Disclaimer

This PDF is a section of the Unilever Annual Report and Accounts 2005 provided to Unilever's shareholders. It does not contain sufficient information to allow a full understanding of the results of the Unilever Group and the state of affairs of Unilever N.V., Unilever PLC or the Unilever Group. For further information the Unilever Annual Report and Accounts 2005 should be consulted.

Certain sections of the Unilever Annual Report and Accounts 2005 have been audited. Sections that have been audited are set out on pages 78 to 151, 157 to 172 and 174 to 177. The auditable part of the Directors' Remuneration report as set out on page 69 has also been audited.

The maintenance and integrity of the Unilever website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially placed on the website.

Legislation in the United Kingdom and the Netherlands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclaimer Except where you are a shareholder, this material is provided for information purposes only and is not, in particular, intended to confer any legal rights on you.

The Annual Report and Accounts does not constitute an invitation to invest in Unilever shares. Any decisions you make in reliance on this information are solely your responsibility.

The information is given as of the dates specified, is not updated, and any forwardlooking statements are made subject to the reservations specified on page 4 of the Report.

Unilever accepts no responsibility for any information on other websites that may be accessed from this site by hyperlinks.

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Statement of Directors' responsibilities

Annual accounts

The Directors are required by Title 9, Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Unilever Group, and the NV and PLC entities as at the end of the financial year and of the profit or loss and cash flows for that year.

The Directors consider that in preparing the accounts, the Group, and the NV and PLC entities have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards as adopted by the EU (in the case of the consolidated accounts) and United Kingdom accounting standards (in the case of the parent company accounts) which they consider to be applicable have been followed.

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

This statement, which should be read in conjunction with the Auditors' report, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

A copy of the financial statements of the Unilever Group is placed on our website at www.unilever.com/investorcentre. The maintenance and integrity of the website is the responsibility of the Directors, and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially placed on the website. Legislation in the United Kingdom and the Netherlands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Directors continue to adopt the going concern basis in preparing the accounts. This is because the Directors, after making enquiries and following a review of the Group's budget for 2006 and 2007, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue in operation for the foreseeable future.

Internal and disclosure controls and procedures

Unilever has a well-established control framework, which is documented and regularly reviewed by the Boards. This incorporates risk management, internal control procedures and disclosure controls and procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded, the risks facing the business are being addressed and all information required to be disclosed is reported to the Group's senior management, including where appropriate the Group Chief Executive and Chief Financial Officer, within the required timeframe.

Our procedures cover financial, operational, social and environmental risks and regulatory matters. The Boards of NV and PLC have also established a clear organisational structure, including delegation of appropriate authorities. The Group's control framework is supported through a Code of Business Principles, which sets standards of professionalism and integrity for its operations worldwide, and through an Operational Controls Assessment process, which requires the senior management in each business unit to assess the effectiveness of financial controls annually and of all other operational controls over a three-year cycle.

The Boards have overall responsibility for establishing key procedures designed to achieve systems of internal control and disclosure control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these procedures and ongoing monitoring of risk and the effectiveness of controls rests with the Group's senior management at individual operating company and regional level. Regions review on an ongoing basis, the risks faced by their group and the related internal control arrangements and provide written reports to the Group Chief Executive.

Unilever's corporate internal audit function plays a key role in providing an objective view and continuous reassurance of the effectiveness of the risk management and related control systems throughout Unilever to both operating management and the Boards. The Group has an independent Audit Committee, entirely comprised of Independent Non-Executive Directors. This Committee meets regularly with the Chief Auditor and the external auditors.

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

Unilever's system of risk management has been in place throughout 2005 and up to the date of this report, and complies with the recommendations of 'Internal Control – Guidance for Directors on the Combined Code', published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales in September 1999. The Boards have carried out an annual review of the effectiveness of the systems of risk management and internal control during 2005 in accordance with this guidance, and have ensured that the necessary actions have been or are being taken to address any weaknesses or deficiencies arising out of that review.

Based on an evaluation by the Boards, the Group Chief Executive and the Chief Financial Officer concluded that the design and operation of the Group's disclosure controls and procedures as at 31 December 2005 were effective, and that subsequently there have been no significant changes in the Group's internal controls, or in other factors that could significantly affect those controls.

It is Unilever's practice to bring acquired companies within the Group's governance procedures as soon as is practicable and, in any event, by the end of the first full year of operation.

At the end of 2006, Unilever will be required by Section 404 of the US Sarbanes-Oxley Act of 2002 to report on the effectiveness of internal control over financial reporting. The evaluation work necessary to meet this specific requirement is under way.

Auditors' report
Netherlands

Independent auditors' report to the shareholders of Unilever N.V. on the consolidated accounts

We have audited the consolidated accounts of the Unilever Group for the year ended 31 December 2005 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense and the related notes set out on pages 78 to 151 and 157 to 168. These consolidated accounts have been prepared under the accounting policies set out in note 1 on pages 82 to 85.

We have reported separately on the parent company accounts of Unilever N.V. for the year ended 31 December 2005.

Respective responsibilities of Directors and auditors

The consolidated accounts are the responsibility of the company's Directors. Our responsibility is to express an opinion on these consolidated accounts based on our audit.

Basis of audit opinion

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated accounts. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the consolidated accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the financial position of the company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore, we have to the extent of our competence, established that the Report of the Directors is consistent with the consolidated accounts.

28 February 2006

PricewaterhouseCoopers Accountants N.V.
Rotterdam, The Netherlands

Prof Dr J A van Manen RA

Auditors' report
United Kingdom

Independent auditors' report to the shareholders of Unilever PLC on the consolidated accounts

We have audited the consolidated accounts of the Unilever Group for the year ended 31 December 2005 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense and the related notes set out on pages 78 to 151 and 157 to 168. These consolidated accounts have been prepared under the accounting policies set out in note 1 on pages 82 to 85.

We have reported separately on the parent company accounts of Unilever PLC for the year ended 31 December 2005 and on the information that is described as having been audited in the Report of the Remuneration Committee.

Respective responsibilities of Directors and auditors

As described on page 74, the Directors' responsibilities for preparing the consolidated accounts in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the consolidated accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the shareholders of Unilever PLC as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated accounts give a true and fair view and whether the consolidated accounts have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Report of the Directors is not consistent with the consolidated accounts, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement on page 47 reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited consolidated accounts. The other information comprises only the Report of the Directors and the Shareholder information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the consolidated accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the consolidated accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- the consolidated accounts have been properly prepared in accordance with the United Kingdom Companies Act 1985 and Article 4 of the IAS Regulation.

28 February 2006

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

Auditors' report
United States

Report of the independent registered public accounting firms to the shareholders of Unilever N.V. and Unilever PLC
We have audited the accompanying consolidated balance sheets of the Unilever Group as of 31 December 2005 and 2004, and the related consolidated income statements, cash flow statements and statements of recognised income and expense for each of the two years in the period ended 31 December 2005 as set out pages 78 to 151 and 157 to 168. These financial statements are the responsibility of the companies' Directors. Our responsibility is to express an opinion on these financial statements 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 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. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Unilever Group as at 31 December 2005 and 2004, and the results of its operations and its cash flows for each of the two years in the period ended 31 December 2005, in conformity with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

As discussed in note 35 on page 145, the Unilever Group changed the manner in which it accounts for financial instruments upon adoption of International Accounting Standards No. 32 'Financial Instruments: Disclosure and Presentation', and No. 39 'Financial Instruments: Recognition and Measurement', on 1 January 2005.

IFRSs as adopted by the European Union vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented on pages 157 to 161.

28 February 2006

PricewaterhouseCoopers Accountants N.V.
Rotterdam, The Netherlands
As auditors of Unilever N.V.

PricewaterhouseCoopers LLP
London, United Kingdom
As auditors of Unilever PLC

Consolidated income statement

Unilever Group for the year ended 31 December

	€ million 2005	€ million 2004
Continuing operations		
Turnover 3	**39 672**	38 566
Operating profit 3	**5 314**	4 239
After charging:		
Impairment of *Slim•Fast*	**(363)**	(791)
Provision for Brazilian sales tax	**–**	(169)
Net finance costs 6	**(618)**	(630)
Finance income	**130**	145
Finance costs	**(693)**	(717)
Pensions and similar obligations	**(55)**	(58)
Share of net profit/(loss) of joint ventures	**47**	39
Share of net profit/(loss) of associates	**(25)**	2
Other income from non-current investments 13	**33**	54
Profit before taxation	**4 751**	3 704
Taxation 7	**(1 249)**	(810)
Net profit from continuing operations	**3 502**	2 894
Net profit from discontinued operations 29	**473**	47
Net profit	**3 975**	2 941
Attributable to:		
Minority interests	**209**	186
Shareholders' equity	**3 766**	2 755

	2005	2004
Combined earnings per share 8		
From total operations		
Basic earnings per share:		
Euros per €0.51 of ordinary capital	**3.88**	2.83
Euro cents per 1.4p of ordinary capital	**58.17**	42.46
On a diluted basis the figures would be:		
Euros per €0.51 of ordinary capital	**3.76**	2.72
Euro cents per 1.4p of ordinary capital	**56.40**	40.78
From continuing operations		
Basic earnings per share:		
Euros per €0.51 of ordinary capital	**3.39**	2.78
Euro cents per 1.4p of ordinary capital	**50.87**	41.72
On a diluted basis the figures would be:		
Euros per €0.51 of ordinary capital	**3.29**	2.67
Euro cents per 1.4p of ordinary capital	**49.33**	40.08

References in the consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and consolidated balance sheet relate to notes on pages 82 to 151, which form an integral part of the consolidated financial statements.

Accounting policies of the Unilever Group are set out in note 1 on pages 82 to 85.

Variations from United States generally accepted accounting principles and Securities and Exchange Commission Financial Statement Requirements Regulation S-X are outlined on pages 158 to 161.

Consolidated statement of recognised income and expense

Unilever Group for the year ended 31 December

	€ million 2005	€ million 2004
Fair value gains/(losses) net of tax:		
On cash flow hedges	**14**	n/a
On available-for-sale financial assets	**–**	n/a
On net investment hedges	**332**	n/a
Actuarial gains/(losses) on pension schemes net of tax	**(49)**	(480)
Currency retranslation gains/(losses) net of tax	**181**	80
Net income/(expense) recognised directly in equity	**478**	(400)
Net profit	**3 975**	2 941
Total recognised income and expense 23	**4 453**	2 541
Attributable to:		
Minority interests	**249**	167
Shareholders' equity	**4 204**	2 374

From 1 January 2005, Unilever has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'. IAS 32 requires preference shares that provide for a fixed preference dividend to be classified as borrowings and preference dividends to be recognised in the income statement as a finance cost. IAS 39 requires unrealised fair value gains/(losses) on certain financial instruments to be recognised in equity; when realised, these fair value gains/(losses) are recognised in the income statement. In accordance with the transition rules for first time adoption of IFRSs, 2004 comparatives have not been restated. The impact of the adoption of IAS 32 and IAS 39, which was all attributable to shareholders' equity, is shown in note 23 and is summarised as follows:

	€ million
Equity as at 31 December 2004	7 629
Accounting policy change – preference shares	(1 502)
Accounting policy change – other financial instruments	388
Equity as restated at 1 January 2005	6 515

Consolidated balance sheet

Unilever Group as at 31 December

	€ million 2005	€ million 2004
Goodwill 10	**12 963**	12 083
Intangible assets 10	**5 092**	4 924
Property, plant and equipment 11	**6 492**	6 181
Biological assets 12	**37**	33
Joint ventures and associates 13	**84**	54
Other non-current investments 13	**720**	698
Pension asset for funded schemes in surplus 22	**1 036**	625
Trade and other receivables due after more than one year 16	**231**	279
Deferred tax assets 14	**1 703**	1 491
Total non-current assets	**28 358**	26 368
Assets held for sale 29	**217**	n/a
Inventories 15	**4 107**	3 756
Trade and other current receivables 16	**4 830**	4 131
Other financial assets 17	**335**	1 013
Cash and cash equivalents 17	**1 529**	1 590
Total current assets	**10 801**	10 490
Borrowings due within one year 18	**(5 942)**	(5 155)
Trade payables and other current liabilities 20	**(8 228)**	(7 514)
Current tax liabilities	**(430)**	(718)
Restructuring and other provisions 21	**(644)**	(799)
Total current liabilities	**(15 244)**	(14 186)
Net current assets/(liabilities)	**(4 443)**	(3 696)
Total assets less current liabilities	**24 132**	22 672
Borrowings due after more than one year 18	**6 457**	6 893
Trade payables and other liabilities due after more than one year 20	**389**	439
Non-current tax liabilities	**213**	278
Pension liability for funded schemes in deficit 22	**2 415**	2 339
Pension liability for unfunded schemes 22	**4 202**	3 740
Restructuring and other provisions 21	**732**	565
Deferred tax liabilities 14	**933**	789
Total non-current liabilities	**15 341**	15 043
Liabilities held for sale 29	**26**	n/a
Called up share capital 23	**512**	642
Share premium account 23	**162**	1 530
Other reserves 23	**(2 328)**	(2 555)
Retained profit 23	**10 015**	7 647
Shareholders' equity	**8 361**	7 264
Minority interests 23	**404**	365
Total equity	**8 765**	7 629
Total capital employed	**24 132**	22 672

Commitments and contingent liabilities are shown in note 27 on page 127.

From 1 January 2005, Unilever has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'. IAS 32 requires preference shares that provide for a fixed preference dividend to be classified as borrowings and preference dividends to be recognised in the income statement as a finance cost. IAS 39 requires unrealised fair value gains/(losses) on certain financial instruments to be recognised in equity; when realised, these fair value gains/(losses) are recognised in the income statement. In accordance with the transition rules for first time adoption of IFRSs, 2004 comparatives have not been restated. Information on the impact of the adoption of IAS 32 and IAS 39 is given in note 23 on page 123.

Assets and liabilities held for sale are reported under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', which has been applied with effect from 1 January 2005; comparatives for 2004 have not been restated.

These financial statements were approved by the Directors on 28 February 2006.

Consolidated cash flow statement

Unilever Group for the year ended 31 December

	€ million 2005	€ million 2004
Cash flow from operating activities 30	**5 924**	6 925
Income tax paid	**(1 571)**	(1 378)
Net cash flow from operating activities	**4 353**	5 547
Interest received	**130**	168
Purchase of intangible assets	**(92)**	(89)
Purchase of property, plant and equipment	**(914)**	(978)
Disposal of property, plant and equipment	**124**	151
Sale and leaseback transactions resulting in operating leases	**69**	47
Acquisition of group companies, joint ventures and associates	**(20)**	(40)
Consideration paid in respect of acquisitions made in previous years	**–**	(158)
Disposal of group companies, joint ventures and associates	**804**	413
Payments received in advance for future disposals	**–**	101
Acquisition of other non-current investments	**(50)**	(25)
Disposal of other non-current investments	**83**	68
Dividends from joint ventures, associates and other non-current investments	**65**	92
(Purchase)/sale of financial assets	**316**	130
Net cash flow from/(used in) investing activities	**515**	(120)
Dividends paid on ordinary share capital	**(1 804)**	(1 720)
Interest and preference dividends paid	**(643)**	(787)
Additional borrowings and change in short-term borrowings	**3 968**	2 966
Repayment of borrowings	**(4 795)**	(6 008)
Sale and leaseback transactions resulting in finance leases	**–**	211
Capital element of finance lease rental payments	**(53)**	(59)
Purchase of treasury stock	**(1 276)**	(332)
Dividends paid and other payments (to)/from minority shareholders and joint ventures	**(218)**	(209)
Net cash flow from/(used in) financing activities	**(4 821)**	(5 938)
Net increase/(decrease) in cash and cash equivalents	**47**	(511)
Cash and cash equivalents at the beginning of the year	**1 406**	1 428
Effect of foreign exchange rate changes	**(188)**	489
Cash and cash equivalents at the end of the year 17	**1 265**	1 406

The cash flows of pension funds (other than contributions and other direct payments made by the Group in respect of pensions and similar obligations) are not included in the consolidated cash flow statement. Cash flows relating to discontinued operations included above are set out in note 29 on page 129.

Notes to the consolidated accounts
Unilever Group

1 Accounting information and policies

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

The Equalisation Agreement provides that both companies adopt the same accounting principles and requires as a general rule the dividends and other rights and benefits (including rights on liquidation) attaching to each Fl.12 (€5.445) nominal of ordinary share capital of NV to be equal in value at the relevant rate of exchange to the dividends and other rights and benefits attaching to each £1 nominal of ordinary share capital of PLC, as if each such unit of capital formed part of the ordinary capital of one and the same company. For additional information please refer to 'Corporate governance' on page 41.

Basis of consolidation
Due to the operational and contractual arrangements referred to above, NV and PLC form a single reporting entity for the purposes of presenting consolidated accounts. Accordingly, the accounts of Unilever are presented by both NV and PLC as their respective consolidated accounts. Group companies included in the consolidation are those companies controlled by NV or PLC. The net assets and results of acquired businesses are included in the consolidated accounts from their respective dates of acquisition.

Companies legislation and accounting standards
The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, including interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), and with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985.

The accounts are prepared under the historical cost convention as modified by the revaluation of biological assets, financial assets classified as 'available-for-sale investments' and 'at fair value through profit or loss', and derivatives.

Material variations from United States generally accepted accounting principles (US GAAP) are set out on pages 157 to 161.

OECD Guidelines
In preparing its Annual Review and Annual Report and Accounts Unilever adheres to disclosure recommendations of the OECD Guidelines for Multinational Enterprises.

Foreign currencies
Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which each entity operates (its functional currency). The consolidated financial statements are presented in euros.

Exchange differences arising in the accounts of individual companies are dealt with in their respective income statements. Those arising on trading transactions are taken to operating profit; those arising on cash, financial assets and borrowings are classified as finance income or cost.

In preparing the consolidated financial statements, the income statement, the cash flow statement and all other movements in assets and liabilities are translated at annual average rates of exchange. The balance sheet, other than the ordinary share capital of NV and PLC, is translated at year-end rates of exchange. In the case of hyper-inflationary economies, which are those in which inflation exceeds 100% cumulatively over a three-year period, the accounts are adjusted to reflect current price levels and remove the influences of inflation before being translated.

The ordinary share capital of NV and PLC is translated at the rate contained in the Equalisation Agreement of £1 = Fl.12 (equivalent to €5.445). The difference between the resulting value for PLC and the value derived by applying the year-end rate of exchange is taken to other reserves (see note 25 on page 125).

The effects of exchange rate changes during the year on net assets at the beginning of the year are recorded as a movement in shareholders' equity, as is the difference between profit of the year retained at average rates of exchange and at year-end rates of exchange. For these purposes net assets include loans between group companies and related foreign exchange contracts, if any, for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange gains/losses on hedges of net assets are also recorded as a movement in equity.

Cumulative exchange differences arising since the transition date of 1 January 2004 are reported as a separate component of other reserves (see note 25 on page 125). In the event of disposal of an interest in a subsidiary either through sale or as a result of a repayment of capital, the cumulative exchange difference is recognised in the income statement as part of the profit or loss on disposal of group companies.

Goodwill
Goodwill (being the difference between the fair value of consideration paid for new interests in group companies, joint ventures and associates and the fair value of the Group's share of their net identifiable assets and contingent liabilities at the date of acquisition) is capitalised. Goodwill is not amortised, but is subject to an annual review for impairment (or more frequently if necessary). Any impairment is charged to the income statement as it arises.

Intangible assets
On acquisition of group companies, Unilever recognises any specifically identifiable intangible assets separately from goodwill, initially measuring the intangible assets at fair value. Separately purchased intangible assets are initially measured at cost. Finite-lived intangible assets including software are amortised in the income statement over the period of their expected useful lives. Periods in excess of five years are used only where the Directors are satisfied that the life of these assets will clearly exceed that period. Indefinite-lived intangible assets are not amortised, but are subject to review for impairment as described above for goodwill.

IFRSs also require that internally generated intangible assets be capitalised where certain specific criteria are met. Unilever capitalises internally generated software where it is clear that the software development is technically feasible and will be completed and that the software will generate economic benefits in the future.

Unilever also monitors the level of development costs which may only be capitalised once the flow of economic benefits is assured. For Unilever this is evident only shortly before a product is launched into the market. The level of costs incurred after these criteria have been met is currently insignificant.

1 Accounting information and policies (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost less depreciation and impairment. Depreciation is provided on a straight-line basis at percentages of cost based on the expected average useful lives of the assets and their residual values. Estimated useful lives by major class of assets are as follows:

Freehold buildings	40 years
(no depreciation on freehold land)	
Leasehold buildings	40 years*
Plant and equipment	2–20 years

*or life of lease if less than 40 years

Property, plant and equipment is subject to review for impairment if triggering events or circumstances indicate that this is necessary. Any impairment is charged to the income statement as it arises.

Biological assets
Biological assets are stated at fair value less estimated point-of-sale costs. Any changes in the fair value of such biological assets are recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

Joint ventures and associates
Joint ventures are undertakings in which the Group has a long-term participating interest and which are jointly controlled by the Group and one or more other parties. Associates are undertakings in which the Group has a participating interest and can exercise significant influence.

Interests in joint ventures and associates are accounted for using the equity method and are stated in the consolidated balance sheet at the Group's share of their aggregate assets and liabilities. The Group's share of the profit or loss after tax of joint ventures and associates is included in the Group's consolidated profit before taxation.

Financial instruments
The Group accounts for financial instruments under IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'.

Financial assets
Purchases and sales of financial assets are recognised based on settlement accounting. They are initially recognised at fair value plus directly attributable transaction costs. Any impairment of a financial asset is charged to the income statement as it arises.

Financial assets are classified according to the purpose for which the investments were acquired. This gives rise to the following categories: held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. Unilever determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. They are included in non-current investments at amortised cost using the effective interest method, less any amounts written off to reflect impairment.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are included in trade and other receivables in the balance sheet at amortised cost.

Trade and other receivables are stated after deducting adequate provision for doubtful debts.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity. Realised gains and losses arising from changes in fair value, interest and exchange differences are included in the income statement.

Financial assets at fair value through profit or loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated. Derivatives are also classified in this category unless they are designated as hedges. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within 12 months of the balance sheet date. Realised and unrealised gains and losses arising from changes in fair value are included in the income statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Those borrowings that are part of a fair value hedge accounting relationship are also recorded on an amortised cost basis, plus or minus the fair value attributable to the risk being hedged with a corresponding entry in the income statement.

No borrowing costs are capitalised as part of property, plant and equipment.

Derivative financial instruments
The activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts, interest rate swap contracts and forward rate agreements to hedge these exposures. The Group also uses commodity contracts to hedge future requirements for certain raw materials, almost always for physical delivery. Those contracts that can also be settled in cash are treated as a financial instrument. The Group does not use derivative financial instruments for speculative purposes. The use of leveraged instruments is not permitted.

1 Accounting information and policies (continued)

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity, and any ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction subsequently results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedged items that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

Changes in fair value of net investment hedges in relation to foreign subsidiaries are recognised directly in equity.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Valuation principles
The fair values of quoted investments are based on current bid prices. For unlisted and for listed securities where the market for a financial asset is not active the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Impairment of financial instruments
At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed through the income statement.

Inventories
Inventories are valued at the lower of weighted average cost and fair value less cost to sell. Cost comprises direct costs and, where appropriate, a proportion of attributable production overheads.

Cash and cash equivalents
For the purpose of preparation of the cash flow statement, cash and cash equivalents includes cash at bank and in hand, highly liquid interest bearing securities with original maturities of three months or less, and bank overdrafts.

Pensions and similar obligations
The operating and financing costs of defined benefit plans are recognised separately in the income statement. Service costs are systematically spread over the service lives of employees, and financing costs are recognised in the periods in which they arise. The costs of individual events such as past service benefit enhancements, settlements and curtailments are recognised immediately in the income statement. Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of recognised income and expense. The assets and liabilities of defined benefit plans are recognised at fair value in the balance sheet. The charges to the income statement for defined contribution plans are the company contributions payable, and the assets of such plans are not included in the balance sheet of the Group.

Deferred taxation
Deferred taxation is recognised using the liability method on all taxable temporary differences between the tax base and the accounting base of items included in the balance sheet of the Group. Deferred tax is recognised at the rates of tax prevailing at the year end unless future rates have been enacted or substantively enacted.

Provision is made for taxation which will become payable if retained profits of group companies are distributed to the parent companies only to the extent that such distributions are considered probable.

Provisions
Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be reliably estimated.

Segment information
Segmental information is provided on the basis of geographical segments and product categories. The primary format, geographic regions, is based on the management structure of the Group, which operates in three main geographical regions.

Turnover
Turnover comprises sales of goods and services after deduction of discounts and sales taxes. It does not include sales between group companies. Discounts given by Unilever include rebates, price reductions and incentives given to customers, promotional couponing and trade communication costs. At each balance sheet date any expenditure incurred but not yet invoiced is estimated and accrued.

Turnover is recognised when the risks and rewards of the underlying products and services have been substantially transferred to the customer.

Research and market support costs
Expenditure on research and market support such as advertising is charged to the income statement of the year in which it is incurred.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as non-current assets of the Group at their fair value at the date of commencement of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Profits or losses are recognised from sale and leaseback transactions at fair value. Where the transaction results in an operating lease, the profit or loss arising is immediately recognised in the income statement, and for those that result in a finance lease they are deferred over the lease term.

