Disclaimer

This PDF is a section of the Unilever Annual Report and Accounts 2007 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 2007 should be consulted.

Certain sections of the Unilever Annual Report and Accounts 2007 have been audited. Sections that have been audited are set out on pages 69 to 121, 125 to 126, 128 to 130 and 133 to 135. The auditable part of the Directors' Remuneration report as set out on page 49 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 forward-looking statements are made subject to the reservations specified on the final page of the Report.

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

Contents

Statement of Directors' responsibilities 66
Auditors' reports 67
Consolidated income statement 69
Consolidated statement of recognised income and expense 69
Consolidated balance sheet 70
Consolidated cash flow statement 71
Notes to the consolidated accounts 72
1 Accounting information and policies 72
2 Segment information 77
3 Gross profit and operating costs 81
4 Staff costs 82
5 Net finance costs 82
6 Taxation 83
7 Combined earnings per share 85
8 Dividends on ordinary capital 86
9 Goodwill and intangible assets 86
10 Property, plant and equipment 88
11 Other non-current assets 90
12 Deferred taxation 91
13 Inventories 91
14 Trade and other receivables 92
15 Cash and cash equivalents and other financial assets 92
16 Financial liabilities 94
17 Financial instruments and treasury risk management 97
18 Trade payables and other liabilities 102
19 Provisions 102
20 Pensions and similar obligations 103
21 Equity 108
22 Share capital 109
23 Other reserves 110
24 Retained profit 111
25 Commitments and contingent liabilities 112
26 Acquisitions and disposals 113
27 Assets held for sale and discontinued operations 114
28 Reconciliation of net profit to cash flow from operating activities 116
29 Share-based compensation plans 117
30 Related party transactions 120
31 Key management personnel 120
32 Remuneration of auditors 121
33 Events after the balance sheet date 121

Financial record 122
Principal group companies and non-current investments 125
Company accounts – Unilever N.V. 127
Notes to the company accounts – Unilever N.V. 129
Further statutory and other information – Unilever N.V. 131
Company accounts – Unilever PLC 132
Notes to the company accounts – Unilever PLC 134
Further statutory and other information – Unilever PLC 136

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 and as issued by the International Accounting Standards Board (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 are 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.

UK law sets out additional responsibilities for the Directors of PLC regarding disclosure of information to auditors. Disclosure in respect of these is made on page 136.

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 2008 and 2009, 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 (including the operation of the Disclosure Committee – see page 38) 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, strategic 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. In our major units financial controls are subject to a comprehensive risk-based assessment annually with controls in the remaining units being reviewed over a one- to 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, comprised entirely 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 2007 and up to the date of this report, and complies with the recommendations of 'Internal Control – Revised Guidance for Directors on the Combined Code', published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales in October 2005. The Boards have carried out an annual review of the effectiveness of the systems of risk management and internal control during 2007 in accordance with this guidance, and have ensured that the necessary actions have been or are being taken to address any significant failings 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 2007 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.

Unilever is required by Section 404 of the US Sarbanes-Oxley Act of 2002 to report on the effectiveness of internal control over financial reporting. This requirement will be reported on separately and will form part of Unilever's Annual Report on Form 20-F.

Auditor's report Netherlands

Independent auditor's report to the shareholders of Unilever N.V.

Report on the consolidated accounts

We have audited the consolidated accounts which are part of the Annual Report 2007 of the Unilever Group for the year ended 31 December 2007 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense and the related notes on pages 69 to 121 and 125 to 126. These consolidated accounts have been prepared under the accounting policies set out in note 1 on pages 72 to 76.

We have reported separately on the company accounts of Unilever N.V. for the year ended 31 December 2007.

Directors' responsibility

The Directors are responsible for the preparation and fair presentation of the consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union and as issued by the International Accounting Standards Board and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated accounts based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the financial position of the Unilever Group as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and as issued by the International Accounting Standards Board and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Directors is consistent with the consolidated accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, The Netherlands, 10 March 2008
PricewaterhouseCoopers Accountants N.V.

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 2007 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense and the related notes on pages 69 to 121 and 125 to 126. These consolidated accounts have been prepared under the accounting policies set out in note 1 on pages 72 to 76.

We have reported separately on the parent company accounts of Unilever PLC for the year ended 31 December 2007 and on the information in the Report of the Remuneration Committee that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the consolidated accounts in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as issued by the International Accounting Standards Board are set out in the Statement of Directors' Responsibilities on page 66, and on page 136. The Directors are also responsible for preparing the Annual Report.

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 whether in our opinion the information given in the Directors' Report is consistent with the consolidated accounts.

In addition we report to you if, in our opinion, 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 reflects the company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the United Kingdom 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 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 IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended;
- the consolidated accounts have been properly prepared in accordance with the United Kingdom Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the consolidated accounts.

Separate opinion in relation to IFRS

As explained in note 1 to the consolidated accounts, the Group in addition to complying with its legal obligation to comply with IFRS as adopted by the European Union has also complied with IFRS as issued by the International Accounting Standards Board.

In our opinion the consolidated accounts give a true and fair view, in accordance with IFRS as issued by the International Accounting Standards Board, of the state of the Group's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
10 March 2008

Financial statements Unilever Group

Consolidated income statement

for the year ended 31 December

	€ million 2007	€ million 2006	€ million 2005
Continuing operations			
Turnover 2	**40 187**	39 642	38 401
Operating profit 2	**5 245**	5 408	5 074
After (charging)/crediting:			
Restructuring 3	**(875)**	(704)	(328)
Business disposals, impairments and other 3	**306**	196	(249)
Gain on US healthcare and UK pensions 3	**–**	266	–
Net finance costs 5	**(252)**	(721)	(613)
Finance income	**147**	128	129
Finance costs	**(550)**	(590)	(689)
Preference shares provision	**(7)**	(300)	–
Pensions and similar obligations	**158**	41	(53)
Share of net profit/(loss) of joint ventures	**102**	78	47
Share of net profit/(loss) of associates	**50**	36	(25)
Other income from non-current investments 11	**39**	30	33
Profit before taxation	**5 184**	4 831	4 516
Taxation 6	**(1 128)**	(1 146)	(1 181)
Net profit from continuing operations	**4 056**	3 685	3 335
Net profit from discontinued operations 27	**80**	1 330	640
Net profit	**4 136**	5 015	3 975
Attributable to:			
Minority interests	**248**	270	209
Shareholders' equity	**3 888**	4 745	3 766
Combined earnings per share 7			
From continuing operations			
Basic earnings per share	**€1.32**	€1.19	€1.07
Diluted earnings per share	**€1.28**	€1.15	€1.04
From discontinued operations			
Basic earnings per share	**€0.03**	€0.46	€0.22
Diluted earnings per share	**€0.03**	€0.45	€0.21
From total operations			
Basic earnings per share	**€1.35**	€1.65	€1.29
Diluted earnings per share	**€1.31**	€1.60	€1.25

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 72 to 121, which form an integral part of the consolidated financial statements.

Accounting policies of the Unilever Group are set out in note 1 on pages 72 to 76.

Consolidated statement of recognised income and expense

for the year ended 31 December

	€ million 2007	€ million 2006	€ million 2005
Fair value gains/(losses) net of tax:			
On cash flow hedges	**84**	6	14
On available-for-sale financial assets	**2**	15	–
Actuarial gains/(losses) on pension schemes net of tax	**542**	853	(49)
Currency retranslation gains/(losses) net of tax[(a)]	**(413)**	(335)	513
Net income/(expense) recognised directly in equity	**215**	539	478
Net profit	**4 136**	5 015	3 975
Total recognised income and expense 21	**4 351**	5 554	4 453
Attributable to:			
Minority interests	**237**	242	249
Shareholders' equity	**4 114**	5 312	4 204

(a) Includes fair value gains/(losses) on net investment hedges of €(692) million (2006: €(779) million; 2005: €332 million).

Financial statements Unilever Group

Consolidated balance sheet

as at 31 December

	€ million 2007	€ million 2006
Goodwill 9	**12 244**	12 425
Intangible assets 9	**4 511**	4 781
Property, plant and equipment 10	**6 284**	6 276
Pension asset for funded schemes in surplus 20	**2 008**	1 697
Deferred tax assets 12	**1 003**	1 266
Other non-current assets 11	**1 324**	1 126
Total non-current assets	**27 374**	27 571
Inventories 13	**3 894**	3 796
Trade and other current receivables 14	**4 194**	4 254
Current tax assets	**367**	125
Cash and cash equivalents 15	**1 098**	1 039
Other financial assets 15	**216**	273
Assets held for sale 27	**159**	14
Total current assets	**9 928**	9 501
Financial liabilities 16	**(4 166)**	(4 458)
Trade payables and other current liabilities 18	**(8 017)**	(7 838)
Current tax liabilities	**(395)**	(579)
Provisions 19	**(968)**	(1 009)
Liabilities associated with assets held for sale 27	**(13)**	–
Total current liabilities	**(13 559)**	(13 884)
Net current assets/(liabilities)	**(3 631)**	(4 383)
Total assets less current liabilities	**23 743**	23 188
Financial liabilities due after one year 16	**5 483**	4 377
Non-current tax liabilities	**233**	272
Pensions and post-retirement healthcare liabilities:		
Funded schemes in deficit 20	**827**	1 379
Unfunded schemes 20	**2 270**	3 398
Provisions 19	**694**	826
Deferred tax liabilities 12	**1 213**	1 003
Other non-current liabilities	**204**	261
Total non-current liabilities	**10 924**	11 516
Called up share capital 21	**484**	484
Share premium account 21	**153**	165
Other reserves 21	**(3 412)**	(2 143)
Retained profit 21	**15 162**	12 724
Shareholders' equity	**12 387**	11 230
Minority interests 21	**432**	442
Total equity	**12 819**	11 672
Total capital employed	**23 743**	23 188

Commitments and contingent liabilities are shown in note 25 on page 112.

These financial statements, together with the Report of the Directors, were approved by the Directors on 10 March 2008.

Financial statements Unilever Group

Consolidated cash flow statement

for the year ended 31 December

	€ million 2007	€ million 2006	€ million 2005
Cash flow from operating activities 28	**5 188**	5 574	5 924
Income tax paid	**(1 312)**	(1 063)	(1 571)
Net cash flow from operating activities	**3 876**	4 511	4 353
Interest received	**146**	125	130
Purchase of intangible assets	**(136)**	(113)	(92)
Purchase of property, plant and equipment	**(1 046)**	(1 013)	(914)
Disposal of property, plant and equipment	**163**	192	124
Sale and leaseback transactions resulting in operating leases	**36**	–	69
Acquisition of group companies, joint ventures and associates	**(214)**	(96)	(20)
Disposal of group companies, joint ventures and associates	**164**	1 873	804
Acquisition of other non-current investments	**(50)**	(90)	(50)
Disposal of other non-current investments	**33**	61	83
Dividends from joint ventures, associates and other non-current investments	**188**	120	65
(Purchase)/sale of financial assets	**93**	96	316
Net cash flow from/(used in) investing activities	**(623)**	1 155	515
Dividends paid on ordinary share capital	**(2 182)**	(2 602)	(1 804)
Interest and preference dividends paid	**(552)**	(605)	(643)
Additional financial liabilities	**4 283**	2 154	3 968
Repayment of financial liabilities	**(2 896)**	(5 364)	(4 795)
Sale and leaseback transactions resulting in finance leases	**25**	2	–
Capital element of finance lease rental payments	**(74)**	(73)	(53)
Share buy-back programme	**(1 500)**	–	(500)
Other movements on treasury stock	**442**	98	(776)
Other financing activities	**(555)**	(182)	(218)
Net cash flow from/(used in) financing activities	**(3 009)**	(6 572)	(4 821)
Net increase/(decrease) in cash and cash equivalents	**244**	(906)	47
Cash and cash equivalents at the beginning of the year	**710**	1 265	1 406
Effect of foreign exchange rate changes	**(53)**	351	(188)
Cash and cash equivalents at the end of the year 15	**901**	710	1 265

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 27 on page 114.

Notes to the consolidated accounts Unilever Group

1 Accounting information and policies

The accounting policies adopted are the same as those which applied for the previous financial year, except as set out below under the heading of 'Companies legislation and accounting standards'.

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 €0.16 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 3⅑p 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 40.

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. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The net assets and results of acquired businesses are included in the consolidated accounts from their respective dates of acquisition, being the date on which the Group obtains control. The results of disposed businesses are included in the consolidated accounts up to their date of disposal, being the date control ceases.

Companies legislation and accounting standards

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Acts 1985 and 2006. They are also in accordance with IFRS as issued by the International Accounting Standards Board.

The accounts are prepared under the historical cost convention unless otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted International Financial Reporting Standard 7 'Financial Instruments: Disclosures' and the following IFRIC interpretations with effect from 1 January 2007: IFRIC 7, 'Applying the Restatement Approach' under IAS 29 'Financial Reporting in Hyperinflationary Economies'; IFRIC 9 'Reassessment of embedded derivatives'; and IFRIC 10 'Interim Financial Reporting and Impairment'. Adoption of IFRS 7 and these interpretations did not have a material effect on the financial statements of the Group.

The Group also applied the amendment to IAS 1 'Presentation of Financial Statements' which requires Unilever to make new disclosures to enable the users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

In addition, the Group has applied the following changes in presentation of the financial statements within the balance sheet:

- Finance lease creditors and funding-related derivatives have been reclassified in order to facilitate the presentation of net debt. Comparatives for 31 December 2006 have been restated accordingly; and
- Line items relating to borrowings have been renamed to financial liabilities to align with the requirements of IFRS 7.

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. The functional currencies of NV and PLC are euros and sterling respectively.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying hedges. Those arising on trading transactions are taken to operating profit; those arising on cash, financial assets and financial liabilities 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 in accordance with the Equalisation Agreement. 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 23 on page 110).

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 23 on page 110). In the event of disposal or part disposal of an interest in a group company 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.

Notes to the consolidated accounts Unilever Group

1 Accounting information and policies (continued)

Business combinations
Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets and liabilities of the acquired business at fair value.

Acquisitions of minority interests are accounted for using the parent entity method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

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.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired business are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

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 mainly comprise patented and non-patented technology, know-how and software. These assets are capitalised and amortised on a straight-line basis in the income statement over the period of their expected useful lives, or the period of legal rights if shorter, none of which exceeds ten years. 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 intangibles are not amortised, but are subject to an annual review for impairment (or more frequently if necessary).

Unilever monitors the level of product development costs against all the criteria set out in IAS 38. These include the requirement to establish that a flow of economic benefits is probable before costs are capitalised. 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.

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 which are reviewed periodically. Estimated useful lives by major class of assets are as follows:

Freehold buildings (no depreciation on freehold land)	40 years
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.

Other non-current assets
Joint ventures are undertakings in which the Group has an interest and which are jointly controlled by the Group and one or more other parties. Associates are undertakings in which the Group has an investment 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 cost, adjusted for the movement in the Group's share of their net 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.

Biological assets are stated at fair value less estimated point-of-sale costs.

Financial instruments
Financial instruments are recognised when the Group becomes party to the contract. They are initially measured at fair value (the transaction price) adjusted, in the case of instruments not classified as fair value through profit or loss, by directly attributable transaction costs.

Financial assets
Market purchases and sales of financial assets are recognised using value date accounting. Financial assets, other than those which are financial assets at fair value through profit or loss, 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.

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 counterparty with no intention of trading the receivable. Loans and receivables are included in trade and other receivables in the balance sheet at amortised cost.

Short-term loans and receivables are initially measured at original invoice amount and subsequently measured after deducting any provision for impairment.

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. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payment is established.

Notes to the consolidated accounts Unilever Group

1 Accounting information and policies (continued)

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. Directly attributable transaction costs related to the purchase of the assets are expensed as incurred. Gains and losses arising from changes in fair value are included in the income statement.

Financial liabilities
Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship; any difference between the amount on initial recognition and the redemption value is recognised in the income statement over the period of the financial liabilities using the effective interest method. Those financial liabilities 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.

Short-term financial liabilities are measured at original invoice amount. Borrowing costs are not capitalised as part of property, plant and equipment.

Derivative financial instruments
Derivatives are measured on the balance sheet at fair value. 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.

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 a non-financial asset or a liability, then, at the time the non-financial 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 non-financial asset or liability. For hedged items that do not result in the recognition of a non-financial 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.

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.

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

Changes in fair value of net investment hedges in relation to foreign subsidiaries are recognised directly in equity. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

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.

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 carried at fair value with unrealised gains or losses reported in the income statement.

