

1941.

LEVER BROTHERS & UNILEVER LIMITED.

ANNUAL REPORT AND STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER, 1941.

DIRECTORS.

THE VISCOUNT LEVERHULME, *Governor.*

GEOFFREY HEYWORTH, *Chairman.*

HERBERT DAVIS, C.B.E., }
PAUL RYKENS, } *Vice-Chairmen.*

CROUDSON WILLIAM BARNISH.

JAMES P. VAN DEN BERGH.

SIDNEY J. VAN DEN BERGH.

JOHAN WILLEM BEYEN.

CHARLES HUGH CLARKE.

JOHN HENRY HANSARD.

ARTHUR HARTOG.

JAMES LAURENCE HEYWORTH.

RALPH ESTILL HUFFAM.

RUDOLF G. JURGENS.

ROWLAND HUNTLY MUIR.

IZAK L. POLAK.

FRANK SAMUEL.

GEORGE SCHICHT.

ARTHUR GODFREY SHORT.

JAMES LOMAX SIMPSON.

ADVISORY DIRECTORS.

HORATIO BALLANTYNE.

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

SECRETARY.

LUKE V. FILDES.

AUDITORS.

COOPER BROTHERS & CO.

PRICE, WATERHOUSE & CO.

LEVER BROTHERS & UNILEVER LIMITED.

The Chairman's Review for the year ended 31st December, 1941.

(It will be proposed at the Annual General Meeting on the 8th day of October, 1942, that this Review be taken as read and there will be no speech from the Chair).

THE LATE SIR D'ARCY COOPER: At the close of the year—on the 18th December 1941—the Chairman of the Board of Directors, Sir Francis D'Arcy Cooper, died. In paying tribute to a great Industrial Leader, whose death was rightly looked upon as a loss to the nation as a whole, his colleagues on the Board have foremost in their memories his outstanding personality and his sense of duty, honour and fair play which, joined to exceptional abilities, brought him the admiration and devotion of all engaged in this Business.

CHANGES ON THE BOARD: Besides the change in the Chairmanship, other changes on the Board have taken place. Mr. Herbert Davis, C.B.E. and Mr. Paul Rykens have become Vice-Chairmen. Mr. A. G. Short, for many years prominently connected with the group of Miscellaneous Food Companies, has joined the Board and is in charge of that group. Mr. Albert Van den Bergh, who became an Advisory Director in 1941 on relinquishing the post of Joint Vice-Chairman, has retired after a connection with the Company and its Associated Businesses of more than 48 years. Mr. Charles Edmund Tatlow, who became an Advisory Director after relinquishing his Directorship in 1941, has retired on completing 40 years' service with the Company.

TRADING: For obvious reasons a general picture only can be given.

At home: Throughout 1941 our soap businesses carried out programmes laid down by the Government, production totalling approximately pre-war figures.

Our margarine factories operated at high outputs for the account of the Ministry of Food.

Seed crushing activities, also under Food Ministry control, were on a large scale, although below pre-war levels. Production of animal feeding compounds had to be substantially curtailed. Oil refining and hardening throughputs were well above normal.

The food companies experienced varying fortunes, but, in total, output continued to reflect progress. Mac Fisheries successfully overcame many difficulties connected with war time distribution of fish.

Overseas: The outputs of our important Canadian, Australian, South African, Indian and other Empire soap and edible fat factories established new high records, contributory causes being virtually unrestricted raw material supplies, increased spending power and some element of speculative trade buying. Eire was a notable exception due to restriction of raw materials. During the year a soap and edible fat factory in Ceylon came into production.

The importance of the primary products of West Africa to the Allied war effort has brought added responsibilities to the United Africa Company.

All departments throughout the British Colonies, Free French and Belgian territories have worked at high pressure in full collaboration with the various Governments. Many new problems connected with produce buying, storage and transport have been successfully solved. The import and merchandising side of the business has been heavily taxed to provide the volume of textiles and manufactured goods essential to stimulate the African producer to his greatest effort. The results achieved testify to the energy and initiative with which difficulties have been overcome.

All these overseas interests account for just over 30% of the combined trading profits of the Company.

