

SAN JUAN BASIN ROYALTY TRUST

Form 10-K

February 29, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007**
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from to**

**Commission file number 1-8032
San Juan Basin Royalty Trust**

(Exact name of registrant as specified in the Amended and Restated San Juan Basin Royalty Trust Indenture)

Texas
*(State or other jurisdiction of
incorporation or organization)*

75-6279898
*(I.R.S. Employer
Identification No.)*

Compass Bank
2525 Ridgmar Boulevard, Suite 100
Fort Worth, Texas
(Address of principal executive offices)

76116
(Zip Code)

(866) 809-4553
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Units of Beneficial Interest	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the Units of Beneficial Interest held by non-affiliates of the registrant as of June 30, 2007: \$1,482,120,022.

At February 28, 2008, there were 46,608,796 Units of Beneficial Interest of the Trust outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Units of Beneficial Interest at page 2; Description of the Properties at page 5; Trustee's Discussion and Analysis at pages 5 through 11; and Statements of Assets, Liabilities and Trust Corpus, Statements of Distributable Income, Statements of Changes in Trust Corpus, Notes to Financial Statements, and Report of Independent Registered Public Accounting Firm at page 13 et seq., in registrant's Annual Report to Unit Holders for the year ended December 31, 2007, are incorporated herein by reference for Item 5 (Market for Registrant's Units, Related Security Holder Matters and Issuer Purchases of Units), Item 7 (Trustee's Discussion and Analysis of Financial Condition and Results of Operation) and Item 8 (Financial Statements and Supplementary Data) of Part II of this Report.

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PART I

Certain information included in this Annual Report on Form 10-K contains, and other materials filed or to be filed by the San Juan Basin Royalty Trust (the Trust) with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Trust) may contain or include, forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Such forward-looking statements may be or may concern, among other things, capital expenditures, drilling activity, development activities, production efforts and volumes, hydrocarbon prices, estimated future net revenues, estimates of reserves, the results of the Trust's activities, and regulatory matters. Such forward-looking statements generally are accompanied by words such as may, will, estimate, expect, predict, project, anticipate, goal, should, assume, believe, plan, intend, or other words that convey the uncertainty of events or outcomes. Such statements reflect Burlington Resources Oil & Gas Company LP's (BROG), the working interest owner's, current view with respect to future events; are based on an assessment of, and are subject to, a variety of factors deemed relevant by Compass Bank, the Trustee of the Trust, and BROG and involve risks and uncertainties. These risks and uncertainties include volatility of oil and gas prices, product supply and demand, competition, regulation or government action, litigation and uncertainties about estimates of reserves. Should one or more of these risks or uncertainties occur, actual results may vary materially and adversely from those anticipated.

ITEM 1. BUSINESS

The Trust is an express trust created under the laws of the state of Texas by the San Juan Basin Royalty Trust Indenture (the Original Indenture) entered into on November 3, 1980, between Southland Royalty Company (Southland Royalty) and The Fort Worth National Bank. Effective as of September 30, 2002, the Original Indenture was amended and restated (the Original Indenture, as amended and restated, the First Restated Indenture) and, effective as of December 12, 2007, the First Restated Indenture was amended and restated (the First Restated Indenture, as amended and restated, the Indenture). The Trustee of the Trust is Compass Bank (as a result of the merger discussed below). The principal office of the Trust is located at 2525 Ridgmar Boulevard, Suite 100, Fort Worth, Texas 76116, Attention: Trust Department (telephone number (866) 809-4553). The Trust maintains a website at www.sjbrt.com. The Trust makes available (free of charge) its annual, quarterly and current reports (and any amendments thereto) filed with the Securities and Exchange Commission (the SEC) through its website as soon as reasonably practicable after electronically filing or furnishing such material with or to the SEC.

On October 23, 1980, the stockholders of Southland Royalty approved and authorized that company's conveyance of a 75% net overriding royalty interest (equivalent to a net profits interest) to the Trust for the benefit of the stockholders of Southland Royalty of record at the close of business on the date of the conveyance (the Royalty) carved out of that company's oil and gas leasehold and royalty interests (the Underlying Properties) in properties located in the San Juan Basin of northwestern New Mexico. Pursuant to the Net Overriding Royalty Conveyance (the Conveyance) the Royalty was transferred to the Trust on November 3, 1980, effective as to production from and after November 1, 1980 at 7:00 a.m.

On March 24, 2006 Compass Bancshares Inc., the parent company of Compass Bank, completed its acquisition of TexasBanc Holding Co., the parent company of TexasBank, the prior trustee of the Trust. On that same date, TexasBank merged with Compass Bank, and as a result, Compass Bank succeeded TexasBank as Trustee under the terms of the Indenture.

On September 7, 2007, Compass Bancshares, Inc. was acquired by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and is now a wholly-owned subsidiary of BBVA.

The Royalty was carved out of and now burdens the Underlying Properties as more particularly described under Item 2. Properties herein.

The Royalty constitutes the principal asset of the Trust. The beneficial interests in the Royalty are divided into that number of Units of Beneficial Interest (the Units) of the Trust equal to the number of shares of the common stock of Southland Royalty outstanding as of the close of business on November 3, 1980. Each stockholder of Southland Royalty of record at the close of business on November 3, 1980 received one freely tradeable Unit for

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each share of the common stock of Southland Royalty then held. Holders of Units are referred to herein as Unit Holders. Subsequent to the Conveyance of the Royalty, through a series of assignments and mergers, Southland Royalty's successor became BROG. On March 31, 2006, a subsidiary of ConocoPhillips completed its acquisition of Burlington Resources, Inc., BROG's parent. As a result, ConocoPhillips became the parent of Burlington Resources, Inc., which in turn, is the parent of BROG.

The function of the Trustee is to collect the net proceeds attributable to the Royalty (Royalty Income), to pay all expenses and charges of the Trust, and then distribute the remaining available income to the Unit Holders. The Trust is not empowered to carry on any business activity and has no employees. All administrative functions are performed by the Trustee.

The Trust is a widely held fixed investment trust (WHFIT) classified as a non-mortgage widely held fixed investment trust (NMWHFIT) for federal income tax purposes. The Trustee, 2525 Ridgmar Boulevard, Suite 100, Fort Worth, Texas 76116, telephone number 1-866-809-4553, email address: sjt@compassbank.com, is the representative of the Trust that will provide tax information in accordance with the applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT and a NMWHFIT. The tax information is generally posted by the Trustee at www.sjbtr.com.

The Trust received approximately \$113.8 million, \$136.3 million and \$153.9 million in Royalty Income from BROG in each of the fiscal years ended December 31, 2007, 2006 and 2005, respectively. After deducting administrative expenses and accounting for interest income and any change in cash reserves, the Trust distributed approximately \$113.2 million, \$135.9 million and \$151.6 million to Unit Holders in each of the fiscal years ended December 31, 2007, 2006 and 2005, respectively. The Trust's corpus was approximately \$19.9 million, \$21.8 million and \$23.9 million as of December 31, 2007, 2006 and 2005, respectively.

The term net proceeds, as used in the Conveyance, means the excess of gross proceeds received by BROG during a particular period over production costs for such period. Gross proceeds means the amount received by BROG (or any subsequent owner of the Underlying Properties) from the sale of the production attributable to the Underlying Properties subject to certain adjustments. Production costs generally means costs incurred on an accrual basis by BROG in operating the Underlying Properties, including both capital and non-capital costs. For example, these costs include development drilling, production and processing costs, applicable taxes and operating charges. If production costs exceed gross proceeds in any month, the excess is recovered out of future gross proceeds prior to the making of further payment to the Trust, but the Trust is not otherwise liable for any production costs or other costs or liabilities attributable to the Underlying Properties or the minerals produced therefrom. If at any time the Trust receives more than the amount due under the Royalty, it shall not be obligated to return such overpayment, but the amounts payable to it for any subsequent period shall be reduced by such amount, plus interest, at a rate specified in the Conveyance.

Compliance with state and federal environmental protection laws could reduce the Royalty Income received by the Trust. Costs of complying with such laws and regulations affect the production costs incurred by BROG in operating the Underlying Properties and may also affect capital expenditures by BROG. The Trust has no information regarding any estimated capital expenditures by BROG specifically allocable to environmental control facilities in the current or succeeding fiscal years.

Certain of the Underlying Properties are operated by BROG with the obligation to conduct its operations in accordance with reasonable and prudent business judgment and good oil and gas field practices. As operator, BROG has the right to abandon any well when, in its opinion, such well ceases to produce or is not capable of producing oil and gas in paying quantities. BROG also is responsible, subject to the terms of an agreement with the Trust, for marketing the production from such properties, either under existing sales contracts or under future arrangements, at the best prices and on the best terms it shall deem reasonably obtainable in the circumstances. Additionally, BROG

has the obligation to maintain books and records sufficient to determine the amounts payable to the Trustee.

Proceeds from production in the first month are generally received by BROG in the second month, the net proceeds attributable to the Royalty are paid by BROG to the Trustee in the third month, and distribution by the Trustee to the Unit Holders is made in the fourth month. Unit Holders of record as of the last business day of each month (the monthly record date) will be entitled to receive the calculated monthly distribution amount for such

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month on or before ten business days after the monthly record date. The amount of each monthly distribution will generally be determined and announced ten days before the monthly record date. The aggregate monthly distribution amount is the excess of (i) the net proceeds attributable to the Royalty paid to the Trustee, plus any decrease in cash reserves previously established for contingent liabilities and any other cash receipts of the Trust, over (ii) the expenses and payments of liabilities of the Trust, plus any net increase in cash reserves for contingent liabilities.

Cash being held by the Trustee as a reserve for liabilities or contingencies (which reserves may be established by the Trustee in its discretion) or pending distribution is placed, in the Trustee's discretion, in obligations issued by (or unconditionally guaranteed by) the United States or any agency thereof, repurchase agreements secured by obligations issued by the United States or any agency thereof, certificates of deposit of banks having capital, surplus and undivided profits in excess of \$50,000,000, or money market funds that have been rated at least AAm by Standard & Poor's and at least Aa by Moody's, subject, in each case, to certain other qualifying conditions.

The Underlying Properties are primarily gas producing properties. Normally there is a greater demand for gas in the winter months than during the rest of the year. Otherwise, the Royalty Income is not subject to seasonal factors nor in any manner related to or dependent upon patents, licenses, franchises or concessions. The Trust conducts no research activities.

The exploration for and the production of gas and oil is a speculative business. The Trust has no means of ensuring continued income from the Royalty at the present level or otherwise. In addition, fluctuations in prices and supplies of gas and oil and the effect these fluctuations might have on royalty income to the Trust and on reserves net to the Trust cannot be accurately projected. The Trustee has no information with which to make any projections beyond information on economic conditions that is generally available to the public and thus is unwilling to make any such projections.

ITEM 1A. RISK FACTORS

Although risk factors are described elsewhere in this Annual Report on Form 10-K, the following is a summary of the principal risks associated with an investment in Units of the Trust.

Oil and gas prices fluctuate due to a number of factors, and lower prices will reduce net proceeds to the Trust and distributions to Unit Holders.

The Trust's monthly distributions are highly dependent upon the prices realized from the sale of gas and, to a lesser extent, oil. Oil and gas prices can fluctuate widely on a month-to-month basis in response to a variety of factors that are beyond the control of the Trust and BROG. Factors that contribute to price fluctuation include, among others:

- political conditions worldwide, in particular political disruption, war or other armed conflicts in oil producing regions;

- worldwide economic conditions;

- weather conditions;

- the supply and price of foreign oil and gas, including liquefied natural gas;

- the level of consumer demand;

- the price and availability of alternative fuels;

the proximity to, and capacity of, transportation facilities; and

the effect of worldwide energy conservation measures.

Moreover, government regulations, such as regulation of natural gas transportation and price controls, can affect product prices in the long term.

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Lower oil and gas prices may reduce the amount of oil and gas that is economic to produce and reduce net profits to the Trust. The volatility of energy prices reduces the predictability of future cash distributions to Unit Holders.

Increased costs of production and development will result in decreased Trust distributions.

Production and development costs attributable to the Underlying Properties are deducted in the calculation of net proceeds. Accordingly, higher or lower production and development costs, without concurrent increases in revenues, directly decrease or increase the share of net proceeds paid to the Trust as Royalty Income.

If development and production costs of the Underlying Properties exceed the proceeds of production from the Underlying Properties, such excess costs are carried forward and the Trust will not receive a share of net proceeds for the Underlying Properties until future net proceeds from production from such properties exceed the total of the excess costs. Development activities may not generate sufficient additional revenue to repay the costs; however, the Trust is not obligated to repay the excess costs except through future production.

Trust reserve estimates depend on many assumptions that may prove to be inaccurate, which could cause both estimated reserves and estimated future revenues to be too high.

The value of the Units of the Trust depends upon, among other things, the amount of reserves attributable to the Royalty and the estimated future value of the reserves. Estimating reserves is inherently uncertain. Ultimately, actual production, revenues and expenditures for the Underlying Properties will vary from estimates and those variations could be material. Petroleum engineers consider many factors and make assumptions in estimating reserves. Those factors and assumptions include:

historical production from the area compared with production rates from similar producing areas;

the assumed effect of governmental regulation; and

assumptions about future commodity prices, production and development costs, severance and excise taxes, and capital expenditures.

Changes in these assumptions can materially change reserve estimates. The reserve data included herein are estimates only and are subject to many uncertainties. Actual quantities of oil and natural gas may differ considerably from the amounts set forth herein. In addition, different reserve engineers may make different estimates of reserve quantities and cash flows based upon the same available data.

The operators of the Underlying Properties are subject to extensive governmental regulation.

Oil and gas operations have been, and in the future will be, affected by federal, state and local laws and regulations and other political developments, such as price or gathering rate controls and environmental protection regulations.

Operating risks for BROG and other operators of the Underlying Properties can adversely affect Trust distributions.

Royalty Income payable to the Trust is derived from the sale of natural gas and oil production following the gathering and processing of those minerals, which operations are subject to risk inherent in such activities, such as blowouts, cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution and other environmental risks and litigation concerning routine and extraordinary business activities and events. These risks could result in substantial losses which are deducted in calculating the net proceeds paid to the Trust due to injury and loss of life, severe

damage to and destruction of property and equipment, pollution and other environmental damage and suspension of operations.

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None of the Trustee, the Trust nor the Unit Holders control the operation or development of the Underlying Properties.

Neither the Trustee nor the Unit Holders can influence or control the operation or future development of the Underlying Properties. The Underlying Properties are owned by BROG and BROG operates the majority of such properties and handles the calculation of the net proceeds attributable to the Royalty and the payment of Royalty Income to the Trust.

The Royalty can be sold and the Trust can be terminated in certain circumstances.

The Trust will be terminated and the Trustee must sell the Royalty if holders of at least 75% of the Units approve the sale or vote to terminate the Trust, or if the Trust's gross revenue for each of two successive years is less than \$1,000,000 per year. Following any such termination and liquidation, the net proceeds of any sale will be distributed to the Unit Holders and Unit Holders will receive no further distributions from the Trust. We cannot assure you that any such sale will be on terms acceptable to all Unit Holders.

Mineral properties, such as the Underlying Properties, are depleting assets and, if BROG or other operators of the Underlying Properties do not perform additional development projects, the assets may deplete faster than expected.

