

Disclaimer

This PDF is a section of the Unilever Annual Report and Accounts 2008 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 2008 should be consulted.

Certain sections of the Unilever Annual Report and Accounts 2008 have been audited. Sections that have been audited are set out on pages 81 to 136, 140 to 141, 143 to 145 and 148 to 150. The auditable part of the Directors' Remuneration report as set out on page 60 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.

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Statement of Directors' responsibilities

Annual accounts

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

The Directors consider that, in preparing the accounts, the Group and the NV and PLC entities have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards as adopted by the EU 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/investorrelations. 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 responsibilities is made on page 151.

Directors' responsibility statement

Each of the Directors confirms that, to the best of his or her knowledge:

- the financial statements which have been prepared in accordance with 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 PLC parent company accounts) and United Kingdom accounting standards and Part 9 of Book 2 of the Dutch Civil Code (in the case of the NV parent company accounts), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the NV and PLC entities taken as a whole; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and the NV and the PLC entities taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors and their functions are listed on pages 18 and 19.

Going concern

The activities of the Group, together with the factors likely to affect its future development, performance and position are set out on pages 1 to 17 and 20 to 34. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 35 to 43. In addition, we describe in note 17 on pages 108 to 113 the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

The Group has considerable financial resources together with established business relationships with many customers and suppliers in countries throughout the world. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain outlook.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Internal and disclosure controls and procedures

Please refer to pages 25 to 27 for a discussion of Unilever's principal risk factors and to page 28 for commentary on the Group's approach to risk management and control.

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 2008 of the Unilever Group for the year ended 31 December 2008 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense and a summary of significant accounting policies and other explanatory notes on pages 81 to 136 and 140 to 141.

We have reported separately on the company accounts of Unilever N.V. for the year ended 31 December 2008.

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 2008, 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 f 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, 3 March 2009
PricewaterhouseCoopers Accountants N.V.

Drs R A J Swaak 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 2008 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense, the related notes on pages 81 to 136, and principal group companies and non-current investments on pages 140 and 141. These consolidated accounts have been prepared under the accounting policies set out in note 1 on pages 84 to 88.

We have reported separately on the parent company accounts of Unilever PLC for the year ended 31 December 2008 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 Annual Report and 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 78, and on page 152.

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 Report of the Directors (excluding the audited part of the Report of the Remuneration Committee) 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 (excluding the audited part of the Report of the Remuneration Committee), the Shareholder information, the Statement of Directors' responsibilities and the Financial record. 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 2008 and of its profit and cash flows for the year then ended;
- the consolidated accounts have been properly prepared in accordance with the 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 2008 and of its profit and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
3 March 2009

Consolidated income statement

for the year ended 31 December

	€ million 2008	€ million 2007	€ million 2006
Continuing operations			
Turnover 2	40 523	40 187	39 642
Operating profit 2	7 167	5 245	5 408
After (charging)/crediting:			
Restructuring 3	(868)	(875)	(704)
Business disposals, impairments and other 3	2 137	306	196
Gain on US healthcare and UK pensions 3	–	–	266
Net finance costs 5	(257)	(252)	(721)
Finance income	106	147	128
Finance costs	(506)	(550)	(590)
Preference shares provision	–	(7)	(300)
Pensions and similar obligations	143	158	41
Share of net profit/(loss) of joint ventures 11	125	102	78
Share of net profit/(loss) of associates 11	6	50	36
Other income from non-current investments 11	88	39	30
Profit before taxation	7 129	5 184	4 831
Taxation 6	(1 844)	(1 128)	(1 146)
Net profit from continuing operations	5 285	4 056	3 685
Profit for the year from discontinued operations 27	–	80	1 330
Net profit	5 285	4 136	5 015
Attributable to:			
Minority interests	258	248	270
Shareholders' equity	5 027	3 888	4 745
Combined earnings per share 7			
From continuing operations			
Basic earnings per share	€1.79	€1.32	€1.19
Diluted earnings per share	€1.73	€1.28	€1.15
From discontinued operations			
Basic earnings per share	–	€0.03	€0.46
Diluted earnings per share	–	€0.03	€0.45
From total operations			
Basic earnings per share	€1.79	€1.35	€1.65
Diluted earnings per share	€1.73	€1.31	€1.60

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 84 to 136, which form an integral part of the consolidated financial statements.

Accounting policies of the Unilever Group are set out in note 1 on pages 84 to 88.

Consolidated statement of recognised income and expense

for the year ended 31 December

	€ million 2008	€ million 2007	€ million 2006
Fair value gains/(losses) net of tax:			
On cash flow hedges	(118)	84	6
On available-for-sale financial assets	(46)	2	15
Actuarial gains/(losses) on pension schemes net of tax	(2 293)	542	853
Currency retranslation gains/(losses) net of tax ^(a)	(1 688)	(413)	(335)
Net income/(expense) recognised directly in equity	(4 145)	215	539
Net profit	5 285	4 136	5 015
Total recognised income and expense 21	1 140	4 351	5 554
Attributable to:			
Minority interests	205	237	242
Shareholders' equity	935	4 114	5 312

(a) Includes fair value gains/(losses) on net investment hedges of €(560) million (2007: €(692) million; 2006: €(779) million).

Financial statements Unilever Group

Consolidated balance sheet

as at 31 December

	€ million 2008	€ million 2007
Goodwill 9	11 665	12 244
Intangible assets 9	4 426	4 511
Property, plant and equipment 10	5 957	6 284
Pension asset for funded schemes in surplus 20	425	2 008
Deferred tax assets 12	1 068	1 003
Other non-current assets 11	1 426	1 324
Total non-current assets	24 967	27 374
Inventories 13	3 889	3 894
Trade and other current receivables 14	3 823	4 194
Current tax assets	234	367
Cash and cash equivalents 15	2 561	1 098
Other financial assets 15	632	216
Non-current assets held for sale 27	36	159
Total current assets	11 175	9 928
Financial liabilities 16	(4 842)	(4 166)
Trade payables and other current liabilities 18	(7 824)	(8 017)
Current tax liabilities	(377)	(395)
Provisions 19	(757)	(968)
Liabilities associated with non-current assets held for sale 27	-	(13)
Total current liabilities	(13 800)	(13 559)
Net current assets/(liabilities)	(2 625)	(3 631)
Total assets less current liabilities	22 342	23 743
Financial liabilities due after one year 16	6 363	5 483
Non-current tax liabilities	189	233
Pensions and post-retirement healthcare liabilities:		
Funded schemes in deficit 20	1 820	827
Unfunded schemes 20	1 987	2 270
Provisions 19	646	694
Deferred tax liabilities 12	790	1 213
Other non-current liabilities	175	204
Total non-current liabilities	11 970	10 924
Share capital 21	484	484
Share premium 21	121	153
Other reserves 21	(6 469)	(3 412)
Retained profit 21	15 812	15 162
Shareholders' equity	9 948	12 387
Minority interests 21	424	432
Total equity	10 372	12 819
Total capital employed	22 342	23 743

Commitments and contingent liabilities are shown in note 25 on page 125.

These financial statements, together with the Report of the Directors, have been approved by the Directors.

The Board of Directors

3 March 2009

Consolidated cash flow statement

for the year ended 31 December

	€ million 2008	€ million 2007	€ million 2006
Cash flow from operating activities 28	5 326	5 188	5 574
Income tax paid	(1 455)	(1 312)	(1 063)
Net cash flow from operating activities	3 871	3 876	4 511
Interest received	105	146	125
Purchase of intangible assets	(147)	(136)	(113)
Purchase of property, plant and equipment	(1 142)	(1 046)	(1 013)
Disposal of property, plant and equipment	190	163	192
Sale and leaseback transactions resulting in operating leases	–	36	–
Acquisition of group companies, joint ventures and associates	(211)	(214)	(96)
Disposal of group companies, joint ventures and associates	2 476	164	1 873
Acquisition of other non-current investments	(126)	(50)	(90)
Disposal of other non-current investments	47	33	61
Dividends from joint ventures, associates and other non-current investments	132	188	120
(Purchase)/sale of financial assets	91	93	96
Net cash flow from/(used in) investing activities	1 415	(623)	1 155
Dividends paid on ordinary share capital	(2 086)	(2 182)	(2 602)
Interest and preference dividends paid	(487)	(552)	(605)
Additional financial liabilities	4 544	4 283	2 154
Repayment of financial liabilities	(3 427)	(2 896)	(5 364)
Sale and leaseback transactions resulting in finance leases	(1)	25	2
Capital element of finance lease rental payments	(66)	(74)	(73)
Share buy-back programme	(1 503)	(1 500)	–
Other movements on treasury stock	103	442	98
Other financing activities	(207)	(555)	(182)
Net cash flow from/(used in) financing activities	(3 130)	(3 009)	(6 572)
Net increase/(decrease) in cash and cash equivalents	2 156	244	(906)
Cash and cash equivalents at the beginning of the year	901	710	1 265
Effect of foreign exchange rate changes	(697)	(53)	351
Cash and cash equivalents at the end of the year 15	2 360	901	710

The cash flow statement has been prepared in accordance with IAS 7. 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 130.

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 3 $\frac{1}{9}$ p 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 51.

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 compliance 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 the amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' with effect from 1 July 2008, with no effect, and IFRIC Interpretation 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' with effect from 1 January 2008, with no material effect on the financial statements of the Group.

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 123).

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 date of transition to IFRS of 1 January 2004 are reported as a separate component of other reserves (see note 23 on page 123). 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.

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 as at the date of acquisition.

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 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.

1 Accounting information and policies (continued)

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 as at the date of acquisition. 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). Any impairment is charged to the income statement as it arises.

