Fl. million	Nominal amounts at 31 December	
	1999	1998
Interest rate swaps	8 278	11 280
Forward rate agreements	2 641	—
Total	10 919	11 280

Under the Group's foreign exchange policy, exposures with a maximum of one year maturity are generally hedged; this is achieved through the use of forward foreign exchange contracts. The market value of these instruments at the end of 1999 represented a recognised unrealised loss of Fl. 284 million (1998: Fl. 190 million) which was largely offset by recognised unrealised gains on the underlying assets and liabilities.

Fl. million	Nominal amounts at 31 December	
	1999	1998
Foreign exchange contracts – buy	3 889	9 872
– sell	7 849	17 642
Total	11 738	27 514

Unilever Group Notes to the consolidated accounts

32 Financial instruments (continued)

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

Fl. million	Fair value		Carrying amount	
	1999	1998	1999	1998
Financial assets:				
Other fixed investments	269	294	238	257
Current investments	3 254	10 870	3 254	10 870
Cash	8 807	12 011	8 807	12 011
	12 330	23 175	12 299	23 138
Financial liabilities:				
Bonds and other loans	(6 083)	(6 422)	(6 002)	(6 082)
Bank loans and overdrafts	(4 551)	(4 064)	(4 551)	(4 064)
	(10 634)	(10 486)	(10 553)	(10 146)
Derivatives:				
Interest rate swaps – assets	71	362	—	—
– liabilities	(131)	(119)	3	(44)
Forward rate agreements – liabilities	—	—	(3)	(3)
Foreign exchange contracts – assets	92	66	(284)	(190)
– liabilities	(376)	(256)	—	—

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

Currency exposures

Group treasury manages the foreign exchange exposures that arise from the Group's financing and investing activities in accordance with Group policies.

The objectives of Unilever's foreign exchange policies are to allow operating companies to manage the foreign exchange exposures that arise from trading activities effectively within a framework of control that does not expose the Group to unnecessary foreign exchange risks. Operating companies are required to cover substantially all foreign exchange exposures arising from trading activities and each company operates within a specified maximum exposure limit. Business Groups monitor compliance with these policies. Compliance with the Group's policies means that the net amount of monetary assets and liabilities at 31 December 1999 that are exposed to currency fluctuations is not material.

Unilever Group Notes to the consolidated accounts

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

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

Profit and loss account for the year ended 31 December

Fl. million	NV		PLC	
	1999	1998	1999	1998
Turnover	60 947	61 495	29 349	27 617
Continuing operations	60 647	61 495	29 349	27 617
Acquisitions	300		—	
Operating profit	5 841	5 565	3 641	4 153
Continuing operations	5 854	5 565	3 641	4 153
Acquisitions	(13)		—	
Income from fixed investments	83	58	31	24
Interest	(85)	93	55	251
Profit on ordinary activities before taxation	5 839	5 716	3 727	4 428
Taxation	(1 882)	(2 024)	(1 135)	(1 314)
Profit on ordinary activities after taxation	3 957	3 692	2 592	3 114
Minority interests	(75)	(37)	(368)	(281)
Net profit	3 882	3 655	2 224	2 833

Balance sheet as at 31 December

Fixed assets	13 943	12 712	7 228	6 283
Current assets				
Stocks	7 160	6 831	4 131	3 630
Debtors	13 144	11 142	3 791	3 707
Debtors due within one year	9 703	8 868	2 950	2 429
Debtors due after more than one year	3 441	2 274	841	1 278
Cash and current investments	8 440	16 637	3 621	6 244
	28 744	34 610	11 543	13 581
Creditors due within one year	(19 156)	(26 409)	(7 584)	(13 205)
Borrowings	(5 488)	(4 428)	(981)	(695)
Trade and other creditors	(13 668)	(21 981)	(6 603)	(12 510)
Net current assets	9 588	8 201	3 959	376
Total assets less current liabilities	23 531	20 913	11 187	6 659
Creditors due after more than one year	5 793	6 218	448	484
Borrowings	4 025	4 771	59	252
Trade and other creditors	1 768	1 447	389	232
Provisions for liabilities and charges	8 094	7 320	2 003	2 187
Intra-group – NV/PLC	(4 035)	(567)	4 035	567
Minority interests	187	128	1 088	771
Capital and reserves	13 492	7 814	3 613	2 650
Total capital employed	23 531	20 913	11 187	6 659

Directors' remuneration and interests

Unilever Group

Report to the shareholders

The following comprises the report to shareholders by the Boards. In drawing up this report, the Boards have taken into account the recommendations of the Committee on Corporate Governance in the Netherlands (Peters Committee).

The Boards have also given full consideration to the Combined Code appended to the Listing Rules of the London Stock Exchange ('Combined Code') in framing the remuneration policy. PLC's statement of compliance with respect to the Combined Code, as required by the said Listing Rules, is on page 5. This report deals with any non-compliance with the Combined Code in the area of remuneration policy.

The Boards are guided by a Remuneration Committee comprising FH Fentener van Vlissingen (Chairman), Sir Derek Birkin and B Collomb which makes recommendations to the Boards on Unilever's framework of executive remuneration. The Committee determines, on the Boards' behalf, specific remuneration packages for each of the executive directors, including pension rights, grants of share options and any compensation payments.

Policy: directors' emoluments

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

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

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

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

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

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

- (i) **Salary:**
Salaries are fixed by the Remuneration Committee. They are usually fixed in the currency appropriate to the location, the Netherlands, United Kingdom or United States, where the director is based. On the same basis as other employees, directors receive an additional month's salary in the year they complete 25 years' service with Unilever.
- (ii) **Allowances and value of benefits in kind:**
In appropriate cases, and usually in accordance with the same rules as apply to all qualifying employees, directors receive allowances to help them meet expenses incurred by virtue of their employment, for example in respect of relocation and consequential disturbance and education expenses. Certain of the London based directors receive an allowance to take account of the fact that part of their remuneration is paid in the Netherlands. Benefits in kind are items such as a company car and medical insurance.
- (iii) **Performance related payments:**
These arise primarily under an annual bonus scheme. Bonuses are set by the Remuneration Committee. The maximum cash bonus for directors is 40% of salary. Bonuses are based on achievement of a target or target range which may involve two measures of performance:
 - (a) a corporate target; and
 - (b) individual targets.
 The corporate target is based on the average of the increase in earnings per share expressed in guilders and in pounds sterling. The individual targets are based on previously agreed key objectives. Directors are given the opportunity to use 25% of their cash bonuses, during the year of payment, to purchase shares in NV and PLC and to be awarded shares of equivalent value, upon condition that all the shares are retained for at least five years.

Unilever Group Directors' remuneration and interests

Report to the shareholders (continued)

Policy: directors' pensions

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

All directors are members of the normal Unilever pension schemes. Because directors are paid by both NV and PLC, they participate in both the NV and PLC normal pension schemes. The NV scheme has been on a contribution holiday since 1990. The PLC scheme has been on a contribution holiday since January 1997.

