UNILEVER

1964

UNILEVER

REPORT AND ACCOUNTS

1964

UNILEVER N.V.

Directors

F. J. TEMPEL, *Chairman*
GEORGE COLE, *Vice-Chairman*
RUDOLF G. JURGENS, *Vice-Chairman*
COLIN BAXTER
J. P. VAN DEN BERGH
A. F. H. BLAAUW
A. D. BONHAM CARTER
A. W. J. CARON
H. S. A. HARTOG
M. M. VAN HENGEL
A. J. C. HOSKYNS-ABRAHALL
G. D. A. KLIJNSTRA
J. F. KNIGHT
ANDREW M. KNOX
P. KUIN
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R. H. SIDDONS
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A. H. SMITH
J. P. STUBBS
S. G. SWEETMAN
E. G. WOODROOFE

Advisory Directors

J. M. HONIG
K. P. VAN DER MANDELE
A. E. J. NYSINGH
J. E. DE QUAY
PAUL RIJKENS
JHR. J. A. G. SANDBERG

Secretaries

E. A. HOFMAN
P. A. MACRORY

Auditors

PRICE WATERHOUSE & Co.
COOPER BROTHERS & Co.

This is a translation of the original Dutch report.

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Salient figures

All figures relate to the N.V. and Limited Groups combined

Fl. million

1963		1964
19,678	Turnover	21,749
15,557	of which sales to third parties	17,115
1,203	Profit before taxation	1,257
608	Taxation for the year	588
3	Exceptional items	*7*
566	Consolidated net profit	635
184	Ordinary dividends	202
342	Profit retained in the business	392
7,319	Capital employed	7,847
614	Expenditure on fixed assets—gross	653
365	Depreciation	412
	Ordinary dividends	
Fl. 3.78	N.V. (per Fl. 20 of capital)	Fl. 4.18
1*s*. $1^1/_2$*d*.	Limited (per 5*s*. of capital)	1*s*. 3*d*.

Combined earnings per share are shown on page 44, where the salient figures are also given in certain other currencies.

Report of the Directors for 1964

to be submitted at the General Meeting of Shareholders
to be held at the Company's offices in Rotterdam on 28th April, 1965).*

THE YEAR IN BRIEF

Turnover, with an increase of Fl. 2,071 million, rose to Fl. 21,749 million, thus passing the Fl. 20,000 million mark for the first time. Third party sales, at Fl. 17,115 million, were exceptionally good, and showed an increase over 1963 of 10 %. The improvement was spread over all product groups.

Profit before tax increased by Fl. 54 million and, with a drop in taxation of Fl. 20 million, consolidated net profit rose by Fl. 69 million to Fl. 635 million. Profits on edible fats fell, despite higher sales, but those on detergents were maintained; all other groups contributed to the increased profit, especially ice cream, meat, toilet preparations, chemicals and the United Africa Group.

About Fl. 436 million were spent on acquisitions in the course of the year, much the biggest single item being the acquisition at a cost of nearly Fl. 220 million of the remaining half of Thames Board Mills Limited, in which LIMITED had held a 50 % interest for many years.

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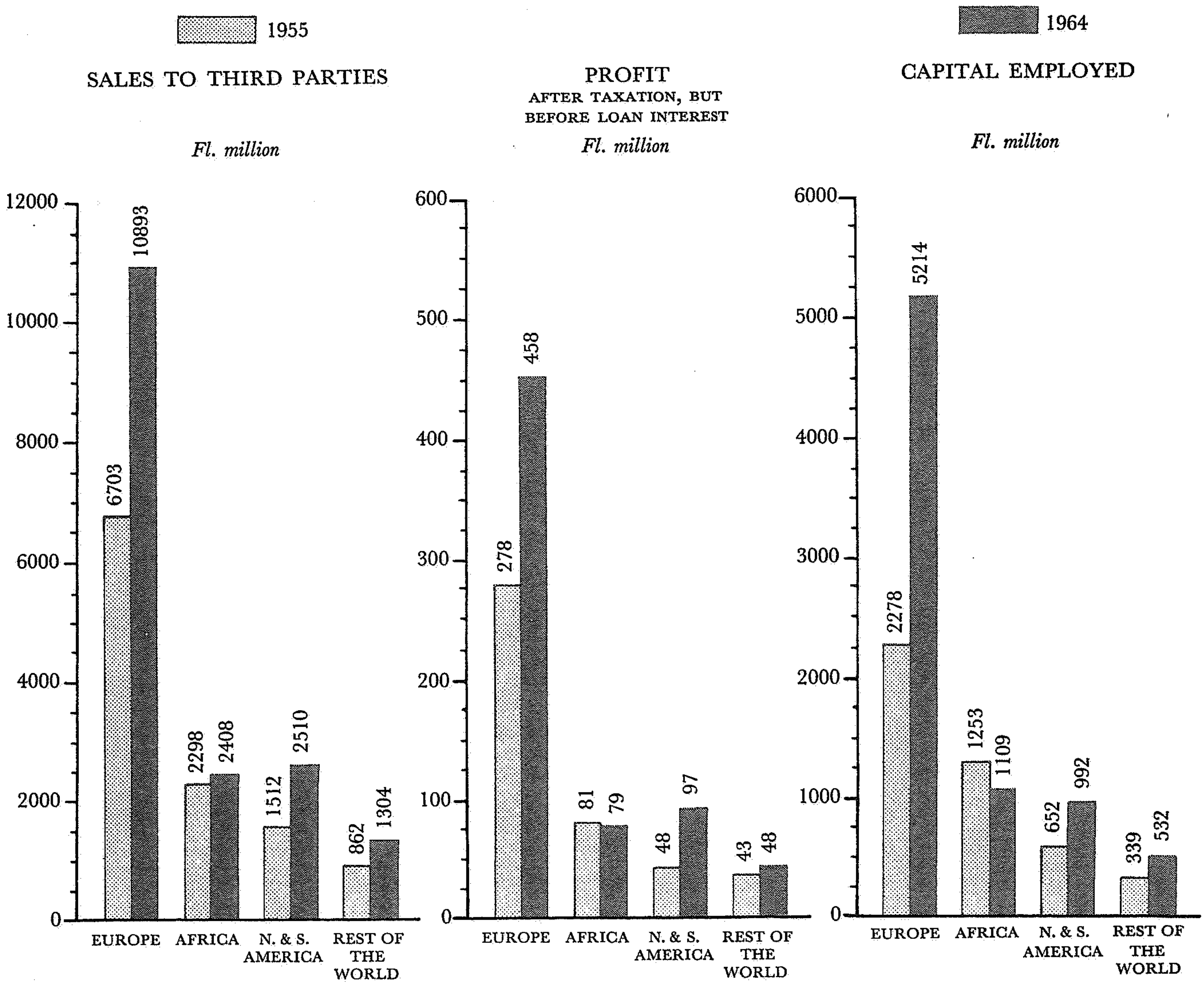
*) The Report and Accounts as usual combine the results and operations of Unilever N.V. ("N.V.") and Unilever Limited ("LIMITED") with the guilder equivalents of the LIMITED figures calculated at the official parity at 31st December, i.e. £ 1 = Fl. 10.136.

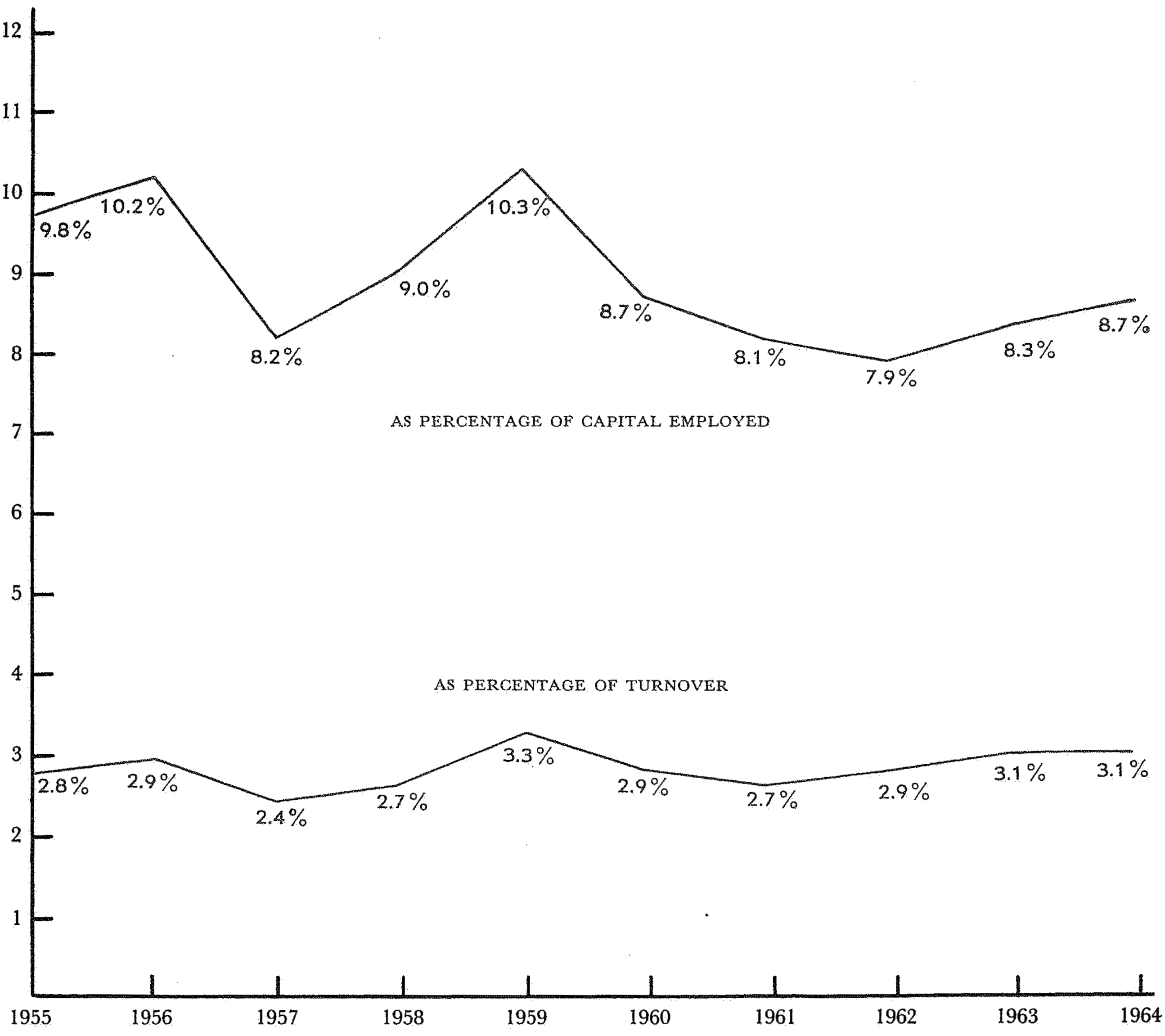
Sales to third parties, profit and capital employed by geographical areas 1955 and 1964



	SALES TO THIRD PARTIES 1955 %	SALES TO THIRD PARTIES 1964 %	PROFIT 1955 %	PROFIT 1964 %	CAPITAL EMPLOYED 1955 %	CAPITAL EMPLOYED 1964 %
Europe	58.9	63.6	61.7	67.2	50.4	66.5
Africa	20.2	14.1	18.0	11.5	27.7	14.1
North and South America	13.3	14.7	10.6	14.3	14.4	12.7
Rest of the World	7.6	7.6	9.7	7.0	7.5	6.7
	100.0	100.0	100.0	100.0	100.0	100.0

Africa includes all our operations in that continent —namely the United Africa Group operations, the manufacturing businesses, and the plantations interests

Return on capital employed and on turnover 1955-1964



The returns are based on the profit, after taxation, but before loan interest.