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 they 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. Any impairment is charged to the income statement as it arises.

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. Any impairment is charged to the income statement as it arises.

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 within other income. Dividends on available-for-sale equity instruments are recognised in the income statement within other income when the Group's right to receive payment is established.

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.

1 Accounting information and policies (continued)

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 as at the balance sheet date. 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 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.

Cash flow hedges

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 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.

Fair value hedges

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.

Net investment hedges

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.

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 in the balance sheet at fair value as at the balance sheet date.

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.

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 foreseeable 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

Segment information is provided on the basis of geographical regions and product categories. The primary format, geographical 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 income 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 98.

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 115 to 117.

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 standard or interpretation. 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 for annual periods beginning on or after 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 for annual periods beginning on or after 1 January 2009) removing the option for expensing borrowing costs and requiring mandatory capitalisation of qualifying borrowing costs.
- IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 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'.
- Amendments in IFRS 3 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 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.
- Amendment to IAS 38 'Intangible Assets' (effective for annual periods beginning on or after 1 January 2009) clarifies the accounting for advertising expenditure.
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective for annual periods beginning on or after 1 October 2009).
- IFRIC 17 'Distributions of Non-cash Assets to Owners' (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 'Transfers of Assets from Customers' (effective for annual periods beginning on or after 1 July 2009).

Notes to the consolidated accounts Unilever Group

2 Segment information

Our primary reporting segments are geographic. During 2008 we reorganised the management of our regions so that our operations in Central & Eastern Europe were managed together with those in Asia and Africa, whereas they had previously been managed together with those in Western Europe. This change reflects our strategic focus on the developing world and the fact that these markets share many common characteristics. As at the end of 2008 our revised structure comprises the three operating regions of Western Europe, The Americas, and Asia, Africa and Central & Eastern Europe (AACEE). We are therefore now reporting segmentally on this revised basis and have restated prior year amounts accordingly. The home countries of the Unilever Group are the Netherlands and the United Kingdom. Turnover for these two countries combined in 2008 was €3 543 million (2007: €3 768 million; 2006: €3 710 million). The combined operating profit in 2008 was €754 million (2007: €444 million; 2006: €555 million). Turnover for the United States for 2008 was €6 606 million (2007: €7 120 million; 2006: €7 627 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 91 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.

	€ million Western Europe	€ million The Americas	€ million Asia Africa CEE	€ million Total
Analysis by geographical segment				
2008				
Turnover	12 853	13 199	14 471	40 523
Operating profit	2 521	2 945	1 701	7 167
Net finance costs				(257)
Share of net profit/(loss) of joint ventures	60	63	2	125
Share of net profit/(loss) of associates	6	-	-	6
Other income from non-current investments				88
Profit before taxation				7 129
Taxation				(1 844)
Net profit from continuing operations				5 285
Net profit from discontinued operations				-
Net profit				5 285
2007				
Turnover	13 327	13 442	13 418	40 187
Operating profit	1 563	1 971	1 711	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	13 322	13 779	12 541	39 642
Operating profit	1 787	2 178	1 443	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

Amounts for 2007 and 2006 have been restated in line with the changes in regional organisation.

Notes to the consolidated accounts Unilever Group

2 Segment information (continued)

	€ million Western Europe	€ million The Americas	€ million Asia Africa CEE	€ million Total
Analysis by geographical segment				
Assets				
2008				
Segment assets	11 976	9 988	8 213	30 177
Joint ventures/associates	118	9	13	140
Total assets by geographical segment	12 094	9 997	8 226	30 317
Corporate assets				5 825
Total assets				36 142
2007				
Segment assets	12 759	10 867	8 022	31 648
Joint ventures/associates	201	11	12	224
Total assets by geographical segment	12 960	10 878	8 034	31 872
Corporate assets				5 430
Total assets				37 302
Liabilities				
2008				
Segment liabilities	3 297	1 724	2 978	7 999
Joint ventures/associates	13	9	9	31
Total liabilities by geographical segment	3 310	1 733	2 987	8 030
Corporate liabilities				17 740
Total liabilities				25 770
2007				
Segment liabilities	3 584	1 702	2 948	8 234
Joint ventures/associates	12	10	8	30
Total liabilities by geographical segment	3 596	1 712	2 956	8 264
Corporate liabilities				16 219
Total liabilities				24 483
Capital expenditure				
2008				
2007	428	397	655	1 480
2006	586	342	497	1 425
Depreciation of property, plant and equipment				
2008				
2007	(332)	(234)	(222)	(788)
2006	(345)	(249)	(210)	(804)
2005	(324)	(239)	(224)	(787)
Amortisation of finite-lived intangible assets and software				
2008				
2007	(94)	(49)	(25)	(168)
2006	(71)	(48)	(21)	(140)
2005	(59)	(76)	(22)	(157)

Amounts for 2007 and 2006 have been restated in line with the changes in regional organisation.

Notes to the consolidated accounts Unilever Group

2 Segment information (continued)

	€ million Western Europe	€ million The Americas	€ million Asia Africa CEE	€ million Total
Analysis by geographical segment				
Impairment charges				
2008				
Goodwill	–	–	–	–
Intangible assets	–	(38)	–	(38)
Other	–	(30)	15 ^(a)	(15)
Total impairment charge	–	(68)	15	(53)
2007				
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Total impairment charge	–	–	–	–
2006				
Goodwill	(12)	–	–	(12)
Intangible assets	–	(2)	–	(2)
Total impairment charge	(12)	(2)	–	(14)
Other non-cash charges				
2008				
2007	(293)	(168)	(42)	(503)
2006	(341)	(216)	(91)	(648)
2006	(681)	(231)	(50)	(962)

(a) Reversal of provisions following sale of edible oil business in Côte d'Ivoire (see note 26 on page 128).

Amounts for 2007 and 2006 have been restated in line with the changes in regional organisation.

Analysis by product area

Although the Group's operations are managed on a geographical basis, our category team manages brands which we group into four 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, margarines and spreads, and cooking products such as liquid margarines.

Ice cream and beverages – including sales of ice cream, tea-based beverages, 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 tablets, powders and liquids, soap bars 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.

	€ million Savoury, dressings and spreads	€ million Ice cream and beverages	€ million Personal care	€ million Home care and other	€ million Total
Analysis by product area					
2008					
Turnover	14 232	7 694	11 383	7 214	40 523
Operating profit	3 216	915	1 824	1 212	7 167
Net finance costs	–	–	–	–	(257)
Share of net profit/(loss) of joint ventures	15	98	5	7	125
Share of net profit/(loss) of associates	–	–	–	6	6
Other income from non-current investments	–	–	–	–	88
Profit before taxation	–	–	–	–	7 129
Taxation	–	–	–	–	(1 844)
Net profit from continuing operations	–	–	–	–	5 285
Net profit from discontinued operations	–	–	–	–	–
Net profit	–	–	–	–	5 285
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

Notes to the consolidated accounts Unilever Group

2 Segment information (continued)

	€ million Savoury, dressings and spreads	€ million Ice cream and beverages	€ million Personal	€ million Home care and	€ million
Analysis by product area					
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
Assets					
2008					
Segment assets	18 577	4 375	3 857	3 368	30 177
Joint ventures/associates	21	46	15	58	140
Total assets by product area	18 598	4 421	3 872	3 426	30 317
Corporate assets					5 825
Total assets					36 142
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
Capital expenditure					
2008					
2008	452	426	360	242	1 480
2007	451	350	383	241	1 425

Notes to the consolidated accounts Unilever Group

3 Gross profit and operating costs

	€ million 2008	€ million 2007	€ million 2006
Turnover	40 523	40 187	39 642
Cost of sales	(21 342)	(20 558)	(20 093)
Gross profit	19 181	19 629	19 549
Distribution and selling costs	(9 309)	(9 489)	(9 486)
Administrative expenses ^(a)	(2 705)	(4 895)	(4 655)
Operating profit	7 167	5 245	5 408

(a) Includes gain on disposals of group companies, 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 to provide additional information to users to help them better understand underlying business performance.

	€ million 2008	€ million 2007	€ million 2006
Restructuring	(868)	(875)	(704)
Business disposals, impairments and other:			
Gain/(loss) on disposals of group companies	2 190	297	179
Impairments	(53)	–	(14)
(Provision for)/release of Brazilian sales tax	–	9	31
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. 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.

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 2008	€ million 2007	€ million 2006
Staff costs	(5 274)	(5 537)	(5 355)
Raw and packaging materials and goods purchased for resale	(16 489)	(15 588)	(15 655)
Amortisation of finite-lived intangible assets and software	(168)	(140)	(157)
Depreciation of property, plant and equipment	(788)	(804)	(787)
Advertising and promotions	(5 055)	(5 289)	(5 203)
Exchange gains/(losses):	108	(15)	(25)
On underlying transactions	77	(10)	(10)
On covering forward contracts	31	(5)	(15)
Lease rentals:	(487)	(477)	(451)
Minimum operating lease payments	(495)	(488)	(455)
Contingent operating lease payments	–	–	(3)
Less: Sub-lease income relating to operating lease agreements	8	11	7

Total expenditure on research and development in 2008, including costs incurred under some of the headings reported above, was €927 million (2007: €868 million; 2006: €906 million).

Notes to the consolidated accounts Unilever Group

4 Staff costs

Staff costs	€ million 2008	€ million 2007	€ million 2006
Remuneration of employees	(4 182)	(4 409)	(4 377)
Emoluments of Executive Directors	(11)	(9)	(8)
Pensions and other post-employment benefits ^(a)	(329)	(321)	(132)
Social security costs	(627)	(646)	(718)
Share-based compensation costs	(125)	(152)	(120)
	(5 274)	(5 537)	(5 355)

(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 2008	'000 2007	'000 2006
Western Europe	32	35	38
The Americas	42	44	46
Asia, Africa and Central & Eastern Europe	100	96	105
	174	175	189

Employee numbers for prior years have been restated following the change in our regional organisation.

