

1940.

LEVER BROTHERS & UNILEVER
LIMITED.

ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31st DECEMBER, 1940.

LEVER BROTHERS & UNILEVER LIMITED.

Directors.

THE VISCOUNT LEVERHULME, *Governor.*

SIR FRANCIS D'ARCY COOPER, BART., *Chairman.*

GEOFFREY HEYWORTH, *Vice-Chairman.*

CROUDSON WILLIAM BARNISH.

JAMES P. VAN DEN BERGH.

SIDNEY J. VAN DEN BERGH.

JOHAN WILLEM BEYEN.

CHARLES HUGH CLARKE.

HERBERT DAVIS, C.B.E.

JOHN HENRY HANSARD.

ARTHUR HARTOG.

JAMES LAURENCE HEYWORTH.

RALPH ESTILL HUFFAM.

RUDOLF G. JURGENS.

ROWLAND HUNTLY MUIR.

IZAK L. POLAK.

PAUL RYKENS.

FRANK SAMUEL.

GEORGE SCHICHT.

JAMES LOMAX SIMPSON.

Advisory Directors.

HORATIO BALLANTYNE. ALBERT VAN DEN BERGH. CHARLES EDMUND TATLOW.

THE MARQUESS OF CARISBROOKE, G.C.B., G.C.V.O.

Secretary.

L. V. FILDES.

Auditors.

COOPER BROTHERS & CO.

PRICE, WATERHOUSE & CO.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER, 1940.

To be submitted to the Members at the Annual General Meeting, to be held at Unilever House, Blackfriars, London, E.C.4, on Thursday, the 9th day of October, 1941, at 11 a.m.

The Directors submit their Annual Report and the Accounts for the year ended 31st December, 1940.

As was the case last year, this Report can only deal with the results of Lever Brothers & Unilever Limited. These results by themselves are sufficient to pay the same dividend on the Ordinary Stock as for the previous year; but, as members were reminded in the announcement which appeared in the Press on the 12th May, 1941, it is necessary that these results should be considered in conjunction with the results of Lever Brothers & Unilever N.V.

It will be recalled that under the Equalisation Agreement between the two Companies (which for convenience will be referred to as "LIMITED" and "N.V." respectively), after provision had been made for the Preference Dividends of each Company out of its own current profits—and, if necessary, for a contribution to meet any loss or deficiency of profits in the other Company to meet its Preference Dividends—the Boards of the two Companies were to decide what portion of the aggregate of the current profits and free reserves were to be utilised in providing for dividends on the Ordinary Capitals in such manner that the dividend on £1 nominal of Ordinary Capital of LIMITED and the dividend on Fls. 12 of Ordinary Capital of N.V. should be of the same value. Apart from this Agreement, other agreements were made for obviating competition between the two Companies, for maintaining a common policy and exchanging technical and other information, for procuring raw materials and for securing the possibility of identical Boards. It may be that events have rendered such agreements no longer legally binding, but whether this be so or not, with a view to the resumption of the former close relationship between LIMITED and N.V., should circumstances so allow, it is still necessary and desirable to have regard to the terms of those agreements.

With such knowledge as is available of the operations of N.V. during 1940 and having ascertained the completed profit figure of LIMITED for that year, the Directors of LIMITED feel justified in recommending a dividend of 5 per cent. on the Ordinary Capital. The Report will therefore conclude with the recommendation that such dividend be paid and that an amount of £700,000 be set aside to Reserve out of the year's profits to provide, if necessary, a corresponding dividend of equal value for the Ordinary Shareholders of N.V.; the application of this reserve to that purpose will be entrusted to a member of each of the firms of Messrs. Price, Waterhouse & Co. and Messrs. Cooper Brothers & Co., as in the case of the £800,000 set aside out of the profits of 1939. This will conserve a sufficient balance of LIMITED'S profits for 1940 to be carried forward as cover for the possible contingency of a contribution to N.V. if that Company should have failed to earn its Preference Dividends for that year.

As was the case last year, the lack of contact with N.V. has made it impossible to prepare the usual Consolidated Statement of the two Companies and the publication of such a Statement for LIMITED alone would only be misleading.