The Group also uses commodity contracts to hedge future requirements. Those contracts that can also be settled in cash are treated as financial instruments.

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 net realisable value. 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 allocated 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 and liabilities of such plans are not included in the balance sheet of the Group.

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 approximately 80% 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.

Notes to the consolidated accounts Unilever Group

1 Accounting information and policies (continued)

Taxation
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred taxation is recognised using the liability method on taxable temporary differences between the tax base and the accounting base of items included in the balance sheet of the Group. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the forseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates prevailing at the year end unless future rates have been enacted or substantively enacted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 geographical regions.

Revenue recognition
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.

Turnover is recognised when the risks and rewards of the underlying products and services have been substantially transferred to the customer. Revenue from services is recognised as the services are performed. Interest revenue is recognised as interest accrues using the effective interest method.

Research and market support costs
Expenditure on research and market support, such as advertising, is charged to the income statement when 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.

A profit or loss is recognised on a sale and leaseback transaction based on the difference between sales proceeds and the carrying amount of the asset. Where the transaction results in a finance lease, the profit or loss is deferred and amortised over the lease term. Where the transaction results in an operating lease, any profit or loss is recognised immediately with reference to the proceeds of sale and the fair value of the asset.

Lease payments relating to operating leases are charged to the income statement on a straight-line basis over the lease term.

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 over the vesting period. The fair value is determined with reference to option pricing models, principally adjusted Black-Scholes models or a multinomial pricing model.

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 trusts' borrowings are included in the Group's liabilities. The costs of the trusts are included in the results of the Group. These shares are excluded from the calculation of earnings per share.

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 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.

Income statement presentation
On the face of the income statement, costs and revenues relating to restructuring, business disposals and impairments are disclosed. In addition, individual items judged to be significant are disclosed separately. These are material in terms of nature and amount. These disclosures are given in order to provide additional information to help users better understand financial performance.

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 fair value less costs to sell and value-in-use calculations. These calculations require the use of estimates. Details of key assumptions made are set out in note 9 on page 86.

Notes to the consolidated accounts Unilever Group

1 Accounting information and policies (continued)

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 20 on pages 103 and 104.

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.

Provisions
Provision is made, among other reasons, for legal matters, disputed indirect taxes, employee termination costs and restructuring where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. The nature of these costs is such that judgement has to be applied to estimate the timing and amount of cash outflows.

Recent accounting developments
We are currently assessing the impact of the following revised standards or interpretations. These changes are not expected to have a material impact on the Group's results of operations, financial position or disclosures.

- Amendments in IAS 1 'Presentation of Financial Statements' (effective from 1 January 2009) requiring information in financial statements to be aggregated on the basis of shared characteristics and introducing a statement of comprehensive income.

- Amendments in IAS 23 'Borrowing Costs' (effective from 1 January 2009) removing the option for expensing borrowing costs and requiring mandatory capitalisation of qualifying borrowing costs.

- IFRS 8 'Operating Segments' (effective from 1 January 2009) introduces a management reporting approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. It replaces disclosure requirements in IAS 14 'Segment Reporting'.

- IFRIC 14 'Limit on a defined benefit asset minimum funding requirement and their interaction' (effective from 1 January 2008) clarifies that a pension plan surplus can be recognised only when a company has the unconditional right to receive the benefits of it, regardless of whether the surplus is immediately available.

- Amendments in IFRS 3 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements' (effective from 1 July 2009) changing and updating the existing requirements or practice on accounting for partial acquisitions, step acquisitions, acquisition-related costs, contingent consideration and transactions with non-controlling interests.

Notes to the consolidated accounts Unilever Group

2 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. Turnover for these two countries combined in 2007 was €3 768 million (2006: €3 710 million; 2005: €3 679 million). The combined operating profit in 2007 was €444 million (2006: €555 million; 2005: €648 million). Turnover for the United States for 2007 was €7 120 million (2006: €7 627 million; 2005: €7 550 million). No other country had turnover of more than 10% of the Group total.

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 79 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 current and deferred tax and pension assets, cash and cash equivalents, and other current or non-current financial assets. Segment liabilities consist primarily of trade payables and other liabilities. Corporate liabilities include financial liabilities, tax balances payable, provisions and pension and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment and 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
2007				
Turnover	**15 205**	**13 442**	**11 540**	**40 187**
Operating profit	**1 678**	**1 971**	**1 596**	**5 245**
Net finance costs				**(252)**
Share of net profit/(loss) of joint ventures	**26**	**74**	**2**	**102**
Share of net profit/(loss) of associates	**50**	**–**	**–**	**50**
Other income from non-current investments				**39**
Profit before taxation				**5 184**
Taxation				**(1 128)**
Net profit from continuing operations				**4 056**
Net profit from discontinued operations				**80**
Net profit				**4 136**
2006				
Turnover	15 000	13 779	10 863	39 642
Operating profit	1 903	2 178	1 327	5 408
Net finance costs				(721)
Share of net profit/(loss) of joint ventures	17	60	1	78
Share of net profit/(loss) of associates	36	–	–	36
Other income from non-current investments				30
Profit before taxation				4 831
Taxation				(1 146)
Net profit from continuing operations				3 685
Net profit from discontinued operations				1 330
Net profit				5 015
2005				
Turnover	14 940	13 179	10 282	38 401
Operating profit	2 064	1 719	1 291	5 074
Net finance costs				(613)
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				4 516
Taxation				(1 181)
Net profit from continuing operations				3 335
Net profit from discontinued operations				640
Net profit				3 975

Notes to the consolidated accounts Unilever Group

2 Segment information (continued)

Analysis by geographical segment	€ million Europe	€ million The Americas	€ million Asia Africa	€ million Total
Assets				
2007				
Segment assets	**14 502**	**10 867**	**6 279**	**31 648**
Joint ventures/associates	**201**	**11**	**12**	**224**
Total assets by geographical segment	**14 703**	**10 878**	**6 291**	**31 872**
Corporate assets				**5 430**
Total assets				**37 302**
2006				
Segment assets	14 411	11 548	5 875	31 834
Joint ventures/associates	78	16	9	103
Total assets by geographical segment	14 489	11 564	5 884	31 937
Corporate assets				5 135
Total assets				37 072
Liabilities				
2007				
Segment liabilities	**3 964**	**1 702**	**2 568**	**8 234**
Joint ventures/associates	**15**	**10**	**5**	**30**
Total liabilities by geographical segment	**3 979**	**1 712**	**2 573**	**8 264**
Corporate liabilities				**16 219**
Total liabilities				**24 483**
2006				
Segment liabilities	4 078	1 790	2 231	8 099
Joint ventures/associates	18	11	5	34
Total liabilities by geographical segment	4 096	1 801	2 236	8 133
Corporate liabilities				17 267
Total liabilities				25 400
Capital expenditure				
2007	**672**	**342**	**411**	**1 425**
2006	511	396	294	1 201
Depreciation of property, plant and equipment				
2007	**(381)**	**(249)**	**(174)**	**(804)**
2006	(368)	(239)	(180)	(787)
2005	(390)	(230)	(150)	(770)
Amortisation of finite-lived intangible assets and software				
2007	**(76)**	**(48)**	**(16)**	**(140)**
2006	(63)	(76)	(18)	(157)
2005	(52)	(38)	(9)	(99)

Notes to the consolidated accounts Unilever Group

2 Segment information (continued)

Analysis by geographical segment	€ million Europe	€ million The Americas	€ million Asia Africa	€ million Total
Impairment charges				
2007				
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Total impairment charge	–	–	–	–
2006				
Goodwill	(12)	–	–	(12)
Intangible assets	–	(2)	–	(2)
Total impairment charge	(12)	(2)	–	(14)
2005				
Goodwill	–	(129)	(2)	(131)
Intangible assets	–	(241)	(10)	(251)
Other	–	–	(15)	(15)
Total impairment charge	–	(370)	(27)	(397)
Other non-cash charges				
2007	**(366)**	**(216)**	**(66)**	**(648)**
2006	(679)	(231)	(52)	(962)
2005	(224)	(311)	(53)	(588)

Analysis by product area

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 our principal product areas; these are secondary reporting segments and are listed below.

Savoury, dressings and spreads – including sales of soups, bouillons, sauces, snacks, mayonnaise, salad dressings, olive oil, margarines and spreads, and cooking products such as liquid margarines.
Ice cream and beverages – including sales of ice cream, tea, weight management products, and nutritionally enhanced staples sold in developing markets.
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, the results of which are reported within this segment.

Analysis by product area	€ million Savoury, dressings and spreads	€ million Ice cream and beverages	€ million Personal care	€ million Home care and other	€ million Total
2007					
Turnover	**13 988**	**7 600**	**11 302**	**7 297**	**40 187**
Operating profit	**2 059**	**809**	**1 786**	**591**	**5 245**
Net finance costs					**(252)**
Share of net profit/(loss) of joint ventures	**15**	**85**	**1**	**1**	**102**
Share of net profit/(loss) of associates	**–**	**–**	**–**	**50**	**50**
Other income from non-current investments					**39**
Profit before taxation					**5 184**
Taxation					**(1 128)**
Net profit from continuing operations					**4 056**
Net profit from discontinued operations					**80**
Net profit					**4 136**
2006					
Turnover	13 767	7 578	11 122	7 175	39 642
Operating profit	1 993	900	1 913	602	5 408
Net finance costs					(721)
Share of net profit/(loss) of joint ventures	13	64	1	–	78
Share of net profit/(loss) of associates	–	–	–	36	36
Other income from non-current investments					30
Profit before taxation					4 831
Taxation					(1 146)
Net profit from continuing operations					3 685
Net profit from discontinued operations					1 330
Net profit					5 015

Notes to the consolidated accounts Unilever Group

2 Segment information (continued)

Analysis by product area	€ million Savoury, dressings and spreads	€ million Ice cream and beverages	€ million Personal care	€ million Home care and other	€ million Total
2005					
Turnover	13 557	7 332	10 485	7 027	38 401
Operating profit	2 026	609	1 793	646	5 074
Net finance costs					(613)
Share of net profit/(loss) of joint ventures	10	36	1	–	47
Share of net profit/(loss) of associates	–	–	–	(25)	(25)
Other income from non-current investments					33
Profit before taxation					4 516
Taxation					(1 181)
Net profit from continuing operations					3 335
Net profit from discontinued operations					640
Net profit					3 975
Assets					
2007					
Segment assets	**19 794**	**4 434**	**3 752**	**3 668**	**31 648**
Joint ventures/associates	**19**	**134**	**12**	**59**	**224**
Total assets by product area	**19 813**	**4 568**	**3 764**	**3 727**	**31 872**
Corporate assets					**5 430**
Total assets					**37 302**
2006					
Segment assets	20 435	4 485	3 616	3 298	31 834
Joint ventures/associates	29	24	7	43	103
Total assets by product area	20 464	4 509	3 623	3 341	31 937
Corporate assets					5 135
Total assets					37 072
Capital expenditure					
2007	**451**	**350**	**383**	**241**	**1 425**
2006	387	327	195	292	1 201

Notes to the consolidated accounts Unilever Group

3 Gross profit and operating costs

	€ million 2007	€ million 2006	€ million 2005
Turnover	**40 187**	39 642	38 401
Cost of sales	**(20 558)**	(20 093)	(19 539)
Gross profit	**19 629**	19 549	18 862
Distribution and selling costs	**(9 489)**	(9 486)	(9 078)
Administrative expenses[(a)]	**(4 895)**	(4 655)	(4 710)
Operating profit	**5 245**	5 408	5 074

(a) Includes amortisation of finite-lived intangible assets and impairment of goodwill and intangible assets.

The following items are disclosed on the face of the income statement as separate disclosure provides additional information to users to help them better understand underlying business performance.

	€ million 2007	€ million 2006	€ million 2005
Restructuring	**(875)**	(704)	(328)
Business disposals, impairments and other:			
Gain/(loss) on disposals of group companies	**297**	179	132
Impairments	**–**	(14)	(397)
(Provision for)/release of Brazilian sales tax	**9**	31	16
Gains on US healthcare and UK pensions	**–**	266	–

Restructuring costs are incurred as Unilever continues to simplify the organisation, reorganise operations and support functions and redevelop the portfolio. They primarily relate to redundancy and retirement costs. The significant costs incurred in 2007 are in respect of new multi-country organisations announced and several factory closures. Business disposals generate both costs and revenues which are not reflective of underlying performance. Impairment charges are primarily recognised for goodwill other than where included in restructuring or as part of business disposals. In 2005 an impairment charge of €363 million was recognised in respect of *Slim•Fast*.

The gains on US healthcare arose from the introduction of an annual cap on the benefits which each participant can claim. The gain in the UK resulted from reducing deferred pensions where they are taken early.

Other items within operating costs include:

	€ million 2007	€ million 2006	€ million 2005
Staff costs	**(5 537)**	(5 355)	(5 745)
Raw and packaging materials and goods purchased for resale	**(15 588)**	(15 655)	(15 106)
Amortisation of finite-lived intangible assets and software	**(140)**	(157)	(99)
Depreciation of property, plant and equipment	**(804)**	(787)	(770)
Advertising and promotions	**(5 289)**	(5 203)	(4 918)
Exchange gains/(losses):	**(15)**	(25)	19
On underlying transactions	**(10)**	(10)	(6)
On covering forward contracts	**(5)**	(15)	25
Lease rentals:	**(477)**	(451)	(421)
Minimum operating lease payments	**(488)**	(455)	(423)
Contingent operating lease payments	**–**	(3)	(3)
Less: Sub-lease income relating to operating lease agreements	**11**	7	5

Total expenditure on research and development in 2007, including costs incurred under some of the headings reported above, was €868 million (2006: €906 million; 2005: €932 million).

Notes to the consolidated accounts Unilever Group

4 Staff costs

Staff costs	€ million 2007	€ million 2006	€ million 2005
Remuneration of employees	**(4 409)**	(4 377)	(4 456)
Emoluments of Executive Directors	**(9)**	(8)	(11)
Pensions and other post-employment benefits[(a)]	**(321)**	(132)	(384)
Social security costs	**(646)**	(718)	(702)
Share-based compensation costs	**(152)**	(120)	(192)
	(5 537)	(5 355)	(5 745)

(a) In 2006 includes gains of €266 million arising from changes in US post-retirement healthcare plans and UK pension plans.

Average number of employees during the year	'000 2007	'000 2006	'000 2005
Europe	**44**	47	51
The Americas	**44**	46	46
Asia Africa	**87**	96	115
	175	189	212

5 Net finance costs

Finance costs	€ million 2007	€ million 2006	€ million 2005
Finance costs	**(550)**	(590)	(689)
Bank loans and overdrafts	**(62)**	(93)	(90)
Bonds and other loans	**(493)**	(499)	(569)
Dividends paid on preference shares	**(7)**	(6)	(11)
Net gain/(loss) on derivatives designated as a fair value hedge for which no hedge accounting is applied:	**12**	8	(19)
On interest rate swaps	**(1)**	(6)	(11)
On foreign exchange derivatives	**538**	1 035	(798)
Exchange difference on underlying items	**(525)**	(1 021)	790
Preference shares provision[(a)]	**(7)**	(300)	–
Finance income	**147**	128	129
Pensions and similar obligations[(b)]	**158**	41	(53)
	(252)	(721)	(613)

(a) For further information please refer to note 19 on page 102.
(b) Net finance costs in respect of pensions and similar obligations are analysed in note 20 on page 106.

Notes to the consolidated accounts Unilever Group

6 Taxation

Tax charge in income statement	€ million 2007	€ million 2006	€ million 2005
Current tax			
Current year	**(1 118)**	(1 171)	(1 172)
Over/(under) provided in prior years[(a)]	**226**	206	107
	(892)	(965)	(1 065)
Deferred tax			
Origination and reversal of temporary differences	**(261)**	(171)	(123)
Changes in tax rates	**21**	(15)	2
Utilisation of unrecognised losses brought forward	**4**	5	5
	(236)	(181)	(116)
	(1 128)	(1 146)	(1 181)

(a) Provisions have been released following the favourable settlement of prior year tax audits for amounts provided for tax in prior years in a number of countries, including the Netherlands, the UK and the US, none of which is individually material.

Europe is considered to be 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	% 2007	% 2006	% 2005
Computed rate of tax[(b)]	**27**	30	31
Differences due to:			
Other rates applicable to non-European countries	**2**	1	–
Incentive tax credits	**(6)**	(7)	(5)
Withholding tax on dividends	**2**	1	2
Adjustments to previous years	**(5)**	(4)	(2)
Expenses not deductible for tax purposes	**2**	2	2
Utilisation of previously unrecognised tax losses	**–**	–	(1)
Other	**–**	1	(1)
Effective tax rate	**22**	24	26

(b) 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.