CAPITAL EXPENDITURE, DEPRECIATION AND REPAIRS: Capital Expenditure was necessarily restricted. £1,379,000 was spent mainly upon projects initiated prior to the War, extensions necessary for war time programmes, and additional facilities for research and for special war time operations. Against this, £654,000 was realised by the sale of assets, of which the principal was the whaling fleet sold for £479,000. These amounts do not include expenditure on, or compensation for, assets lost by enemy action.

Revenue was charged with £1,965,000 for depreciation, £1,955,000 for repairs and maintenance, and £147,000 for additional A.R.P. installations.

PRODUCTION AND RESEARCH: Shortages of usual commodities have been an incentive to the production and research staffs to exercise successfully their ingenuity and powers of improvisation so as to maintain the quality of products.

STAFF: Excellent relations between the Management and Staff continue; the scheme of Works Committees and Councils, which have operated in the larger units for many years, is now being extended to every factory in the Organisation. The provision of Works and Office Canteens has been very largely augmented to meet war time conditions.

28,700 employees in the British Empire are members of the Pension and Provident Funds whose investments amount to £10,641,000.

Over 10,000 employees of our regular staff are serving with the Armed and Civilian Services, all of whom receive financial assistance from their Companies and retain their membership of the Pension and Provident Funds.

The spirit that animates the whole Organisation is all that it should be and it is largely for this reason that the standard of efficiency stands so high.

Through their War Savings Groups, more than 21,000 employees in Great Britain alone have subscribed close upon £900,000 to the National War Savings Campaign from its inception.

THE FUTURE: Since the close of 1941 many events have occurred which have influenced the course of our activities both at home and abroad. The fact that the resources of the Company are largely devoted to products that are necessities of life fortunately tends to minimise some of the adverse consequences. What the final effect on the current year's results will be cannot be forecast with any certainty; but it is hoped that the consolidated profit will not differ materially from the 1941 figure.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER, 1941.

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 8th day of October, 1942, at 11 a.m.

The Directors submit their Annual Report and the Accounts for the year ended 31st December, 1941, which are accompanied by a Review by the Chairman of the Board.

Members are familiar from previous announcements with the reasons why the results of this Company—for convenience referred to as "LIMITED"—should be considered in conjunction with those of Lever Brothers & Unilever N.V.—for convenience referred to as "N.V." Owing to present conditions this is not possible and so, as in the two previous years, this Report can deal only with the Accounts and results of LIMITED. These results by themselves are such as to justify the Directors in recommending a dividend of 5% on the Ordinary Stock, the same as last year, whilst at the same time appropriating £700,000 to Contingencies Reserve. This Contingencies Reserve is established to provide, if necessary and subject to certain conditions, a corresponding dividend of equal value for the Ordinary Shareholders of N.V. It is emphasised that payment to the Ordinary Shareholders of N.V. out of this Reserve cannot be made at present and will not be made unless and until it is legally permissible to do so. Payment will also be subject to the resumption of normal relations between the two Companies. The existence of this Reserve creates no rights or benefits which are not subject to these over-riding considerations. The application of this Reserve will be entrusted, as in previous years, to a member of each of the firms of Messrs. Price, Waterhouse & Co., and Messrs. Cooper Brothers & Co. Including this appropriation, this Reserve is now £2,200,000 and is shown separately on the Balance Sheet instead of being grouped as heretofore under Creditors, the comparative figures at 31st December, 1940, having been adjusted accordingly.

Since the Annual General Meeting last year, the results of N.V. for the year 1940 have been published. No Ordinary Dividend was declared but the profits available were amply sufficient to cover the dividends on the Preference Capital of that Company. Out of its profits of 1940 an amount of £1,227,653 had been added by LIMITED to the unappropriated balance on Profit and Loss Account having in mind the possible contingency of N.V. having failed to earn its full Preference Dividends for that year. An amount of £1,283,118 was required to complete the provision of Pensions for the Staff and as the contingency referred to above then no longer existed, it was decided to appropriate the whole of this amount out of the balance on Profit and Loss Account brought forward from 1940.