5 Net finance costs

Finance costs	€ million 2008	€ million 2007	€ million 2006
Finance costs	(506)	(550)	(590)
Bank loans and overdrafts	(73)	(62)	(93)
Bonds and other loans	(429)	(493)	(499)
Dividends paid on preference shares	(7)	(7)	(6)
Net gain/(loss) on natural hedges ^(a)	3	12	8
On interest rate swaps	–	(1)	(6)
On foreign exchange derivatives	(221)	538	1 035
Exchange difference on underlying items	224	(525)	(1 021)
Preference shares provision ^(b)	–	(7)	(300)
Finance income	106	147	128
Pensions and similar obligations ^(c)	143	158	41
	(257)	(252)	(721)

(a) For further details on natural hedges please refer to note 17 on page 111.

(b) For further information please refer to note 19 on page 114.

(c) Net finance costs in respect of pensions and similar obligations are analysed in note 20 on page 118.

Notes to the consolidated accounts Unilever Group

6 Taxation

Tax charge in income statement	€ million 2008	€ million 2007	€ million 2006
Current tax			
Current year	(1 650)	(1 118)	(1 171)
Over/(under) provided in prior years ^(a)	80	226	206
	(1 570)	(892)	(965)
Deferred tax			
Origination and reversal of temporary differences	(271)	(261)	(171)
Changes in tax rates	(3)	21	(15)
Utilisation of unrecognised losses brought forward	–	4	5
	(274)	(236)	(181)
	(1 844)	(1 128)	(1 146)

(a) Provisions have been released following the favourable settlement of prior year tax audits in a number of countries, none of which is individually material.

The reconciliation between the computed weighted average rate of income tax expense, which is generally applicable to Unilever companies, and the actual rate of taxation charged is as follows:

Reconciliation of effective tax rate	% 2008	% 2007	% 2006
Computed rate of tax ^(b)	30	29	31
Differences due to:			
Incentive tax credits	(5)	(6)	(7)
Withholding tax on dividends	2	2	1
Adjustments to previous years	(2)	(5)	(4)
Expenses not deductible for tax purposes	1	2	2
Other	–	–	1
Effective tax rate	26	22	24

(b) The computed tax rate used is the average of the standard rate of tax applicable in the countries in which Unilever operates, weighted by the amount of profit before taxation generated in each of those countries. For this reason the rate may vary from year to year according to the mix of profit and related tax rates.

Notes to the consolidated accounts Unilever Group

7 Combined earnings per share

	€ 2008	€ 2007	€ 2006
Combined earnings per share			
From continuing operations			
Basic earnings per share	1.79	1.32	1.19
Diluted earnings per share	1.73	1.28	1.15
From discontinued operations			
Basic earnings per share	–	0.03	0.46
Diluted earnings per share	–	0.03	0.45
From total operations			
Basic earnings per share	1.79	1.35	1.65
Diluted earnings per share	1.73	1.31	1.60

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 share 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 122.

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 54; and (ii) the effect of share-based compensation plans, details of which are set out in note 29 on pages 133 to 134.

	2008	Millions of share units	
		2007	2006
Calculation of average number of share units			
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	(215.3)	(150.3)	(141.6)
Combined average number of share units for all bases except diluted earnings per share	2 809.6	2 874.6	2 883.3
Add shares issuable in 2038	70.9	70.9	70.9
Add dilutive effect of share-based compensation plans and forward equity contract	25.4	30.6	18.3
Adjusted combined average number of share units for diluted earnings per share basis	2 905.9	2 976.1	2 972.5

	€ million 2008	€ million 2007	€ million 2006
Calculation of earnings			
For earnings per share from total operations:			
Net profit attributable to ordinary capital for total operations	5 027	3 888	4 745
For earnings per share from continuing operations:			
Net profit from continuing operations	5 285	4 056	3 685
Minority interest in continuing operations	(258)	(248)	(266)
Net profit attributable to ordinary capital for continuing operations	5 027	3 808	3 419

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 programmes that we undertook during 2007 and 2008. During those periods the following movements in shares took place:

	Millions of share units	
	2008	2007
Number of shares at 1 January (net of treasury stock)	2 853.1	2 889.9
Net movements in shares under incentive schemes	11.4	29.7
Share buy-back	(75.4)	(66.5)
Number of shares at 31 December	2 789.1	2 853.1

Notes to the consolidated accounts Unilever Group

8 Dividends on ordinary capital

	€ million 2008	€ million 2007	€ million 2006
Dividends paid on ordinary capital during the year			
Final NV dividend for the prior year of €0.50 per share (2007: €0.47; 2006: €0.44)	(779)	(767)	(722)
Final PLC dividend for the prior year of 34.11p per share (2007: 32.04p; 2006: 30.09p)	(548)	(589)	(547)
Interim NV dividend for the year of €0.26 per share (2007: €0.25; 2006: €0.23)	(397)	(400)	(379)
Interim PLC dividend for the year of 20.55p per share (2007: 17.00p; 2006: 15.62p)	(328)	(314)	(285)
One-off NV dividend of €0.26 per share in 2006	–	–	(428)
One-off PLC dividend of 17.66p per share in 2006	–	–	(323)
	(2 052)	(2 070)	(2 684)
Of which:			
NV dividends	(1 176)	(1 167)	(1 529)
PLC dividends	(876)	(903)	(1 155)

The proposed final dividends on ordinary capital for the year 2008 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 €1 300 million, has been recognised in the financial statements for the year ended 31 December 2008.

Full details of dividends per share for the years 2004 to 2008 are given on page 157.

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.

	€ million 2008	€ million 2007
At cost less amortisation and impairment		
Goodwill	11 665	12 244
Intangible assets:	4 426	4 511
Indefinite-lived intangible assets	3 886	3 921
Finite-lived intangible assets	206	273
Software	334	317
	16 091	16 755

	€ million	€ million	€ million	€ million	€ million
	Goodwill	Indefinite-lived intangible assets	Finite-lived intangible assets	Software	Total
Movements during 2008					
Cost					
1 January 2008	13 182	4 134	621	501	18 438
Acquisitions of group companies	60	90	1	–	151
Disposals of group companies	(129)	–	–	–	(129)
Additions	–	1	–	146	147
Disposals	–	–	(3)	(33)	(36)
Currency retranslation	(496)	(81)	(20)	(34)	(631)
Reclassification as held for sale	–	(37)	(1)	–	(38)
31 December 2008	12 617	4 107	598	580	17 902
Amortisation and impairment					
1 January 2008	(938)	(213)	(348)	(184)	(1 683)
Disposal of group companies	12	–	–	–	12
Amortisation for the year	–	–	(59)	(109)	(168)
Impairment	–	(37)	(1)	–	(38)
Disposals	–	–	2	33	35
Currency retranslation	(26)	(8)	13	14	(7)
Reclassification as held for sale	–	37	1	–	38
31 December 2008	(952)	(221)	(392)	(246)	(1 811)
Net book value 31 December 2008	11 665	3 886	206	334	16 091

9 Goodwill and intangible assets (continued)

	€ million	€ million	€ million	€ million	€ million
	Goodwill	Indefinite-lived intangible assets	Finite-lived intangible assets	Software	Total
Movements during 2007					
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

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

Impairments charge in the year

The impairments charged in 2008 principally related to a non-core savoury business in the Americas which was subsequently classified as held for sale. There were no impairments in 2007.

Significant CGUs

The goodwill and indefinite-lived intangible assets (predominantly Knorr and Hellmann's) held in the global savoury and dressings CGU, comprising €10.6 billion (2007: €11.1 billion) and €3.1 billion (2007: €3.2 billion) respectively, are considered significant in comparison to the total carrying amounts of goodwill and indefinite-lived intangible assets at 31 December 2008. No other CGUs are considered significant in this respect.

During 2008, 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 6%; and
- average operating margins for the major product groups within the CGU ranging from 15% to 19%.

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 2008	€ million 2007
Land and buildings	1 859	1 989
Plant and equipment	4 098	4 295
	5 957	6 284
Includes freehold land	154	207
Commitments for capital expenditure at 31 December	286	321

Movements during 2008	€ million Land and buildings	€ million Plant and equipment	€ million Total
Gross			
1 January 2008	3 019	10 254	13 273
Acquisition of group companies	24	48	72
Disposals of group companies	(61)	(116)	(177)
Additions	154	1 016	1 170
Disposals	(84)	(773)	(857)
Currency retranslation	(227)	(823)	(1 050)
Reclassification as held for sale	(25)	(29)	(54)
Other adjustments	40	(58)	(18)
31 December 2008	2 840	9 519	12 359
Depreciation			
1 January 2008	(1 030)	(5 959)	(6 989)
Disposals of group companies	22	63	85
Depreciation charge for the year	(107)	(681)	(788)
Disposals	65	681	746
Currency Retranslation	66	413	479
Reclassification as held for sale	14	35	49
Other adjustments	(11)	27	16
31 December 2008	(981)	(5 421)	(6 402)
Net book value 31 December 2008	1 859	4 098	5 957
Includes payments on account and assets in course of construction	92	526	618

Notes to the consolidated accounts Unilever Group

10 Property, plant and equipment (continued)

	€ million Land and buildings	€ million Plant and equipment	€ million Total
Movements during 2007			
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

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

	€ million Buildings	€ million Plant and equipment	€ million Total
Net book value			
Gross book value	177	243	420
Depreciation	(25)	(146)	(171)
31 December 2008	152	97	249
Gross book value	223	342	565
Depreciation	(16)	(204)	(220)
31 December 2007	207	138	345

Notes to the consolidated accounts Unilever Group

11 Other non-current assets

	€ million 2008	€ million 2007
Interest in net assets of joint ventures	73	150
Interest in net assets of associates	67	74
Other non-current financial assets ^(a) :	904	738
Held-to-maturity investments	472	473
Loans and receivables	9	13
Available-for-sale financial assets ^(b)	370	201
Financial assets at fair value through profit or loss	53	51
Long-term trade and other receivables ^(c)	171	187
Fair value of biological assets	31	37
Other non-financial assets	180	138
	1 426	1 324

(a) Predominantly consist of investments in a number of companies and financial institutions in India, Europe and the US, including €146 million (2007: €162 million) of assets in a trust to fund benefit obligations in the US (see also note 20 on page 118).