1 Accounting information and policies (continued)

Lease payments relating to operating leases, are charged to the income statement on a straight-line basis over the lease term, or over the period between rent reviews where these exist.

Transfer pricing

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

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

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

Share-based payments

The economic cost of awarding shares and share options to employees is reflected by recording a charge in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined with reference to option pricing models, principally adjusted Black-Scholes models or multinomial pricing model. The charge is recognised in the income statement over the vesting period of the award. Share-based payments are described in more detail in note 31 on pages 132 to 141.

Shares held by employee share trusts

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

Non-current assets held for sale

Assets and groups of assets and liabilities which comprise disposal groups are classified as 'held for sale' when all of the following criteria are met: a decision has been made to sell, the assets are available for sale immediately, the assets are being actively marketed, and a sale has been or is expected to be concluded within twelve months of the balance sheet date. Assets and disposal groups 'held for sale' are valued at the lower of book value or fair value less disposal costs. Assets held for sale are not depreciated.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements under IFRSs requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and indefinite-lived intangible assets

Impairment reviews in respect of goodwill and intangible assets are performed at least annually. More regular reviews are performed if events indicate that this is necessary. Examples of such triggering events would include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or negative cash flows.

The recoverable amounts of cash-generating units are determined based on the higher of realisable value and value-in-use calculations. These calculations require the use of estimates. Details of key assumptions made are set out in note 10 on page 99.

Retirement benefits

Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality, inflation rates and expected long-term rates of return on assets. Details of assumptions made are given in note 22 on pages 115 and 116.

Taxation

The Group is subject to taxes in numerous jurisdictions. Significant judgement is required in determining worldwide provision for taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recent accounting developments

IFRS 7, 'Financial Instruments: Disclosures', (effective from 1 January 2007), introduces new disclosures to improve the information about financial instruments. It requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in IAS 32, 'Financial Instruments: Disclosure and Presentation'. Unilever will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007, and it is not expected to have a material effect on the Group's disclosures.

IFRIC 4, 'Determining whether an Arrangement contains a Lease', (effective from 1 January 2006), requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. The adoption is not expected to have a material effect on the consolidated results of operations or financial position of Unilever.

IFRIC 7, 'Applying the Restatement Approach' under IAS 29 'Financial Reporting in Hyperinflationary Economies' (effective for periods beginning 1 March 2006) provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy when that economy was not hyperinflationary in the prior period. The adoption is not expected to have a material effect on the consolidated results of operations or financial position of Unilever.

Recent changes in reporting requirements under US GAAP are discussed on page 161.

2 Financial risk management

Treasury risks

Unilever manages a variety of market risks, including the effects of changes in foreign exchange rates, interest rates, liquidity and counterparty risks.

Unilever has an interest rate management policy aimed at optimising net interest cost and reducing volatility. This is achieved by modifying the interest rate exposure of debt and cash positions through the use of interest rate swaps. Further details on the fixing levels of the projected cash and borrowing positions are given in note 19 on page 110.

Fixed rate investments give rise to a fair value interest rate risk. The floating amounts give rise to a cash flow interest rate risk.

Because of Unilever's broad operational reach, it is subject to risks from changes in foreign currency values that could affect earnings. As a practical matter, it is not feasible to fully hedge these fluctuations. Additionally, Unilever believes that most currencies of major countries in which it operates will equalise against the euro over time. Unilever does have a foreign exchange policy that requires operating companies to manage trading and financial foreign exchange exposures within prescribed limits. This is achieved primarily through the use of forward foreign exchange contracts. Regional groups monitor compliance with this policy. At the end of 2005, there was no material exposure from companies holding assets and liabilities other than in their functional currency.

In addition, as Unilever conducts business in many foreign currencies but publishes its financial statements and measures its performance in euros, it is subject to exchange risk due to the effects that exchange rate movements have on the translation of the underlying net assets of its foreign subsidiaries. Unilever aims to minimise its foreign exchange exposure in operating companies by borrowing in the local currency, except where inhibited by local regulations, lack of local liquidity or local market conditions. For those countries that, in the view of management, have a substantial retranslation risk, Unilever may hedge such net investment. Nevertheless from time to time, currency revaluations on unhedged investments will trigger exchange translation movements in the balance sheet. In 2005, the significant strengthening of the US dollar against the euro has had a positive impact on reported operating results, but has had a negative impact on debt and equity, when reported in euros.

Liquidity risk is managed by maintaining access to global debt markets through an infrastructure of short-term and long-term debt programmes. In addition to this, Unilever has committed credit facilities in place to support its commercial paper programmes and for general corporate purposes. See note 18 on page 109 for further details of these credit facilities.

Counterparty exposures are minimised by restricting dealing counterparties to a limited number of financial institutions that have secure credit ratings, by working within agreed counterparty limits, by obtaining collateral for outstanding positions and by setting limits on the maturity of exposures. Counterparty credit ratings are closely monitored and concentration of credit risk with any single counterparty is avoided. There was no significant concentration of credit risk with any single counterparty as at the year end.

Master netting agreements are in place for the majority of interest rate derivative instruments. The risk in the event of default by a counterparty is determined by the extent to which market prices have moved since the contracts were made. The Group believes that the risk of incurring such losses is remote.

2 Financial risk management (continued)

Sensitivity analysis
The analysis below presents the sensitivity of the fair value of the financial instruments, including derivative financial instruments which the Group held at 31 December 2005, to hypothetical changes in interest and foreign exchange rates.

Interest rate sensitivity
The fair values of debt, investments and related hedging instruments are affected by movements in interest rates. The analysis shows the sensitivity of the fair value of interest rate sensitive instruments to a hypothetical 10% change in the interest rates across all maturities.

Foreign exchange rate sensitivity
The values of debt, investments and related hedging instruments, denominated in currencies other than the functional currency of the entities holding them, are subject to exchange rate movements. The analysis shows the income statement sensitivity of these values to a hypothetical 10% change in foreign exchange rates.

	Sensitivity to a hypothetical 10% change in rates as at 31 December	
	€ million 2005	€ million 2004
Interest rate risk	**193**	160
Foreign exchange rate risk	**30**	7

The above-mentioned interest rate sensitivity relates to financial instruments, including derivative financial instruments, with fair values amounting to €11 186 million at the end of 2005 (2004: €12 397 million). The above-mentioned foreign exchange rate risk relates to a value of financial instruments and derivatives of €300 million at the end of 2005 (2004: €68 million).

Further details on derivatives, foreign exchange exposures and other related information on financial instruments are given in note 19 on pages 110 to 113.

Sensitivity to not applying hedge accounting
Derivatives have to be reported at fair value. Those derivatives used for cash flow hedging for which we do not apply hedge accounting will cause volatility in the income statement. Such derivatives did not have a material impact on the 2005 income statement.

Income statement sensitivity to changes in interest rates
As mentioned above on page 86, Unilever has an interest rate management policy aimed at optimising net interest costs and reducing volatility. Part of the interest rates on funds and debt are not fixed and are therefore subject to changes in floating interest rates, see note 17 on page 105 and note 18 on page 109. The analysis shows the sensitivity of the income statement to a hypothetical one percentage point change in floating interest rates over both funds and debt on a full year basis.

	Sensitivity to a hypothetical one percentage point change in floating rates as at 31 December	
	€ million 2005	€ million 2004
Funds	**21**	65
Debt	**(66)**	(97)

Pensions and similar obligations
Pension assets and liabilities (pre-tax) of €1 036 million and €6 617 million respectively are held on the Group's balance sheet as at 31 December 2005. Movements in equity markets, interest rates and life expectancy could materially affect the level of surpluses and deficits in these schemes, and could prompt the need for the Group to make additional pension contributions in the future. The key assumptions used to value our pension liabilities are set out in note 22 on pages 115 and 116.

Cash and borrowings
Cash flow provides the funds to service the financing of the business and enhance shareholder return. A material and sustained shortfall in our cash flow could undermine our credit rating and overall investor confidence and could restrict the Group's ability to raise funding.

Other financial risks
As a result of the share-based compensation plans for employees, we are exposed to movements in our own share price. In recent years we have managed this risk by buying Unilever shares in the market when the share option or award is granted. Going forward, we will take a more flexible approach to the time at which we buy shares, not automatically buying shares at grant. In 2001, we entered into a contract with a bank for the forward purchase of Unilever shares, further details of which are given in note 19 on page 112. On 15 February 2005, 18 881 587 NV shares of treasury stock were used for the €0.05 cumulative preference share conversion. Between February and September 2005, NV shares were purchased in the market to bring the hedge to an appropriate level. At the year end, 91% of all outstanding employee share options were hedged; based on Unilever's experience we consider this position as being fully hedged.

Notes to the consolidated accounts
Unilever Group

3 Segment information

Our primary reporting segments are geographic, comprising our three operating regions of Europe, The Americas and Asia Africa. The home countries of the Unilever Group are the Netherlands and the United Kingdom. The United States is the only country for which third party turnover is required to be separately reported, on the basis that it exceeds 10% of the Group total. This information is given on page 92.

The analysis of turnover by geographical area is stated on the basis of origin. Turnover on a destination basis would not be materially different. Inter-segment sales between geographical areas and between product areas as on page 90 are not material. Total assets and capital expenditure are based on the location of the assets. Segment results are presented on the basis of operating profit. Segment assets consist primarily of property, plant and equipment, goodwill and other intangible assets, inventories and receivables. Corporate assets consist of financial assets, cash and cash equivalents, other non-current investments and pension and deferred tax assets. Segment liabilities consist primarily of trade payables and other liabilities. Corporate liabilities include borrowings, tax balances payable, restructuring and other provisions and pension and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment and other intangible assets, including additions resulting from acquisitions. Other non-cash charges include charges to the income statement during the year in respect of share-based compensation, restructuring and other provisions.

Analysis by geographical segment	€ million Europe	€ million The Americas	€ million Asia Africa	€ million Total
2005				
Turnover	**16 211**	**13 179**	**10 282**	**39 672**
Operating profit	**2 304**	**1 719**	**1 291**	**5 314**
Net finance costs				**(618)**
Share of net profit/(loss) of joint ventures	**11**	**36**	**–**	**47**
Share of net profit/(loss) of associates	**(25)**	**1**	**(1)**	**(25)**
Other income from non-current investments				**33**
Profit before taxation				**4 751**
Taxation				**(1 249)**
Net profit from continuing operations				**3 502**
Net profit from discontinued operations				**473**
Net profit				**3 975**
2004				
Turnover	16 650	12 296	9 620	38 566
Operating profit	2 303	896	1 040	4 239
Net finance costs				(630)
Share of net profit/(loss) of joint ventures	6	31	2	39
Share of net profit/(loss) of associates	(2)	3	1	2
Other income from non-current investments				54
Profit before taxation				3 704
Taxation				(810)
Net profit from continuing operations				2 894
Net profit from discontinued operations				47
Net profit				2 941
Assets				
2005				
Segment assets	**15 237**	**13 626**	**5 106**	**33 969**
Joint ventures/associates	**26**	**37**	**21**	**84**
Total assets by geographical segment	**15 263**	**13 663**	**5 127**	**34 053**
Corporate assets				**5 323**
Total assets				**39 376**
2004				
Segment assets	15 569	11 465	4 353	31 387
Joint ventures/associates	17	21	16	54
Total assets by geographical segment	15 586	11 486	4 369	31 441
Corporate assets				5 417
Total assets				36 858

3 Segment information (continued)

Analysis by geographical segment	€ million Europe	€ million The Americas	€ million Asia Africa	€ million Total
Liabilities				
2005				
Segment liabilities	**4 485**	**1 914**	**2 244**	**8 643**
Joint ventures/associates	**20**	**11**	**6**	**37**
Total liabilities by geographical segment	**4 505**	**1 925**	**2 250**	**8 680**
Corporate liabilities				**21 931**
Total liabilities				**30 611**
2004				
Segment liabilities	4 370	1 748	1 835	7 953
Joint ventures/associates	9	5	2	16
Total liabilities by geographical segment	4 379	1 753	1 837	7 969
Corporate liabilities				21 260
Total liabilities				29 229
Capital expenditure				
2005	**447**	**305**	**298**	**1 050**
2004	497	297	305	1 099
Depreciation of property, plant and equipment				
2005	**379**	**205**	**157**	**741**
2004	383	212	155	750
Amortisation of finite-lived intangible assets and software				
2005	**52**	**38**	**9**	**99**
2004	37	24	3	64
Impairment charges				
2005				
Property, plant and equipment	**46**	**51**	**21**	**118**
Goodwill	**–**	**129**	**2**	**131**
Intangible assets	**–**	**241**	**10**	**251**
Total impairment charge	**46**	**421**	**33**	**500**
2004				
Property, plant and equipment	95	104	73	272
Goodwill	147	793	63	1 003
Total impairment charge	242	897	136	1 275
Reversal of impairment charges				
2005				
Property, plant and equipment	**15**	**26**	**28**	**69**
2004				
Property, plant and equipment	9	13	11	33
Other non-cash charges				
2005	**228**	**311**	**53**	**592**
2004	446	472	194	1 112

3 Segment information (continued)

Although the Group's operations are managed on a geographical basis, the two Foods and Home and Personal Care categories manage brands which we group into six main product areas; these are our secondary reporting segments and are:

Savoury and dressings – including sales of soups, bouillons, sauces, snacks, mayonnaise, salad dressings and olive oil.
Spreads and cooking products – including sales of margarines and spreads and cooking products such as liquid margarines.
Beverages – including sales of tea, weight management products, and nutritionally enhanced staples sold in developing markets.
Ice cream and frozen foods – including sales of ice cream and frozen food.
Personal care – including sales of skin care and hair care products, deodorants and anti-perspirants, and oral care products.
Home care and other operations – including sales of home care products, such as laundry powders and liquids, and a wide range of cleaning products. To support our consumer brands, we own tea plantations and palm oil plantations, the results of which are reported within this segment.

Analysis by product area	€ million Savoury and dressings	€ million Spreads and cooking products	€ million Beverages	€ million Ice cream and frozen foods	€ million Foods	€ million Personal care	€ million Home care and other	€ million Home and personal care	€ million Total
2005									
Turnover	**8 369**	**4 364**	**3 054**	**6 373**	**22 160**	**10 485**	**7 027**	**17 512**	**39 672**
Operating profit	**1 286**	**756**	**48**	**767**	**2 857**	**1 801**	**656**	**2 457**	**5 314**
Net finance costs									**(618)**
Share of net profit/(loss) of joint ventures	**4**	**6**	**38**	**(2)**	**46**	**1**	**–**	**1**	**47**
Share of net profit/(loss) of associates	**–**	**–**	**–**	**–**	**–**	**–**	**(25)**	**(25)**	**(25)**
Other income from non-current investments									**33**
Profit before taxation									**4 751**
Taxation									**(1 249)**
Net profit from continuing operations									**3 502**
Net profit from discontinued operations									**473**
Net profit									**3 975**
2004									
Turnover	8 172	4 494	3 012	6 286	21 964	9 780	6 822	16 602	38 566
Operating profit	1 226	681	(508)	709	2 108	1 508	623	2 131	4 239
Net finance costs									(630)
Share of net profit/(loss) of joint ventures	1	4	31	–	36	1	2	3	39
Share of net profit/(loss) of associates	–	–	–	–	–	–	2	2	2
Other income from non-current investments									54
Profit before taxation									3 704
Taxation									(810)
Net profit from continuing operations									2 894
Net profit from discontinued operations									47
Net profit									2 941
Assets									
2005									
Segment assets	**18 788**	**2 501**	**2 098**	**3 357**	**26 744**	**3 622**	**3 603**	**7 225**	**33 969**
Joint ventures/associates	**9**	**14**	**33**	**(2)**	**54**	**9**	**21**	**30**	**84**
Total assets by product area	**18 797**	**2 515**	**2 131**	**3 355**	**26 798**	**3 631**	**3 624**	**7 255**	**34 053**
Corporate assets									**5 323**
Total assets									**39 376**
2004									
Segment assets	17 384	2 508	2 258	3 206	25 356	3 393	2 638	6 031	31 387
Joint ventures/associates	8	–	18	–	26	5	23	28	54
Total assets by product area	17 392	2 508	2 276	3 206	25 382	3 398	2 661	6 059	31 441
Corporate assets									5 417
Total assets									36 858
Capital expenditure									
2005	**235**	**98**	**62**	**209**	**604**	**260**	**186**	**446**	**1 050**
2004	234	87	61	206	588	321	190	511	1 099

3 Segment information (continued)

Additional segment information as required for US reporting

Segment information is provided on the following pages in accordance with FAS 131 on the basis of the geographical segments described on page 88. Unilever has reviewed the extent of its business with major customers, and has concluded that it has no customers that would require separate disclosure during the reporting periods covered by this filing.

For management reporting purposes, Unilever uses a number of measures of segment performance at constant average rates of exchange (that is, the same rates as in the preceding year). The internal management measure of profit that is most consistent with operating profit reported in the accounts is 'Trading Result'. This differs from operating profit, mainly because Trading Result includes a number of statistical and other adjustments including the application of an inflation charge on working capital which is added back to arrive at operating profit.

Analysis by geographical segment	€ million Europe	€ million The Americas	€ million Asia Africa	€ million Total
2005				
Turnover				
At constant 2004 exchange rates	**16 155**	**12 715**	**10 281**	**39 151**
Exchange rate adjustments	**56**	**464**	**1**	**521**
At current 2005 exchange rates	**16 211**	**13 179**	**10 282**	**39 672**
Trading result				
At constant 2004 exchange rates	**2 348**	**1 942**	**1 234**	**5 524**
Exchange rate adjustments	**6**	**58**	**(3)**	**61**
At current 2005 exchange rates	**2 354**	**2 000**	**1 231**	**5 585**
Other adjustments				**(271)**
Operating profit				**5 314**
2004				
Turnover				
At constant 2003 exchange rates	16 632	13 380	10 122	40 134
Exchange rate adjustments	18	(1 084)	(502)	(1 568)
At current 2004 exchange rates	16 650	12 296	9 620	38 566
Trading result				
At constant 2003 exchange rates	2 434	2 153	1 090	5 677
Exchange rate adjustments	7	(186)	(57)	(236)
At current 2004 exchange rates	2 441	1 967	1 033	5 441
Other adjustments				(1 202)
Operating profit				4 239
Depreciation, amortisation and impairment				
2005				
At constant 2004 exchange rates	**461**	**632**	**168**	**1 261**
Exchange rate adjustments	**–**	**8**	**2**	**10**
At current 2005 exchange rates	**461**	**640**	**170**	**1 271**
2004				
At constant 2003 exchange rates	652	1 227	306	2 185
Exchange rate adjustments	1	(116)	(14)	(129)
At current 2004 exchange rates	653	1 111	292	2 056
Capital expenditure				
2005				
At constant 2004 exchange rates	**446**	**291**	**298**	**1 035**
Exchange rate adjustments	**1**	**14**	**–**	**15**
At current 2005 exchange rates	**447**	**305**	**298**	**1 050**
2004				
At constant 2003 exchange rates	496	322	324	1 142
Exchange rate adjustments	1	(25)	(19)	(43)
At current 2004 exchange rates	497	297	305	1 099

3 Segment information (continued)

Additional segment information as required for US reporting (continued)

Analysis by geographical area[a]	€ million United Kingdom & Netherlands	€ million United States	€ million Other	€ million Total
Turnover				
2005				
At constant 2004 exchange rates	**4 357**	**7 587**	**27 207**	**39 151**
Exchange rate adjustments	**(26)**	**(37)**	**584**	**521**
At current 2005 exchange rates	**4 331**	**7 550**	**27 791**	**39 672**
2004				
At constant 2003 exchange rates	4 495	8 093	27 546	40 134
Exchange rate adjustments	64	(732)	(900)	(1 568)
At current 2004 exchange rates	4 559	7 361	26 646	38 566
Property, plant and equipment				
2005	**1 018**	**1 140**	**4 334**	**6 492**
2004	1 050	1 024	4 107	6 181

(a) For the United Kingdom and the Netherlands, which are the home countries of the parent companies, the combined operating profit in 2005 was €708 million (2004: €730 million).

4 Operating costs

Gross profit	€ million 2005	€ million 2004
Turnover	**39 672**	38 566
Cost of sales	**(20 396)**	(19 856)
	19 276	18 710

Operating costs	€ million 2005	€ million 2004
Cost of sales	**(20 396)**	(19 856)
Distribution and selling costs	**(9 292)**	(8 255)
Administrative expenses[(a)]	**(4 670)**	(6 216)
	(34 358)	(34 327)
Operating costs include:		
Staff costs	**(5 922)**	(5 889)
Raw and packaging materials and goods purchased for resale	**(15 873)**	(15 017)
Amortisation of finite-lived intangible assets and software	**(99)**	(64)
Depreciation of property, plant and equipment[(b)]	**(741)**	(750)
Impairment of property, plant and equipment	**(49)**	(239)
Advertising and promotions	**(4 999)**	(4 449)
Research and development	**(953)**	(991)
Restructuring costs	**(293)**	(621)
Gain/(loss) on disposals of group companies[(c)]	**152**	338
Impairment of goodwill and intangible assets	**(382)**	(1 003)
Remuneration of auditors:[(d)]		
Statutory audit fees	**(14)**	(13)
Other audit services	**(1)**	(1)
Other payments to PricewaterhouseCoopers for non-audit services:		
Audit-related services	**(2)**	(4)
Tax	**(3)**	(4)
Other services	**(2)**	(2)
Lease rentals:		
Minimum operating lease payments	**(442)**	(416)
Contingent operating lease payments	**(3)**	(5)
	(445)	(421)
Less: Sub-lease income relating to operating lease agreements	**5**	9
	(440)	(412)

(a) Includes amortisation of finite-lived intangible assets and impairment of goodwill, intangible assets and property, plant and equipment.
(b) Includes €(30) million (2004: €(30) million) for property, plant and equipment under finance leases.
(c) Excluding profit on UCI disposal of €503 million in 2005.
(d) A description of the services we allow our auditors to perform is given within the Report of the Audit Committee on page 71. In addition to the amounts shown above, costs of €1 million (2004: €nil million) were incurred in 2005 in respect of work carried out by the auditors in connection with the disposal of UCI (reported as discontinued operations, see note 29 on page 129).

5 Staff costs and employees

Staff costs	€ million 2005	€ million 2004
Remuneration of employees	**(4 588)**	(4 518)
Emoluments of Executive Directors	**(11)**	(12)
Pensions and other post-employment benefits	**(408)**	(463)
Social security costs	**(723)**	(683)
Share-based compensation costs	**(192)**	(213)
	(5 922)	(5 889)

Average number of employees during the year	'000 2005	'000 2004
Europe	**51**	53
The Americas	**46**	48
Asia Africa	**115**	126
	212	227

6 Net finance costs

Finance costs	€ million 2005	€ million 2004
Interest costs and similar charges[(a)]	**(693)**	(717)
Bank loans and overdrafts	**(94)**	(109)
Bonds and other loans	**(580)**	(612)
Dividends paid on preference shares	**(11)**	n/a
Exchange differences	**(8)**	4
Interest and similar income	**130**	145
Pensions and similar obligations[(b)]	**(55)**	(58)
	(618)	(630)

(a) From 1 January 2005, Unilever has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' which requires preference shares that provide for a fixed preference dividend to be classified as borrowings, and preference dividends to be recognised in the income statement as a finance cost. In accordance with the transition rules for IAS 32, 2004 has not been restated. Information on the impact of the adoption of IAS 32 is given in note 35 on pages 144 to 151.

(b) Net finance costs in respect of pensions and similar obligations are analysed in note 22 on page 117.

7 Taxation

Tax charge in income statement	€ million 2005	€ million 2004
Current tax		
Current year	**(1 227)**	(1 625)
Over/(under) provided in prior years	**107**	324
	(1 120)	(1 301)
Deferred tax		
Origination and reversal of temporary differences	**(136)**	457
Changes in tax rates	**2**	34
Utilisation of losses brought forward	**5**	–
	(129)	491
	(1 249)	(810)
United Kingdom Corporation Tax at 30.0%	**(754)**	(232)
Less double tax relief	**619**	132
United Kingdom taxes	**(135)**	(100)
Non-United Kingdom taxes	**(1 114)**	(710)
	(1 249)	(810)

Europe is Unilever's domestic tax base. The reconciliation between the computed weighted average rate of income tax expense, which is generally applicable to Unilever's European companies, and the actual rate of taxation charged is as follows:

Reconciliation of effective tax rate	% 2005	% 2004
Computed rate of tax[(a)]	**31**	32
Differences due to:		
Other rates applicable to non-European countries	**–**	1
Incentive tax credits	**(4)**	(5)
Withholding tax on dividends	**2**	2
Adjustments to previous years	**(3)**	(9)
Expenses not deductible for tax purposes	**2**	–
Utilisation of previously unrecognised tax losses	**(1)**	–
Other	**(1)**	1
Effective tax rate	**26**	22

(a) The computed tax rate used is the average of the standard rate of tax applicable in the European countries in which Unilever operates, weighted by the amount of profit before taxation generated in each of those countries.