Summary of combined figures 1955-1964

UNILEVER N.V. AND UNILEVER LIMITED AND THEIR SUBSIDIARIES

Fl. million

	1955	1956	1957	1958	1959	1960	1961*	1962	1963	1964
Turnover	**16,119**	**17,784**	**18,297**	**18,388**	**19,016**	**19,650**	**19,321**	**19,223**	**19,678**	**21,749**
of which Sales to third parties	11,375	12,580	12,976	13,395	14,140	14,757	14,763	14,972	15,557	17,115
Profit before taxation	905	1,051	908	985	1,216	1,129	1,045	1,080	1,203	1,257
Taxation for the year	467	552	480	490	594	571	528	540	608	588
Exceptional items	65	26	23	32	43	20	40	8	*3*	*7*
Consolidated net profit	**480**	**501**	**428**	**503**	**640**	**553**	**537**	**525**	**566**	**635**
Dividends:—										
Preferential	38	38	38	38	40	40	40	40	40	41
Ordinary	79	88	88	105	146	155	153	161	184	202
Profit retained in the business	363	375	302	360	454	358	344	324	342	392
Profit in relation to ordinary shareholders' funds:—	%	%	%	%	%	%	%	%	%	%
Distributed	3.0	2.9	2.6	2.8	3.5	3.5	3.4	3.4	3.6	3.7
Retained	13.7	12.3	9.0	9.7	10.8	8.1	7.7	6.8	6.8	7.2
Preferential Capital	815	815	815	815	815	831	811	815	815	836
Ordinary shareholders' funds:—										
Capital	700	700	700	875	880	881	884	885	1,179	1,179
Reserves	1,949	2,349	2,673	2,830	3,324	3,548	3,606	3,872	3,869	4,241
Outside interest	246	261	258	255	258	262	246	251	262	225
Loan capital	497	483	461	416	416	402	392	570	541	688
Deferred liabilities:—										
Future taxation	378	399	404	408	447	359	354	341	361	361
Unfunded retirement benefits	—	—	—	—	—	190	215	259	292	317
Capital Employed	**4,585**	**5,007**	**5,311**	**5,599**	**6,140**	**6,473**	**6,508**	**6,993**	**7,319**	**7,847**

* *The revaluation on 6th March, 1961, raised the guilder parity by 5%.*

THE BACKGROUND

Consumer spending, in the world as a whole, is estimated to have risen by nearly 8 per cent; Unilever's turnover rose by 10 per cent.

The main weight of our business is concentrated in Europe, where most countries prospered, and in the United States, which continued to thrive. Germany, our most important single market after the United Kingdom, continued its smooth upward progression. In the Netherlands, although wages increased sharply so did both export and investment. Only the United Kingdom and Italy marred the picture of uninterrupted progress. In Italy the measures taken to restore equilibrium in the balance of payments had a depressing effect on the internal economy; but such is the pace of Italian growth that the national income still rose. There were disturbing features in the economy of the United Kingdom and the year ended with a set of crisis measures.

EUROPEAN INTEGRATION

A third of Unilever's business is transacted in the six countries of the European Economic Community. Necessarily, therefore, we continue to give a great deal of attention to studying and organising the changes that will be needed in our business if it is to operate under conditions of increasing integration even more effectively than it has hitherto operated in the six separate countries.

The E.E.C. policy in the field of oils and fats is of great importance to our business. A detailed draft of a regulation giving effect to the principles which were agreed in 1963 has now been published. Except for the levy which we referred to in last year's Report, the draft contains certain attractive features for the margarine industry, such as the principle of free access to world raw material markets. A disturbing point is an anti-dumping clause which is couched in such general terms that it could be used for protectionist purposes.

Severe heart-searching was caused, particularly in the European Free Trade Association, by Britain's imposition of a temporary surcharge on imports last November. Meanwhile, a reduction in the rate from 15 per cent to 10 per cent has been announced. It is encouraging that, despite the difficulties, intra-EFTA tariffs on manufactures were again reduced—to 30 per cent of their original level—at the end of the year, thus keeping in step with the E.E.C.

THE DEVELOPING COUNTRIES

Although most of the developing countries have had another year of rising national incomes and many have been helped by rising prices for their exports, inflation or civil strife, or shortage of foreign exchange have brought their afflictions. Of countries important to our business, neither Nigeria, nor Ghana, nor Brazil, nor India has had a wholly happy year.

The Congolese Republic was racked by civil war and our interests have not escaped unscathed. We suffered substantial losses through looting and destruction of stocks, vehicles, houses and other fixed assets. In addition, there is the damage to our plantations through lack of maintenance. These losses more than offset the trading profits which, despite the disturbed conditions, showed an improvement over the previous year. Elsewhere in this report we record a tribute to our staff in this unhappy country.

Government action in some of these countries has affected us severely. The businesses with which we were associated in Iraq have been nationalised, but much of our capital has already been repaid. In India we are suffering from high taxation and price controls. In Ceylon a year's moratorium on the remittance of profits has been declared though there may be some relaxation of this policy in individual cases. In Burma we were virtually deprived of control of our business, and since the year-end our interests have been compulsorily taken over by the State. In Indonesia we face an uncertain future. In Ghana it became difficult towards the end of the year to obtain raw materials from abroad to keep the soap factory in full production. In several Latin American countries, especially Brazil, inflation has sharply reduced our profits.

TAXATION

Both the United Kingdom and the Netherlands are proposing to make changes in their systems of company taxation. The Dutch proposals are already before the Netherlands Parliament in detail, whereas, at the moment of writing, we can only forecast the nature and effect of the proposed British changes in the light of such advance information as the Government has given.

In the United Kingdom, under the present system, a company's profits are charged with:—

(a) Income tax at the standard rate (already announced as 41.25 per cent for 1965–6);
(b) Profits tax, which is essentially a corporation tax, and of which the current rate is 15 per cent.

Dividends are received by the shareholder "net", the tax paid by the company under (a) above being regarded, so far as the distributed portion of the profits is concerned, as having been borne by the shareholder.

In the Netherlands, on the other hand, as in most other Continental countries and the United States and Canada, the present system is that:—

(a) Corporation tax is first charged on the company's profits;
(b) the dividend is paid from profits after payment of corporation tax, and on this dividend the shareholder (if an individual resident in the same country) is liable for income tax notwithstanding that the profit from which the dividend is paid has already borne tax (i.e. corporation tax).

In recent years there has been a tendency for many countries to mitigate this double taxation, whether by taxing distributed profits at a lower rate of corporation tax than undistributed profits, or otherwise. This is the direction in which the Netherlands are now moving, since they propose to apply differential rates of corporation tax, namely 45 per cent on retained profits and, with certain limitations, only 30 per cent on distributed profits.*)

Meanwhile, the United Kingdom is moving in the opposite direction. Under the new system a company it seems is to pay a single corporation tax at a uniform rate on all its profits but, in addition, the shareholder will have a separate liability for income tax in respect of the dividend received by him. The company is to withhold income tax at the standard rate from the gross dividend and to pay this over to the Revenue on the shareholder's behalf. Thus, a company will in future have to charge the gross amount of its dividend to the available profits instead of the net amount.

Assuming corporation tax at 35 per cent (a figure that has been mentioned), this will mean that retained profits will be taxed at 35 per cent instead of 56.25 per cent (income tax 41.25 per cent, profits tax 15 per cent); but distributed profits will be taxed at 61.81 per cent (corporation tax at 35 per cent to be borne by the company and income tax at 41.25 per cent on

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*) Profits of foreign subsidiaries are not charged with Dutch corporation tax.

the remaining 65 per cent to be borne by the shareholder).

The United Kingdom Government has however stated that this tax reform is not intended to increase the weight of taxation on companies' profits as a whole. The proposals are intended to redistribute the burden of tax, reducing the weight of tax on retained profits and increasing it upon distributed profits. LIMITED has in the past retained a proportion of its profits considerably higher than the average and might therefore have been expected to benefit considerably from the change. This, however, is not so. On the 1964 profits, assuming a corporation tax rate of 35 per cent and approval of the proposed final dividend, the advantage of the lower tax charge on profits (35 per cent instead of 56.25 per cent) is almost entirely offset by the disadvantage of the higher amount required to pay the dividends (preference as well as ordinary) gross instead of net. Two factors in particular bring about this situation.

First, under the present system overseas tax on dividends received in the United Kingdom from overseas subsidiaries has been allowed as a credit against the 56.25 per cent United Kingdom income and profits taxes payable on these dividends. Although this will still be the case with the new 35 per cent corporation tax, there has been no indication that where the rate of the overseas tax exceeds this 35 per cent any relief is to be given from the United Kingdom income tax. If no such relief is given the effect will be serious, although it must of course be remembered that the dividends from many of our subsidiaries flow to N.V. and are therefore not affected by British taxation.

Secondly, the value of investment allowances on new capital expenditure will be very much less if relief is given only against corporation tax of, say, 35 per cent instead of, as hitherto, against income tax and profits tax (56.25 per cent).

Strong representations have been made to the British Government from many quarters in respect of both these problems.

The consequences that the United Kingdom proposals might have for LIMITED shareholders resident outside the United Kingdom are still obscure. Presumably the United Kingdom's tax conventions with other countries will be modified and it may be worth noting that the model convention recommended by the Council of the Organisation for Economic Co-operation and Development permits a maximum tax of 15 per cent on dividends paid to non-resident shareholders, with a deduction of this 15 per cent from the income tax in the shareholder's own country.

The Netherlands are proposing to increase from 15 per cent to 25 per cent the dividend tax which Dutch companies are required to deduct and hand over to the Revenue upon distribution of dividends. Under existing conventions exemption from the present dividend tax of 15 per cent is granted to the residents of a number of other countries. The Dutch Government has announced that it will re-examine these tax conventions and that it will be willing to reduce the proposed rate from 25 per cent to 15 per cent for non-resident shareholders whose countries are prepared to make equivalent concessions.