(b) 2008 includes unlisted preferred shares arising in connection with US laundry disposal (see note 26 on page 128).

(c) Classified as loans and receivables.

Movements during 2008 and 2007

	€ million 2008	€ million 2007
Joint ventures^(d)		
1 January	150	57
Additions ^(e)	–	115
Dividends received/reductions ^(f)	(202)	(122)
Share in net profit	125	102
Currency retranslation	–	(2)
31 December	73	150
Associates^(g)		
1 January	44	12
Acquisitions/(disposals)	22	31
Dividends received/reductions	(22)	(48)
Share in net profit	6	50
Currency retranslation	(14)	(1)
	36	44
Of which: Net liabilities of JohnsonDiversey reclassified to provisions	31	30
31 December	67	74

(d) Our principal joint ventures are Unilever Jerónimo Martins in Portugal, Pepsi/Lipton International and the Pepsi/Lipton Partnership in the US.

(e) 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.

(f) In relation to the extension of the Pepsi/Lipton joint venture for ready-to-drink tea in January 2008, a reduction of €110 million in carrying value of Pepsi/Lipton International was recorded.

(g) Associates primarily comprise our investments in JohnsonDiversey Holdings Inc., Langholm Capital Partners and Physic Ventures. Other Unilever Ventures assets (excluding Langholm) are included under 'Other non-current financial assets' above.

	€ million 2008	€ million 2007
Investments listed on a recognised stock exchange	344	388
Unlisted investments	560	350
	904	738

Other income from non-current investments

	€ million 2008	€ million 2007	€ million 2006
Income from other non-current investments	19	19	21
Profit/(loss) on disposal ^(h)	69	20	9
	88	39	30

(h) Includes disposal of Palmci plantations (see note 26 on page 128).

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 135.

Notes to the consolidated accounts Unilever Group

12 Deferred taxation

	€ million	€ million	€ million	€ million
	As at 1 January 2008	Income statement	Equity ^(a)	As at 31 December 2008
Movements during the year				
Pensions and similar obligations	200	(177)	786	809
Provisions	786	(103)	(71)	612
Goodwill and intangible assets	(780)	(34)	(9)	(823)
Accelerated tax depreciation	(598)	(2)	45	(555)
Tax losses	84	(7)	28	105
Fair value gains	(8)	(5)	7	(6)
Fair value losses	8	(3)	35	40
Share-based payments	101	57	(58)	100
Other	(3)	–	(1)	(4)
	(210)	(274)	762	278

(a) Of the total movement in equity of €762 million, €87 million arises as a result of currency retranslation and €8 million as a result of acquisitions and disposals.

At the balance sheet date, the Group has unused tax losses of €1 369 million and tax credits amounting to €307 million available for offset against future taxable profits. Deferred tax assets have not been recognised in respect of unused tax losses of €1 019 million and tax credits of €307 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 €457 million of state and federal tax losses in the US which expire between now and 2028.

Other deductible temporary differences of €133 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 €967 million (2007: €1 059 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:

	€ million Assets 2008	€ million Assets 2007	€ million Liabilities 2008	€ million Liabilities 2007	€ million Total 2008	€ million Total 2007
Deferred tax assets and liabilities						
Pensions and similar obligations	887	514	(78)	(314)	809	200
Provisions	619	750	(7)	36	612	786
Goodwill and intangible assets	(345)	(223)	(478)	(557)	(823)	(780)
Accelerated tax depreciation	(368)	(234)	(187)	(364)	(555)	(598)
Tax losses	103	85	2	(1)	105	84
Fair value gains	–	(3)	(6)	(5)	(6)	(8)
Fair value losses	43	8	(3)	–	40	8
Share-based payments	100	101	–	–	100	101
Other	29	5	(33)	(8)	(4)	(3)
	1 068	1 003	(790)	(1 213)	278	(210)
Of which deferred tax to be recovered/(settled) after more than 12 months	736	484	(717)	(1 111)	19	(627)

13 Inventories

	€ million 2008	€ million 2007
Inventories		
Raw materials and consumables	1 437	1 406
Finished goods and goods for resale	2 452	2 488
	3 889	3 894

Inventories with a value of €134 million (2007: €101 million) are carried at net realisable value, this being lower than cost. During 2008, €246 million (2007: €177 million) was charged to the income statement for damaged, obsolete and lost inventories. In 2008, €23 million (2007: €25 million) was utilised or released to the income statement from inventory provisions taken in earlier years.

In 2008, inventories with a carrying amount of €34 million were pledged as security for certain of the Group's borrowings (2007: €4 million).

Notes to the consolidated accounts Unilever Group

14 Trade and other receivables

Trade and other receivables	€ million 2008	€ million 2007
Due within one year		
Trade receivables	2 788	2 965
Prepayments and accrued income	380	467
Other receivables	655	762
	3 823	4 194

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 €258 million (2007: €362 million) and other non-financial assets of €397 million (2007: €400 million). We do not consider the fair values of trade and other receivables to be significantly different from their carrying values. Balances are considered for impairment on an individual basis rather than by reference to the extent that they become overdue.

Ageing of trade receivables	€ million 2008	€ million 2007
Total trade receivables	2 908	3 112
Less impairment provision for trade receivables	(120)	(147)
	2 788	2 965
Of which:		
Not overdue	2 182	2 240
Past due less than three months	499	649
Past due more than three months but less than six months	100	85
Past due more than six months but less than one year	52	57
Past due more than one year	75	81
Impairment provision for trade receivables	(120)	(147)
	2 788	2 965

Impairment provision for trade and other receivables – movements during the year	€ million 2008	€ million 2007
1 January	176	180
Charged to current year income statement	36	39
Reductions/releases	(37)	(40)
Currency retranslation	(10)	(3)
31 December	165	176

Other classes of assets in trade and other receivables do not include any impaired assets.

15 Cash and cash equivalents and other financial assets

Cash and cash equivalents and other financial assets	€ million 2008	€ million 2007
Cash and cash equivalents		
Cash at bank and in hand	587	507
Short-term deposits with maturity of less than three months	1 974	500
Other cash equivalents ^(a) :	–	91
	2 561	1 098
Other financial assets^(b)		
Held-to-maturity investments	13	15
Loans and receivables	–	2
Available-for-sale financial assets	–	91
Financial assets at fair value through profit or loss ^(c)	619	108
	632	216
Of which:		
Listed	31	41
Unlisted	601	175
	632	216

(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 and capital market instruments and derivatives.

(c) Financial assets at fair value through profit and loss include derivatives amounting to €597 million (2007: €78 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 2008	€ million 2007	€ million 2006
Cash and cash equivalents as per balance sheet	2 561	1 098	1 039
Bank overdrafts	(201)	(197)	(329)
	2 360	901	710

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 108 to 113.

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 – 2008						
Euro	142	5.9%	0.6 years	6 882	2.3%	7 024 ^(a)
Sterling	1	4.5%	0.1 years	26	1.7%	27
US dollar	–	–	–	29	1.3%	29
Indian rupee	–	–	–	187	11.4%	187
Brazilian real	–	–	–	40	13.7%	40
Other	–	–	–	563	7.1%	563
	143			7 727		7 870
Euro leg of currency derivatives mainly relating to intra-group loans ^(a)						(4 677)
Total						3 193^(c)
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 ^(b)
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 ^(b)						(1 784)
Total						1 314 ^(c)

a) Includes the euro leg of the currency derivatives relating to intra-group loans, amounting to €4 677 million for 2008. These derivatives create a euro interest rate exposure. However, to reconcile the total assets with the balance sheet, the total value is eliminated again. The other leg of the currency derivatives is shown in note 16 on page 107 as part of the interest rate profile of financial liabilities.

b) Includes the sterling leg of the currency derivatives mainly relating to intra-group loans, amounting to €1 784 million for 2007. These derivatives create a sterling interest rate exposure. However to reconcile the total assets with the balance sheet, the total value is eliminated again. The other leg of the currency is shown in note 16 on page 107 as part of the interest rate profile of financial liabilities.

c) Includes fair value of financial liability-related derivatives amounting to €597 million (2007: €78 million).