The Royalty Income payable to the Trust is derived from the sale of depleting assets. Accordingly, the portion of the distributions to Unit Holders (to the extent of depletion taken) may be considered a return of capital. The reduction in proved reserve quantities is a common measure of depletion. Future maintenance and development projects on the Underlying Properties will affect the quantity of proved reserves. The timing and size of these projects will depend on the market prices of natural gas. If BROG does not implement additional maintenance and development projects, the future rate of production decline of proved reserves may be higher than the rate currently expected by the Trust.

Unit Holders have limited voting rights.

Voting rights as a Unit Holder are more limited than those of stockholders of most public corporations. For example, there is no requirement for annual meetings of Unit Holders or for an annual or other periodic re-election of the Trustee. Unlike corporations, which are generally governed by boards of directors elected by their equity holders, the Trust is administered by a corporate trustee in accordance with the Indenture and other organizational documents. The Trustee has extremely limited discretion in its administration of the Trust.

ITEM 1B. UNRESOLVED STAFF COMMENTS

During the period of time that is not less than 180 days before the end of the Trust's fiscal year to which this Annual Report on Form 10-K relates, the Trust did not receive any written comments from the SEC staff regarding its periodic or current reports under the Securities Exchange Act of 1934 that remain unresolved.

ITEM 2. PROPERTIES

The Royalty conveyed to the Trust was carved out of Southland Royalty's (now BROG's) working interests and royalty interests in certain properties situated in the San Juan Basin in northwestern New Mexico. See Item 1. Business for information on the conveyance of the Royalty to the Trust. References below to gross wells and acres are to the interests of all persons owning interests therein, while references to net are to the interests of BROG (from which the Royalty was carved) in such wells and acres.

Unless otherwise indicated, the following information in this Item 2 is based upon data and information furnished to the Trustee by BROG.

Producing Acreage, Wells and Drilling

The Underlying Properties consist of working interests, royalty interests, overriding royalty interests and other contractual rights in 151,900 gross (119,000 net) producing acres in San Juan, Rio Arriba and Sandoval Counties of

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northwestern New Mexico and 3,823 gross (1,111 net) wells, calculated on a well bore basis and not including multiple completions as separate wells. Of those wells, seven gross (5.50 net) are oil wells and the balance are gas wells. BROG reports that approximately 739 of the wells are multiple completion wells resulting in a total of 4,599 completions. The Trust has inquired of BROG whether the acreage is developed or undeveloped. BROG has informed the Trust that all of the subject acreage is held by production, and even though it has not been fully developed in every formation, BROG has classified all of such acreage as developed. Production from conventional gas wells is primarily from the Pictured Cliffs, Mesaverde and Dakota formations. During 1988, Southland Royalty began development of coal seam reserves in the Fruitland Coal formation.

The Royalty conveyed to the Trust is limited to the base of the Dakota formation, which is currently the deepest significant producing formation under acreage affected by the Royalty. Rights to production, if any, from deeper formations are retained by BROG.

During 2007, in calculating Royalty Income, BROG deducted \$27.4 million of capital expenditures for projects, including drilling and completion of 45 gross (21.47 net) conventional wells and 21 gross (15.31 net) coal seam wells. There were ten gross (0.35 net) conventional wells and nine gross (4.52 net) coal seam wells in progress as of December 31, 2007. All of the wells were development wells.

The aggregate capital expenditures deducted by BROG in calculating Royalty Income for 2007 include approximately \$16.8 million attributable to the capital budgets for prior years. This occurs because projects within a given year's budget may extend into subsequent years, with capital expenditures attributable to those projects used in calculating distributable income to the Trust in those subsequent years. Further, BROG's accounting period for capital expenditures runs through November 30 of each calendar year, such that capital expenditures incurred in December of each year are actually accounted for as part of the following year's capital expenditures. In addition, with respect to wells not operated by BROG, BROG's share of capital expenditures may not actually be paid by it until the year or years after those expenses were incurred by the operator.

Capital expenditures of approximately \$10.6 million for 2007 budgeted projects were used in calculating net proceeds payable to the Trust in calendar year 2007. The \$10.6 million covered 140 projects, including the drilling of 79 new wells operated by BROG and one new well operated by a third party. New drilling activity was at an aggregate cost of approximately \$7.8 million. The balance of the expenditures was attributable to the workover of existing wells and the maintenance and improvement of production facilities. BROG reports that an additional approximately \$5 million in capital expenditures for budgeted 2007 projects is estimated to be spent in 2008.

During 2006, in calculating Royalty Income, BROG deducted approximately \$39.2 million of capital expenditures for projects, including drilling a completion of 115 gross (24.14 net) conventional wells, two gross (0.003 net) payadds, two gross (1.74 net) recompletions, three gross (2.50 net) restimulations, 44 gross (14.63 net) coal seam wells, seven gross (0.28 net) coal seam payadds, two gross (0.48 net) coal seam recompletions, and two gross (0.08 net) coal seam miscellaneous capital projects. There were 100 gross (26.27 net) conventional wells, 14 gross (0.39 net) payadds, seven gross (3.49 net) recompletions, six gross (4.02 net) restimulations, four gross (0.02 net) miscellaneous capital projects, 28 gross (11.79 net) coal seam wells, one gross (0.04 net) coal seam payadd, five gross (3.57 net) coal seam recompletions, and two gross (0.004 net) coal seam restimulations in progress as of December 31, 2006. All of the wells were development wells. A payadd is the completion of an additional productive interval in an existing completed zone in a well.

During 2005, in calculating Royalty Income, BROG deducted approximately \$19.1 million of capital expenditures for projects, including drilling and completion of 38 gross (2.72 net) conventional wells, five gross (0.011 net) payadds, one gross (0.57 net) conventional restimulation, 25 gross (2.89 net) coal seam wells, one gross (0.99 net) coal seam recavitation, two gross (0.61 net) coal seam recompletions, and five gross (0.20 net) miscellaneous coal seam capital

projects. There were 110 gross (19.08 net) conventional wells, eight gross (1.73 net) payadds, six gross (3.30 net) conventional recompletions, seven gross (5.04 net) conventional restimulations, 59 gross (10.06 net) coal seam wells, five gross (2.32 net) coal seam recompletions, and one gross (0.04 net) miscellaneous coal seam capital project in progress as of December 31, 2005. All of the wells were development wells.

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BROG has informed the Trust that it has revised the 2008 budget for capital expenditures for the Underlying Properties to \$24.4 million, an increase from the \$18.3 million that was previously disclosed in the Trust's press release dated February 19, 2008. Approximately 35% of the planned expenditures will be on Fruitland Coal formation projects with the remainder to be spent on conventional projects. In addition, BROG estimates that during 2008 it will incur capital expenses in the amount of approximately \$5 million attributable to the capital budgets for 2007 and prior years. BROG reports that based on its actual capital requirements, the pace of regulatory approvals, the mix of projects and swings in the price of natural gas, the actual capital expenditures for 2008 could range from \$15 million to \$50 million.

BROG anticipates 361 projects in 2008 at an aggregate cost of \$24.4 million. Approximately \$19.7 million of that budget is allocable to 70 new wells, including 37 wells scheduled to be dually completed in the Mesaverde and Dakota formations at an aggregate projected cost of approximately \$9.4 million, and four wells to be completed to the Dakota formation at an aggregate cost of approximately \$2.3 million. BROG indicates that 16 of the new wells, at an aggregate cost of approximately \$7.3 million, are projected to be drilled to formations producing coal seam gas. BROG also mentioned that the possible implementation of new rules restricting the use of open reserve pits could reduce the number of projects due to increased compliance costs. Of the \$5 million attributable to the budgets for prior years, approximately \$2 million is allocable to new wells to be operated by BROG; an estimated \$1 million is allocable to new wells to be operated by others; and the \$2 million balance will be applied to miscellaneous capital projects such as workovers and operated facility projects.

In February 2002, BROG informed the Trust that the New Mexico Oil Conservation Division (the "OCD") had approved plans for 80-acre infill drilling of the Dakota formation in the San Juan Basin. In July 2003, the OCD approved 160-acre density in the Fruitland Coal formation. Eighty-acre density has been permitted in the Mesaverde formation since 1997. In January 2008, BROG reported to the Trust that it will participate in a study involving a total of 16 test wells to be completed to the Mesaverde and/or Dakota formations, with some of the test wells to be drilled on a 40-acre spacing basis and others on a 20-acre spacing. In addition, BROG is scheduled to participate in a pilot project for the drilling of four horizontal wells, with two to be completed to each of the Dakota and Mesaverde formations. Although none of the four horizontal wells are to be drilled on acreage burdened by the Royalty, the pilot project could have implications for the San Juan Basin generally.

Oil and Gas Production

The Trust recognizes production during the month in which the related net proceeds attributable to the Royalty are paid to the Trust. Royalty Income for a calendar year is based on the actual gas and oil production during the period beginning with November of the preceding calendar year through October of the current calendar year. Production of oil and gas and related average sales prices attributable to the Royalty for the three years ended December 31, 2007, were as follows:

	2007		2006		2005	
	Gas (Mcf)	Oil (Bbls)	Gas (Mcf)	Oil (Bbls)	Gas (Mcf)	Oil (Bbls)
Production	20,116,806	35,129	22,475,405	40,702	26,600,644	43,142
Average Price	\$ 6.11	\$ 63.14	\$ 6.55	\$ 61.30	\$ 6.27	\$ 49.62

Production volumes and costs attributable to the Underlying Properties for the three years ended December 31, 2007, were as follows:

	2007	2006	2005
Production	36,961,349 Mcf	40,900,570 Mcf	42,867,162 Mcf
Total Production Costs	\$ 77,932,758	\$ 88,625,021	\$ 68,607,709
Lease Operating Expenses	\$ 27,947,790	\$ 22,463,687	\$ 21,234,459
Average Lifting Cost per Unit of Production	\$.7561	\$.5492	\$.4953

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Pricing Information

Gas produced in the San Juan Basin is sold in both interstate and intrastate commerce. Reference is made to the discussion contained herein under Regulation for information as to federal regulation of prices of oil and natural gas. Gas production from the Underlying Properties totaled 36,961,349 Mcf during 2007.

On September 4, 1996, the Trustee announced a settlement of litigation filed by the Trustee against BROG (the 1996 Settlement). In the 1996 Settlement, agreement was reached, among other things, regarding marketing arrangements for the sale of those gas, oil and natural gas liquids products from the Underlying Properties going forward as follows:

(i) BROG agreed that all subsequent contracts for the sale of gas from the Underlying Properties would require the written approval of an independent gas marketing consultant acceptable to the Trust;

(ii) BROG will continue to market the oil and natural gas liquids from the Underlying Properties but will make payments to the Trust based on actual proceeds from such sales, and BROG will no longer use posted prices as the basis for calculating proceeds to the Trust nor make a deduction for marketing fees associated with sales of oil or natural gas liquids products; and

(iii) The independent marketer of the gas from the Underlying Properties is entitled to use of BROG's current gas transportation, gathering, processing and treating agreements with third parties, at least through the remainder of their primary terms.

BROG previously entered into two contracts for the sale of all volumes of gas produced from the Underlying Properties. These contracts provided for (i) the sale of such gas to Duke Energy and Marketing, L.L.C. and PNM Gas Services (PNM), respectively, (ii) the delivery of such gas at various delivery points through March 31, 2005, and from year-to-year thereafter until terminated by either party on 12 months' notice, and (iii) the sale of such gas at prices which fluctuate in accordance with published indices for gas sold in the San Juan Basin of northwestern New Mexico. Effective January 1, 2004, the rights and obligations of Duke Energy and Marketing L.L.C. were assumed by ConocoPhillips Company (ConocoPhillips) pursuant to an Assignment and Novation Agreement. By correspondence dated March 25, 2004, BROG notified ConocoPhillips of BROG's election to terminate such contract as of March 31, 2005. BROG then prepared a form of request for proposal and circulated it to a number of potential purchasers, including ConocoPhillips, inviting them to bid for the purchase of the gas currently sold under the contract expiring March 31, 2005. Effective as of April 1, 2005, BROG entered into two new contracts for the sale of all volumes of gas produced from the Underlying Properties and formerly sold to ConocoPhillips. These new contracts provide for (i) the sale of such gas to ChevronTexaco Natural Gas, a division of Chevron U.S.A. Inc. (ChevronTexaco), and Coral Energy Resources, L.P. (Coral), respectively, (ii) the delivery of such gas at various delivery points through March 31, 2007, and from year-to-year thereafter until terminated by either party on 12 months' notice, and (iii) the sale of such gas at prices which fluctuate in accordance with the published indices for gas sold in the San Juan Basin of northwestern New Mexico. With respect to BROG's contract with PNM, BROG and PNM entered into a letter agreement dated January 31, 2005, pursuant to which the term of that contract was adjusted to coincide with the contracts with ChevronTexaco and Coral. Neither BROG nor any of ChevronTexaco, Coral nor PNM gave notice by March 31, 2007 to terminate the three contracts described above for the sale of all volumes of gas produced from the Underlying Properties and, accordingly, the terms of those contracts have been extended at least through March 31, 2009. On January 15, 2008, PNM Resources, the corporate parent of PNM, announced a definitive agreement to sell its natural gas operations to a subsidiary of Continental Energy Systems. The sale is conditioned upon regulatory approval and customary closing conditions and is currently expected to close by the end of 2008.

Confidentiality agreements with purchasers of gas produced from the Underlying Properties prohibit public disclosure of certain terms and conditions of gas sales contracts with those entities, including specific pricing terms and gas

receipt points. Such disclosure could compromise the ability to compete effectively in the marketplace for the sale of gas produced from the Underlying Properties.

Table of Contents**Oil and Gas Reserves**

The following are definitions adopted by the SEC and the Financial Accounting Standards Board which are applicable to terms used within this Annual Report on Form 10-K:

Estimated future net revenues are computed by applying current prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements and allowed by federal regulation) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves, and assuming continuation of existing economic conditions. Estimated future net revenues are sometimes referred to in this Annual Report on Form 10-K as estimated future net cash flows.

Present value of estimated future net revenues is computed using the estimated future net revenues (as defined above) and a discount rate of 10%.

Proved developed reserves are those reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. See 17 CFR 210.4-10(a)(3).

Proved reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known oil and gas reservoirs under existing economic and operating conditions. See 17 CFR 210.4-10(a)(2) (2)(iii).

Proved undeveloped reserves are those reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. See 17 CFR 210.4-10(a)(4).