ANALYSIS OF TURNOVER

	1955		1963		1964	
	Fl.	%	Fl.	%	Fl.	%
Margarine and other edible fats	2,904,794,000	18	3,253,940,000	17	3,531,261,000	16
Other foods	1,468,097,000	9	3,373,086,000	17	3,814,177,000	18
Detergents	2,450,818,000	15	3,739,179,000	19	4,048,025,000	19
Oils and fats mainly for use within the organisation	3,764,432,000	23	3,410,093,000	17	3,807,548,000	18
Toilet preparations	240,932,000	2	470,847,000	2	480,254,000	2
Animal feeding stuffs	1,400,320,000	9	1,848,121,000	9	1,971,553,000	9
Printing, Packaging, Plastics, Chemicals and other industrial interests	794,553,000	5	1,173,913,000	6	1,543,023,000	7
Tropical produce	1,138,533,000	7	319,665,000	2	346,276,000	1
Merchandise	1,773,592,000	11	1,784,900,000	9	1,882,367,000	9
Services including transport	183,391,000	1	304,044,000	2	324,099,000	1
	16,119,462,000	100	19,677,788,000	100	21,748,583,000	100
Represented by:—	Fl.		Fl.		Fl.	
Sales to third parties	11,374,915,000		15,556,534,000		17,114,602,000	
Supplies of marketable products and services within the organisation and value of produce purchased for the Commonwealth West African Marketing Boards	4,744,547,000		4,121,254,000		4,633,981,000	
	16,119,462,000		19,677,788,000		21,748,583,000	

Supplies of marketable products—for use as raw materials—and services by one industry to other industries within the organisation are included to provide a proper ratio of turnover to capital employed and profits earned.
This year the grouping of some products has been modified. For instance, edible oils, as far as they are not used as raw materials for the production of margarine and edible fats, have now been included in "Margarine and other edible fats" instead of mainly under "Oils and fats" as was largely done hitherto. The figures for 1955 and 1963 have been similarly adjusted.

MARGARINE AND OTHER EDIBLE FATS

World sales were better than in 1963 both in volume and in value but profits fell because raw material prices rose steadily during the year, and at the end were 19 per cent higher than at the beginning. Meanwhile selling prices lagged behind.

In Western Europe there is an increasing demand for better quality margarines, and to meet this we are successfully developing our premium brands. Sales of Rama in the Netherlands, Planta in Belgium, Flora in Germany, Blue Band and Summer County in the United Kingdom and similar products in other European markets have made marked progress. Sales of our standard brands have, however, risen only slightly. Our position with the bakery trade in several countries has improved.

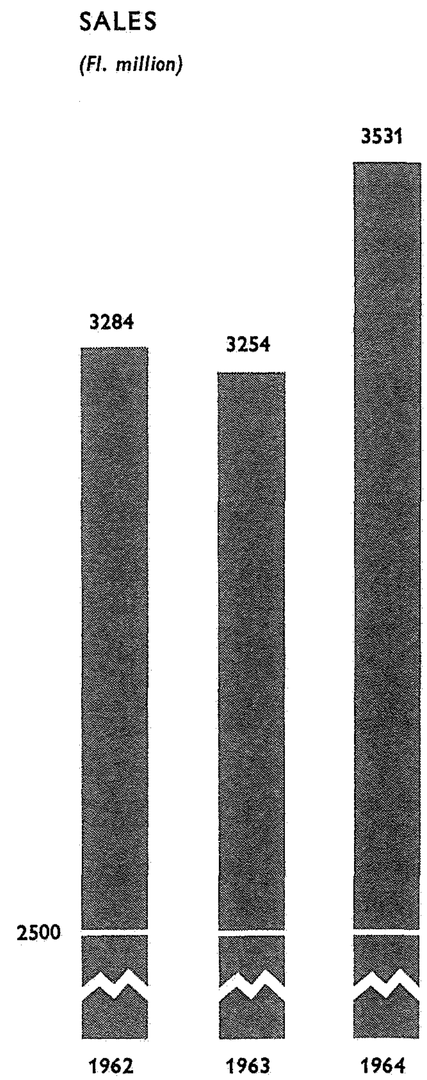
In that most challenging of markets, the United States, Lever Brothers Company did better than in 1963, though turnover was slightly down and they have still not got back to their previous position in the margarine business.

We had another excellent year in Turkey.

Our joint venture with a Japanese company, mentioned last year, hopes to be in production later this year.

Sales of cooking fats increased, and our position in cooking and salad oils in Germany, Switzerland and the Philippines has been strengthened.

In the report for 1960 we noted that a judicial investigation had been begun in the Netherlands to examine allegations that Planta margarine, to which a new ingredient had been added, had been responsible for a widespread outbreak of a skin disorder. Subsequently the Public Prosecutor in Rotterdam instituted criminal proceedings against our Dutch company, Van den Bergh en Jurgens N.V. In June, 1964, the Supreme Court of the Netherlands finally confirmed that there was no case to answer and that all proceedings should be stayed.



OTHER FOODS

For ice cream, one of our most important food products, it was a very good year. For this we must partly thank an admirable summer in most of Europe, but credit is also due to our companies' initiative in introducing new varieties. Results were improved in nearly all countries; our French ice cream interests, where losses have been continuous, were sold on satisfactory terms.

For frozen foods our main market is still the United Kingdom where Birds Eye Foods Limited, despite intensified competition, strengthened an already strong position. In other countries of Western Europe, particularly in Germany and Austria, our businesses are continuing to develop.

In the Netherlands pig prices were high and supplies available for the meat industry were inadequate. This adversely affected our meat businesses and particularly their exports to the United States. In the Netherlands and Germany we are expanding our sales of meat products under the Unox brand. There were improved sales and profits from T. Wall & Sons Limited's meat business in the United Kingdom, where there has been some success with the newer products.

The sales of dried soups increased. They did well in the United Kingdom and even better in the United States. On the Continent they maintained their market share but high prices for some ingredients affected profitability.

In Continental Europe, our canned soup businesses are well established in the Benelux countries and we are making progress in Western Germany.

The Rosella Foods business in Australia is facing an intensely competitive situation.

Of our other food interests, packaged tea in North America had a satisfactory year, and Thomas J. Lipton Inc. continue to make progress in the growing and highly competitive instant tea market.

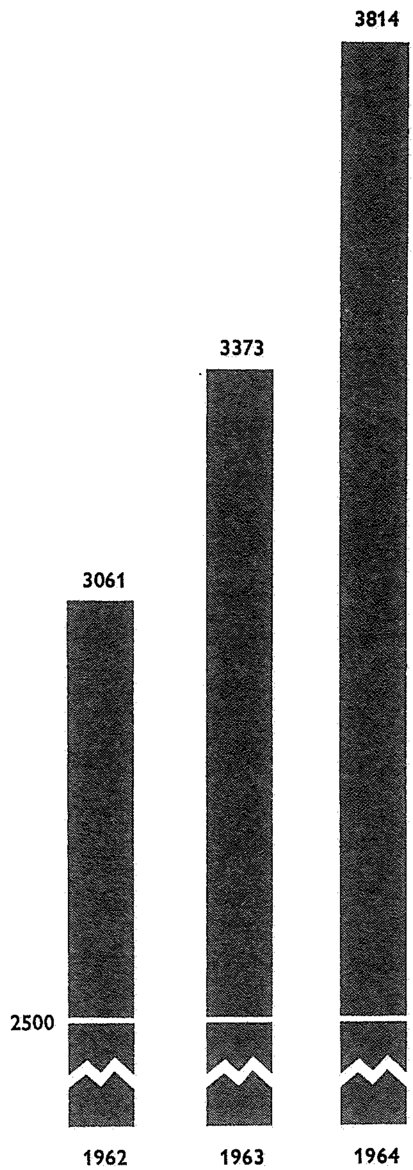
Our cheeses sold well in Germany and Italy and have been introduced into some other countries.

John West Foods Limited in the United Kingdom has had a good year and has extended the range of its business.

In the United Kingdom, Vesta dehydrated prepared meals, which use ingredients dried by a variety of special processes including freeze-drying and were introduced in the United Kingdom in 1961, have considerably increased their sales. "Surprise"

SALES

(Fl. million)



dried vegetables are now firmly established in the United Kingdom and New Zealand.

In a more conventional field a new venture, fruit squashes, met with an encouraging public acceptance in the United Kingdom where they are marketed as "Tree Top" and in Denmark, where the brand name is "Blå Bånd". Sales of a carbonated drink, marketed in Sweden for the first time on a national scale in 1964, developed well.

Mac Fisheries in the United Kingdom have continued to modernise their retailing methods. Another thirty-one of their small conventional shops were shut, and they opened a further fifteen shops selling a much wider range of perishables than in the past. By our purchase of the Premier Supermarket chain, Mac Fisheries have considerably expanded the number of their food centres.

In Germany "Nordsee" Deutsche Hochseefischerei G.m.b.H. is continuing to modernise its trawling fleet and its fish processing operations. It now has five stern-catching trawlers equipped to fillet and freeze fish at sea. These ships have been so successful that four more have been ordered. The company is opening more large fish shops and fish restaurants, and is closing some of its smaller shops.

DETERGENTS

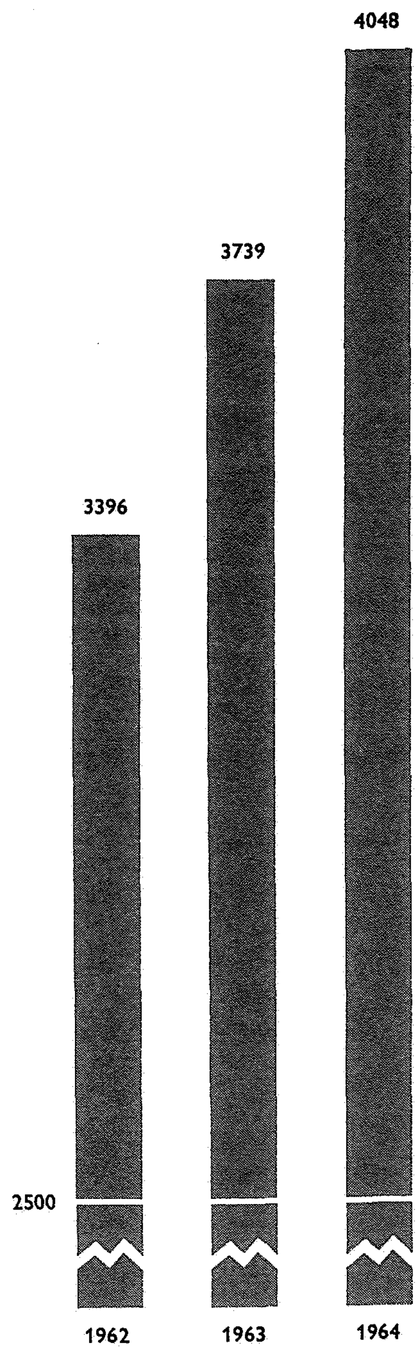
World detergents markets are growing as standards of living improve. Today's consumers, however, particularly in the more sophisticated countries, demand constant improvements in the efficiency of the products they use for the cleaning of modern fabrics and household surfaces. Competition becomes even more strenuous in nearly all detergent product fields. One sees, therefore, not only an increase in the frequency with which improvements in product quality are developed but an increase in the speed with which the improvements are exploited. Of the major detergents our companies market in Europe over a third are new products that have been introduced since 1960, while three-quarters of the remainder have undergone major reformulation in the past five years. Thus the steady rise in our expenditure on research, whether it be aimed at new products to meet new needs, or at the improvement of established favourites, has proved well worth while.