The Statement of the Consolidated Profits of the LIMITED Group of Companies is set out on page 5 and it will be noted that the surplus accruing to the Ordinary Stockholders (subject to the appropriations to Reserve for Contingencies referred to above, the dividends on the Co-Partnership Preferential Certificates, to the dividend in 1939 on the Deferred Stock and, in 1940, to any contribution which may require to be reserved for N.V.) was :—

	1940.	1939.
	£	£
NET CONSOLIDATED PROFIT, including the Company's proportion of the Profits less Losses of Subsidiary and Allied Companies	7,879,659	7,648,644
<i>Less :</i>		
Dividends on all classes of Preference and Preferred Ordinary Capital	4,346,779	4,337,777
	<u>£3,532,880</u>	<u>£3,310,867</u>

These amounts represent the profits after charging depreciation and interest on Debentures and after making provision for all taxation, including estimates for Excess Profits Taxes. As is shown on page 5, there was also provided in 1939 an amount of £1,379,657 to supplement Staff Pension Funds and in 1940 there has been provided an amount of £1,400,000 towards Income Tax on current profits, £274,446 for War Damage Contributions and £120,631 Provision for funding Staff Pensions representing the balance of the amount required to complete the funding of pensions of certain age groups. It is intended to provide for the funding of further age groups in 1941.

As hitherto, the provision for Income Tax charged against the profits covered the assessed liability up to the date of the Balance Sheet. This provision does not, however, cover the future liability for Income Tax on the profits of the current year and, in view of the high rate of tax now prevailing it has been decided to accumulate a Reserve for this purpose. The amount of £1,400,000 referred to above, which has been set aside out of the profits of Subsidiary and Allied Companies, has been augmented by the transfer to this Reserve of amounts standing to the credit of other reserves which were surplus to requirements. It is not possible to calculate exactly the amount required for Income Tax on the 1940 Profits but the amount now reserved should cover the greater part of the future liability in this respect after taking credit for income tax recoverable from dividends on the Preferential Capital.

The provision of £274,446 for War Damage Contributions represents so much of the estimated total contributions under the War Damage Act as is attributable to the portion of the risk period which ended at the date of the Balance Sheet.

During the year the businesses of the Company's Subsidiary and Allied Companies engaged in the manufacture and distribution of Food Products in Great Britain have come more and more under Government control. As the relative settlement periods do not coincide with the Company's financial year, final figures up to 31st December, 1940, could not always be determined. In those cases the results have been estimated on a conservative basis.

Taxation falling due in 1941 to an amount of £4,800,000 has been paid in advance and considerable sums have been invested in War Loans. This investment has been transferred to the Union Superannuation Fund in part settlement of the amount set aside in 1939 for funding Staff Pensions. Further substantial amounts have been invested in War Loans in 1941 for a similar purpose.

A summary of the position of LIMITED and N.V. and the interests of each at 10th May, 1940, when Holland was invaded, was set out in last year's Report. Later information has not altered materially the indebtedness between the two Groups and, as was mentioned in that Report, the LIMITED Group has, on balance, no amount at risk in connection with its outstanding indebtedness with the N.V. Group, the amount of £2,846,328 shown in the Balance Sheet attached as being due by N.V. to LIMITED being more than covered by an amount owing by a Subsidiary of LIMITED to a Subsidiary of N.V. in connection with the purchase of the French Interests in 1939.

As was also explained last year, when the invasion of Holland took place, balances on Loan and Current Accounts between N.V. and its Allied Companies Overseas were, by previous agreement, transferred to LIMITED. These balances which, having been revalued at the rates of exchange of 31st December, 1940, have a net sterling value of £2,299,810, are blocked for the duration of the war against a similar amount due to N.V. in respect of such transfers.

Apart from the above, Subsidiary and Allied Companies of LIMITED have interests in territories now occupied by the enemy, principally in France and in the French Colonies. Failing any reliable information as to their results, neither profit nor loss in respect of these interests has been included in the figure of Consolidated Profit shown on page 5. The whole of the Ordinary Stock of the Companies concerned is owned directly or indirectly by LIMITED and, having ample free reserves for the purpose, LIMITED has guaranteed these Companies against any loss which may arise on the value of these interests in their books.

BALANCE SHEET.

SHARE CAPITAL.

The Issued Capital of the Company has increased by £7,764 Ordinary Stock issued at par in exchange for Ordinary Stock of an Allied Company held by Third Parties.

CREDITORS.

Apart from contracts for supplies purchased on behalf of Subsidiary and Allied Companies, the principal liability included under this heading is the provision for taxation (less amounts paid in advance) including an estimate for Excess Profits Tax payable on behalf of Subsidiary Companies. The increase of £495,560 is due to the inclusion under this heading of the appropriation of £700,000 out of the profits of 1940 to Reserve for Contingencies to cover the contingent liability in connection with the Equalisation Agreement with N.V. referred to previously.