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

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

Directors' pensions

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

NV scheme ⁽¹⁾

	Age, at 31 December 1999		Normal Retirement Age ⁽²⁾		Contributions paid by director during 1999 Fl.	Increase in accrued pension during 1999 ⁽³⁾⁽⁴⁾ Fl.	Total accrued pension at 31 December 1999 ⁽⁴⁾ Fl.
	yrs	mths	yrs	mths			
M Tabaksblat ⁽⁵⁾	62	3	60	0	0	1 128	1 595 748
A Burgmans ⁽⁶⁾	52	11	60	0	0	117 369	765 256
H Eggerstedt ⁽⁷⁾	61	10	60	0	0	43 328	1 244 856
A Kemner	60	3	60	0	0	156 562	1 033 251
J Peelen	59	10	60	0	0	163 713	1 026 669

PLC scheme

	Age, at 31 December 1999		Normal Retirement Age ⁽²⁾		Contributions paid by director during 1999 £	Increase in accrued pension during 1999 ⁽³⁾⁽⁸⁾ £	Total accrued pension at 31 December 1999 ⁽⁸⁾ £
	yrs	mths	yrs	mths			
NWA FitzGerald	54	4	60	9	0	56 979	510 474
RD Brown	53	1	60	0	0	15 787	228 292
A C Butler	53	6	60	0	0	21 948	260 272
P J Cescau ⁽⁹⁾	51	3	60	0	0	149 751	192 240
RHP Markham	53	10	60	0	0	44 414	251 351
RM Phillips ⁽¹⁰⁾	61	6	60	0	0	42 392	556 723

Unilever Group Directors' remuneration and interests

Report to the shareholders (continued)

Directors' pensions (continued)

- (1) The NV early retirement scheme operates on the basis of a justifiable expectation and does not provide a vested deferred entitlement. Directors leaving before age 55 are not entitled to any benefit, while those terminating service at age 55 or older can expect to receive an immediate pension under the expectations of the scheme.
- (2) Normal Retirement Age is that established for the purposes of the respective early retirement scheme for the director, and generally does not coincide with the termination date of his employment under the terms of his service contracts (see 'Service contracts' on page 40).
- (3) The increase in accrued pension during the year excludes any increase for inflation over the year, and is shown on a consistent basis with the accrued pension at the end of the year. For directors retiring during the year, the accrued pension and its increase are based on the position when the director retired. For directors appointed during the year, the increase is based on the difference between the accrued pension at the end of the year and the accrued pension immediately prior to the appointment.
- (4) For directors in the NV early retirement scheme aged 55 and over, the accrued pension is the immediate annual pension payable under all Unilever schemes. For the NV director under age 55, no pension is included in respect of the NV early retirement scheme and the accrued pension is that payable in total, under the normal Unilever schemes, ignoring any future inflationary increases. The accrued pension under the normal PLC scheme is payable from age 65, while the accrued pension under the normal NV scheme is shown payable from age 62, which is the age at which the most valuable retirement terms are provided, and includes temporary pensions converted to lifetime equivalent pensions. The additional lump sum of one year's final pensionable pay, payable on normal retirement is excluded from these pensionable amounts. Amounts paid are disclosed separately in the year of retirement.
- (5) Retired during the year. In addition to the pension benefit shown, a lump sum amount of Fl. 2 640 000 was paid on retirement.
- (6) 88% of the total accrued pension at 31 December 1999 and 82% of the increase in accrued pension correspond to the normal NV scheme.
- (7) Retired during the year. In addition to the pension benefit shown, a lump sum amount of Fl. 2 058 000 was paid on retirement.
- (8) For the PLC scheme, the accrued pension shown is that which would be paid annually from Normal Retirement Age, based on service to 31 December 1999, and includes benefits from all Unilever schemes. It does not include allowance for any future inflationary increases.
- (9) Elected on 4 May 1999. The accrued pension includes benefits (actuarially converted for consistency) under all Unilever Schemes and those earned, prior to appointment, under social security schemes.
- (10) The pension will be converted to US dollars upon retirement and will be increased in future to maintain US purchasing power.

Directors' pensions: further information

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

For directors in the NV early retirement scheme who are aged 55 or more, the immediate early retirement pension is shown. For the NV director who has not attained age 55 by the year end, the pension payable under the normal NV scheme is shown payable from the age at which it is most valuable, while that payable under the normal PLC scheme is payable unreduced (partly discretionary and partly by right) from age 60, and subject to a 5% per annum reduction for each year that retirement precedes age 60.

For directors in the PLC early retirement scheme, early retirement is possible from age 50 (or age 55 for PLC directors appointed after 1 January 1999), in which case the total accrued pension is reduced by 5% per annum for each year of early retirement prior to age 60.

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

Where, for directors in the NV early retirement scheme, the early retirement pension is shown, this amount will be reduced at age 65 by an allowance, currently Fl. 25 801, corresponding to the State benefits payable. The pension may also be subject to minor adjustments to equalise social security benefits.

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

Unilever Group Directors' remuneration and interests

Report to the shareholders (continued)

Directors' emoluments

The aggregate emoluments of the directors were as follows:

	Fl.		£	
	1999	1998	1999	1998
Salary	15 878 902	15 819 554	4 747 056	4 809 837
Allowances and value of benefits in kind	2 401 242	2 416 405	717 860	734 693
Performance related payments	5 278 724	7 797 962	1 578 094	2 370 922
Total	23 558 868	26 033 921	7 043 010	7 915 452
Gains on exercise of share options ⁽¹⁾	2 585 849	8 008 505	773 049	2 434 936

The emoluments of the individual directors were as follows:

	Salary	Allowances and value of benefits in kind	Performance related payments ⁽¹⁾	Total 1999	Total 1998	Equivalent totals ⁽¹⁰⁾	
						1999	1998
	Fl.	Fl.	Fl.	Fl.	Fl.	£	£
Paid in guilders:							
M Tabaksblat ⁽²⁾	916 667	87 280	264 642	1 268 589	3 272 891	379 249	995 102
A Burgmans ⁽³⁾	1 533 333	41 507	558 483 ⁽⁹⁾	2 133 323	1 909 962	637 765	580 712
A Kemner	1 420 000	35 838	495 617 ⁽⁹⁾	1 951 455	1 858 548	583 395	565 080
J Peelen	1 420 000	286 353	409 954	2 116 307	2 151 582	632 678	654 175
Paid in pounds sterling:							
NWA FitzGerald ⁽⁴⁾	750 000	118 550	284 525 ⁽⁹⁾	1 153 075	1 116 333	3 857 037	3 671 620
RD Brown	398 965 ⁽⁷⁾	163 623	119 757	682 345	648 196	2 282 444	2 131 915
AC Butler	400 000	41 191	153 230 ⁽⁹⁾	594 421	839 497	1 988 338	2 761 106
P J Cescau ⁽⁵⁾	233 333	93 057	104 545	430 935	0	1 441 479	0
H Eggerstedt ⁽⁶⁾	228 750	6 872	66 040	301 662	702 795	1 009 059	2 311 491
RHP Markham	375 000	42 158	139 713 ⁽⁹⁾	556 871	363 972	1 862 733	1 197 104
Paid in US dollars:							
RM Phillips	1 260 521 ⁽⁸⁾	190 139	312 863	1 763 523	1 720 180	3 648 104	3 414 408
						£	£
						1 090 614	1 038 129

(1) See pages 37 and 38.

(2) Chairman of NV, retired on 31 May 1999.

(3) Chairman of NV.

(4) Chairman of PLC.

(5) Elected on 4 May 1999.

(6) Retired on 31 May 1999.