The independent petroleum engineers' reports as to the proved oil and gas reserves as of December 31, 2005, 2006 and 2007, were prepared by Cawley, Gillespie & Associates, Inc. The following table presents a reconciliation of proved reserve quantities attributable to the Royalty from December 31, 2004, to December 31, 2007, (in thousands):

	Crude Oil (Bbls)	Natural Gas (Mcf)
Reserves as of December 31, 2004	459	256,936
Revisions of previous estimates	15	14,401
Extensions, discoveries and other additions	23	17,023
Production	(43)	(26,601)
Reserves as of December 31, 2005	454	261,759
Revisions of previous estimates	(33)	(27,467)
Extensions, discoveries and other additions	20	8,644
Production	(41)	(22,475)
Reserves as of December 31, 2006	400	220,461

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Revisions of previous estimates	3	(15,263)
Extensions, discoveries and other additions	20	9,774
Production	(35)	(20,117)
Reserves as of December 31, 2007	388	194,855

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Estimated quantities of proved developed reserves of crude oil and natural gas as of December 31, 2007, 2006 and 2005 were as follows (in thousands):

	2007	2006	2005
Crude Oil (Bbls)	333	357	395
Natural Gas (Mcf)	171,165	197,466	231,235

Generally, the calculation of oil and gas reserves takes into account a comparison of the value of the oil or gas to the cost of producing those minerals, in an attempt to cause minerals in the ground to be included in reserve estimates only to the extent that the anticipated costs of production will be exceeded by the anticipated sales revenue. Accordingly, an increase in sales price and/or a decrease in production cost can itself result in an increase in estimated reserves and declining prices and/or increasing costs can result in reserves reported at less than the physical volumes actually thought to exist. The Financial Accounting Standards Board requires supplemental disclosures for oil and gas producers based on a standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities. Under this disclosure, future cash inflows are estimated by applying year-end prices of oil and gas relating to the enterprise's proved reserves to the year-end quantities of those reserves, less estimated future expenditures (based on current costs) of developing and producing the proved reserves, and assuming continuation of existing economic conditions. Future price changes are only considered to the extent provided by contractual arrangements in existence at year-end. The standardized measure of discounted future net cash flows is achieved by using a discount rate of 10% a year to reflect the timing of future net cash flows relating to proved oil and gas reserves.

Estimates of proved oil and gas reserves are by their nature imprecise. Estimates of future net revenue attributable to proved reserves are sensitive to the unpredictable prices of oil and gas and other variables. Accordingly, under the allocation method used to derive the Trust's quantity of proved reserves, changes in prices will result in changes in quantities of proved oil and gas reserves and estimated future net revenues.

The 2007, 2006 and 2005 changes in the standardized measure of discounted future net cash flows related to future royalty income from proved reserves are as follows (in thousands):

	2007	2006	2005			
Balance, January 1	\$ 746,327	\$ 1,090,324	\$ 756,017			
Revisions of prior-year estimates, change in prices and other	7,282	(345,237)	339,865			
Extensions, discoveries and other additions	36,319	28,520	72,698			
Accretion of discount	74,633	109,032	75,602			
Royalty Income	(113,803)	(136,312)	(153,858)			
Balance, December 31	\$ 750,758	\$ 746,327)	(3.0)	10.5	5.0	11.1
	2014	2013	2012	2011	2010	
Underlying volume growth (%)	vs 2013	vs 2012	vs 2011	vs 2010	vs 2009	
Underlying volume growth (%)	1.0	2.5	3.4	1.6	5.8	
Effect of price changes (%)	1.9	1.8	3.3	4.8	(1.6)	
Underlying sales growth (%)	2.9	4.3	6.9	6.5	4.1	

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	million	million	million	million	million
Core operating margin and core operating profit	2014	2013	2012	2011	2010
Operating profit	7,980	7,517	6,977	6,420	6,325
Acquisition and disposal related cost	97	112	190	234	50
(Gain)/loss on disposal of group companies	(1,392)	(733)	(117)	(221)	(468)
Impairments and other one-off items	335	120		(157)	110
Core operating profit	7,020	7,016	7,050	6,276	6,017
Turnover	48,436	49,797	51,324	46,467	44,262
Operating margin (%)	16.5	15.1	13.6	13.8	14.3
Core operating margin (%)	14.5	14.1	13.7	13.5	13.6
	million	million	million	million	million
Free cash flow (FCF) to net profit	2014	2013	2012	2011	2010
Net profit	5,515	5,263	4,836	4,491	4,465
Taxation	2,131	1,851	1,697	1,575	1,486
Share of net profit of joint ventures/associates and other income from non-current investments	(143)	(127)	(91)	(189)	(187)
Net finance costs	477	530	535	543	561
Depreciation, amortisation and impairment	1,432	1,151	1,199	1,029	993
Changes in working capital	8	200	822	(177)	169
Pensions and similar obligations less payments	(364)	(383)	(369)	(540)	(458)
Provisions less payments	32	126	(43)	9	72
Elimination of (profits)/losses on disposals	(1,460)	(725)	(236)	(215)	(476)
Non-cash charge for share-based compensation	188	228	153	105	144
Other adjustments	38	(15)	13	8	49
Cash flow from operating activities	7,854	8,099	8,516	6,639	6,818
Income tax paid	(2,311)	(1,805)	(1,680)	(1,187)	(1,328)
Net capital expenditure	(2,045)	(2,027)	(2,143)	(1,974)	(1,701)
Net interest and preference dividends paid	(398)	(411)	(360)	(403)	(424)
Free cash flow	3,100	3,856	4,333	3,075	3,365
Net cash flow (used in)/from investing activities	(341)	(1,161)	(755)	(4,467)	(1,164)
Net cash flow (used in)/from financing activities	(5,190)	(5,390)	(6,622)	411	(4,609)

Table of Contents**ITEM 3. KEY INFORMATION CONTINUED**

	million 2014	million 2013	million 2012	million 2011	million 2010
Net debt to total financial liabilities					
Total financial liabilities	(12,722)	(11,501)	(10,221)	(13,718)	(9,534)
Financial liabilities due within one year	(5,536)	(4,010)	(2,656)	(5,840)	(2,276)
Financial liabilities due after one year	(7,186)	(7,491)	(7,565)	(7,878)	(7,258)
Cash and cash equivalents as per balance sheet	2,151	2,285	2,465	3,484	2,316
Cash and cash equivalents as per cash flow statement	1,910	2,044	2,217	2,978	1,966
Add bank overdrafts deducted therein	241	241	248	506	350
Financial assets	671	760	401	1,453	550
Net debt	(9,900)	(8,456)	(7,355)	(8,781)	(6,668)

RATIO OF EARNINGS TO FIXED CHARGES (TIMES)

For a calculation of our ratio of earnings to fixed charges see Item 19: Exhibits Calculation of Ratio of Earnings to Fixed Charges.

DIVIDEND RECORD

The following tables show the dividends declared and dividends paid by NV and PLC for the last five years, expressed in terms of the revised share denominations which became effective from 22 May 2006. Differences between the amounts ultimately received by US holders of NV and PLC shares are the result of changes in exchange rates between the equalisation of the dividends and the date of payment.

Following agreement at the 2009 Annual General Meetings (AGMs) and separate meetings of ordinary shareholders, the Equalisation Agreement was modified to facilitate the payment of quarterly dividends from 2010 onwards.

	2014	2013	2012	2011	2010
Dividends declared for the year					
NV dividends					
Dividend per 0.16	1.14	1.08	0.97	0.90	0.83
Dividend per 0.16 (US Registry)	US \$1.47	US \$1.44	US \$1.25	US \$1.25	US \$1.13
PLC dividends					
Dividend per 3 ¹ /9p	£0.90	£0.91	£0.79	£0.78	£0.71

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Dividend per 3 ¹ /9p (US Registry)	US \$1.47	US \$1.44	US \$1.25	US \$1.25	US \$1.13
Dividends paid during the year					
NV dividends					
Dividend per 0.16	1.12	1.05	0.95	0.88	0.82
Dividend per 0.16 (US Registry)	US \$1.51	US \$1.40	US \$1.23	US \$1.24	US \$1.11
PLC dividends					
Dividend per 3 ¹ /9p	£0.91	£0.89	£0.77	£0.77	£0.71
Dividend per 3 ¹ /9p (US Registry)	US \$1.51	US \$1.40	US \$1.23	US \$1.24	US \$1.11

Table of Contents**ITEM 3. KEY INFORMATION CONTINUED****EXCHANGE RATES**

Unilever reports its financial results and balance sheet position in euros. Other currencies which may significantly impact our financial statements are sterling and US dollars. Average and year-end exchange rates for these two currencies for the last five years are given below.

	2014	2013	2012	2011	2010
Year end					
1 = US \$	1.215	1.378	1.318	1.294	1.337
1 = £	0.781	0.833	0.816	0.839	0.862
Average					
1 = US \$	1.334	1.325	1.283	1.396	1.326
1 = £	0.807	0.849	0.811	0.869	0.858

On 25 February 2015 (the latest practicable date for inclusion in this report) the exchange rates between euros and US dollars and between euros and sterling as published in the Financial Times in London were as follows: 1 = US \$1.134 and 1 = £0.734.

Noon Buying Rates in New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York were as follows:

	2014	2013	2012	2011	2010
Year end					
1 = US \$	1.210	1.378	1.319	1.297	1.327
Average					
1 = US \$	1.330	1.328	1.286	1.393	1.326
High					
1 = US \$	1.393	1.382	1.346	1.488	1.454
Low					
1 = US \$	1.210	1.277	1.206	1.293	1.196

High and low exchange rate values for each of the last six months:

	September 2014	October 2014	November 2014	December 2014	January 2015	February ^(e) 2015
High						
1 = US \$	1.314	1.281	1.255	1.250	1.202	1.146
Low						
1 = US \$	1.263	1.252	1.239	1.210	1.128	1.130

^(e) Through 25 February 2015.

SHARE CAPITAL

The information set forth under the heading Note 15A Share capital on page 110 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

B. CAPITALISATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Our principal risks, as described on pages 36 and 37 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K, excluding the cross-reference to pages 50 to 53, are incorporated by reference. The information set forth under the heading Note 16 Treasury risk management on pages 114 to 119, Note 17B Credit risk on page 121 and Note 18 Financial instruments fair value risk on pages 121 to 123 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

Our business is subject to risks and uncertainties. The risks that we regard as the most relevant to our business are set out on pages 36 to 37 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K. These are the risks that we see as material to Unilever's business and performance at this time. There may be other risks that could emerge in the future. We have undertaken certain mitigating actions that we believe help us to manage the risks identified. However, we may not be successful in deploying some or all of these mitigating actions. If the circumstances in these risk factors occur or are not successfully mitigated, our cash flow, operating results, financial position, business and reputation could be materially adversely affected. In addition, risks and uncertainties could cause actual results to vary from those described in this document, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation. The list is not intended to be exhaustive and there may be other risks and uncertainties that are not mentioned that could impact our future performance or our ability to meet published targets. The risks and uncertainties should be read in conjunction with the Group's consolidated financial statements and related notes and the portions of the Strategic Report and Corporate Governance section that are incorporated by reference from the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 on Form 6-K and other information included in or incorporated by reference in this report on Form 20-F.

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ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

About Unilever on page 41;
Developments in 2014 on page 29;
Financial review 2014 on pages 31 to 35;
Corporate governance compliance on pages 46 to 48;
Note 10 Property, plant and equipment on pages 105 and 106;
Note 21 Acquisitions and disposals on pages 125 and 126;
Our shares on pages 43 and 44;
Our shareholders on pages 44 to 46; and
Shareholder information on page 40 (other than Website).

In 2014 and 2013, the Group did not receive any public takeover offers by third parties in respect of NV or PLC shares or make any public takeover offers in respect of other companies' shares.

Please refer also to Financial review 2013 within Item 5A of this report and The Unilever Group on page 1 of this report.

B. BUSINESS OVERVIEW

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Note 2 Segment information on pages 90 and 91;
Marketing on page 9;
How we create sustainable value on pages 14 and 15;
Our markets on pages 12 and 13;
Our consumers on pages 18 to 21;
Financial review 2014 on pages 31 to 35; and
Legal and regulatory on page 53.

Please refer also to Financial review 2013 within Item 5A of this report.

Please also refer to The Unilever Group on page 1 of this report.

MARKETING CHANNELS

Unilever's products are generally sold through our own sales force as well as through independent brokers, agents and distributors to chain, wholesale, co-operative and independent grocery accounts, food service distributors and institutions. Products are physically distributed through a network of distribution centres, satellite warehouses, company-operated and public storage facilities, depots and other facilities.

RAW MATERIALS

Our products use a wide variety of raw and packaging materials which we source internationally, and which may be subject to price volatility. Although we have seen rather more stable conditions in key commodity markets in 2014 we remain watchful for further periods of volatility in 2015.

SEASONALITY

Certain of our businesses, such as ice cream, are subject to significant seasonal fluctuations in sales. However, Unilever operates globally in many different markets and product categories, and no individual element of seasonality is likely to be material to the results of the Group as a whole.

INTELLECTUAL PROPERTY

We have a large portfolio of patents and trademarks, and we conduct some of our operations under licences that are based on patents or trademarks owned or controlled by others. We are not dependent on any one patent or group of patents. We use all appropriate efforts to protect our brands and technology.

COMPETITION

As a fast moving consumer goods (FMCG) company, we are competing with a diverse set of competitors. Some of these operate on an international scale like ourselves, while others have a more regional or local focus. Our business model centres on building brands which consumers know, trust, like and buy in conscious preference to competitors. Our brands command loyalty and affinity and deliver superior performance.

INFORMATION PRESENTED

Unless otherwise stated, share refers to value share. The market data and competitive set classifications are taken from independent industry sources in the markets in which Unilever operates.

IRAN-RELATED REQUIRED DISCLOSURE

Unilever operates in Iran through a non-US subsidiary. In 2014, sales in Iran were significantly less than one percent of Unilever's worldwide turnover. This non-US subsidiary had 627,377 in gross revenues and 164,769 in net profits attributable to the sale of home, personal care and food products to superstores controlled by the Government of Iran or affiliated entities in 2014. In addition, we advertised our products on television networks that are owned by the Government of Iran or affiliated entities. Income, payroll and other taxes, duties and fees (including for utilities) were payable to the Government of Iran and affiliated entities in connection with our operations. Our non-US subsidiary maintains bank accounts in Iran with various banks to facilitate our business in the country and make any required payments to the Government of Iran and affiliated entities. One of the financial institutions used by our non-US subsidiary is Bank Melli, an entity identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control in the U.S. Department of the Treasury. The account maintained by our non-US subsidiary with Bank Melli was opened in 2014 in order to comply with a requirement that any value added tax collected from customers within Iran is paid to the Iranian tax authorities through an account maintained within Bank Melli. Our activities in Iran comply in all material respects with applicable laws and regulations, including US and other international trade sanctions, and we plan to continue these activities.

C. ORGANISATIONAL STRUCTURE

The information set forth under the heading Note 27 Principal group companies and non-current investments on pages 129 and 130 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

Please also refer to The Unilever Group on page 1 of this report.

D. PROPERTY, PLANT AND EQUIPMENT

We have interests in properties in most of the countries where there are Unilever operations. However, none is material in the context of the Group as a whole. The properties are used predominantly to house production and distribution activities and as offices. There is a mixture of leased and owned property throughout the Group. We are not aware of any environmental issues affecting the properties which would have a material impact upon the Group, and there are no material encumbrances on our properties. Any difference between the market value of properties held by the Group and the amount at which they are included in the balance sheet is not significant. We believe our existing facilities are satisfactory for our current business and we currently have no plans to construct new facilities or expand or improve our current facilities in a manner that is material to the Group.

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Note 10 Property, plant and equipment on pages 105 and 106; and

Note 27 Principal group companies and non-current investments on pages 129 and 130.

Table of Contents**ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**A. OPERATING RESULTS**

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Key financial indicators on page 7;
 Our markets on pages 12 and 13;
 Our shareholders on pages 28 to 30;
 Financial review 2014 on pages 31 to 35;
 Currency risk on pages 116 and 117; and
 Legal and regulatory on page 53.

Please refer also to Outlook within Item 5D of this report.

FINANCIAL REVIEW 2013**BASIS OF REPORTING**

The information set forth under the heading Consolidated income statement on page 31 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

GROUP RESULTS AND EARNINGS PER SHARE

The following discussion summarises the results of the Group during the years 2013 and 2012. The figures quoted are in euros, at current rates of exchange, being the average rates applying in each period as applicable, unless otherwise stated. Information about exchange rates between the euro, pound sterling and US dollar is given on page 5 of this report.