Notes to the consolidated accounts Unilever Group

6 Taxation (continued)

The following tables analyse profit before taxation and actual taxation charges between those arising in Europe and elsewhere.

	€ million 2007	€ million 2006	€ million 2005
Profit before taxation			
Europe			
Parent and group companies	**2 332**	2 266	2 379
Share of net profit/(loss) of joint ventures	**26**	17	11
Share of net profit/(loss) of associates	**50**	36	(20)
	2 408	2 319	2 370
Outside Europe			
Group companies	**2 700**	2 451	2 115
Share of net profit/(loss) of joint ventures	**76**	61	36
Share of net profit/(loss) of associates	**–**	–	(5)
	2 776	2 512	2 146
	5 184	4 831	4 516
Taxation			
Europe			
Parent and group companies:			
Current taxes payable	**(208)**	(359)	(414)
Deferred taxation	**(202)**	(174)	(162)
Accelerated depreciation	**27**	2	22
Pensions	**(196)**	(196)	(123)
Provisions	**35**	24	(25)
Goodwill and intangible assets	**(59)**	4	(48)
Other	**(9)**	(8)	12
	(410)	(533)	(576)
Outside Europe			
Group companies:			
Current taxes payable	**(684)**	(606)	(651)
Deferred taxation	**(34)**	(7)	46
Accelerated depreciation	**2**	25	(40)
Pensions	**(2)**	(142)	28
Provisions	**63**	16	(78)
Goodwill and intangible assets	**(62)**	98	123
Other	**(35)**	(4)	13
	(718)	(613)	(605)
	(1 128)	(1 146)	(1 181)

Notes to the consolidated accounts Unilever Group

7 Combined earnings per share

Combined earnings per share	€ 2007	€ 2006	€ 2005
From continuing operations			
Basic earnings per share	**1.32**	1.19	1.07
Diluted earnings per share	**1.28**	1.15	1.04
From discontinued operations			
Basic earnings per share	**0.03**	0.46	0.22
Diluted earnings per share	**0.03**	0.45	0.21
From total operations			
Basic earnings per share	**1.35**	1.65	1.29
Diluted earnings per share	**1.31**	1.60	1.25

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. Earnings per share are calculated on the basis of the revised nominal share values which have been applied since 22 May 2006 and which resulted in a one-to-one equivalence of ordinary shares of NV and PLC as regards their economic interest in the Group. For further information please refer to note 22 on page 109.

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 42; (ii) conversion of the €0.05 NV preference shares, details of which are set out below and in note 16 on page 94; (iii) the effect of share-based compensation plans, details of which are set out in note 29 on pages 117 to 119; and (iv) the forward equity contract described in note 29 on page 119.

On 15 February 2005, Unilever converted its €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 satisfying 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	2007	Millions of share units 2006	2005
Average number of shares: NV	**1 714.7**	1 714.7	1 714.7
PLC	**1 310.2**	1 310.2	1 310.2
Less shares held by employee share trusts and companies	**(150.3)**	(141.6)	(111.9)
Combined average number of share units for all bases except diluted earnings per share	**2 874.6**	2 883.3	2 913.0
Add shares issuable in 2038	**70.9**	70.9	70.9
Add shares for conversion	**–**	–	7.1
Add dilutive effect of share-based compensation plans and forward equity contract	**30.6**	18.3	16.0
Adjusted combined average number of share units for diluted earnings per share basis	**2 976.1**	2 972.5	3 007.0

Calculation of earnings	€ million 2007	€ million 2006	€ million 2005
For earnings per share from total operations:			
Net profit attributable to ordinary capital for total operations	**3 888**	4 745	3 766
For earnings per share from continuing operations:			
Net profit from continuing operations	**4 056**	3 685	3 335
Minority interest in continuing operations	**(248)**	(266)	(205)
Net profit attributable to ordinary capital for continuing operations	**3 808**	3 419	3 130

The numbers of shares included in the calculation of earnings per share is an average for the period. These numbers are influenced by the share buy-back programme that we undertook during 2007. During that period the following movements in shares took place:

	Millions of share units
Number of shares at 31 December 2006 (net of treasury stock)	2 889.9
Net movements in shares under incentive schemes	29.7
Share buy-back	(66.5)
Number of shares at 31 December 2007	2 853.1

On 11 February 2008, Unilever announced a share buy-back programme of at least €1.5 billion in 2008.

Notes to the consolidated accounts Unilever Group

8 Dividends on ordinary capital

Dividends paid on ordinary capital during the year	€ million 2007	€ million 2006	€ million 2005
Final NV dividend for the prior year of €0.47 per share (2006: €0.44; 2005 €0.42)	**(767)**	(722)	(710)
Final PLC dividend for the prior year of 32.04p per share (2006: 30.09p; 2005: 28.49p)	**(589)**	(547)	(519)
Interim NV dividend for the year of €0.25 per share (2006: €0.23; 2005 €0.22)	**(400)**	(379)	(363)
Interim PLC dividend for the year of 17.00p per share (2006: 15.62p; 2005 15.04p)	**(314)**	(285)	(275)
One-off NV dividend of €0.26 per share in 2006	**–**	(428)	–
One-off PLC dividend of 17.66p per share in 2006	**–**	(323)	–
	(2 070)	(2 684)	(1 867)
Of which:			
NV dividends	**(1 167)**	(1 529)	(1 073)
PLC dividends	**(903)**	(1 155)	(794)

The proposed final dividends on ordinary capital for the year 2007 have to be approved by shareholders at the Annual General Meetings. In accordance with IFRS, no provision for the amount of this dividend, estimated at €1 427 million, has been recognised in the financial statements for the year ended 31 December 2007.

Full details of dividends per share for the years 2003 to 2007 are given on page 141.

9 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. Brands that are classified as indefinite have been in the market for many years, and the nature of the industry we operate in is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend. 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 2007	€ million 2006
Goodwill	**12 244**	12 425
Intangible assets:	**4 511**	4 781
Indefinite-lived intangible assets	**3 921**	4 174
Finite-lived intangible assets	**273**	343
Software	**317**	264
	16 755	17 206

Movements during 2007	€ million Goodwill	€ million Indefinite-lived intangible assets	€ million Finite-lived intangible assets	€ million Software	€ million Total
Cost					
1 January 2007	**13 454**	**4 409**	**642**	**392**	**18 897**
Acquisitions of group companies	**334**	**–**	**–**	**–**	**334**
Disposals of group companies	**(4)**	**(1)**	**–**	**–**	**(5)**
Change in useful life assumptions	**–**	**(2)**	**2**	**–**	**–**
Additions	**–**	**–**	**3**	**133**	**136**
Disposals	**–**	**–**	**–**	**(16)**	**(16)**
Currency retranslation	**(602)**	**(272)**	**(26)**	**(8)**	**(908)**
31 December 2007	**13 182**	**4 134**	**621**	**501**	**18 438**
Amortisation and impairment					
1 January 2007	**(1 029)**	**(235)**	**(299)**	**(128)**	**(1 691)**
Amortisation for the year	**–**	**–**	**(64)**	**(76)**	**(140)**
Disposals	**–**	**–**	**–**	**16**	**16**
Currency retranslation	**91**	**22**	**15**	**4**	**132**
31 December 2007	**(938)**	**(213)**	**(348)**	**(184)**	**(1 683)**
Net book value 31 December 2007	**12 244**	**3 921**	**273**	**317**	**16 755**

Notes to the consolidated accounts Unilever Group

9 Goodwill and intangible assets (continued)

Movements during 2006	€ million Goodwill	€ million Indefinite-lived intangible assets	€ million Finite-lived intangible assets	€ million Software	€ million Total
Cost					
1 January 2006	14 080	4 713	631	291	19 715
Acquisitions of group companies	60	8	1	–	69
Disposals of group companies	(1)	–	–	–	(1)
Change in useful life assumptions	–	(32)	32	–	–
Additions	–	–	3	110	113
Currency retranslation	(685)	(280)	(25)	(9)	(999)
31 December 2006	13 454	4 409	642	392	18 897
Amortisation and impairment					
1 January 2006	(1 117)	(263)	(215)	(65)	(1 660)
Amortisation for the year	–	–	(94)	(63)	(157)
Impairment	(12)	–	–	(2)	(14)
Currency retranslation	100	28	10	2	140
31 December 2006	(1 029)	(235)	(299)	(128)	(1 691)
Net book value 31 December 2006	12 425	4 174	343	264	17 206

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

Impairments charges in the year

There were no impairments in 2007. The impairments charged in 2006 principally related to business disposals that were completed during 2007.

In 2006, *Slim•Fast* was fully integrated into The Americas business as part of the North American beverage operations. As a result of the integration, *Slim•Fast* is no longer evaluated on a stand-alone basis but as part of the North American beverage CGU. The 2007 and 2006 impairment reviews on this basis did not result in any impairments (2005: €363 million).

Significant CGUs

The goodwill and indefinite-lived intangible assets (predominantly *Knorr* and *Hellmann's*) held in the global savoury and dressings CGU, comprising €11.1 billion (2006: €11.6 billion) and €3.2 billion (2006: €3.4 billion) respectively, are considered significant in comparison to the total carrying amounts of goodwill and indefinite-lived intangible assets at 31 December 2007. No other CGUs are considered significant in this respect.

During 2007, 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 4%, 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 15% to 18%.

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 ten 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 five years and applying a terminal value multiple thereafter would not result in a value in use that would cause impairment.

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 recoverable amount of the global savoury and dressings CGU to be less than the carrying amount.

Notes to the consolidated accounts Unilever Group

10 Property, plant and equipment

At cost less depreciation and impairment	€ million 2007	€ million 2006
Land and buildings	**1 989**	1 944
Plant and equipment	**4 295**	4 332
	6 284	6 276
Includes freehold land	**207**	205
Commitments for capital expenditure at 31 December	**321**	231

Movements during 2007	€ million Land and buildings	€ million Plant and equipment	€ million Total
Gross			
1 January 2007	**2 992**	**10 371**	**13 363**
Disposals of group companies	**(12)**	**(142)**	**(154)**
Additions	**346**	**943**	**1 289**
Disposals	**(98)**	**(429)**	**(527)**
Currency retranslation	**(116)**	**(333)**	**(449)**
Reclassification as held for sale	**(41)**	**(165)**	**(206)**
Other adjustments	**(52)**	**9**	**(43)**
31 December 2007	**3 019**	**10 254**	**13 273**
Depreciation			
1 January 2007	**(1 048)**	**(6 039)**	**(7 087)**
Disposals of group companies	**8**	**102**	**110**
Depreciation charge for the year	**(106)**	**(698)**	**(804)**
Disposals	**37**	**372**	**409**
Currency retranslation	**36**	**186**	**222**
Reclassification as held for sale	**24**	**114**	**138**
Other adjustments	**19**	**4**	**23**
31 December 2007	**(1 030)**	**(5 959)**	**(6 989)**
Net book value 31 December 2007	**1 989**	**4 295**	**6 284**
Includes payments on account and assets in course of construction	**80**	**542**	**622**

Notes to the consolidated accounts Unilever Group

10 Property, plant and equipment (continued)

Movements during 2006	€ million Land and buildings	€ million Plant and equipment	€ million Total
Gross			
1 January 2006	3 014	10 845	13 859
Acquisitions of group companies	2	6	8
Disposals of group companies	(130)	(291)	(421)
Additions	150	921	1 071
Disposals	(80)	(586)	(666)
Currency retranslation	(136)	(446)	(582)
Reclassification as held for sale[(a)]	95	(69)	26
Other adjustments	77	(9)	68
31 December 2006	2 992	10 371	13 363
Depreciation			
1 January 2006	(1 020)	(6 347)	(7 367)
Disposals of group companies	50	185	235
Depreciation charge for the year[(b)]	(74)	(731)	(805)
Disposals	45	512	557
Currency retranslation	38	251	289
Reclassification as held for sale[(a)]	(18)	69	51
Other adjustments	(69)	22	(47)
31 December 2006	(1 048)	(6 039)	(7 087)
Net book value 31 December 2006	1 944	4 332	6 276
Includes payments on account and assets in course of construction	71	478	549

(a) After reinstating certain assets with gross value of €112 million and accumulated depreciation of €28 million which were previously classified as held for sale.
(b) Includes €(18) 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	**223**	**342**	**565**
Depreciation	**(16)**	**(204)**	**(220)**
31 December 2007	**207**	**138**	**345**
Gross book value	62	369	431
Depreciation	(20)	(201)	(221)
31 December 2006	42	168	210

Notes to the consolidated accounts Unilever Group

11 Other non-current assets

	€ million 2007	€ million 2006
Interest in net assets of joint ventures	**150**	57
Interest in net assets of associates	**74**	46
Other non-current financial assets[(a)]:	**738**	735
Held-to-maturity investments	**473**	453
Loans and receivables	**13**	13
Available-for-sale financial assets	**201**	257
Financial assets at fair value through profit or loss	**51**	12
Long-term trade and other receivables[(b)]	**187**	199
Fair value of biological assets	**37**	36
Other non-financial assets	**138**	53
	1 324	1 126

(a) Predominantly consist of investments in a number of companies and financial institutions in India, Europe and the US, including €162 million (2006: €181 million) of assets in a trust to fund benefit obligations in the US (see also note 20 on page 103).
(b) Classified as loans and receivables.

Movements during 2007 and 2006	€ million 2007	€ million 2006
Joint ventures[(c)]		
1 January	**57**	67
Additions[(d)]	**115**	–
Dividends received/reductions	**(122)**	(85)
Share in net profit	**102**	78
Currency retranslation	**(2)**	(3)
31 December	**150**	57
Associates[(e)]		
1 January	**12**	(20)
Acquisitions/(disposals)	**31**	5
Dividends received/reductions	**(48)**	(13)
Share in net profit	**50**	36
Currency retranslation	**(1)**	4
	44	12
Of which: Net liabilities of JohnsonDiversey reclassified to provisions	**30**	34
31 December	**74**	46

(c) Our principal joint ventures are the FIMA business in Portugal, Pepsi/Lipton International and the Pepsi/Lipton Partnership in the US.
(d) In January 2007, the reorganisation of our Portuguese businesses was completed, whereby Unilever now has a 55% share of the combined Portuguese entity, called Unilever Jerónimo Martins. The structure of the newly formed entity is such that there is joint control and it is therefore accounted for by Unilever as a joint venture. In December 2007 a capital contribution of €103 million was made to Pepsi/Lipton International.
(e) Associates primarily comprise our investments in JohnsonDiversey Holdings Inc., Palmci, Langholm Capital Partners and Physic Ventures. Other Unilever Ventures assets (excluding Langholm) are included under 'Other non-current financial assets' above.

Analysis of listed and unlisted investments	€ million 2007	€ million 2006
Investments listed on a recognised stock exchange	**388**	402
Unlisted investments	**350**	333
	738	735

Other income from non-current investments	€ million 2007	€ million 2006	€ million 2005
Income from other non-current investments	**19**	21	20
Profit/(loss) on disposal	**20**	9	13
	39	30	33

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 30 on page 120.

Notes to the consolidated accounts Unilever Group

12 Deferred taxation

Movements during the year	€ million As at 1 January 2007	€ million Income statement[(a)]	€ million Equity[(b)]	€ million Reclassification to liabilities held for disposal	**€ million As at 31 December 2007**
Pensions and similar obligations	714	(198)	(316)	–	**200**
Provisions	692	93	–	1	**786**
Goodwill and intangible assets	(684)	(121)	25	–	**(780)**
Accelerated tax depreciation	(649)	29	20	2	**(598)**
Tax losses	113	(32)	3	–	**84**
Fair value gains	(1)	(1)	(6)	–	**(8)**
Fair value losses	4	–	4	–	**8**
Share-based payments	92	(26)	35	–	**101**
Other	(18)	15	–	–	**(3)**
	263	(241)	(235)	3	**(210)**

(a) Includes €5 million charge reported under discontinued operations in the income statement.
(b) Of the total movement in equity of €235 million, €7 million arises as a result of currency retranslation.

At the balance sheet date, the Group has unused tax losses of €1 471 million and tax credits amounting to €503 million available for offset against future taxable profits. Deferred tax assets have not been recognised in respect of unused tax losses of €1 146 million and tax credits of €503 million, as it is not probable that there will be future taxable profits within the entities against which the losses can be utilised. The majority of these tax losses and credits arise in tax jurisdictions where they do not expire with the exception of €456 million of state and federal tax losses in the US which expire between now and 2027.