(7) Includes 25 year service award of £33 965.

(8) Includes 25 year service award of US \$ 135 521.

(9) Includes value of shares awarded under bonus scheme (see page 32).

(10) Based on average rates for the year of £1 = Fl. 3.345, £1 = US \$ 1.617, US \$ 1 = Fl. 2.069 (1998: £1 = Fl. 3.289, £1 = US \$ 1.657, US \$ 1 = Fl. 1.985).

For the years up to and including 1997 NV lent the amount of taxation charged on the grant of options under Dutch fiscal legislation to the recipients. Amounts are repaid when the options are exercised. At 31 December 1999 a total of Fl. 1.0 million (1998: Fl. 1.1 million) was lent to the directors.

No compensation for loss of office, payments for loss of office or other termination payments were paid to directors in 1999.

Unilever Group Directors' remuneration and interests

Report to the shareholders (continued)

Directors' interests: share options

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

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

Grants of share options to directors and other senior executives in 1999 were made under the International 1997 Executive Share Option Scheme (the 'International Scheme') which was established after taking into account the guidelines and views of institutional investor committees. The International Scheme comprises the NV Executive Share Option Scheme, the Unilever PLC International 1997 Executive Share Option Scheme, the Unilever PLC 1985 Executive Share Option Scheme and the North American Executive Stock Option Plan. The Boards granted options to acquire a number of ordinary shares in NV and a number of ordinary shares in PLC of approximately equal market value.

The Boards have established benchmark grant levels (the 'normal allocation') to assist in determining actual grant levels under the International Scheme. In accordance with the undertaking made at the time the International Scheme was introduced, the Remuneration Committee has reviewed these normal allocations and has determined that they continue to be in line with those awarded by companies in Unilever's peer group. The actual level of grant made to each individual, which is decided by the Boards, who are advised by the Remuneration Committee, is dependent on certain performance criteria, group and individual, which are set annually by the Boards and the Remuneration Committee. These criteria must be satisfied before an individual can be granted an option.

The Group criterion for 1999 was that the Group's earnings per share over the three financial years preceding the date of grant of any option should have cumulatively risen by at least 6% more than the rate of inflation. If it had not, no grants would have been made.

Once the Group criterion had been met, each individual's option grant varied according to the percentage increase, above the rate of inflation, of the Group's earnings per share over the financial year preceding the date of grant. The level of grant would vary according to the amount of the percentage rise. The Remuneration Committee decided that for 1999 the targets and levels of grant would be:

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

The normal allocations in 1999 to which the percentages above would be applied were:

	NV shares	PLC shares
Chairmen	12 000	80 000
Other directors	6 000 - 7 500	40 000 - 50 000

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

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

Prior to 1997, options under the NV and PLC Executive Share Option Schemes were only granted if the Remuneration Committee was satisfied that there had been a sufficient improvement in the performance of the Group over the two to three years preceding the grant. The grant of options was discretionary. It was dependent on the Chairmen being satisfied that the grant was merited by the individual in the light of personal performance and potential for future contribution to the business. For the Boards, the Remuneration Committee had to be so satisfied. Options were phased in evenly over a three year period. The maximum number of options depended on seniority. The maximum aggregate value of the exercise prices of options that could be held at any one time was four times appropriate salary.

Unilever Group Directors' remuneration and interests

Report to the shareholders (continued)

Directors' interests: share options (continued)

Options to acquire NV ordinary shares of Fl. 1.12 each and options to acquire PLC ordinary shares of 1.4p each were granted, exercised and held during 1999 as follows:

Name		1 January Fl. 1/1.25p	Granted (g)	Exercised	31 December Fl. 1.12/1.4p	Options outstanding below market price at end of year		Options outstanding above market price at end of year	
						Number	Weighted average price	Number	Weighted average price
A Burgmans	(a)	61 512	18 000 ⁽²⁾	6 252 ⁽⁶⁾	73 260	46 260	Fl. 64.42	27 000	Fl. 144.21
	(b)	122	50 ⁽³⁾	0	172	72	Fl. 66.58	100	Fl. 133.64
	(c)	120 000	120 000 ⁽⁴⁾	0	240 000	60 000	407p	180 000	593p
	(d)	2 904	0	0	2 904	0	0	2 904	594p
NWA FitzGerald	(a)	42 932	18 000 ⁽²⁾	0	60 932	24 932	Fl. 84.37	36 000	Fl. 146.34
	(b)	50	50 ⁽³⁾	0	100	0	0	100	Fl. 133.64
	(c)	635 392	120 000 ⁽⁴⁾	0	755 392	515 392	315p	240 000	611p
	(d)	5 025	0	0	5 025	3 864	268p	1 161	594p
RDBrown	(a)	18 636	9 000 ⁽²⁾	0	27 636	9 636	Fl. 91.95	18 000	Fl. 146.34
	(c)	166 180	60 000 ⁽⁴⁾	0	226 180	106 180	364p	120 000	611p
	(d)	1 240	0	0	1 240	1 240	278p	0	0
ACButler	(a)	25 450	11 250 ⁽²⁾	0	36 700	14 200	Fl. 85.79	22 500	Fl. 146.34
	(b)	0	50 ⁽³⁾	0	50	0	0	50	Fl. 140.27
	(c)	388 212	75 000 ⁽⁴⁾	0	463 212	313 212	330p	150 000	611p
	(d)	4 652	0	0	4 652	4 652	371p	0	0
PJCescau	(a)	20 250 ⁽¹⁾	0	0	20 250	0	0	20 250	Fl. 145.62
	(c)	135 000 ⁽¹⁾	0	0	135 000	0	0	135 000	605p
	(e)	45 000 ⁽¹⁾	0	0	45 000	45 000	US \$ 38.84	0	0
	(f)	100 192 ⁽¹⁾	0	0	100 192	100 192	US \$ 6.72	0	0
AKemner	(a)	47 966	11 250 ⁽²⁾	11 524 ⁽⁷⁾	47 692	25 192	Fl. 73.54	22 500	Fl. 146.34
	(b)	122	50 ⁽³⁾	0	172	72	Fl. 66.58	100	Fl. 133.64
	(c)	150 000	75 000 ⁽⁴⁾	0	225 000	75 000	407p	150 000	611p
	(d)	6 440	0	0	6 440	6 440	268p	0	0
RHPMarkham	(a)	51 082	11 250 ⁽²⁾	0	62 332	39 832	Fl. 61.42	22 500	Fl. 146.34
	(b)	50	50 ⁽³⁾	0	100	0	0	100	Fl. 133.64
	(c)	167 292	75 000 ⁽⁴⁾	0	242 292	92 292	384p	150 000	611p
	(d)	0	3 283 ⁽⁵⁾	0	3 283	0	0	3 283	514p
JPeelen	(a)	70 858	0	10 960 ⁽⁶⁾	59 898	48 648	Fl. 66.80	11 250	Fl. 152.70
	(b)	122	50 ⁽³⁾	0	172	72	Fl. 66.58	100	Fl. 133.64
	(c)	150 000	0	0	150 000	75 000	407p	75 000	668p
	(d)	5 025	0	0	5 025	3 864	268p	1 161	594p
RMPhillips	(a)	18 000	0	0	18 000	9 000	Fl. 94.30	9 000	Fl. 152.70
	(c)	457 928	0	0	457 928	397 928	315p	60 000	668p
	(e)	71 800	0	0	71 800	71 800	US \$ 26.05	0	0
MTabaksblat	(a)	86 120	0	0	86 120 ⁽⁹⁾	86 120	Fl. 63.96	0	0
	(c)	120 000	0	0	120 000 ⁽⁹⁾	120 000	407p	0	0
HEggerstedt	(a)	50 300	0	0	50 300 ⁽⁹⁾	50 300	Fl. 62.53	0	0
	(c)	75 000	0	0	75 000 ⁽⁹⁾	75 000	407p	0	0
	(d)	3 864	0	0	3 864 ⁽⁹⁾	3 864	268p	0	0

(a) Number of NV shares the subject of options under the International Scheme.