In 2013 and 2012, no disposals qualified to be disclosed as discontinued operations for purposes of reporting.

	2013	2012	% change
Turnover (million)	49,797	51,324	(3.0)
Operating profit (million)	7,517	6,977	8
Core operating profit (million)	7,016	7,050	
Profit before tax (million)	7,114	6,533	9
Net profit (million)	5,263	4,836	9
Diluted earnings per share ()	1.66	1.50	11
Core earnings per share ()	1.58	1.53	3

Turnover at 49.8 billion decreased 3.0%, including a negative impact from both foreign exchange, of 5.9%, and acquisitions net of disposals of 1.1%. Underlying sales growth was 4.3% (2012: 6.9%), balanced between volume growth of 2.5% (2012: 3.4%) and pricing of 1.8% (2012: 3.3%). Emerging markets, now 57% of total turnover, were

flat at reported exchange rates, with underlying sales growth of 8.7% versus 11.4% in the prior year. The Group saw a weakening in the market growth of many emerging countries, in particular during the third quarter, exacerbated by significant currency devaluation.

Operating profit was 7.5 billion, compared with 7.0 billion in 2012, up 8%. The increase was mainly driven by non-core items which were a net credit of 0.5 billion (2012: net debit 0.1 billion); core operating profit was flat at 7.0 billion. The total gain on business disposals, recognised in non-core items, was 0.7 billion.

The cost of financing net borrowings was 397 million (2012: 390 million). The average level of net debt increased following the acquisition of additional shares in Hindustan Unilever Limited while interest rate movements were favourable. The average interest rate was 3.3% on debt and 2.9% on cash deposits. The pensions financing cost was a charge of 133 million, compared to 145 million in 2012, both restated for the impact of the revision to the accounting standard IAS 19.

The effective tax rate remained consistent with 2012 at 26%. Our longer term expectation for the tax rate remains around 26%.

Net profit from joint ventures and associates, together with other income from non-current investments, contributed 127 million in 2013, compared to 91 million in the prior year. The movement is mainly due to the low prior year comparator which included an impairment of warrants associated with the disposals of the US laundry business.

Fully diluted earnings per share were 1.66, up 11% from 1.50 in the prior year, driven by higher operating profit. Core earnings per share were 1.58, up 3% from 1.53 in 2012 after a 7% headwind from currency movements.

EXPENSES WHICH MATERIALLY IMPACTED OPERATING PROFIT IN 2013

Turnover declined by 1.5 billion, due mainly to net exchange rate movements (negative 3.2 billion impact). Despite the drop in absolute turnover, there was a 0.4 percentage point improvement in core operating margin, core operating profit was almost flat (negative 34 million), and operating profit was up by 540 million with the impact of profit on disposal of Skippy and Wishbone brands.

Core operating profit improvement in Personal Care (increased by 121 million) was offset by the decline in Foods (down by 151 million). Refreshments and Home Care were broadly flat.

Cost of raw and packaging materials and goods purchased for resale (material costs) decreased by 0.8 billion, driven primarily by the exchange rate depreciation of 1.3 billion, at constant exchange rates it was up by 0.5 billion. At constant rates, the gross total input costs (before savings and including material costs, distribution and supply chain indirects) increase of 1.1 billion was more than offset by price increase of 1.0 billion, and material costs savings of 1.0 billion during the year. Gross margin improved by 1.1 percentage point to 41.6%.

Staff costs were down by 0.1 billion. Salary inflation and higher share based payment costs were more than offset by the currency devaluation in emerging markets.

Brand and marketing investment increased by 0.5 billion at constant exchange rates as we continued to invest behind our brands. The increase at current exchange rates was 0.1 billion.

The impact of input costs and investment in our brands are discussed further in our segmental disclosures, which also provide additional details of the impact of brands, products and subcategories on driving top line growth.

Table of Contents**ITEM 5. OPERATING AND FINANCIAL****REVIEW AND PROSPECTS CONTINUED****IMPACT OF COMMODITY COSTS ON GROSS MARGIN**

During 2013, the Unilever Group faced cost inflation of over 1.1 billion. The Unilever Group actively mitigates the impact of cost inflation through a combination of price increases and costs savings to protect its margin. Hence, despite cost increases, the Unilever Group was able to improve its gross margin by 1.1 percentage points during 2013 at constant exchange rates. Specifically gross margin was protected in all four categories. Commodity costs were more stable than recent years increasing

PERSONAL CARE

	million 2013	million 2012	% Change
Turnover	18,056	18,097	(0.2)
Operating profit	3,078	2,925	5.2
Core operating profit	3,206	3,085	3.9
Core operating margin (%)	17.8	17.0	0.8
Underlying sales growth (%)	7.3	10.0	
Underlying volume growth (%)	5.5	6.5	
Effect of price changes (%)	1.7	3.3	

KEY DEVELOPMENTS

Personal Care delivered another year of strong underlying growth, although exchange rate movements (6.8%) led to turnover being almost unchanged on 2012. Underlying sales growth of 7.3% was broad-based across all sub-categories; hair care, skin cleansing and skin care, deodorants and oral care growing more than 5%.

Underlying volume increased by 5.5%, while the price growth, at 1.7%, was lower than 2012 which had included more commodity cost driven increases. Growth was supported by innovations like Dove Repair Expertise in more than 50 markets, Vaseline Spray & Go moisturisers and the Axe Apollo campaign across more than 70 countries. Core operating profit at 3.2 billion improved by 121 million over 2012 despite a 291 million reduction from exchange rate movements. Underlying sales growth contributed 224 million and higher core operating margin, driven by improved mix and savings, added 188 million.

REFRESHMENT

	million 2013	million 2012	% Change
Turnover	9,369	9,726	(3.7)

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Operating profit	851	908	(6.3)
Core operating profit	856	908	(5.7)
Core operating margin (%)	9.1	9.3	(0.2)
Underlying sales growth (%)	1.1	6.3	
Underlying volume growth (%)	(1.8)	2.4	
Effect of price changes (%)	2.9	3.9	

KEY DEVELOPMENTS

Refreshment turnover declined by 3.7%, due to exchange rate movements (4.7%). Underlying sales grew 1.1%, with price contributing strongly at 2.9%. Underlying volumes were down by 1.8% due to declines in our US ice cream business where we withdrew from some low margin products and in Italy where the weak economy affected ice cream sales. Tea grew well, driven by improved tasting Lipton Yellow Label tea-bags with tea essence. Sales of AdeS soy drinks were lower following a product recall in the first half of the year.

Core operating profit at 0.9 billion was 52 million lower than 2012, as a result of a 45 million adverse impact of exchange rates. Underlying sales growth added 10 million. Core operating margin was lower by 0.2 percentage points as a result of higher advertising and promotions (up by 0.3 percentage points) and the impact of the AdeS recall.

by around 4% in 2013. Our Foods category is impacted by vegetable oil prices and petrochemicals materially affect our Home Care category, where we have protected our margins in both categories. There are no other commodities that have a material impact.

Part of our commodity risk, principally vegetable oils and petrochemicals, is hedged using a combination of physical contracts as well as derivatives (futures and options).

FOODS

	million 2013	million 2012	% Change
Turnover	13,426	14,444	(7.0)
Operating profit	3,064	2,601	17.8
Core operating profit	2,377	2,528	(6.0)
Core operating margin (%)	17.7	17.5	0.2
Underlying sales growth (%)	0.3	1.8	
Underlying volume growth (%)	(0.6)	(0.9)	
Effect of price changes (%)	0.9	2.7	

KEY DEVELOPMENTS

Foods turnover declined, by 7.0%, entirely due to exchange rate movements (3.8%) and business disposals of (3.7%). Underlying sales grew 0.3%, including a positive contribution from price of 0.9%. Underlying volumes were 0.6% lower because of market weakness in spreads. Spreads performance improved in the second half with positive responses to the re-launch of Flora in the UK and new variants in Europe and the US. Our biggest Foods brands, Knorr and Hellmann's, both grew well, particularly in emerging markets. Knorr jelly bouillons and baking bags continue to grow rapidly with the addition of new variants. Sales of soups and sauces in the developed markets declined.

Core operating profit at 2.4 billion was 151 million lower than the prior year after an 107 million adverse impact from exchange rates and a reduction of 83 million from disposals. Core operating margin was up by 0.2 percentage points, adding 31 million to core operating profit. The increase from improved mix and savings was offset by higher advertising and promotions. Operating profit increased due to business disposals.

HOME CARE

	million	million	%
	2013	2012	Change
Turnover	8,946	9,057	(1.2)
Operating profit	524	543	(3.5)
Core operating profit	577	529	9.1
Core operating margin (%)	6.4	5.8	0.6
Underlying sales growth (%)	8.0	10.3	
Underlying volume growth (%)	5.7	6.2	
Effect of price changes (%)	2.1	3.9	

KEY DEVELOPMENTS

Home Care again showed strong underlying growth, but this was offset by exchange rate movements (8.6%) to leave turnover down 1.2%. Underlying sales grew 8.0%, with volumes up 5.7%. Price growth of 2.1% was lower than 2012 which had included more commodity cost driven increases. Laundry growth has been driven by innovations such as a new formulation for Omo with wash boosters, and a new Small & Mighty concentrated liquid detergent in Europe. Comfort fabric conditioners grew rapidly, supported by the success of an Aromatherapy range in South East Asia. Household Care also grew well, helped by the launch of Cif and Domestos in Brazil.

Core operating profit at 0.6 billion was broadly unchanged on last year after an adverse 59 million from exchange rates. Underlying sales growth added 42 million. Core operating margin increased by 0.6 percentage points, adding 65 million, with higher gross margins, including the benefit of the low cost business model programme partly offset by increased advertising and promotions.

Table of Contents**ITEM 5. OPERATING AND FINANCIAL****REVIEW AND PROSPECTS CONTINUED****NON-GAAP MEASURES**

The information set forth under the heading "Non-GAAP measures" on pages 34 and 35 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

UNDERLYING SALES GROWTH (USG)

The reconciliation of USG to changes in the GAAP measure turnover is as follows:

TOTAL GROUP

	2013	2012
	vs 2012	vs 2011
Underlying sales growth (%)	4.3	6.9
Effect of acquisitions (%)		1.8
Effect of disposals (%)	(1.1)	(0.7)
Effect of exchange rates (%)	(5.9)	2.2
Turnover growth (%) ^(a)	(3.0)	10.5

PERSONAL CARE

	2013	2012
	vs 2012	vs 2011
Underlying sales growth (%)	7.3	10.0
Effect of acquisitions (%)		4.4
Effect of disposals (%)	(0.2)	(0.5)
Effect of exchange rates (%)	(6.8)	2.3
Turnover growth (%) ^(a)	(0.2)	17.0

FOODS

	2013	2012
	vs 2012	vs 2011
Underlying sales growth (%)	0.3	1.8
Effect of acquisitions (%)		
Effect of disposals (%)	(3.7)	(1.5)
Effect of exchange rates (%)	(3.8)	3.0
Turnover growth (%) ^(a)	(7.0)	3.3

REFRESHMENT

	2013	2012
	vs 2012	vs 2011

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Underlying sales growth (%)	1.1	6.3
Effect of acquisitions (%)	0.1	0.8
Effect of disposals (%)		0.7
Effect of exchange rates (%)	(4.7)	2.4
Turnover growth (%) ^(a)	(3.7)	10.5

HOME CARE

	2013	2012
	vs 2012	vs 2011
Underlying sales growth (%)	8.0	10.3
Effect of acquisitions (%)	0.1	0.6
Effect of disposals (%)		(1.1)
Effect of exchange rates (%)	(8.6)	0.6
Turnover growth (%) ^(a)	(1.2)	10.4

(a) Turnover growth is made up of distinct individual growth components namely underlying sales, currency impact, acquisitions and disposals. Turnover growth is arrived at by multiplying these individual components on a compounded basis as there is a currency impact on each of the other components. Accordingly, turnover growth is more than just the sum of the individual components.

UNDERLYING VOLUME GROWTH (UVG)

Underlying Volume Growth or UVG is part of USG and means, for the applicable period, the increase in turnover in such period calculated as the sum of (i) the increase in turnover attributable to the volume of products sold; and (ii) the increase in turnover attributable to the composition of products sold during such period. UVG therefore excludes any impact on USG due to changes in prices.

The relationship between the two measures is set out below:

	2013	2012
	vs 2012	vs 2011
Underlying volume growth (%)	2.5	3.4
Effect of price changes (%)	1.8	3.3
Underlying sales growth (%)	4.3	6.9

FREE CASH FLOW (FCF)

Within the Unilever Group, free cash flow (FCF) is defined as cash flow from operating activities, less income taxes paid, net capital expenditures and net interest payments and preference dividends paid. It does not represent residual cash flows entirely available for discretionary purposes; for example, the repayment of principal amounts borrowed is not deducted from FCF. FCF reflects an additional way of viewing our liquidity that we believe is useful to investors because it represents cash flows that could be used for distribution of dividends, repayment of debt or to fund our strategic initiatives, including acquisitions, if any.

The reconciliation of FCF to net profit is as follows:

	million	million
	2013	2012
Net profit	5,263	4,836
Taxation	1,851	1,697
Share of net profit of joint ventures/associates and other income from non-current investments	(127)	(91)
Net finance cost	530	535
Depreciation, amortisation and impairment	1,151	1,199
Changes in working capital	200	822
Pensions and similar obligations less payments	(383)	(369)
Provisions less payments	126	(43)
Elimination of (profits)/losses on disposals	(725)	(236)
Non-cash charge for share-based compensation	228	153
Other adjustments	(15)	13
Cash flow from operating activities	8,099	8,516
Income tax paid	(1,805)	(1,680)
Net capital expenditure	(2,027)	(2,143)
Net interest and preference dividends paid	(411)	(360)
Free cash flow	3,856	4,333
Net cash flow (used in)/from investing activities	(1,161)	(755)
Net cash flow (used in)/from financing activities	(5,390)	(6,622)

CORE OPERATING MARGIN AND CORE OPERATING PROFIT

Core operating profit and core operating margin mean operating profit and operating margin, respectively, before the impact of business disposals, acquisition and disposal related costs, impairments and other one-off items, which we collectively term non-core items, on the grounds that the incidence of these items is uneven between reporting periods.

The reconciliation of core operating profit to operating profit is as follows:

	million	million
	2013	2012
Operating profit	7,517	6,977
Acquisition and disposal related costs	112	190
(Gain)/loss on disposal of group companies	(733)	(117)
Impairments and other one-off items	120	
Core operating profit	7,016	7,050
Turnover	49,797	51,324
Operating margin	15.1%	13.6%
Core operating margin	14.1%	13.7%

Table of Contents**ITEM 5. OPERATING AND FINANCIAL****REVIEW AND PROSPECTS CONTINUED****NET DEBT**

The reconciliation of net debt to the GAAP measure of total financial liabilities is as follows:

	million	million
	2013	2012
Total financial liabilities	(11,501)	(10,221)
Current financial liabilities	(4,010)	(2,656)
Non-current financial liabilities	(7,491)	(7,565)
Cash and cash equivalents as per balance sheet	2,285	2,465
Cash and cash equivalents as per cash flow statement	2,044	2,217
Bank overdrafts deducted therein	241	248
Current financial assets	760	401
Net debt	(8,456)	(7,355)

ACQUISITIONS AND DISPOSALS

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Note 21 Acquisitions and disposals on pages 125 to 126; and

Consolidated cash flow statement on page 87.