7 Taxation (continued)

The following tables analyse profit before taxation and actual taxation charges between those arising in Europe (which is Unilever's domestic tax base) and elsewhere.

	€ million 2005	€ million 2004
Profit before taxation		
Europe		
Parent and group companies	**2 614**	2 454
Share of net profit/(loss) of joint ventures	**11**	7
Share of net profit/(loss) of associates	**(20)**	(2)
	2 605	2 459
Outside Europe		
Group companies	**2 115**	1 209
Share of net profit/(loss) of joint ventures	**36**	32
Share of net profit/(loss) of associates	**(5)**	4
	2 146	1 245
	4 751	3 704
Taxation		
Europe		
Parent and group companies:		
Taxes payable	**(469)**	(712)
Deferred taxation	**(175)**	176
Accelerated depreciation	**17**	61
Pensions	**(123)**	(62)
Provisions	**(42)**	59
Goodwill and intangible assets	**(48)**	109
Other	**21**	9
	(644)	(536)
Outside Europe		
Group companies:		
Taxes payable	**(651)**	(589)
Deferred taxation	**46**	315
Accelerated depreciation	**(40)**	(20)
Pensions	**28**	(26)
Provisions	**(78)**	205
Goodwill and intangible assets	**123**	168
Other	**13**	(12)
	(605)	(274)
	(1 249)	(810)

8 Combined earnings per share

Combined earnings per share	Per €0.51 share of NV ordinary capital € 2005	€ 2004	Per 1.4p share of PLC ordinary capital € cents 2005	€ cents 2004
From total operations				
Basic earnings per share	**3.88**	2.83	**58.17**	42.46
Diluted earnings per share	**3.76**	2.72	**56.40**	40.78
From continuing operations				
Basic earnings per share	**3.39**	2.78	**50.87**	41.72
Diluted earnings per share	**3.29**	2.67	**49.33**	40.08

Basis of calculation

The calculations of combined earnings per share are based on the net profit attributable to ordinary capital divided by the average number of share units representing the combined ordinary capital of NV and PLC in issue during the year, after deducting shares held as treasury stock. For the calculation of combined ordinary capital, the exchange rate of £1 = Fl.12 = €5.445 has been used, in accordance with the Equalisation Agreement.

The calculations of diluted earnings per share are based on: (i) conversion into PLC ordinary shares of the shares in a group company which are convertible in the year 2038, as described in Corporate governance on page 44; (ii) conversion of the €0.05 NV preference shares, details of which are set out below and in note 24 on page 124; (iii) the effect of share-based compensation plans, details of which are set out in note 31 on pages 132 to 141; and (iv) the forward equity contract described in note 31 on page 141.

On 15 February 2005, we converted the €0.05 NV preference shares into ordinary €0.51 NV shares. The conversion was made using shares already held by Unilever for the purposes of hedging the Group's share-based compensation plans. Unilever bought further ordinary shares in the market during 2005 to the extent required to restore the hedging position. Until the date of conversion, the €0.05 preference shares were potentially dilutive for the purposes of the calculation of fully diluted earnings per share, as shown below. At midnight on 13 July 2005 the €0.05 NV preference shares were cancelled.

Calculation of average number of share units	Millions of €0.51 share units 2005	2004	Millions of 1.4p share units 2005	2004
Average ordinary capital: NV	**571.6**	571.6	**3 810.5**	3 810.5
PLC	**436.7**	436.7	**2 911.5**	2 911.5
Less shares held by employee share trusts and companies	**(37.3)**	(44.9)	**(248.7)**	(299.3)
Combined average number of share units for all bases except diluted earnings per share	**971.0**	963.4	**6 473.3**	6 422.7
Add shares issuable in 2038	**23.6**	23.6	**157.5**	157.5
Add shares for conversion	**2.4**	18.9	**15.7**	125.9
Add dilutive effect of share-based compensation plans and forward equity contract	**5.3**	5.0	**35.5**	33.1
Adjusted combined average number of share units for diluted earnings per share basis	**1 002.3**	1 010.9	**6 682.0**	6 739.2

Calculation of earnings	€ million 2005	€ million 2004
Net profit attributable to shareholders' equity	**3 766**	2 755
Less preference dividends	**n/a**	(28)
Net profit attributed to ordinary capital for basic earnings per share calculations	**3 766**	2 727
Adjusted net profit attributed to ordinary capital for the diluted earnings per share calculation[a]	**3 769**	2 748

(a) In accordance with IAS 33, the net profit for diluted earnings per share has been adjusted for the preference dividend on shares for conversion, which in 2005 amounted to €3 million (2004: €21 million).

9 Dividends on ordinary capital

Dividends paid on ordinary capital during the year	€ million 2005	€ million 2004
Final dividend 2003 paid in June 2004	–	(1 116)
Interim dividend 2004 paid in November 2004	–	(603)
Final dividend 2004 paid in June 2005	(1 229)	–
Interim dividend 2005 paid in December 2005	(638)	–
	(1 867)	(1 719)

Dividends per share	Per €0.51 share of NV ordinary capital € 2005	€ 2004	Per 1.4p share of PLC ordinary capital pence 2005	pence 2004
Interim	0.66	0.63	6.77	6.33
Final[a]	1.32	1.26	13.54	12.82
	1.98	1.89	20.31	19.15

(a) The proposed final dividend on ordinary capital for the year 2005 has to be approved by shareholders at the Annual General Meetings. In accordance with IFRS, no provision for the amount of this dividend, estimated at €1 267 million, has been recognised in the financial statements for the year ended 31 December 2005. The final dividend shown in respect of 2004 was declared and paid during 2005.

Full details of dividends per share for the years 2001 to 2005 are given on page 187.

10 Goodwill and intangible assets

Indefinite-lived intangible assets principally comprise those trademarks for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows. These are considered to have an indefinite life, given the strength and durability of our brands and the level of marketing support. Finite-lived intangible assets, which primarily comprise patented and non-patented technology, know-how, and software, are capitalised and amortised in operating profit on a straight-line basis over the period of their expected useful lives, none of which exceeds ten years. The level of amortisation for finite-lived intangible assets is not expected to change materially over the next five years.

At cost less amortisation and impairment	€ million 2005	€ million 2004
Goodwill	12 963	12 083
Indefinite-lived intangible assets	4 450	4 311
Finite-lived intangible assets	416	447
Software	226	166
	18 055	17 007

Movements during 2005	€ million Goodwill	€ million Indefinite-lived intangible assets	€ million Finite-lived intangible assets	€ million Software	€ million Total
Cost					
31 December 2004	13 020	4 311	597	193	18 121
Reclassification as held for sale	(133)	(60)	–	–	(193)
1 January 2005	12 887	4 251	597	193	17 928
Acquisitions of group companies	13	–	–	–	13
Disposals of group companies	(49)	(6)	(16)	(4)	(75)
Additions	–	2	4	86	92
Reversal of assets held for sale not included in final disposal	15	55	–	–	70
Currency retranslation	1 214	411	46	16	1 687
31 December 2005	14 080	4 713	631	291	19 715
Amortisation and impairment					
31 December 2004	(937)	–	(150)	(27)	(1 114)
Reclassification as held for sale	–	–	–	–	–
1 January 2005	(937)	–	(150)	(27)	(1 114)
Disposals of group companies	42	1	3	2	48
Amortisation for the year[a]	–	–	(62)	(38)	(100)
Impairment losses	(131)	(251)	–	–	(382)
Currency retranslation	(91)	(13)	(6)	(2)	(112)
31 December 2005	(1 117)	(263)	(215)	(65)	(1 660)
Net book value 31 December 2005	12 963	4 450	416	226	18 055

(a) Includes €(1) million relating to discontinued operations.

10 Goodwill and intangible assets (continued)

Movements during 2004	€ million Goodwill	€ million Indefinite-lived intangible assets	€ million Finite-lived intangible assets	€ million Software	€ million Total
Cost					
1 January 2004	13 461	4 505	603	110	18 679
Acquisitions of group companies	7	1	2	–	10
Disposals of group companies	(3)	(20)	–	–	(23)
Additions	–	1	1	87	89
Currency retranslation	(445)	(176)	(9)	(4)	(634)
31 December 2004	13 020	4 311	597	193	18 121
Amortisation and impairment					
1 January 2004	–	–	(103)	(7)	(110)
Amortisation for the year[(b)]	–	–	(45)	(21)	(66)
Impairment losses	(1 003)	–	–	–	(1 003)
Currency retranslation	66	–	(2)	1	65
31 December 2004	(937)	–	(150)	(27)	(1 114)
Net book value 31 December 2004	12 083	4 311	447	166	17 007

(b) Includes €(2) million relating to discontinued operations.

There are no significant carrying amounts of goodwill and intangible assets that are allocated across multiple cash generating units.

Impairments in the year

During 2005, *Slim•Fast* maintained its leadership of the weight management sector by refreshing its product range and offering a more personalised diet plan. However, the 2005 impairment review of the global *Slim•Fast* business resulted in an impairment charge of €363 million due to the continued decline of the weight management sector. This charge has been reflected in operating profit for The Americas region.

Value in use of the business was calculated using the present values of projected future cash flows, adjusted to reflect the risk present in the markets in which the business operates. The pre-tax discount rate applied to the business was 11%. As a result of the impairment review, the carrying value of the business was determined to be in excess of the value in use, thereby requiring an impairment loss to be recognised.

The 2004 impairment charge of €791 million in relation to the *Slim•Fast* business was calculated using value in use and applied a pre-tax discount rate of 11%. This charge was also reflected in operating profit for The Americas region.

The remainder of the impairment loss charged in 2005 of €19 million includes €2 million representing write-downs in respect of planned business disposals that will complete during 2006, and €10 million in respect of impairment of goodwill and indefinite-lived intangible assets in Colombia and India. In 2004, the remaining balance of €212 million included €156 million in respect of planned business disposals in 2005. Other smaller impairments were recognised during the course of 2004 for tea plantations and a bakery business in India, and a home and personal care business in North Africa.

Significant cash generating units

The goodwill and indefinite-lived intangible assets held in the global savoury and dressings cash generating unit (CGU), comprising €11.9 billion and €3.6 billion respectively, are considered significant in comparison to the total carrying amounts of goodwill and indefinite-lived intangible assets at 31 December 2005.

During 2005, we conducted an impairment review of the carrying value of these assets. Value in use of the global savoury and dressings CGU has been calculated as the present value of projected future cash flows. A pre-tax discount rate of 10% was used.

The following key assumptions were used in the discounted cash flow projections for the savoury and dressings CGU:

- a longer-term sustainable growth rate of 2%, adjusted for market fade, used to determine an appropriate terminal value multiple;
- average near-term nominal growth for the major product groups within the CGU of 4%; and
- average operating margins for the major product groups within the CGU ranging from 19% to 23%.

The growth rates and margins used to estimate future performance are based on past performance and our experience of growth rates and margins achievable in our key markets as a guide. We believe that the assumptions used in estimating the future performance of the savoury and dressings CGU are consistent with past performance.

The projections covered a period of 10 years as we believe this to be a suitable timescale over which to review and consider annual performance before applying a fixed terminal value multiple to the final year cash flows of the detailed projection. Stopping the detailed projections after 5 years and applying a terminal value multiple thereafter would not result in a materially different estimate of the value in use.

The growth rates used to estimate future performance beyond the periods covered by our annual planning and strategic planning processes do not exceed the long-term average rates of growth for similar products.

We have performed sensitivity analysis around the base case assumptions and have concluded that no reasonably possible changes in key assumptions would cause the carrying amount of the savoury and dressings CGU to exceed its recoverable amount.

11 Property, plant and equipment

At cost less depreciation and impairment	€ million 2005	€ million 2004
Land and buildings	**1 994**	1 992
Plant and equipment	**4 498**	4 189
	6 492	6 181
Includes freehold land	**224**	248
Commitments for capital expenditure at 31 December	**263**	172

Movements during 2005	€ million Land and buildings	€ million Plant and equipment	€ million Total
Gross			
31 December 2004	**3 068**	**10 213**	**13 281**
Reclassification as held for sale	**(209)**	**(200)**	**(409)**
1 January 2005	**2 859**	**10 013**	**12 872**
Disposals of group companies	**(26)**	**(117)**	**(143)**
Additions	**163**	**795**	**958**
Disposals	**(95)**	**(619)**	**(714)**
Reversal of asset held for sale not included in final disposal	**53**	**57**	**110**
Currency retranslation	**269**	**798**	**1 067**
Reclassification as held for sale	**(175)**	**(116)**	**(291)**
Other adjustments	**(34)**	**34**	**–**
31 December 2005	**3 014**	**10 845**	**13 859**
Depreciation and impairment			
31 December 2004	**(1 076)**	**(6 024)**	**(7 100)**
Reclassification as held for sale	**110**	**169**	**279**
1 January 2005	**(966)**	**(5 855)**	**(6 821)**
Disposals of group companies	**12**	**91**	**103**
Depreciation charge for the year[(a)]	**(78)**	**(665)**	**(743)**
Disposals	**53**	**549**	**602**
Reversal of asset held for sale not included in final disposal	**(5)**	**(50)**	**(55)**
Impairment losses[(b)]	**(10)**	**(108)**	**(118)**
Reversal of impairment losses	**11**	**58**	**69**
Currency retranslation	**(83)**	**(466)**	**(549)**
Reclassification as held for sale	**51**	**94**	**145**
Other adjustments	**(5)**	**5**	**–**
31 December 2005	**(1 020)**	**(6 347)**	**(7 367)**
Net book value 31 December 2005	**1 994**	**4 498**	**6 492**
Includes payments on account and assets in course of construction	**64**	**487**	**551**

(a) Includes €(2) million relating to discontinued operations.
(b) Impairment losses mainly recognised in respect of restructuring projects where property, plant and equipment is written down to the net recoverable amount.

11 Property, plant and equipment (continued)

Movements during 2004	€ million Land and buildings	€ million Plant and equipment	€ million Total
Gross			
1 January 2004	3 274	10 418	13 692
Acquisitions of group companies	2	2	4
Disposals of group companies	(25)	(109)	(134)
Additions	151	852	1 003
Disposals	(244)	(754)	(998)
Currency retranslation	(74)	(212)	(286)
Other adjustments	(16)	16	–
31 December 2004	3 068	10 213	13 281
Depreciation and impairment			
1 January 2004	(1 094)	(6 041)	(7 135)
Disposals of group companies	13	70	83
Depreciation charge for the year[c]	(80)	(675)	(755)
Disposals	139	651	790
Impairment losses[b]	(53)	(219)	(272)
Reversal of impairment losses	5	28	33
Currency retranslation	26	130	156
Other adjustments	(32)	32	–
31 December 2004	(1 076)	(6 024)	(7 100)
Net book value 31 December 2004	1 992	4 189	6 181
Includes payments on account and assets in course of construction	51	435	486

(b) As defined on page 100.
(c) Includes €(5) million relating to discontinued operations.

Included in the above is property, plant and equipment under a number of finance lease agreements, for which the book values are as follows:

Net book value	**€ million** Buildings	**€ million** Plant and equipment	**€ million** Total
Gross book value	**68**	**354**	**422**
Depreciation and impairment	**(18)**	**(202)**	**(220)**
31 December 2005	**50**	**152**	**202**
Gross book value	63	327	390
Depreciation and impairment	(24)	(166)	(190)
31 December 2004	39	161	200

At 31 December 2004, property, plant and equipment with a book value of €108 million was pledged as security for certain of the Group's borrowings. No such arrangements existed at 31 December 2005.

12 Biological assets

The fair value of tea bushes older than 10 years is based on the market price of the estimated recoverable tea leaf volumes, net of harvest costs. The fair value of oil palm trees older than 8 years is based on the market price of the estimated recoverable palm oil volumes, net of harvest costs. The fair value of immature tea bushes and oil palm trees is based on the present value of the net cash flows expected to be generated by the plants at maturity.

At fair value	€ million 2005	€ million 2004
Tea bushes	23	28
Oil palm trees	14	5
	37	33

Movements during 2005	€ million Tea bushes	€ million Oil palm trees	€ million Total
31 December 2004	28	5	33
New plantations/acquisitions	1	–	1
Increase/(decrease) in fair value less estimated point-of-sale costs	9	6	15
Disposals of group companies	(2)	–	(2)
Reclassification as held for sale	(21)	–	(21)
Other adjustments	2	2	4
Currency retranslation	6	1	7
31 December 2005	23	14	37

Movements during 2004	€ million Tea bushes	€ million Oil palm trees	€ million Total
1 January 2004	24	5	29
Increase/(decrease) in fair value less estimated point-of-sale costs	6	–	6
Currency retranslation	(2)	–	(2)
31 December 2004	28	5	33

As at 31 December 2005, tea bushes comprised approximately 18 000 hectares of tea plantations in India, Kenya and Tanzania. During 2005 the Group harvested approximately 258 000 tonnes of tea leaves, which had a fair value less estimated point-of-sale costs of €48 million at the date of harvest.

As at 31 December 2005, oil palm trees included above comprised approximately 45 000 hectares of oil palm plantations in Côte d'Ivoire and Ghana. These plantations range from newly established plantations to plantations that are 32 years old. During 2005 the Group harvested approximately 257 000 tonnes of palm oil, which had a fair value less estimated point-of-sale costs of €47 million at the date of harvest.

13 Joint ventures, associates and other non-current investments

Joint ventures and associates	€ million 2005	€ million 2004
Interest in net assets of joint ventures	**67**	32
Interest in net assets of associates	**17**	22
	84	54

The following tables show the movements during the year in connection with joint ventures, associates and other non-current investments:

Movements during 2005	€ million Goodwill	€ million Other	€ million Total
Joint ventures[a]			
31 December 2004	**4**	**28**	**32**
Additions[b]	**–**	**26**	**26**
Dividends received/reductions	**–**	**(43)**	**(43)**
Share in net profit	**–**	**47**	**47**
Currency retranslation	**1**	**4**	**5**
31 December 2005	**5**	**62**	**67**
Associates[c]			
31 December 2004	**112**	**(106)**	**6**
Acquisitions/(disposals)	**–**	**7**	**7**
Dividends received/reductions	**–**	**(11)**	**(11)**
Share in net profit	**–**	**(25)**	**(25)**
Currency retranslation	**18**	**(15)**	**3**
	130	**(150)**	**(20)**
Of which: Net liabilities of JohnsonDiversey reclassified to restructuring and other provisions	**(130)**	**167**	**37**
31 December 2005	**–**	**17**	**17**
Other non-current investments[d]			
31 December 2004			**698**
Additions/(reductions)/(impairments)/fair value movements			**(19)**
Currency retranslation			**41**
31 December 2005			**720**

(a) Our principal joint ventures are the FIMA business in Portugal and the Pepsi/Lipton Partnership in the US.
(b) Effect of the transaction in connection with our Foods business in Portugal (see note 28 on page 128).
(c) Associates primarily comprise our investments in JohnsonDiversey Holdings Inc., Palmci and Langholm Capital Partners. Other Unilever Ventures investments are included under 'Other non-current investments' above.
(d) Other non-current investments are mainly available-for-sale assets, and predominantly consist of investments in a number of companies and financial institutions in India, Europe and the US, including €197 million (2004: €174 million) of assets in a trust to fund benefit obligations in the US (see also note 22 on page 114).

Analysis of listed and unlisted investments	€ million 2005	€ million 2004
Investments listed on a recognised stock exchange	**326**	326
Unlisted investments	**394**	372
	720	698

Other income from non-current investments	€ million 2005	€ million 2004
Income from other non-current investments	**20**	36
Profit/(loss) on disposal	**13**	18
	33	54

The joint ventures and associates have no significant contingent liabilities to which the Group is exposed, and the Group has no significant contingent liabilities in relation to its interest in the joint ventures and associates.

The Group has no outstanding capital commitments to joint ventures.

Outstanding balances with joint ventures and associates are shown in note 32 on page 142.

14 Deferred taxation

Movements during the year	€ million As at 31 December 2004	€ million IFRS transition IAS 32/39	€ million Income statement[a]	€ million Equity[b]	€ million Acquisitions and disposals	**€ million As at 31 December 2005**
Pensions and similar obligations	1 391	–	(98)	186	(1)	**1 478**
Provisions	533	–	(124)	109	–	**518**
Goodwill and intangible assets	(657)	–	75	(104)	–	**(686)**
Accelerated tax depreciation	(691)	–	(23)	(38)	10	**(742)**
Tax losses	113	–	5	28	–	**146**
Fair value gains	–	–	–	–	–	**–**
Fair value losses	–	4	(3)	(1)	–	**–**
Share-based payments	46	–	17	11	–	**74**
Other	(33)	–	14	–	1	**(18)**
	702	4	(137)	191	10	**770**

(a) Includes €8 million credit reported under discontinued operations in the income statement.
(b) Of the total movement in equity of €191 million, €108 million arises as a result of currency retranslation.

At the balance sheet date, the Group has unused tax losses of €1 205 million and tax credits amounting to €327 million available for offset against future taxable profits. Deferred tax assets totalling €655 million have not been recognised in respect of these losses and credits, as the likelihood of future economic benefit is not considered probable.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was €765 million (2004: €503 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the forseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

Deferred tax assets and liabilities	**€ million Assets 2005**	€ million Assets 2004	**€ million Liabilities 2005**	€ million Liabilities 2004	**€ million Total 2005**	€ million Total 2004
Pensions and similar obligations	**1 709**	1 484	**(231)**	(93)	**1 478**	1 391
Provisions	**704**	617	**(186)**	(84)	**518**	533
Goodwill and intangible assets	**(431)**	(353)	**(255)**	(304)	**(686)**	(657)
Accelerated tax depreciation	**(489)**	(382)	**(253)**	(309)	**(742)**	(691)
Tax losses	**144**	109	**2**	4	**146**	113
Fair value gains	**–**	–	**–**	–	**–**	–
Fair value losses	**6**	–	**(6)**	–	**–**	–
Share-based payments	**74**	46	**–**	–	**74**	46
Other	**(14)**	(30)	**(4)**	(3)	**(18)**	(33)
	1 703	1 491	**(933)**	(789)	**770**	702
Of which deferred tax to be recovered/(settled) after more than 12 months	**1 269**	1 135	**(834)**	(745)	**435**	390

15 Inventories

Inventories	**€ million 2005**	€ million 2004
Raw materials and consumables	**1 512**	1 388
Finished goods and goods for resale	**2 595**	2 368
	4 107	3 756

Inventories with a value of €123 million (2004: €109 million) are carried at fair value less costs to sell, this being lower than cost. During 2005, €159 million (2004: €162 million) was charged to the income statement for damaged, obsolete and lost inventories. In 2005, €35 million (2004: €25 million) was released to the income statement from inventory provisions taken in earlier years but no longer required.

Inventories with a carrying amount of €8 million (2004: €28 million) have been pledged as security for certain of the Group's borrowings.

16 Trade and other receivables

Trade and other receivables	€ million 2005	€ million 2004
Due within one year		
Trade receivables	**3 345**	3 161
Prepayments and accrued income[(a)]	**833**	328
Other receivables	**652**	642
	4 830	4 131
Due after more than one year		
Other receivables	**231**	279
Total trade and other receivables	**5 061**	4 410

(a) In 2005 includes fair values of derivatives as a consequence of the adoption of IAS 39.

Concentrations of credit risk with respect to trade receivables are limited, due to the Group's customer base being large and diverse. Management therefore believes there is no further credit risk provision required in excess of normal provision for doubtful receivables.

Provision for doubtful receivables – movements during the year	€ million 2005	€ million 2004
1 January	**232**	279
Charged to income statement	**39**	31
Reductions	**(33)**	(71)
Currency retranslation	**20**	(7)
31 December	**258**	232

17 Cash and cash equivalents and other financial assets

Cash and cash equivalents and other financial assets	€ million 2005	€ million 2004
Cash and cash equivalents		
Listed		
Cash equivalents	**44**	66
Unlisted		
Cash at bank and in hand	**867**	1 004
Short-term deposits with maturity of less than three months	**412**	495
Other cash equivalents	**206**	25
	1 485	1 524
	1 529	1 590
Other financial assets		
Listed	**36**	45
Unlisted	**299**	968
	335	1 013
Total cash and cash equivalents and other financial assets	**1 864**	2 603

Other financial assets include government securities and A minus or higher rated money and capital market instruments.

An amount of €16 million (2004: €24 million) is included in cash and cash equivalents with repayment notice required. This relates to cash collateral deposited as required by a forward purchase contract with a counterparty bank to buy 10 000 000 PLC shares at 559p per share in November 2006. Further details are given in note 19 on page 112.

Cash and cash equivalents included in the cash flow statement	€ million 2005	€ million 2004
Cash and cash equivalents as per balance sheet	**1 529**	1 590
Cash and cash equivalents in businesses held for sale	**1**	n/a
Bank overdrafts	**(265)**	(184)
	1 265	1 406

17 Cash and cash equivalents and other financial assets (continued)

Interest rate profile and currency analysis of financial assets

The table set out below takes into account the various interest rate swaps and forward foreign currency contracts entered into by the Group, details of which are set out in note 19 on pages 110 and 111.