(b) NV Employee Share Option Scheme.

(c) Number of PLC shares the subject of options under the International Scheme.

(d) PLC 1985 Sharesave Scheme.

(e) Number of NV New York shares the subject of options under the International Scheme.

(f) Number of PLC shares the subject of options in the form of American Depositary Receipts under the International Scheme.

(g) Granted in the year on the basis of earnings per share in the prior year.

See also notes on page 38.

Unilever Group Directors' remuneration and interests**Report to the shareholders** (continued)**Directors' interests: share options** (continued)

All share options are exercisable at a range of dates between 2000 and 2009 (see note 20 on page 21). No options lapsed unexercised during the year. The market price of the ordinary shares at the end of the year was for NV Fl. 120.78 and US \$ 54.44 and for PLC 456p and US \$ 7.56, and the range during the year was between Fl. 107.98 and Fl. 163.07 and US \$ 49.50 and US \$ 88.25, and between 401p and 695p and US \$ 6.45 and US \$ 11.67 respectively. Options outstanding above and below the market prices at 31 December 1999 are set out in the table on page 37.

Notes:

Note number	Number of shares	Exercise price	Market price at date of exercise
(1)			On election as director
(2)	all	Fl. 139.95	
(3)	all	Fl. 140.27	
(4)	all	555p	
(5)	all	514p	
(6)	6 252	Fl. 48.00	Fl. 138.37
(7)	1 876	Fl. 48.00	Fl. 138.35
	9 648	Fl. 48.70	Fl. 138.35
(8)	1 876	Fl. 48.00	Fl. 138.35
	4 312	Fl. 48.70	Fl. 138.35
	4 772	Fl. 50.30	Fl. 140.49
(9)			On date of retirement

The exercise of all options under the NV Executive Share Option Scheme and North American Executive Stock Option Plan has always been satisfied by the transfer of shares purchased in the market at the time of grant and held until exercise. The same practice has been adopted in respect of the PLC 1985 Sharesave and Executive Share Option Schemes for grants made from 1990 onwards and in respect of the NV Employee Share Option Scheme and the North American Employee Stock Purchase Plan from their inceptions during 1995. The Board has continued the same practice with the Unilever PLC International 1997 Executive Share Option Scheme. During 1999, 2 803 641 NV shares and 17 732 079 PLC shares were purchased in the market in respect of options granted under these schemes, and 782 480 NV shares and 6 558 181 PLC shares to bring the number of shares back to the level before the share consolidation.

Unilever Group Directors' remuneration and interests

Report to the shareholders (continued)

Directors' interests: share capital

The interests in the share capitals of NV and PLC and their group companies of those who were directors at the end of 1999 and of their families were as shown in the tables below:

	1 January	31 December
NV (ordinary shares)	Fl. 1	Fl. 1.12
A Burgmans	856	6 920
NWA FitzGerald	5 504	6 175
A C Butler	—	625
A Kemner	870	1 454
RHP Markham	—	582
J Peelen	894	798
RM Phillips	8 694	7 762
NV (preference shares)		Fl. 0.10
A Burgmans	—	7 750
A Kemner	—	1 628
J Peelen	—	894
PLC (ordinary shares)	1.25p	1.4p
NWA FitzGerald	33 140	40 357
	175 632 840 ^(a)	156 815 034 ^(a)
A Burgmans	17 894	20 627
A C Butler	24 828	27 243
A Kemner	14 684	18 605
RHP Markham	43 140	43 246
J Peelen	9 342	8 340
RM Phillips	10 572	9 439
Margarine Union (1930) Limited (shares)		
NWA FitzGerald	600 ^(a)	600 ^(a)

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

On 10 May 1999 Unilever's share capital was consolidated on the basis of 100 new shares of Fl.1.12 each for every 112 existing NV shares of Fl.1 each and 100 new shares of 1.4p each for every 112 existing PLC shares of 1.25p each.

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

	1 January Fl. 1/1.25p	31 December Fl. 1.12/1.4p
All directors – NV ordinary shares	551 802	—
– PLC ordinary shares	39 623 389	42 492 210

On election of PJ Cescau as a director on 4 May 1999 the trusts held 42 129 131 PLC 1.25p shares and 1 099 623 NV Fl. 1 shares.

Further information, including details of the NV and PLC ordinary shares acquired by certain group companies in connection with other share option schemes, is given in note 20 on pages 21 and 22.

The only changes in the interests of the directors and of their families in NV and PLC ordinary shares between 31 December 1999 and 29 February 2000 were that:

- (i) the holding of the Unilever Employee Share Trusts has reduced to 42 318 616 PLC shares;
- (ii) Mr NWA FitzGerald acquired 30 PLC shares;
- (iii) Mr J Peelen acquired and sold 37 396 NV shares through the exercise of options granted under the NV Executive Share Option Scheme.

Unilever Group Directors' remuneration and interests

Report to the shareholders (continued)

Service contracts

NV and PLC's Articles of Association require that at every Annual General Meeting all the directors shall retire from office. All directors' contracts of service with the Unilever Group are generally terminated no later than the end of the month in which the Annual General Meeting next before or after the director's 62nd birthday occurs.

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

The compensation payable to a director upon the termination of his service contract will be calculated in accordance with the law applicable. The directors have service contracts with both NV and PLC. The Remuneration Committee's aim is always to deal fairly with cases of termination whilst taking a robust line in minimising any such compensation. The Remuneration Committee has given due consideration to the recommendations contained in the Combined Code regarding the merits of providing explicitly in the directors' contracts of service provisions relating to compensation commitments in the event of early termination. However the companies have to take account of the law in the Netherlands that provides that, irrespective of what the service contract may say, the termination of employment for a reason other than misconduct or negligence entitles a long serving employee to compensation comparable to at least two year's remuneration. The Committee will continue to keep its current practice under review.

In 1999 three directors served for only part of the year. In 1998 two directors served for only part of the year.

Advisory Directors

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

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

The annual fee paid in 1999 to each of B Collomb, O Fanjul, FH Fentener van Vlissingen, H Kopper and HOCR Ruding was Fl. 80 000 and to each of Sir Derek Birkin, Lady Chalker of Wallasey, CX Gonzalez and Senator G J Mitchell was £27 500. Sir Brian Hayes and Lord Wright of Richmond retired during the year and each received fees of £9 424.

At the end of 1999 the aggregate interests of the Advisory Directors in the share capital of NV and PLC were 8 479 (1998: 8 375) ordinary shares of NV and 1 785 (1998: 4 000) ordinary shares of PLC.