On 30 July 2012, the Group announced a definitive agreement to sell its North American frozen meals business to ConAgra Foods, Inc. for a total cash consideration of US \$265 million. The deal was completed on 19 August 2012.

Further to the acquisition in December 2011, the Group acquired the remaining 18% of the outstanding share capital in Concern Kalina in 2012.

The Group's capital expenditure is mainly on purchase of property, plant and equipment as well as acquisition of group companies.

B. LIQUIDITY AND CAPITAL RESOURCES**(I) INFORMATION REGARDING THE GROUP'S LIQUIDITY**

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Balance sheet on page 33;

Note 16B Management of market risk on pages 116 to 118;
Note 16A Management of liquidity risk on page 114 to 116;
Note 15 Capital and funding on pages 109 and 110;
Going concern on page 78;
Cash flow on page 33;
Consolidated cash flow statement on page 87;
Note 15C Financial liabilities on pages 112 and 113;
Note 17A Financial assets on pages 120 and 121; and
Note 17 Investment and return on pages 119 to 121.

Please refer also to Contractual obligations at 31 December 2014 on page 11 within Item 5F of this report

FINANCIAL INSTRUMENTS AND RISK

The key financial instruments used by Unilever are short-term and long-term borrowings, cash and cash equivalents, and certain plain vanilla derivative instruments, principally comprising interest rate swaps and foreign exchange contracts. Treasury processes are governed by standards approved by the Unilever Leadership Executive. Unilever manages a variety of market risks, including the effects of changes in foreign exchange rates, interest rates, commodity costs and liquidity.

The information set forth under the heading Note 16 Treasury risk management on pages 114 to 119 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

(II) INFORMATION REGARDING THE TYPE OF FINANCIAL INSTRUMENTS USED, THE MATURITY PROFILE OF DEBT, CURRENCY AND INTEREST RATE STRUCTURE

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Note 15 Capital and funding on pages 109 and 110;
Note 15C Financial liabilities on pages 112 and 113;
Note 17A Financial assets on pages 120 and 121;
Note 16 Treasury risk management on pages 114 to 119;
Note 17 Investment and return on pages 119 to 121;
Note 18 Financial instruments fair value risk on pages 121 to 123; and
Our risk appetite and approach to risk management on page 49.

Please also refer to Information regarding the Group's liquidity within Item 5B(I) of this report.

(III) INFORMATION REGARDING THE GROUP'S MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURE

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Note 20 Commitments and contingent liabilities on pages 124 and 125; and
Note 10 Property, plant and equipment on pages 105 and 106.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES, ETC.

The information set forth under the heading Innovation on page 8 and Note 3 Gross profit and operating costs on page 92 and Our Value Chain on page 9 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

D. TREND INFORMATION

Please refer also to Item 3D Risk factors on page 5 of this report.

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Our markets on pages 12 and 13; and
Financial review 2014 on pages 31 to 35.

OUTLOOK

We expect the economic pressures to continue. Consumer demand in emerging markets is likely to remain subdued for some time to come. There is still little sign of a recovery in Europe and while conditions in North America have improved, any increase in consumer demand is likely to be slow and shoppers will remain focused on value. We are also prepared for managing any continuing volatility on the world's currency markets and for what could be fluctuations in commodity costs as a result of the reduction in oil prices. At the same time, we expect the levels of competitive activity both from global competitors and, increasingly, from local players to remain high in 2015. Despite these pressures, we are confident that with the many positive changes we have already made to Unilever we are well placed to continue delivering our objectives of volume growth ahead of our markets, steady and sustainable improvements in core operating margin and strong cash flow.

Please refer also to Financial review 2013 within Item 5A of this report.

E. OFF-BALANCE SHEET ARRANGEMENTS

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Note 16 Treasury risk management on pages 114 to 119;
Note 18 Financial instruments fair value risk on pages 121 to 123; and
Note 20 Commitments and contingent liabilities on pages 124 and 125.

Table of Contents**ITEM 5. OPERATING AND FINANCIAL****REVIEW AND PROSPECTS CONTINUED****F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS****CONTRACTUAL OBLIGATIONS AT 31 DECEMBER 2014**

	million	million Due within	million Due in 1-3 years	million Due in 3-5 years	million Due in 5 years
Long-term debt	11,770	5,067	2,002	1,554	3,147
Interest on financial liabilities	2,588	296	471	383	1,438
Operating lease obligations	2,327	390	624	547	766
Purchase obligations ^(a)	257	222	35		
Finance leases	305	25	71	37	172
Other long-term commitments	1,768	812	813	102	41
Total	19,015	6,812	4,016	2,623	5,564

^(a) For raw and packaging materials and finished goods.

Unilever's contractual obligations at the end of 2014 included capital expenditure commitments, borrowings, lease commitments and other commitments. A summary of certain contractual obligations at 31 December 2014 is provided in the preceding table.

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Note 10 Property, plant and equipment on pages 105 and 106;

Note 15C Financial liabilities on pages 112 and 113;

Note 16A Management of liquidity risk on page 114 to 116; and

Note 20 Commitments and contingent liabilities on pages 124 and 125.

G. SAFE HARBOUR

This document may contain forward-looking statements, including forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as will, aim, expects, anticipates, intends, looks, believes, vision, or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Among other

risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: Unilever's global brands not meeting consumer preferences; Unilever's ability to innovate and remain competitive; Unilever's investment choices in its portfolio management; inability to find sustainable solutions to support long-term growth; customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain; the cost of raw materials and commodities; the production of safe and high-quality products; secure and reliable IT infrastructure; successful execution of acquisitions, divestitures and business transformation projects; economic and political risks and natural disasters; financial risks; failure to meet high ethical standards; and managing regulatory, tax and legal matters.

Further details of potential risks and uncertainties affecting the Group are described in the Group's filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including in the Group's Annual Report

on Form 20-F for the year ended 31 December 2014 and the Annual Report and Accounts 2014. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

(I) NAME, EXPERIENCE AND FUNCTIONS

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Unilever Leadership Executive (ULE) on page 55;

Board of Directors on page 54; and

Boards on pages 41.

(II) ACTIVITIES OUTSIDE THE ISSUING COMPANY

The information set forth under the headings Board of Directors and Unilever Leadership Executive (ULE) on pages 54 and 55 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

(III) AGE

The information set forth under the headings Board of Directors and Unilever Leadership Executive (ULE) on pages 54 and 55 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

(IV) FAMILY RELATIONSHIP

There are no family relationships between any of our Executive Directors, members of the ULE or Non-Executive Directors.

(V) OTHER ARRANGEMENTS

The information set forth under the heading "Independence and Conflicts" (second paragraph) on page 43 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

None of our Non-Executive Directors, Executive Directors or other key management personnel are elected or appointed under any arrangement or understanding with any major shareholder, customer, supplier or otherwise.

B. COMPENSATION

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

- Implementation of the remuneration policy in 2015 for Executive Directors on pages 65 and 67;
- Single figure of remuneration and implementation of the remuneration policy in 2014 for Executive Directors (Audited) on pages 67 to 70;
- Balance sheet on page 33;
- Single figure of remuneration in 2014 for Non-Executive Directors (Audited) on page 74;
- Note 4A Staff and management costs – key management compensation on page 93;
- Note 4B Pensions and similar obligations on pages 93 to 98; and
- Note 4C Share-based compensation plans on pages 98 and 99.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT

AND EMPLOYEES CONTINUED

C. BOARD PRACTICES

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

- Board of Directors and Unilever Leadership Executive (ULE) on pages 54 and 55;
- Appointment on page 42;
- Appointment and re-appointment of Directors on pages 60 and 61;
- Non-Executive Directors letters of appointment on page 75;
- Boards on page 41;
- Board Committees on page 41;
- Report of the Audit Committee on pages 56 and 57; and
- Directors Remuneration Report on pages 62 to 77.

SERVICE CONTRACTS

POLICY IN RELATION TO EXECUTIVE SERVICE CONTRACTS AND PAYMENTS IN THE EVENT OF LOSS OF OFFICE

PROVISION

CURRENT SERVICE CONTRACTS

NOTICE PERIOD

12 months notice from Unilever;
6 months notice from the Executive Director.

This is in line with both the practice of many comparable companies and the entitlement of other senior executives in Unilever.
The intention is that the notice period for any new Executive Directors would reflect the above policy.

EXPIRY DATE

Starting dates of the service contracts:

CEO: 1 October 2008 (signed on 7 October 2008);
CFO: 1 February 2010 (signed on 19 March 2010).

Both service contracts shall end upon termination.
The service agreements are available to shareholders to view at the AGMs or on request from the Company Secretary.

TERMINATION PAYMENTS

A payment in lieu of notice can be made of no more than one year's base salary, fixed allowance and other benefits unless the Boards, at the proposal of the Compensation Committee (the Committee), find this manifestly unreasonable given the circumstances or unless dictated by applicable law.

If applicable, the Executive Director shall be credited with 12 months' service for the purposes of any pension schemes based on length of service.

OTHER ELEMENTS

Executive Directors may, at the discretion of the Boards, remain eligible to receive an annual bonus for the financial year in which they cease employment. Such annual bonus will be determined by the Committee taking into account time in employment and performance. Treatment of share awards as set out below.

All-employee share arrangements will be treated in accordance with HMRC approved terms. Other payments, such as legal or other professional fees, repatriation or relocation costs and/or outplacement fees, may be paid if it is considered appropriate.

LEAVER PROVISIONS IN PLAN RULES

INVESTMENT SHARES (MCIP)

GOOD LEAVERS AS DETERMINED BY THE COMMITTEE IN ACCORDANCE WITH THE PLAN RULES*

Investment shares are transferred in full upon termination (and are transferred to the personal representative of the Executive Director in the event of his or her death).

LEAVERS IN OTHER CIRCUMSTANCES*

Investment shares are transferred in full upon termination.

CHANGE OF CONTROL

Such circumstances include (but may not be limited to) a takeover or a merger of the Group.

Investment shares are transferred in full at the time of the change of control.

Alternatively, participants may be required to exchange the investment shares for equivalent shares in the acquiring company in the event of a reorganisation of the Group.

MATCHING SHARES (MCIP) AND PERFORMANCE SHARES (GSIP)

Awards will normally vest following the end of the original performance period, taking into account performance and pro-rated for time in employment

Awards will normally lapse upon termination.

In accordance with Dutch law, matching shares and performance shares are shares that are obtained as part of the Executive Director's remuneration. Therefore, their value is frozen in a period for four weeks before an

(unless the Boards on the proposal of the Committee determine otherwise).

Alternatively, the Boards may determine that awards shall vest upon termination based on performance at that time and pro-rated for time in employment (unless the Boards on the proposal of the Committee determine otherwise).

announcement of a public offer and four weeks after the conclusion of a public offer. Any increase in value in this period has to be reclaimed by Unilever from the Executive Director upon retirement or sale of these shares, if at that time the value of the shares is higher than the value four weeks before the announcement of the public offer.

Awards will vest based on performance at the time of the change of control and the Boards, at the proposal of the Committee, have the discretion to pro-rate for time.

Alternatively, participants may be required to exchange the awards for equivalent awards over shares in the acquiring company in the event of a reorganisation of the Group.

*An Executive Director will usually be treated as a good leaver if he or she leaves due to death, ill-health, injury or disability, retirement with Unilever's agreement or redundancy. The Boards may decide to treat an Executive Director who leaves in other circumstances as a good leaver. An Executive Director will not be treated as a good leaver if he or she chooses to leave for another job elsewhere, if he or she is summarily dismissed or leaves because of concerns about performance. In deciding whether or not to treat an Executive Director as a good leaver, the Boards will have regard to his or her performance in the role.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT

AND EMPLOYEES CONTINUED

If Unilever is affected by a demerger, special distribution or other transaction which may affect the value of awards, the Committee may allow matching shares under the MCIP and performance shares under the GSIP to vest early over such number of shares as it shall determine (to the extent that any performance conditions have been met) and may be pro-rated to reflect the acceleration of vesting at the Committee's discretion.

REMUNERATION COMMITTEE

The Remuneration Committee reviews the remuneration of the Executive and Non-Executive Directors and the tier of management directly below the Boards. It also has responsibility for the cash and executive and all employee share-based incentive plans and the leadership, development, remuneration policy and performance evaluation of the Unilever Leadership Executive and senior corporate executives.

D. EMPLOYEES

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Note 4A Staff and management costs – Average number of employees during the year – on page 93.

The average number of employees during 2014 included 8,980 seasonal and 25,358 plantation workers. We believe our relationship with our employees and any labour unions of which they may be part is satisfactory in all material respects.

E. SHARE OWNERSHIP

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Single figure of remuneration and implementation of the remuneration policy in 2014 for Executive Directors (Audited) – on page 67;

Elements of remuneration – on pages 65 to 67;

Single figure of remuneration in 2014 for Non-Executive Directors (Audited) – on page 74; and

Note 4C Share-based compensation plans – on pages 98 and 99.

GLOBAL EMPLOYEE SHARE PLANS (SHARES)

In November 2014, Unilever's new global employee plan – SHARES – was launched in 17 countries. SHARES gives eligible Unilever employees below senior management level the opportunity to invest between EUR 25 and EUR 200 per month from their net salary in Unilever shares. For every three shares our employees buy (Investment Shares), Unilever will give them one free Match Share, which will vest if employees hold their Investment Shares for at least three years. The Matching Shares are not subject to any performance conditions. SHARES will be further rolled out globally in 2015. Executive Directors are not eligible to participate in SHARES. No SHARES awards have been made

as of the date of this document.

NORTH AMERICAN SHARE PLANS

Unilever also maintains share plans for its North American employees that are governed by an umbrella plan referred to as the Unilever North America Omnibus Equity Compensation Plan. These plans are the North American equivalents of the GSIP, MCIP and SHARES plans. The rules governing these share plans are materially the same as the rules governing the GSIP, MCIP and SHARES plans, respectively. However, the plans contain non-competition and non-solicitation covenants and they are subject to US and Canadian employment and tax laws. The plans are administered by the North America Compensation Committee of Unilever United States Inc. and they are governed by New York law.

The foregoing description of the Unilever North America Omnibus Equity Compensation Plan does not purport to be complete and is qualified in its entirety by reference to the Unilever North America Omnibus Equity Compensation Plan, including all amendments thereto, filed as Exhibit 99.1 to the Form S-8 filed with the SEC on 6 December 2012, which is incorporated herein by reference.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Trust office on pages 43 and 44;
About Unilever on page 41; and
Our shareholders on pages 44 to 46.

The voting rights of the significant shareholders of NV and PLC are the same as for other holders of the class of share held by such significant shareholder.

The principal trading markets upon which Unilever shares are listed are Euronext Amsterdam for NV ordinary and preference shares and the depositary receipts of these NV ordinary and preference shares, and the London Stock Exchange for PLC ordinary shares. NV ordinary shares mainly trade in the form of depositary receipts for shares.

In the United States, NV New York Registry Shares and PLC American Depositary Receipts are traded on the New York Stock Exchange. Deutsche Bank Trust Company Americas (Deutsche Bank) acts for NV and PLC as issuer, transfer agent and, in respect of the PLC American Depositary Receipts, depositary.

There have not been any significant trading suspensions in the past three years.