Other deductible temporary differences of €123 million have not been recognised as a deferred tax asset. There is no expiry date for these differences.

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 €1 059 million (2006: €755 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 foreseeable 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 2007**	€ million Assets 2006	**€ million Liabilities 2007**	€ million Liabilities 2006	**€ million Total 2007**	€ million Total 2006
Pensions and similar obligations	**514**	925	**(314)**	(211)	**200**	714
Provisions	**750**	670	**36**	22	**786**	692
Goodwill and intangible assets	**(223)**	(194)	**(557)**	(490)	**(780)**	(684)
Accelerated tax depreciation	**(234)**	(328)	**(364)**	(321)	**(598)**	(649)
Tax losses	**85**	112	**(1)**	1	**84**	113
Fair value gains	**(3)**	(1)	**(5)**	–	**(8)**	(1)
Fair value losses	**8**	4	**–**	–	**8**	4
Share-based payments	**101**	92	**–**	–	**101**	92
Other	**5**	(14)	**(8)**	(4)	**(3)**	(18)
	1 003	1 266	**(1 213)**	(1 003)	**(210)**	263
Of which deferred tax to be recovered/(settled) after more than 12 months	**484**	460	**(1 111)**	(621)	**(627)**	(161)

13 Inventories

Inventories	**€ million 2007**	€ million 2006
Raw materials and consumables	**1 406**	1 360
Finished goods and goods for resale	**2 488**	2 436
	3 894	3 796

Inventories with a value of €101 million (2006: €96 million) are carried at net realisable value, this being lower than cost. During 2007, €177 million (2006: €160 million) was charged to the income statement for damaged, obsolete and lost inventories. In 2007, €25 million (2006: €34 million) was utilised or released to the income statement from inventory provisions taken in earlier years.

In 2007, inventories with a carrying amount of €4 million were pledged as security for certain of the Group's borrowings (2006: €6 million).

Notes to the consolidated accounts Unilever Group

14 Trade and other receivables

Trade and other receivables	€ million 2007	€ million 2006
Due within one year		
Trade receivables	**2 965**	3 054
Prepayments and accrued income	**467**	441
Other receivables	**762**	759
	4 194	4 254

Credit terms for customers are determined in individual territories. Concentrations of credit risk with respect to trade receivables are limited, due to the Group's customer base being large and diverse. Our historical experience of collecting receivables, supported by the level of default, is that credit risk is low across territories and so trade receivables are considered to be a single class of financial assets. Other receivables comprise loans and receivables of €362 million (2006: €413 million) and other non-financial assets of €400 million (2006: €346 million).

Ageing of trade receivables	€ million 2007	€ million 2006
Total trade receivables	**3 112**	3 214
Less impairment provision for trade receivables	**(147)**	(160)
	2 965	3 054
Of which:		
Not overdue	**2 240**	2 433
Past due less than three months	**649**	534
Past due more than three months but less than six months	**85**	82
Past due more than six months but less than one year	**57**	53
Past due more than one year	**81**	112
Impairment provision for trade receivables	**(147)**	(160)
	2 965	3 054

Impairment provision for trade and other receivables – movements during the year	€ million 2007	€ million 2006
1 January	**180**	258
Charged to current year income statement	**39**	38
Reductions/releases	**(40)**	(107)
Currency retranslation	**(3)**	(9)
31 December	**176**	180

15 Cash and cash equivalents and other financial assets

Cash and cash equivalents and other financial assets	€ million 2007	€ million 2006
Cash and cash equivalents		
Cash at bank and in hand	**507**	469
Short-term deposits with maturity of less than three months	**500**	390
Other cash equivalents[(a)]:	**91**	180
	1 098	1 039
Other financial assets[(b)]		
Held-to-maturity investments	**15**	36
Loans and receivables	**2**	9
Available-for-sale financial assets	**91**	171
Financial assets at fair value through profit or loss[(c)]	**108**	57
	216	273
Of which:		
Listed	**41**	47
Unlisted	**175**	226
	216	273

(a) Other cash equivalents are wholly comprised of available-for-sale financial assets.
(b) Other financial assets include government securities, A minus or higher rated money, capital market instruments and derivatives.
(c) Financial assets at fair value through profit and loss include derivatives amounting to €78 million (2006: €36 million).

Notes to the consolidated accounts Unilever Group

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

Cash and cash equivalents included in the cash flow statement	€ million 2007	€ million 2006	€ million 2005
Cash and cash equivalents as per balance sheet	**1 098**	1 039	1 529
Cash and cash equivalents in businesses held for sale	**–**	–	1
Bank overdrafts	**(197)**	(329)	(265)
	901	710	1 265

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 17 on pages 97 to 101.

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
	Amount of fixing for following year	Average interest rate for following year	Weighted average fixing period		Interest rate for following year	
Assets – 2007						
Euro	**12**	4.6%	0.5 years	**358**	4.5%	**370**
Sterling	**541**	6.2%	0.7 years	**1 250**	5.3%	**1 791**[a]
US dollar	**–**			**4**	3.4%	**4**
Indian rupee	**–**			**205**	9.0%	**205**
Brazilian real	**–**			**151**	11.2%	**151**
Other	**–**			**577**	7.5%	**577**
	553			**2 545**		**3 098**
Sterling leg of currency derivatives mainly relating to intra-group loans[a]						**(1 784)**
Total						**1 314**[b]
Assets – 2006						
Euro	1	3.1%	0.1 years	243	4.1%	244
Sterling	1 549	5.3%	1.0 years	1 196	5.6%	2 745[a]
US dollar	–			8	5.4%	8
Indian rupee	–			403	8.8%	403
Brazilian real	–			49	13.2%	49
Other	–			586	6.5%	586
	1 550			2 485		4 035
Sterling leg of currency derivatives mainly relating to intra-group loans[a]						(2 723)
Total						1 312[b]

(a) Includes the sterling leg of the currency derivatives mainly relating to intra-group loans, amounting to €1 784 million for 2007 (2006: €2 723 million). These derivatives create a sterling 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 16 as a liability.
(b) Includes fair value of financial liability-related derivatives amounting to €78 million (2006: €36 million).

Notes to the consolidated accounts Unilever Group

16 Financial liabilities

Financial liabilities	€ million 2007	€ million 2006
Preference shares	**124**	124
Bank loans and overdrafts	**1 212**	1 307
Bonds and other loans		
At amortised cost	**7 907**	6 561
Subject to fair value hedge accounting	**–**	609
Finance lease creditors	**311**	187
Derivatives	**95**	47
	9 649	8 835

All the preference shares and the bank loans and overdrafts are valued at amortised cost.

Financial liabilities – additional details	€ million 2007	€ million 2006
The repayments fall due as follows		
Within one year:		
Bank loans and overdrafts	**785**	743
Bonds and other loans	**3 239**	3 619
Finance lease creditors	**65**	61
Derivatives	**77**	35
Total due within one year	**4 166**	4 458
After one year but within two years	**1 087**	448
After two years but within three years	**1 325**	330
After three years but within four years	**34**	1 358
After four years but within five years	**797**	10
After five years	**2 240**	2 231
Total due after more than one year	**5 483**	4 377
Secured financial liabilities	**5**	–
Of which secured against property, plant and equipment	**–**	–

	Number of shares authorised	€ million Authorised	Nominal value per share	Number of shares issued	€ million Issued, called up and fully paid	€ million Statutory Reserve	€ million Total
Preference shares NV as at 31 December 2007							
7% Cumulative Preference	75 000	**32**	€428.57	29 000	**12**	**1**	**13**
6% Cumulative Preference[(a)]	200 000	**86**	€428.57	161 060	**69**	**4**	**73**
4% Cumulative Preference	750 000	**32**	€42.86	750 000	**32**	**2**	**34**
Share premium					**4**		**4**
		150			**117**	**7**	**124**
Preference shares NV as at 31 December 2006							
7% Cumulative Preference	75 000	32	€428.57	29 000	12	1	13
6% Cumulative Preference[(a)]	200 000	86	€428.57	161 060	69	4	73
4% Cumulative Preference	750 000	32	€42.86	750 000	32	2	34
Share premium					4		4
		150			117	7	124

(a) The 6% cumulative preference shares are traded in the market in units of one tenth of their nominal value.

The 7%, 6% and 4% cumulative preference shares of NV are entitled to dividends at the rates indicated. The 4% 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 unilaterally redeemable by the company.

At the Annual General Meeting of NV held on 8 May 2006 it was agreed to convert the nominal value of all classes of shares from guilders into euros. The 7% and 6% preference shares with a nominal value of Fl.1 000 each, were converted into shares with a nominal value of €428.57 each, and the 4% preference shares with a nominal value of Fl.100 each, were converted into shares with a nominal value of €42.86 each. The effect of this was to adjust their reported value, with the difference being held as a statutory reserve.

In order to maintain the same economic rights for the preference shares as before the euro conversion, it was decided that their entitlement to dividend and liquidation proceeds remains linked, using the official euro conversion rate, to the amount in Dutch guilders originally paid up on these shares. The euro conversion did not alter the dividend entitlements of the cumulative preference shares.

Notes to the consolidated accounts Unilever Group

16 Financial liabilities (continued)

Additional details

Details of specific bonds and other loans are given below:

	€ million Amortised cost 2007	**€ million Fair value 2007**[a]	€ million Amortised cost 2006	€ million Fair value 2006[a]
Unilever N.V.				
4.250% Bonds 2007 (€)	**–**	**–**	505	500
5.000% Bonds 2007 (US $)	**–**	**–**	490	–
Floating rate note 2009 (€)	**750**	**–**	–	–
4.625% Bonds 2012 (€)	**747**	**–**	–	–
3.375% Bonds 2015 (€)	**747**	**–**	747	–
Other	**–**	**–**	7	–
Total Unilever N.V.	**2 244**	**–**	1 749	500
Other group companies				
Netherlands				
Commercial paper (€)	**1 526**	**–**	770	–
Commercial paper (£)	**45**	**–**	532	–
Commercial paper (US $)	**487**	**–**	236	–
Commercial paper (Swiss francs)	**29**	**–**	63	–
Commercial paper (Canadian $)	**12**	**–**	–	–
United States				
Floating rate extendible note 2009 (US $)[b]	**340**	**–**	–	–
7.125% Bonds 2010 (US $)	**1 184**	**–**	1 321	–
7.000% Bonds 2017 (US $)	**99**	**–**	110	–
7.250% Bonds 2026 (US $)	**195**	**–**	217	–
6.625% Bonds 2028 (US $)	**149**	**–**	166	–
5.900% Bonds 2032 (US $)	**668**	**–**	746	–
5.600% Bonds 2097 (US $)	**62**	**–**	69	–
Commercial paper (US $)	**732**	**–**	259	–
Other	**8**	**–**	8	–
Thailand				
3.300% Bonds 2007 (Thai baht)	**–**	**–**	139	–
South Africa				
10.200% Bonds 2008 (South African rand)	**100**	**–**	–	109
Commercial paper (South African rand)	**–**	**–**	27	–
Other countries	**27**	**–**	149	–
Total other group companies	**5 663**	**–**	4 812	109
Total bonds and other loans	**7 907**	**–**	6 561	609

(a) Values are based on fair value hedge accounting and do not include a valuation of the credit risk.
(b) Of which €292 million will be repaid in 2008.

Reclassifications

During 2007, Unilever discontinued fair value hedge accounting for 10.200% Bonds 2008 (South African Rand). On the date the hedge accounting discontinued, the fair value became the new value at amortised cost.

Notes to the consolidated accounts Unilever Group

16 Financial liabilities (continued)

Interest rate
The average interest rate on short-term borrowings in 2007 was 4.5% (2006: 3.6%).

Interest rate profile and currency analysis of financial liabilities
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 17 on pages 97 to 101. 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	Fixed rate	€ million Floating rate	Floating rate	€ million Total
	Amount of fixing for following year	Average interest rate for following year	Weighted average fixing period		Interest rate for following year	
Liabilities – 2007						
Euro(c)	**2 073**	4.3%	5.0 years	**980**	4.5%	**3 053**
Sterling	**168**	6.4%	19.8 years	**98**	5.3%	**266**
US dollar	**3 259**	6.2%	10.9 years	**1 853**	3.4%	**5 112**
Swedish krona	**–**			**741**	4.9%	**741**
Swiss francs	**–**			**699**	3.1%	**699**
Japanese yen	**240**	1.0%	1.5 years	**99**	1.1%	**339**
Thai baht	**139**	3.5%	0.9 years	**43**	4.2%	**182**
Australian dollar	**3**	5.3%	12.0 years	**192**	7.7%	**195**
Other	**90**	11.8%	2.5 years	**756**	6.7%	**846**
	5 972			**5 461**		**11 433**
Euro leg of currency derivatives mainly relating to intra-group loans(d)						**(1 784)**
Total						**9 649**(e)
Liabilities – 2006						
Euro(c)	1 771	3.4%	4.5 years	383	4.1%	2 154
Sterling	140	7.8%	20.8 years	143	5.6%	283
US dollar	3 444	6.6%	12.2 years	2 687	5.4%	6 131
Swedish krona	–			830	3.8%	830
Swiss francs	–			519	2.4%	519
Japanese yen	1	4.0%	0.5 years	377	0.8%	378
Thai baht	139	3.2%	0.9 years	85	5.2%	224
Australian dollar	3	5.3%	12.0 years	387	6.7%	390
Other	99	11.9%	3.6 years	550	8.3%	649
	5 597			5 961		11 558
Euro leg of currency derivatives mainly relating to intra-group loans(d)						(2 723)
Total						8 835(e)

(c) Euro financial liabilities include €124 million preference shares that provide for a fixed preference dividend.
(d) Includes the euro leg of the currency derivatives mainly relating to intra-group loans, amounting to €1 784 million for 2007 (2006: €2 723 million). These derivatives create an interest rate exposure in euros. 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 15 on page 93 as an asset.
(e) Includes finance lease creditors amounting to €311 million (2006: €187 million) and fair value of financial liability-related derivatives amounting to €95 million (2006: €47 million).

Notes to the consolidated accounts Unilever Group

17 Financial instruments and treasury risk management

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

Currency risks
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. On a case by case basis, depending on potential income statement volatility that can be caused by the fair value movement of the derivative, companies decide whether or not to apply cash flow hedge accounting. Regional groups monitor compliance with this foreign exchange policy. At the end of 2007, 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 decide on a case by case basis, taking into account amongst others the impact on the income statement, to hedge such net investment. This is achieved through the use of forward foreign exchange contracts on which hedge accounting is applied. Nevertheless, from time to time, currency revaluations on unhedged investments will trigger exchange translation movements in the balance sheet.

Interest rate risks
Unilever has an interest rate management policy aimed at achieving an optimal balance between fixed and floating rate interest rate exposures on expected net debt (gross borrowings minus cash and cash equivalents) levels for the next five calendar years. The objective of the policy is to minimise annual interest costs and to reduce volatility. This is achieved by issuing fixed rate long-term debt and by modifying the interest rate exposure of debt and cash positions through the use of interest rate swaps. The fixing levels per calendar year are determined by fixing bands, with minimum and maximum fixing level percentages, decreasing by 10 percentage points per calendar year. The minimum level in the first year amounts to 50% and the maximum level amounts to 90%. The minimum level is set to avoid unacceptable interest cost volatility and the maximum level is set to prevent over-fixing, recognising that future debt levels can be volatile.

At the end of 2007, interest rates were fixed on approximately 68% of the projected net of cash and financial liability positions for 2008 and 53% for 2009 (compared with 48% for 2007 and 52% for 2008 at the end of 2006).

Liquidity risk
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 funds.

Operational cash flow provides the funds to service the financing of financial liabilities and enhance shareholder return. Unilever manages the liquidity requirements by the use of short-term and long-term cash flow forecasts. Unilever maintains 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.

Unilever had the following undrawn committed facilities at 31 December 2007:

- revolving 364-day bilateral credit facilities of in aggregate US $3 630 million (2006: US $3 930 million) with a 364-day term out;
- revolving 364-day notes commitments of US $200 million (2006: 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 $1 720 million (2006: US $1 420 million), under which the underwriting banks agree, subject to certain conditions, to subscribe for notes with maturities of up to three years.

These facilities have been renewed until November 2008.

The revolving five-year bilateral credit facilities of in aggregate US $334 million and a revolving 364-day bilateral credit facility of in aggregate US $333 million matured in November 2007 and were not renewed.