Principal group companies and fixed investments

as at 31 December 1999

Unilever Group

The companies listed below and on pages 42 and 43 are those which in the opinion of the directors principally affect the amount of profit and assets shown in the Unilever Group accounts. The directors consider that those companies not listed are not significant in relation to Unilever as a whole.

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

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

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

Holding companies	H
Foods	F
Home & Personal Care	P
Other Operations	O

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

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

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

Principal group companies

%	Europe	
	Austria – NV	
	Austria Frost Nahrungsmittel Ges.m.b.H.	F
	Eskimo-Iglo Ges.m.b.H.	F
	Österreichische Unilever Ges.m.b.H.	FP
	Belgium – NV	
	Unilever Belgium N.V.	FPO
	Czech Republic – NV	
	Unilever ČR s.r.o.	FP
	Denmark – NV	
	Unilever Danmark A/S	FP
	Finland – NV	
	Suomen Unilever Oy	FP
	France – NV	
99	Astra-Calvé S.A.	F
99	Boursin S.A.S.	F
99	Choky S.A.	F
99	Cogesal-Miko S.A.	F
99	Elida Fabergé S.A.	P
99	Fralib S.A.	F
99	Frigedoc S.A.	F
99	Lever S.A.	P
99	Relais d'Or-Miko S.A.	F
99	Unilever France S.A.	H

%	Europe (continued)	
	Germany – NV	
	Deutsche Unilever GmbH	H
	Langnese-Iglo GmbH	F
	Lever Fabergé Deutschland GmbH	P
	Meistermarken-Werke GmbH, Spezialfabrik für Back- und Grossküchenbedarf	F
	Union Deutsche Lebensmittelwerke GmbH	F
	Greece – NV	
51	'Elais' Oleaginous Products A.E.	F
	Unilever Hellas A.E.B.E.	FP
	Hungary – NV	
	Unilever Magyarország Beruházási Kft	FP
	Ireland – PLC	
	Lever Fabergé Ireland Ltd.	P
	Lyons Tea Ireland Ltd.	F
	Van den Bergh Foods Ltd.	F
	Italy – NV	
	Sagit SpA	F
	Unilever Italia SpA	FP
	The Netherlands – NV	
	DiverseyLever B.V.	P
	IgloMora Groep B.V.	F
	Lever Fabergé Nederland B.V.	P
	Loders Crocklaan B.V.	F
★	Unilever N.V.	H
	Unilever Nederland B.V.	H
	UniMills B.V.	F
	Van den Bergh Nederland B.V.	F
	Poland – NV	
99	Unilever Polska S.A.	FP
	Portugal – NV	
74	IgloOlá-Distribuição de Gelados e de Ultracongelados, Lda.	F
60	LeverElida-Distribuição de Produtos de Limpeza e Higiene Pessoal, Lda.	P
	Romania – NV	
99	Unilever Romania	FP
	Russia – NV	
	Unilever SNG	FP
	Slovakia – NV	
	Unilever Slovensko spol. sr. o.	FP
	Spain – NV	
99	Frigo S.A.	F
	Frudesa S.A.	F
	Unilever España S.A.	HP
	Unilever Foods España S.A.	F

★ See 'Basis of consolidation' on page 2.

Principal group companies and fixed investments

as at 31 December 1999

Unilever Group

Principal group companies (continued)

% Asia and Pacific			% Latin America		
	Australia – PLC Unilever Australia Ltd.	FP		Argentina – NV Unilever de Argentina S.A.	FP
61	Bangladesh – PLC Lever Brothers Bangladesh Ltd.	FP		Bolivia – NV Quimbol Lever S.A.	FP
97	China – NV Unilever (China) Ltd. Unilever Foods (China) Company Ltd. Wall's (China) Company Ltd.	H F F	99	Brazil – NV Indústrias Gessy Lever Ltda.	FP
	China S.A.R. – NV Unilever Hong Kong Ltd.	FP		Chile – NV Lever Chile S.A. (PLC 25%)	FP
51	India – PLC Hindustan Lever Ltd. (NV 2%)	FPO	60	Colombia – NV Unilever Andina (Colombia) S.A. Varela S.A.	FP P
85	Indonesia – NV P.T. Unilever Indonesia	FP		Dominican Republic – NV Unilever Dominicana S.A.	P
	Japan – NV Nippon Lever B.V. (incorporated in the Netherlands)	FP	60	El Salvador – NV Industrias Unisola S.A.	FP
	Japan – PLC Lever Brothers Ltd. (incorporated in the United Kingdom)	P		Mexico – NV Unilever de Mexico S.A.	FP
70	Malaysia – PLC Pamol Plantations Sdn. Bhd. Unilever (Malaysia) Holdings Sdn. Bhd.	O FP		Netherlands Antilles – NV Unilever Becumij N.V.	O
	New Zealand – PLC Unilever New Zealand Ltd.	FP		Paraguay – NV Unilever Capsa del Paraguay S.A.	FP
67	Pakistan – PLC Lever Brothers Pakistan Ltd.	FP	99	Peru – NV Industrias Pacocha S.A.	FP
	Philippines – NV Unilever Philippines Inc.	FP	50	Trinidad & Tobago – PLC Lever Brothers West Indies Ltd.	FP
	Singapore – PLC Unilever Singapore Private Ltd.	FP		Uruguay – NV Sudy Lever S.A.	FP
	South Korea – NV Unilever Korea	P		Venezuela – NV Unilever Andina S.A.	FP
	Sri Lanka – PLC Unilever Ceylon Ltd.	FPO	Principal fixed investments		
	Taiwan – NV Unilever Taiwan Ltd.	P	Joint ventures		
	Thailand – NV Unilever Thai Holdings Ltd.	FP	% Europe		
66	Vietnam – NV Lever HASO	P	40	Portugal – NV FIMA – Produtos Alimentares, Lda.	F
66	Lever VISO	P	% North America		
			50	United States of America – NV (75%); PLC (25%) The Pepsi/Lipton Tea Partnership	F

Company accounts

Unilever N.V.

Balance sheet as at 31 December

	Fl. million	
	1999	1998
Fixed assets		
Fixed investments	2 197	1 674
Current assets		
Debtors	15 589	21 712
Current investments	1 342	587
Cash at bank and in hand	3 632	1 385
Total current assets	20 563	23 684
Creditors due within one year	(10 827)	(18 380)
Net current assets	9 736	5 304
Total assets less current liabilities	11 933	6 978
Creditors due after more than one year	3 580	3 780
Provisions for liabilities and charges	376	349
Capital and reserves	7 977	2 849
Called up share capital:		
Preferential share capital 20	286	265
Ordinary share capital 20	642	642
	928	907
Share premium account	3 076	52
Profit retained and other reserves	3 973	1 890
Total capital employed	11 933	6 978

Profit and loss account as at 31 December

Income from fixed investments after taxation	3 260	6 984
Other income and expenses	755	190
Profit of the year	4 015	7 174

Pages 7 to 31 and 41 to 45 contain the notes to the NV company accounts. For the information required by Article 392 of Book 2, Civil Code, refer to pages 6 and 46.

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

The Board of Directors

7 March 2000

Notes to the company accounts

Unilever N.V.