At 25 February 2015 (the latest practicable date for inclusion in this report), there were 4,998 registered holders of NV New York Registry Shares and 1,007 registered holders of PLC American Depositary Receipts in the United States. We estimate that approximately 12% of NV's ordinary shares were held in the United States (approximately 12% in 2013), while most holders of PLC ordinary shares are registered in the United Kingdom approximately 98% in 2014 and in 2013.

NV and PLC are separate companies with separate stock exchange listings and different shareholders. Shareholders cannot convert or exchange the shares of one for shares of the other and the relative share prices on the various markets can, and do, fluctuate. Each NV ordinary share represents the same underlying economic interest in the Unilever Group as each PLC ordinary share (save for exchange rate fluctuations).

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If you are a shareholder of NV, you have an interest in a Dutch legal entity, your dividends will be paid in euros (converted into US dollars if you have shares registered in the United States) and you may be subject to tax in the Netherlands. If you are a shareholder of PLC, your interest is in a UK legal entity, your dividends will be paid in sterling (converted into US dollars if you have American Depositary Receipts) and you may be subject to UK tax. Nevertheless, the Equalisation Agreement means that as a shareholder of either company you effectively have an interest in the whole of Unilever. On a going concern basis, you have largely equal rights over our combined net profit and capital reserves as shown in the consolidated accounts.

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS CONTINUED

To our knowledge, the Unilever Group is not owned or controlled, directly or indirectly, by another corporation, any foreign government or by any other legal or natural person. We are not aware of any arrangements the operation of which may at any subsequent date result in a change of control of Unilever.

B. RELATED PARTY TRANSACTIONS

The information set forth under the heading "Note 23 Related party transactions" on page 127 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

Transactions with related parties are conducted in accordance with agreed transfer pricing policies and include sales to joint ventures and associates. Other than those disclosed in the Group's Annual Report and Accounts (and incorporated herein as above), there were no related party transactions that were material to the Group or to the related parties concerned that are required to be reported in 2014.

C. INTEREST OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Please refer also to Item 18 "Financial statements" on page 22 to 28 of this report.

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Financial statements on page 78 and pages 84 to 130;

Legal proceedings on page 125; and

Financial calendar on page 40

Also see "Dividend record" on page 4 of this report.

B. SIGNIFICANT CHANGES

The information set forth in "Note 26 Events after the balance sheet date" on page 128 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Please refer to information given on page 13 under Item 7A "Major shareholders".

SHARE PRICES AT 31 DECEMBER 2014

The share prices of the ordinary shares at the end of the year were as follows:

NV per 0.16 ordinary share in Amsterdam	32.64
NV per 0.16 ordinary share in New York	US \$39.04
PLC per 3 ¹ / ₉ p ordinary share in London	£26.28
PLC per 3 ¹ / ₉ p ordinary share in New York	US \$40.48

MONTHLY HIGH AND LOW PRICES FOR THE MOST RECENT SIX MONTHS

		September	October	November	December	January	February (a)
		2014	2014	2014	2014	2015	2015
NV per 0.16 ordinary share in Amsterdam (in)	High	32.54	31.15	32.76	33.49	38.68	38.50
	Low	30.89	28.96	30.55	30.95	31.55	36.42
NV per 0.16 ordinary share in New York (in US \$)	High	42.20	39.31	40.64	41.02	43.88	43.47
	Low	39.34	37.14	38.25	38.48	37.64	41.79
PLC per 3 ¹ / ₉ p ordinary share in London (in £)	High	27.29	25.48	27.06	27.29	29.52	29.14
	Low	25.52	24.06	24.75	25.42	25.73	27.49
PLC per 3 ¹ / ₉ p ordinary share in New York (in US \$)	High	44.61	41.29	42.14	42.42	44.67	44.14
	Low	41.71	38.97	39.95	39.63	39.03	42.67

(a) Through 25 February 2015.

Table of Contents**ITEM 9. THE OFFER AND LISTING CONTINUED****QUARTERLY HIGH AND LOW PRICES FOR 2014 AND 2013**

		1st	2nd	3rd	4th
		Quarter	Quarter	Quarter	Quarter
		2014	2014	2014	2014
NV per 0.16 ordinary share in Amsterdam (in)	High	29.96	32.59	32.54	33.49
	Low	27.16	29.70	30.05	28.96
NV per 0.16 ordinary share in New York (in US \$)	High	41.12	44.31	44.08	41.02
	Low	36.72	40.57	39.34	37.14
PLC per 3 ¹ / ₉ p ordinary share in London (in £)	High	25.61	27.26	27.29	27.29
	Low	23.06	25.37	25.42	24.06
PLC per 3 ¹ / ₉ p ordinary share in New York (in US \$)	High	42.78	45.85	45.85	42.42
	Low	37.85	42.00	41.71	38.97
		1st	2nd	3rd	4th
		Quarter	Quarter	Quarter	Quarter
		2013	2013	2013	2013
NV per 0.16 ordinary share in Amsterdam (in)	High	31.96	32.89	31.84	29.39
	Low	28.58	28.82	28.25	27.50
NV per 0.16 ordinary share in New York (in US \$)	High	41.19	42.78	41.58	40.28
	Low	37.95	37.94	37.28	37.27
PLC per 3 ¹ / ₉ p ordinary share in London (in £)	High	27.84	28.85	28.20	25.48
	Low	23.78	25.16	24.30	23.19
PLC per 3 ¹ / ₉ p ordinary share in New York (in US \$)	High	42.24	43.54	42.67	41.20
	Low	38.38	39.00	38.06	37.67

ANNUAL HIGH AND LOW PRICES

		2014	2013	2012	2011	2010
NV per 0.16 ordinary share in Amsterdam (in)	High	33.49	32.89	29.50	26.58	24.11
	Low	27.16	27.50	24.56	21.00	20.68
NV per 0.16 ordinary share in New York (in US \$)	High	44.31	42.78	38.75	35.06	33.10
	Low	36.72	37.27	30.79	29.07	26.02
PLC per 3 ¹ / ₉ p ordinary share in London (in £)	High	27.29	28.85	24.29	21.73	20.09
	Low	23.06	23.19	19.94	17.93	16.62
	High	45.85	43.54	39.37	34.30	32.41

PLC per 3¹/₉p ordinary share in New York (in US \$)

Low	37.85	37.67	31.04	28.65	25.74
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B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

This information is set forth under the heading "The Unilever Group" on page 1 of this report.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. ARTICLES OF ASSOCIATION

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

- About Unilever on page 41;
- Corporate governance on pages 41 to 48;
- Appointment and re-appointment of Directors on pages 60 and 61;
- Note 15A Share capital on page 110;
- Minimum shareholding requirement and Executive Director share interests (Unaudited) on page 71.

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ITEM 10. ADDITIONAL INFORMATION

CONTINUED

DIRECTORS BORROWING POWERS

The borrowing powers of NV Directors on behalf of NV are not limited by NV's Articles of Association. PLC Directors have the power to borrow on behalf of PLC up to three times the PLC proportion of the adjusted capital and reserves of the Unilever Group, as defined in PLC's Articles of Association, without the approval of shareholders (by way of an ordinary resolution).

ALLOCATION OF PROFITS

Under NV's Articles of Association, available profits are distributed first to 7% and 6% cumulative preference shareholders by a dividend of 7% and 6%, respectively, calculated on the basis of the original nominal value of one thousand Dutch guilders converted to euros at the official conversion rate. The remaining profits are distributed to ordinary shareholders in proportion to the nominal value of their holdings.

Distributable profits of PLC are paid first at the rate of 5% per year on the paid-up nominal capital of 3¹/₉p of the ordinary shares, in a further such dividend and then at the rate of 6% per year on the paid-up nominal capital of the deferred stock of £100,000. The surplus is paid by way of a dividend on the ordinary shares.

LAPSE OF DISTRIBUTIONS

The right to cash and the proceeds of share distributions by NV lapses five and 20 years, respectively, after the first day the distribution was obtainable. Unclaimed amounts revert to NV. Any PLC dividend unclaimed after 12 years from the date of the declaration of the dividend reverts to PLC.

REDEMPTION PROVISIONS AND CAPITAL CALL

Under Dutch law, NV may only redeem treasury shares (including shares underlying depositary receipts) or shares whose terms permit redemption. Outstanding PLC ordinary shares and deferred shares cannot be redeemed. NV and PLC may make capital calls on money unpaid on shares and not payable on a fixed date. NV and PLC only issue fully paid shares.

MODIFICATION OF RIGHTS

Modifications to NV's or PLC's Articles of Association must be approved by a general meeting of shareholders. Any modification that prejudices the rights of 7% or 6% cumulative preference shareholders of NV must be approved by three quarters of votes cast (excluding treasury shares) at a meeting of affected holders. Modifications that prejudicially affect the rights and privileges of a class of PLC shareholders require the written consent of three quarters of the affected holders (excluding treasury shares) or a special resolution passed at a general meeting of the class at which at least two persons holding or representing at least one third of the paid-up capital (excluding treasury shares) must be present. Every shareholder is entitled to one vote per share held on a poll and may demand a poll vote. At any adjourned general meeting, present affected class holders may establish a quorum.

SINKING FUND AND CHANGE IN CONTROL

Not applicable.

Please also refer to The Unilever Group on page 1 of this report.

C. MATERIAL CONTRACTS

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Note 21 Acquisition and disposals on pages 125 and 126; and
About Unilever on page 41.

The descriptions of the foundation agreements set forth in the Group's Annual Report and Accounts 2014 do not purport to be complete and are qualified in their entirety by reference to the Equalisation Agreement between Unilever N.V. and Unilever PLC, the Deed of Mutual Covenants and the Agreement for Mutual

Guarantees of Borrowing, including all amendments thereto, filed as Exhibits 4.1(a), 4.1(b) and 4(c), respectively, to this report, which are incorporated herein by reference.

D. EXCHANGE CONTROLS

Under the Dutch External Financial Relations Act of 25 March 1994, the Minister of Finance is authorised to issue regulations relating to financial transactions concerning the movement of capital to or from other countries with respect to direct investments, establishment, the performing of financial services, the admission of negotiable instruments or goods with respect to which regulations have been issued under the Import and Export Act in the interest of the international legal system or an arrangement relevant thereto. These regulations may contain a prohibition to perform any of the actions indicated in those regulations without a licence. To date, no regulations of this type, have been issued which are applicable to NV.

Other than certain economic sanctions which may be in place from time to time, there are currently no UK laws, decrees or regulations restricting the import or export of capital or affecting the remittance of dividends or other payments to holders of the company's shares who are non-residents of the UK. Similarly, other than certain economic sanctions which may be in force from time to time, there are no limitations relating only to non-residents of the UK under English law or the company's Articles of Association on the right to be a holder of, and to vote in respect of, the company's shares.

E. TAXATION

TAXATION FOR US PERSONS HOLDING SHARES IN NV

The following notes are provided for guidance. US persons should consult their local tax advisers, particularly in connection with potential liability to pay US taxes on disposal, lifetime gift or bequest of their shares. A US person is a US individual citizen or resident, a corporation organised under the laws of the United States, or any other legal person subject to United States Federal Income Tax on its worldwide income.

TAXATION ON DIVIDENDS IN THE NETHERLANDS

As of 1 January 2007, dividends paid by companies in the Netherlands are in principle subject to dividend withholding tax of 15%. Where a shareholder is entitled to the benefits of the current Income Tax Convention (the Convention) concluded on 18 December 1992 between the United States and the Netherlands, when dividends are paid by NV to:

a corporation organised under the laws of the United States (or any territory of it) having no permanent establishment in the Netherlands of which such shares form a part of the business property; or any other legal person subject to United States Federal Income Tax with respect to its worldwide income, having no permanent establishment in the Netherlands of which such shares form a part of the business property, these dividends qualify for a reduction of withholding tax on dividends in the Netherlands from 15% to 5%, if the beneficial owner is a company which directly holds at least 10% of the voting power of NV shares.

Where a United States person has a permanent establishment in the Netherlands, which has shares in NV forming part of its business property, dividends it receives on those shares are included in that establishment's profit. They are subject to income tax or corporation tax in the Netherlands, as appropriate, and tax on dividends in the Netherlands will generally be applied at the full rate of 15% with, as appropriate, the possibility to claim a credit for that tax on dividends in the Netherlands against the income tax or corporation tax in the Netherlands. The net tax suffered may be treated as foreign income tax eligible for credit against shareholders' United States income taxes.

The Convention provides, subject to certain conditions, for a complete exemption from, or refund of, Dutch dividend withholding tax if the beneficial owner is a qualified Exempt Pension Trust as defined in Article 35 of the Convention or a qualified Exempt Organisation as defined in Article 36 of the Convention. It is noted

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ITEM 10. ADDITIONAL INFORMATION

CONTINUED

that, subject to certain conditions, foreign (non-Dutch) tax exempt entities may also be entitled to a full refund of any Dutch dividend withholding tax suffered based on specific provisions in the Dividend Tax Act in the Netherlands. This tax refund opportunity under Dutch domestic tax law already applied to European Union and European Economic Area entities as of 1 January 2007 and has been extended as of 1 January 2012 to all foreign tax exempt entities including, if appropriate, United States tax exempt entities.

Under the Convention, qualifying United States organisations that are generally exempt from United States taxes and that are constituted and operated exclusively to administer or provide pension, retirement or other employee benefits may be exempt at source from withholding tax on dividends received from a Dutch corporation. A Competent Authority Agreement between the US and Dutch tax authorities on 6 August 2007, published in the US as Announcement 2007-75, 2007-2 Cumulative Bulletin 540, as amended by a Competent Authority Agreement published in the United States as Announcement 2010-26, 2010-1 Cumulative Bulletin 604, describes the eligibility of these US organisations for benefits under the Convention and procedures for claiming these benefits.

Under the Convention, a United States trust, company or organisation that is operated exclusively for religious, charitable, scientific, educational or public purposes is subject to an initial 15% withholding tax rate. Such an exempt organisation may be entitled to reclaim from tax authorities in the Netherlands a refund of the Dutch dividend tax, if and to the extent that it is exempt from United States Federal Income Tax and it would be exempt from tax in the Netherlands if it were organised and carried on all its activities there.

If you are an NV shareholder resident in any country other than the United States or the Netherlands, any exemption from, or reduction or refund of, dividend withholding tax in the Netherlands may be governed by specific provisions in Dutch tax law, the Tax Regulation for the Kingdom of the Netherlands, or by the tax convention or any other agreement for the avoidance of double taxation, if any, between the Netherlands and your country of residence.

UNITED STATES TAXATION ON DIVIDENDS

If you are a United States person, the dividend (including the withheld amount) up to the amount of NV earnings and profits for United States Federal Income Tax purposes will be ordinary dividend income. Dividends received by an individual will be taxed at a maximum rate of 15% or 20%, depending on the income level of the individual, provided the individual has held the shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date, that NV is a qualified foreign corporation and that certain other conditions are satisfied. NV is a qualified foreign corporation for this purpose. In addition, an additional tax of 3.8% will apply to dividends and other investment income received by individuals with incomes exceeding certain thresholds. The dividends are not eligible for the dividends received deduction allowed to corporations.

For US foreign tax credit purposes, the dividend is foreign source income, and withholding tax in the Netherlands is a foreign income tax that is eligible for credit against the shareholder's United States income taxes. However, the rules governing the US foreign tax credit are complex, and additional limitations on the credit apply to individuals receiving dividends eligible for the maximum tax rate on dividends described above.