Notes to the consolidated accounts Unilever Group

16 Financial liabilities

Financial liabilities	€ million 2008	€ million 2007
Preference shares	124	124
Bank loans and overdrafts	1 377	1 212
Bonds and other loans		
At amortised cost	8 477	7 907
Subject to fair value hedge accounting	801	–
Finance lease creditors	207	311
Derivatives	219	95
	11 205	9 649

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

Financial liabilities – additional details	€ million 2008	€ million 2007
The repayments fall due as follows		
Within one year:		
Bank loans and overdrafts	746	785
Bonds and other loans	3 853	3 239
Finance lease creditors	24	65
Derivatives	219	77
Total due within one year	4 842	4 166
After one year but within two years	1 364	1 087
After two years but within three years	751	1 325
After three years but within four years	948	34
After four years but within five years	830	797
After five years	2 470	2 240
Total due after more than one year	6 363	5 483
Secured financial liabilities	34	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 2008							
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 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

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

The 4%, 6% and 7% 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 conversion 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 2008	€ million Fair value 2008 ^(a)	€ million Amortised cost 2007	€ million Fair value 2007 ^(a)
Unilever N.V.				
Floating rate note 2009 (€)	750	–	750	–
3.625% notes 2011 (Swiss francs)	267	–	–	–
3.125% notes 2012 (Swiss francs)	167	–	–	–
4.625% Bonds 2012 (€)	747	–	747	–
4.875% Bonds 2013 (€)	–	801	–	–
3.500% notes 2015 (Swiss francs)	232	–	–	–
3.375% Bonds 2015 (€)	747	–	747	–
Other	22	–	–	–
Total Unilever N.V.	2 932	801	2 244	–
Other group companies				
Netherlands				
Commercial paper (€)	811	–	1 526	–
Commercial paper (£)	–	–	45	–
Commercial paper (US \$)	308	–	487	–
Commercial paper (Swiss francs)	20	–	29	–
Commercial paper (Canadian \$)	–	–	12	–
Commercial paper (Japanese yen)	12	–	–	–
Other	115	–	–	–
United States				
Floating rate extendible note 2009 (US \$) ^(b)	49	–	340	–
7.125% Bonds 2010 (US \$)	1 230	–	1 184	–
7.000% Bonds 2017 (US \$)	103	–	99	–
7.250% Bonds 2026 (US \$)	202	–	195	–
6.625% Bonds 2028 (US \$)	155	–	149	–
5.900% Bonds 2032 (US \$)	693	–	668	–
5.600% Bonds 2097 (US \$)	64	–	62	–
Commercial paper (US \$)	1 705	–	732	–
Other	9	–	8	–
South Africa				
10.200% Bonds 2008 (South African rand)	–	–	100	–
Commercial paper (South African rand)	55	–	–	–
Other countries				
	14	–	27	–
Total other group companies	5 545	–	5 663	–
Total bonds and other loans	8 477	801	7 907	–

(a) As required by fair value hedge accounting, the fair value of the bonds and other loans is based on their amortised cost adjusted for the market value of the related derivative.

(b) Wholly repayable in 2009.

Notes to the consolidated accounts Unilever Group

16 Financial liabilities (continued)**Interest rate**

The average interest rate on short-term borrowings in 2008 was 4.2% (2007: 4.5%).

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 108 to 113. The interest rate profiles of the Group's financial liabilities analysed by principal currency are set out in the table below:

	€ million			€ million		€ million
	Fixed rate	Fixed rate	Fixed rate	Floating rate	Floating rate	Total
	Amount of fixing for following year	Average interest rate for following year	Weighted average fixing period		Interest rate for following year	
Liabilities – 2008						
Euro ^(c)	1 794	4.3%	4.8 years	2 551	2.3%	4 345
Sterling	124	6.4%	18.8 years	1 305	1.7%	1 429
US dollar	2 608	6.8%	12.8 years	4 693	1.3%	7 301
Swedish krona	–			654	2.6%	654
Swiss francs	668	3.6%	4.1 years	(56)	1.1%	612
Japanese yen	147	1.0%	0.5 years	264	1.1%	411
Thai baht	–			196	2.3%	196
Australian dollar	4	6.4%	6.6 years	162	4.5%	166
Other	66	13.0%	2.2 years	702	7.1%	768
	5 411			10 471		15 882
Foreign currency leg of currency derivatives relating to intra-group loans ^(d)						(4 677)
Total						11 205^(f)
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 ^(e)						(1 784)
Total						9 649^(f)

(c) Euro financial liabilities include €124 million preference shares that provide for a fixed preference dividend.

(d) Includes the foreign currency leg of the currency derivatives relating to our intra-group loans, amounting to €4 677 million for 2008.

These derivatives create an interest rate exposure in mainly sterling and US dollar. However to reconcile the total 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 104 as part of the interest rate profile of financial assets.

(e) Includes the euro leg of the currency derivatives mainly relating to our intra-group loans, amounting to €1 784 million for 2007.

These derivatives create an interest rate exposure in euro. However, to reconcile the total 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 104 as part of the interest rate profile of financial assets.

(f) Includes finance lease creditors amounting to €207 million (2007: €311 million) and fair value of financial liability-related derivatives amounting to €219 million (2007: €95 million).

17 Financial instruments and treasury risk management

Turmoil in financial markets: impact on Treasury

We believe our strong single-A rating and active financial management have served us well in the current financial turmoil. Maintaining our strong single-A rating has been and will remain a key priority.

To cope with the impact of the financial crisis, we undertook, amongst others, the following actions:

Liquidity management:

- In order to reduce our refinance risk, we actively structured out our commercial paper maturity profile;
- Throughout the year we had good access to commercial paper markets (particularly in the US at significant discounts to Libor);
- During the calendar year we completed three bond issues, for a total amount of €1.4 billion, all at competitive rates; and
- As the business successfully managed year-end working capital positions, Unilever closed the year with a cash balance of around €2.6 billion, including €0.6 billion from proceeds of disposal of the Bertolli olive oil business received at the year end.

Counterparty exposures:

We regularly reviewed and tightened counterparty limits. Banking exposures were actively monitored on a daily basis. During the year we reduced the maturity profile of our deposits to an overnight basis providing maximum flexibility. Unilever benefits from collateral agreements with our principal banks (see also page 110) based on which banks need to deposit securities and/or cash as collateral for their obligations in respect of derivative financial instruments. Unilever did not encounter any material counterparty exposure loss from financial institutions during 2008.

Funding costs:

In general, credit spreads have increased significantly and are very volatile. This over time will lead to increased funding costs. During 2008 we were able to issue commercial paper and bonds at competitive rates.

Bank facility renewal:

Our bank facilities are renewed annually. On 31 December 2008 we had US \$6 205 million of undrawn committed facilities. As at 1 January 2009 the amount of undrawn committed facilities will be US \$5 950 million, to be renewed in October 2009. For further details, see 'Liquidity risk' section below.

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. 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 2008, 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 other factors 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 2008, interest rates were fixed on approximately 56% of the projected net of cash and financial liability positions for 2009 and 51% for 2010 (compared with 68% for 2008 and 53% for 2009 at the end of 2007).

Notes to the consolidated accounts Unilever Group

17 Financial instruments and treasury risk management (continued)**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. During 2008 we made no use of the committed facilities.

Unilever had US \$6 205 million of undrawn committed facilities on 31 December 2008 as follows;

- revolving 364-day bilateral credit facilities of in aggregate US \$4 230 million (2007: US \$3 630 million) out of which US \$3 675 million (2007: US \$3 630 million) with a 364-day term out;
- revolving 364-day notes commitments of US \$200 million (2007: 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 \$1 775 million (2007: US \$1 720 million), under which the underwriting banks agree, subject to certain conditions, to subscribe for notes with maturities of up to three years.

As from 1 January 2009 the amount of undrawn committed facilities will be US \$5 950 million.

As part of the regular annual process these facilities will be renewed in October 2009.

The financial market turbulence and associated illiquidity in credit markets during the second half of 2007 and throughout 2008 did not impact Unilever's ability to meet its financing requirements.

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:

	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years	Due after 5 years	Total	Net carrying amount as shown in balance sheet
Undiscounted cash flows								
2008								
Non-derivative financial liabilities:								
Financial liabilities excluding related derivatives and finance lease creditors	(4 653)	(1 532)	(577)	(940)	(750)	(2 387)	(10 839)	(10 779)
Interest on financial liabilities	(343)	(313)	(210)	(197)	(157)	(1 608)	(2 828)	
Finance lease creditors including related finance cost	(37)	(36)	(26)	(21)	(19)	(242)	(381)	(207)
Trade payables and other liabilities excluding social security and sundry taxes ^(a)	(7 483)	(175)	-	-	-	-	(7 658)	(7 658)
	(12 516)	(2 056)	(813)	(1 158)	(926)	(4 237)	(21 706)	
Derivative financial liabilities:								
Interest rate derivatives:								
Derivative contracts - receipts	-	4	-	-	-	-	4	
Derivative contracts - payments	-	(4)	-	-	-	-	(4)	
Foreign exchange derivatives:								
Derivative contracts - receipts	3 510	-	-	-	-	-	3 510	
Derivative contracts - payments	(3 772)	-	-	-	-	-	(3 772)	
	(262)	-	-	-	-	-	(262)	(262)^(b)
31 December	(12 778)	(2 056)	(813)	(1 158)	(926)	(4 237)	(21 968)	

(a) See note 18 on page 114.

(b) Includes financial liability-related derivatives amounting to €(219) million (2007: €(95) million).

17 Financial instruments and treasury risk management (continued)

	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years	Due after 5 years	Total	Net carrying amount as shown in balance sheet
Undiscounted cash flows								
2007								
Non derivative financial liabilities:								
Financial liabilities excluding related derivatives and finance lease creditors	(4 101)	(1 060)	(1 314)	–	(750)	(2 127)	(9 352)	(9 243)
Interest on financial liabilities	(304)	(270)	(236)	(109)	(109)	(1 698)	(2 726)	
Finance lease creditors including related finance cost	(81)	(41)	(36)	(27)	(21)	(314)	(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)	(136)	(880)	(4 139)	(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	22	23	–	5 404	
Derivative contracts - payments	(5 411)	(26)	(26)	(26)	(26)	–	(5 515)	
	(99)	(4)	(4)	(4)	(3)	–	(114)	(116) ^(b)
31 December	(12 228)	(1 579)	(1 590)	(140)	(883)	(4 139)	(20 559)	

(a) See note 18 on page 114.