Fixed investments

	Fl. million	
	1999	1998
Shares in group companies	2 173	2 173
Book value of PLC shares held in connection with share options (a)	276	—
Less NV shares held by group companies (a)	(252)	(499)
	2 197	1 674

(a) During 1999 NV acquired from group companies certain NV and PLC shares held in connection with share options. The PLC shares held by NV are shown as part of the NV fixed investments; NV shares still held by group companies are deducted from NV fixed investments; NV shares now held directly by NV are no longer deducted.

Debtors

Loans to group companies	8 844	7 935
Other amounts owed by group companies	6 023	13 338
Amounts owed by undertakings in which the company has a participating interest	156	155
Other	566	284
	15 589	21 712
Of which due after more than one year	2 404	2 810

Current investments

Listed stocks	1 342	587
Cost of current investments	1 338	570

Cash at bank and in hand

This includes amounts for which repayment notice is required of	3 376	1 169
---	-------	-------

Creditors

Due within one year:		
Bank loans and overdrafts	25	33
Bonds and other loans	1 400	1 253
Loans from group companies	41	26
Other amounts owed to group companies	7 488	6 284
Taxation and social security	128	126
Accruals and deferred income	348	213
Dividends	1 098	10 375
Other	299	70
	10 827	18 380
Due after more than one year:		
Bonds and other loans	3 580	3 780
Loans from group companies	—	—
	3 580	3 780
These include amounts due after more than five years:		
Bonds and other loans	439	1 698

Provisions for liabilities and charges

	Fl. million	
	1999	1998
Pension provisions	287	275
Deferred taxation and other provisions	89	74
	376	349
Of which due within one year	18	41

Ordinary share capital

Shares numbered 1 to 2 400 are held by a subsidiary of NV and a subsidiary of PLC. Additionally, 7 225 674 Fl. 1.12 ordinary shares are held by NV and other group companies and trusts. Full details are given in note 20 on pages 20, 21 and 22.

Share premium account

The share premium shown in the balance sheet is not available for issue of tax free bonus shares or for tax free repayment. For an amount of Fl. 3 045 million the premium is for Dutch tax purposes considered 'profit retained'.

Profit retained and other reserves

Profit retained 31 December	4 782	2 388
Cost of NV shares purchased and held by NV and by group companies	(809)	(498)
Balance 31 December	3 973	1 890

Profit retained shown in the company accounts and the notes thereto is less than the amount shown in the consolidated balance sheet, mainly because only part of the profits of group companies has been distributed in the form of dividends.

Contingent liabilities

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

Group companies	4 120	4 303
Other	1	—
	4 121	4 303
Of the above, guaranteed also by PLC	990	868

Further statutory information

Unilever N.V.

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

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

	Fl. million	
	1999	1998
Proposed profit appropriation		
Profit of the year	4 015	7 174
Preference dividends	(44)	(15)
Profit at disposal of the Annual General Meeting of shareholders	3 971	7 159
Ordinary dividends	(1 577)	(10 889)
Profit of the year retained	2 394	(3 730)
Profit retained – 1 January	2 388	6 118
Profit retained – 31 December	4 782	2 388

Special controlling rights under the Articles of Association

See note 20 on page 20.

Auditors

A resolution will be proposed at the Annual General Meeting on 3 May 2000 for the reappointment of PricewaterhouseCoopers N.V. as auditors of NV. The present appointment will end at the conclusion of the Annual General Meeting.

JWB Westerburgen SG Williams

Joint Secretaries of Unilever N.V.
7 March 2000

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

Company accounts

Unilever PLC

Balance sheet as at 31 December

	£ million	
	1999	1998
Fixed assets		
Fixed investments	1 196	1 421
Current assets		
Cash and current investments	5	501
Debtors	1 047	2 248
Debtors due within one year	1 047	2 248
Debtors due after more than one year	—	—
Total current assets	1 052	2 749
Creditors due within one year	(1 197)	(3 406)
Net current liabilities	(145)	(657)
Total assets less current liabilities	1 051	764
Creditors due after more than one year	—	—
Capital and reserves	1 051	764
Called up share capital 20	41	41
Share premium account	94	94
Capital redemption reserve 22	11	11
Profit retained	905	618
Total capital employed	1 051	764

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

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

On behalf of the Board of Directors

NWA FitzGerald Chairman
A Burgmans Vice-Chairman

7 March 2000

Notes to the company accounts

Unilever PLC

Fixed investments

	£ million	
	1999	1998
Shares in group companies	1 016	1 272
Book value of PLC shares held in connection with share options	180	149
	1 196	1 421

Shares in group companies

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

Movements during the year:

1 January	1 272
Additions	218
Disposals	(474)
31 December	1 016

Shares held in connection with share options

Movements during the year:

1 January	149
Additions	81
Disposals	(50)
31 December	180

Debtors

Due within one year:		
Amounts owed by group companies	1 034	2 246
Other	13	2
	1 047	2 248
Due after more than one year:		
Amounts owed by group companies	—	—
	—	—
Total debtors	1 047	2 248

Creditors

	£ million	
	1999	1998
Due within one year:		
Amounts owed to group companies	940	949
Bonds and other loans	—	—
Taxation and social security	10	36
Dividends	246	2 406
Other	1	15
	1 197	3 406
Due after more than one year:		
Bonds and other loans	—	—

Profit retained

1 January	618	896
Goodwill movements	—	—
Profit of the year	643	2 222
Dividends on ordinary and deferred shares	(356)	(2 500)
31 December	905	618

Contingent liabilities

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

Of the above, guaranteed also by NV	279	278
Outstanding at 31 December were:	899	1 038

Remuneration of auditors

Parent company audit fee	1.3	1.1
Payments by the parent company for non-audit services provided by PricewaterhouseCoopers United Kingdom	3.6	0.7

Profit appropriation

The proposed appropriation of the profit of PLC is as follows:

Interim and recommended final dividends	356	2 500
Profit of the year retained	287	(278)

Further statutory information and other information

Unilever PLC

Capital and membership

At 31 December 1999 PLC had 117 980 ordinary shareholdings.

The following table analyses the registered holdings of PLC's 1.4p ordinary shares at 31 December 1999.

Number of shares	Number of holdings	%	Total shares held	%
1 – 1 000	40 749	34.54	22 855 828	0.78
1 001 – 2 500	34 850	29.54	57 350 097	1.97
2 501 – 5 000	20 302	17.21	72 263 890	2.48
5 001 – 10 000	12 247	10.38	85 908 494	2.95
10 001 – 25 000	6 467	5.48	97 409 085	3.35
25 001 – 50 000	1 498	1.27	51 534 218	1.77
50 001 – 100 000	684	0.58	47 274 912	1.62
100 001 – 1 000 000	870	0.74	273 248 508	9.39
Over 1 000 000	313	0.26	2 203 613 548	75.69
	117 980	100.00	2 911 458 580	100.00

Substantial interests in the share capital of PLC

The Register maintained by PLC pursuant to Section 211 of the Companies Act 1985 shows that at the date of signing the Report and Accounts 156 815 034 ordinary shares in PLC, representing approximately 5% of the issued ordinary capital, were held jointly by Sir Michael Angus, The Rt Hon The Viscount Leverhulme, Sir Michael Perry, NWA FitzGerald and Dr JIW Anderson as trustees of the Leverhulme Trust and the Leverhulme Trade Charities Trust.