Our sales were considerably up both in tonnage and in value. In many countries the position of some of our main washing powders has strengthened, particularly Omo in the Netherlands, the United Kingdom, France and Australia; Persil*) in the United Kingdom and France; Skip, a low-sudsing product for use in washing machines, in Western Europe; and Breeze in tropical markets, for whose requirements it was developed. There has also been a considerable increase in sales of a cold water washing liquid sold under the "all" name in the United States. In the Netherlands we acquired Zeepfabriek "De Fenix" N.V., of Zwolle, which manufactures liquid detergents and bleaches among other products.

The ability to follow up success speedily in every relevant market is no less important than the ability to improve one's products. We have quickened our pace considerably. As one example, our deodorant toilet soap, Rexona, which had been established for some time in a small number of Continental markets, has, in the last eighteen months, been successfully introduced into a further fifteen countries and a number of export markets.

Our established toilet soap brands have made good progress,

SALES
(Fl. million)



*) Persil is one of our brands in the British Commonwealth, France and elsewhere, but not in the Netherlands, Belgium, Germany and several other countries.

particularly Lux, Lifebuoy Toilet and, in the United States, Dove. The traditional hard soaps are slowly declining in sophisticated countries, but we continue to improve our position in those countries where the use of hard soap is still increasing; Lifebuoy for instance has done very well in India, Pakistan and South Africa.

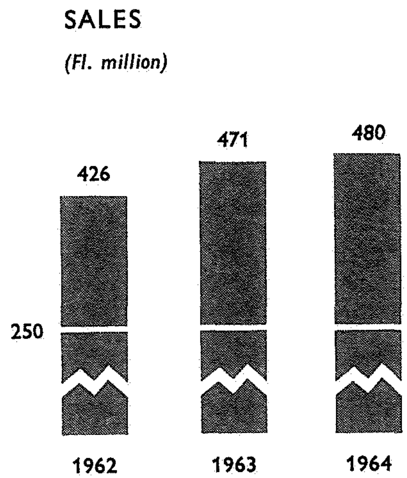
Our scourer, Vim, made useful gains in the Netherlands, the United Kingdom, Italy, Spain and elsewhere.

As mentioned last year, in the United Kingdom the supply of household detergents is under investigation by the Monopolies Commission. The inquiry must go through several further stages before the Commission will be in a position to prepare its report.

TOILET PREPARATIONS

Sales were up, and profits well up, on those for 1963. Apart from the United States, results have been generally good, particularly in the United Kingdom and in some of the countries of Africa and Latin America. In France and Germany we have achieved in recent years a striking increase in our share of the toothpaste market.

We have continued to diversify by spreading existing lines to new markets and, in addition, we have introduced more varieties of shampoo in many countries.



ANIMAL FEEDING STUFFS

In the United Kingdom competition has become more intense, especially from the country compounders, and we now deal with many more producers' groups and with companies who farm on an industrial scale.

Our businesses in the United Kingdom are adapting themselves to the changing pattern of farming. Five agricultural merchant businesses were acquired in 1964, together with minority interests in broiler growing and packing firms. Sales of poultry feed in 1964 were slightly above those of 1963 and, despite the mild winter weather of 1963/64 and the drop in the number of dairy cows, total tonnages and profits were much the same as in the previous year.

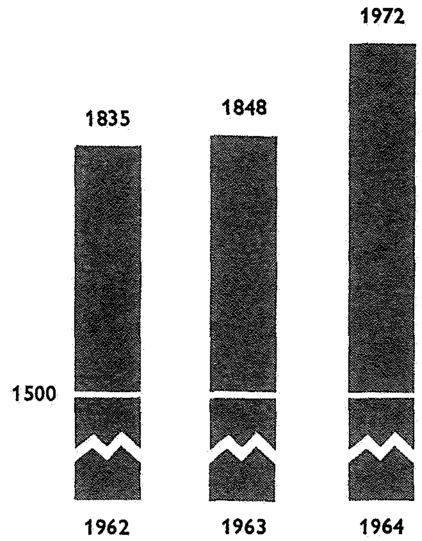
During the year we have begun research on trout feeds, and we made an agreement with a Norwegian firm to try a new method they have developed for the farming of sea trout.

In the Netherlands we have increased our sales of pig feed, chiefly as a result of the large expansion in pig population in 1964, and this nearly offset our smaller sales of cattle feed. A single selling company, N.V. Mengvoeder U.T.-Delfia, has been set up to handle the sales of animal feeding stuffs produced by N.V. Maatschappij tot Exploitatie der Oliefabrieken Calvé-Delft and U. Twijnstra's Oliefabrieken N.V.

In France sales and profits were still disappointing.

SALES

(Fl. million)



OTHER INDUSTRIAL INTERESTS

PRINTING, PACKAGING AND PLASTICS

The major event of 1964 was the acquisition, in the United Kingdom, for about Fl. 220 million, of the half of Thames Board Mills Limited we did not previously own.

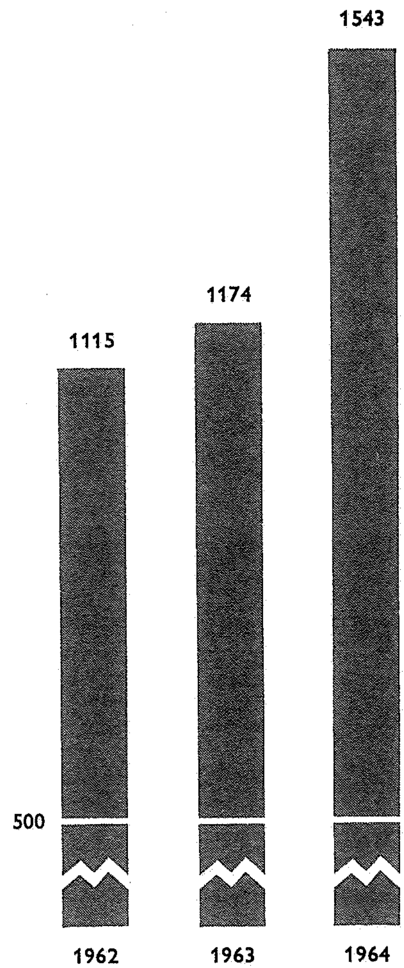
As reported last year we acquired a 50 per cent interest in Commercial Plastics Industries Limited, a leading British manufacturer of vinyl film and sheeting, including Fablon, and of polythene products. This company is building a substantial export trade to the Netherlands, Belgium, France and other countries; at Boekelo in the Netherlands a factory for the production of vinyl film is under construction.

We also bought a printing works, Koch en Knuttel, at Gouda, in the Netherlands. In Germany we have brought new capacity into operation in our factories for the production of paper, paper tubs and plastic bottles, and in our printing works. In France a printing works is now under construction, and the results of our printing works built three years ago in Austria are encouraging. Our new printing works in Australia has started production. We have begun the manufacture of cartons in Nigeria.

Sales and profits of this section of our business were higher than in 1963.

SALES

(Fl. million)



CHEMICALS

The United Kingdom chemical businesses had a successful year, with both turnover and profit well up.

Proprietary Perfumes Limited opened a new factory in Kent and an interest has been acquired in a French perfumery business, Bertrand Frères S.A., in order to obtain a stake in natural ingredients for perfumes and flavourings. In flavourings Advita Limited's third party sales were up, and we bought The Birmingham Chemical Company Limited, which also manufactures these.

The traditional businesses, silicates and oleo-chemicals, had a satisfactory year. In adhesives we bought Wilme Collier and Kirkwood Craig and concentrated adhesive manufacture at Silvertown. Another acquisition during the year was Charles Lowe and Company (Manchester) Limited, who manufacture synthetic resins and tar distillates.

Despite a sharp rise in raw material prices, Unilever-Emery N.V. in the Netherlands had a satisfactory year. Their specialised chemicals made a substantial contribution.

THE UNITED AFRICA GROUP

In 1964, the turnover of the United Africa Group was about 6 per cent higher than in the previous year, and profits were substantially higher. The expansion in sales occurred mainly in French-speaking Africa, including the Congolese (Leopoldville) Republic; in Commonwealth Africa a number of companies, mainly those which handle technical equipment, achieved a greater volume of business.

Textiles, still the largest single component of the United Africa Group business, had a profitable year. The textile printing factory in Nigeria mentioned in last year's report is scheduled to go into production in the second half of 1965. It was agreed that the Ghana Government would buy a 49 per cent interest in the Lever Brothers Ghana Limited soap factory at Tema, and the Anglo-Dutch African Textile Investigation Group (Adatig), in which we have an interest, similarly acquired the right to take up a 49 per cent interest in a company, Ghana Textile Printing Company Limited, which belonged to the Ghana Government. In the Ivory Coast, the textiles printing factory in which the Group has a shareholding came into operation in April.

The breweries in which the Group has an interest had another profitable year. In Nigeria, our Bordpak business, which manufactures outer cartons, and the Kwara Tobacco Company, both started production. The motors businesses had a more profitable year.

The timber ventures in both Ghana and Nigeria did well and production was maintained at a high level; the overseas markets for logs, lumber and plywood were good. Lever's Pacific Timbers have started production in the Solomon Islands.

There was a considerable improvement in the results of the Kingsway department stores, but those of our Chemists business were slightly less favourable.

From a geographical point of view, the Group made satisfactory profits in most of the French-speaking African countries, and those in Nigeria and East Africa showed an improvement over 1963. In Ghana it was a difficult year. In the Congolese Republic, as mentioned earlier, the losses incurred in the disturbances more than offset the profits of our trading companies.

PLANTATIONS

This year has been beset with political troubles. In the Congolese Republic, in the south west, we had to abandon two oil mills and a cattle ranch at the beginning of the year, and in August we had to leave many of our properties in the north east. These included six oil mills, a rubber factory and a cocoa processing plant and the only one to which we have so far been able to return is the plantation at Alberta. The properties from which we are at present excluded represent about half of our normal production in the Congolese Republic.

In Nigeria and Malaysia we were affected by labour troubles, in neither instance of our own making. In Nigeria our employees joined in a general strike; in Malaysia we were chosen by the workers' union as a test case for a trial of strength with the employers, which resulted in a strike that lasted 143 days. Negotiations, begun before the strike, for a national agreement in the oil palm plantation industry, have now been resumed.