(b) Includes financial liability-related derivatives amounting to €(219) million (2007: €(95) 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 2008 the collateral received by Unilever amounted to €369 million (2007: €nil), of which €112 million was cash and the fair value of the bond securities amounted to €257 million. Although contractually Unilever has the right to sell or repledge the collateral, it has no intention to do so. As a consequence, the non-cash collateral has not been recognised as an asset in our balance sheet.

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 86. 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 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.

17 Financial instruments and treasury risk management (continued)**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 €(14) million (2007: €85 million) of which €(21) million relates to commodity contracts (2007: €88 million), €7 million to foreign exchange contracts (2007: €(10) million) and €nil to interest rate derivatives (2007: €7 million). Of the total fair value of €(14) million, €(14) million is due within one year (2007: €82 million).

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

	€ million Due within 1 year	€ million Due between 1-2 years	€ million Due between 2-3 years	€ million Due between 3-4 years	€ million Due between 4-5 years	€ million Due after 5 years	€ million Total
2008							
Foreign exchange cash flows	(200)	-	-	-	-	-	(200)
Interest rate cash flows	-	-	-	-	-	-	-
Commodity contracts cash flows	(121)	-	-	-	-	-	(121)
2007							
Foreign exchange cash flows	(235)	-	-	-	-	-	(235)
Interest rate cash flows	(18)	(19)	(21)	-	-	-	(58)
Commodity contracts cash flows	(310)	(1)	-	-	-	-	(311)

Fair Value hedges

The fair values of derivatives hedging the fair value interest rate risk on fixed rate debt at 31 December 2008 amounted to €68 million (2007: €nil) which 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:

	€ million Assets 2008	€ million Assets 2007	€ million Liabilities 2008	€ million Liabilities 2007
Fair values of derivatives used as hedges of net investments in foreign entities				
Current				
Foreign exchange derivatives	28	-	257	337

Of the above mentioned fair values, an amount of €28 million (2007: €nil) is included under other financial assets and €(257) million (2007: €(337) 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.

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.

	€ million Assets 2008	€ million Assets 2007	€ million Liabilities 2008	€ million Liabilities 2007
Fair values of natural hedges				
Current				
Interest rate derivatives	1	1	-	3
Cross-currency swaps	9	-	-	-
Foreign exchange derivatives	648	377	115	41
	658	378	115	44
Non-current				
Interest rate derivatives	-	-	-	-
Cross-currency swaps	-	-	-	18
	-	-	-	18
	658	378	115	62

17 Financial instruments and treasury risk management (continued)

Of the fair values disclosed above, the fair value of financial liability-related derivatives at 31 December 2008 amounted to €539 million (2007: €320 million) of which €501 million (2007: €78 million) is included under other financial assets and €38 million (2007: €242 million) is included under financial liabilities as a positive amount partly offsetting the €(257) million (2007: €(337) 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 2008 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 104 and note 16 on page 107, as their carrying amounts are a reasonable approximation of their fair value, because of their short-term nature.

	€ million Fair value 2008	€ million Fair value 2007	€ million Carrying amount 2008	€ million Carrying amount 2007
Financial assets				
Other non-current assets	891	733	904	738
Cash and cash equivalents	2 561	1 098	2 561	1 098
Other financial assets	35	138	35	138
Derivatives related to financial liabilities	597	78	597	78
	4 084	2 047	4 097	2 052
Financial liabilities				
Bank loans and overdrafts	(1 377)	(1 212)	(1 377)	(1 212)
Bonds and other loans	(9 488)	(8 073)	(9 278)	(7 907)
Finance lease creditors	(222)	(313)	(207)	(311)
Preference shares	(102)	(114)	(124)	(124)
Derivatives related to financial liabilities	(219)	(95)	(219)	(95)
	(11 408)	(9 807)	(11 205)	(9 649)

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 materials. 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.

Notes to the consolidated accounts Unilever Group

17 Financial instruments and treasury risk management (continued)**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 43. 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;
- A+/A1 long-term credit rating;
- A1/P1 short-term credit rating;
- sufficient resilience against economic and financial turmoil; and
- optimal weighted average cost of capital, given the constraints above.

For the A1/P1 short-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 Unilever is based on management's judgement of the appropriate balancing of all key elements of its financial strategy in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Unilever will take appropriate steps in order to maintain, or if necessary adjust, the capital structure. Annually the overall funding plan is presented to the Board for approval.

Return on Invested Capital continues to be one of Unilever's key performance measures. Within this definition we have defined the components of our Invested Capital. See page 42 for the details of this definition and the calculation of Unilever's Return on Invested Capital.

Unilever is not subject to covenants in any of its significant financing agreements.

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 108).

The remaining foreign exchange positions at 31 December 2008 mainly relate to unhedged US \$ loans (total amount at 31 December 2008 US \$65 million). A reasonably possible 10% change in rates would lead to a €5 million movement in the income statement (2007: €7 million), based on a linear calculation of our exposure.

Income statement sensitivity to changes in interest rate

Interest rate risks are presented by way of sensitivity analysis. As described on page 108, 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 104 for the assets and 107 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 2008	€ million 2007
Funds	77	25
Debt	(105)	(5)

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 2008 the nominal value of these net investment hedges amounts to €5.1 billion (2007: €7.5 billion) mainly consisting of US\$/€ contracts. A reasonably possible 10% change in rates would lead to a fair value movement of €513 million (2007: €750 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

	€ million 2008	€ million 2007
Trade and other payables		
Due within one year		
Trade payables	3 873	3 690
Accruals	2 720	2 970
Social security and sundry taxes	341	374
Others	890	983
	7 824	8 017
Due after more than one year		
Accruals	102	138
Others	73	66
	175	204
Total trade payables and other liabilities	7 999	8 221

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

	€ million 2008	€ million 2007
Provisions		
Due within one year		
Restructuring provisions	413	518
Preference shares provision	–	3
Disputed indirect taxes	232	269
Other provisions	112	178
	757	968
Due after one year		
Restructuring provisions	91	63
Legal provisions	60	55
Disputed indirect taxes	312	422
Net liability of associate	31	30
Other provisions	152	124
	646	694
Total restructuring and other provisions	1 403	1 662

	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Restructuring provisions	Legal provisions	Preference shares provision	Disputed indirect taxes	Net liability of associate	Other provisions	Total
Movements during 2008							
1 January 2008	581	55	3	691	30	302	1 662
Disposal of group companies	1					7	8
Income statement:							
New charges	343	61	–	136	–	31	571
Releases	(54)	(5)	(3)	(94)	–	(37)	(193)
Utilisation	(343)	(51)	–	(38)	–	(35)	(467)
Currency retranslation	(24)	–	–	(151)	1	(4)	(178)
31 December 2008	504	60	–	544	31	264	1 403

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. Further information is given in note 25 on page 126.

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 note 25 on page 127.

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.

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 €11 719 million and €15 101 million respectively are held on the Group's balance sheet as at 31 December 2008. 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 pages 116 and 117.

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 2008		31 December 2007		31 December 2006		31 December 2005	
	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	6.1%	5.8%	5.8%	6.1%	5.1%	5.9%	4.6%	5.5%
Inflation	2.4%	n/a	2.6%	n/a	2.5%	n/a	2.4%	n/a
Rate of increase in salaries	3.5%	4.0%	3.8%	4.0%	3.7%	4.0%	3.5%	4.0%
Rate of increase for pensions in payment	2.4%	n/a	2.5%	n/a	2.3%	n/a	2.1%	n/a
Rate of increase for pensions in deferment (where provided)	2.6%	n/a	2.7%	n/a	2.7%	n/a	2.5%	n/a
Long-term medical cost inflation	n/a	5.0%	n/a	5.0%	n/a	5.0%	n/a	4.8%
Expected long-term rates of return:								
Equities	7.4%		8.0%		7.8%		7.4%	
Bonds	4.7%		4.9%		4.9%		4.2%	
Property	5.8%		6.6%		6.3%		5.8%	
Others	5.4%		6.3%		6.3%		6.1%	
Weighted average asset return	6.3%		7.0%		6.9%		6.4%	

Notes to the consolidated accounts Unilever Group

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 8.8% 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	2	(2)
Effect on total benefit obligation	18	(17)

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 2008, 2007, 2006 and 2005 were:

Assumptions	United Kingdom				Netherlands			
	2008	2007	2006	2005	2008	2007	2006	2005
Discount rate	6.5%	5.8%	5.1%	4.7%	5.9%	5.5%	4.6%	4.0%
Inflation	2.8%	3.0%	2.9%	2.7%	2.0%	1.9%	1.9%	1.8%
Rate of increase in salaries	4.3%	4.5%	4.4%	4.2%	2.4%	2.4%	2.4%	2.3%
Rate of increase for pensions in payment	2.8%	3.0%	2.9%	2.7%	2.0%	1.9%	1.9%	1.8%
Rate of increase for pensions in deferment (where provided)	2.8%	3.0%	2.9%	2.7%	2.0%	1.9%	1.9%	1.8%
Expected long-term rates of return:								
Equities	7.8%	8.0%	8.0%	7.6%	7.2%	8.1%	7.6%	7.0%
Bonds	5.0%	5.0%	5.2%	4.5%	5.0%	4.7%	4.4%	3.7%
Property	6.0%	6.5%	6.5%	6.1%	5.7%	6.6%	6.1%	5.5%
Others	5.6%	6.3%	7.2%	6.7%	5.6%	4.1%	4.0%	3.7%
Weighted average asset return	7.0%	7.2%	7.3%	6.9%	6.2%	6.8%	6.6%	6.0%

Assumptions	United States				Germany			
	2008	2007	2006	2005	2008	2007	2006	2005
Discount rate	5.6%	5.9%	5.8%	5.5%	5.9%	5.5%	4.6%	4.0%
Inflation	2.1%	2.3%	2.5%	2.4%	2.0%	1.9%	1.9%	1.8%
Rate of increase in salaries	4.0%	4.0%	4.0%	4.0%	2.8%	2.8%	2.6%	2.5%
Rate of increase for pensions in payment	0.0%	0.0%	0.0%	0.0%	2.0%	1.9%	1.9%	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	6.0%	7.8%	8.3%	8.0%	7.2%	8.1%	7.6%	7.0%
Bonds	5.1%	4.5%	5.2%	4.8%	4.2%	4.7%	4.4%	3.7%
Property	4.5%	6.3%	6.8%	6.5%	5.7%	6.6%	6.1%	5.5%
Others	1.2%	3.7%	4.8%	4.2%	4.4%	5.8%	3.0%	3.7%
Weighted average asset return	5.7%	6.8%	7.4%	7.0%	5.3%	6.5%	5.8%	5.3%

Notes to the consolidated accounts Unilever Group

20 Pensions and similar obligations (continued)

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. The assumptions made in 2008 are consistent with those applied in 2007.