The financial market turbulence and associated illiquidity in credit markets during the second half of 2007 did not impact Unilever's ability to meet its financing requirements.

Notes to the consolidated accounts Unilever Group

17 Financial instruments and treasury risk management (continued)

The following table shows Unilever's contractually agreed (undiscounted) cash flows payable under financial liabilities and derivative assets and liabilities as at the balance sheet date:

Undiscounted cash flows	€ million Due within 1 year	€ million Due between 1 and 2 years	€ million Due between 2 and 3 years	€ million Due 3 years and beyond	€ million Total	€ million Net carrying amount as shown in balance sheet
2007						
Non derivative financial liabilities:						
Financial liabilities excluding related derivatives and finance lease creditors	**(4 101)**	**(1 060)**	**(1 314)**	**(2 877)**	**(9 352)**	**(9 243)**
Interest on financial liabilities	**(304)**	**(270)**	**(236)**	**(1 916)**	**(2 726)**	
Finance lease creditors including related finance cost	**(81)**	**(41)**	**(36)**	**(362)**	**(520)**	**(311)**
Trade payables and other liabilities excluding social security and sundry taxes[a]	**(7 643)**	**(204)**	**–**	**–**	**(7 847)**	**(7 847)**
	(12 129)	**(1 575)**	**(1 586)**	**(5 155)**	**(20 445)**	
Derivative financial liabilities:						
Interest rate derivatives:						
Derivative contracts - receipts	**6**	**4**	**3**	**2**	**15**	
Derivative contracts - payments	**(9)**	**(4)**	**(3)**	**(2)**	**(18)**	
Foreign exchange derivatives:						
Derivative contracts - receipts	**5 315**	**22**	**22**	**45**	**5 404**	
Derivative contracts - payments	**(5 411)**	**(26)**	**(26)**	**(52)**	**(5 515)**	
	(99)	**(4)**	**(4)**	**(7)**	**(114)**	**(116)**[b]
31 December	**(12 228)**	**(1 579)**	**(1 590)**	**(5 162)**	**(20 559)**	
2006						
Non derivative financial liabilities:						
Financial liabilities excluding related derivatives and finance lease creditors	(4 338)	(405)	(280)	(3 601)	(8 624)	(8 601)
Interest on financial liabilities	(328)	(234)	(219)	(2 251)	(3 032)	
Finance lease creditors including related finance cost	(71)	(68)	(22)	(135)	(296)	(187)
Trade payables and other liabilities excluding social security and sundry taxes[a]	(7 452)	(261)	–	–	(7 713)	(7 713)
	(12 189)	(968)	(521)	(5 987)	(19 665)	
Derivative financial liabilities:						
Interest rate derivatives:						
Derivative contracts - receipts	2	–	–	–	2	
Derivative contracts - payments	(3)	(3)	(2)	(1)	(9)	
Foreign exchange derivatives:						
Derivative contracts - receipts	5 272	100	–	–	5 372	
Derivative contracts - payments	(5 302)	(121)	–	–	(5 423)	
	(31)	(24)	(2)	(1)	(58)	(60)[b]
31 December	(12 220)	(992)	(523)	(5 988)	(19 723)	

(a) See note 18 on page 102.
(b) Includes financial liability-related derivatives amounting to €(95) million (2006: €(47) million).

Credit risk on banks and received collateral

Credit risk related to the use of treasury instruments is managed on a group basis. This risk arises from transactions with banks like cash and cash equivalents, deposits and derivative financial instruments. To reduce the credit risk, Unilever has concentrated its main activities with a limited group of banks that have secure credit ratings. Per bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored. To reduce the credit exposures, netting agreements are in place with Unilever's principal banks that allow Unilever, in case of a default, to net assets and liabilities across transactions. To further reduce Unilever's credit exposures, Unilever has collateral agreements with Unilever's principal banks based on which they need to deposit securities and/or cash as a collateral for their obligations in respect of derivative financial instruments. At 31 December 2007 the collateral received by Unilever amounts to €nil (2006: €2 million). At 31 December 2007 there was no significant concentration of credit risk with any single counterparty.

Notes to the consolidated accounts Unilever Group

17 Financial instruments and treasury risk management (continued)

Derivative 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. The Group has an established system of control in place covering all financial instruments; including policies, guidelines, exposure limits, a system of authorities and independent reporting, that is subject to periodic review by internal audit. Hedge accounting principles are described in note 1 on page 74. The use of leveraged instruments is not permitted. In the assessment of hedge effectiveness the credit risk element on the underlying hedged item has been excluded. Hedge ineffectiveness is immaterial.

The Group uses the following types of hedges:
- cash flow hedges used to hedge the risk on future foreign currency cash flows, floating interest rate cash flows, and the price risk on future purchases of raw materials;
- fair value hedges used to convert the fixed interest rate on financial liabilities into a floating interest rate;
- net investment hedges used to hedge the investment value of our foreign subsidiaries; and
- natural hedges used to hedge the risk on exposures that are on the balance sheet. No hedge accounting is applied.

Details of the various types of hedges are given below.

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.

Cash flow hedges
The fair values of derivatives hedging the risk on future foreign currency cash flows, floating interest rate cash flows and the price risk on future purchases of raw materials amount to €85 million (2006: €9 million) of which €88 million relates to commodity contracts (2006: €5 million), €(10) million to foreign exchange contracts (2006: €2 million) and €7million to interest rate derivatives (2006: €2 million). Of the total fair value of €85 million, €82 million is due within one year (2006: €7 million).

The following table shows the amounts of cash outflows that are designated as hedged item in the cash flow hedge relations (no cash inflows are designated as hedged item):

	€ million Due within 1 year	€ million Due between 1-2 years	€ million Due between 2-3 years	€ million Due between 3-4 years	€ million Total
2007					
Foreign exchange cash flows	**(235)**	**–**	**–**	**–**	**(235)**
Interest rate cash flows	**(18)**	**(19)**	**(21)**	**–**	**(58)**
Commodity contracts cash flows	**(310)**	**(1)**	**–**	**–**	**(311)**
2006					
Foreign exchange cash flows	(298)	–	–	–	(298)
Interest rate cash flows	(31)	(43)	(19)	(20)	(113)
Commodity contracts cash flows	(107)	–	–	–	(107)

Fair Value hedges
The fair values of derivatives hedging the fair value interest rate risk on fixed rate debt at 31 December 2007 amounted to €nil million (2006: €5 million) of which €nil million (2006 €5 million) is included under other financial assets.

Net investment hedges
The following table shows the fair values of derivatives outstanding at year end designated as hedging instruments in hedges of net investments in foreign operations:

Fair values of derivatives used as hedges of net investments in foreign entities	€ million Assets 2007	€ million Assets 2006	€ million Liabilities 2007	€ million Liabilities 2006
Current				
Foreign exchange derivatives	**–**	11	**337**	350

Of the above mentioned fair values, an amount of €nil million (2006: €11 million) is included under other financial assets and €(337) million (2006: €(350) million) is included under financial liabilities.

The impact of exchange rate movements on the fair value of forward exchange contracts used to hedge net investments is recognised in reserves.

17 Financial instruments and treasury risk management (continued)

Natural hedges
A natural hedge – sometimes known as an economic hedge – is where exposure to a risk is offset, or partly offset, by an opposite exposure to that same risk. Hedge accounting is not applied to these relationships.

The following table shows the fair value of derivatives outstanding at year end that are natural hedges.

Fair values of natural hedges	€ million Assets 2007	€ million Assets 2006	€ million Liabilities 2007	€ million Liabilities 2006
Current				
Interest rate derivatives	**1**	2	**3**	1
Cross currency swaps	**–**	–	**–**	6
Foreign exchange derivatives	**377**	371	**41**	31
	378	373	**44**	38
Non-current				
Interest rate derivatives	**–**	–	**–**	1
Cross currency swaps	**–**	–	**18**	12
	–	–	**18**	13
	378	373	**62**	51

Of the fair values disclosed above, the fair value of financial liability-related derivatives at 31 December 2007 amounted to €320 million (2006: €323 million) of which €78 million (2006: €20 million) is included under other financial assets and €242 million (2006: €301 million) is included under financial liabilities as a positive amount partly offsetting the €(337) million (2006: €(350) million) included under financial liabilities relating to the fair values of derivatives used as net investment hedges. The remaining balances are shown under trade and other receivables and other liabilities.

Sensitivity to not applying hedge accounting
Derivatives have to be reported at fair value. Those derivatives used for cash flow hedging and net investment 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 2007 income statement.

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; no material embedded derivatives have been identified.

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 have been excluded from the analysis below and from the interest rate and currency profiles in note 15 on page 93 and note 16 on page 96, as their carrying amounts are a reasonable approximation of their fair value, because of their short-term nature.

	€ million Fair value 2007	€ million Fair value 2006	€ million Carrying amount 2007	€ million Carrying amount 2006
Financial assets				
Other non-current assets	**733**	748	**738**	735
Cash and cash equivalents	**1 098**	1 039	**1 098**	1 039
Other financial assets	**138**	237	**138**	237
Derivatives related to financial liabilities	**78**	36	**78**	36
	2 047	2 060	**2 052**	2 047
Financial liabilities				
Bank loans and overdrafts	**(1 212)**	(1 307)	**(1 212)**	(1 307)
Bonds and other loans	**(8 073)**	(7 402)	**(7 907)**	(7 170)
Finance lease creditors	**(313)**	(192)	**(311)**	(187)
Preference shares	**(114)**	(122)	**(124)**	(124)
Derivatives related to financial liabilities	**(95)**	(47)	**(95)**	(47)
	(9 807)	(9 070)	**(9 649)**	(8 835)

17 Financial instruments and treasury risk management (continued)

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 values for finance lease creditors have been assessed by reference to current market rates for comparable leasing arrangements.

Commodity contracts
The Group uses commodity forward contracts and futures to hedge against price risk in certain commodities. All commodity forward contracts and futures hedge future purchases of raw material. Settlement of these contracts will be in cash or by physical delivery. Those contracts that will be settled in cash are reported in the balance sheet at fair value and, to the extent that they are considered as an effective hedge under IAS 39, fair value movements are recognised in the cash flow reserve.

Capital management
The Group's financial strategy supports Unilever's aim to be in the top third of a reference group including 20 other international consumer goods companies for Total Shareholder Return, as explained on page 32. The key elements of the financial strategy are:

- appropriate access to equity and debt markets;
- sufficient flexibility for acquisitions that we fund out of current cash flows;
- A1/P1 short-term credit rating;
- sufficient resilience against economic turmoil; and
- optimal weighted average cost of capital, given the constraints above.

For the A1/P1 sort-term credit rating the company monitors the qualitative and quantitative factors utilised by the rating agencies. This information is publicly available and is updated by the credit rating agencies on a regular basis.

The capital structure of the company is based on management's judgement of the appropriate balancing of all key elements of its financial strategy in order to meet the company's strategic and day-to-day needs. Annually the overall funding plan is presented to the Board for approval.

Return on Invested Capital is one of Unilever's key performance measures. Within this definition we defined the components of our Invested Capital. See page 31 for the details of this definition and the calculation of Unilever's Return on Invested Capital.

Income statement sensitivity to changes in foreign exchange rates
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 translation risk on the foreign exchange debtors and creditors is excluded from this sensitivity analysis as the risk is considered to be immaterial because positions will remain within prescribed limits (see currency risks on page 97).

The remaining foreign exchange positions at 31 December 2007 mainly relate to unhedged US $ loans (total amount at 31 December 2007 US $37 million). A reasonably possible 10% change in rates would lead to a €7 million movement in the income statement (2006: €16 million).

Income statement sensitivity to changes in interest rate
Interest rate risks are presented by way of sensitivity analysis. As described on page 97, Unilever has an interest rate management policy aimed at optimising net interest cost and reducing volatility in the income statement. As part of this policy, part of the funds/debt have fixed interest rates and are no longer exposed to changes in the floating rates. The remaining floating part of our funds/debt (see interest rate profile tables on pages 93 for the assets and 96 for the liabilities) is exposed to changes in the floating interest rates.

The analysis below shows the sensitivity of the income statement to a reasonably possible one percentage point change in floating interest rates on a full-year basis.

	Sensitivity to a reasonably possible one percentage point change in floating rates as at 31 December	
	€ million 2007	€ million 2006
Funds	**25**	24
Debt	**(55)**	(59)

Net investment hedges: sensitivity relating to changes in foreign exchange rates
To reduce the retranslation risk of Unilever's investments in foreign subsidiaries, Unilever uses net investment hedges. The fair values of these net investment hedges are subject to exchange rate movements and changes in these fair values are recognised directly in equity and will offset the retranslation impact of the related subsidiary.

At 31 December 2007 the nominal value of these net investment hedges amounts to €7.5 billion (2006: €7.6 billion) mainly consisting of US$/€ contracts. A reasonably possible 10% change in rates would lead to a fair value movement of €750 million (2006: €760 million). This movement would be fully offset by an opposite movement on the retranslation of the book equity of the foreign subsidiary.

Cash flow hedges: sensitivity relating to changes in interest rates and foreign exchange rates
Unilever uses on a limited scale both interest rate and forex cash flow hedges. The fair values of these instruments are subject to changes in interest rates and exchange rates. Because of the limited use of these instruments and the amount of Unilever's equity, possible changes in interest rates and exchange rates will not lead to fair value movements that will have a material impact on Unilever's equity.

Notes to the consolidated accounts Unilever Group

18 Trade payables and other liabilities

Trade and other payables	€ million 2007	€ million 2006
Due within one year		
Trade payables	**3 690**	3 833
Accruals	**2 970**	2 706
Social security and sundry taxes	**374**	386
Others	**983**	913
	8 017	7 838
Due after more than one year		
Accruals	**138**	185
Others	**66**	76
	204	261
Total trade payables and other liabilities	**8 221**	8 099

The amounts shown above do not include any creditors due after more than five years. Trade payables and other liabilities are valued at historic cost, which where appropriate, approximates their amortised cost.

19 Provisions

Provisions	€ million 2007	€ million 2006
Due within one year		
Restructuring provisions	**518**	439
Preference shares provision	**3**	300
Disputed indirect taxes	**269**	–
Other provisions	**178**	270
	968	1 009
Due after one year		
Restructuring provisions	**63**	53
Legal provisions	**55**	51
Disputed indirect taxes	**422**	560
Net liability of associate	**30**	34
Other provisions	**124**	128
	694	826
Total restructuring and other provisions	**1 662**	1 835

Movements during 2007	€ million Restructuring provisions	€ million Legal provisions	€ million Preference shares provision	€ million Disputed indirect taxes	€ million Net liability of associate	€ million Other provisions	€ million Total
1 January 2007	**492**	**51**	**300**	**560**	**34**	**398**	**1 835**
Disposal of group companies	**3**	**–**	**–**	**–**	**–**	**(37)**	**(34)**
Income statement:							
New charges	**457**	**19**	**15**	**161**	**–**	**29**	**681**
Releases	**(43)**	**(2)**	**(8)**	**(61)**	**–**	**(59)**	**(173)**
Utilisation	**(312)**	**(10)**	**(304)**	**(11)**	**–**	**(22)**	**(659)**
Currency retranslation	**(16)**	**(3)**	**–**	**42**	**(4)**	**(7)**	**12**
31 December 2007	**581**	**55**	**3**	**691**	**30**	**302**	**1 662**

Restructuring provisions primarily relate to early retirement and redundancy costs, the most significant of which relate to the formation of new multi-country organisations and several factory closures; no projects are individually material. Legal provisions are comprised of many claims, of which none is individually material.

The provision for disputed indirect taxes is comprised of a number of small disputed items. The largest elements of the provision relate to disputes with the Brazilian authorities. Because of the nature of the disputes, the timing of the utilisation of the provisions, and any associated cash outflows, is uncertain. The majority of the disputed items attract an interest charge. For further information please refer to page 11.

No individual item within the other provisions balance is significant. Unilever expects that the issues relating to these restructuring, legal and other provisions will be substantively resolved over the next five years.

Notes to the consolidated accounts Unilever Group

20 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 healthcare 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.

The majority of the Group's externally funded plans are established as trusts, foundations or similar entities. The operation of these entities is governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition.

Exposure to risks

Pension assets and liabilities (pre-tax) of €17 253 million and €18 342 million respectively are held on the Group's balance sheet as at 31 December 2007. Movements in equity markets, interest rates, inflation 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, or to reduce pension contributions, in the future. The key assumptions used to value our pension liabilities are set out below and on page 104.