SHARES IN SUBSIDIARY AND ALLIED COMPANIES.

The increase of £1,221,137 represents mainly the acquisition by LIMITED, as a direct holding, of Shares in Subsidiary Companies formerly held by other Subsidiary Companies which were financed by Loans and Current Accounts.

DEBTORS.

The increase of £1,025,533 is due to the inclusion under this heading of amounts outstanding with the Ministry of Food in connection with the control of the businesses carried on by Subsidiary and Allied Companies for whom LIMITED acts as a Clearing House. As previously mentioned, certain of these amounts are based on estimates which the Board consider to be conservative.

Other movements in the Balance Sheet call for no comment.

PROFIT AND LOSS ACCOUNT.

The Profit for the year of £6,987,130 shown in the Profit and Loss Account is somewhat higher than the estimate of £6,600,000 mentioned in the Press announcement of 12th May, 1941, owing to the inclusion of the tax recoverable on the Ordinary Dividend now proposed. This Profit includes the results of Subsidiary and Allied Companies only to the extent to which they have been declared as dividends. The Company's share of the profits earned by those Companies in 1940 and not distributed as dividend amounted to £892,529 as compared with £906,591 in 1939.

In so far as Excess Profits Tax estimated to be payable by Subsidiary and Allied Companies has not been charged to them, it has been provided by this Company.

General Administration Expenses, instead of being included, as hitherto, with Income Tax and National Defence Contribution which are now shown under a separate heading, have been charged this year against Dividends Receivable and other Income. The comparative figures for 1939 have been adjusted accordingly.

The greater part of the gross charge for Income Tax and National Defence Contribution represents Income Tax on the Dividends Receivable from Subsidiary and Allied Companies, the net amount being influenced by the decrease in the amount recovered from Stockholders owing to the reduced dividend on the Ordinary Stock.

APPROPRIATION OF PROFITS.

The Directors propose to allocate the profits in accordance with the Statement on the opposite page.

After providing for the dividends on all classes of Preferential Capital, there was an amount available for further allocation of £4,357,200. Out of this, as already referred to, £700,000 has been allocated to Reserve for Contingencies and it is proposed to pay a Dividend on the Ordinary Capital of 5 per cent. and to pay 5 per cent. on the Preferential Certificates of the Co-Partnership Trust thus leaving £2,944,502 to be carried forward to 1941, which shows an increase of £1,227,653 over the balance brought forward from 1939.

BOARD OF DIRECTORS.

In accordance with Article 83 of the Articles of Association, all Directors retire and, being eligible, offer themselves for re-election.

AUDITORS.

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

By Order of the Board,

L. V. FILDES,

Secretary.

15th September, 1941.

There will be no Chairman's Speech at the Annual General Meeting. That most of the Industries in which the Company is interested have had a prosperous year is evident from the Accounts accompanying this Report, and in view of the abnormal conditions under which the Subsidiary and Allied Companies have been operating at home and throughout the Empire, any detailed review of Trading Results by comparison with those of previous years would be of little interest.

The total Capital Expenditure during the year was £1,659,000 (1939 : £1,998,000). Income was charged with £2,137,000 for Depreciation (1939 : £1,972,000) ; £1,748,000 for Repairs (1939 : £1,513,000) ; and £150,000 for A.R.P. Expenditure (1939 : £123,000).

The number of employees in this country serving with the Armed and Civilian Forces has risen from 3,608 at the end of 1939 to 9,400. These employees receive allowances from their Companies and, so that their membership of the Pension Funds is not interrupted, they are treated as being on leave of absence.

**STATEMENT OF CONSOLIDATED PROFIT
AND
APPROPRIATIONS.**

Year ended 31st December, 1940.