As might be expected, with all these difficulties, production was down on 1963, as appears from the following table of production of the main crops for the last three years (in tons):—

	1962	1963	1964
Palm Oil	69,400	76,800	61,000
Palm Kernels	28,300	28,500	22,500
Rubber	10,100	10,600	9,300
Copra	5,500	5,700	5,900

EXPORTS

Many of our companies all over the world produce goods not only for their national markets but also for export.

Traditionally the exports from the Netherlands and from the United Kingdom are the most important. The exports from these countries, including United Africa Group merchandise, were:—

	1962	1963	1964
	Fl.	Fl.	Fl.
Netherlands	365,932,000	409,588,000	442,811,000
United Kingdom....	478,287,000	497,586,000	447,454,000

Exports from the Netherlands increased. We sold more edible fats and detergents. The export of meat products to the United States, where our hams could not compete in price, declined, but this was offset by an increase of meat exports to the United Kingdom.

The main reasons for the fall in exports from the United Kingdom were that import restrictions overseas affected the United Africa Group exports of merchandise and that we sold less oils and fats. On the other hand, we increased our sales of chemicals and foods, and maintained our sales of detergents and toilet preparations.

RESEARCH

Many of the successes detailed elsewhere in this report would have been impossible without the discoveries and developments of our Research departments. We are increasing our research facilities in the Netherlands, the United Kingdom, Germany and India, and we recognise that for the continued health of the business still further expansion will be necessary.

PERSONNEL

In shaping law and practice in employee relations, governments, unions and employers, especially in developing countries, watch both what is going on beyond their own borders and the recommendations of international bodies. During 1964 they have taken noticeably more interest in exchanging ideas in this way.

In Unilever our personnel policy for management is co-ordinated centrally, but in dealing with our other staff we are in a field which is particularly affected by national differences in law and custom. Factory, clerical and sales staff, therefore, are mainly the concern of national managements and individual companies, but they are advised and informed from the centre on international developments of the kind referred to above.

We have had no serious labour troubles during the year except in Nigeria and Malaysia (see Plantations, page 24).

In the Netherlands, the Flevo-oord property at Huizen (N.H.) has been acquired for use as a staff training college; it will also be used as a holiday centre for about 400 children of employees each year.

Unilever's pension contributions and other payments for employees' retirement and death benefits amounted in 1964 to Fl. 238 million. The assets of the Unilever pension and provident funds increased from Fl. 1,936 million to Fl. 2,159 million.

We wish to put on record our thanks to all our staff for their loyalty and hard work, particularly those who have shown great devotion to duty while working in difficult and sometimes dangerous conditions in the more disturbed parts of the world.

We have been greatly distressed by the suffering of our staff in the Congo and deeply regret to report that over 100 of our Congolese employees lost their lives, including two of our managers, Mr. Fernand Kapita and Mr. Albert Losonia, both of whom had graduated from the Company's Agricultural College at Yaseke and had risen to positions of responsibility.

FINANCE

Source and use of funds (figures in italics represent reductions):—

	1960	1961	1962	1963	1964
			Fl. million		
Cash Resources—1st January					
(Cash and bank balances and marketable and short-term securities less bank advances)	864	581	420	888	923
Summary of Movements					
Source of Funds					
Profits re-invested in the business	358	344	324	342	392
Depreciation charged against profit	290	309	341	365	412
Proceeds of disposals of fixed assets	48	42	48	51	75
Proceeds of capital issues less preferential capital retired	31	32	9	0	*42*
Loan capital movement	*14*	9	178	*29*	148
	713	736	900	729	985
Use of Funds					
Expenditure on fixed assets (gross)	*586*	*595*	*565*	*614*	*653*
Subsidiaries acquired	*189*	*129*	*44*	*107*	*347*
Subscriptions to trade investments	*14*	*7*	*58*	*16*	*89*
	789	*731*	*667*	*737*	*1.089*
Other Movements in Funds					
Working capital other than cash	*253*	*144*	267	*16*	*357*
Others	46	*22*	*32*	59	133
	207	*166*	235	43	*224*
Increase / *decrease* **of cash resources**	*283*	*161*	468	35	*328*
Cash Resources—31st December	581	420	888	923	595

Capital expenditure continued to increase in 1964 and cash payments on acquisitions were heavy. The latter include the investments in Thames Board Mills Limited, the Premier Supermarket chain of shops, Commercial Plastics Industries Limited and Bertrand Frères S.A., referred to in the appropriate paragraphs of the Report.

The payments made on cancellation of the preferential capital of Joseph Crosfield & Sons, Limited, William Gossage and Sons, Limited and John Knight, Limited, amounted to Fl. 67 million. Since the end of the year a scheme of arrangement has also been announced for the cancellation of the preferential capitals of the remaining two United Kingdom subsidiaries, The British Oil and Cake Mills Limited and Van den Berghs & Jurgens Limited, whose preferential capitals are held by the public.

Largely due to higher raw material prices working capital absorbed another Fl. 357 million.

During the year one of our companies in Germany arranged medium-term loans at rates of interest around $5^3/_8$% per annum amounting to the equivalent of Fl. 153 million.

Since the end of the year £ 14 million $6^3/_4$% Debenture Stock 1985/88 of LIMITED has been placed at $98^1/_2$%.

In spite of a level of retained profits higher than in recent years, our cash resources fell by about Fl. 328 million. These resources, which are mainly located in the Netherlands, the United Kingdom and the United States, at their year-end level of Fl. 595 million are expected to be adequate for our normal requirements.

CAPITAL PROJECTS

Among major projects completed in 1964 were:—

United Kingdom:	New compound mill at Bankfield, Liverpool.
Germany:	Two new trawlers for "Nordsee".
United States:	Instant tea plant at Independence, Missouri.
Australia:	New printing and packaging works, Sydney.
Malaysia:	Oil palm mill at Kluang Estate, Johore.
Nigeria:	Cotton spinning mill at Kaduna.
Pakistan:	Soap factory at Chittagong.
Tchad:	Brewery at Moundou.

Expenditure of Fl. 646 million was approved in 1964; the more important items are listed under the headings below:—

	Fl.
MARGARINE AND OTHER EDIBLE FATS	61,100,000
Production facilities and modernisation of factories in the United Kingdom, United States and Turkey	
OTHER FOODS	141,400,000
New shops and improvements to existing shops in the United Kingdom. Extension of manufacturing, storage and distribution facilities for ice cream and quick-frozen foods in the United Kingdom, Germany, Austria, United States and Australia. Expansion of meat production facilities at Gieten, Netherlands. New trawlers for "Nordsee", Germany.	
DETERGENTS	134,200,000
New factories at Casalpusterlengo, Milan, Italy, and at Piraeus, Greece. Production facilities in the United Kingdom, France, Spain, Denmark, United States, Australia and India.	
ANIMAL FEEDING STUFFS	35,400,000
Extension of facilities in the Netherlands and the United Kingdom.	

	Fl.
PRINTING, PACKAGING, PLASTICS, CHEMICALS AND OTHER INDUSTRIAL INTERESTS	129,900,000
New printing machines in the United Kingdom and Germany.	
Integrated pulp and board mill at Workington, England.	
Production facilities for plastic containers and paper tubs in the United Kingdom and Germany.	
Production facilities for chemicals at Gouda in the Netherlands (Unilever-Emery) and at Bromborough and Silvertown, England.	
Two floating seed elevators in Germany.	
UNITED AFRICA GROUP	32,500,000
Textile printers in Nigeria—factory and machinery.	
Matchets factory in Nigeria.	
Barges.	
PLANTATIONS	35,200,000
Extension of oil palm estate from 2,400 hectares to 6,000 hectares at Tungud, Sabah, Malaysia.	
GENERAL	
Motor vehicles (less sales of old vehicles)	51,900,000
Additional research facilities in the Netherlands, United Kingdom and Germany	15,200,000
Housing and welfare facilities for employees	9,200,000
	Fl. 646,000,000

The geographical pattern of the expenditure approved was as follows:—

	Fl. million	%
Europe	448	69.4
Africa	62	9.6
North and South America	59	9.1
Rest of the World	77	11.9
Total	646	100.0

CAPITAL AND MEMBERSHIP

N.V. issued Fl. 21,136,000 6% cumulative preference capital in connection with the acquisition of the share capital of Zeepfabriek "De Fenix" N.V. of Zwolle, in the Netherlands, and the entire share capital of a company in which "De Fenix" had an interest.

There was no change in the capital of LIMITED in 1964.

At 31st December, 1964, LIMITED had 65,366 ordinary shareholders and 128,436 preference stockholders, a total membership of 193,802.

So much of N.V.'s capital is held in the form of bearer scrip that the number of its members cannot be ascertained.

The following tables show how the ordinary capital of LIMITED was held in October, 1964.

	Number of holders	Amount of holding £	%
Banks and Discount Companies and Financial Trusts	1,131	1,315,084	3
Insurance Companies . .	435	5,541,719	12
Investment Trusts	326	1,460,207	3½
Pension Funds	155	1,382,345	3
Nominee Companies . . .	1,877	8,810,660	19½
Other Corporate Holders .	1,108	1,719,374	4
	5,032	20,229,389	45
Leverhulme Trust	1	8,450,824	19
Individuals	57,830	16,256,925	36
	62,863	44,937,138	100

The grouping, according to size, of individual holdings was as follows:—

Holdings of £	Number of holders	Amount of holding £	Average holding £
1— 100	22,494	1,168,863	52
101— 250	16,420	2,718,755	166
251— 500	11,291	3,915,036	347
501— 1,000	5,481	3,832,251	699
1,001— 5,000	2,077	3,159,533	1,521
5,001—10,000	41	253,166	6,174
10,001—25,000	19	247,647	13,034
25,001—50,000	2	58,141	29,070
over 50,000	5	903,533	180,706
Total	57,830	16,256,925	

A comparison with the analysis published in our 1961 Report (which is complicated by the 1 for 3 scrip issue that was made in 1963) shows that:—

(i) the number of corporate holders has increased from 3,107 to 5,032 and their holdings from 39% to 45%;

(ii) the number of individual holders has increased from 46,392 to 57,830 but their holdings have shrunk from 42% to 36%. The biggest increase in number is in holdings of £ 1 to £ 100 and there is a marked tendency for the average holdings to become smaller.

DIVIDENDS

The proposed appropriations of the profits of the Parent Companies are shown in the consolidated Profit and Loss Accounts (Statement A) on page 34.

The interim dividends on the ordinary capitals for 1964, and the final dividends now recommended by the Directors are as follows:—

	N.V. per Fl. 20 nominal:	LIMITED per 5s. nominal:
Interim	Fl. 1.53 (1963: Fl. 1.35*)	5.5d. (1963: 4.815d.*)
Final	Fl. 2.65 (1963: Fl. 2.43)	9.5d. (1963: 8.685d.)
Total	Fl. 4.18 (1963: Fl. 3.78)	1s. 3d. (1963: 1s. 1.5d.)