The interest rate profiles of the Group's financial assets analysed by principal currency are set out in the table below:

	€ million Fixed rate	Fixed rate	Fixed rate	€ million Floating rate	Floating rate	€ million Total
		Weighted average interest rate	Weighted average fixing period		Interest rate for 2006	
Assets – 2005						
Euro	**–**			**650**	2.8%	**650**
Sterling	**–**			**57**	4.6%	**57**
US dollar	**–**			**94**	4.8%	**94**
Indian rupee	**–**			**346**	6.6%	**346**
Other	**–**			**967**	6.9%	**967**
Total	**–**			**2 114**		**2 114**[a]
Assets – 2004						
Euro	180	9.1%[b]	0.4 years	4 925[c]		5 105
Sterling	–			81		81
US dollar	–			140		140
Indian rupee	–			413		413
Other	–			916		916
	180			6 475		6 655
Euro leg of currency derivatives relating to intra-group loans[c]						(4 052)
Total						2 603

(a) Includes fair value of borrowing-related derivatives amounting to €250 million. For further information please refer to note 19 on pages 110 to 112.
(b) The fixed interest rate of 9.1% in 2004 includes one leg of a cross-currency interest rate swap of an intercompany loan of €146 million with a fixed rate of 10.8%. A corresponding interest charge is included in the US dollar fixed rate liabilities.
(c) Includes the euro leg of the currency derivatives relating to intra-group loans, amounting to €4 052 million for 2004. These derivatives create a euro interest rate exposure. However, to reconcile the assets with the balance sheet, the total value is eliminated again. The other leg of the currency derivatives is shown in note 18 as a liability.

18 Borrowings

Borrowings	€ million 2005	€ million 2004
Bank loans and overdrafts	**(1 456)**	(1 583)
Bonds and other loans		
At amortised cost	**(8 609)**	(10 465)
Subject to fair value hedge accounting	**(2 210)**	n/a
Preference shares[a]	**(124)**	n/a
	(12 399)	(12 048)

(a) From 1 January 2005, Unilever has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' which requires preference shares that provide for a fixed preference dividend to be classified as borrowings. In accordance with the transition rules for IAS 32, amounts for 2004 have not been restated. Details of the preference shares at 31 December 2004 are included in note 24 on page 124.

18 Borrowings (continued)

The tables set out below and on page 109 take into account the various interest rate swaps and forward foreign currency contracts entered into by the Group, details of which are set out in note 19 on pages 110 and 111.

Details of specific bonds and other loans are also given below:

	€ million Amortised cost 2005	**€ million Fair value 2005**[b]	€ million Amortised cost 2004
Unilever N.V.			
6.625% Notes 2005 (US $)	–	–	146
3.375% Bonds 2005 (Swiss francs)	–	–	324
5.125% Bonds 2006 (€)	–	**1 010**	999
5.125% Notes 2006 (US $)	**431**	–	365
4.250% Bonds 2007 (€)	**513**	**507**	997
5.000% Bonds 2007 (US $)	–	**556**	474
3.375% Bonds 2015 (€)	**747**	–	–
Commercial paper (€)	**2 180**	–	961
Commercial paper (£)	**491**	–	329
Commercial paper (US $)	**348**	–	307
Commercial paper (Swiss francs)	**53**	–	52
Other	**36**	–	38
Total Unilever N.V.	**4 799**	**2 073**	4 992
Unilever PLC			
Commercial paper (£)	–	–	70
Total Unilever PLC	–	–	70
Other group companies			
United States			
6.875% Notes 2005 (US $)	–	–	1 097
6.150% Bonds 2006 (US $)	**253**	–	217
7.125% Bonds 2010 (US $)	**1 467**	–	1 274
7.000% Bonds 2017 (US $)	**120**	–	105
7.250% Bonds 2026 (US $)	**239**	–	208
6.625% Bonds 2028 (US $)	**185**	–	162
5.900% Bonds 2032 (US $)	**829**	–	725
5.000% Bonds 2045 (Swiss francs)[c]	–	–	130
5.600% Bonds 2097 (US $)[d]	**77**	–	67
Commercial paper (US $)	–	–	521
Other	**12**	–	26
India			
9.000% Debenture loan 2005 (Indian rupee)	–	–	108
Japan			
Floating rate note 2006 (Japanese yen)	**151**	–	150
Thailand			
3.300% Bonds 2007 (Thai baht)	**134**	–	122
South Africa			
10.200% Bonds 2008 (South African rand)	–	**137**	130
Commercial paper (South African rand)	**120**	–	156
Other countries	**223**	–	205
Total other group companies	**3 810**	**137**	5 403
Total bonds and other loans	**8 609**	**2 210**	10 465

(b) As required by fair value hedge accounting, the fair value of the bonds and other loans is based on their amortised cost adjusted for the market value of the related derivative.
(c) Repaid in March 2005.
(d) Amount for 2004 has been adjusted to include the discount.

Reclassifications

During 2005 Unilever discontinued fair value hedge accounting for €500 million of the 4.250% Bonds 2007. On the date the hedge accounting discontinued, the fair value became the new value at amortised cost.

18 Borrowings (continued)

Preference shares NV as at 31 December 2005[e]	Number of shares authorised	€ million Authorised	Nominal value per share	Number of shares issued	€ million Issued, called up and fully paid
7% Cumulative Preference	75 000	**34**	€453.78	29 000	**13**
6% Cumulative Preference	200 000	**91**	€453.78	161 060	**73**
4% Cumulative Preference	750 000	**34**	€45.38	750 000	**34**
Share premium					**4**
		159			**124**

(e) From 1 January 2005, Unilever has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' which requires preference shares that provide for a fixed preference dividend to be classified as borrowings. In accordance with the transition rules for IAS 32, amounts for 2004 have not been restated.

The 7%, 6% and 4% preference shares of NV are entitled to dividends at the rates indicated. The 4% cumulative preference capital of NV is redeemable at par at the company's option either wholly or in part. The other classes of preferential share capital of NV are not redeemable.

Borrowings – additional details	€ million 2005	€ million 2004
The repayments fall due as follows		
Within one year:		
Bank loans and overdrafts	**786**	823
Bonds and other loans	**5 156**	4 332
Total due within one year	**5 942**	5 155
After one year but within two years	**2 049**	1 917
After two years but within three years	**180**	1 891
After three years but within four years	**391**	177
After four years but within five years	**1 493**	351
After five years	**2 344**	2 557
Total due after more than one year	**6 457**	6 893
Secured borrowings	**8**	136
Of which secured against property, plant and equipment	**–**	108

18 Borrowings (continued)

Undrawn committed facilities

Unilever had the following undrawn committed facilities at 31 December 2005:

- revolving 364-day bilateral credit facilities of in aggregate US $3 958 million (2004: US $3 603 million) with a 364-day term out;
- revolving five-year bilateral credit facilities of in aggregate US $334 million (2004: US $334 million);
- revolving 364-day notes commitments of US $200 million (2004: US $200 million) with the ability to issue notes with a maturity up to 364 days; and
- 364-day bilateral money market commitments of in aggregate US $1 725 million (2004: US $2 080 million), under which the underwriting banks agree, subject to certain conditions, to subscribe for notes with maturities of up to three years.

The facilities that matured in December 2005 have been renewed until November 2006 and December 2006.

Interest rate

The average interest rate on short-term borrowings in 2005 was 3.0% (2004: 3.1%).

Interest rate profile and currency analysis of financial liabilities

The interest rate profiles of the Group's financial liabilities analysed by principal currency are set out in the table below:

	€ million Fixed rate	Fixed rate Weighted average interest rate	Fixed rate Weighted average fixing period	€ million Floating rate	Floating rate Interest rate for 2006	€ million Total
Liabilities – 2005						
Euro[f]	**1 402**	3.5%	6.3 years	**1 066**	2.8%	**2 468**
Sterling	**192**	5.4%	0.5 years	**(153)**	4.6%	**39**
US dollar	**4 112**	6.6%	12.1 years	**2 262**	4.8%	**6 374**
Japanese yen	**2**	4.0%	1.5 years	**436**	0.1%	**438**
Thai baht	**161**	3.2%	1.9 years	**96**	5.2%	**257**
Other	**127**	13.5%	4.8 years	**2 913**	4.6%	**3 040**
Total	**5 996**			**6 620**		**12 616**[g]
Liabilities – 2004						
Euro	214	4.4%	0.8 years	2 219		2 433
Sterling	79	5.4%	1.9 years	130		209
US dollar	5 690	6.6%	8.3 years	3 725		9 415
Japanese yen	–			452		452
Thai baht	153	3.2%	2.7 years	123		276
Other	434	9.8%	1.6 years	3 099		3 533
	6 570			9 748		16 318
Foreign currency leg of currency derivatives relating to intra-group loans[h]						(4 052)
Total						12 266[g]

(f) Euro borrowings include €124 million preference shares that provide for a fixed preference dividend.
(g) Includes finance lease creditors amounting to €217 million (2004: €218 million).
(h) Includes the foreign currency leg of the currency derivatives relating to our intra-group loans, amounting to €4 052 million for 2004. These derivatives create an interest rate exposure (mainly US dollar). However, to reconcile the liability with the balance sheet, the total value is eliminated again. The other leg of the currency derivatives is shown in note 17 as an asset.

19 Financial instruments

The Group has comprehensive policies in place, approved by the Boards, covering the use of derivative financial instruments. These instruments are used for hedging purposes. Established controls are in place covering all financial instruments. These include policies, guidelines, exposure limits, a system of authorities and independent reporting. Performance is closely monitored with independent reviews undertaken by internal audit. Hedge accounting principles are described in note 1 on pages 83 and 84. The use of leveraged instruments is not permitted. Details of the instruments used for interest rate and foreign exchange exposure management, together with information on related exposures, are given below.

Unilever's interest rate management policy is described in note 2 on pages 86 and 87. The Group's exposure to interest rates is mainly fixed by fixed rate long-term debt issues and straightforward derivative financial instruments, such as interest rate swaps. In general, cash is invested short-term at floating interest rates.

At the end of 2005, interest rates were fixed on approximately 61% of the projected net of cash and borrowing positions for 2006 and 49% for 2007 (compared with 54% for 2005 and 36% for 2006 at the end of 2004).

From 1 January 2005, Unilever has adopted IAS 39 'Financial Instruments: Recognition and Measurement' which requires the recognition of derivative financial instruments on the balance sheet at fair value. The derivative financial instruments as recognised in the balance sheet under trade and other receivables and trade payables and other liabilities are shown in the tables below. The amounts shown in the tables as at 31 December 2004 are the fair values of the underlying derivatives at that date. No restatements have been made to the income statement and balance sheet for the year ended 31 December 2004.

The separate amounts shown as assets and liabilities are not indicative of the amount of credit risk to which the Group is exposed as we have netting agreements in place with our principal banks. In case of a default, Unilever is allowed to net the assets and liabilities. There was no significant concentration of credit risk with any single counterparty. For details of our policy for managing credit risk see note 2 on page 86.

In the assessment of hedge effectiveness the credit risk element on the underlying has been excluded. Hedge ineffectiveness is immaterial, nothing has been booked to the income statement.

In the 2004 comparatives, prior to the adoption of IAS 39, derivative financial instruments were accounted for on the following basis. Changes in the value of forward foreign exchange contracts were recognised in results in the same period as changes in the values of the assets and liabilities they were intended to hedge. Interest payments and receipts arising from interest rate derivatives such as swaps and forward rate agreements were matched to those arising from underlying debt and investment positions. Payments made or received in respect of the early termination of derivative financial instruments were spread over the original life of the instrument, so long as the underlying exposure continued to exist. Further information about our prior year reporting of financial instruments is given at the end of this note.

Fair values of derivatives used as cash flow hedges	**€ million Assets 2005**	€ million Assets 2004	**€ million Liabilities 2005**	€ million Liabilities 2004
Current				
Foreign exchange derivatives	**2**	2	**6**	12
Non-current				
Interest rate derivatives	**3**	–	–	–
	5	2	**6**	12

The net fair value gains and losses relating to the above derivatives are €(1) million (2004: €(10) million). For those derivatives for which cash flow hedge accounting has been applied, the unrealised changes in fair values are included in reserves. If the cash flow hedge of a firm commitment or forecasted transaction subsequently results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedged items that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss. See note 1 on page 84.

Fair values of derivatives used as fair value hedges	**€ million Assets 2005**	€ million Assets 2004	**€ million Liabilities 2005**	€ million Liabilities 2004
Current				
Interest rate derivatives	**38**	16	**–**	–
Cross currency swaps	**–**	1	**–**	9
Foreign exchange derivatives	**2**	4	**7**	3
	40	21	**7**	12
Non-current				
Interest rate derivatives	**17**	48	**2**	–
Cross currency swaps	**–**	416	**–**	–
Foreign exchange derivatives	**–**	2	**–**	–
	17	466	**2**	–
	57	487	**9**	12

Of the fair values disclosed above, the fair value of borrowing-related derivatives at 31 December 2005 amounted to €46 million (2004: €474 million).

19 Financial instruments (continued)

Fair values of hedges of net investments in foreign entities	€ million Assets 2005	€ million Assets 2004	€ million Liabilities 2005	€ million Liabilities 2004
Current				
Foreign exchange derivatives	**250**	12	**1**	16

The fair value of borrowing-related derivatives included above at 31 December 2005 amounted to €249 million (2004: €(4) million). The impact of exchange rate movements on the fair value of forward exchange contracts used to hedge net investments is recognised in reserves.

Fair values of natural hedges	€ million Assets 2005	€ million Assets 2004	€ million Liabilities 2005	€ million Liabilities 2004
Current				
Interest rate derivatives	**7**	52	**2**	–
Cross currency swaps	**253**		**1**	4
Foreign exchange derivatives	**11**	121	**282**	51
	271	173	**285**	55
Non-current				
Interest rate derivatives	**–**	20	**4**	10
Cross currency swaps	**–**	–	**27**	12
	–	20	**31**	22
	271	193	**316**	77

Of the fair values disclosed above, the fair value of borrowing-related derivatives at 31 December 2005 amounted to €(45) million (2004: €116 million).

Fair values of other derivatives held	€ million Assets 2005	€ million Assets 2004	€ million Liabilities 2005	€ million Liabilities 2004
Current				
Interest rate derivatives	**–**	–	**–**	5
Forward purchase contract own shares	**–**	–	**7**	–
	–	–	**7**	5
Non-current				
Forward purchase contract own shares	**–**	–	**–**	14
	–	–	**7**	19

Additional information

The fair values of forward foreign exchange contracts represent the unrealised gain or loss on revaluation of the contracts at the year-end forward exchange rates. The fair values of interest rate derivatives are based on the net present value of the anticipated future cash flows.

Embedded derivatives

In accordance with IAS 39, 'Financial instruments: Recognition and Measurement', Unilever has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard.

19 Financial instruments (continued)

Fair values of financial assets and financial liabilities

The following table summarises the fair values and carrying amounts of the various classes of financial assets and financial liabilities. All trade and other receivables and trade payables and other liabilities (other than finance lease creditors) and provisions have been excluded from the analysis below and from the interest rate and currency profiles in note 17 on page 106 and note 18 on page 109, as their carrying amounts are a reasonable approximation of their fair value.

	€ million Fair value 2005	€ million Fair value 2004	**€ million Carrying amount 2005**	€ million Carrying amount 2004
Financial assets				
Non-current investments	**720**	728	**720**	698
Cash and cash equivalents	**1 529**	1 590	**1 529**	1 590
Other financial assets	**335**	1 013	**335**	1 013
Derivatives related to borrowings	**250**	n/a	**250**	n/a
	2 834	3 331	**2 834**	3 301
Financial liabilities				
Bank loans and overdrafts	**(1 456)**	(1 583)	**(1 456)**	(1 583)
Bonds and other loans	**(11 255)**	(10 907)	**(10 819)**	(10 465)
Finance lease creditors	**(225)**	(218)	**(217)**	(218)
Preference shares	**(124)**	n/a	**(124)**	n/a
	(13 060)	(12 708)	**(12 616)**	(12 266)

The fair values and the carrying amount of listed investments included in financial assets and preference shares included in financial liabilities are based on their market values. Cash and cash equivalents, other financial assets, bank loans and overdrafts have fair values that approximate to their carrying amounts because of their short-term nature. The fair values of listed bonds are based on their market value, non-listed bonds and other loans are based on the net present value of the anticipated future cash flows associated with these instruments. Fair value for finance lease creditors have been assessed by reference to current market rates for comparable leasing arrangements.

Collateral

In November 2001, NV entered into a forward purchase contract with a counterparty bank to buy 10 000 000 PLC shares at 559p per share in November 2006. Depending on the market value of this forward purchase contract, a cash collateral at a minimum of €8 million must be placed with the counterparty bank. At 31 December 2005 €16 million (2004: €24 million) was so deposited. At 31 December 2005 the market value of the forward purchase contract was €(7) million (2004: €(14) million).

Counterparties have deposited securities with a market value of €275 million (2004: €589 million) as collateral for their obligations in respect of derivative financial instruments. Such collateral is not regarded as an asset of Unilever and is excluded from the balance sheet.

Currency exposures

Unilever's foreign exchange policies are described in note 2 on page 86. These policies require operating companies to manage trading and financial exposures within prescribed limits. At the end of 2005, there was no material exposure from companies holding assets and liabilities other than in their functional currency.

Commodity contracts

Unilever purchases forward contracts to hedge future requirements for certain raw materials, almost always for physical delivery. Futures contracts may also be used to hedge future price movements, however the amounts are not material. For further details please refer to page 32.

Additional disclosures relating to 2004

As noted on page 110, 2004 figures in this note are presented under the accounting policies which applied prior to the adoption of IAS 39. The following additional disclosures relate to the presentation of amounts for 2004.

Nominal values of interest rate derivatives and cross currency swaps are shown in the table below. These nominal values do not reflect the actual level of use of financial instruments when compared with the nominal value of the underlying debt. This is because certain financial instruments have consecutive strike and maturity dates on the same underlying debt in different time periods. Whilst the nominal amounts reflect the volume of activity, they are not indicative of the amount of credit risk to which the Group is exposed.

	€ million Nominal amounts at 31 December 2004
Interest rate derivatives and cross currency swaps	5 903

19 Financial instruments (continued)

The following table shows the extent to which the Group had unrecognised gains and losses in respect of interest rate instruments at the beginning and the end of the year. It shows the movement in the market value of these instruments during the year ended 31 December 2004.

Unrecognised gains and losses	€ million Gains	€ million Losses	€ million Total net gains/(losses)
1 January 2004	189	(61)	128
Brought forward balance recognised in current year	89	(48)	41
Brought forward balance not recognised in current year	100	(13)	87
Current year items not recognised in current year	4	2	6
31 December 2004	104	(11)	93
Expected to be dealt with in 2005	60	(8)	52
Expected to be dealt with later	44	(3)	41

The following table shows the extent to which the Group had recognised but deferred gains and losses in respect of interest rate instruments at the beginning and the end of the year. It also shows the amount which had been included in the income statement for the year and those gains and losses which were expected to be reflected in the income statement in 2005 or in subsequent years.

Deferred gains and losses	€ million Gains	€ million Losses	€ million Total net gains/(losses)
1 January 2004	–	(20)	(20)
Brought forward balance recognised in current year	–	(8)	(8)
Brought forward balance not recognised in current year	–	(12)	(12)
Current year items not recognised in current year	–	1	1
31 December 2004	–	(11)	(11)
To be recognised in the income statement in 2005	–	(5)	(5)
To be recognised in the income statement later	–	(6)	(6)

Under the Group's foreign exchange policy, operating and financing transaction exposures, which usually have a maturity of less than one year, were generally hedged; this was primarily achieved through the use of forward foreign exchange contracts. The market value of these instruments at the end of 2004 represented a recognised unrealised gain of €440 million which was largely offset by recognised unrealised losses on the underlying assets and liabilities.

	€ million Nominal amounts at 31 December 2004
Foreign exchange contracts – buy	3 329
– sell	9 171
Total	12 500

At the end of 2004, some 82% of Unilever's total equity were denominated in the currencies of the two parent companies, euros and pounds sterling.

20 Trade payables and other liabilities

Trade and other payables	**€ million 2005**	€ million 2004
Due within one year		
Trade payables	**3 988**	3 729
Accruals and deferred income	**2 858**	2 539
Social security and sundry taxes	**410**	265
Finance lease creditors	**64**	55
Others	**908**	926
	8 228	7 514
Due after more than one year		
Accruals and deferred income	**153**	132
Finance lease creditors	**153**	163
Others	**83**	144
	389	439
Total trade and other payables	**8 617**	7 953

There are no creditors due after more than five years other than finance lease creditors described in note 27 on page 127.

21 Restructuring and other provisions

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be reasonably estimated.

Restructuring and other provisions	€ million 2005	€ million 2004
Due within one year		
Restructuring provisions	**391**	660
Other provisions	**253**	139
	644	799
Due after one year		
Restructuring provisions	**63**	50
Net liability of associate	**37**	16
Other provisions	**632**	499
	732	565
Total restructuring and other provisions	**1 376**	1 364

Movements during 2005	€ million Restructuring provisions	€ million Net liability of associate	€ million Other provisions	€ million Total
31 December 2004	**710**	**16**	**638**	**1 364**
Disposal of group companies	**(6)**	**–**	**–**	**(6)**
Income statement:				
New charges	**304**	**–**	**245**	**549**
Releases	**(82)**	**–**	**(67)**	**(149)**
Change in liability during year	**–**	**18**	**–**	**18**
Utilisation	**(506)**	**–**	**(44)**	**(550)**
Reclassification as held for sale	**(2)**	**–**	**–**	**(2)**
Currency retranslation	**36**	**3**	**113**	**152**
31 December 2005	**454**	**37**	**885**	**1 376**

Restructuring provisions primarily relate to early retirement and redundancy costs.

Other provisions include provisions for sales tax and other indirect taxes in Brazil, environmental provisions in the United States, and various other legal, environmental and other exposures.

22 Pensions and similar obligations

Description of plans

In many countries the Group operates defined benefit pension plans based on employee pensionable remuneration and length of service. The majority of these plans are externally funded. The Group also provides other post-employment benefits, mainly post-employment medical plans in the United States. These plans are predominantly unfunded. The Group also operates a number of defined contribution plans, the assets of which are held in external funds.

Accounting policies

Operating and financing costs of defined benefit plans are recognised separately in the income statement; service costs are systematically spread over the service lives of employees, and financing costs are recognised in the periods in which they arise. Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of recognised income and expense. The costs of individual events such as past service benefit enhancements, settlements and curtailments are recognised immediately in the income statement. The liabilities and, where applicable, the assets of defined benefit plans are recognised at fair value in the balance sheet. The fair value of plan liabilities includes allowance for expected increases in retirement pensions where these are either required by law or by the plan rules, or where such increases are regularly awarded. The charges to the income statement for defined contribution plans are the company contributions payable and the assets of such plans are not included in the Group balance sheet.

All defined benefit plans are subject to regular actuarial review using the projected unit method, either by external consultants or by actuaries employed by Unilever. Group policy is that the most important plans, representing over 75% of the defined benefit liabilities, are formally valued every year; other principal plans, accounting for approximately a further 15% of liabilities, have their liabilities updated each year. Group policy for the remaining plans requires a full actuarial valuation at least every three years. Asset values for all plans are updated every year.

Healthcare

In December 2003 the Medicare Prescription Drug, Improvement and Modernisation Act became law in the US. Under the provisions of this Act, the Group's US healthcare benefit plans are able to benefit from a subsidy towards the cost of prescription drugs. Following a review of our healthcare plans in 2004, we determined that the benefits of this legislation were immediately available to all except one of our plans without any amendment to those plans. During 2005 it has been established that the remaining plan also benefits. As a consequence, a reduction in liability of €52 million was recognised in the statement of recognised income and expense in 2004 and a further €13 million in 2005. The impact on the ongoing service cost is a reduction by an immaterial amount.

22 Pensions and similar obligations (continued)

IAS 19 Disclosures

Assumptions
With the objective of presenting the assets and liabilities of the pensions and other post-employment benefit plans at their fair value on the balance sheet, assumptions under IAS 19 are set by reference to market conditions at the valuation date. The actuarial assumptions used to calculate the benefit obligations vary according to the country in which the plan is situated. The following table shows the assumptions, weighted by liabilities, used to value the principal defined benefit pension plans (covering approximately 90% of pension liabilities – the 'principal pension plans') and plans providing other post-employment benefits, and in addition the expected long-term rates of return on assets, weighted by asset value.

	31 December 2005		31 December 2004		31 December 2003	
	Principal defined benefit pension plans	**Other post-employment benefit plans**	Principal defined benefit pension plans	Other post-employment benefit plans	Principal defined benefit pension plans	Other post-employment benefit plans
Discount rate	**4.6%**	**5.5%**	5.0%	5.7%	5.5%	6.1%
Inflation	**2.4%**	**n/a**	2.4%	n/a	2.4%	n/a
Rate of increase in salaries	**3.5%**	**4.0%**	3.6%	4.5%	3.7%	4.5%
Rate of increase for pensions in payment	**2.1%**	**n/a**	2.2%	n/a	2.2%	n/a
Rate of increase for pensions in deferment (where provided)	**2.5%**	**n/a**	2.6%	n/a	2.6%	n/a
Long-term medical cost inflation	**n/a**	**4.8%**	n/a	4.8%	n/a	4.9%
Expected long-term rates of return:						
Equities	**7.4%**		7.9%		8.4%	
Bonds	**4.2%**		4.5%		5.0%	
Property	**5.8%**		6.3%		6.8%	
Others	**6.1%**		6.1%		5.5%	
Weighted average asset return	**6.4%**		6.8%		7.2%	

The valuations of other post-employment benefit plans generally assume a higher initial level of medical cost inflation, which falls from 10.4% to the long-term rate within the next five years. Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have the following effect:

	€ million 1% point increase	€ million 1% point decrease
Effect on total of service and interest cost components	7	(6)
Effect on total benefit obligation	78	(69)

The expected rate of return on plan assets was determined, based on actuarial advice, by a process that takes the long-term rates of return on government bonds available at the balance sheet date and applies to these rates suitable risk premiums that take account of historic market returns and current market long-term expectations for each asset class.