1939. £		£
9,028,301	The CONSOLIDATED PROFIT for the Year, including the Company's proportion of the Profits less Losses of Subsidiary and Allied Companies after providing for all taxation amounted to.. ..	9,674,736
	Out of this has been provided :	
	— Reserve towards Income Tax on current profits £1,400,000	
	— Reserve for War Damage Contributions .. 274,446	
1,379,657	<u>1,379,657</u> Provision for funding Staff Pensions 120,631	<u>1,795,077</u>
7,648,644	The NET CONSOLIDATED PROFIT for the Year was thus 	7,879,659
906,591	The amounts retained by Subsidiary and Allied Companies have increased by	892,529
6,742,053	leaving a Profit which includes the results of the Subsidiary and Allied Companies to the extent only to which dividends have been or are to be received therefrom	6,987,130
1,490,382	To this has been added the balance brought forward from 1939 ..	1,716,849
8,232,435	leaving a Profit available for distribution of	8,703,979
4,337,777	The Dividends for the year on all classes of Preference and Preferred Ordinary Stock absorb	4,346,779
3,894,658	leaving for further allocation	4,357,200
	This amount is appropriated as follows :—	
800,000	Reserve for Contingencies 	700,000
(10%) 1,320,288	Dividend on Ordinary Stock—5% 	660,535
51,521	Dividend on Preferential Certificates of Co-Partnership Trust..	52,163
6,000	<i>Dividend on Deferred Stock</i>	—
2,177,809		<u>1,412,698</u>
1,716,849	leaving a balance to be carried forward to 1941 of	<u>2,944,502</u>

LEVER BROTHERS &

BALANCE SHEET,

CAPITAL AND LIABILITIES.		£	£
1939.		Authorised.	Issued and fully paid.
£	CAPITAL—		
	7% Cumulative Preference) <i>Ranking pari passu</i>	35,984,690	35,984,690
	5% Cumulative Preference)	4,015,310	2,360,000
	8% Cumulative A Preference	40,000,000	15,655,173
	20% Cumulative Preferred Ordinary	2,287,312	2,287,312
	Ordinary	59,031,438	13,210,707
	Deferred	100,000	100,000
69,590,118		141,418,750	69,597,882
	DEBENTURE STOCK—		
	Charged on the Undertaking and Property of the Company		
	5% Consolidated Debenture Stock—		
	Redeemable in full between 1st April, 1942 and 1957.		
	Outstanding at 31st December, 1939 ..	£ 2,954,300	
	Redeemed and cancelled during the year	72,180	
		2,882,120	
	4% Consolidated Debenture Stock—		
	Redeemable in full between 1st April, 1943 and 1958.		
	Outstanding at 31st December, 1939 ..	2,009,927	
	Redeemed and cancelled during the year	48,503	
		1,961,424	
	Add—Interest accrued, less Income Tax ..	4,843,544	
4,993,029		32,449	4,875,993
10,000,000	GENERAL RESERVE		10,000,000
1,716,849	PROFIT AND LOSS AND APPROPRIATION ACCOUNT—		
	Balance carried forward to 1941		2,944,502
86,299,996			87,418,377
	DEPOSITS AND CURRENT ACCOUNTS (less Dividends Receivable)—		
	Subsidiary Companies	6,616,724	
	Allied Companies	6,225,026	
12,675,208		12,841,750	
	CREDITORS—		
	Trade Creditors, Accrued Liabilities, Provision for Taxation and for Dividend on Preferential Certificates and Reserve for Contingencies		4,181,627
3,686,067			
	PROVISION FOR DIVIDENDS ON PREFERENCE, PREFERRED ORDINARY, ORDINARY AND DEFERRED STOCK (less Income Tax)		1,506,775
1,711,327			
£104,372,598			£105,948,529

NOTE.—There are Contingent Liabilities under Guarantees, Bills discounted and Agreements on account of Subsidiary and Allied Companies. Indemnities have also been given to Subsidiary and Allied Companies in respect of Assets held by these Companies in enemy occupied territories.

REPORT OF THE AUDITORS

We report to the Members that we have examined the above Balance Sheet and have obtained all the as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1940, according to the

LONDON, E.C.
15th September, 1941.

UNILEVER LIMITED.

31st DECEMBER, 1940.