*) On equivalent basis.

The dividends are equivalent in value under the terms of the Equalisation Agreement.

It is proposed to make the final dividends on the ordinary shares of both companies payable as from 11th May, 1965, except that the dividends on the New York shares of N.V. and on the American Depositary Receipts representing ordinary capital of LIMITED will be paid as from 2nd June, 1965.

It is proposed to set aside Fl. 40,408,000 (N.V. Fl. 10,000,000, LIMITED £ 3,000,000, or Fl. 30,408,000) to reserve for replacement of fixed assets (on behalf of subsidiaries), after which an amount of Fl. 351,703,000 remains to be added to the profits retained in the business.

DIRECTORS

Mr. J. P. van den Bergh has expressed the wish to retire from the Boards of N.V. and LIMITED at the end of the present month. Mr. Van den Bergh joined Van den Berghs Limited, London, in 1927 and was elected to the parent Boards ten years later. During the last war he was seconded to the United Kingdom Ministry of Food. His colleagues take this opportunity to pay tribute to Mr. Van den Bergh's many years of outstanding service to Unilever.

At the Annual General Meetings in 1964 Dr. E. Smit was elected to the Boards of both companies.

In accordance with Article 21 of the Articles of Association, all the Directors (other than Mr. Van den Bergh) retire at the Annual General Meeting and offer themselves for re-election.

It was announced in the United Kingdom New Year Honours List at the start of this year that a Life Peerage would be conferred upon Mr. George Cole, Chairman of LIMITED, and a Vice-Chairman of N.V. Mr. Cole's title will shortly be gazetted; meanwhile his colleagues take this opportunity of recording the great pleasure which this honour has given to everyone in Unilever.

AUDITORS

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

Rotterdam, 16th March, 1965.

ON BEHALF OF THE BOARD,

F. J. TEMPEL, *Chairman.*
GEORGE COLE, *Vice-Chairman.*

Reports of the Auditors

N.V. GROUP

TO THE MEMBERS OF UNILEVER N.V.

We have examined the accounts and notes set out in Statements A to C.

We have obtained all the information and explanations which we considered necessary and in our opinion the said accounts give a true and fair view of the state of affairs of the company and its subsidiaries as at 31st December, 1964, and of their profit for the year 1964.

London/The Hague, }
London/Rotterdam, } 16th March, 1965.

PRICE WATERHOUSE & Co.
COOPER BROTHERS & Co.

LIMITED GROUP

The following is the auditors' report on the accounts of LIMITED *and the* LIMITED *Group which are expressed in sterling.*

TO THE MEMBERS OF UNILEVER LIMITED

We have examined the accounts and notes set out in Statements A, B and D. Proper books of account have been kept by the company and its balance sheet set out in Statement D is in agreement with them. We have obtained all the information and explanations which we considered necessary and it is our opinion that the accounts give the information required by the Companies Act, 1948.

We are of the opinion that the balance sheet of the company gives with the consolidated accounts a true and fair view of the state of its affairs at 31st December, 1964, and the consolidated accounts give, from the standpoint of the members of Unilever Limited, a true and fair view of the state of affairs at that date of the company and its subsidiaries and of their profit for the year 1964.

London, 16th March, 1965.

COOPER BROTHERS & Co.
PRICE WATERHOUSE & Co.

STATEMENT A

Consolidated profit and loss accounts

UNILEVER N.V. AND UNILEVER LIMITED AND THEIR SUBSIDIARIES

Fl. thousand. *Figures in red represent deductions.*

1963 LIMITED	1963 N.V.	1963 COMBINED		1964 COMBINED	1964 N.V.	1964 LIMITED
7,463,603	8,092,931	**15,556,534**	I **Sales to third parties**	**17,114,602**	8,907,503	8,207,099
6,936,329	*7,456,522*	*14,392,851*	II Costs	*15,894,661*	*8,240,907*	*7,653,754*
527,274	636,409	**1,163,683**	III **Operating profit**	**1,219,941**	666,596	553,345
29,354	9,334	**38,688**	IV Income from trade investments	**38,278**	8,458	29,820
17,231	7,598	**24,829**	V Income from marketable and short-term securities and other interest	**23,449**	2,437	21,012
8,737	*15,124*	*23,861*	VI Interest on loan capital	*24,805*	*15,672*	*9,133*
565,122	638,217	**1,203,339**	VII **Profit before taxation**	**1,256,863**	661,819	595,044
297,623	*310,334*	*607,957*	VIII Taxation based on profit for the year	*587,562*	*301,149*	*286,413*
267,499	327,883	**595,382**	IX **Profit for the year after taxation**	**669,301**	360,670	308,631
5,088	2,443	*2,645*	X Exceptional items	*7,286*	*1,843*	*5,443*
8,332	*17,949*	*26,281*	XI Outside interest in results of subsidiaries	*26,800*	*18,640*	*8,160*
254,079	312,377	**566,456**	XII **Consolidated net profit**	**635,215**	340,187	295,028
26,992	*13,425*	*40,417*	XIII Preferential dividends	*41,369*	*14,377*	*26,992*
227,087	298,952	**526,039**	XIV **Profit accruing to ordinary capital**	**593,846**	325,810	268,036
62,772	*120,991*	*183,763*	XV Ordinary and Deferred dividends	*201,735*	*133,794*	*67,941*
—	—	—	XVI Fixed assets replacement reserve	**40,408**	10,000	30,408
164,315	177,961	**342,276**	XVII Other profits retained	**351,703**	182,016	169,687
164,315	177,961	**342,276**	XVIII **Profit retained in the business**	**392,111**	192,016	200,095

Notes

I Sales have been converted to guilders at the rates of exchange ruling at the end of each quarter.

II Costs include:—

1963 LIMITED	1963 N.V.	1963 COMBINED	*Fl. thousand*	1964 COMBINED	1964 N.V.	1964 LIMITED
176,092	*189,359*	*365,451*	Depreciation	*412,042*	*221,870*	*190,172*
3,355	*1,891*	*5,246*	Emoluments of Directors as managers including contributions to pension funds for superannuation . . .	*5,737*	*2,047*	*3,690*
466	*152*	*618*	Superannuation of former Directors	*669*	*162*	*507*

III Operating profit for the whole of each year has been converted at the respective year-end rates.

VIII Commencing with 1960 the amount set aside annually for the tax liability arising on distribution of profits of subsidiaries outside the Netherlands and the United Kingdom was based on the assumption that all the profits of the current year would be distributed. The amount of tax provided in the previous year that proved to be in excess of requirements, was deducted from the charge for the current year. In 1964 tax has been provided only on that part of the profits of foreign subsidiaries which has been or is expected to be distributed and the excess provision relating to the 1963 profits retained by subsidiaries has been released to profits retained (see Notes III and VI on statement B).

In LIMITED taxation comprises United Kingdom taxes Fl. 207,889,000 less foreign tax relief of Fl. 27,063,000, and foreign taxes of Fl. 105,587,000. Tax relief on investment allowances: N.V. Fl. 4,087,000 (1963 Fl. 1,393,000), LIMITED Fl. 26,496,000 (1963 Fl. 23,789,000).

X Exceptional items are as follows:—

1963 LIMITED	1963 N.V.	1963 COMBINED	*Fl. thousand*	1964 COMBINED	1964 N.V.	1964 LIMITED
3,862	13,792	17,654	Taxation adjustments—previous years	16,244	12,757	3,487
8,950	*11,349*	*20,299*	Other	*23,530*	*14,600*	*8,930*
5,088	2,443	*2,645*		*7,286*	*1,843*	*5,443*

Taxation adjustments arise mainly from refunds of taxes and release of provisions no longer required.

"Other" exceptional items are a balance of several items not applicable to current trading (e.g. in 1964 provision for losses due to the disturbances in the Congo) and are shown after deduction of taxation.

XIII and XV Dividends are declared gross, but LIMITED retains United Kingdom income tax at the standard rate in force on the date of payment, whereas N.V. pays its dividends gross.

Dividends are as follows:—

1963 LIMITED	1963 N.V.	1963 COMBINED	*Fl. thousand*	1964 COMBINED	1964 N.V.	1964 LIMITED
44,061	*13,425*	*57,486*	Preferential dividends—gross . . .	*58,438*	*14,377*	*44,061*
17,069	—	17,069	United Kingdom income tax . . .	17,069	—	17,069
26,992	*13,425*	*40,417*		*41,369*	*14,377*	*26,992*
102,485	*120,991*	*223,476*	Ordinary and Deferred dividends—gross	*247,661*	*133,794*	*113,867*
39,713	—	39,713	United Kingdom income tax . . .	45,926	—	45,926
62,772	*120,991*	*183,763*		*201,735*	*133,794*	*67,941*

The Equalisation Agreement provides that the relationship between the ordinary capitals of LIMITED and N.V., for dividend purposes and on liquidation, shall be based on a rate of £ 1 = Fl. 12.

XVI In view of the continuing rise during 1964 in the cost of replacement of plant, machinery and other equipment, it is proposed to set aside Fl. 40,408,000 (N.V. Fl. 10,000,000, LIMITED £ 3,000,000, or Fl. 30,408,000) of the retention of profit for the year 1964 to fixed assets replacement reserve.

STATEMENT B

Consolidated balance sheets

UNILEVER N.V. AND UNILEVER LIMITED AND THEIR SUBSIDIARIES

Fl. thousand. *Figures in red represent deductions.*

31st December 1963				31st December 1964		
LIMITED	N.V.	COMBINED		COMBINED	N.V.	LIMITED
			CAPITAL EMPLOYED			
570,596	243,924	**814,520**	I **Preferential capital**—N.V. and Limited	**835,656**	265,060	570,596
			Ordinary capital and reserves			
539,244	640,165	**1,179,409**	II Ordinary capital—N.V. and Limited	**1,179,409**	640,165	539,244
2,319,290	1,549,465	**3,868,755**	III Profits retained in the business and other reserves	**4,241,005**	1,695,976	2,545,029
2,858,534	2,189,630	**5,048,164**	**Ordinary shareholders' funds**—N.V. and Limited	**5,420,414**	2,336,141	3,084,273
155,178	107,077	**262,255**	IV **Outside interest in subsidiaries**	**225,106**	115,042	110,064
209,511	330,896	**540,407**	V **Loan capital**	**688,240**	472,799	215,441
401,386	252,000	**653,386**	VI **Deferred liabilities**	**677,590**	261,000	416,590
125,773	125,773	—	VII **N.V./Limited inter-Group items**	—	160,430	*160,430*
4,069,432	3,249,300	**7,318,732**		**7,847,006**	3,610,472	4,236,534
			EMPLOYMENT OF CAPITAL			
2,124,191	1,700,131	**3,824,322**	VIII **Land, buildings and plant**	**4,293,401**	1,881,581	2,411,820
126,629	108,457	**235,086**	IX **Trade investments**	**254,360**	120,818	133,542
11,961	88,474	**100,435**	X **Long-term claims**	**112,001**	94,993	17,008
2,262,781	1,897,062	**4,159,843**		**4,659,762**	2,097,392	2,562,370
			Current assets			
1,472,325	1,302,955	**2,775,280**	XI Stocks	**3,044,892**	1,440,272	1,604,620
792,290	685,028	**1,477,318**	XII Debtors	**1,655,459**	730,843	924,616
496,522	181,496	**678,018**	XIII Marketable and short-term securities	**538,745**	252,818	285,927
262,928	493,925	**756,853**	XIV Cash and bank balances	**713,323**	467,809	245,514
3,024,065	2,663,404	**5,687,469**		**5,952,419**	2,891,742	3,060,677
			Current liabilities			
609,123	*767,472*	*1,376,595*	XV Creditors	*1,455,199*	*773,148*	*682,051*
275,293	*236,319*	*511,612*	XVI Bank advances	*657,317*	*294,661*	*362,656*
275,740	*221,203*	*496,943*	XVII Provision for taxation	*488,600*	*205,633*	*282,967*
57,258	*86,172*	*143,430*	XVIII Dividends	*164,059*	*105,220*	*58,839*
1,217,414	*1,311,166*	*2,528,580*		*2,765,175*	*1,378,662*	*1,386,513*
1,806,651	1,352,238	**3,158,889**	**Net current assets**	**3,187,244**	1,513,080	1,674,164
4,069,432	3,249,300	**7,318,732**		**7,847,006**	3,610,472	4,236,534