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy, plan experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plans.

For the most important pension plans, representing over 75% of all defined benefit plans by liabilities, the assumptions used at 31 December 2005, 2004 and 2003 were:

	United Kingdom			Netherlands		
Other Assumptions	**2005**	2004	2003	**2005**	2004	2003
Discount rate	**4.7%**	5.3%	5.4%	**4.0%**	4.5%	5.2%
Inflation	**2.7%**	2.8%	2.7%	**1.8%**	1.8%	1.8%
Rate of increase in salaries	**4.2%**	4.3%	4.2%	**2.3%**	2.3%	2.5%
Rate of increase for pensions in payment	**2.7%**	2.9%	2.8%	**1.8%**	1.8%	1.8%
Rate of increase for pensions in deferment (where provided)	**2.7%**	2.9%	2.8%	**1.8%**	1.8%	1.8%
Expected long-term rates of return:						
Equities	**7.6%**	8.0%	8.3%	**7.0%**	7.6%	8.3%
Bonds	**4.5%**	5.0%	5.3%	**3.7%**	4.1%	4.7%
Property	**6.1%**	6.5%	6.8%	**5.5%**	6.1%	6.8%
Others	**6.7%**	7.2%	4.3%	**3.7%**	3.5%	3.2%
Weighted average asset return	**6.9%**	7.3%	7.6%	**6.0%**	6.6%	7.3%

22 Pensions and similar obligations (continued)

	United States			Germany		
	2005	2004	2003	**2005**	2004	2003
Discount rate	**5.5%**	5.7%	6.1%	**4.0%**	4.5%	5.2%
Inflation	**2.4%**	2.5%	2.5%	**1.8%**	1.8%	1.8%
Rate of increase in salaries	**4.0%**	4.5%	4.5%	**2.5%**	2.5%	2.5%
Rate of increase for pensions in payment	**0.0%**	0.0%	0.0%	**1.8%**	1.8%	1.8%
Rate of increase for pensions in deferment (where provided)	**0.0%**	0.0%	0.0%	**0.0%**	0.0%	0.0%
Expected long-term rates of return:						
Equities	**8.0%**	8.4%	8.6%	**7.0%**	7.6%	8.3%
Bonds	**4.8%**	4.7%	4.7%	**3.7%**	4.1%	4.7%
Property	**6.5%**	6.9%	n/a	**5.5%**	6.1%	6.8%
Others	**4.2%**	2.1%	n/a	**3.7%**	3.7%	3.7%
Weighted average asset return	**7.0%**	7.3%	7.4%	**5.3%**	5.7%	6.1%

Mortality assumptions for these countries are based on the following post-retirement mortality tables: (i) United Kingdom: PMA 92 and PFA 92 with short cohort adjustment and scaling factor of 125% applied, projected to 2015 for current pensioners and to 2025 for future pensioners; (ii) the Netherlands: GBMV (1995-2000); (iii) United States: RP2000 with a projection period of 10-15 years; and (iv) Germany: Heubeck 1998 (Periodentafel) with a scaling factor of 85%.

Assumptions for the remaining defined benefit plans vary considerably, depending on the economic conditions of the country where they are situated.

Balance Sheet
The assets, liabilities and surplus/(deficit) position of the pension and other post-employment benefit plans and the expected rates of return on the plan assets at the balance sheet date were:

	€ million	**€ million**	**%**	€ million	€ million	%
	31 December 2005			31 December 2004		
	Pension plans	**Other post-employment benefit plans**	**Long-term rates of return expected**	Pension plans	Other post-employment benefit plans	Long-term rates of return expected
Assets of principal plans:						
Equities	**9 670**	**–**	**7.4%**	8 050	–	7.9%
Bonds	**3 854**	**–**	**4.2%**	3 154	–	4.5%
Property	**1 326**	**–**	**5.8%**	1 229	–	6.3%
Other	**752**	**–**	**6.1%**	684	–	6.1%
Assets of other plans	**387**	**17**	**6.9%**	288	14	7.2%
	15 989	**17**		13 405	14	
Present value of liabilities						
Principal plans	**(19 081)**	**–**		(16 528)	–	
Other plans	**(1 059)**	**(1 306)**		(1 070)	(1 175)	
	(20 140)	**(1 306)**		(17 598)	(1 175)	
Aggregate net deficit of the plans	**(4 151)**	**(1 289)**		(4 193)	(1 161)	
Irrecoverable surplus[(a)]	**(141)**	**–**		(100)	–	
Pension liability net of assets	**(4 292)**	**(1 289)**		(4 293)	(1 161)	
Of which in respect of						
Funded plans in surplus:						
Liabilities	**(4 728)**	**–**		(4 176)	–	
Assets	**5 905**	**–**		4 901	–	
Aggregate surplus	**1 177**	**–**		725	–	
Irrecoverable surplus[(a)]	**(141)**	**–**		(100)	–	
Pension asset net of liabilities	**1 036**	–		625	–	
Funded plans in deficit:						
Liabilities	**(12 444)**	**(72)**		(10 795)	(62)	
Assets	**10 084**	**17**		8 504	14	
Pension liability net of assets	**(2 360)**	**(55)**		(2 291)	(48)	
Unfunded plans:						
Pension liability	**(2 968)**	**(1 234)**		(2 627)	(1 113)	

(a) The surplus in the plans is only recoverable to the extent that the Group can benefit from either refunds formally agreed or future contribution reductions.

22 Pensions and similar obligations (continued)

The constituents of the 'Principal plans' have been extended during 2005, such that some plans have been moved from 'Other plans' into 'Principal plans'.

Equity securities include Unilever securities amounting to €34 million (0.2% of total plan assets) and €24 million (0.2% of total plan assets) at 31 December 2005 and 2004 respectively. Property includes property occupied by Unilever amounting to €73 million and €67 million at 31 December 2005 and 2004 respectively.

The pension assets above exclude the assets in a Special Benefits Trust amounting to €197 million (2004: €174 million) to fund pension and similar obligations in the US (see also note 13 on page 103).

Income statement
The charge to the income statement comprises:

	€ million 2005	€ million 2004
Charged to operating profit:		
Defined benefit pension and other benefit plans		
Current service cost	**(367)**	(344)
Employee contributions	**19**	32
Special termination benefits	**(79)**	(135)
Past service cost	**(13)**	(13)
Settlements/curtailments	**95**	62
Defined contribution plans	**(63)**	(65)
Total operating cost	**(408)**	(463)
Charged to other finance income/(cost):		
Interest on retirement benefits	**(986)**	(976)
Expected return on assets	**931**	918
Total other finance income/(cost)	**(55)**	(58)
Net impact on the income statement (before tax)	**(463)**	(521)

Cash flow
Group cash flow in respect of pensions and similar benefits comprises company contributions paid to funded plans and benefits paid by the company in respect of unfunded plans. In 2005, the benefits paid in respect of unfunded plans amounted to €328 million (2004: €324 million). Company contributions to funded defined benefit plans are subject to periodic review. In 2005, contributions to funded defined benefit plans amounted to €508 million (2004: €462 million). Contributions to defined contribution plans including 401k plans amounted to €63 million (2004: €65 million). In 2005, a €15 million (2004: € nil) refund of assets was received out of unrecognised surplus from Finland. Total contributions to funded plans and benefit payments by the Group in respect of unfunded plans are currently expected to be about €930 million in 2006 (2005: €898 million).

Statement of recognised income and expense
Amounts recognised in the statement of recognised income and expense:

	€ million 2005	€ million 2004
Actual return less expected return on pension and other benefit plan assets	**1 592**	369
Experience gains/(losses) arising on pension plan and other benefit plan liabilities	**27**	(47)
Changes in assumptions underlying the present value of the pension and other benefit plan liabilities	**(1 706)**	(1 047)
Actuarial gain/(loss)	**(87)**	(725)
Change in unrecognised surplus	**(41)**	2
Refund of unrecognised assets	**15**	–
Net actuarial gain/(loss) recognised in statement of recognised income and expense (before tax)	**(113)**	(723)

22 Pensions and similar obligations (continued)

Reconciliation of change in assets and liabilities
Movements in assets and liabilities during the year:

	€ million Assets 2005	€ million Assets 2004	**€ million Liabilities 2005**	€ million Liabilities 2004
1 January	**13 419**	12 819	**(18 773)**	(17 880)
Acquisitions/disposals	**(3)**	–	**18**	(6)
Current service cost	**–**	–	**(367)**	(344)
Employee contributions	**19**	32	**–**	–
Special termination benefits	**–**	–	**(79)**	(135)
Past service costs	**–**	–	**(13)**	(13)
Settlements/curtailments	**(10)**	(23)	**105**	85
Other finance income	**931**	918	**–**	–
Other finance cost	**–**	–	**(986)**	(976)
Actuarial gain/(loss)	**1 592**	369	**(1 679)**	(1 094)
Employer contributions	**836**	786	**–**	–
Benefit payments	**(1 247)**	(1 223)	**1 247**	1 223
Reclassification of benefits[b]	**39**	(166)	**(140)**	166
Currency retranslation	**430**	(93)	**(779)**	201
31 December	**16 006**	13 419	**(21 446)**	(18 773)

(b) During 2004 some plans changed from defined benefit to defined contribution. During 2005 certain obligations were reclassified as employee benefit obligations.

History of experience gains and losses

	2005	2004
Actual return less expected return on plan assets (€ million)	**1 592**	369
As % of plan assets at beginning of year (%)	**12**	3
Experience gains/(losses) on plan liabilities (€ million)	**27**	(47)
As % of present value of plan liabilities at beginning of year (%)	**–**	–
Changes in actuarial assumptions underlying the present value of the pension benefit and other benefit plan liabilities (€ million)	**(1 706)**	(1 047)
As % of present value of plan liabilities at beginning of year (%)	**(9)**	(6)
Total actuarial gain/(loss) (€ million)	**(87)**	(725)
As % of present value of plan liabilities at beginning of year (%)	**–**	(4)

US GAAP disclosures
Under US GAAP, the actuarial assumptions used to calculate the benefit obligations are set by reference to market conditions at the balance sheet date, in a manner similar to that used under IAS 19. The accounting methodology however is not the same as under IAS 19, since under US GAAP all costs are recognised in operating profit and certain cost items are amortised in the income statement rather than recognised immediately.

The disclosures below show the benefit obligations, assets, funded status and balance sheet impact, as well as the periodic expense, cash flows and related economic assumptions associated with the defined benefit pension plans and other post-employment benefit plans as computed in accordance with FAS 87 and FAS 106.

Measurement dates
All plan assets are valued at fair value at the balance sheet date. Liabilities in respect of the most important pension plans, comprising approximately 75% of the pension liabilities, are subject to actuarial valuations every year. The valuations use membership data for the current year with the liability projected forward to the balance sheet date. Valuations of all other plans are carried out every three years and in the case of the other principal pension plans, comprising approximately a further 15% of the liabilities, the valuations are updated each year.

22 Pensions and similar obligations (continued)

Benefit obligations
The table below shows changes in benefit obligations during 2005 and 2004:

Change in benefit obligations	€ million Pension plans 2005	€ million Pension plans 2004	€ million Other post-employment benefit plans 2005	€ million Other post-employment benefit plans 2004
1 January	**17 512**	16 718	**1 175**	1 049
Extension of coverage	**–**	–	**–**	29
Service cost	**321**	293	**28**	24
Interest cost	**915**	909	**68**	64
Plan member contributions	**19**	32	**–**	–
Amendments	**13**	5	**(56)**	(3)
Actuarial (gains)/losses	**1 665**	922	**12**	179
Acquisitions/(disposals)	**(22)**	–	**(3)**	–
Settlements/curtailments	**(40)**	(65)	**(4)**	1
Special termination benefits	**79**	134	**1**	1
Benefits paid	**(1 160)**	(1 126)	**(84)**	(89)
Reclassification of benefits[b]	**18**	(166)	**10**	–
Currency retranslation	**607**	(144)	**159**	(80)
31 December	**19 927**	17 512	**1 306**	1 175

(b) During 2004, some plans changed from defined benefit to defined contribution. During 2005, certain obligations were reclassified as employee benefit obligations.

Assumptions
The weighted assumptions used to value the benefit obligations in respect of the principal plans are:

Weighted average assumptions used to determine benefit obligations for the principal plans at 31 December	% Pension plans 2005	% Pension plans 2004	% Other post-employment benefit plans 2005	% Other post-employment benefit plans 2004
Discount rate	**4.6**	5.1	**5.5**	5.7
Salary increases	**3.5**	3.6	**4.0**	4.5
Pension increases	**2.1**	2.2	**n/a**	n/a

Assumptions for the remaining defined benefits plans vary considerably, depending on the economic conditions of the country where they are situated.

Post-employment healthcare benefits
Additional assumptions in respect of healthcare benefits are:

Weighted average healthcare trend rates at 31 December	2005	2004
Healthcare cost trend rate assumed for next year	**10.4%**	11.2%
Rate to which the cost trend rate gradually declines	**4.8%**	4.8%
Year that the assumed long-term rate is reached	**2012**	2011

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have the following effect:

	€ million 1% point increase	€ million 1% point decrease
Effect on post-employment benefit obligation	78	(69)

22 Pensions and similar obligations (continued)

Plan assets

The table below shows the changes in the fair value of plan assets during 2005 and 2004:

Change in the fair value of plan assets during the year	**€ million Pension plans 2005**	€ million Pension plans 2004	**€ million Other post-employment benefit plans 2005**	€ million Other post-employment benefit plans 2004
1 January	**13 441**	12 850	**14**	3
Actual return on plan assets	**2 483**	1 275	**3**	9
Acquisitions/(disposals)	**(3)**	–	**–**	–
Settlements	**(10)**	(23)	**–**	–
Employer contributions/surplus refunds	**751**	693	**82**	88
Plan member contributions	**19**	32	**–**	–
Benefits paid from plan assets	**(1 160)**	(1 126)	**(84)**	(89)
Reclassification of benefits[(b)]	**39**	(166)	**–**	–
Currency retranslations	**429**	(94)	**2**	3
31 December	**15 989**	13 441	**17**	14

(b) During 2004, some plans changed from defined benefit to defined contribution. During 2005, certain obligations were reclassified as employee benefit obligations.

Asset allocation

The asset allocation for the Group's principal pension plans at 31 December 2004 and 2005, target allocation for 2006, and expected long-term rates of return by asset category are as follows:

Long-term asset category	Target percentage allocation for 2006	**Percentage of plan assets at 31 December 2005**	Percentage of plan assets at 31 December 2004	**Long-term expected return on plan assets at 31 December 2005**
Equity securities	62	**61**	63	**7.4%**
Debt securities	26	**25**	24	**4.2%**
Property	9	**9**	9	**5.8%**
Other	3	**5**	4	**6.1%**
	100	**100**	100	**6.4%**

Equity securities include Unilever securities amounting to €34 million (0.2% of total plan assets) and €24 million (0.2% of total plan assets) at 31 December 2005 and 2004 respectively.

Investment strategy

The Group's investment strategy in respect of its funded pension plans is implemented within the framework of the various statutory requirements of the territories where the plans are based. The Group has developed policy guidelines for the allocation of assets to different classes with the objective of controlling risk and maintaining the right balance between risk and long-term returns in order to limit the cost to the company of the benefits provided. To achieve this, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The plans invest the largest proportion of the assets in equities which the Group believes offer the best returns over the long term commensurate with an acceptable level of risk. The Group also keeps a proportion of assets invested in property, bonds and cash. Most assets are managed by a number of external fund managers with a small proportion managed in-house. Unilever has recently launched a pooled investment vehicle (Univest) which it believes will offer its pension plans around the world a simplified investment solution to implement their strategic asset allocation models initially for equities. The aim is to provide a high quality, well diversified risk-controlled solution.

22 Pensions and similar obligations (continued)

Funded status

The funded status of the plans, reconciled to the amount reported in the statement of financial position is as follows:

	€ million Pension plans 2005	€ million Pension plans 2004	€ million Other post-employment benefit plans 2005	€ million Other post-employment benefit plans 2004
Fair value of plan assets	**15 989**	13 441	**17**	14
Benefit obligations	**(19 927)**	(17 512)	**(1 306)**	(1 175)
Funded status at 31 December	**(3 938)**	(4 071)	**(1 289)**	(1 161)
Unrecognised net transition liability/(asset)	**(46)**	(82)	**–**	–
Unrecognised net actuarial loss/(gain)	**3 008**	2 966	**319**	290
Unrecognised prior service cost	**91**	118	**(59)**	(2)
Other (FAS 112 liabilities)	**n/a**	n/a	**–**	–
Net amount recognised at 31 December	**(885)**	(1 069)	**(1 029)**	(873)
Amount recognised in the statement of financial position consists of:				
Prepaid benefit cost	**1 603**	1 333	**3**	–
Accrued benefit liability	**(2 488)**	(2 402)	**(1 032)**	(873)
Additional minimum liability	**(2 442)**	(2 208)	**–**	–
Intangible asset	**52**	99	**–**	–
Accumulated other comprehensive income	**2 390**	2 109	**–**	–
Net amount recognised at 31 December	**(885)**	(1 069)	**(1 029)**	(873)

The projected benefit obligation (PBO), accumulated benefit obligation (ABO), and fair value of plan assets, in total and for plans where the projected benefit obligation or accumulated benefit obligation is in excess of plan assets is as follows:

	€ million Pension plans 2005	€ million Pension plans 2004	€ million Plans where PBO exceeds plan assets 2005	€ million Plans where PBO exceeds plan assets 2004	€ million Plans where ABO exceeds plan assets 2005	€ million Plans where ABO exceeds plan assets 2004
As at 31 December						
Projected benefit obligations	**19 927**	17 512	**15 175**	13 330	**14 749**	12 767
Accumulated benefit obligations	**18 687**	16 343	**14 290**	12 459	**13 849**	11 930
Fair value of plan assets	**15 989**	13 441	**10 067**	8 532	**9 659**	7 987

Net periodic cost

Components of net periodic benefit cost	€ million Pension plans 2005	€ million Pension plans 2004	€ million Other post-employment benefit plans 2005	€ million Other post-employment benefit plans 2004
Service cost (gross)	**339**	324	**28**	24
Interest cost	**915**	909	**68**	64
Expected returns on plan assets	**(930)**	(917)	**(1)**	–
Employee contributions	**(19)**	(32)	**–**	–
Amortisation of prior service cost	**30**	33	**(2)**	–
Amortisation of transition (asset)	**(35)**	(35)	**–**	–
Amortisation of actuarial loss/(gain)	**162**	163	**17**	12
Total before FAS 88 events	**462**	445	**110**	100
Adjustments for FAS 88 events	**81**	120	**(3)**	6
Net periodic benefit cost	**543**	565	**107**	106

22 Pensions and similar obligations (continued)

Assumptions
The assumptions in respect of principal plans used to determine the periodic expense in the table above for pensions and other retirement benefits are given in the table below:

Weighted average assumptions used to determine net cost for the principal plans for the years ended 31 December	% Pension plans 2005	% Pension plans 2004	% Pension plans 2003	% Other post-employment benefit plans 2005	% Other post-employment benefit plans 2004	% Other post-employment benefit plans 2003
Discount rate	**5.1**	5.5	5.7	**5.7**	6.1	6.5
Expected long-term rate of return on plan assets	**6.8**	7.2	6.9	**n/a**	n/a	n/a
Salary increases	**3.6**	3.7	3.6	**4.5**	4.5	4.3
Pension increases	**2.2**	2.2	2.2	**n/a**	n/a	n/a

Expected rate of return on plan assets
The expected rate of return on plan assets was determined, based on actuarial advice, by a process that takes the current long-term rates of return available on government bonds and applies to these rates suitable risk premiums that take account of historic market returns and current market expectations.

Post-employment healthcare benefits
Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	€ million 1% point increase	€ million 1% point decrease
Effect on total of service and interest cost components	7	(6)

Expected cash flows
During 2006 Unilever currently expects to make cash contributions of €510 million to funded defined benefit plans. This includes both mandatory and discretionary payments. In addition, a further €64 million is expected to be contributed to defined contribution plans.

The table below shows the expected benefit payments from defined benefit plans. The benefits paid from funded plans include amounts funded by employee contributions. The benefits paid in respect of unfunded plans are made from the Group's cash resources.

Expected benefit payments	€ million Pension benefits Funded	Unfunded	€ million Other benefits Unfunded
2006	861	261	97
2007	892	241	101
2008	914	247	105
2009	939	259	107
2010	958	265	110
2011–2015	5 087	1 471	556

23 Equity

From 1 January 2005, Unilever has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'. IAS 32 requires preference shares that provide for a fixed preference dividend to be classified as borrowings and preference dividends to be recognised in the income statement as a finance cost. IAS 39 requires unrealised fair value gains/(losses) on certain financial instruments to be recognised in equity, when realised, these fair value gains/(losses) are to be recognised in the income statement. In accordance with the transition rules for first time adoption of IFRSs, 2004 comparatives have not been restated. The impact of the adoption of IAS 32 and IAS 39 is shown in the following table:

					Shareholders' equity		Total equity
Consolidated statement of changes in equity	€ million Called up share capital	€ million Share premium account	€ million Other reserves	€ million Retained profit	€ million Total shareholders' equity	€ million Minority interest	€ million Total equity
1 January 2004	642	1 530	(2 442)	7 006	6 736	439	7 175
Total recognised income and expense for the year	–	–	218	2 156	2 374	167	2 541
Preference dividends	–	–	–	(28)	(28)	–	(28)
Final dividends 2003 on ordinary capital	–	–	–	(1 116)	(1 116)	–	(1 116)
Interim dividends 2004 on ordinary capital	–	–	–	(603)	(603)	–	(603)
(Purchase)/sale/reduction of treasury stock	–	–	(331)	7	(324)	–	(324)
Share-based payment credit[(a)]	–	–	–	222	222	–	222
Dividends paid to minority shareholders	–	–	–	–	–	(203)	(203)
Currency retranslation gains/(losses) net of tax	–	–	–	1	1	(6)	(5)
Other movements in equity	–	–	–	2	2	(32)	(30)
31 December 2004	**642**	**1 530**	**(2 555)**	**7 647**	**7 264**	**365**	**7 629**
Accounting policy change – preference shares	**(130)**	**(1 372)**	**–**	**–**	**(1 502)**	**–**	**(1 502)**
Accounting policy change – other financial instruments	**–**	**–**	**(19)**	**407**	**388**	**–**	**388**
Equity as restated at 1 January 2005	**512**	**158**	**(2 574)**	**8 054**	**6 150**	**365**	**6 515**
Total recognised income and expense for the year	**–**	**–**	**379**	**3 825**	**4 204**	**249**	**4 453**
Final dividends 2004 on ordinary capital	**–**	**–**	**–**	**(1 229)**	**(1 229)**	**–**	**(1 229)**
Interim dividends 2005 on ordinary capital	**–**	**–**	**–**	**(638)**	**(638)**	**–**	**(638)**
Conversion of preference shares	**–**	**–**	**1 129**	**(199)**	**930**	**–**	**930**
(Purchase)/sale/reduction of treasury stock	**–**	**–**	**(1 262)**	**–**	**(1 262)**	**–**	**(1 262)**
Share-based payment credit[(a)]	**–**	**–**	**–**	**186**	**186**	**–**	**186**
Dividends paid to minority shareholders	**–**	**–**	**–**	**–**	**–**	**(217)**	**(217)**
Currency retranslation gains/(losses) net of tax	**–**	**4**	**–**	**–**	**4**	**9**	**13**
Other movements in equity	**–**	**–**	**–**	**16**	**16**	**(2)**	**14**
31 December 2005	**512**	**162**	**(2 328)**	**10 015**	**8 361**	**404**	**8 765**

(a) The share-based payment credit relates to the reversal of the non-cash charge recorded against operating profit in respect of the fair value of share options and awards granted to employees.