1939.	ASSETS.		£	£
£				
	SHARES IN SUBSIDIARY AND ALLIED COMPANIES—			
	At Directors' Valuation as at 31st December, 1937, with additions at cost, less Reserves—			
	Subsidiary Companies	65,528,806	
	Allied Companies	5,014,009	
69,321,678			—————	70,542,815
	FREEHOLD LAND, BUILDINGS, PLANT, OFFICE EQUIPMENT AND LEASEHOLD PROPERTIES—At cost, less depreciation ..			2,798,042
2,924,494				
	LOANS AND CURRENT ACCOUNTS (including Dividends Receivable)—			
	Subsidiary Companies	8,979,606	
	Allied Companies	17,077,111	
25,528,274			—————	26,056,717
	LEVER BROTHERS & UNILEVER N.V. AND ITS ALLIED COMPANIES—			
	Balances outstanding as referred to in the Directors' Report :			
	Claims on Allied Companies	2,423,281	
	Less : Amounts owing to Allied Companies	123,471	
			—————	2,299,810
	<i>Deduct :</i>			
	Amount due to Lever Brothers & Unilever N.V. in respect of such Balances	2,299,810	
			—————	
	Lever Brothers & Unilever N.V.—			
	Loan and Current Accounts	2,846,328	
2,566,180			—————	2,846,328
	DEBTORS—			
48,492	Sundry Debtors, Bills Receivable and Payments in Advance			1,074,025
	CASH AT BANKERS AND IN HAND AND SHORT TERM ADVANCES—			
	Short Term Advances	1,226,951	
	Cash at Bankers and in hand	1,403,651	
3,983,480			—————	2,630,602

LEVERHULME, *Governor.*

GEOFFREY HEYWORTH, *Vice-Chairman.*

£104,372,598

£105,948,529

TO THE MEMBERS.

information and explanations we have required. In our opinion the above Balance Sheet is properly drawn up so best of our information and the explanations given to us and as shown by the books of the Company.

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

LEVER BROTHERS &

PROFIT AND LOSS AND APPROPRIATION ACCOUNT,

1939.		£	£
	INCOME TAX AND NATIONAL DEFENCE CONTRIBUTION—		
	3,067,889 Gross Charge	4,812,213	
	2,075,787 Less : Income Tax recoveries from Dividends and Debenture Interest	2,268,486	
992,102			2,543,727
229,520	DEBENTURE INTEREST		224,110
6,742,053	NET PROFIT FOR THE YEAR 1940 carried down		6,987,130
<u>£7,963,675</u>			<u>£9,754,967</u>
APPROPRIATIONS—			
Dividends on Cumulative Preference and Preferred Ordinary Stock—			
	7% Preference	2,518,902	
	5% Preference	118,000	
	8% A Preference	1,252,414	
	20% Preferred Ordinary	457,463	
4,337,777			4,346,779
800,000	Reserve for Contingencies		700,000
1,320,288	Dividend on Ordinary Stock		660,535
51,521	Dividend on Preferential Certificates of the Co-Partnership Trust ..		52,163
6,000	Dividend on Deferred Stock of 6%		—
1,716,849	Balance carried forward to 1941		2,944,502
<u>£8,232,435</u>			<u>£8,703,979</u>

The Profits of Subsidiary Companies are included in the above Account only to the extent to which they have been declared the aggregate losses for the year of other Subsidiary

UNILEVER LIMITED.

YEAR ENDED 31st DECEMBER, 1940.

1939.		£
	PROFIT FOR THE YEAR 1940, INCLUDING DIVIDENDS RECEIVABLE FROM SUBSIDIARY AND ALLIED COMPANIES, after charging General Adminis- tration Expenses and making provision for Excess Profits Tax ..	9,754,967
7,963,675		
<hr/>		<hr/>
£7,963,675		£9,754,967
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6,742,053	NET PROFIT FOR THE YEAR 1940 brought down	6,987,130
1,490,382	BALANCE brought forward from 1939	1,716,849
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£8,232,435		£8,703,979
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as Dividends; the balances of the Profits not so declared are carried forward in the Accounts of such Companies and exceed Companies, which have been carried forward in their own Accounts.

LEVERHULME, *Governor.*

GEOFFREY HEYWORTH, *Vice-Chairman.*

LEVER BROTHERS & UNILEVER LIMITED.

ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER, 1940.

NOTICE is HEREBY GIVEN that the ANNUAL GENERAL MEETING of the above-named Company will be held at Unilever House, Blackfriars, London, E.C.4; on Thursday, the 9th day of October, 1941, at 11 a.m., for the following purposes, namely:—

1. To receive and consider the Annual Statement of Accounts and Balance Sheet, and the Report of the Directors and Auditors thereon.
2. To sanction the declaration of Dividends.
3. To elect Directors.
4. To appoint Auditors and fix their remuneration.
5. To transact any other ordinary business of the Company.

The Transfer Books of the Company so far as they relate to the Ordinary Stock are closed and will remain closed up to and including the 10th October, 1941.

Dated the 1st day of October, 1941.

By Order of the Board,

L. V. FILDES,

Secretary.