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 Group 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 pension funds also have a proportion of assets invested in property, bonds, hedge funds and cash. The majority of assets are managed by a number of external fund managers with a small proportion managed in-house. Unilever has a pooled investment vehicle (Univest) which it believes offers its pension plans around the world a simplified externally managed investment vehicle to implement their strategic asset allocation models currently for equities and hedge funds. The aim is to provide a high quality, well diversified risk-controlled vehicle.

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 (which cover approximately 95% of total pension liabilities 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 2007		31 December 2006		31 December 2005		31 December 2004	
	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	Principal defined benefit pension plans	Other post-employment benefit plans
Discount rate	**5.8%**	**6.1%**	5.1%	5.9%	4.6%	5.5%	5.0%	5.7%
Inflation	**2.6%**	**n/a**	2.5%	n/a	2.4%	n/a	2.4%	n/a
Rate of increase in salaries	**3.8%**	**4.0%**	3.7%	4.0%	3.5%	4.0%	3.6%	4.5%
Rate of increase for pensions in payment	**2.5%**	**n/a**	2.3%	n/a	2.1%	n/a	2.2%	n/a
Rate of increase for pensions in deferment (where provided)	**2.7%**	**n/a**	2.7%	n/a	2.5%	n/a	2.6%	n/a
Long-term medical cost inflation	**n/a**	**5.0%**	n/a	5.0%	n/a	4.8%	n/a	4.8%
Expected long-term rates of return:								
Equities	**8.0%**		7.8%		7.4%		7.9%	
Bonds	**4.9%**		4.9%		4.2%		4.5%	
Property	**6.6%**		6.3%		5.8%		6.3%	
Others	**6.3%**		6.3%		6.1%		6.1%	
Weighted average asset return	**7.0%**		6.9%		6.4%		6.8%	

20 Pensions and similar obligations (continued)

The valuations of other post-employment benefit plans generally assume a higher initial level of medical cost inflation, which falls from 9.3% 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	3	(3)
Effect on total benefit obligation	29	(26)

The expected rates of return on plan assets were 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.

For the most important pension plans, representing approximately 80% of all defined benefit plans by liabilities, the assumptions used at 31 December 2007, 2006, 2005 and 2004 were:

	United Kingdom				Netherlands			
Assumptions	**2007**	2006	2005	2004	**2007**	2006	2005	2004
Discount rate	**5.8%**	5.1%	4.7%	5.3%	**5.5%**	4.6%	4.0%	4.5%
Inflation	**3.0%**	2.9%	2.7%	2.8%	**1.9%**	1.9%	1.8%	1.8%
Rate of increase in salaries	**4.5%**	4.4%	4.2%	4.3%	**2.4%**	2.4%	2.3%	2.3%
Rate of increase for pensions in payment	**3.0%**	2.9%	2.7%	2.9%	**1.9%**	1.9%	1.8%	1.8%
Rate of increase for pensions in deferment (where provided)	**3.0%**	2.9%	2.7%	2.9%	**1.9%**	1.9%	1.8%	1.8%
Expected long-term rates of return:								
Equities	**8.0%**	8.0%	7.6%	8.0%	**8.1%**	7.6%	7.0%	7.6%
Bonds	**5.0%**	5.2%	4.5%	5.0%	**4.7%**	4.4%	3.7%	4.1%
Property	**6.5%**	6.5%	6.1%	6.5%	**6.6%**	6.1%	5.5%	6.1%
Others	**6.3%**	7.2%	6.7%	7.2%	**4.1%**	4.0%	3.7%	3.5%
Weighted average asset return	**7.2%**	7.3%	6.9%	7.3%	**6.8%**	6.6%	6.0%	6.6%

	United States				Germany			
	2007	2006	2005	2004	**2007**	2006	2005	2004
Discount rate	**5.9%**	5.8%	5.5%	5.7%	**5.5%**	4.6%	4.0%	4.5%
Inflation	**2.3%**	2.5%	2.4%	2.5%	**1.9%**	1.9%	1.8%	1.8%
Rate of increase in salaries	**4.0%**	4.0%	4.0%	4.5%	**2.8%**	2.6%	2.5%	2.5%
Rate of increase for pensions in payment	**0.0%**	0.0%	0.0%	0.0%	**1.9%**	1.9%	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%	0.0%	0.0%
Expected long-term rates of return:								
Equities	**7.8%**	8.3%	8.0%	8.4%	**8.1%**	7.6%	7.0%	7.6%
Bonds	**4.5%**	5.2%	4.8%	4.7%	**4.7%**	4.4%	3.7%	4.1%
Property	**6.3%**	6.8%	6.5%	6.9%	**6.6%**	6.1%	5.5%	6.1%
Others	**3.7%**	4.8%	4.2%	2.1%	**5.8%**	3.0%	3.7%	3.7%
Weighted average asset return	**6.8%**	7.4%	7.0%	7.3%	**6.5%**	5.8%	5.3%	5.7%

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy (including expectations for future improvements), 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.

Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (i) United Kingdom: PNMA 00 and PNFA 00 with medium cohort adjustment subject to a minimum annual improvement of 1% and scaling factors of 110% for current male pensioners, 125% for current female pensioners and 105% for future male and female pensioners; (ii) the Netherlands: GBMV (2000–2005) with age set back of four years for males and two years for females; (iii) United States: RP2000 with a projection period of 10–15 years; and (iv) Germany: Heubeck 1998 (Periodentafel) with a scaling factor of 85%.

These tables translate into the following years of life expectancy for current pensioners aged 65:

	United Kingdom	Netherlands	United States	Germany
Males	21	20	19	18
Females	23	22	22	21

With regard to future improvements in life expectancy, in the UK for example, males and females currently aged 45 are assumed to have a life expectancy of 24 years and 26 years respectively on retirement at age 65.

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

20 Pensions and similar obligations (continued)

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	%	€ million	€ million	%
			31 December 2007			31 December 2006			31 December 2005
	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	Pension plans	Other post-employment benefit plans	Long-term rates of return expected
Assets of principal plans:									
Equities	**9 957**	**–**	**8.0%**	10 274	–	7.8%	9 670	–	7.4%
Bonds	**4 278**	**–**	**4.9%**	3 946	–	4.9%	3 854	–	4.2%
Property	**1 381**	**–**	**6.6%**	1 421	–	6.3%	1 326	–	5.8%
Other	**1 220**	**–**	**6.3%**	1 221	–	6.3%	752	–	6.1%
Assets of other plans	**404**	**13**	**7.5%**	403	13	7.3%	387	17	6.9%
	17 240	**13**		17 265	13		15 989	17	
Present value of liabilities:									
Principal plans	**(16 798)**	**–**		(18 711)	–		(19 081)	–	
Other plans	**(748)**	**(796)**		(722)	(925)		(1 059)	(1 306)	
	(17 546)	**(796)**		(19 433)	(925)		(20 140)	(1 306)	
Aggregate net deficit of the plans	**(306)**	**(783)**		(2 168)	(912)		(4 151)	(1 289)	
Irrecoverable surplus[(a)]	**–**	**–**		–	–		(141)	–	
Pension liability net of assets	**(306)**	**(783)**		(2 168)	(912)		(4 292)	(1 289)	
Of which in respect of									
Funded plans in surplus:									
Liabilities	**(12 396)**	**–**		(5 200)	–		(4 728)	–	
Assets	**14 404**	**–**		6 897	–		5 905	–	
Aggregate surplus	**2 008**	**–**		1 697	–		1 177	–	
Irrecoverable surplus[(a)]	**–**	**–**		–	–		(141)	–	
Pension asset net of liabilities	**2 008**	**–**		1 697	–		1 036	–	
Funded plans in deficit:									
Liabilities	**(3 627)**	**(49)**		(11 716)	(44)		(12 444)	(72)	
Assets	**2 836**	**13**		10 368	13		10 084	17	
Pension liability net of assets	**(791)**	**(36)**		(1 348)	(31)		(2 360)	(55)	
Unfunded plans:									
Pension liability	**(1 523)**	**(747)**		(2 517)	(881)		(2 968)	(1 234)	

(a) A surplus is deemed recoverable to the extent that the Group is able to benefit economically from the surplus.

The constituents of the 'Principal plans' and 'Other plans' were reviewed in both 2006 and 2007, such that some 'Other plans' were moved into 'Principal plans' in 2006 and a smaller number of plans were moved out of 'Principal plans' into 'Other plans' in 2007.

During 2007, a contractual trust arrangement was established in Germany to partially fund previously unfunded pension liabilities. The initial funding was €300 million whilst the value of the previously unfunded liabilities at 1 January 2007 was approximately €850 million. As a consequence of this funding, the liabilities have been transferred from unfunded to funded in the table above.

Equity securities include Unilever securities amounting to €32 million (0.2% of total plan assets) and €32 million (0.2% of total plan assets) at 31 December 2007 and 2006 respectively. Property includes property occupied by Unilever amounting to €69 million and €75 million at 31 December 2007 and 2006 respectively.

The pension assets above exclude the assets in a Special Benefits Trust amounting to €162 million (2006: €181 million) to fund pension and similar obligations in the US (see also note 11 on page 90).

The sensitivity of the overall pension liabilities to changes in the weighted key financial assumptions are:

	Change in assumption	Impact on overall liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 6.6%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 5.3%

Notes to the consolidated accounts Unilever Group

20 Pensions and similar obligations (continued)

Income statement

The charge to the income statement comprises:

	€ million 2007	€ million 2006	€ million 2005
Charged to operating profit:			
Defined benefit pension and other benefit plans			
Current service cost	**(329)**	(369)	(349)
Employee contributions	**12**	13	18
Special termination benefits	**(59)**	(56)	(73)
Past service cost	**35**	293	(12)
Settlements/curtailments	**72**	48	95
Defined contribution plans	**(52)**	(61)	(63)
Total operating cost	**(321)**	(132)	(384)
Charged to other finance income/(cost):			
Interest on retirement benefits	**(1 013)**	(977)	(984)
Expected return on assets	**1 171**	1 018	931
Total other finance income/(cost)	**158**	41	(53)
Net impact on the income statement (before tax)	**(163)**	(91)	(437)

Significant Items on the face of the income statement

During 2006 we updated certain terms of the defined benefit plan in the UK which resulted in a one-off credit to the income statement in 2006 of €120 million. During 2006 a number of initiatives were taken to reduce the cost of post employment healthcare benefits, principally in the United States, through changes to the design of the plans. As a consequence, a reduction in liability of €146 million was recognised in the income statement for 2006.

Cash flow

Group cash flow in respect of pensions and similar post employment benefits comprises company contributions paid to funded plans and benefits paid by the company in respect of unfunded plans. In 2007, the benefits paid in respect of unfunded plans amounted to €280 million (2006: €333 million; 2005: €328 million). Company contributions to funded defined benefit plans are subject to periodic review, taking account of local legislation. In 2007, contributions to funded defined benefit plans including funding of previously unfunded benefits amounted to €878 million (2006: €758 million; 2005: €508 million). Contributions to defined contribution plans including 401k plans amounted to €52 million (2006: €61 million; 2005: €63 million). In 2007, a €50 million refund of assets was received out of recognised surplus from Finland (2005: €15 million from unrecognised surplus). Total contributions by the Group to funded plans, net of refunds, are currently expected to be about €235 million in 2008 (2007 Actual: €878 million). In addition, we may make further contributions in 2008 to fund currently unfunded obligations. Benefit payments by the Group in respect of unfunded plans are currently expected to be about €243 million in 2008 (2007 Actual: €280 million).

Statement of recognised income and expense

Amounts recognised in the statement of recognised income and expense:

	€ million 2007	€ million 2006	€ million 2005	€ million 2004	€ million Cumulative since 1 January 2004
Actual return less expected return on pension and other benefit plan assets	**(236)**	533	1 592	369	2 258
Experience gains/(losses) arising on pension plan and other benefit plan liabilities	**103**	51	27	(47)	134
Changes in assumptions underlying the present value of the pension and other benefit plan liabilities	**946**	474	(1 706)	(1 047)	(1 333)
Actuarial gain/(loss)	**813**	1 058	(87)	(725)	1 059
Change in unrecognised surplus	**–**	142	(41)	2	103
Refund of unrecognised assets	**–**	–	15	–	15
Net actuarial gain/(loss) recognised in statement of recognised income and expense (before tax)	**813**	1 200	(113)	(723)	1 177

Notes to the consolidated accounts Unilever Group

20 Pensions and similar obligations (continued)

Reconciliation of change in assets and liabilities

Movements in assets and liabilities during the year:

	€ million Assets 2007	€ million Assets 2006	€ million Assets 2005	**€ million Liabilities 2007**	€ million Liabilities 2006	€ million Liabilities 2005
1 January	**17 278**	16 006	13 419	**(20 358)**	(21 446)	(18 773)
Acquisitions/disposals	**(3)**	(63)	(3)	**5**	123	18
Current service cost	**–**	–	–	**(329)**	(384)	(367)
Employee contributions	**12**	14	19	**–**	–	–
Special termination benefits	**–**	–	–	**(59)**	(54)	(79)
Past service costs(b)	**–**	–	–	**35**	293	(13)
Settlements/curtailments	**(4)**	(17)	(10)	**76**	76	105
Expected returns on plan assets	**1 171**	1 021	931	**–**	–	–
Interest on pension liabilities	**–**	–	–	**(1 013)**	(982)	(986)
Actuarial gain/(loss)	**(236)**	533	1 592	**1 049**	525	(1 679)
Employer contributions	**1 158**	1 091	836	**–**	–	–
Benefit payments	**(1 247)**	(1 267)	(1 247)	**1 247**	1 267	1 247
Reclassification of benefits(c)	**(7)**	38	39	**7**	(32)	(140)
Currency retranslation	**(869)**	(78)	430	**998**	256	(779)
31 December	**17 253**	17 278	16 006	**(18 342)**	(20 358)	(21 446)

(b) The reduction in liabilities in 2006 includes the €266 million reported on the face of the income statement.
(c) Certain obligations have been reclassified as employee benefit obligations.

Funded status of plans at the year end

	€ million 2007	€ million 2006	€ million 2005	€ million 2004
Total assets	**17 253**	17 278	16 006	13 419
Total pension liabilities	**(18 342)**	(20 358)	(21 446)	(18 773)
Net liabilities	**(1 089)**	(3 080)	(5 440)	(5 354)
Less unrecognised surplus	**–**	–	(141)	(100)
Pension liabilities net of assets	**(1 089)**	(3 080)	(5 581)	(5 454)

History of experience gains and losses

	€ million 2007	€ million 2006	€ million 2005	€ million 2004
Actual return less expected return on plan assets	**(236)**	533	1 592	369
As % of plan assets at beginning of year	**(1.4)%**	3.3%	11.9%	2.9%
Experience gains/(losses) on plan liabilities	**103**	51	27	(47)
As % of present value of plan liabilities at beginning of year	**0.5%**	0.2%	0.1%	(0.3)%
Changes in actuarial assumptions underlying the present value of the pension benefit and other benefit plan liabilities	**946**	474	(1 706)	(1 047)
As % of present value of plan liabilities at beginning of year	**4.6%**	2.2%	(9.1)%	(5.9)%
Total actuarial gain/(loss)	**813**	1 058	(87)	(725)
As % of present value of plan liabilities at beginning of year	**4.0%**	4.9%	(0.5)%	(4.1)%

Notes to the consolidated accounts Unilever Group

21 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 interests	€ million Total equity
					Shareholders' equity		Total equity
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
Dividends on ordinary capital	–	–	–	(1 867)	(1 867)	–	(1 867)
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
Total recognised income and expense for the year	–	–	(263)	5 575	5 312	242	5 554
Dividends on ordinary capital	–	–	–	(2 684)	(2 684)	–	(2 684)
(Purchase)/sale/reduction of treasury stock[b]	–	–	403	(285)	118	–	118
Share-based payment credit[a]	–	–	–	111	111	–	111
Dividends paid to minority shareholders	–	–	–	–	–	(184)	(184)
Currency retranslation gains/(losses) net of tax	(12)	3	14	–	5	(11)	(6)
Other movements in equity	(16)	–	31	(8)	7	(9)	(2)
31 December 2006	**484**	**165**	**(2 143)**	**12 724**	**11 230**	**442**	**11 672**
Total recognised income and expense for the year	**–**	**–**	**(314)**	**4 428**	**4 114**	**237**	**4 351**
Dividends on ordinary capital	**–**	**–**	**–**	**(2 070)**	**(2 070)**	**–**	**(2 070)**
(Purchase)/sale/reduction of treasury stock	**–**	**–**	**(955)**	**(99)**	**(1 054)**	**–**	**(1 054)**
Share-based payment credit[a]	**–**	**–**	**–**	**140**	**140**	**–**	**140**
Dividends paid to minority shareholders	**–**	**–**	**–**	**–**	**–**	**(251)**	**(251)**
Currency retranslation gains/(losses) net of tax	**–**	**(12)**	**–**	**–**	**(12)**	**(6)**	**(18)**
Other movements in equity	**–**	**–**	**–**	**39**	**39**	**10**	**49**
31 December 2007	**484**	**153**	**(3 412)**	**15 162**	**12 387**	**432**	**12 819**

(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.