24 Called up share capital

Called up share capital	€ million 2005	€ million 2004
Ordinary share capital of NV	290	290
Preference share capital of NV[a]	n/a	130
	290	420
Ordinary share capital of PLC	222	222
	512	642

Ordinary share capital	Number of shares authorised	Authorised 2005	Authorised 2004	Nominal value per share	Number of shares issued	Issued, called up and fully paid 2005	Issued, called up and fully paid 2004
		€ million	€ million			€ million	€ million
NV ordinary shares	1 000 000 000	508	508	€0.51	571 575 900	290	290
NV ordinary shares (shares numbered 1 to 2 400 – 'Special Shares')		1	1	€453.78	2 400	1	1
Internal holdings eliminated on consolidation (€453.78 shares)		–	–			(1)	(1)
		509	509			290	290
		£ million	£ million			£ million	£ million
PLC ordinary shares	9 726 834 428	136.2	136.2	1.4p	2 911 458 580	40.8	40.8
PLC deferred stock	100 000	0.1	0.1	£1 stock	100 000	0.1	0.1
Internal holding eliminated on consolidation (£1 stock)		–	–			(0.1)	(0.1)
		136.3	136.3			40.8	40.8
Euro equivalent in millions (at £1 = €5.445)						222	222

NV preference shares as at 31 December 2004[a]	Number of shares authorised	Authorised	Nominal value per share	Number of shares issued	Issued, called up and fully paid
		€ million			€ million
7% Cumulative Preference	75 000	34	€453.78	29 000	13
6% Cumulative Preference	200 000	91	€453.78	161 060	73
4% Cumulative Preference	750 000	34	€45.38	750 000	34
5 euro cents Cumulative Preference	650 000 000	29	€0.05	211 473 785	10
		188			130

(a) From 1 January 2005, Unilever adopted IAS 32 'Financial Instruments: Disclosure and Presentation' which requires preference shares that provide for a fixed preference dividend to be classified as borrowings. In accordance with the transition rules for IAS 32, 2004 comparatives have not been restated.

For NV share capital, the euro amounts shown above and elsewhere in this document are representations in euros on the basis of Article 67c of Book 2 of the Civil Code in the Netherlands, rounded to two decimal places, of underlying share capital in Dutch guilders, which have not been converted into euros in NV's Articles of Association. Until conversion formally takes place by amendment of the Articles of Association, the entitlements to dividends and voting rights are based on the euro equivalent of the underlying Dutch guilder according to the official euro exchange rate.

For information on the rights of shareholders of NV and PLC and the operation of the Equalisation Agreement, see Corporate Governance on pages 40 to 43.

On 15 February 2005, after close of trading, NV converted part of the notional value of the €0.05 cumulative preference shares into NV ordinary shares. Upon conversion, the holders of the preference shares received one NV ordinary share for every 11.2 preference shares held. This resulted in a total of 18 881 587 NV ordinary shares being transferred to the preference shareholders. These NV ordinary shares had previously been held as treasury shares by NV. As a consequence of the conversion, the notional value of the preference shares was reduced to €0.05. On 10 May 2005 the Annual General Meeting of the shareholders of NV resolved to cancel the preference shares upon repayment of the notional value in accordance with NV's Articles of Association. The preference shares were cancelled at midnight on 13 July 2005 and were delisted by Euronext Amsterdam with effect from 14 July 2005.

The 7%, 6% and 4% preference shares of NV are entitled to dividends at the rates indicated. The €0.05 preference shares of NV were entitled to a dividend of 65% of the six months euribor interest rate on their notional value of €6.580 each. A nominal dividend of 0.25% is paid on the deferred stock of PLC. The 4% cumulative preference capital of NV is redeemable at par at the company's option either wholly or in part. The other classes of preferential share capital of NV and the deferred stock of PLC are not redeemable.

24 Called up share capital (continued)

Internal holdings

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

Share-based compensation

The Group operates a number of share-based compensation plans involving options and awards of ordinary shares of NV and PLC. Full details of these plans are given in note 31 on pages 132 to 141.

25 Other reserves

	€ million NV 2005	€ million NV 2004	**€ million PLC 2005**	€ million PLC 2004	**€ million Total 2005**	€ million Total 2004
Fair value reserves(a)	**240**	n/a	**87**	n/a	**327**	n/a
Cash flow hedges	**(3)**	n/a	**(2)**	n/a	**(5)**	n/a
Available-for-sale financial assets	**–**	n/a	**–**	n/a	**–**	n/a
Net investment hedges	**243**	n/a	**89**	n/a	**332**	n/a
Currency retranslation of group companies	**305**	160	**(54)**	58	**251**	218
Adjustment on translation of PLC's ordinary capital at £1 = Fl.12 = €5.445	**–**	–	**(164)**	(164)	**(164)**	(164)
Capital redemption reserve	**–**	–	**16**	16	**16**	16
Book value treasury stock	**(2 010)**	(2 065)	**(748)**	(560)	**(2 758)**	(2 625)
	(1 465)	(1 905)	**(863)**	(650)	**(2 328)**	(2 555)

(a) From 1 January 2005, Unilever has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' which require unrealised fair value gains/(losses) on cash flow hedges, available-for-sale financial assets and net investment hedges to be recognised in equity. In accordance with the transition rules for IAS 32 and IAS 39, comparative amounts for 2004 have not been restated. The year-end balance of the cash flow hedges will be recognised in the income statement spread over the years 2006 to 2010, based on maturities.

Cash flow hedges – movements during the year	**€ million 2005**
1 January	**(19)**
Additions	**9**
Transfers to income statement	**1**
Transfers to inventories/non-current assets	**4**
31 December	**(5)**

Unilever acquired 20 094 859 ordinary shares of NV and 31 749 739 ordinary shares of PLC through purchases on the stock exchanges during the year. These shares are held as treasury stock as a separate component of other reserves. The total number held at 31 December 2005 is 24 726 337 (2004: 25 120 635) NV shares and 158 516 224 (2004: 142 739 616) PLC shares. Of these, 19 791 377 NV shares and 132 835 745 PLC shares are held as hedges against share-based compensation plans (see note 31 on pages 132 to 141).

Treasury stock – movements during the year	**€ million 2005**	€ million 2004
1 January	**2 625**	2 294
Utilised for preference shares conversion at average book value	**(1 129)**	–
Purchases and other utilisations	**1 262**	331
31 December	**2 758**	2 625

Currency retranslation reserve – movements during the year	**€ million 2005**	€ million 2004
1 January	**218**	–
Currency retranslation during the year	**92**	216
Recycled to income statement	**(59)**	2
31 December	**251**	218

26 Retained profit

Movements during the year	€ million NV 2005	€ million NV 2004	€ million PLC 2005	€ million PLC 2004	€ million Total 2005	€ million Total 2004
31 December 2004	**8 331**		**(684)**		**7 647**	
Accounting policy change for financial instruments[a]	**(1 500)**		**1 907**		**407**	
1 January	**6 831**	7 321	**1 223**	(315)	**8 054**	7 006
Recognised income and expense through retained profit	**3 092**	1 520	**733**	636	**3 825**	2 156
Preference dividends[b]	**–**	(28)	**–**	–	**–**	(28)
Final dividends 2003 on ordinary capital	**–**	(630)	**–**	(486)	**–**	(1 116)
Interim dividends 2004 on ordinary capital	**–**	(343)	**–**	(260)	**–**	(603)
Final dividends 2004 on ordinary capital	**(710)**	–	**(519)**	–	**(1 229)**	–
Interim dividends 2005 on ordinary capital	**(363)**	–	**(275)**	–	**(638)**	–
Conversion of preference shares	**(199)**	–	**–**	–	**(199)**	–
(Purchase)/sale of treasury stock	**–**	7	**–**	–	**–**	7
Share-based compensation credit[c]	**132**	152	**54**	70	**186**	222
Adjustment arising from change in ownership of group companies[d]	**(70)**	332	**70**	(332)	**–**	–
Other movements in retained profit	**8**	–	**8**	3	**16**	3
31 December	**8 721**	8 331	**1 294**	(684)	**10 015**	7 647
Of which retained by:						
Parent companies	**9 463**	7 693	**2 145**	1 553	**11 608**	9 246
Other group companies	**(668)**	731	**(837)**	(2 235)	**(1 505)**	(1 504)
Joint ventures and associates	**(74)**	(93)	**(14)**	(2)	**(88)**	(95)
	8 721	8 331	**1 294**	(684)	**10 015**	7 647

(a) Due to the adoption of IAS 32 and IAS 39 with effect from 1 January 2005, intra-group preference shares are now classified as debt instead of equity. The relative ownership of these preference shares has resulted in a re-alignment of balances between NV and PLC.

(b) From 1 January 2005, Unilever has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' which requires preference shares that provide for a fixed preference dividend to be classified as borrowings and preference dividends to be recognised in the income statement. In accordance with the transition rules for IAS 32, 2004 has not been restated.

(c) The share-based compensation credit relates to the reversal of the non-cash charge recorded against operating profit in respect of the fair value of share options and awards granted to employees.

(d) During 2002, as part of the legal and fiscal integration of the Bestfoods businesses, a number of internal ownership changes took place. These internal transactions, which took place at fair value, did not involve any third party and therefore had no effect on the results or net assets of the consolidated Unilever Group. The historical cost of the net assets of the business transferred by PLC was greater than the historical cost of the net assets of the business transferred by NV. As it would be inappropriate to recognise revaluations to assets and liabilities of the Group arising from internal transactions, this imbalance led to NV recording an unrealised gain of €1 646 million on the transfer, while PLC recorded an equal and opposite goodwill balance which is eliminated on consolidation. Further re-organisations in subsequent years have produced similar types of adjustments.

Cumulative goodwill written off directly to reserves prior to the transition to IFRSs on 1 January 2004 was €5 199 million for NV and €2 063 million for PLC.

27 Commitments and contingent liabilities

Long-term finance lease commitments	€ million Future minimum lease payments 2005	€ million Finance cost 2005	€ million Present value 2005	€ million Future minimum lease payments 2004	€ million Finance cost 2004	€ million Present value 2004
Buildings[a]	**160**	**95**	**65**	91	50	41
Plant and machinery	**170**	**18**	**152**	194	17	177
	330	**113**	**217**	285	67	218
The commitments fall due as follows:						
Within 1 year	**75**	**11**	**64**	55	–	55
After 1 year but within 2 years	**60**	**10**	**50**	53	7	46
After 2 years but within 3 years	**56**	**6**	**50**	49	5	44
After 3 years but within 4 years	**14**	**6**	**8**	47	3	44
After 4 years but within 5 years	**13**	**6**	**7**	6	1	5
After 5 years	**112**	**74**	**38**	75	51	24
	330	**113**	**217**	285	67	218

(a) All leased land is classified as operating leases.

The Group has not sublet any part of the leased properties under finance lease.

Long-term operating lease commitments	€ million 2005	€ million 2004
Land and buildings	**1 472**	1 485
Plant and machinery	**459**	410
	1 931	1 895

Operating lease and other commitments fall due as follows	€ million Operating leases 2005	€ million Operating leases 2004	€ million Other commit-ments 2005	€ million Other commit-ments 2004
Within 1 year	**339**	334	**365**	291
After 1 year but within 2 years	**297**	280	**323**	254
After 2 years but within 3 years	**267**	250	**62**	169
After 3 years but within 4 years	**222**	231	**40**	46
After 4 years but within 5 years	**209**	193	**23**	11
After 5 years	**597**	607	**18**	193
	1 931	1 895	**831**	964

The Group has sublet part of the leased properties under operating lease. Future minimum sublease payments of €28 million are expected to be received.

Other commitments principally comprise commitments under contracts to purchase materials and services. They do not include commitments for capital expenditure, which are reported in note 11 on page 100.

Contingent liabilities are either possible obligations that will probably not require a transfer of economic benefits, or present obligations that may, but probably will not, require a transfer of economic benefits. It is not appropriate to make provisions for contingent liabilities, but there is a chance that they will turn into an obligation in the future. The Group believes that incurred losses in any of these matters would not have a material effect.

Examples of the first type of contingent liability arise in respect of litigation against group companies, investigations by competition, regulatory and fiscal authorities and obligations arising under environmental legislation. The estimated total of such contingent liabilities at 31 December 2005 was some €349 million (2004: €275 million).

Examples of the second type of contingent liability are guarantees issued by group companies. At 31 December 2005 these amounted to some €113 million (2004: €143 million). Included in this are discounted trade bills with a value of €25 million (2004: €45 million). We believe that any loss arising in connection with these would not have a material effect on the Group's financial condition or results of operations. Guarantees given by parent or group companies that relate to liabilities already included in these consolidated accounts are excluded from this total.

The total value of guarantees which arose or were revised in 2005 was €39 million (2004: €80 million). The fair value of guarantees is not material in either 2004 or 2005.

28 Acquisitions and disposals

Acquisitions

During 2005 an additional investment into Langholm Capital Partners Fund was made and classified as an acquisition of associates (see note 13 on page 103). We also purchased some minority interests in subsidiary companies. No other acquisitions were made in 2005.

The following table sets out the effect of acquisitions of group companies in 2005 on the consolidated balance sheet. The fair values currently established for all acquisitions made in 2005 are provisional. The goodwill arising on these transactions has been capitalised and is subject to an annual review for impairment (or more frequently if necessary) in accordance with our accounting policies as set out in note 1 on page 82. Any impairment is charged to the income statement as it arises. Detailed information relating to goodwill is given in note 10 on pages 98 and 99.

Acquisitions	€ million 2005	€ million 2004
Net assets acquired	**7**	33
Goodwill arising in subsidiaries	**13**	7
Consideration	**20**	40

Consideration consisted wholly of cash.

Disposals

The results of disposed businesses are included in the consolidated accounts up to their date of disposal. The principal disposals in 2005 were UCI across the world, Stanton Oil in UK and Ireland, Dextro in various countries in Europe, Opal in Peru, Karo and Knax in Mexico, spreads and cooking products in Australia and in New Zealand, Crispa, Mentadent, Marmite, Bovril and Maizena in South Africa, frozen pizza in Austria, Biopon in Hungary and tea plantations in India.

In March 2005 Unilever completed the restructuring of its Portuguese foods business. Before the restructuring Unilever Portugal held an interest in FIMA/VG - Distribuição de Produtos Alimentares, Lda. (FIMA) foods business, a joint venture with Jerónimo Martins Group, in addition to its wholly owned Bestfoods business acquired in 2000. As a result of the transaction the two foods businesses – FIMA and Unilever Bestfoods Portugal – were unified and the joint venture stakes were re-balanced so that Unilever now holds 49% of the combined foods business and Jerónimo Martins Group 51%.

In 2004, the principal disposals were Puget oils in France, the frozen pizza and baguette businesses in various countries in Europe, Rit, Niagara, Final Touch and Sunlight in North America, Capullo, Mazola and Inca in Chile and Mexico and Dalda oils in Pakistan. Our chemicals business in India (Hindustan Lever Chemicals) was merged with Tata Chemicals. Various other smaller brands were also sold as part of our Path to Growth strategy.

Disposals	€ million 2005	€ million 2004
Goodwill and intangible assets	**150**	23
Other non-current assets	**78**	52
Current assets	**207**	145
Trade creditors and other payables	**(106)**	(34)
Provisions for liabilities and charges	**(15)**	(9)
Minority interest	**(1)**	(25)
Net assets sold	**313**	152
(Gain)/loss on recycling of currency retranslation on disposal	**(5)**	2
Profit on sale attributable to Unilever	**655**	338
Consideration	**963**	492
Cash	**845**	417
Cash balances of businesses sold	**(17)**	(4)
Financial assets, cash deposits and borrowings of businesses sold	**8**	39
Non-cash items and deferred consideration	**26**	40
Payment received in prior year	**101**	–

29 Assets held for sale and discontinued operations

Following the announcement on 11 July 2005 of the completion of the sale of Unilever Cosmetics International (UCI) to Coty Inc., United States, the results of UCI have been presented as discontinued operations.

An analysis of the result of discontinued operations, and the result recognised on disposal of discontinued operations is as follows:

Income statement of discontinued operations	€ million 2005	€ million 2004
Turnover	**230**	542
Expenses	**(208)**	(469)
Operating profit before taxation	**22**	73
Taxation	**(7)**	(26)
Profit after taxation	**15**	47
Gain/(loss) on disposal of discontinued operations	**498**	–
Recycling of currency retranslation upon disposal	**5**	–
Taxation arising on disposal	**(45)**	–
Gain/(loss) after taxation on disposal	**458**	–
Net profit from discontinued operations	**473**	47
Combined earnings per share from discontinued operations		
Basic earnings per share:		
Euros per €0.51 of ordinary capital	**0.49**	0.05
Euro cents per 1.4p of ordinary capital	**7.30**	0.74
On a diluted basis the figures would be:		
Euros per €0.51 of ordinary capital	**0.47**	0.05
Euro cents per 1.4p of ordinary capital	**7.07**	0.70

Segment analysis of discontinued operations	€ million 2005	€ million 2004
Turnover		
Europe	**126**	304
The Americas	**102**	231
Asia Africa	**2**	7
	230	542
Operating profit		
Europe	**1**	22
The Americas	**20**	47
Asia Africa	**1**	4
	22	73

All these amounts relate to the personal care segment.

Cash flow statement of discontinued operations	€ million 2005	€ million 2004
Net cash flow from/(used in) operating activities	**(102)**	94
Net cash flow from/(used in) investing activities	**623**	(2)
Net cash flow from/(used in) financing activities	**–**	–
Net increase/(decrease) in cash and cash equivalents	**521**	92

29 Assets held for sale and discontinued operations (continued)

Various non-current assets and disposal groups were held for sale at the year end, including the Mora business in the Netherlands and Belgium and a number of other production and distribution facilities in other parts of the world.

Assets classified as held for sale	**€ million 31 December 2005**	€ million 1 January 2005
Disposal groups held for sale		
Goodwill	**–**	133
Intangible assets	**–**	60
Property, plant and equipment	**42**	94
Biological assets	**21**	–
Other non-current investments	**–**	1
Inventories	**18**	16
Trade and other receivables	**6**	27
Cash and cash equivalents	**1**	8
	88	339
Non-current assets held for sale		
Property, plant and equipment	**129**	36
	217	375

Liabilities classified as held for sale (part of disposal groups)	**€ million 31 December 2005**	€ million 1 January 2005
Trade payables and other liabilities	**(16)**	(14)
Restructuring and other provisions	**–**	(2)
Pension liability for unfunded schemes	**(1)**	(3)
Deferred taxation	**(9)**	–
	(26)	(19)

Total assets at 31 December 2005 are included in the geographical segments as follows: Europe €142 million; The Americas €45 million; and Asia Africa €30 million. Total liabilities at 31 December 2005 are included in the geographical segments as follows: Europe €17 million; The Americas €nil; and Asia Africa €9 million.

30 Reconciliation of net profit to cash flow from operating activities

Cash flow from operating activities	€ million 2005	€ million 2004
Net profit	**3 975**	2 941
Taxation	**1 301**	836
Share of net profit of joint ventures/associates and other income from non-current investments	**(55)**	(95)
Net finance costs	**618**	631
Finance income	**(130)**	(145)
Finance cost	**693**	717
Pensions and similar obligations	**55**	59
Depreciation and amortisation	**843**	821
Impairment losses	**431**	1 242
Changes in working capital	**193**	547
Inventories	**(153)**	221
Trade and other current receivables	**(36)**	298
Trade payables and other current liabilities	**382**	28
Pensions and similar provisions less payments	**(532)**	(472)
Restructuring and other provisions less payments	**(230)**	574
Elimination of (profits)/losses on disposals	**(789)**	(308)
Non-cash charge for share-based compensation	**192**	218
Other adjustments	**(23)**	(10)
Cash flow from operating activities	**5 924**	6 925

The cash flows of pension funds (other than contributions and other direct payments made by the Group in respect of pensions and similar obligations) are not included in the Group cash flow statement.

Major non-cash transactions
During the year the Group entered into new finance lease arrangements in respect of equipment with a capital value at inception of the lease of €49 million.

On 15 February 2005 €1 129 million of treasury stock was used in the conversion of the €0.05 preference shares into ordinary NV shares. For further information please refer to note 24 on page 124.

31 Share-based compensation plans

As at 31 December 2005, the Group had a number of share-based compensation plans:

(i) All-Employee Option Plans
Local All-Employee Option Plans have been set up in 16 countries to enhance employee involvement with Unilever and its performance by providing a potential financial benefit linked to the Unilever share price. There are no individual performance targets to be met. The plans permit participation by all permanent employees in the country where the relevant plan applies.

(ii) Executive Option Plans
The Executive Option Plans were introduced in 1985 to reward key employees throughout the world for their contribution to the enhancement of the Group's longer-term future and their commitment to the Group over a sustained period. The grant is dependent on performance of the Group and the individual.

(iii) Global Performance Share Plan
Introduced in 2005, under this plan managers can be awarded conditional shares which will vest three years later at a level between 0% and 150% - 200% depending on Unilever's achievement of set targets for Underlying Sales Growth and Free Cash Flow over the three year performance period.

(iv) Share Matching Plans
If managers invest part of their annual bonus in Unilever shares, the company will match this with the same number of shares on the condition that they keep all shares for an agreed number of years and will still be employed by Unilever on the vesting date.

(v) TSR Long-Term Incentive Plan
This plan was introduced in 2001 and, depending on the TSR ranking (see page 25) of Unilever in comparison with its peer group, it will potentially award top executives on the vesting date three years later with between 0% and 200% of the original conditional award.

(vi) North America Performance Share Programme
A long-term incentive plan for North American managers, awarding Unilever shares if company and personal performance targets are met over a three-year period.

(vii) Restricted Share Plan
Restricted shares can be awarded to a select number of executives for special performance. After the agreed number of years the awards will vest provided the executive is still employed by Unilever at that time.

(viii) Other plans
A cash-settled share-based retention plan was introduced in 2004 for a number of key executives.

Unilever will not grant share options in total in respect of Executive Option Plans for more than 5% of its issued ordinary capital, and for all Plans together, for more than 10% of its issued ordinary capital. The Board does not apportion these limits to each plan separately.

In recent years we have met the obligations under our share option and award plans by purchasing shares in advance and transferring them, in return for the exercise price, to Directors and employees as the options are exercised or the awards vest.

The numbers in this note include those for Executive Directors shown in the report of the Remuneration Committee on pages 53 to 69 and those for key management personnel shown in note 33 on pages 142 and 143. No awards were made to Executive Directors in 2005 and 2004 under the North America Performance Share Programme, the Restricted Share Plan or the cash-settled share-based retention plan. Non-Executive Directors do not participate in any of the share-based compensation plans.

The economic fair value of the awards is calculated using an option pricing model (usually an adjusted Black-Scholes or multinomial model) and the resulting cost is recognised as remuneration cost amortised over the vesting period of the grant. The actual remuneration cost charged in each period is shown below:

	€ million 2005	€ million 2004
All-Employee Option Plans	**13**	17
Executive Option Plans	**63**	105
Global Performance Share Plan	**15**	–
Share Matching Plans	**14**	21
TSR Long-Term Incentive Plan	**10**	9
North America Performance Share Programme	**63**	64
Restricted Share Plan	**2**	–
Other Plans	**12**	2
	192	218

Disclosures, including a description of the method and significant assumptions used to estimate the fair values of options and the weighted average information, are given below for each type of plan, on a combined basis.

31 Share-based compensation plans (continued)

(i) All-Employee Option Plans

Unilever has All-Employee Plans in 16 countries, which can be grouped together as follows:

(a) Plans which follow a standard framework: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden and Switzerland.

(b) Other plans: North America, South Africa and United Kingdom.

Group (a):

The standard framework for these countries means, in principle, an annual grant of options over NV shares (Ireland: PLC shares), at the same grant date, exercise price (the market price on the grant date) and grant size (including part-time employees pro rata) and with the same eligibility criteria (all permanent employees in a country). There are no vesting conditions other than being continuously employed by a Group company until the vesting date.

Group (b):

The UK and South Africa plans annually offer options over PLC shares, combined with a compulsory (UK) or optional (South Africa) savings plan. The exercise price is the market price at date of grant. In 2003, Unilever UK introduced 'ShareBuy', an All-Employee Share Incentive Plan. It is currently only being used as a tax efficient savings plan for employees, for which Unilever neither gives nor receives value. Accordingly, no figures for this plan are included in this note.

The North America programme is a share purchase offering, with a compulsory savings plan, under which up to 10% of the salary of eligible employees is withheld. At the end of the period employees can use the savings to buy NV New York shares at a discount. The maximum number of shares made available under the plan is 8.9 million.

The table below summarises the main country-specific differences between the plans under which grants were made in 2005:

Country (year of introduction)	Maximum term Years	Vesting period Years	Exercise period	Remarks
Austria (2001)	5	3	24 months	
Belgium (2001)	5	3.5	18 months	
Denmark (2001)	5	3	24 months	
Finland (2001)	5	3	24 months	On 3rd, 4th or 5th anniversary
France (2000)	5	4	12 months	
Germany (2000)	5	3	24 months	
Ireland (2002)	5	3	24 months	
Italy (2001)	5	3	24 months	
Netherlands (1995)	5	0	5 years	Keep shares during the first 3 years after grant
Portugal (2001)	3.5	3	6 months	
Spain (2001)	5	3	24 months	
Switzerland (2001)	5	3	24 months	
UK (1985)	5.5	5	6 months	ShareSave plan
South Africa (2001)	3.5	3	6 months	Optional sharesave plan

No grants were made in Sweden or North America in 2005 or 2004.