Any portion of the dividend that exceeds NV's United States earnings and profits is subject to different rules. This portion is a tax-free return of capital to the extent of your basis in NV's shares, and thereafter is treated as a gain on a disposition of the shares.

Under a provision of the Dividend Tax Act in the Netherlands and provided certain conditions are satisfied, NV is entitled to a credit (up to a maximum of 3% of the gross dividend from which dividend tax is withheld) against the amount of dividend tax withheld before remittance to tax authorities in the Netherlands. The United States tax authority may take the position that withholding tax in the Netherlands eligible for credit should be limited accordingly.

DISCLOSURE REQUIREMENTS FOR US INDIVIDUAL HOLDERS

US individuals that hold certain specified foreign financial assets, including stock in a foreign corporation, with values in excess of certain thresholds are required to file Form 8938 with their United States Federal Income Tax return. Such Form requires disclosure of information concerning such foreign assets, including the value of the assets. Failure to file the form when required is subject to penalties. An exemption from reporting applies to foreign assets held through a US financial institution, generally including a non-US branch or subsidiary of a US institution and a US branch of a non-US institution. Investors are encouraged to consult with their own tax advisors regarding the possible application of this disclosure requirement to their investment in the shares.

TAXATION ON CAPITAL GAINS IN THE NETHERLANDS

Under the Convention, if you are a United States person and you have capital gains on the sale of shares of a Dutch company, these are generally not subject to taxation by the Netherlands. An exception to this rule generally applies if you have a permanent establishment in the Netherlands and the capital gain is derived from the sale of shares which form part of that permanent establishment's business property.

SUCCESSION DUTY AND GIFT TAXES IN THE NETHERLANDS

Under the Estate and Inheritance Tax Convention between the United States and the Netherlands of 15 July 1969, individual US persons who are not Dutch citizens who have shares will generally not be subject to succession duty in the Netherlands on the individual's death, unless the shares are part of the business property of a permanent establishment situated in the Netherlands.

A gift of shares of a Dutch company by a person who is not a resident or a deemed resident of the Netherlands is generally not subject to gift tax in the Netherlands. A non-resident Netherlands citizen, however, is still treated as a resident of the Netherlands for gift tax purposes for ten years and any other non-resident person for one year after leaving the Netherlands.

TAXATION FOR US PERSONS HOLDING SHARES OR ADSS IN PLC

The following notes are provided for guidance. US persons should consult their local tax advisers, particularly in connection with potential liability to pay US taxes on disposal, lifetime gift or bequest of their shares or American Depositary Shares (ADSs). A US person is a US individual citizen or resident, a corporation organized under the laws of the United States, or any other legal person subject to United States Federal Income Tax on its worldwide income.

UNITED KINGDOM TAXATION ON DIVIDENDS

Under United Kingdom law, income tax is not withheld from dividends paid by United Kingdom companies. Shareholders, whether resident in the United Kingdom or not, receive the full amount of the dividend actually declared.

UNITED STATES TAXATION ON DIVIDENDS

If you are a US person, the dividend up to the amount of PLC's earnings and profits for United States Federal Income Tax purposes will be ordinary dividend income. Dividends received by an individual will be taxed at a maximum rate of 15% or 20%, depending on the income level of the individual, provided the individual has held the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date, that PLC is a qualified foreign corporation and certain other conditions are satisfied. PLC is a qualified foreign corporation for this purpose. In addition, an additional tax of 3.8% will apply to dividends and other investment income received by individuals with incomes exceeding

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ITEM 10. ADDITIONAL INFORMATION

CONTINUED

certain thresholds. The dividend is not eligible for the dividends received deduction allowable to corporations. The dividend is foreign source income for US foreign tax credit purposes. Any portion of the dividend that exceeds PLC's United States earnings and profits is subject to different rules. This portion is a tax-free return of capital to the extent of your basis in PLC's shares or ADSs, and thereafter is treated as a gain on a disposition of the shares or ADSs.

DISCLOSURE REQUIREMENTS FOR US INDIVIDUAL HOLDERS

US individuals that hold certain specified foreign financial assets, including stock in a foreign corporation, with values in excess of certain thresholds are required to file Form 8938 with their United States Federal Income Tax return. Such Form requires disclosure of information concerning such foreign assets, including the value of the assets. Failure to file the form when required is subject to penalties. An exemption from reporting applies to foreign assets held through a US financial institution, generally including a non-US branch or subsidiary of a US institution and a US branch of a non-US institution. Investors are encouraged to consult with their own tax advisors regarding the possible application of this disclosure requirement to their investment in the shares or ADSs.

UK TAXATION ON CAPITAL GAINS

Under United Kingdom law, when you sell shares you may be liable to pay capital gains tax. However, if you are either:

- an individual who is not resident in the United Kingdom; or
- a company which is not resident in the United Kingdom

you will generally not be liable to United Kingdom tax on any capital gains made on disposal of your shares.

Two exceptions are: if the shares are held in connection with a trade or business which is conducted in the United Kingdom through a branch, agency or permanent establishment; and if the shares are held by an individual who becomes resident in the UK having left the UK for a period of non-residence of less than five years and who was resident for at least four of the seven tax years prior to leaving the UK.

UK INHERITANCE TAX

Under the current estate and gift tax convention between the United States and the United Kingdom, ordinary shares held by an individual shareholder who is:

- domiciled for the purposes of the convention in the United States; and
- is not for the purposes of the convention a national of the United Kingdom

will generally not be subject to United Kingdom inheritance tax:

- on the individual's death; or
- on a gift of the shares during the individual's lifetime.

An exception is if the shares are part of the business property of a permanent establishment of the individual in the United Kingdom or, in the case of a shareholder who performs independent personal services, pertain to a fixed base situated in the United Kingdom.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

The information set forth under the headings "Contact details" and "Publications" on page 40 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

UNILEVER ANNUAL REPORT ON FORM 20-F 2014

Filed with the SEC on the SEC's website. Printed copies are available, free of charge, upon request to Unilever PLC, Investor Relations department, 100 Victoria Embankment, London, EC4Y 0DY, United Kingdom.

DOCUMENTS ON DISPLAY IN THE UNITED STATES

Unilever files and furnishes reports and information with the United States SEC. Such reports and information can be inspected and copied at the SEC's public reference facilities in Washington DC, Chicago and New York. Certain of our reports and other information that we file or furnish to the SEC are also available to the public over the internet on the SEC's website.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please refer also to Item 3D "Risk Factors" of this report.

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

- Note 4B Pensions and similar obligations on pages 93 to 98;
- Note 13 Trade and other current receivables on pages 107 and 108;
- Note 14 Trade payables and other liabilities on page 108;
- Note 15 Capital and funding on pages 109 and 110;
- Note 16 Treasury risk management on pages 114 to 119;
- Note 17 Investment and return on pages 119 and 120; and
- Note 18 Financial instruments fair value risk on pages 121 to 123.

Please also refer to "Outlook" within Item 5D of this report.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Deutsche Bank serves as both the transfer agent and registrar pursuant to the NV New York Registered Share Program and the depositary (Depositary) for PLC's American Depositary Receipt Program, having replaced Citibank, N.A. (Citibank) on 1 July 2014.

A. DESCRIPTION OF DEBT SECURITIES

Not applicable.

B. DESCRIPTION OF WARRANTS AND RIGHTS

Not applicable.

C. DESCRIPTION OF OTHER SECURITIES

Not applicable.

D.1 NAME OF DEPOSITARY AND ADDRESS OF PRINCIPAL EXECUTIVE

Not applicable.

D.2 TITLE OF ADRS AND BRIEF DESCRIPTION OF PROVISIONS

Not applicable.

D.3 TRANSFER AGENT FEES AND CHARGES FOR NV

Although Items 12.D.3 and 12.D.4 are not applicable to Unilever N.V. the following fees, charges and transfer agent payments are listed, as any fee arrangement with Deutsche Bank will cover both programs.

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ITEM 12. DESCRIPTION OF SECURITIES

OTHER THAN EQUITY SECURITIES CONTINUED

Under the terms of the Transfer Agent Agreement for the Unilever N.V. New York Registered Share program, a New York Share (NYS) holder may have to pay the following service fees to the transfer agent:

Issuance of NYSSs: up to US 5¢ per NYS issued.

Cancellation of NYSSs: up to US 5¢ per NYS cancelled.

An NYS holder will also be responsible to pay certain fees and expenses incurred by the transfer agent and certain taxes and governmental charges such as:

fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in the Netherlands (ie upon deposit and withdrawal of shares);

expenses incurred for converting foreign currency into US dollars;

expenses for cable, telex and fax transmissions and for delivery of securities;

taxes and duties upon the transfer of securities (ie when shares are deposited or withdrawn from deposit); and

fees and expenses incurred in connection with the delivery or servicing of shares on deposit.

Transfer agent fees payable upon the issuance and cancellation of NYSSs are typically paid to the transfer agent by the brokers (on behalf of their clients) receiving the newly-issued NYSSs from the transfer agent and by the brokers (on behalf of their clients) delivering the NYSSs to the transfer agent for cancellation. The brokers in turn charge these transaction fees to their clients.

Note that the fees and charges an investor may be required to pay may vary over time and may be changed by us and by the transfer agent. Notice of any changes will be given to investors.

D.3 DEPOSITARY FEES AND CHARGES FOR PLC

Under the terms of the Deposit Agreement for the Unilever PLC American Depositary Shares (ADSs), an ADS holder may have to pay the following service fees to the depositary bank:

Issuance of ADSs: up to US 5¢ per ADS issued.

Cancellation of ADSs: up to US 5¢ per ADS cancelled.

Processing of dividend and other cash distributions not made pursuant to a cancellation or withdrawal: up to US 5¢ per ADS held.

An ADS holder will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges such as:

fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in the United Kingdom (ie, upon deposit and withdrawal of shares);

expenses incurred for converting foreign currency into US dollars;

expenses for cable, telex and fax transmissions and for delivery of securities;

taxes and duties upon the transfer of securities (ie when shares are deposited or withdrawn from deposit);

fees and expenses incurred in connection with the delivery or servicing of shares on deposit; and

fees incurred in connection with the distribution of dividends.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly-issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these

transaction fees to their clients.

Note that the fees and charges an investor may be required to pay may vary over time and may be changed by us and by the depository bank. Notice of any changes will be given to investors.

D.4 TRANSFER AGENT PAYMENTS FISCAL YEAR 2014 FOR NV

In relation to 2014, NV will receive \$612,500.00 from Deutsche Bank, the transfer agent and registrar for our New York Registered Share program since 1 July 2014, including the reimbursement of listing fees (NYSE), reimbursement of settlement infrastructure fees (including DTC feeds), reimbursement of proxy process expenses (printing, postage and distribution), tax reclaim services and program-related expenses (that include expenses incurred from the requirements of the Sarbanes-Oxley Act of 2002). Deutsche Bank also agreed to reimburse NV for up to \$12,500 in legal fees associated with the cost of transition of the New York Registered Share Program.

In 2014, NV received \$706,638.58 from Citibank, the transfer agent and registrar for our New York Registered Share Program. In 2014, Citibank further agreed to waive other program related expenses amounting to \$75,000 associated with the administration of the program.

D.4 DEPOSITARY PAYMENTS FISCAL YEAR 2014 FOR PLC

In relation to 2014, PLC will receive \$2,025,113.37 from Deutsche Bank, the depository bank for our American Depositary Receipt Program since 1 July 2014, including processing of cash distributions, reimbursement of listing fees (NYSE), reimbursement of settlement infrastructure fees (including DTC feeds), reimbursement of proxy process expenses (printing, postage and distribution), dividend fees and program related expenses (that include expenses incurred from the requirements of the Sarbanes-Oxley Act of 2002). Deutsche Bank also agreed to reimburse PLC for up to \$12,500 in legal fees associated with the cost of transition of the American Depositary Receipt Program.

In 2014, PLC received \$661,132.66 from Citibank, the depository bank for our American Depositary Receipt Program. In 2014, Citibank further agreed to waive other ADS program related expenses amounting to \$75,000 associated with the administration of the program.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A. DEFAULTS

There has been no material default in the payment of principal, interest, a sinking or purchase fund instalment or any other material default relating to indebtedness of the Group.

B. DIVIDEND ARREARAGES AND DELINQUENCIES

There have been no arrears in payment of dividends on, and material delinquency with respect to, any class of preferred stock of any significant subsidiary of the Group.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Please refer to Item 12 on pages 18 and 19 of this report.

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ITEM 15. CONTROLS AND PROCEDURES

The information set forth under the headings "Report of independent registered public accounting firm" in Item 18 on page 22 of this report, and "Our risk appetite and approach to risk management" on page 49, "The United States" on page 48 and "Risk management and internal control arrangements" on page 57 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act of 2002, the following report is provided by management in respect of the Group's internal control over financial reporting (as defined in rule 13a-15(f) or rule 15d-15(f) under the US Securities Exchange Act of 1934):

Unilever's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group;

Unilever's management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (2013) to evaluate the effectiveness of our internal control over financial reporting. Management believes that the COSO framework (2013) is a suitable framework for its evaluation of our internal control over financial reporting because it is free from bias, permits reasonably consistent qualitative and quantitative measurements of internal controls, is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of internal controls are not omitted and is relevant to an evaluation of internal control over financial reporting;

Management has assessed the effectiveness of internal control over financial reporting as of 31 December 2014, and has concluded that such internal control over financial reporting is effective; and

KPMG LLP and KPMG Accountants N.V., who have audited the consolidated financial statements of the Group for the year ended 31 December 2014, have also audited the effectiveness of internal control over financial reporting as at 31 December 2014 and have issued an attestation report on internal control over financial reporting. For the Auditors' report please refer to Item 18 on page 22 of this report.

ITEM 16. RESERVED

Not applicable.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The information set forth under the heading "Report of the Audit Committee" on pages 56 and 57 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

ITEM 16B. CODE OF ETHICS

The information set forth under the following headings of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference:

Foundation and principles" on page 49; and
The United States" on page 48.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the heading "Report of the Audit Committee" on pages 56 to 57 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

Following a competitive tender process KPMG LLP and KPMG Accountants N.V. (together referred to as KPMG) were appointed as the Group s auditors for the year ended 31 December 2014 at the Annual General Meeting on 14 May 2014. PricewaterhouseCoopers LLP and PricewaterhouseCoopers Accountants N.V. (together referred to as PricewaterhouseCoopers) served as Group auditor for the years ended 31 December 2013 and 2012. Remuneration of the Group s auditor in respect of 2014 was payable to KPMG while in respect of 2013 and 2012 it was payable to PricewaterhouseCoopers.

	million	million	million
	2014	2013	2012
Audit fees ^(a)	14	16	18
Audit-related fees ^(b)	(c)	3	2
Tax fees	(c)	1	1
All other fees	(c)	1	

^(a) Excludes nil million fees paid in respect of services supplied for associated pension schemes. (2013: 1 million; 2012: 1 million).

^(b) Includes other audit services which comprise audit and similar work that regulations or agreements with third parties require the auditors to undertake.