(b) Includes transfer from treasury stock to retained profit of share settled schemes arising from prior years and differences between exercise and grant price of share options.

22 Share capital

Called up share capital	€ million 2007	€ million 2006
Ordinary share capital of NV	**274**	274
Ordinary share capital of PLC	**210**	210
	484	484

Ordinary share capital	Number of shares authorised	Authorised 2007	Authorised 2006	Nominal value per share	Number of shares issued	Issued, called up and fully paid 2007	Issued, called up and fully paid 2006
		€ million	€ million			€ million	€ million
NV ordinary shares	3 000 000 000	**480**	480	€0.16	1 714 727 700	**274**	274
NV ordinary shares (shares numbered 1 to 2 400 – 'Special Shares')		**1**	1	€428.57	2 400	**1**	1
Internal holdings eliminated on consolidation (€428.57 shares)		**–**	–			**(1)**	(1)
		481	481			**274**	274
		£ million	£ million			£ million	£ million
PLC ordinary shares	4 377 075 492	**136.2**	136.2	3¹⁄₉p	1 310 156 361	**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 £1.00 = €5.143)						**210**	210

For information on the rights of shareholders of NV and PLC and the operation of the Equalisation Agreement, see Corporate governance on pages 40 and 41.

At the Annual General Meetings of NV and PLC held on 8 May and 9 May 2006 respectively, shareholders approved proposals that the NV ordinary shares be split in the ratio 3 to 1 and that the PLC ordinary shares be consolidated in the ratio 9 to 20. At the same time, amendments were made to NV's Articles of Association to convert into euros the share capital amounts previously denominated in Dutch guilders. Following these changes, which became effective on 22 May 2006, the nominal value of each NV ordinary share is €0.16 and the nominal value of each PLC ordinary share is 3¹⁄₉p. A nominal dividend of 6% is paid on the deferred stock of PLC, which is not redeemable.

Internal holdings

The ordinary shares numbered 1 to 2 400 (inclusive) in NV ('Special Shares') 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. For information on the rights related to the aforementioned ordinary shares, see Corporate Governance on pages 39 and 40. 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 29 on pages 117 to 119.

Notes to the consolidated accounts Unilever Group

23 Other reserves

	€ million NV 2007	€ million NV 2006	€ million NV 2005	€ million PLC 2007	€ million PLC 2006	€ million PLC 2005	€ million Total 2007	€ million Total 2006	€ million Total 2005
Fair value reserves	**92**	9	(3)	**9**	7	(2)	**101**	16	(5)
Cash flow hedges	**86**	4	(3)	**(1)**	(3)	(2)	**85**	1	(5)
Available-for-sale financial assets	**6**	5	–	**10**	10	–	**16**	15	–
Currency retranslation of group companies	**104**	318	548	**(204)**	(19)	35	**(100)**	299	583
Adjustment on translation of PLC's ordinary capital at 3¹⁄₉p = €0.16	**–**	–	–	**(155)**	(150)	(164)	**(155)**	(150)	(164)
Capital redemption reserve	**16**	16	–	**16**	16	16	**32**	32	16
Book value treasury stock	**(2 741)**	(1 623)	(2 010)	**(549)**	(717)	(748)	**(3 290)**	(2 340)	(2 758)
	(2 529)	(1 280)	(1 465)	**(883)**	(863)	(863)	**(3 412)**	(2 143)	(2 328)

Cash flow hedges – movements during the year	€ million 2007	€ million 2006
1 January	**1**	(5)
Additions	**74**	12
Transfers to income statement:	**1**	(4)
Operating profit	**1**	(2)
Financing	**–**	(2)
Transfers to inventories/non-current assets	**9**	(2)
31 December	**85**	1

Unilever acquired 68 891 470 ordinary shares of NV and 2 461 202 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 2007 is 122 296 247 (2006: 70 319 259) NV shares and 49 529 738 (2006: 64 656 456) PLC shares. Of these, 40 958 255 NV shares and 37 973 522 PLC shares were held in connection with share-based compensation plans (see note 29 on pages 117 to 119).

Treasury stock – movements during the year	€ million 2007	€ million 2006
1 January	**(2 340)**	(2 758)
Purchases and other utilisations	**(950)**	418
31 December	**(3 290)**	(2 340)

Currency retranslation reserve – movements during the year	€ million 2007	€ million 2006
1 January	**299**	583
Currency retranslation during the year	**294**	495
Movement in net investment hedges	**(692)**	(779)
Recycled to income statement	**(1)**	–
31 December	**(100)**	299

24 Retained profit

Movements during the year	€ million NV 2007	€ million NV 2006	€ million NV 2005	€ million PLC 2007	€ million PLC 2006	€ million PLC 2005	€ million Total 2007	€ million Total 2006	€ million Total 2005
1 January	**8 404**	8 721	6 831	**4 320**	1 294	1 223	**12 724**	10 015	8 054
Recognised income and expense through retained profit	**2 599**	3 727	3 092	**1 829**	1 848	733	**4 428**	5 575	3 825
Dividends on ordinary capital	**(1 167)**	(1 529)	(1 073)	**(903)**	(1 155)	(794)	**(2 070)**	(2 684)	(1 867)
Conversion of preference shares	**–**	–	(199)	**–**	–	–	**–**	–	(199)
Utilisation of treasury stock	**(53)**	(217)	–	**(46)**	(68)	–	**(99)**	(285)	–
Share-based compensation credit[(a)]	**90**	70	132	**50**	41	54	**140**	111	186
Adjustment arising from change in structure of group companies[(b)]	**499**	(2 368)	(70)	**(499)**	2 368	70	**–**	–	–
Other movements in retained profit	**31**	–	8	**8**	(8)	8	**39**	(8)	16
31 December	**10 403**	8 404	8 721	**4 759**	4 320	1 294	**15 162**	12 724	10 015
Of which retained by:									
Parent companies	**10 009**	9 755	9 463	**2 344**	2 306	2 145	**12 353**	12 061	11 608
Other group companies	**345**	(1 294)	(668)	**2 555**	2 006	(837)	**2 900**	712	(1 505)
Joint ventures and associates	**49**	(57)	(74)	**(140)**	8	(14)	**(91)**	(49)	(88)
	10 403	8 404	8 721	**4 759**	4 320	1 294	**15 162**	12 724	10 015

(a) 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.

(b) As part of the review of Unilever's corporate structure, and in the light of the constitutional and operational arrangements which enable Unilever N.V. and Unilever PLC to operate as nearly as practicable as a single company, the Directors have been authorised to take any action necessary or desirable in order to ensure that the ratio of the dividend generating capacity of PLC to that of NV does not differ substantially from the ratio of the dividend entitlement of ordinary shareholders in PLC to that of ordinary shareholders in NV. During 2007, Unilever's shareholding in Unilever Jerónimo Martins in Portugal was transferred from NV to PLC for no consideration. In addition, a part of indirect shareholdings in Unilever US was sold by NV to PLC and the fair value economic swap in South Africa led to further adjustments between NV and PLC. In 2006, shareholdings in the Unilever companies in Czech Republic, Hungary, Russia and Turkey, as well as a part of indirect shareholdings in Unilever US, were transferred from NV to PLC for no consideration. In addition, part of a dividend which would otherwise be due from a Unilever US intermediate company to a company within the NV part of the Group was instead paid to a company within the PLC part of the Group. Re-organisations of group companies have produced similar types of adjustments in previous years.

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

Notes to the consolidated accounts Unilever Group

25 Commitments and contingent liabilities

Long-term finance lease commitments	€ million Future minimum lease payments 2007	€ million Finance cost 2007	€ million Present value 2007	€ million Future minimum lease payments 2006	€ million Finance cost 2006	€ million Present value 2006
Buildings[(a)]	**410**	**198**	**212**	137	94	43
Plant and machinery	**110**	**11**	**99**	159	15	144
	520	**209**	**311**	296	109	187
The commitments fall due as follows:						
Within 1 year	**82**	**17**	**65**	71	10	61
Later than 1 year but not later than 5 years	**125**	**59**	**66**	117	25	92
Later than 5 years	**313**	**133**	**180**	108	74	34
	520	**209**	**311**	296	109	187

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

Long-term operating lease commitments	€ million 2007	€ million 2006
Land and buildings	**1 328**	1 257
Plant and machinery	**335**	360
	1 663	1 617

Operating lease and other commitments fall due as follows	€ million Operating leases 2007	€ million Operating leases 2006	€ million Other commitments 2007	€ million Other commitments 2006
Within 1 year	**363**	342	**646**	471
Later than 1 year but not later than 5 years	**859**	875	**955**	781
Later than 5 years	**441**	400	**152**	528
	1 663	1 617	**1 753**	1 780

The Group has sublet part of the leased properties under operating leases. Future minimum sublease payments are not significant.

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 10 on page 88.

The estimated total of our contingent liabilities at 31 December 2007 was €430 million (2006: €439 million). The principal components of the contingent liabilities relate to legal proceedings, obligations arising under environmental legislation. Guarantees issued by group companies at 31 December 2007 amounted to some €81 million (2006: €105 million), Included in this are discounted trade bills with value of €4 million (2006: €23 million). No individual contingent liability is significant. The fair value of guarantees is not material in either 2007 or 2006.

We are not involved in any legal or arbitration proceedings which might lead to material loss or expenditure in the context of the Group results. Similarly we do not have any material obligations under environmental legislation. None of our Directors or Officers is involved in any legal proceedings which are material as aforesaid. Nonetheless, we give further information on pages 10 and 11 about certain current legal proceedings.

Notes to the consolidated accounts Unilever Group

26 Acquisitions and disposals

2007
During 2007 we purchased minority interests in subsidiary companies in Greece and India. We invested in a new venture fund, Physic Ventures, which is accounted for as an associate, and made additional investments in two other venture companies, Spa and Salon International Limited and Langholm Capital, both of which are accounted for as associates.

With effect from 1 October 2007, Unilever and Remgro Ltd. reached agreement to reorganise their respective shareholdings in the Unilever businesses in South Africa and Israel. In the reorganised shareholding Unilever has a majority share in a single South African business and fully owns the Unilever Israel foods and home and personal care business. As a result of this transaction, Unilever has reported a profit on disposal of €214 million and goodwill of €168 million.

On 1 January 2007, Unilever completed the restructuring of its Portuguese businesses. The result of the reorganisation is that Unilever now has a 55% share of the combined Portuguese entity, called Unilever Jerónimo Martins. The combined business includes the foods and home and personal care businesses. The remaining 45% interest is held by Jerónimo Martins Group. The structure of the agreement is such that there is joint control of the newly formed entity and so it is accounted for by Unilever as a joint venture.

Other disposals in 2007 included the sale of local Brazilian margarine brands. In addition, to further develop our healthy heart brand margarine, *Becel*, in Brazil we have established a joint venture with Perdigão. During 2007, we have also announced the disposal of Boursin to Le Groupe Bel for €400 million, and the disposal of Lawry's and Adolph's seasoning blends and marinades business to McCormick and Company for US $605 million. Both will be effective during 2008. See note 33 on page 121 for further details. Furthermore, we announced plans to dispose of our North American laundry business, the process for which is ongoing.

2006
During 2006 we purchased minority interests in subsidiary companies in Greece and Algeria, trademarks in Czech Republic, distribution in Tunisia and Vashisti business in India. Also an additional investment into Langholm Capital Partners Fund was made and classified as an acquisition of associates (see note 11 on page 90).

On 3 November 2006, Unilever announced that it had reached a final agreement with Permira Funds to sell the majority of its European frozen foods business for €1.7 billion. The Unilever businesses being sold in this transaction include the frozen foods operations in Austria, Belgium, France, Germany, Ireland, Netherlands, Portugal and the United Kingdom.

Other disposals in 2006 were Mora in the Netherlands and Belgium, Finesse in the US, Canada and Sweden, Friol in Italy and Nihar and tea plantations in India.

2005
The principal disposals in 2005 were Unilever Cosmetics International across the world, Stanton Oil in the UK and Ireland, Dextro in various countries in Europe, Opal in Peru, Karo and Knax in Mexico, spreads and cooking products in Australia and 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 restructured 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 holds 49% of the combined foods business and Jerónimo Martins Group 51%. During 2006, Unilever signed an agreement with Jerónimo Martins to restructure the ownership of the Portuguese operations effective 1 January 2007.

Disposals	€ million 2007	€ million 2006	€ million 2005
Goodwill and intangible assets	**5**	1	150
Other non-current assets	**44**	242	78
Current assets	**117**	354	207
Trade creditors and other payables	**(48)**	(157)	(106)
Provisions for liabilities and charges	**(34)**	(91)	(15)
Minority interest	**71**	–	(1)
Net assets sold	**155**	349	313
(Gain)/loss on recycling of currency retranslation on disposal	**(1)**	–	(5)
Profit on sale attributable to Unilever	**399**	1 528	655
Consideration[(a)]	**553**	1 877	963
Cash	**168**	1 870	845
Cash balances of businesses sold	**(4)**	–	(17)
Financial assets, cash deposits and financial liabilities of businesses sold	**113**	(5)	8
Non-cash items and deferred consideration[(a)]	**276**	12	26
Payment received in prior year	**–**	–	101

(a) For 2007, includes €214 million fair value economic swap in South Africa.

The results of disposed businesses are included in the consolidated accounts up to their date of disposal.

Notes to the consolidated accounts Unilever Group

26 Acquisitions and disposals (continued)

The following table sets out the effect of acquisitions in 2007, 2006 and 2005 on the consolidated balance sheet. The fair values currently established for all acquisitions made in 2007 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 72. Any impairment is charged to the income statement as it arises. Detailed information relating to goodwill is given in note 9 on pages 86 and 87.

Acquisitions	**€ million 2007**	€ million 2006	€ million 2005
Net assets acquired	**94**	42	7
Goodwill arising in subsidiaries	**334**	60	13
Consideration	**428**	102	20

Consideration consisted of €214 million cash, principally relating to acquisitions of minority interest, and €214 million fair value economic swap in South Africa.

27 Assets held for sale and discontinued operations

Included under this heading are the results of the majority of Unilever's European frozen foods businesses following the sale to Permira Funds in November 2006 and Unilever Cosmetics International (UCI) following the sale of this business to Coty Inc. in July 2005.

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 2007**	€ million 2006	€ million 2005
Turnover	**–**	1 033	1 501
Expenses	**–**	(863)	(1 253)
Operating profit	**–**	170	248
Net finance costs	**–**	(3)	(6)
Profit before tax	**–**	167	242
Taxation	**–**	(25)	(72)
Profit after taxation	**–**	142	170
Gain/(loss) on disposal of discontinued operations[(a)]	**89**	1 349	513
Recycling of currency retranslation upon disposal	**–**	–	5
Taxation arising on disposal	**(9)**	(161)	(48)
Gain/(loss) after taxation on disposal	**80**	1 188	470
Net profit from discontinued operations	**80**	1 330	640

(a) In 2007, a one-off gain of €50 million was recognised for future performance based consideration from the sale of UCI.

Segment analysis of discontinued operations	**€ million 2007**	€ million 2006	€ million 2005
Turnover			
Europe	**–**	1 033	1 397
The Americas	**–**	–	102
Asia Africa	**–**	–	2
	–	1 033	1 501
Foods	**–**	1 033	1 271
Personal care	**–**	–	230
	–	1 033	1 501
Operating profit			
Europe	**–**	170	227
The Americas	**–**	–	20
Asia Africa	**–**	–	1
	–	170	248
Foods	**–**	164	226
Personal care	**–**	6	22
	–	170	248

Notes to the consolidated accounts Unilever Group

27 Assets held for sale and discontinued operations (continued)

Summary cash flow statement of discontinued operations	€ million 2007	€ million 2006	€ million 2005
Net cash flow from/(used in) operating activities	**(4)**	79	62
Net cash flow from/(used in) investing activities	**80**	1 618	621
Net cash flow from/(used in) financing activities	**–**	(1)	(4)
Net increase/(decrease) in cash and cash equivalents	**76**	1 696	679

The most significant items included as assets held for sale at 31 December 2007 are:

- North American laundry business – disposal process announced 2 August 2007 for completion in 2008.
- Boursin business – sale to Le Groupe Bel for €400 million announced on 5 November 2007, completed 3 January 2008.
- Lawry's and Adolph's branded seasoning blends and marinades business in the US and Canada – sale to McCormick & Company for US $605 million announced on 14 November 2007, for completion in 2008.