The Directors see no necessity for making any provision for the possibility of N.V. having failed to earn its Preference Dividends for 1941.

STATEMENT OF CONSOLIDATED PROFIT.

In order that Members may be better able to compare the results of one year with another, the Statement of the Consolidated Profits of the LIMITED Group, as set out on page 4, has been extended this year to show the charge for British Income Tax on the Group. The amount shown in the Profit and Loss Account represents only so much of the charge as falls directly upon the Parent Company.

As may be seen, the total Consolidated Profit, before deducting British Income Tax, is :—

1941 : £10,562,540. 1940 : £11,225,451.

In both years these results are calculated after charging depreciation and interest on Debentures and after making provision for estimated Excess Profits Tax.

The decrease of £662,911 is due almost entirely to the incidence of Excess Profits Tax. No credit has been taken for any possible refund after the war under the provisions of Section 37 of the Finance Act, 1942.

Out of these Profits there has been provided British Income Tax (less recovery from Dividends) £2,403,252 (1940: £1,550,715), Additional Reserve for Income Tax £1,600,000 (1940: £1,400,000) and War Damage Contributions and Premiums £259,625 (1940: £274,446).

After providing for all Preferential Dividends, the Net Consolidated Profit for the year accruing to the Ordinary Stockholders (subject to the appropriation to Contingencies Reserve referred to above and the dividend on the Co-Partnership Preferential Certificates) is £1,952,884 (1940: £3,532,880).

The charge of £2,403,252 for British Income Tax is based on the assessed liability accrued up to the date of the Balance Sheet, being calculated as to one-quarter on the profits of 1939 and as to three-quarters on the profits of 1940. As mentioned in the Report last year, it has been decided, in view of the high rates of tax now prevailing, to accumulate Additional Reserves for Income Tax to cover the future liability on all profits up to the date of the Balance Sheet. These Reserves have been further augmented in 1941 by £1,600,000 out of the profits of Subsidiary and Allied Companies and by the transfer of other reserves which were surplus to requirements, including an over-provision for Excess Profits Tax in 1940, and are now sufficient to cover the estimated net liability at the current rate on all profits up to 31st December, 1941.

The amount provided for War Damage Contributions is estimated to cover, so far as is known, the balance of the instalments payable under the War Damage Act (Part I) over the whole period of risk.

Taxation falling due in 1942 to an amount of £5,589,000 has been paid in advance. £839,000 has been invested in War Bonds which have been transferred to the Union Superannuation Fund in part settlement of the amount appropriated for Staff Pensions.

On 15th December, 1941, the outstanding £1,319,564 of 5% Debenture Stock of The Niger Company, Limited, which was guaranteed by LIMITED, was redeemed at par. Notice has since been given to redeem on 1st October, 1942, the outstanding 5% Debenture Stock of LIMITED at par and on 31st December, 1942, the outstanding 4½% Debenture Stock of The British Oil & Cake Mills, Limited at 110%. At 31st December, 1941, the amounts of these Stocks outstanding were £2,820,800 and £595,711 respectively.

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 the Report on the Accounts for the year 1939. The net indebtedness between the two Groups has not altered materially since 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 £2,827,546 shown in the Balance Sheet as 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 explained in the Report last year, balances on Loan and Current Accounts between N.V. and its Allied Companies Overseas, were, by previous agreement, transferred to LIMITED when the invasion of Holland took place. These balances at the rates of exchange of 31st December, 1941 (where available) had a net sterling value of £2,395,366 and 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 the French Colonies. Neither profit nor loss in respect of those interests has been taken into account. 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 might arise on the value of these interests in their books.

As regards Countries at present occupied by Japan, interests in China, Thailand, the Netherlands East Indies and the Philippines are investments of the N.V. Group and have not, therefore, been dealt with in the Accounts attached. The LIMITED Group has interests in Burma and the Pacific Islands; no provision has been made to write down their Capital Value as sufficient reserves are available to meet any loss which may arise. All stocks on consignment and claims on third parties in Countries occupied by Japan have been reserved in full out of the 1941 Results.

BALANCE SHEET.

SHARE CAPITAL.

The Issued Capital of the Company has remained unchanged.