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

Holder	Class	Approximate % held
Prudential Corporation plc	Ordinary	3
N.V. Elma	Deferred	50
United Holdings Limited	Deferred	50

Directors' interests

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

Employee involvement and communication

Unilever's companies maintain formal processes to inform, consult and involve employees and their representatives. Most of the United Kingdom sites are accredited to the Investors in People standard. The European Foundation for Quality Management's model for measuring Business Excellence, with its strong emphasis on maximising the potential of employees, is also widely employed.

A European Works Council, embracing employee and management representatives from 15 countries of Western Europe, has been in existence for three years, and provides a forum for discussing issues that extend across national boundaries.

The directors' reports of the United Kingdom group companies contain more details about how they have communicated with their employees during 1999.

Equal opportunities and diversity

Every Unilever company in the United Kingdom has an equal opportunities policy and actively pursues equality of opportunity for all employees.

During 1999, all United Kingdom companies committed to a major UK-wide action programme to accelerate progress in achieving diversity. They are committed to having an even greater diversity at all levels within the organisation, and will continue to create an environment in which individuals' differences are appreciated and in which all employees feel valued and respected.

Charitable and other contributions

During the year group companies made financial contributions of £6 million to United Kingdom charitable organisations and assisted them with a further £1 million of support in other forms. In addition, £100 000 was given to Britain in Europe. No contribution was made for political purposes.

Further statutory information and other information

Unilever PLC

Supplier payment policies

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

Interests in land

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

Auditors

A resolution will be proposed at the Annual General Meeting on 3 May 2000 for the reappointment of PricewaterhouseCoopers as auditors of PLC. The present appointment will end at the conclusion of the Annual General Meeting.

Corporate Centre

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

Unilever PLC Registered Office
Port Sunlight
Wirral
Merseyside CH62 4UJ

By Order of the Board

JWB Westerburgen SG Williams

Joint Secretaries of Unilever PLC
7 March 2000

Unilever PLC Registrars

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Five year record

Unilever Group

Consolidated profit and loss account

	Fl. million				
	1995	1996	1997	1998	1999
Turnover	79 703	87 795	94 597	89 112	90 296
Operating profit	6 382	7 518	7 563	9 718	9 482
Non-operating exceptional items ^(a)	—	—	7 998	—	—
Income from fixed investments	120	89	85	82	114
Interest	(645)	(657)	(230)	344	(30)
Profit on ordinary activities before taxation	5 857	6 950	15 416	10 144	9 566
Profit on ordinary activities after taxation	3 882	4 419	11 231	6 806	6 549
Net profit	3 718	4 205	10 923	6 488	6 106
Combined earnings per share ^{(b)(c)}					
Guilders per Fl. 1.12 (1998-1995: Fl. 1) of ordinary capital	3.32	3.76	9.78	5.80	5.80
Pence per 1.4p (1998-1995: 1.25p) of ordinary capital	19.70	21.54	44.74	26.45	26.01
Ordinary dividends ^(b)					
NV					
– Guilders per Fl. 1.12 (1998-1995: Fl. 1) of ordinary capital	1.55	1.75	2.23	2.51	2.79
PLC					
– Pence per 1.4p (1998-1995: 1.25p) of ordinary capital	7.35	8.01	8.42	10.70	12.50
Special ordinary dividends					
NV – Guilders per Fl. 1 of ordinary capital				14.50	
PLC – Pence per 1.25p of ordinary capital				66.13	

Consolidated balance sheet

Fixed assets ^(e)	22 042	23 902	20 375	18 995	21 171
Stocks	10 683	11 573	10 378	10 461	11 291
Debtors	11 757	13 562	15 352	14 849	16 935
Trade and other creditors ^(f)	(16 675)	(18 644)	(20 039)	(36 170)	(22 428)
	27 807	30 393	26 066	8 135	26 969
Net (funds)/debt ^(d)	4 703	5 014	(10 625)	(12 735)	(1 508)
Provisions for liabilities and charges	8 220	9 014	10 918	9 507	10 097
Minority interests	895	1 015	1 039	899	1 275
Capital and reserves ^(f)	13 989	15 350	24 734	10 464	17 105
	27 807	30 393	26 066	8 135	26 969

- (a) Non-operating exceptional items in 1997 includes Fl. 8 482 million profit on sale of speciality chemicals businesses.
- (b) Figures for earnings per share and dividends have been restated to reflect the four-for-one share split in October 1997.
- (c) For the basis of the calculations of combined earnings per share including the treatment of the 1999 share consolidations see note 29 on page 27.
- (d) Net (funds)/debt comprises borrowings less cash and current investments.
- (e) Includes goodwill and intangibles purchased after 1 January 1998.
- (f) 1998 includes the special dividend of Fl. 16 014 million assuming all shareholders had taken the cash dividend. Capital and reserves in 1999 reflect the increase of £3 045 million as a result of the preference shares issued.

Five year record

Unilever Group

Consolidated cash flow statement ^(a)

	Fl. million				
	1995	1996	1997	1998	1999
Cash flow from operating activities	8 182	9 983	12 249	9 948	12 460
Returns on investments and servicing of finance	(756)	(687)	(750)	201	(283)
Taxation	(1 669)	(1 877)	(4 157)	(2 779)	(3 180)
Capital expenditure and financial investment	(2 953)	(2 819)	(2 774)	(3 083)	(3 307)
Acquisitions and disposals	(1 581)	(2 275)	13 749	744	(799)
Dividends paid on ordinary share capital	(1 533)	(1 786)	(2 062)	(2 365)	(2 791)
Special dividend					(13 427)
Cash flow before management of liquid resources and financing	(310)	539	16 255	2 666	(11 327)
Management of liquid resources	651	(766)	(14 122)	(4 413)	12 509
Financing	(195)	770	(1 517)	92	(322)
Increase/(decrease) in cash in the period	146	543	616	(1 655)	860
Key ratios ^(b)					
Return on shareholders' equity (%)	26.4	29.4	49.8	24.6	42.3
Return on capital employed (%)	14.2	15.2	28.5	16.0	22.3
Operating margin (%)	8.0	8.6	8.0	10.9	10.5
Net profit margin (%) ^(c)	4.7	4.8	11.6	7.3	6.8
Net interest cover (times)	10.1	11.6	68.0	—	319.0
Net gearing (%)	24.0	23.5	—	—	—
Sterling/guilder exchange rates					
Annual average £1 = Fl.	2.53	2.62	3.18	3.29	3.35
Year-end £1 = Fl.	2.49	2.96	3.34	3.12	3.55

- (a) The cash flow statement and the associated notes are presented in accordance with United Kingdom Financial Reporting Standard 1. Figures for years prior to 1996 have been restated on the same basis.
- (b) Return on shareholders' equity is net profit attributable to ordinary shareholders expressed as a percentage of the average capital and reserves attributable to ordinary shareholders during the year.
Return on capital employed is the sum of profit on ordinary activities after taxation plus interest after taxation on borrowings due after more than one year, expressed as a percentage of the average capital employed during the year.
Operating margin is operating profit expressed as a percentage of turnover.
Net profit margin is net profit expressed as a percentage of turnover.
Net interest cover is profit on ordinary activities before net interest and taxation divided by net interest.
Net gearing is net debt (borrowings less cash and current investments) expressed as a percentage of the sum of capital and reserves, minority interests and net debt.
Return on shareholders' equity is substantially influenced by the Group's policy prior to 1998, of writing off purchased goodwill in the year of acquisition as a movement in profit retained. Return on capital employed and net gearing are also influenced but to a lesser extent.
- (c) Net profit margin includes the profit on sale of the speciality chemicals businesses in 1997.