Notes

N.V. and LIMITED are linked by a series of agreements of which the principal is the Equalisation Agreement. Inter alia this equalises the rights of the ordinary capitals of the two companies as to dividends and, on liquidation, as to capital value, on the basis of £ 1 nominal of LIMITED's ordinary capital being equivalent to Fl. 12 of N.V.'s ordinary capital.

I and II LIMITED's consolidated balance sheet has been converted at the official parity of £ 1 = Fl. 10.136 except that LIMITED's ordinary capital has been converted at the rate of £ 1 = Fl. 12. The consequential adjustment is shown in III below.

The increase in preferential capital of N.V. is referred to in note I of statement C.

III Movements in profits retained and other reserves were:—

	Fl. thousand		
	COMBINED	N.V.	LIMITED
Premiums on capital issued			
At 1st January, 1964	65,256	48,248	17,008
Arising on issue of preferential capital	3,918	3,918	—
At 31st December, 1964	69,174	52,166	17,008
Adjustment on conversion of Limited's ordinary capital at £ 1 = Fl. 12	*83,763*	—	*83,763*
Surplus on revaluation of fixed assets			
At 1st January, 1964	5,940	—	5,940
Additions	10,054	9,953	101
Goodwill on acquisition of new subsidiaries*)	*15,994*	*9,953*	*6,041*
At 31st December, 1964	—	—	—
Profits retained in the business			
At 1st January, 1964	3,881,322	1,501,217	2,380,105
Release of future taxation (see Note VI)	52,041	15,045	36,996
Goodwill on acquisition of new subsidiaries*)	*35,061*	*33,378*	*1,683*
Excess over nominal value paid on cancellation of preferential capital of subsidiaries	*17,170*	—	*17,170*
Exchange and other adjustments on consolidation	*17,649*	*31,090*	13,441
Fixed assets replacement reserve	40,408	10,000	30,408
Other profits retained	351,703	182,016	169,687
Profit for the year retained	392,111	192,016	200,095
At 31st December, 1964	4,255,594	1,643,810	2,611,784
	4,241,005	1,695,976	2,545,029

*) In accordance with the practice established in 1953, the excess of the price paid for new interests over tangible assets acquired has been eliminated.

Notes (continued)

V Loan capital includes amounts repayable:—

	Fl. thousand		
	COMBINED	N.V.	LIMITED
after 1 year but within 5 years	239,414	231,305	8,109
after 5 years but within 10 years	91,003	74,674	16,329
after 10 years but within 20 years	331,277	143,417	187,860
after 20 years	26,546	23,403	3,143
Total	688,240	472,799	215,441

Loan capital is secured to the extent of N.V. Fl. 44,561,000, LIMITED Fl. 201,088,000.

VI Deferred liabilities are as follows:—

1963 LIMITED	1963 N.V.	1963 COMBINED	Fl. thousand	1964 COMBINED	1964 N.V.	1964 LIMITED
260,495	101,000	361,495	Future taxation	360,590	93,000	267,590
140,891	151,000	291,891	Unfunded retirement benefits	317,000	168,000	149,000
401,386	252,000	653,386		677,590	261,000	416,590

Future taxation includes (1) United Kingdom income tax on the profits of 1964 (2) Deferred taxation—in many countries fixed assets can be written off more rapidly for tax than is adopted for commercial purposes, so that there is an immediate saving of tax. This saving has not been taken to profits but set aside to meet the liability which will ultimately arise (3) Certain other taxes which are not in the nature of current liabilities, less (4) Estimated future taxation relief on the provisions for unfunded retirement benefits.

Excess amounts included at 31st December, 1963, mainly for taxes arising on distribution of profits of subsidiaries outside the Netherlands and the United Kingdom for the year 1963, which have not been distributed, have been released to profits retained—N.V. Fl. 15,045,000, LIMITED Fl. 22,228,000, COMBINED Fl. 37,273,000. On the basis of the proposed corporation tax in the United Kingdom, the amount set aside in earlier years for deferred taxation less relief on unfunded retirement benefits is in excess of the estimated liability at the end of 1963, and the excess—LIMITED Fl. 14,768,000—has been released to profits retained. The total amounts released are therefore N.V. Fl. 15,045,000, LIMITED Fl. 36,996,000, COMBINED Fl. 52,041,000. See Note III.

Unfunded retirement benefits represent the estimated present value of the Company's future liability for retirement and death benefits to past and present employees other than benefits provided through pension and provident funds.

VII Inter-group items consist of several accounts and incorporate loans of £ 11,500,000 by the LIMITED Group to the N.V. Group which are secured on shares of subsidiaries of N.V.

VIII Movements in land, buildings and plant were as follows:—

	Fl. thousand		
	COMBINED	N.V.	LIMITED
Cost or valuation*)			
At 1st January, 1964	6,249,947	2,984,767	3,265,180
Expenditure	652,556	363,862	288,694
Proceeds of disposals	*75,146*	*30,588*	*44,558*
New subsidiaries	424,667	66,075	358,592
Adjustments on disposals, revaluations and exchange differences	*184,290*	*52,156*	*132,134*
At 31st December, 1964	7,067,734	3,331,960	3,735,774
Depreciation			
At 1st January, 1964	2,425,625	1,284,636	1,140,989
Charged to profit and loss account	412,042	221,870	190,172
New subsidiaries	126,248	16,688	109,560
Adjustments on disposals, revaluations and exchange differences	*189,582*	*72,815*	*116,767*
At 31st December, 1964	2,774,333	1,450,379	1,323,954
Net balance sheet amounts			
Land	191,408	106,468	84,940
Buildings	1,821,326	767,213	1,054,113
Plant and equipment	2,124,406	973,453	1,150,953
Ships	156,261	34,447	121,814
	4,293,401	1,881,581	2,411,820

*) These assets are stated at cost or as valued by Directors at various dates since 1945.

Notes (continued)

At 31st December, 1964 the amount of capital expenditure authorised by the Boards and still not spent was Fl. 596,000,000 (N.V. Fl. 297,000,000, LIMITED Fl. 299,000,000). Of this amount commitments had been entered into for Fl. 233,000,000 (N.V. Fl. 111,000,000, LIMITED Fl. 122,000,000).

IX Trade investments are mostly companies in which Unilever owns 50% or less of the ordinary share capital and which are not therefore included in the consolidation, and other investments not held for sale.

The following table shows the share of the net underlying assets and profits for the latest year for which information is available:—

		Fl. thousand	
	Book amount 31st December, 1964	Unilever share of	
		Net Assets	Net Profits after tax
Europe	156,973	188,479	16,045
Africa	55,880	79,821	9,447
North and South America	22,603	26,414	3,386
Rest of the World	16,076	15,782	*142*
	251,532	310,496	28,736
Leverhulme Trust	2,828		
	254,360		

In N.V., trade investments are shown principally at cost less a provision of Fl. 55,000,000.

In LIMITED, trade investments are shown at net book amount at 31st December, 1947, with additions at cost or valuation, less Fl. 2,433,000 written off. In 1964 Thames Board Mills Limited has become a subsidiary and is therefore no longer shown under this heading. The interest acquired in Commercial Plastics Industries Limited at the beginning of 1964 has been included for the first time.

X Long-term claims comprise balances which are not due for repayment within one year.

XI Stocks are consistently stated at 31st December, 1963 and 1964 on the basis of the lower of cost—mainly averaged cost—and net realisable value.

XIII Marketable and short-term securities comprise quoted, mainly dated stocks, N.V. Fl. 70,702,000, LIMITED Fl. 148,239,000 (market value N.V. Fl. 82,871,000, LIMITED Fl. 144,702,000) and unquoted, mainly municipal and other short-term loans.

XVI In N.V., bank advances are secured to the extent of Fl. 25,324,000.

GENERAL

Foreign currencies have been converted at the appropriate official parities or other current rates of exchange at the year end. There are restrictions on transfer of some currencies.

There are contingent liabilities. The amounts involved are not material and no loss is expected.

In order to conform to the seasonal nature of their operations, the financial year of some subsidiaries of LIMITED having substantial interests in Africa ends on 30th September. With the consent of the Board of Trade the accounts of these companies have been consolidated on the basis of interim accounts at 31st December.

The net assets in the Congo are included partly on an estimated basis, and amount to N.V. Fl. 92,765,000, LIMITED Fl. 72,320,000, COMBINED Fl. 165,085,000 (1963: Fl. 162,541,000).

STATEMENT C

Balance sheet

UNILEVER N.V.

Fl. thousand. *Figures in red represent deductions.*

31st December 1963					31st December 1964
		CAPITAL EMPLOYED			
		I **Preferential capital**	*Authorised*	*Issued and fully paid*	
	29,000	7% Cumulative Preference (Ranking pari passu)	30,000	29,000	
	139,924	6% Cumulative Preference (Ranking pari passu)	200,000	161,060	
	75,000	4% Redeemable Cumulative Preference (Ranking pari passu)	75,000	75,000	
243,924			305,000		**265,060**
		II **Ordinary capital and reserves**			
	642,565	Ordinary capital	1,002,400	642,565	
	48,248	**Premiums on capital issued**		52,166	
	301,932	**Profits retained in the business**		316,198	
992,745					**1,010,929**
21,840		III Indebtedness to Limited Group			**21,874**
1,258,509					**1,297,863**
		EMPLOYMENT OF CAPITAL			
		IV **Interests in subsidiaries**			
	260,375	Shares at cost		260,375	
	981,321	Advances		1,019,771	
	1,241,696			1,280,146	
	161,312	*Less:* Deposits		*117,948*	
1,080,384					**1,162,198**
		V **Current assets**			
	13,999	Debtors and payments in advance	13,183		
	40,871	Marketable and short-term securities	72,873		
	237,544	Cash and bank balances	162,548		
	292,414			248,604	
		VI **Current liabilities and provisions**			
	28,387	Creditors	*8,015*		
	1,409	Provision for taxation	*1,409*		
	84,493	Dividends, due or proposed	*103,515*		
	114,289			*112,939*	
178,125					**135,665**
1,258,509					**1,297,863**

On behalf of the Board,

F. J. TEMPEL, *Chairman.*
GEORGE COLE, *Vice-Chairman.*

Notes

I Fl. 21,136,000 of 6% cumulative preference capital was issued in respect of the acquisition of the share capital of Zeepfabriek "De Fenix" N.V., Zwolle, and the entire share capital of a company in which "De Fenix" had an interest.