CREDITORS.

The principal liabilities included under this heading are the provisions for Excess Profits Tax and Income Tax (less amounts paid in advance) and the balance due to the Union Superannuation Fund for completing the provision of Staff pensions.

DEBTORS.

The decrease of £276,572 is due mainly to a reduction of £755,787 in amounts outstanding from businesses under the control of the Ministry of Food for whom LIMITED acts as a Clearing House, partly offset by £369,903 National Defence Contribution paid in advance on behalf of Subsidiary and Allied Companies which has since been applied to the purchase of Tax Reserve Certificates.

Other movements in the Balance Sheet call for no comment.

PROFIT AND LOSS ACCOUNT.

The profit for the year of £5,835,589 shown in the Profit and Loss Account 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 and not distributed as dividend amounted to £464,074.

National Defence Contribution, previously grouped with Income Tax, has now been deducted in arriving at the Profit for the year and the comparative figures for 1940 have been adjusted accordingly.

APPROPRIATION OF PROFITS.

The Directors propose to allocate the Profits in accordance with the Statement on the opposite page and these allocations have been included in the Balance Sheet.

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.

10th September, 1942.

STATEMENT OF CONSOLIDATED PROFIT AND APPROPRIATIONS

YEAR ENDED 31ST DECEMBER, 1941.

1940. £ 11,225,451	The CONSOLIDATED PROFIT for the Year, including the Company's proportion of the Profits less Losses of Subsidiary and Allied Companies, before charging British Income Tax amounted to... ..	£ 10,562,540
	<i>Deduct :</i>	
	£	£
	4,208,439 British Income Tax	5,469,278
	2,657,724 <i>Less: Recovered from Dividends</i>	3,066,026
1,550,715		2,403,252
9,674,736	leaving a balance of	8,159,288
	out of which has been provided :	
	1,400,000 Additional Reserve for Income Tax	1,600,000
	274,446 War Damage Contributions and Premiums	259,625
	120,631 <i>Provision for Staff Pensions</i>	—
1,795,077		1,859,625
7,879,659	The NET CONSOLIDATED PROFIT for the Year was thus	6,299,663
892,529	The amounts retained by Subsidiary and Allied Companies have increased by	464,074
6,987,130	leaving a Profit which includes the results of the Subsidiary and Allied Companies only to the extent to which dividends have been or are to be received therefrom	5,835,589
1,716,849	To this has been added the adjusted balance brought forward from 1940	1,661,384
8,703,979	leaving a Profit available for distribution of	7,496,973
4,346,779	The Dividends for the year on all classes of Preference and Preferred Ordinary Stock absorb	4,346,779
4,357,200	leaving for further allocation	3,150,194
	out of which has been appropriated :—	
700,000	Contingencies Reserve	700,000
660,535	Dividend on Ordinary Stock of 5%	660,535
52,163	Dividend on Preferential Certificates of Co-Partnership Trust	52,347
1,412,698	making total appropriations of	1,412,882
2,944,502		
1,283,118	<i>Amount subsequently appropriated to provision for Staff Pensions</i>	
1,661,384	leaving a balance to be carried forward to 1942 of	1,737,312

LEVER BROTHERS & BALANCE SHEET,

1940.		£	£
	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
69,597,882		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, 1940	2,882,120	
	Redeemed and cancelled during the year	61,320	
			2,820,800
	4% Consolidated Debenture Stock—		
	Redeemable in full between 1st April, 1943 and 1958.		
	Outstanding at 31st December, 1940	1,961,424	
	Redeemed and cancelled during the year	39,382	
			1,922,042
		4,742,842	
		27,752	
4,875,993	Add Interest accrued, less Income Tax		4,770,594
	RESERVES AND UNDISTRIBUTED PROFITS—		
	General Reserve	10,000,000	
	Balance on Profit and Loss and Appropriation Account	1,737,312	
12,944,502			11,737,312
1,500,000	CONTINGENCIES RESERVE		2,200,000
88,918,377			88,305,788
	DEPOSITS AND CURRENT ACCOUNTS (less Dividends Receivable)—		
	Subsidiary Companies	5,835,145	
	Allied Companies	7,430,717	
12,841,750			13,265,862
	CREDITORS—		
	Trade Creditors, Accrued Liabilities, Provision for Taxation and for Dividend on Preferential		
	Certificates and Reserve for Contingencies... ..		2,812,699
2,681,627			
1,506,775	PROVISION FOR DIVIDENDS ON PREFERENTIAL AND ORDINARY STOCK (less Income Tax) ...		1,452,442
£105,948,529			£105,836,791

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, 1941, according to the
LONDON, E.C.
10th September, 1942.