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.

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 2008			31 December 2007			31 December 2006		
	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	6 044	–	7.4%	9 957	–	8.0%	10 274	–	7.8%
Bonds	3 244	–	4.7%	4 278	–	4.9%	3 946	–	4.9%
Property	1 053	–	5.8%	1 381	–	6.6%	1 421	–	6.3%
Other	1 069	–	5.4%	1 220	–	6.3%	1 221	–	6.3%
Assets of other plans	303	6	8.3%	404	13	7.5%	403	13	7.3%
	11 713	6	–	17 240	13	–	17 265	13	–
Present value of liabilities:									
Principal plans	(13 682)	–	–	(16 798)	–	–	(18 711)	–	–
Other plans	(682)	(737)	–	(748)	(796)	–	(722)	(925)	–
	(14 364)	(737)	–	(17 546)	(796)	–	(19 433)	(925)	–
Aggregate net deficit of the plans	(2 651)	(731)	–	(306)	(783)	–	(2 168)	(912)	–
Irrecoverable surplus ^(a)	–	–	–	–	–	–	–	–	–
Pension liability net of assets	(2 651)	(731)	–	(306)	(783)	–	(2 168)	(912)	–
Of which in respect of:									
Funded plans in surplus:									
Liabilities	(3 600)	–	–	(12 396)	–	–	(5 200)	–	–
Assets	4 025	–	–	14 404	–	–	6 897	–	–
Aggregate surplus	425	–	–	2 008	–	–	1 697	–	–
Irrecoverable surplus ^(a)	–	–	–	–	–	–	–	–	–
Pension asset net of liabilities	425	–	–	2 008	–	–	1 697	–	–
Funded plans in deficit:									
Liabilities	(9 484)	(30)	–	(3 627)	(49)	–	(11 716)	(44)	–
Assets	7 688	6	–	2 836	13	–	10 368	13	–
Pension liability net of assets	(1 796)	(24)	–	(791)	(36)	–	(1 348)	(31)	–
Unfunded plans:									
Pension liability	(1 280)	(707)	–	(1 523)	(747)	–	(2 517)	(881)	–

(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.

20 Pensions and similar obligations (continued)

During 2008 some previously unfunded liabilities were funded utilising existing surpluses. As a consequence of this the liabilities of €24 million were moved from unfunded to funded in the table above. In 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 €25 million (0.2% of total plan assets) and €32 million (0.2% of total plan assets) at 31 December 2008 and 2007 respectively. Property includes property occupied by Unilever amounting to €57 million and €69 million at 31 December 2008 and 2007 respectively.

The pension assets above exclude the assets in a Special Benefits Trust amounting to €146 million (2007: €162 million) to fund pension and similar obligations in the US (see also note 11 on page 101).

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 6.0%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 5.0%

Income statement

The charge to the income statement comprises:

	€ million 2008	€ million 2007	€ million 2006
Charged to operating profit:			
Defined benefit pension and other benefit plans			
Current service cost	(272)	(329)	(369)
Employee contributions	12	12	13
Special termination benefits	(54)	(59)	(56)
Past service cost	24	35	293
Settlements/curtailments	16	72	48
Defined contribution plans	(55)	(52)	(61)
Total operating cost	(329)	(321)	(132)
Charged to other finance income/(cost):			
Interest on retirement benefits	(988)	(1 013)	(977)
Expected return on assets	1 131	1 171	1 018
Total other finance income/(cost)	143	158	41
Net impact on the income statement (before tax)	(186)	(163)	(91)

20 Pensions and similar obligations (continued)**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 2008, the benefits paid in respect of unfunded plans amounted to €223 million (2007: €280 million; 2006: €333 million). Company contributions to funded defined benefit plans are subject to periodic review, taking account of local legislation. In 2008, contributions to funded defined benefit plans including funding of previously unfunded benefits amounted to €531 million (2007: €878 million; 2006: €758 million). This includes a sum of €254 million to the UK pension plan in expectation of a transfer of unfunded liabilities to the plan in 2009. Contributions to defined contribution plans including 401k plans amounted to €55 million (2007: €52 million; 2006: €61 million). In 2008 a €42 million refund was received from the Danish pension plan following action to externally insure the liabilities. In 2007, a €50 million refund of assets was received out of recognised surplus from Finland. Total contributions by the Group to funded plans, net of refunds, are currently expected to be about €700 million in 2009 (2008 actual: €531 million). Benefit payments by the Group in respect of unfunded plans are currently expected to be about €230 million in 2009 (2008 actual: €223 million). Total cash costs of pensions are expected to be around €1.0 billion in 2009 (2008 actual: €0.8 billion).

Statement of recognised income and expense

Amounts recognised in the statement of recognised income and expense:

	€ million	€ million	€ million	€ million	€ million	€ million Cumulative since 1 January 2004
	2008	2007	2006	2005	2004	
Actual return less expected return on pension and other benefit plan assets	(4 243)	(236)	533	1 592	369	(1 985)
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	1 116	946	474	(1 706)	(1 047)	(217)
Actuarial gain/(loss)	(3 127)	813	1 058	(87)	(725)	(2 068)
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)	(3 127)	813	1 200	(113)	(723)	(1 950)

20 Pensions and similar obligations (continued)**Reconciliation of change in assets and liabilities**

Movements in assets and liabilities during the year:

	€ million Assets 2008	€ million Assets 2007	€ million Assets 2006	€ million Liabilities 2008	€ million Liabilities 2007	€ million Liabilities 2006
1 January	17 253	17 278	16 006	(18 342)	(20 358)	(21 446)
Acquisitions/disposals	–	(3)	(63)	2	5	123
Current service cost	–	–	–	(272)	(329)	(384)
Employee contributions	12	12	14	–	–	–
Special termination benefits	–	–	–	(54)	(59)	(54)
Past service costs ^(b)	–	–	–	24	35	293
Settlements/curtailments	(12)	(4)	(17)	28	76	76
Expected returns on plan assets	1 131	1 171	1 021	–	–	–
Interest on pension liabilities	–	–	–	(988)	(1 013)	(982)
Actuarial gain/(loss)	(4 243)	(236)	533	1 116	1 049	525
Employer contributions	754	1 158	1 091	–	–	–
Benefit payments	(1 367)	(1 247)	(1 267)	1 367	1 247	1 267
Reclassification of benefits ^(c)	(7)	(7)	38	7	7	(32)
Currency retranslation	(1 802)	(869)	(78)	2 011	998	256
31 December	11 719	17 253	17 278	(15 101)	(18 342)	(20 358)

(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 2008	€ million 2007	€ million 2006	€ million 2005	€ million 2004
Total assets	11 719	17 253	17 278	16 006	13 419
Total pension liabilities	(15 101)	(18 342)	(20 358)	(21 446)	(18 773)
Net liabilities	(3 382)	(1 089)	(3 080)	(5 440)	(5 354)
Less unrecognised surplus	–	–	–	(141)	(100)
Pension liabilities net of assets	(3 382)	(1 089)	(3 080)	(5 581)	(5 454)

History of experience gains and losses

	€ million 2008	€ million 2007	€ million 2006	€ million 2005	€ million 2004
Actual return less expected return on plan assets	(4 243)	(236)	533	1 592	369
As % of plan assets at beginning of year	(24.6)%	(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	0.0%	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	1 116	946	474	(1 706)	(1 047)
As % of present value of plan liabilities at beginning of year	6.1%	4.6%	2.2%	(9.1)%	(5.9)%
Total actuarial gain/(loss)	(3 127)	813	1 058	(87)	(725)
As % of present value of plan liabilities at beginning of year	(17.0)%	4.0%	4.9%	(0.5)%	(4.1)%

Notes to the consolidated accounts Unilever Group

21 Equity

	Shareholders' equity					Total 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
Consolidated statement of changes in equity							
1 January 2006	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 ^(a)	–	–	403	(285)	118	–	118
Share-based payment credit ^(b)	–	–	–	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 ^(a)	–	–	(955)	(99)	(1 054)	–	(1 054)
Share-based payment credit ^(b)	–	–	–	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
Total recognised income and expense for the year	–	–	(1 757)	2 692	935	205	1 140
Dividends on ordinary capital	–	–	–	(2 052)	(2 052)	–	(2 052)
(Purchase)/sale/reduction of treasury stock ^(a)	–	–	(1 304)	(113)	(1 417)	–	(1 417)
Share-based payment credit ^(b)	–	–	–	125	125	–	125
Dividends paid to minority shareholders	–	–	–	–	–	(208)	(208)
Currency retranslation gains/(losses) net of tax	–	(32)	–	–	(32)	(6)	(38)
Other movements in equity	–	–	4	(2)	2	1	3
31 December 2008	484	121	(6 469)	15 812	9 948	424	10 372

(a) 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.