Five year record

Unilever Group

By geographical area

	Fl. million				
	1995	1996	1997	1998	1999
Turnover (a)					
Europe	42 547	44 002	44 832	41 805	41 404
North America	14 993	18 328	19 613	18 552	19 474
Africa and Middle East	3 675	4 217	4 826	4 911	5 065
Asia and Pacific	10 924	12 589	14 613	12 786	14 815
Latin America	7 564	8 659	10 713	11 058	9 538
	<u>79 703</u>	<u>87 795</u>	<u>94 597</u>	<u>89 112</u>	<u>90 296</u>
Operating profit (a)					
Europe	3 241	3 593	3 868	5 068	4 775
North America	1 109	1 628	1 112	2 077	1 866
Africa and Middle East	400	436	450	490	585
Asia and Pacific	951	1 033	1 228	1 005	1 415
Latin America	681	828	905	1 078	841
	<u>6 382</u>	<u>7 518</u>	<u>7 563</u>	<u>9 718</u>	<u>9 482</u>
Net operating assets (a)					
Europe	10 601	11 305	6 782	7 187	7 572
North America	5 067	6 121	3 693	3 831	4 399
Africa and Middle East	1 428	1 624	1 705	1 542	1 794
Asia and Pacific	2 876	3 289	3 153	2 825	3 304
Latin America	2 178	2 258	2 999	3 019	3 350
	<u>22 150</u>	<u>24 597</u>	<u>18 332</u>	<u>18 404</u>	<u>20 419</u>

By operation

Turnover (a)					
Foods	41 690	43 841	47 216	46 385	45 183
Home & Personal Care	28 937	34 583	41 152	41 393	43 588
Other Operations	2 502	2 397	2 232	1 334	1 525
Speciality Chemicals (b)	6 574	6 974	3 997		
	<u>79 703</u>	<u>87 795</u>	<u>94 597</u>	<u>89 112</u>	<u>90 296</u>
Operating profit (a)					
Foods	2 824	3 122	2 737	3 970	3 942
Home & Personal Care	2 458	3 211	4 074	4 611	5 202
Other Operations	225	195	238	1 137	338
Speciality Chemicals (b)	875	990	514		
	<u>6 382</u>	<u>7 518</u>	<u>7 563</u>	<u>9 718</u>	<u>9 482</u>
Net operating assets (a)					
Foods	11 176	11 918	10 784	10 780	11 716
Home & Personal Care	6 190	7 315	7 124	7 259	8 356
Other Operations	839	853	424	365	347
Speciality Chemicals (b)	3 945	4 511			
	<u>22 150</u>	<u>24 597</u>	<u>18 332</u>	<u>18 404</u>	<u>20 419</u>
Capital expenditure					
Foods	1 614	1 642	1 614	1 708	1 523
Home & Personal Care	870	906	1 117	1 122	1 271
Other Operations	73	83	70	98	81
Speciality Chemicals (b)	513	430	262		
	<u>3 070</u>	<u>3 061</u>	<u>3 063</u>	<u>2 928</u>	<u>2 875</u>

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

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

Additional information for United States investors

Unilever Group

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

	Fl. million	
	1999	1998
Net profit as reported in the consolidated profit and loss account	6 106	6 488
US GAAP adjustments:		
Goodwill	(470)	(437)
Identifiable intangibles	(247)	(240)
Restructuring costs	99	(412)
Interest	(19)	(54)
Pensions	(28)	16
Taxation effect of above adjustments	47	244
Net decrease	(618)	(883)
Approximate net income under US GAAP	5 488	5 605
Approximate combined net income per share under US GAAP		
Guilders per Fl. 1.12 (1998: Fl. 1) of ordinary capital	5.20	5.01
Pence per 1.4p (1998: 1.25p) of ordinary capital	23.35	22.84
Capital and reserves as reported in the consolidated balance sheet	17 105	10 464
US GAAP adjustments:		
Goodwill	8 629	8 734
Identifiable intangibles	6 584	5 945
Restructuring costs	229	109
Interest	1 223	1 095
Pensions	408	491
Dividends	1 970	17 886
Taxation effect of above adjustments	(2 265)	(2 209)
Net increase	16 778	32 051
Approximate capital and reserves under US GAAP	33 883	42 515
Net gearing under US GAAP (%) ^(a)	—	—

(a) See note (b) on page 52.

Additional information for United States investors

Unilever Group

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

Goodwill and other intangibles

Prior to 1 January 1998 Unilever wrote off goodwill and all other intangible assets arising on the acquisition of new interests in group companies and joint ventures directly to profit retained in the year of acquisition. Under US GAAP, goodwill and identifiable intangibles, principally trade marks, are capitalised and amortised against income over their estimated useful lives, not exceeding 40 years.

There is no difference between the accounting policy applied to goodwill and intangible assets purchased after 1 January 1998 and US GAAP.

Restructuring costs

Under Unilever's accounting policy certain restructuring costs are recognised when a restructuring plan has been announced. Under US GAAP, certain additional criteria must be met before such charges are recognised.

Interest

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

Pensions

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

Dividends

The proposed final ordinary dividends are provided for in the Unilever accounts in the financial year in the year to which they relate. Under US GAAP such dividends are not provided for until they become irrevocable.

Publications

Copies of the following publications can be obtained without charge from Unilever's Corporate Relations Departments.

Unilever Annual Review 1999

available in English with guilder or sterling figures, and Dutch with guilder figures; a supplement is also available in English with US dollar figures.

Unilever Annual Accounts 1999

available in English with guilder or sterling figures, and Dutch with guilder figures.

Annual Reports on Form 20-F

the filings in English, with figures in guilders and sterling, with the United States Securities and Exchange Commission.

Quarterly Results Announcements

available in English and Dutch with euro figures; with sterling or US dollar figures available as supplements in English.

Charts Booklet

available in English with guilder, sterling and US dollar figures combined in a selection of charts and data over ten years.

Environment Report

available in English. The report charts the objectives and progress made on environmental management and product life cycle assessment.

Introducing Unilever

explains our business activities worldwide — available in English with guilder, sterling or US dollar figures, and in Dutch with guilder figures.

Web site

www.unilever.com

Our corporate web site has seven key sections for ease of navigation:

Company

an introduction to Unilever — its corporate purpose, geographic spread, organisation and history.

Brands

details of Unilever's best-known brands plus information on DiverseyLever and interactive marketing.

Environment

our environment commitments and goals are captured along with case studies of our work in sustainable agriculture and fisheries and the global Living Lakes project. Our latest environment report is also available.

Society

details of our work in society and in the communities in which we operate — for example in schools, health care and arts sponsorship.

Finance

Unilever's annual and quarterly results, the Annual Review and Accounts and the Annual Report on Form 20-F plus a Shareholder Centre which includes key dates in our financial year; details of shareholder meetings; Unilever's financial history; share price information; and frequently asked questions and answers.

Careers

information on careers and opportunities with Unilever.

News

up-to-date information, including press releases, keynote speeches and photographs.

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