PROFIT AND LOSS AND APPROPRIATION ACCOUNT,

1940.		£	£
	BRITISH INCOME TAX	3,961,626	
	Less: Recoveries from Dividends	2,503,543	
2,519,168			1,458,083
224,110	DEBENTURE INTEREST		219,033
6,987,130	NET PROFIT FOR THE YEAR 1941 carried down		5,835,589
£9,730,408			£7,512,705
	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	
4,346,779			4,346,779
700,000	Contingencies Reserve		700,000
660,535	Dividend on Ordinary Stock of 5%		660,535
52,163	Dividend on Preferential Certificates of the Co-Partnership Trust		52,347
2,944,502	Balance carried forward to 1942		1,737,312
£8,703,979			£7,496,973

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.

31st DECEMBER, 1941.

1940. £		£	£
	SHARES IN SUBSIDIARY AND ALLIED COMPANIES—		
	At Directors' Valuation as at 31st December, 1937, with additions at cost, less Reserves—		
	Subsidiary Companies	65,505,581	
70,542,815	Allied Companies... ..	5,006,992	70,512,573
	FREEHOLD LAND, BUILDINGS, PLANT, OFFICE EQUIPMENT AND LEASEHOLD PROPERTIES—At cost, less depreciation		2,750,818
2,798,042			
	LOANS AND CURRENT ACCOUNTS (including Dividends Receivable)—		
	Subsidiary Companies	8,672,276	
26,056,717	Allied Companies	17,285,685	25,957,961
	LEVER BROTHERS & UNILEVER N.V. AND ITS ALLIED COMPANIES—		
	Balances outstanding as referred to in the Directors' Report:		
	Claims on Allied Companies	2,501,869	
	Less: Owing to Allied Companies	106,503	
		2,395,366	
	Deduct: Owing to Lever Brothers & Unilever N.V. in respect of such Balances	2,395,366	
		—	
2,846,328	Loan and Current Accounts owing by Lever Brothers & Unilever N.V... ..	2,827,546	2,827,546
1,074,025	DEBTORS—		
	Sundry Debtors and Payments in Advance		797,453
	CASH AT BANKERS AND IN HAND AND SHORT TERM ADVANCES—		
	Short Term Advances	900,838	
2,630,602	Cash at Bankers and in hand	2,089,602	2,990,440
	LEVERHULME, <i>Governor</i>		
	GEOFFREY HEYWORTH, <i>Chairman</i>		
		<u>£105,948,529</u>	<u>£105,836,791</u>

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

YEAR ENDED 31st DECEMBER, 1941.

1940. £		£
9,730,408	PROFIT FOR THE YEAR 1941, INCLUDING DIVIDENDS RECEIVABLE FROM SUBSIDIARY AND ALLIED COMPANIES, after charging General Administration Expenses and making provision for Excess Profits Tax and National Defence Contribution	7,512,705
<u>£9,730,408</u>		<u>£7,512,705</u>
6,987,130	NET PROFIT FOR THE YEAR 1941 brought down	5,835,589
	BALANCE brought forward from 1940	£2,944,502
1,716,849	Deduct: Provision for Staff Pensions	1,283,118
		1,661,384
		<u>£8,703,979</u>
		<u>£7,496,973</u>

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, *Chairman.*

LEVER BROTHERS & UNILEVER LIMITED.

ANNUAL REPORT AND STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER, 1941.

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 8th day of October, 1942, 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 9th October, 1942.

Dated the 30th day of September, 1942.

By Order of the Board,

L. V. FILDES,

Secretary.