A summary of the status of the All-Employee Plans as at 31 December 2005 and 2004 and changes during the years ended on these dates is presented below:

	2005 Number of options	**2005 Weighted average exercise price**	2004 Number of options	2004 Weighted average exercise price
NV shares of €0.51				
Outstanding at 1 January	**5 253 062**	**€58.79**	4 480 673	€60.24
Granted	**1 202 855**	**€53.00**	1 266 960	€54.33
Exercised[a]	**(477 362)**	**€52.98**	(26 883)	€51.62
Forfeited	**(411 463)**	**€58.79**	(308 593)	€59.63
Expired	**(205 210)**	**€56.93**	(159 095)	€63.65
Outstanding at 31 December	**5 361 882**	**€58.08**	5 253 062	€58.79
Exercisable at 31 December	**2 216 677**	**€62.98**	1 740 399	€60.71
PLC shares of 1.4p				
Outstanding at 1 January	**14 214 304**	**£5.17**	17 071 055	£5.28
Granted	**2 834 328**	**£5.40**	2 287 826	£5.28
Exercised[a]	**(3 655 383)**	**£4.26**	(247 261)	£4.55
Forfeited	**(1 628 307)**	**£5.48**	(2 567 876)	£5.46
Expired	**(2 027 368)**	**£5.32**	(2 329 440)	£5.78
Outstanding at 31 December	**9 737 574**	**£5.50**	14 214 304	£5.17
Exercisable at 31 December	**376 322**	**£5.09**	1 705 467	£5.14

31 Share-based compensation plans (continued)

	2005 Number of options	2005 Weighted average exercise price	2004 Number of options	2004 Weighted average exercise price
NV New York shares of €0.51				
Outstanding at 1 January	–	–	146 760	$55.44
Granted	–	–	–	–
Exercised[(a)]	–	–	(123 843)	$55.44
Forfeited	–	–	(22 917)	$55.44
Expired	–	–	–	–
Outstanding at 31 December	–	–	–	–
Exercisable at 31 December	–	–	–	–

(a) The weighted average market price of the shares at the time of exercise was as follows: NV shares of €0.51 €54.67 (2004:€54.77); PLC shares of 1.4p £5.70 (2004: £5.18); and NV New York shares of €0.51 2005: n/a (2004: $66.85).

	2005	2004
NV option value information[(b)]		
Fair value per option[(c)]	**€8.47**	€9.37
Valuation assumptions		
Expected option term	**3.2 years**	3.2 years
Expected volatility[(d)]	**27.5%**	27.5%
Expected dividend yield	**3.6%**	3.3%
Risk-free interest rate	**2.4%**	3.1%
PLC option value information[(b)]		
Fair value per option[(c)]	**£1.09**	£1.06
Valuation assumptions		
Expected option term	**4.5 years**	4.3 years
Expected volatility[(d)]	**27.5%**	27.5%
Expected dividend yield	**3.6%**	3.5%
Risk-free interest rate	**4.3%**	5.1%

(b) Weighted average of options granted during each period.
(c) Estimated using Black-Scholes option pricing method.
(d) Based on historic volatility during the last six years.

The exercise prices and remaining life of the All-Employee Option Plans as at 31 December 2005 are as follows:

		Options outstanding			Options exercisable	
	Range of exercise prices	Number outstanding at 31 December 2005	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 31 December 2005	Weighted average exercise price
NV shares of €0.51	**€51.00 – €56.72**	**3 289 476**	**3 years**	**€52.77**	**567 069**	**€52.59**
	€64.30 – €70.00	**2 072 406**	**1 year**	**€66.51**	**1 649 608**	**€66.55**
PLC shares of 1.4p	**£4.25 – £6.20**	**9 737 574**	**3 years**	**£5.50**	**376 322**	**£5.09**

31 Share-based compensation plans (continued)

(ii) Executive Option Plans

Under the Executive Option Plans options are granted to key employees of the Group on a discretionary basis. The exercise price is the market price at the date of grant. Since the introduction of the Global Performance Share Plan in 2005, it is the intention to make no further grants under the Executive Option Plans, except for a few premium option grants which result from prior commitments. The plans are made up of the following:

NV Executive Option Plan

The NV Executive Option Plan provides for the granting of options to purchase shares of Unilever N.V. and, from 1997 onwards, also shares of Unilever PLC, at a price not lower than the market price on the day the options were granted. These options become exercisable after a three-year period from the date of grant. The options have a maximum term of five years for the grants made up to 1998 and of ten years for subsequent grants.

PLC Executive Option Plan

The PLC Executive Option Plan provides for the granting of options to purchase shares of Unilever PLC and, from 1997 onwards, also shares of Unilever N.V., at a price not lower than the market price on the day the options were granted. These options become exercisable after a three-year period from the date of grant and have a maximum term of ten years.

North America Executive Stock Option Programme

This programme is covered by the North American 2002 Omnibus Equity Compensation Plan and provides for the granting of options to purchase a maximum of 40.5 million shares in Unilever N.V. of the New York Registry, and 262.0 million shares of Unilever PLC, at a price not lower than the market value on the day the options are granted. These options become exercisable over a three-year period from the date of grant and have a maximum term of ten years.

Managers working in India can participate in an Executive Option Plan relating to Hindustan Lever Limited's shares. As these are neither NV nor PLC shares, no figures for this plan are disclosed in this note, but the fair value costs (2005: €2 million; 2004: €3 million) are included in the costs of Executive Option Plans on page 132.

A summary of the status of the Executive Option Plans as at 31 December 2005 and 2004 and changes during the years ended on these dates is presented below:

	Number of options	2005 Weighted average exercise price	Number of options	2004 Weighted average exercise price
NV shares of €0.51				
Outstanding at 1 January	**14 667 226**	**€59.05**	13 533 478	€59.80
Granted	**145 114**	**€51.36**	2 398 183	€54.22
Exercised[(e)]	**(287 912)**	**€54.50**	(222 975)	€51.85
Forfeited	**(1 193 354)**	**€60.92**	(1 041 460)	€59.24
Expired	**–**	**–**	–	–
Outstanding at 31 December	**13 331 074**	**€58.89**	14 667 226	€59.05
Exercisable at 31 December	**7 925 308**	**€61.82**	5 898 593	€58.79
PLC shares of 1.4p				
Outstanding at 1 January	**95 972 535**	**£5.41**	89 760 385	£5.39
Granted	**949 915**	**£5.11**	15 616 482	£5.21
Exercised[(e)]	**(5 246 425)**	**£4.64**	(3 586 509)	£4.25
Forfeited	**(6 879 031)**	**£5.50**	(5 817 823)	£5.39
Expired	**–**	**–**	–	–
Outstanding at 31 December	**84 796 994**	**£5.44**	95 972 535	£5.41
Exercisable at 31 December	**49 151 533**	**£5.35**	38 324 985	£4.99
NV New York shares of €0.51				
Outstanding at 1 January	**3 337 456**	**$58.72**	3 601 264	$54.83
Granted	**21 954**	**$66.76**	429 142	$65.93
Exercised[(e)]	**(545 843)**	**$52.73**	(641 245)	$41.10
Forfeited	**(80 646)**	**$71.70**	(51 705)	$66.41
Expired	**(6 991)**	**$65.70**	–	–
Outstanding at 31 December	**2 725 930**	**$59.58**	3 337 456	$58.72
Exercisable at 31 December	**2 344 067**	**$59.01**	2 439 155	$57.62

31 Share-based compensation plans (continued)

	2005 Number of options	2005 Weighted average exercise price	2004 Number of options	2004 Weighted average exercise price
PLC shares of 1.4p in the form of ADRs[f]				
Outstanding at 1 January	**21 367 508**	**$8.55**	20 778 836	$8.32
Granted	**146 920**	**$9.79**	2 836 492	$9.63
Exercised[e]	**(3 388 868)**	**$7.86**	(1 940 440)	$7.47
Forfeited	**(357 248)**	**$10.28**	(307 380)	$9.51
Expired	**(45 520)**	**$9.32**	–	–
Outstanding at 31 December	**17 722 792**	**$8.66**	21 367 508	$8.55
Exercisable at 31 December	**15 201 204**	**$8.53**	15 475 612	$8.31

(e) The weighted average market price of the shares at the time of exercise was as follows: NV shares of €0.51 €58.06 (2004: €57.88); PLC shares of 1.4p £5.61 (2004: £5.36); NV New York shares of €0.51 $68.79 (2004: $69.42); and PLC shares of 1.4p in the form of ADRs $40.39 (2004: $40.37).
(f) 1 ADR is equivalent to 4 PLC shares.

	2005	2004
NV option value information[b]		
Fair value per option[c]		
NV Executive Option Plan	**€10.43**	€11.43
PLC Executive Option Plan	**£7.17**	£7.67
North America Executive Stock Option Programme	**$14.74**	$13.45
Valuation assumptions		
Expected option term	**6.0 years**	5.9 years
Expected volatility[d]	**27.5%**	27.5%
Expected dividend yield[g]	**3.7%**	3.3%
Risk-free interest rate	**3.4%**	3.1%
PLC option value information[b]		
Fair value per option[c]		
NV Executive Option Plan	**€1.68**	€1.78
PLC Executive Option Plan	**£1.16**	£1.20
North America Executive Stock Option Programme	**$2.13**	$1.92
Valuation assumptions		
Expected option term	**6.0 years**	5.9 years
Expected volatility[d]	**27.5%**	27.5%
Expected dividend yield[g]	**3.8%**	3.5%
Risk-free interest rate	**4.7%**	4.3%

(b) Weighted average of options granted during each period.
(c) Estimated using Black-Scholes option pricing method.
(d) Based on historic volatility during the last six years.
(g) Based on dividend yield in grant year.

The exercise prices and remaining life of the Executive Option Plans as at 31 December 2005 are as follows:

		Options outstanding			Options exercisable	
	Range of exercise prices	Number outstanding at 31 December 2005	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 31 December 2005	Weighted average exercise price
NV shares of €0.51	**€42.79 – €60.85**	**9 117 330**	**7 years**	**€55.52**	**3 711 564**	**€56.84**
	€63.50 – €73.97	**4 213 744**	**5 years**	**€66.20**	**4 213 744**	**€66.20**
PLC shares of 1.4p	**£3.43 – £4.78**	**14 804 481**	**5 years**	**£4.56**	**14 741 104**	**£4.56**
	£5.02 – £5.63	**29 106 745**	**7 years**	**£5.29**	**13 843 080**	**£5.38**
	£5.77 – £6.79	**40 885 768**	**7 years**	**£5.87**	**20 567 349**	**£5.89**
NV New York shares of €0.51	**$33.89 – $50.09**	**391 639**	**4 years**	**$48.08**	**391 639**	**$48.08**
	$56.13 – $76.69	**2 334 291**	**6 years**	**$61.51**	**1 952 428**	**$61.20**
PLC shares of 1.4p in the form of ADRs[f]	**$5.56 – $7.73**	**4 630 308**	**5 years**	**$7.13**	**4 630 308**	**$7.13**
	$8.35 – $10.85	**13 092 484**	**6 years**	**$9.20**	**10 570 896**	**$9.14**

(f) 1 ADR is equivalent to 4 PLC shares.

31 Share-based compensation plans (continued)

(iii) Global Performance Share Plan

The GPSP was introduced in 2005. Under this plan, managers can be awarded conditional shares which will vest three years later at a level between 0% and 150% (for middle management) or 200% (for higher executives) depending on Unilever's achievement of set targets for Underlying Sales Growth and Free Cash Flow over the three-year performance period. The amount to be paid by participants to obtain the shares at vesting is zero.

A summary of the status of the GPSP as at 31 December 2005 and changes during the year is presented below:

	2005 Number of shares
NV shares of €0.51	
Outstanding at 1 January	–
Awarded	**695 717**
Vested	–
Forfeited	–
Outstanding at 31 December	**695 717**
Exercisable at 31 December	–
PLC shares of 1.4p	
Outstanding at 1 January	–
Awarded	**2 619 928**
Vested	–
Forfeited	–
Outstanding at 31 December	**2 619 928**
Exercisable at 31 December	–
NV New York shares of €0.51	
Outstanding at 1 January	–
Awarded	**143 390**
Vested	–
Forfeited	**(208)**
Outstanding at 31 December	**143 182**
Exercisable at 31 December	–
PLC shares of 1.4p in the form of ADRs(f)	
Outstanding at 1 January	–
Awarded	**166 620**
Vested	–
Forfeited	–
Outstanding at 31 December	**166 620**
Exercisable at 31 December	–

(f) 1 ADR is equivalent to 4 PLC shares.

	2005
NV share award value information(h)	
Fair value per share award(i)	
NV/PLC Plan	**€53.01**
North America Programme	**$66.99**
PLC share award value information(h)	
Fair value per share award(i)	
NV/PLC Plan	**£5.39**
North America Programme	**$9.97**

(h) Weighted average of share awards granted during each period.
(i) Estimated on basis of par achievement of targets.

31 Share-based compensation plans (continued)

(iv) Share Matching Plans

Under these plans managers can invest up to 25% of their gross bonus in Unilever shares. Unilever matches this with the same number of shares on condition that all shares are held for the agreed period (three years from 2002 onwards), and that the manager has not resigned from Unilever at the end of this period. North American managers participate in the North America Share Bonus Plan, the others in the Variable Pay in Shares Plan. The amount to be paid to the company by participants to obtain the shares at vesting is zero.

A summary of the status of the Share Matching Plans as at 31 December 2005 and 2004 and changes during the years ended on these dates is presented below:

	2005 Number of shares	2004 Number of shares
NV shares of €0.51		
Outstanding at 1 January	**440 088**	373 846
Awarded	**46 817**	85 789
Vested	**(163 259)**	(12 115)
Forfeited	**(9 968)**	(7 432)
Outstanding at 31 December	**313 678**	440 088
Exercisable at 31 December	**–**	–
PLC shares of 1.4p		
Outstanding at 1 January	**3 083 809**	2 594 187
Awarded	**350 982**	630 832
Vested	**(1 189 996)**	(90 113)
Forfeited	**(68 975)**	(51 097)
Outstanding at 31 December	**2 175 820**	3 083 809
Exercisable at 31 December	**–**	–
NV New York shares of €0.51		
Outstanding at 1 January	**221 707**	167 156
Awarded	**49 751**	57 504
Vested	**(95 477)**	(143)
Forfeited	**(13 846)**	(2 810)
Outstanding at 31 December	**162 135**	221 707
Exercisable at 31 December	**–**	–
PLC shares of 1.4p in the form of ADRs[(f)]		
Outstanding at 1 January	**1 506 152**	1 133 728
Awarded	**342 394**	392 440
Vested	**(655 603)**	(992)
Forfeited	**(93 262)**	(19 024)
Outstanding at 31 December	**1 099 681**	1 506 152
Exercisable at 31 December	**–**	–

(f) 1 ADR is equivalent to 4 PLC shares.

	2005	2004
NV share award value information[(h)]		
Fair value per share award		
NV/PLC Plan	**€51.15**	€54.72
North America Programme	**$67.14**	$70.30
PLC share award value information[(h)]		
Fair value per share award		
NV/PLC Plan	**£5.12**	£5.29
North America Programme	**$9.74**	$10.34

(h) Weighted average of share awards granted during each period.

31 Share-based compensation plans (continued)

(v) TSR Long-Term Incentive Plan

Under this plan, introduced in 2001, grants are made to Executive Directors and some senior executives. The level of share award which will vest three years later will vary in accordance with the Total Shareholder Return in comparison with a peer group (see description on page 25). If the ranking is below the median, the share award will lapse; the higher the ranking above the median, the higher the share award. The amount to be paid to the company by participants to obtain the shares at vesting is zero.

A summary of the status of the TSR Long-Term Incentive Plan as at 31 December 2005 and 2004 and changes during the year ended on these dates is presented below:

	2005 Number of shares	2004 Number of shares
NV shares of €0.51		
Outstanding at 1 January	**360 829**	327 345
Awarded	**112 442**	120 526
Vested[j]	**–**	(71 564)
Forfeited	**(3 663)**	(15 478)
Expired[k]	**(112 833)**	–
Outstanding at 31 December	**356 775**	360 829
Exercisable at 31 December	**–**	–
PLC shares of 1.4p		
Outstanding at 1 January	**2 440 310**	2 249 384
Awarded	**782 600**	829 159
Vested[j]	**–**	(533 481)
Forfeited	**(24 344)**	(104 752)
Expired[k]	**(798 284)**	–
Outstanding at 31 December	**2 400 282**	2 440 310
Exercisable at 31 December	**–**	–

(j) 2001 award vested 100% as ranking was 6th.
(k) 2002 award expired (zero vesting) as ranking was 13th.

	2005	2004
NV share award value information		
Fair value per share award[l]	**€40.56**	€41.81
PLC share award value information		
Fair value per share award[l]	**£4.04**	£4.02

(l) Estimated using option pricing models taking account of peer group TSR volatilities and correlations.

31 Share-based compensation plans (continued)

(vi) North America Performance Share Programme

This long-term incentive plan for North American managers, introduced in 2001, awards Unilever shares if company and personal performance targets are met over a three-year period. The amount to be paid to the company by participants to obtain the shares at vesting is zero.

A summary of the status of the North America Performance Share Programme as at 31 December 2005 and 2004 and changes during the years ended on these dates is presented below:

	2005 Number of shares	2004 Number of shares
NV New York shares of €0.51		
Outstanding at 1 January	**1 690 076**	1 771 343
Awarded	**431 439**	543 479
Vested	**(552 112)**	(600 707)
Forfeited	**(73 021)**	(24 039)
Outstanding at 31 December	**1 496 382**	1 690 076
Exercisable at 31 December	**–**	–
PLC shares of 1.4p in the form of ADRs[f]		
Outstanding at 1 January	**12 619 508**	13 202 916
Awarded	**3 219 260**	4 057 444
Vested	**(4 121 340)**	(4 482 896)
Forfeited	**(545 868)**	(157 956)
Outstanding at 31 December	**11 171 560**	12 619 508
Exercisable at 31 December	–	–

(f) 1 ADR is equivalent to 4 PLC shares.

	2005	2004
NV share award value information[h]		
Fair value per share award	**$68.40**	$65.98
PLC share award value information[h]		
Fair value per share award	**$10.02**	$9.64

(h) Weighted average of share awards granted during each period.

(vii) Restricted Share Plan

In specific one-off cases a number of executives are awarded the right to receive NV and PLC shares at a specified date in the future, on the condition that they are still employed by Unilever at that time. The amount to be paid to the company by participants to obtain the shares at vesting is zero.

A summary of the status of the Restricted Share Plan as at 31 December 2005 and 2004 and changes during the years ended on these dates is presented below:

	2005 Number of shares	2004 Number of shares
NV shares of €0.51		
Outstanding at 1 January	**47 713**	40 498
Awarded	**12 262**	7 595
Vested	**(5 005)**	(380)
Forfeited	**–**	–
Outstanding at 31 December	**54 970**	47 713
PLC shares of 1.4p		
Outstanding at 1 January	**227 561**	216 382
Awarded	**64 292**	13 681
Vested	**(37 080)**	(2 502)
Forfeited	**–**	–
Outstanding at 31 December	**254 773**	227 561

	2005	2004
NV share award value information[h]		
Fair value per share award	**€54.24**	€53.43
PLC share award value information[h]		
Fair value per share award	**£5.55**	£5.30

(h) Weighted average of share awards granted during each period.

31 Share-based compensation plans (continued)

(viii) Other plans

During 2004 Unilever offered a special cash award to selected senior managers with the purpose of retaining them. This cash-settled share-based plan provides a payment after three years linked to the development of the Unilever share price, on the condition of continued employment with the Group.

A summary of the status of the other plans as at 31 December 2005 and 2004 and changes during the years ended on these dates is presented below:

	2005 Number of shares	2004 Number of shares
NV €0.51 share substitute		
Outstanding at 1 January	**300 000**	–
Awarded	**–**	300 000
Vested	**–**	–
Forfeited	**(5 800)**	–
Outstanding at 31 December	**294 200**	300 000
PLC 1.4p share substitute		
Outstanding at 1 January	**2 000 000**	–
Awarded	**–**	2 000 000
Vested	**–**	–
Forfeited	**(38 700)**	–
Outstanding at 31 December	**1 961 300**	2 000 000

The accrued balance for the cash-settled plan (2005: €13 million; 2004: €2 million) is included in other payables in note 20 on page 113.

Additional information

At 31 December 2005, there were options outstanding to purchase 19 830 853 (2004: 20 835 073) €0.51 ordinary NV shares, and 89 321 974 (2004: 102 249 614) 1.4p ordinary PLC shares in respect of share-based compensation plans of NV and its subsidiaries and the North American plans, and 4 810 872 (2004: 5 183 084) €0.51 ordinary NV shares and 42 824 050 (2004: 49 182 073) 1.4p ordinary PLC shares in respect of share-based compensation plans of PLC and its subsidiaries.

To satisfy the options granted, certain NV group companies hold 19 791 377 (2004: 25 120 635) certificates or depositary receipts of ordinary shares of NV and 89 603 627 (2004: 93 850 655) of PLC and a forward equity contract to buy 10 000 000 PLC shares in 2006, and trusts in Jersey and the United Kingdom hold 43 232 118 (2004: 48 888 961) PLC shares. The trustees of these trusts have agreed, until further notice, to waive dividends on these shares, save for the nominal sum of 0.01p per 1.4p ordinary share. Shares acquired during 2005 represent 1.6% of the Group's called up capital. The balance at year end is 3.9% (2004: 4.6%).

The book value of €2 258 million (2004: €2 625 million) of all shares held in respect of share-based compensation plans for both NV and PLC is eliminated on consolidation by deduction from other reserves (see note 25 on page 125). Their market value at 31 December 2005 was €2 261 million (2004: €2 273 million).

At 31 December 2005 the exercise price of 7 850 127 (2004: 20 224 246) NV options and of 44 867 061 (2004: 88 066 266) PLC options was above the market price of the shares.

Shares held to satisfy options are accounted for in accordance with IAS 32 and SIC 12. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to reserves. In 2005 this includes €7 million (2004: €3 million) for shares held to meet options expiring in the short term which are priced above market value. The basis of the charge to operating profit for the economic value of options granted is discussed on page 132.

Obligations over the following number of shares were granted, exercised, forfeited or expired between 31 December 2005 and 28 February 2006. In this period we have also, in line with prior years practice, purchased 148 443 NV New York shares and 852 848 PLC shares in the form of ADRs to satisfy awards under the North America Executive Option and Share Matching Plans.

	Granted		Exercised, forfeited or expired	
	Shares of 1.4p(m)	Shares of €0.51(n)	Shares of 1.4p(m)	Shares of €0.51(n)
All-Employee Option Plans	–	–	183 670	37 180
Executive Option Plans	–	–	2 179 918	240 261
Global Performance Share Plan	–	–	–	1 971
Share Matching Plans	–	–	4 746	698
TSR Long-Term Incentive Plan	–	–	–	–
North America Performance Share Programme	–	–	62 176	8 329
Restricted Share Plan	–	–	–	–
Other plans	–	–	–	–

(m) When under a North American plan, in the form of PLC ADRs.
(n) When under a North American plan, in the form of NV New York shares.

32 Related party transactions

The following related party balances existed with associate or joint venture businesses at 31 December:

Related party balances	€ million 2005	€ million 2004
Trading and other balances due (to)/from joint ventures	**85**	87
Trading balances due (to)/from associates	**(8)**	29

Joint ventures
As discussed in note 28 on page 128, Unilever completed the restructuring of its Portuguese foods business during the year. Balances owed by FIMA at 31 December 2005 were €85 million (2004: €87 million).

In July 2004 in the UK, Unilever formed a joint venture with Arlington Science Park Ltd. and sold its property at the Colworth site for a total consideration of €46 million.

Associates
After the sale of DiverseyLever, our institutional and industrial cleaning business, to Johnson Professional Holdings Inc. in 2002, Unilever has a one-third equity stake in the combined JohnsonDiversey business, with an option to exit the business from 2007. At 31 December 2005 the outstanding balance payable to JohnsonDiversey Holdings Inc. was €8 million (2004: €29 million receivable). Sales agency fees to JohnsonDiversey were incurred of approximately €76 million in 2005 (2004: €68 million).

Langholm Capital Partners invests in private European companies with above-average longer-term growth prospects. It has invested in Physcience, a French natural food supplements business, and Noiro, the leading company in the mass prestige personal care market in Finland. To build business opportunities that fit our core business interests in Foods and Home and Personal Care, we have committed €97 million to Langholm Capital Partners on a total of €242 million raised funds. At 31 December 2005 the outstanding balance with Langholm Capital Partners was not material.

Other related parties
In 2004 Patrick Cescau, the then Chairman of Unilever PLC, and his wife purchased a house from Immobilia Transholme B.V., a group company ultimately owned by NV, for €3 348 000 (£2 270 000). The full Boards, acting on the recommendation of the Remuneration Committee and without the participation of Mr Cescau, gave their prior approvals to the purchase, which was made at full market value based on two independent valuations of the property.

33 Key management personnel

For 2004 key management personnel included the Executive Directors, Non-Executive Directors and Business Presidents described on pages 68 and 69 of the 2004 Report and Accounts. Following a change in the management structure which took place in 2005 key management for 2005 for reporting purposes became the members of the UEx together with the Non-Executive Directors described on page 49.

Key management compensation	€ million 2005	€ million 2004
Salaries and short-term employee benefits	**13**	21
Non-Executive Directors' fees	**1**	1
Post-employment benefits	**4**	5
Other long-term benefits (all share-based)	**1**	13
Termination payments	**1**	2
	20	42
Of which:		
Executive Directors	**16**	24
Non-Executive Directors	**1**	1
Other	**3**	17
	20	42

Details of the remuneration of Directors are given in the auditable part of the report of the Remuneration Committee as defined on page 69. See also note 32 above for information on related party transactions.