In 2006, various non-current assets were classified as held for sale.

Assets classified as held for sale	€ million 2007	€ million 2006
Disposal groups held for sale		
Property, plant and equipment	**66**	–
Inventories	**83**	–
Trade and other receivables	**4**	–
	153	–
Non-current assets held for sale		
Property, plant and equipment	**6**	14
	6	14

Liabilities classified as held for sale (part of disposal groups)	€ million 2007	€ million 2006
Trade payables and other liabilities	**(10)**	–
Deferred taxation	**(3)**	–
	(13)	–

Total assets at 31 December 2007 are included in the geographical segments as follows: Europe €31 million; The Americas €127 million; and Asia Africa €1 million.

Notes to the consolidated accounts Unilever Group

28 Reconciliation of net profit to cash flow from operating activities

Cash flow from operating activities	€ million 2007	€ million 2006	€ million 2005
Net profit	**4 136**	5 015	3 975
Taxation	**1 137**	1 332	1 301
Share of net profit of joint ventures/associates and other income from non-current investments	**(191)**	(144)	(55)
Net finance costs:	**252**	725	618
Finance income	**(147)**	(138)	(130)
Finance cost	**550**	602	693
Preference shares provision	**7**	300	–
Pensions and similar obligations	**(158)**	(39)	55
Operating profit (continuing and discontinued operations)	**5 334**	6 928	5 839
Depreciation, amortisation and impairment	**943**	982	1 274
Changes in working capital:	**27**	87	193
Inventories	**(333)**	(156)	(153)
Trade and other current receivables	**(43)**	(172)	(36)
Trade payables and other current liabilities	**403**	415	382
Pensions and similar provisions less payments	**(910)**	(1 038)	(532)
Provisions less payments	**145**	107	(230)
Elimination of (profits)/losses on disposals	**(459)**	(1 620)	(789)
Non-cash charge for share-based compensation	**118**	120	192
Other adjustments	**(10)**	8	(23)
Cash flow from operating activities	**5 188**	5 574	5 924

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 2006 the Group took a provision of €300 million for possible compensation payments relating to the 2005 conversion of preference shares, issued by Unilever N.V. in 1999. See note 19 on page 102 for further details.

During 2007 the Group entered into new finance lease arrangements in respect of equipment with a capital value at inception of the lease of €51 million (2006: €51 million). In addition a lease for €181 million related to the sale and leaseback transaction carried out for the head office building in UK was signed during 2007.

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.

Notes to the consolidated accounts Unilever Group

29 Share-based compensation plans

As at 31 December 2007, the Group had share-based compensation plans in the form of Share Option Plans, Performance Share Plans, and Other Plans.

The numbers in this note include those for Executive Directors shown in the report of the Remuneration Committee on pages 49 to 61 and those for key management personnel shown in note 31 on page 120. No awards were made to Executive Directors in 2005, 2006 and 2007 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 option pricing models and the resulting cost is recognised as remuneration cost amortised over the vesting period of the grant.

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, for NV, PLC and New York shares on a combined basis.

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.

The actual remuneration cost charged in each period is shown below, and relates almost wholly to equity settled plans:

Income statement charge	**€ million 2007**	€ million 2006	€ million 2005
Share option plans	**(16)**	(41)	(76)
Performance share plans	**(103)**	(48)	(78)
Other plans[(a)]	**(33)**	(31)	(38)
	(152)	(120)	(192)

(a) The Group also provides a Share Matching Plan, a Restricted Share Plan, TSR-LTIP (no awards after 2006) and a cash-settled share-based retention plan.

(i) Share Option Plans

Unilever has All-Employee Share Option Plans in 15 countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and Switzerland, and with a share save element in South Africa and the United Kingdom. Generally the vesting periods range between three and five years and the maximum term is five years.

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. The options become exercisable after a three-year period from the date of grant and have a maximum term of ten years. In view of the introduction of the Global Performance Share Plan in 2005, no further grants were made under the Executive Option Plans after 2005. The plans consist of the NV, the PLC Plans and the North America Programme which is covered by the Unilever North America 2002 Omnibus Equity Compensation Plan.

The fair value per option is estimated using the Black-Scholes option pricing method. The expected option terms are based on historic data. Figures for expected volatility are set with regard to historic volatility over the last six years. The expected dividend yield is based on the dividend yield in the year of grant. Forfeiture rates are set annually with regard to historic forfeiture rates.

Managers working in India can participate in an Executive Option Plan relating to Hindustan Unilever 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 for 2007 were €1 million (2006: €1 million; 2005: €2 million) and are included in the costs of share option plans in the table above.

A summary of the status of the All-Employee and Executive Option Plans as at 31 December 2007, 2006 and 2005 and changes during the years ended on these dates is presented below:

	Number of options	**2007 Weighted average exercise price**	Number of options	2006 Weighted average exercise price	Number of options	2005 Weighted average exercise price
Outstanding at 1 January	**96 296 565**	**€17.58**	114 772 471	€18.33	128 972 689	€18.28
Granted	**2 626 506**	**€22.10**	4 356 278	€17.65	5 878 792	€17.53
Exercised	**(33 535 234)**	**€17.53**	(14 380 347)	€16.87	(9 464 155)	€15.42
Forfeited	**(3 877 793)**	**€18.75**	(5 171 316)	€19.57	(9 045 452)	€19.13
Expired	**(2 815 087)**	**€22.01**	(3 280 521)	€21.22	(1 569 403)	€17.93
Outstanding at 31 December	**58 694 957**	**€17.53**	96 296 565	€18.35	114 772 471	€18.42
Exercisable at 31 December	**47 975 809**	**€17.35**	71 189 331	€18.57	66 586 233	€18.65

The weighted average market price of the shares at the time of exercise was €23.02 (2006: €19.68; 2005: €18.66).

Notes to the consolidated accounts Unilever Group

29 Share-based compensation plans (continued)

	2007	2006	2005
Option value information			
Fair value per option	**€4.33**	€3.10	€3.12
Valuation assumptions:			
Expected option term	**3.5 years**	3.5 years	3.9 years
Expected volatility	**27.5%**	27.5%	27.5%
Expected dividend yield	**3.2%**	3.8%	3.6%
Risk-free interest rate	**4.6%**	3.8%	3.1%

The exercise prices and remaining life of the All-Employee and Executive Option Plans as at 31 December 2007 are as follows:

			Options outstanding		Options exercisable
Range of exercise prices	Number outstanding at 31 December 2007	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 31 December 2007	Weighted average exercise price
€8.41 – €11.70	**1 681 642**	**3 years**	**€10.98**	**1 681 642**	**€10.98**
€12.40 – €16.97	**18 327 615**	**4 years**	**€14.87**	**15 633 936**	**€14.65**
€17.00 – €24.66	**38 685 700**	**4 years**	**€19.07**	**30 660 231**	**€19.07**

(ii) Performance Share Plans

The Global Performance Share Plan (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 Ungeared Free Cash Flow over the three-year performance period. The amount to be paid by participants to obtain the shares at vesting is zero.

In 2007 we introduced the Leadership Performance Share Plan (LPSP) under the Global Share Incentive Plan (GSIP) rules. The structure of this Plan is comparable to the GPSP but the Plan has an additional third performance condition which is based on TSR ranking over the three year period.

North American managers participate in the North American Performance Share Programme, introduced in 2001, that awards Unilever shares if North American company 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 Performance Share Plans as at 31 December 2007, 2006 and 2005 and changes during the years ended on these dates is presented below:

	2007 Number of shares	2006 Number of shares	2005 Number of shares
Outstanding at 1 January	**15 270 180**	13 286 992	10 749 007
Awarded	**6 209 781**	6 162 489	6 514 252
Vested	**(3 465 990)**	(3 057 630)	(3 510 939)
Forfeited	**(1 170 202)**	(1 121 671)	(465 328)
Outstanding at 31 December	**16 843 769**	15 270 180	13 286 992
Exercisable at 31 December	**–**	–	–

	2007	2006	2005
Share award value information			
Fair value per share award	**€19.06**	€17.22	€17.26

Notes to the consolidated accounts Unilever Group

29 Share-based compensation plans (continued)

Additional information

As a result of the share-based compensation plans for employees, we are exposed to movements in our own share price. We take a flexible approach to the buying of shares to meet these obligations, not automatically buying shares at grant. In 2001, we entered into a contract with a bank for the forward purchase of Unilever shares. This contract was terminated in March 2006.

At 31 December 2007, there were options outstanding to purchase 61 579 485 (2006: 88 937 770) ordinary shares in NV or PLC in respect of share-based compensation plans of NV and its subsidiaries and the North American plans, and 18 296 234 (2006: 29 315 519) ordinary shares in NV or PLC in respect of share-based compensation plans of PLC and its subsidiaries.

To satisfy the options granted, certain NV group companies hold 68 011 392 (2006: 91 935 752) ordinary shares of NV or PLC, and trusts in Jersey and the United Kingdom hold 10 920 385 (2006: 16 678 871) 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 3⅑p ordinary share. Shares acquired during 2007 represent 0.2% of the Group's called up capital. The balance at 31 December 2007 was 2.6% (2006: 3.6%).

The book value of €1 305 million (2006: €1 836 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 23 on page 110). Their market value at 31 December 2007 was €2 008 million (2006: €2 279 million).

At 31 December 2007 the exercise price of nil (2006: 14 989 001) NV and PLC options were 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 2007 this includes €nil million (2006: €7 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 117.

Obligations over the following number of shares were granted, exercised, forfeited or expired between 31 December 2007 and 1 March 2008.

	Number of shares	
	Granted	Exercised, forfeited or expired
Share Option Plans	–	2 104 963
Performance Share Plans	–	118 881

Notes to the consolidated accounts Unilever Group

30 Related party transactions

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

Related party balances	€ million 2007	€ million 2006
Trading and other balances due (to)/from joint ventures	**157**	93
Trading balances due (to)/from associates	**(21)**	(14)

Joint ventures
As discussed in note 26 on page 113, Unilever completed the restructuring of its Portuguese business as at 1 January 2007. Balances owed by/(to) FIMA and PLI at 31 December 2007 were €258 million and €(101) million (2006: €91 million and €2 million) respectively.

Associates
Following 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. This option had a fair value of zero at 31 December 2007 and 31 December 2006. At 31 December 2007 the outstanding balance payable to JohnsonDiversey Holdings Inc. was €21 million (2006: €14 million). Sales agency fees to JohnsonDiversey were incurred of approximately €67 million in 2007 (2006: €68 million; 2005: €76 million).

Langholm Capital Partners invests in private European companies with above-average longer-term growth prospects. It has invested in: Lumene OY, a Finnish personal care business specialising in natural personal care for fair skins in harsh climates; Dorset Cereals, a UK manufacturer of cereal products aimed at the healthy eating and luxury niche of the cereals market; Just Retirement, a specialist financial services company based in the UK, providing customised retirement solution for those in and approaching retirement, and Elvi, a UK retailer of plus-size women's clothing. During 2007 Langholm placed 30 million shares of the Langholm Fund's remaining shares in Just Retirement. As a result of sale of shares, Langholm returned €47 million to Unilever. Langholm remains a majority shareholder of Just Retirement. 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 funds raised. At 31 December 2007, the outstanding balance with Langholm Capital Partners was €36 million (2006: €45 million).

Other related parties
In September 2006 Harish Manwani, President Asia Africa and a member of the Unilever Executive Team, and his wife purchased an apartment from Hindustan Lever Limited (now Hindustan Unilever Limited), a group company ultimately owned by PLC, for Rs.118 million (€2 042 255). The purchase was made at full market value via an open bidding/tendering process managed by independent property consultants.

31 Key management personnel

Key management personnel are defined as the members of UEx together with the Non-Executive Directors.

Key management compensation	€ million 2007	€ million 2006	€ million 2005
Salaries and short-term employee benefits	**(19)**	(14)	(13)
Non-Executive Directors' fees	**(2)**	(1)	(1)
Post-employment benefits	**(2)**	(3)	(4)
Other long-term benefits (all share-based)	**(2)**	(2)	(1)
Termination payments	**–**	–	(1)
	(25)	(20)	(20)
Of which:			
Executive Directors	**(12)**	(11)	(16)
Non-Executive Directors	**(2)**	(1)	(1)
Other	**(11)**	(8)	(3)
	(25)	(20)	(20)

Details of the remuneration of Directors are given in the auditable part of the report of the Remuneration Committee as defined on page 49. See also note 30 above for information on related party transactions.

32 Remuneration of auditors

	€ million 2007	€ million 2006	€ million 2005
Fees payable to PricewaterhouseCoopers[a] for the audit of the annual accounts of Unilever N.V. and Unilever PLC	**(5)**	(6)	(4)
Fees payable to PricewaterhouseCoopers[b] for the audit of accounts of subsidiaries of Unilever N.V. and Unilever PLC pursuant to the legislation	**(17)**	(20)	(11)
Total statutory audit fees[c]	**(22)**	(26)	(15)
Other services supplied pursuant to such legislation[d]	**(1)**	(1)	(2)
Other services relevant to taxation	**(2)**	(2)	(3)
Services relating to corporate finance transactions[e]	**(1)**	(2)	(1)
All other services[f]	**(1)**	(1)	(2)

(a) Of which:
€1 million was paid to PricewaterhouseCoopers Accountants N.V. (2006: €1 million; 2005: €1 million); and
€4 million was paid to PricewaterhouseCoopers LLP (2006: €5 million; 2005: €3 million).

(b) Comprises fees paid to the network of separate and independent member firms of PricewaterhouseCoopers International Limited for audit work on statutory financial statements and group reporting returns of subsidiary companies.

(c) In addition, €1 million of statutory audit fees were payable to PricewaterhouseCoopers in respect of services supplied to associated pension schemes (2006: €1 million; 2005: €1 million).

(d) Comprises other audit services, including audit and similar work that regulations or agreements with third parties require the auditors to undertake and other circulars and regulatory reports.

(e) Comprises work in respect of acquisitions and disposals.

(f) Comprises other services, including risk management assurance and advisory work and training, that are compatible with PricewaterhouseCoopers' audit work.

33 Events after the balance sheet date

Effective 1 January 2008, Unilever and PepsiCo have entered into an expanded international partnership for the marketing and distribution on ready-to-drink tea products under the *Lipton* brand. The new agreement adds 11 counties to the partnership's existing *Lipton* ready-to drink tea business – eight in Europe (Germany, Italy, France, Netherlands, Switzerland, Austria, Belgium and Portugal) as well as Korea, Taiwan and South Africa.

On 5 November 2007, Unilever announced the disposal of Boursin to Le Groupe Bel for €400 million. The sale was effective on 3 January 2008.

On 4 February 2008, we announced that we had reached an agreement to acquire the leading Russian ice cream business Inmarko, for an undisclosed amount. The deal is subject to regulatory approval and is expected to be completed in the first half of 2008.

On 11 February 2008, Unilever announced a share buy-back programme for at least €1.5 billion for 2008.

On 21 February 2008, Unilever launched a bond composed of two tranches; i) CHF 250 million fixed rate bond which will mature in four years, and ii) CHF 350 million fixed rate bond which will mature in seven years. Completion is expected in late March 2008.

On 28 February 2008 Unilever announced a number of changes affecting its organisation. As a further extension of the One Unilever programme, Foods and Home and Personal Care will be combined into a single category structure. To reflect our strategic focus on growth in developing markets, operations in Central and Eastern Europe will be managed as part of an enlarged region comprising Asia, Africa and Central and Eastern Europe, with Western Europe becoming a separate region.

A number of Board and senior executive changes were announced simultaneously. Kees van der Graaf will step down from the Boards of Unilever and from his role as President Europe at the AGMs on 14 and 15 May 2008. Ralph Kugler, President Home and Personal Care, will similarly step down at the AGMs. Harish Manwani, currently President Asia Africa, will lead the new expanded region. Doug Baillie, previously Chief Executive Officer of Hindustan Unilever, will join the Unilever Executive as President Western Europe. The roles of President Home and Personal Care and President Foods will be merged under the leadership of Vindi Banga, currently President Foods.