^(c) Amounts paid in relation to each type of service are less than 1 million individually and in aggregate.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Table of Contents**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS****SHARE PURCHASES DURING 2014**

The information set forth under the heading "Our shares" on pages 43 and 44 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

	Total number of shares purchased	Average price paid per share ()	Of which, number of shares purchased as part of publicly announced plans	Maximum value that yet be purchased as part of publicly announced plans million
January				
February ^(a)	426,958	29.12		
March ^(a)	742,035	28.25		
April				
May ^(a)	2,235,000	32.11		
June ^(a)	4,922,332	32.95		
July ^(a)	2,821,233	32.18		
August ^(a)	1,105,067	30.67		
September ^(a)	1,111,101	32.92		
October				
November				
December				
Total	13,363,726	32.07		

^(a) Shares were purchased to satisfy commitments to deliver shares under our share-based plans as described in note 4C "Share-based compensation plans" on pages 98 and 99 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K and incorporated by reference.

Between 31 December 2014 and 25 February 2015 (the latest practicable date for inclusion in this report) Unilever N.V. purchased 24,212 NV Shares with an average price of euro 37.54 per share to facilitate grants in connection with its employee compensation programs.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

In 2013 we conducted a tender process for the Unilever Group's statutory audit contract. The change in auditors was made in order to remain at the forefront of good governance and in recognition of regulatory changes in Europe and elsewhere. Accordingly, the engagement of PricewaterhouseCoopers LLP and PricewaterhouseCoopers Accountants N.V. (together, "PricewaterhouseCoopers"), was not renewed in 2014. As a result of the audit tender process we announced on 2 December 2013 that following completion of the audit of the Unilever Group financial statements for the year ended 31 December 2013 and the audit of the effectiveness of internal control over financial reporting as of 31 December 2013, KPMG LLP and KPMG Accountants N.V. (together, "KPMG") would become Unilever's statutory auditor, following approval by shareholders at the 2014 Annual General Meeting of Unilever PLC and Unilever N.V.

The approval for this was delegated by the Board to a Board Committee comprising the Chairman, the Chief Financial Officer, the Chairman of the Audit Committee and the Vice-Chairman/Senior Independent Director.

During the two years prior to 31 December 2014, (i) PricewaterhouseCoopers has not issued any reports on the financial statements of the Unilever Group or on the effectiveness of internal control over financial reporting that contained an adverse opinion or a disclaimer of opinion, nor were the auditors' reports of PricewaterhouseCoopers qualified or modified as to uncertainty, audit scope, or accounting principles, (ii) there has not been any disagreement over any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to PricewaterhouseCoopers' satisfaction would have caused it to make reference to the subject matter of the disagreement in connection with its auditors' reports, or any reportable event as described in Item 16F(a)(1)(v) of Form 20-F.

Further in the two years prior to 31 December 2014 we have not consulted with KPMG regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to the consolidated financial statements of the Unilever Group; or (ii) any matter that was the subject of a disagreement as that term is used in Item 16F(a)(1)(iv) of Form 20-F or a reportable event as described in Item 16F(a)(1)(v) of Form 20-F.

ITEM 16G. CORPORATE GOVERNANCE

The information set forth under the heading "Corporate governance" on pages 41 to 48 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

ITEM 16H. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

Unilever has responded to Item 18 in lieu of this item.

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ITEM 18. FINANCIAL STATEMENTS

The information set forth under the heading "Financial statements" on page 78 and pages 84 to 130 of the Group's Annual Report and Accounts 2014 furnished separately on 6 March 2015 under Form 6-K is incorporated by reference.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

The Board of Directors and Shareholders

We have audited the accompanying consolidated balance sheet of Unilever Group as of 31 December 2014 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flow statement for the year ended 31 December 2014 on pages 84 to 130 of Unilever Group's Annual Report and Accounts (excluding note 25 on page 128) and the Guarantor financial information included in Item 18 of this Form 20-F (hereafter referred to as Consolidated Financial Statements). We also have audited Unilever Group's internal control over financial reporting as of 31 December 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Unilever Group's management is responsible for these Consolidated Financial Statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Item 15 of this Form 20-F. Our responsibility is to express an opinion on these Consolidated Financial Statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the Consolidated Financial Statements included examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and Directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of Unilever Group as of 31 December 2014, and the results of its operations and its cash flows for the year ended 31 December 2014, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in conformity with IFRS as adopted by the European Union. Also in our opinion, Unilever Group maintained, in all material respects, effective internal control over financial reporting as of 31 December 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

KPMG LLP
London, United Kingdom

KPMG Accountants N.V.
Amsterdam, Netherlands

3 March 2015

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ITEM 18. FINANCIAL STATEMENTS CONTINUED

To the Directors and shareholders

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

In our opinion, the consolidated income statements and the related consolidated balance sheets, consolidated cash flow statements, consolidated statements of comprehensive income and consolidated statements of changes in equity set forth under the heading "Financial Statements" on pages 84 to 130 (excluding Note 25 on page 128) of Unilever Group's Annual Report and Accounts 2014 and the Guarantor financial information included in Item 18 of this Form 20-F present fairly, in all material respects, the financial position of Unilever Group at 31 December 2013, and the results of its operations and its cash flows for each of the two years in the period ended 31 December 2013, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in conformity with IFRS as adopted by the European Union. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
As auditors of Unilever PLC

4 March 2014

Amsterdam, The Netherlands, 4 March 2014
PricewaterhouseCoopers Accountants N.V.
As auditors of Unilever N.V.
Original has been signed by P J van Mierlo RA

Table of Contents**ITEM 18. FINANCIAL STATEMENTS CONTINUED****GUARANTOR STATEMENTS (AUDITED)**

On 30 September 2014, NV and Unilever Capital Corporation (UCC) filed a US Shelf registration, which is unconditionally and fully guaranteed, jointly and severally, by NV, PLC and Unilever United States, Inc. (UNUS) and that superseded the NV and UCC US Shelf registration filed on 1 November 2011, which was unconditionally and fully guaranteed, jointly and severally, by NV, PLC and UNUS. UCC and UNUS are each indirectly 100% owned by the Unilever parent entities (as defined below). Of the US Shelf registration, US \$5.0 billion of Notes were outstanding at 31 December 2014 (2013: US \$5.8 billion; 2012: US \$5.0 billion) with coupons ranging from 0.45% to 5.9%. These Notes are repayable between 30 July 2015 and 15 November 2032.

Provided below are the income statements, cash flow statements and balance sheets of each of the companies discussed above, together with the income statement, cash flow statement and balance sheet of non-guarantor subsidiaries. These have been prepared under the historical cost convention and, aside from the basis of accounting for investments at net asset value (equity accounting), comply in all material respects with International Financial Reporting Standards. The financial information in respect of NV, PLC and UNUS has been prepared with all subsidiaries accounted for on an equity basis. Information on NV and PLC is shown collectively as Unilever parent entities. The financial information in respect of the non-guarantor subsidiaries has been prepared on a consolidated basis.

We have revised the presentation of certain items within the income statement, balance sheet and cash flow statement with a view to making the information provided easier to understand and more accessible to the users of the guarantor statements. The revisions primarily consist of:

Combining lines where only immaterial balances exist in Unilever Capital Corporation, Unilever United States Inc. and Unilever parent entities.

Combining lines where they are not captions within the financial statements of the Unilever Group.

Condensing the shareholders' equity (balance sheet) and operating, investing and financing cash flows (cash flow statement).

Removing equity earnings of subsidiaries attributable to non-controlling interest from Unilever parent entities in the income statement.

Including equity earnings of subsidiaries within total comprehensive income.

Revising the presentation of elimination entries for intercompany assets, liabilities and net assets of subsidiaries (equity method) on the balance sheet.

Where appropriate, such as if material events or transactions occur in the period, we will provide additional detail in footnotes to the guarantor statements. We have reflected these revisions retrospectively they are not individually or collectively material to the financial statements taken as a whole.

	million Unilever Capital Corporation subsidiary issuer	million Unilever ^(a) parent entities	million Unilever United States Inc. subsidiary guarantor	million Non- guarantor subsidiaries	million Eliminations	million Unilever Group
Income statement						
for the year ended 31 December 2014						
Turnover				48,436		48,436

Operating profit	363	(6)	7,623		7,980
Net finance costs	(97)	(258)	(28)		(383)
Pensions and similar obligations	(4)	(26)	(64)		(94)
Other income			143		143
Profit before taxation	262	(290)	7,674		7,646
Taxation	(93)	(562)	(1,476)		(2,131)
Net profit before subsidiaries	169	(852)	6,198		5,515
Equity earnings of subsidiaries	5,002	1,713	(5,269)	(1,446)	
Net profit	5,171	861	929	(1,446)	5,515
Attributable to:					
Non-controlling interests			344		344
Shareholders' equity	5,171	861	585	(1,446)	5,171
Total comprehensive income	(1)	5,165	754	(317)	(1,446)
					4,155

(a) The term "Unilever parent entities" includes Unilever N.V. and Unilever PLC. Though Unilever N.V. and Unilever PLC are separate legal entities, with different shareholder constituencies and separate stock exchange listings, they operate as nearly as practicable as a single economic entity. Debt securities issued by entities in the Unilever Group are fully and unconditionally guaranteed by both Unilever N.V. and Unilever PLC.

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	million	million	million	million	million	million
	Unilever Capital Corporation subsidiary issuer	Unilever ^(a) parent entities	Unilever United States Inc. subsidiary guarantor	Non- guarantor subsidiaries 49,797	Eliminations	Unilever Group 49,797
Income statement						
for the year ended 31 December 2013						
Turnover						
Operating profit		296	4	7,217		7,517
Net finance costs		(79)	(190)	(128)		(397)
Pensions and similar obligations		(4)	(29)	(100)		(133)
Other income				127		127
Profit before tax and subsidiaries		213	(215)	7,116		7,114
Taxation		(13)	(419)	(1,419)		(1,851)
Net profit before subsidiaries		200	(634)	5,697		5,263
Equity earnings of subsidiaries		4,642	1,395	(2,945)	(3,092)	
Net profit		4,842	761	2,752	(3,092)	5,263
Attributable to:						
Non-controlling interests				421		421
Shareholders equity		4,842	761	2,331	(3,092)	4,842
Total comprehensive income	(15)	4,931	1,186	2,057	(3,092)	5,067

Figures have been changed to conform to the current year presentation. Such revisions are not considered material to the financial statements taken as a whole.

	million	million	million	million	million	million
	Unilever Capital Corporation subsidiary issuer	Unilever ^(a) parent entities	Unilever United States Inc. subsidiary guarantor	Non- guarantor subsidiaries 51,324	Eliminations	Unilever Group 51,324
Income statement						
for the year ended 31 December 2012						
Turnover						
Operating profit		334	7	6,636		6,977
Net finance costs		(175)	(110)	(105)		(390)
Pensions and similar obligations		(5)	(32)	(108)		(145)
Other income				91		91
Profit before tax and subsidiaries		154	(135)	6,514		6,533
Taxation		(29)	(192)	(1,476)		(1,697)

Net profit before subsidiaries	125	(327)	5,038		4,836
Equity earnings of subsidiaries	4,243	1,404	(3,527)	(2,120)	
Net profit	4,368	1,077	1,511	(2,120)	4,836
Attributable to:					
Non-controlling interests			468		468
Shareholders equity	4,368	1,077	1,043	(2,120)	4,368
Total comprehensive income	(9)	4,216	1,166	(2,120)	3,898

(a) The term "Unilever parent entities" includes Unilever N.V. and Unilever PLC. Though Unilever N.V. and Unilever PLC are separate legal entities, with different shareholder constituencies and separate stock exchange listings, they operate as nearly as practicable as a single economic entity. Debt securities issued by entities in the Unilever Group are fully and unconditionally guaranteed by both Unilever N.V. and Unilever PLC.

Figures have been changed to conform to the current year presentation. Such revisions are not considered material to the financial statements taken as a whole.

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	million	million	million	million	million	million
	Unilever Capital Corporation subsidiary issuer	Unilever ^(a) parent entities	Unilever United States Inc. subsidiary guarantor	Non- guarantor subsidiaries	Eliminations	Unilever Group
Balance sheet at 31 December 2014						
Assets						
Non-current assets						
Goodwill and intangible assets		1,636		20,538		22,174
Deferred tax assets		145	152	989		1,286
Other non-current assets		11	3	12,206		12,220
Amounts due from group companies	10,440	779			(11,219)	
Net assets of subsidiaries (equity accounted)		43,153	17,776		(60,929)	
	10,440	45,724	17,931	33,733	(72,148)	35,680
Current assets						
Amounts due from group companies		5,077	3,156	37,248	(45,481)	
Trade and other current receivables		82	11	4,936		5,029
Current tax assets		64		217		281
Other current assets		5		7,032		7,037
		5,228	3,167	49,433	(45,481)	12,347
Total assets	10,440	50,952	21,098	83,166	(117,629)	48,027
Liabilities						
Current liabilities						
Financial liabilities	624	3,777	5	1,130		5,536
Amounts due to group companies	5,757	31,473	18	8,233	(45,481)	
Trade payables and other current liabilities	42	218	33	12,313		12,606
Current tax liabilities			39	1,042		1,081
Other current liabilities		11		408		419
	6,423	35,479	95	23,126	(45,481)	19,642
Non-current liabilities						
Financial liabilities	3,717	1,686		1,783		7,186
Amounts due to group companies			10,439	780	(11,219)	
Pensions and post-retirement healthcare liabilities						
Funded schemes in deficit		8	140	2,074		2,222
Unfunded schemes		109	570	1,046		1,725
Other non-current liabilities		21	2	2,966		2,989
	3,717	1,824	11,151	8,649	(11,219)	14,122

Total liabilities	10,140	37,303	11,246	31,775	(56,700)	33,764
Shareholders' equity	300	13,649	9,852	50,779	(60,929)	13,651
Non-controlling interests				612		612
Total equity	300	13,649	9,852	51,391	(60,929)	14,263
Total liabilities and equity	10,440	50,952	21,098	83,166	(117,629)	48,027

(a) The term "Unilever parent entities" includes Unilever N.V. and Unilever PLC. Though Unilever N.V. and Unilever PLC are separate legal entities, with different shareholder constituencies and separate stock exchange listings, they operate as nearly as practicable as a single economic entity. Debt securities issued by entities in the Unilever Group are fully and unconditionally guaranteed by both Unilever N.V. and Unilever PLC.

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	million Unilever Capital Corporation subsidiary issuer	million Unilever ^(a) parent entities	million Unilever United States Inc. subsidiary guarantor	million Non- guarantor subsidiaries	million Eliminations	million Unilever Group
Balance sheet at 31 December 2013						
Assets						
Non-current assets						
Goodwill and intangible assets		1,726		19,178		20,904
Deferred tax assets		163	38	883		1,084
Other non-current assets		1	1	11,401		11,403
Amounts due from group companies	7,896			41	(7,937)	
Net assets of subsidiaries (equity accounted)		41,740	17,841		(59,581)	
	7,896	43,630	17,880	31,503	(67,518)	33,391
Current assets						
Amounts due from group companies		5,112	2,103	32,848	(40,063)	
Trade and other current receivables		91	13	4,727		4,831
Current tax assets		18		199		217
Other current assets		3		7,071		7,074
		5,224	2,116	44,845	(40,063)	12,122
Total assets	7,896	48,854	19,996	76,348	(107,581)	45,513
Liabilities						
Current liabilities						
Financial liabilities	885	2,132	3	990		4,010
Amounts due to group companies	3,101	29,747		7,215	(40,063)	
Trade payables and other current liabilities	45	170	31	11,489		11,735
Current tax liabilities		(17)	155	1,116		1,254
Other current liabilities		11		372		383
	4,031	32,043	189	21,182	(40,063)	17,382
Non-current liabilities						
Financial liabilities	3,600					