The 4% redeemable cumulative preference capital is redeemable at par at the company's option either wholly or in part.

II Fl. 1,200,000 of ordinary capital is held by a subsidiary of N.V. and Fl. 1,200,000 by a subsidiary of LIMITED, who have waived their rights to the dividends for 1964.

The movements in premiums on capital issued during 1964 were:—

	Fl. thousand
Balance at 1st January	48,248
Arising on issue of preferential capital	3,918
Balance at 31st December	52,166

The profit and loss account of N.V. for 1964 is as follows:—

		Fl. thousand
Income from subsidiaries	154,941	
Interest	9,293	
Sundries	1,541	
		165,775
Deduct: general expenses		*3,338*
Profit for the year		162,437

The movements in profits retained in the business during 1964 were:—

		Fl. thousand
Balance at 1st January		301,932
Profit for the year	162,437	
Preferential dividends	*14,377*	
Ordinary dividends	*133,794*	
Fixed assets replacement reserve (on behalf of subsidiaries)		10,000
Other profits retained		4,266
Profit for the year retained		14,266
Balance at 31st December		316,198

V Debtors and payments in advance (Fl. 1,073,000) have been shown after provision for doubtful debts.

Marketable and short-term securities are short-term deposits mainly with financial institutions.

GENERAL

Foreign currencies have been converted at the appropriate official parities or other current rates of exchange at the year end.

There are contingent liabilities, upon which no loss is expected.

STATEMENT D

Balance sheet

UNILEVER LIMITED

£ thousand. *Figures in red represent deductions.*

31st December 1963				Authorised	*Issued and fully paid*	31st December 1964
			CAPITAL EMPLOYED			
		I	**Preferential capital**			
	35,985		7% Cumulative Preference } Ranking pari passu	35,985	35,985	
	2,360		5% Cumulative Preference } Ranking pari passu	4,015	2,360	
	15,662		8% Cumulative A Preference	40,000	15,662	
	2,287		20% Cumulative Preferred Ordinary	2,287	2,287	
56,294				82,287		**56,294**
		II	**Ordinary and deferred capital and reserves**			
	44,937		Ordinary Capital	59,031	44,937	
	100		Deferred Capital	100	100	
	45,037			59,131	45,037	
	1,678		**Premiums on capital issued**		1,678	
	111,907		**Profits retained in the business**		115,640	
158,622						**162,355**
		III	**Loan capital**			
	7,672		$3\frac{3}{4}\%$ Debenture stock, 1955/75 } Ranking pari passu		7,503	
	11,223		4% Debenture stock, 1960/80 } Ranking pari passu		11,002	
18,895						**18,505**
2,251		IV	**Deferred liabilities**			**2,839**
236,062						**239,993**
13,553		V	Indebtedness of N.V. Group			*13,580*
222,509						**226,413**
			EMPLOYMENT OF CAPITAL			
		VI	**Fixed assets**			
	8,730		Land, buildings and plant		10,903	
	5,607		Trade investments		5,994	
14,337						**16,897**
		VII	**Interests in subsidiaries**			
	81,264		Shares		109,478	
	130,195		Advances		128,247	
	211,459				237,725	
	53,829		*Less:* Deposits		*57,764*	
157,630						**179,961**
		VIII	**Current assets**			
	3,323		Debtors	4,051		
	44,830		Marketable and short-term securities	20,658		
	11,827		Cash and bank balances	15,065		
	59,980				39,774	
		IX	**Current liabilities**			
	2,077		Creditors	*2,345*		
	2,046		Provision for taxation	*2,363*		
	5,315		Dividends (net) due or proposed	*5,511*		
	9,438				*10,219*	
50,542						**29,555**
222,509						**226,413**

GEORGE COLE, *Chairman.*
F. J. TEMPEL, *Vice-Chairman.*

Notes

II £ 50,000 deferred stock is held by a subsidiary of LIMITED and £ 50,000 by a subsidiary of N.V. A nominal dividend of £ 250 was paid on this stock.

The movements in profits retained in the business during 1964 were:—

		£ thousand
Balance at 1st January		111,907
Profit for the year	13,099	
Preferential dividends	*2,663*	
Ordinary and Deferred dividends	*6,703*	
Fixed assets replacement reserve (on behalf of subsidiaries)		3,000
Other profits retained		733
Profit for the year retained		3,733
Balance at 31st December		115,640

III The two issues of debenture stock are secured by a floating charge on the assets of the company. During the year £ 169,000 of $3\frac{3}{4}$% debenture stock 1955/75 and £ 221,000 of 4% debenture stock 1960/80 were purchased by the company.

IV Deferred liabilities are as follows:—

£ thousand 1963		£ thousand 1964
2,251	Future taxation	1,851
—	Unfunded retirement benefits	988
2,251		2,839

V This includes a loan of £ 11,000,000 secured on the shares of subsidiaries of N.V.

VI Land, buildings and plant:—

£ thousand 1963		£ thousand 1964
10,700	At valuation 1st January, 1953, with additions at cost	13,466
1,970	Depreciation	*2,563*
8,730		10,903

Trade investments are shown at net book amount at 31st December, 1947, with additions at cost or valuation.

VII Shares in subsidiaries are stated at Directors' valuation made on the re-arrangement of the Unilever Groups in 1937, with bonus shares at par and other additions at cost or valuation less amounts written off. The movement during the year arises mainly from the acquisition of the remaining shares of Thames Board Mills, Limited and the cost of cancellation of preferential capital of Joseph Crosfield & Sons, Limited, John Knight, Limited and William Gossage and Sons, Limited.

VIII Marketable and short-term securities comprise short-dated government and municipal stocks £ 10,943,000 (market value £ 10,831,000), and short-term municipal loans £ 9,715,000.

GENERAL

Foreign currencies have been converted at the appropriate official parities or other current rates of exchange at the year end.

There are contingent liabilities, upon which no loss is expected.

The estimated commitments for capital expenditure at 31st December, 1964 were £ 968,000.

Combined earnings and dividends per share

1964 above 1963

	Netherlands Guilders	U.K. Sterling s/d	Belgium Francs	France Francs	Germany Marks	Switzerland Francs	U.S.A. Dollars
Per Fl. 12 or £ 1 of ordinary capital:—							
Earnings	6.04 5.35	11/11.07 10/6.73	83.46 73.93	8.24 7.30	6.68 5.91	7.30 6.46	1.67 1.48
Dividends	2.52 2.28	5/0 4/6	34.64 31.32	3.44 3.12	2.76 2.52	3.04 2.76	0.68 0.64
Per Fl. 20 of ordinary capital:—							
Earnings	10.07 8.92	19/10.44 17/7.20	139.09 123.21	13.73 12.16	11.13 9.85	12.16 10.77	2.78 2.46
Dividends	4.18 3.78	8/4 7/6	57.73 52.21	5.70 5.16	4.62 4.18	5.05 4.57	1.15 1.04

The figure of earnings per share should not be considered as more than a guide for comparing the combined profits from year to year, and should not be taken as the amount that would be paid to the ordinary shareholders if all the profits for the year were distributed as dividend. Fuller information is given in the booklet Equalisation Agreement and Earnings per Share which is available on request.

Salient figures in other currencies

All figures relate to the N.V. and LIMITED groups combined.

The Salient Figures given on page 6 are shown below in the currencies indicated.

Million—1964 above 1963

	U.K. Sterling	Belgium Francs	France Francs	Germany Marks	Switzerland Francs	U.S.A. Dollars
Turnover	2,145.7 1,941.4	300,395 271,792	29,653 26,830	24,032 21,743	26,263 23,762	6,008 5,436
of which Sales to third parties	1,688.5 1,534.8	236,390 214,869	23,335 21,211	18,911 17,190	20,667 18,786	4,728 4,297
Profit before taxation	124.0 118.7	17,360 16,621	1,714 1,641	1,389 1,330	1,518 1,453	347 332
Taxation for the year	58.0 60.0	8,116 8,397	801 829	649 672	710 734	162 168
Exceptional items	*0.7* *0.2*	*101* *37*	*10* *4*	*8* *3*	*9* *3*	*2* *1*
Consolidated net profit	62.7 55.9	8,774 7,824	866 772	702 626	767 684	175 156
Ordinary dividends	19.9 18.1	2,786 2,538	275 250	223 203	244 222	56 51
Profit retained in the business	38.7 33.8	5,416 4,728	535 467	433 378	474 413	108 94
Capital employed	774.2 722.1	108,384 101,094	10,699 9,979	8,671 8,088	9,476 8,839	2,168 2,022
Expenditure on fixed assets (gross)	64.4 60.6	9,013 8,487	890 838	721 679	788 742	180 170
Depreciation	40.7 36.1	5,691 5,048	562 498	455 404	498 441	114 101

The figures shown above have been converted at the official parity rate for the country concerned.

Dates for Unilever N.V. shareholders to note

DIVIDENDS

Ordinary	Interim	Announced mid-November. Payable mid-December (New York shares: early in January).
	Final	Proposed end of February. Payable mid-May (New York shares: early in June).
7% and 6% Cumulative Preference	First half	Payable 1st July.
	Second half	Payable 2nd January.
4% Redeemable Cumulative Preference	First half	Payable 1st October.
	Second half	Payable 1st April.

INTERIM ANNOUNCEMENT OF RESULTS

First quarter results	Mid-May.
First half-year results	Mid-August.
Nine months results	Mid-November.
Provisional results for the year	End of February.

REPORT AND ACCOUNTS OF UNILEVER N.V. AND UNILEVER LIMITED

In addition to this English translation of the Report and Accounts of Unilever N.V., French and German translations are available on request. The Report and Accounts of Unilever Limited contain the same information, with figures in sterling.

"PROGRESS"

Progress, the Unilever quarterly published in England, contains articles by authors from both inside and outside the business on current topics in which Unilever is interested. Shareholders of Unilever N.V. who are not already on our list, and who would like to receive complimentary copies, are invited to send their names and addresses to Unilever N.V., Museumpark 1, Rotterdam 2.

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