33 Key management personnel (continued)

The following tables give aggregate information regarding share awards for key management personnel in 2005. Further details of the Executive share plans are shown in the report of the Remuneration Committee and in note 31 on pages 132 to 141. For those members of UEx who were appointed during the year, the opening balances are as at the date of appointment.

Conditional awards under the TSR Long-Term Incentive Plan

Share type	Balance of conditional shares at 1 January 2005	Conditional awards made in 2005	Conditional awards vested/lapsed in 2005	Balance of conditional shares at 31 December 2005
NV	**124 269**	**17 752**	**(26 908)**	**115 113**
PLC	**842 734**	**123 664**	**(190 439)**	**775 959**
NV NY	**9 471**	**–**	**–**	**9 471**
PLC (held as ADRs)	**63 820**	**–**	**–**	**63 820**

Share options

Share type	Balance of options at 1 January 2005	Granted	Exercised/lapsed	Balance of options at 31 December 2005
NV	**666 130**	**11 829**	**(150)**	**677 809**
PLC	**4 701 468**	**85 033**	**(11 917)**	**4 774 584**
NV NY	**121 500**	**820**	**–**	**122 320**
PLC (held as ADRs)	**810 860**	**5 400**	**–**	**816 260**

Global Performance Share Plan

Share type	Balance of conditional awards at 1 January 2005	Conditional grants made 2005	Balance of conditional shares at 31 December 2005
NV	**–**	**13 000**	**13 000**
PLC	**–**	**87 500**	**87 500**
NV NY	**–**	**9 825**	**9 825**
PLC (held as ADRs)	**–**	**65 400**	**65 400**

Share Matching Plan

Share type	Balance of conditional awards at 1 January 2005	Conditional awards made in 2005	Shares vested in 2005	Balance of conditional shares at 31 December 2005
NV	**28 291**	**1 479**	**(11 120)**	**18 650**
PLC	**192 947**	**10 309**	**(80 620)**	**122 636**
NV NY	**3 433**	**–**	**(204)**	**3 229**
PLC (held as ADRs)	**23 604**	**–**	**(1 508)**	**22 096**

North America Performance Share Plan

Share type	Balance of conditional awards at 1 January 2005	Conditional awards made in 2005	Shares vested in 2005	Balance of conditional shares at 31 December 2005
NV NY	**19 650**	**4 700**	**–**	**24 350**
PLC (held as ADRs)	**146 400**	**32 080**	**–**	**178 480**

North America Restricted Stock Plan

Share type	Balance of conditional awards at 1 January 2005	Conditional awards made in 2005	Shares vested in 2005	Balance of conditional shares at 31 December 2005
NV NY	**4 963**	**241**	**–**	**5 204**

34 Events after the balance sheet date

On 9 February 2006, Unilever announced that it would be putting the majority of the frozen foods businesses in Europe up for sale. The intended sale includes the frozen food portfolio under the *Iglo* and *Birds Eye* brands in Austria, Belgium, France, Germany, Greece, Ireland, the Netherlands, Portugal, Spain and the United Kingdom. As at 28 February 2006, it was not possible to quantify the financial impact of this announcement.

35 First time adoption of International Financial Reporting Standards

Unilever has adopted International Financial Reporting Standards (IFRSs) as adopted by the EU with effect from 1 January 2005, with a transition date of 1 January 2004. IAS 32 and IAS 39 in respect of financial instruments and IFRS 5 in respect of non-current assets and asset groups held for disposal have been applied with effect from 1 January 2005.

Goodwill and indefinite-lived intangible assets

Under IFRSs, from 1 January 2004 onwards, we no longer apply systematic amortisation to goodwill and intangible assets with an indefinite life, but instead review these assets for impairment on at least an annual basis. The amortisation charge under previous GAAP for all goodwill and indefinite lived intangible assets in 2004 was €1 040 million. On disposal, goodwill acquired and written off on acquisition prior to 1 January 1998 are no longer reinstated as part of the profit or loss on disposal.

We have applied the exemption in IFRS 1 relating to business combinations and therefore the carrying value under previous GAAP as at 31 December 2003 of €13 457 million for goodwill is its deemed cost at the date of transition to IFRSs. Under IFRSs, the deemed cost of indefinite lived intangibles at the date of transition to IFRSs is the original cost at which these assets were initially recognised on the balance sheet, which amounted to €4 516 million. The write-back of accumulated amortisation on these assets results in a deemed cost which is €749 million higher than their carrying value as at 31 December 2003. These changes resulted in an additional impairment charge for *Slim•Fast* amounting to €200 million in the year to 31 December 2004.

Software

Under IFRSs we capitalise the costs of purchased and internally developed software that meet the criteria for capitalisation established by IAS 38. This software is amortised over its useful life, typically a period of five years. The net book value of purchased and internally developed software as at 1 January 2004 and at 31 December 2004 amounted to €103 million and €166 million respectively; the amortisation charge for the year ended 31 December 2004 amounted to €21 million.

Development costs

The IFRS standard on intangible assets, IAS 38, requires development costs to be capitalised where certain specific criteria are met. Costs may only be capitalised once the flow of economic benefits is assured. For Unilever this is evident only shortly before a product is launched into the market and the level of costs incurred after these criteria have been met is not significant.

Biological assets

Under IFRSs we recognise biological assets, being tea bushes and oil palm trees, at fair value less estimated point-of-sale costs. Any changes in the fair value of such biological assets are recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get them to market.

The fair value of tea bushes and oil palm trees as at 1 January 2004 and 31 December 2004 was €29 million and €33 million respectively. The net effect on the income statement for the year ended 31 December 2004 was a credit of €5 million.

Pensions and similar obligations

Under IFRSs Unilever's accounting policy for pensions is substantially unchanged, since we apply the option allowed under IAS 19 to take actuarial gains and losses directly to equity through the Statement of Recognised Income and Expense (SORIE). There are, however, a number of minor differences under IAS 19 that give rise to small variations in the figures previously reported. The most significant of these changes are the use of the government bond rate as the discount rate for calculating pension liabilities in countries where no AA corporate bond rate exists and the required use of bid value to measure plan assets rather than mid-market value.

In addition, deferred tax balances arising in respect of pension assets and liabilities are no longer netted off against those pension balances, but under IFRSs are classified together with other deferred tax balances. The deferred tax balance relating to pensions under previous GAAP amounted to assets of €1 445 million and liabilities of €252 million as at 1 January 2004 and assets of €1 519 million and liabilities of €208 million as at 31 December 2004.

The impact of the change in the remeasurement of plan assets to a bid value basis was a decrease of €34 million as at 1 January 2004 and a decrease of €36 million as at 31 December 2004. Pension liabilities did not change at 1 January 2004 and increased by €15 million as at 31 December 2004. The impact on the income statement for the year ended 31 December 2004 was a credit of €1 million.

Deferred tax

Under IFRSs deferred tax is recognised in respect of all taxable temporary differences arising between the tax base and the accounting base of balance sheet items. This means that deferred tax is recognised on certain temporary differences that would not have given rise to deferred tax under previous GAAP.

The additional deferred tax included in the balance sheet under IFRSs amounted to a net movement excluding reclassifications of €1 095 million as at 1 January 2004 and €1 068 million as at 31 December 2004. Included in these amounts is a deferred tax liability relating to intangible assets (trademarks and unpatented technologies) which were recognised at the time of the Bestfoods acquisition. As the Bestfoods acquisition was a share-based transaction, these intangible assets have a zero tax base. IAS 12 requires that a deferred tax liability amounting to €1 144 million as at 1 January 2004 and €1 071 million as at 31 December 2004 is recognised in respect of these intangible assets. Normally, recognition of this deferred tax liability would lead to a corresponding increase in goodwill, but under the exemption applied under IFRS 1 relating to business combinations Unilever is precluded from adjusting the carrying value of goodwill in respect of acquisitions prior to the transition date. Recognition of this new deferred tax liability under IFRSs therefore resulted in an equivalent reduction in equity at the transition date.

35 First time adoption of International Financial Reporting Standards (continued)

IFRSs also require separate disclosure of deferred tax assets and liabilities on the face of the balance sheet. The deferred tax assets previously included within current assets under previous GAAP amounted to €637 million as at the transition date and €973 million as at 31 December 2004. Deferred tax balances arising in respect of pension assets and liabilities are no longer netted off against pension balances. This has led to the overall reclassification of deferred tax balances within the balance sheet. The deferred tax assets in respect of pension liabilities under previous GAAP were €1 445 million as at the transition date and €1 519 million as at 31 December 2004. Deferred tax liabilities under previous GAAP in respect of pension liabilities were €252 million as at the transition date and €208 million as at 31 December 2004.

Joint ventures and associates

Under IFRSs we continue to account for joint ventures and associates using the equity method. However, the presentation of the results of joint ventures and associates has changed, as IAS 1 requires that the share of profit or loss after tax from joint ventures and associates is presented as a separate item on the face of the income statement as part of profit before tax, but below operating profit. There is no impact on net profit as a result of this change. Our share of joint venture turnover in 2004 amounted to €197 million, and operating profit from joint ventures amounted to €44 million. Under IFRSs our turnover excludes the share of turnover of joint ventures.

Dividends

Under IFRSs proposed dividends do not meet the definition of a liability until such time as they have been approved by shareholders at the Annual General Meeting. Therefore we no longer recognise a liability in any period for dividends that have been proposed but will not be approved until after the balance sheet date. The proposed final dividends for 2004 amounted to €1 215 million. As at 1 January 2004 the proposed final dividends for 2003 amounted to €1 120 million. These amounts have been reclassified from current liabilities to retained profit.

Financial instruments (including preference shares)

From 1 January 2005 Unilever has applied IAS 32 and IAS 39. No restatements were made to the income statement for the year ended 31 December 2004 and the balance sheets as at 1 January 2004 and 31 December 2004. These standards have many detailed consequences, of which the key areas of impact are described below:

Classification of preference shares

Under IAS 32, from 1 January 2005 onwards, the NV preference share capital is classified as a liability rather than as part of equity. Also from 1 January 2005 onwards, all of the dividends on these preference shares are recognised in the income statement as part of interest expense. The carrying value of these preference shares as at 31 December 2004 was €1 502 million.

Non-derivative financial assets and liabilities

IAS 39 requires certain non-derivative financial assets (those classified as 'available-for-sale') to be held at fair value with unrealised movements in fair value recognised directly within equity. Non-derivative financial liabilities will continue to be measured at amortised cost, unless they form part of a fair value hedge accounting relationship when they are measured at amortised cost plus the fair value of the hedged risk.

Derivative financial instruments

We use certain derivative financial instruments for the purposes of hedging foreign exchange and interest rate risk. IAS 39 requires recognition of all derivative financial instruments on the balance sheet and that they are measured at fair value. Income statement volatility can be avoided by applying hedge accounting, for which the standard prescribes detailed requirements. As a result, from 1 January 2005, we recognise all derivative financial instruments on balance sheet at fair value and apply the new hedge accounting methodology to all significant qualifying hedging relationships.

Non-current assets and disposal groups held for sale

We have applied the provisions of IFRS 5 with effect from 1 January 2005. Application of this standard resulted in reclassifications of non-current assets and disposal groups held for sale in the balance sheet as at 1 January 2005, but did not significantly affect the asset values themselves.

Other

Foreign currency translation differences

Applying the exemption under IFRS 1, we measure and record all cumulative foreign currency translation differences arising after the transition date of 1 January 2004. These differences are classified as a separate component of equity. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

Leasehold land

Under IAS 17 leases relating to land are generally classified as operating leases because land has an indefinite economic life. Leasehold land usually requires a premium to be paid in advance. Under previous GAAP we capitalised this payment within fixed assets (as property, plant and equipment) and depreciated it over the length of the lease. Under IFRSs this premium is classified as a prepayment within trade and other receivables due after more than one year. As at 1 January 2004 the capitalised amount relating to leasehold land amounted to €58 million.

Cash flow

The transition from previous GAAP to IFRSs has no effect upon the cash flows generated by Unilever. The IFRS cash flow statement is presented in a different format from that required by previous GAAP, with cash flows split into three categories of activities – operating activities, investing activities and financing activities. The reconciling items between the previous GAAP presentation and the IFRSs presentation have no net impact on the cash flows generated.

In preparing the cash flow statement under IFRSs, cash and cash equivalents include cash at bank and in hand, highly liquid interest bearing securities with original maturities of three months or less, and bank overdrafts. Under previous GAAP, highly liquid interest bearing securities were not classified as cash equivalents.

Notes to the consolidated accounts
Unilever Group

35 First time adoption of International Financial Reporting Standards (continued)

Reconciliation of equity at the transition date of 1 January 2004

	€ million Previously reported under previous GAAP	€ million Goodwill and indefinite-lived intangible assets	€ million Software	€ million Biological assets	€ million Pensions and similar obligations	€ million Deferred tax restatement effect	€ million Tax reclassifying effect	€ million Joint ventures and associates	€ million Dividends	€ million Other	€ million Total effect of transition to IFRSs	€ million **Restated under IFRSs**
Non-current assets												
Goodwill	13 457	4	–	–	–	–	–	–	–	–	4	13 461
Intangible assets	4 256	749	103	–	–	–	–	–	–	–	852	5 108
Property, plant and equipment	6 655	–	–	(40)	–	–	–	–	–	(58)	(98)	6 557
Biological assets	–	–	–	29	–	–	–	–	–	–	29	29
Joint ventures and associates	56	–	–	–	–	–	–	–	–	–	–	56
Other non-current investments	143	–	–	–	182	–	–	–	–	378	560	703
Pension asset for funded schemes in surplus	490	–	–	–	(49)	–	252	–	–	–	203	693
Trade and other receivables due after more than one year	799	–	–	–	–	–	(637)	–	–	58	(579)	220
Deferred tax assets	–	–	–	–	–	–	1 155	–	–	–	1 155	1 155
Total non-current assets	25 856	753	103	(11)	133	–	770	–	–	378	2 126	27 982
Current assets												
Inventories	4 175	–	–	–	–	–	–	–	–	(1)	(1)	4 174
Trade and other current receivables	5 082	–	–	–	–	–	–	–	–	(375)	(375)	4 707
Other financial assets	1 491	–	–	–	–	–	–	–	–	106	106	1 597
Cash and cash equivalents	1 854	–	–	–	–	–	–	–	–	(106)	(106)	1 748
Total current assets	12 602	–	–	–	–	–	–	–	–	(376)	(376)	12 226
Current liabilities												
Borrowings due within one year	(7 434)	–	–	–	–	–	–	–	–	–	–	(7 434)
Trade payables and other current liabilities	(9 640)	–	–	–	–	–	728	–	1 120	(2)	1 846	(7 794)
Current tax liabilities	–	–	–	–	–	–	(728)	–	–	–	(728)	(728)
Total current liabilities	(17 074)	–	–	–	–	–	–	–	1 120	(2)	1 118	(15 956)
Net current assets/(liabilities)	(4 472)	–	–	–	–	–	–	–	1 120	(378)	742	(3 730)
Total assets less current liabilities	21 384	753	103	(11)	133	–	770	–	1 120	–	2 868	24 252
Non-current liabilities												
Borrowings due after more than one year	8 466	–	–	–	–	–	–	–	–	–	–	8 466
Trade payables and other liabilities due after more than one year	664	–	–	–	–	–	(330)	–	–	–	(330)	334
Non-current tax liabilities	–	–	–	–	–	–	330	–	–		330	330
Pension liability for funded schemes in deficit	1 629	–	–	–	14	–	664	–	–	–	678	2 307
Pension liability for unfunded schemes	2 620	–	–	–	153	–	780	–	–	–	933	3 553
Restructuring and other provisions	898	–	–	–	–	–	–	–	–	–	–	898
Deferred tax liabilities	747	–	33	(1)	(11)	1 095	(674)	–	–	–	442	1 189
Total non-current liabilities	15 024	–	33	(1)	156	1 095	770	–	–	–	2 053	17 077
Shareholders' equity												
Called up share capital	642	–	–	–	–	–	–	–	–	–	–	642
Share premium account	1 530	–	–	–	–	–	–	–	–	–	–	1 530
Other reserves	(2 442)	–	–	–	–	–	–	–	–	–	–	(2 442)
Retained profit	6 190	753	69	(8)	(23)	(1 095)	–	–	1 120	–	816	7 006
Total shareholders' equity	5 920	753	69	(8)	(23)	(1 095)	–	–	1 120	–	816	6 736
Minority interests	440	–	1	(2)	–	–	–	–	–	–	(1)	439
Total equity	6 360	753	70	(10)	(23)	(1 095)	–	–	1 120	–	815	7 175
Total capital employed	21 384	753	103	(11)	133	–	770	–	1 120	–	2 868	24 252

35 First time adoption of International Financial Reporting Standards (continued)

Reconciliation of profit for the year ended 31 December 2004

	€ million Previously reported under previous GAAP	€ million Goodwill and indefinite lived intangible assets	€ million Software	€ million Biological assets	€ million Pensions and similar obligations	€ million Deferred tax restatement effect	€ million Tax reclassifying effect	€ million Joint ventures and associates	€ million Dividends	€ million Other	€ million Total effect of transition to IFRSs	€ million Change relating to turnover definition[(a)]	€ million **Restated under IFRSs**	€ million Adjustment for discontinued operations	€ million **As reported in Income Statement**
Turnover	40 366	–	–	–	–	–	–	(197)	–	–	(197)	(1 061)	39 108	(542)	38 566
Turnover of joint ventures	(197)	–	–	–	–	–	–	197	–	–	197	–	–	–	–
Operating costs	(36 758)	815	66	7	–	–	–	–	–	14	902	1 061	(34 795)	468	(34 327)
Share of operating profit of joint ventures	44	–	–	–	–	–	–	(44)	–	–	(44)	–	–	–	–
Operating profit/(loss)	3 455	815	66	7	–	–	–	(44)	–	14	858	–	4 313	(74)	4 239
After charging:															
Impairment of *Slim•Fast*	(591)	(200)	–	–	–	–	–	–	–	–	(200)	–	(791)	–	(791)
Provision for Brazilian sales tax	(169)	–	–	–	–	–	–	–	–	–	–	–	(169)	–	(169)
Share of operating profit of associates	42	7	–	–	–	–	–	(49)	–	–	(42)	–	–	–	–
Finance costs	(628)	–	–	–	–	–	–	47	–	10	57	–	(571)	(1)	(572)
Other finance income/(cost) –															
pensions and similar obligations	(61)	–	–	–	1	–	–	–	–	–	1	–	(60)	2	(58)
Share of net profit of joint ventures	–	–	–	–	–	–	–	39	–	–	39	–	39	–	39
Share of net profit of associates	–	–	–	–	–	–	–	2	–	–	2	–	2	–	2
Other income from non-current investments	31	–	–	–	23	–	–	–	–	–	23	–	54	–	54
Profit/(loss) before taxation	2 839	822	66	7	24	–	–	(5)	–	24	938	–	3 777	(73)	3 704
Taxation	(782)	17	(17)	(2)	(8)	(16)	–	5	–	(33)	(54)	–	(836)	26	(810)
Net profit/(loss) for the year	2 057	839	49	5	16	(16)	–	–	–	(9)	884	–	2 941	(47)	2 894
Net profit from discontinued operations														47	47
Net profit														–	2 941
Attributable to:															
Minority interests	181	2	1	2	–	–	–	–	–	–	5	–	186	–	186
Shareholders' equity	1 876	837	48	3	16	(16)	–	–	–	(9)	879	–	2 755	–	2 755

(a) See 'Turnover definition' on page 20.

Notes to the consolidated accounts
Unilever Group

35 First time adoption of International Financial Reporting Standards (continued)

Reconciliation of equity at 31 December 2004 and 1 January 2005

	€ million Previously reported under previous GAAP at 31 December 2004	€ million Goodwill and indefinite-lived intangible assets	€ million Software	€ million Biological assets	€ million Pensions and similar obligations	€ million Deferred tax restatement effect	€ million Tax reclassifying effect	€ million Joint ventures and associates	€ million Dividends	€ million Other	€ million Total effect of transition to IFRSs	€ million **Restated under IFRSs at 31 December 2004**	€ million Financial instruments (including preference shares)	€ million Non-current assets and asset groups held for sale	€ million **Restated under IFRSs at 1 January 2005**
Non-current assets															
Goodwill	11 508	575	–	–	–	–	–	–	–	–	575	12 083	–	(133)	11 950
Intangible assets	3 830	928	166	–	–	–	–	–	–	–	1 094	4 924	–	(60)	4 864
Property, plant and equipment	6 271	–	–	(36)	–	–	–	–	–	(54)	(90)	6 181	–	(130)	6 051
Biological assets	–	–	–	33	–	–	–	–	–	–	33	33	–	–	33
Joint ventures and associates	54	–	–	–	–	–	–	–	–	–	–	54	–	–	54
Other non-current investments	148	–	–	–	174	–	–	–	–	376	550	698	–	(1)	697
Pension asset for funded schemes in surplus	456	–	–	–	(39)	–	208	–	–	–	169	625	–	–	625
Trade and other receivables due after more than one year	1 198	–	–	–	–	–	(973)	–	–	54	(919)	279	468	–	747
Deferred tax assets	–	–	–	–	–	–	1 491	–	–	–	1 491	1 491	–	–	1 491
Total non-current assets	23 465	1 503	166	(3)	135	–	726	–	–	376	2 903	26 368	468	(324)	26 512
Assets held for sale												n/a	–	375	375
Current assets															
Inventories	3 758	–	–	–	–	–	–	–	–	(2)	(2)	3 756	–	(16)	3 740
Trade and other current receivables	4 505	–	–	–	–	–	–	–	–	(374)	(374)	4 131	581	(27)	4 685
Other financial assets	1 016	–	–	–	–	–	–	–	–	(3)	(3)	1 013	(480)	–	533
Cash and cash equivalents	1 587	–	–	–	–	–	–	–	–	3	3	1 590	–	(8)	1 582
Total current assets	10 866	–	–	–	–	–	–	–	–	(376)	(376)	10 490	101	(51)	10 540
Current liabilities															
Borrowings due after more than one year	(5 155)	–	–	–	–	–	–	–	–	–	–	(5 155)	(1 293)	–	(6 448)
Trade payables and other current liabilities	(9 415)	–	–	–	–	–	686	–	1 215	–	1 901	(7 514)	(71)	14	(7 571)
Current tax liabilities	–	–	–	–	–	–	(686)	–	–	(32)	(718)	(718)	–	–	(718)
Restructuring and other provisions	–	–	–	–	–	–	–	–	–	(799)	(799)	(799)	–	–	(799)
Total current liabilities	(14 570)	–	–	–	–	–	–	–	1 215	(831)	384	(14 186)	(1 364)	14	(15 536)
Net current assets/(liabilities)	(3 704)	–	–	–	–	–	–	–	1 215	(1 207)	8	(3 696)	(1 263)	(37)	(4 996)
Total assets less current liabilities	19 761	1 503	166	(3)	135	–	726	–	1 215	(831)	2 911	22 672	(795)	14	21 891
Non-current liabilities															
Borrowings due after more than one year	6 893	–	–	–	–	–	–	–	–	–	–	6 893	328	–	7 221
Trade payables and other liabilities due after more than one year	717	–	–	–	–	–	(278)	–	–	–	(278)	439	(5)	–	434
Non-current tax liabilities	–	–	–	–	–	–	278	–	–	–	278	278	–	–	278
Pension liability for funded schemes in deficit	1 681	–	–	–	43	–	615	–	–	–	658	2 339	–	–	2 339
Pension liability for unfunded schemes	2 693	–	–	–	143	–	904	–	–	–	1 047	3 740	–	(3)	3 737
Restructuring and other provisions	1 370	(6)	–	–	–	–	–	–	–	(799)	(805)	565	–	(2)	563
Deferred tax liabilities	511	(33)	50	1	(15)	1 068	(793)	–	–	–	278	789	(4)	–	785
Total non-current liabilities	13 865	(39)	50	1	171	1 068	726	–	–	(799)	1 178	15 043	319	(5)	15 357
Liabilities held for sale												n/a	–	19	19
Shareholders' equity															
Called up share capital	642	–	–	–	–	–	–	–	–	–	–	642	(130)	–	512
Share premium account	1 530	–	–	–	–	–	–	–	–	–	–	1 530	(1 372)	–	158
Other reserves	(2 735)	–	–	–	–	–	–	–	–	180	180	(2 555)	(19)	–	(2 574)
Retained profit	6 097	1 540	115	(4)	(36)	(1 068)	–	–	1 215	(212)	1 550	7 647	407	–	8 054
Total shareholders' equity	5 534	1 540	115	(4)	(36)	(1 068)	–	–	1 215	(32)	1 730	7 264	(1 114)	–	6 150
Minority interests	362	2	1	–	–	–	–	–	–	–	3	365	–	–	365
Total equity	5 896	1 542	116	(4)	(36)	(1 068)	–	–	1 215	(32)	1 733	7 629	(1 114)	–	6 515
Total capital employed	19 761	1 503	166	(3)	135	–	726	–	1 215	(831)	2 911	22 672	(795)	14	21 891