(b) 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.

Notes to the consolidated accounts Unilever Group

22 Share capital

						€ million	€ million
						2008	2007
Called up share capital							
Ordinary share capital of NV						274	274
Ordinary share capital of PLC						210	210
						484	484
<hr/>							
Ordinary share capital	Number of shares authorised	Authorised	Authorised	Nominal value per share	Number of shares issued	Issued, called up and fully paid	Issued, called up and fully paid
		2008	2007			2008	2007
		€ 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	3½p	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 51 and 52.

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 50 and 51. 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 133 and 134.

Notes to the consolidated accounts Unilever Group

23 Other reserves^(a)

	€ million NV 2008	€ million NV 2007	€ million NV 2006	€ million PLC 2008	€ million PLC 2007	€ million PLC 2006	€ million Total 2008	€ million Total 2007	€ million Total 2006
Fair value reserves	(41)	92	9	(22)	9	7	(63)	101	16
Cash flow hedges	(22)	86	4	(11)	(1)	(3)	(33)	85	1
Available-for-sale financial assets	(19)	6	5	(11)	10	10	(30)	16	15
Currency retranslation of group companies	(640)	104	318	(1 053)	(204)	(19)	(1 693)	(100)	299
Adjustment on translation of PLC's ordinary capital at 3 ¹ / ₉ p = €0.16	–	–	–	(169)	(155)	(150)	(169)	(155)	(150)
Capital redemption reserve	16	16	16	16	16	16	32	32	32
Book value treasury stock	(3 886)	(2 741)	(1 623)	(690)	(549)	(717)	(4 576)	(3 290)	(2 340)
	(4 551)	(2 529)	(1 280)	(1 918)	(883)	(863)	(6 469)	(3 412)	(2 143)

	€ million 2008	€ million 2007
Cash flow hedges – movements during the year		
1 January	85	1
Transfers to equity	(92)	74
Transfers to income statement:	(11)	1
Operating profit	(11)	1
Financing	–	–
Transfers to inventories/non-current assets	(15)	9
31 December	(33)	85

Unilever acquired 60 249 777 ordinary shares of NV and 15 165 138 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 2008 is 177 223 649 (2007: 122 296 247) NV shares and 58 584 845 (2007: 49 529 738) PLC shares. Of these, 35 663 020 NV shares and 31 887 851 PLC shares were held in connection with share-based compensation plans (see note 29 on pages 133 and 134).

	€ million 2008	€ million 2007
Treasury stock – movements during the year		
1 January	(3 290)	(2 340)
Purchases and other utilisations	(1 286)	(950)
31 December	(4 576)	(3 290)

	€ million 2008	€ million 2007
Currency retranslation reserve – movements during the year		
1 January	(100)	299
Currency retranslation during the year	(1 027)	294
Movement in net investment hedges	(560)	(692)
Recycled to income statement	(6)	(1)
31 December	(1 693)	(100)

(a) The movements in other reserves are analysed between the NV and PLC parts of the Group, aggregated according to the relative legal ownership of individual entities by NV or PLC.

Notes to the consolidated accounts Unilever Group

24 Retained profit^(a)

	€ million NV 2008	€ million NV 2007	€ million NV 2006	€ million PLC 2008	€ million PLC 2007	€ million PLC 2006	€ million Total 2008	€ million Total 2007	€ million Total 2006
Movements during the year									
1 January	10 403	8 404	8 721	4 759	4 320	1 294	15 162	12 724	10 015
Recognised income and expense through retained profit	1 742	2 599	3 727	950	1 829	1 848	2 692	4 428	5 575
Dividends on ordinary capital	(1 176)	(1 167)	(1 529)	(876)	(903)	(1 155)	(2 052)	(2 070)	(2 684)
Utilisation of treasury stock	(66)	(53)	(217)	(47)	(46)	(68)	(113)	(99)	(285)
Share-based compensation credit ^(b)	79	90	70	46	50	41	125	140	111
Adjustment arising from change in structure of group companies ^(c)	4 346	499	(2 368)	(4 346)	(499)	2 368	–	–	–
Other movements in retained profit	15	31	–	(17)	8	(8)	(2)	39	(8)
31 December	15 343	10 403	8 404	469	4 759	4 320	15 812	15 162	12 724
Of which retained by:									
Parent companies	10 602	10 009	9 755	1 996	2 344	2 306	12 598	12 353	12 061
Other group companies	4 732	345	(1 294)	(1 348)	2 555	2 006	3 384	2 900	712
Joint ventures and associates	9	49	(57)	(179)	(140)	8	(170)	(91)	(49)
	15 343	10 403	8 404	469	4 759	4 320	15 812	15 162	12 724

- (a) The movements in retained profit are analysed between the NV and PLC parts of the Group, aggregated according to the relative legal ownership of individual entities by NV or PLC.
- (b) 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.
- (c) 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. In 2008 shareholdings in the Unilever companies in Belgium, Austria, Netherlands, Poland and Switzerland were transferred to 100% NV ownership. In addition, shareholdings in Canada and Indonesia were re-aligned between NV and PLC. Reorganisations 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.

25 Commitments and contingent liabilities

	€ million Future minimum lease payments 2008	€ million Finance cost 2008	€ million Present value 2008	€ million Future minimum lease payments 2007	€ million Finance cost 2007	€ million Present value 2007
Long-term finance lease commitments						
Buildings ^(a)	330	166	164	410	198	212
Plant and machinery	51	8	43	110	11	99
	381	174	207	520	209	311
The commitments fall due as follows:						
Within 1 year	37	13	24	82	17	65
Later than 1 year but not later than 5 years	102	52	50	125	59	66
Later than 5 years	242	109	133	313	133	180
	381	174	207	520	209	311

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

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

	€ million 2008	€ million 2007
Long-term operating lease commitments		
Land and buildings	1 230	1 328
Plant and machinery	261	335
	1 491	1 663

	€ million Operating leases 2008	€ million Operating leases 2007	€ million Other commit- ments 2008	€ million Other commit- ments 2007
Operating lease and other commitments fall due as follows				
Within 1 year	344	363	722	646
Later than 1 year but not later than 5 years	730	859	1 339	955
Later than 5 years	417	441	79	152
	1 491	1 663	2 140	1 753

The Group has sublet part of the leased properties under operating leases. Future minimum sublease payments of €66 million are expected to be received.

Other commitments principally comprise commitments under contracts to purchase materials and services. They do not include commitments for capital expenditure, which are reported in note 10 on page 99.

Contingent liabilities are either possible obligations that will probably not require a transfer of economic benefits, or present obligations that may, but probably will not, require a transfer of economic benefits. It is not appropriate to make provisions for contingent liabilities, but there is a chance that they will result in an obligation in the future. The Group does not believe that any of these contingent liabilities will result in a material loss.

Contingent liabilities arise in respect of litigation against group companies, investigations by competition, regulatory and fiscal authorities and obligations arising under environmental legislation. The estimated total of such contingent liabilities at 31 December 2008 was some €355 million (2007: €430 million).

Contingent liabilities also arise from guarantees issued by group companies. At 31 December 2008 these amounted to some €45 million (2007: €81 million). Included in this were discounted trade bills with a value of €1 million (2007: €4 million). We believe that any loss arising in connection with these would not have a material effect on the Group's financial condition or results of operations. Guarantees given by parent or group companies that relate to liabilities already included in these consolidated accounts are excluded from this total.

The total value of guarantees which arose or were revised in 2008 was €4 million (2007: €4 million). The fair value of guarantees is not material in either 2008 or 2007.

25 Commitments and contingent liabilities (continued)

Legal proceedings

We are involved from time to time in legal and arbitration proceedings arising in the ordinary course of business. However, although the outcome of legal proceedings are inherently difficult to predict, we are currently not involved in any legal or arbitration proceedings which may be expected to 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. The following are the most significant legal proceedings in which the group is currently involved.

Ice cream cases

As previously reported, in 2006 the European Court of Justice ruled to dismiss the appeal by Unilever's Irish ice cream business, HB Ice Cream, of a 2003 Court of First Instance judgment that upheld the European Commission's 1998 decision to ban HB Ice Cream from imposing cabinet exclusivity in Ireland in circumstances where Unilever cabinets were the only cabinets used by the retailer. Although this final ruling related to a Commission decision that applied to Ireland only, Mars subsequently sought to bring legal claims against Unilever before the courts and to lodge complaints with the competition authorities in a number of European countries in the course of 2007.

In April 2008 Mars and Unilever reached an agreement to settle out of court their differences in respect of distribution arrangements for the sale of Unilever's impulse ice cream. Neither the talks themselves nor any resulting settlement imply any admission of liability on Unilever's part. The payment to be made by Unilever to Mars under the terms of the settlement has been fully provided for.

As regards investigations previously instituted by national competition authorities, the Portuguese competition authority confirmed in 2008 that it had closed its investigation into Unilever's Portuguese ice cream business, subject to certain monitoring obligations that will apply for three years. In Italy, a 2007 ruling by the Consiglio di Stato overturned the 2003 decision of the Italian competition authority ('ICA') that responded positively to a notification by Unilever of its policy in relation to outlet exclusivity. The Consiglio di Stato took the view that Unilever's market position in Italy had not been sufficiently investigated by the ICA. To the extent that the ICA decides to reinvestigate the matter, Unilever will engage proactively with the authority with a view to securing a prompt resolution to any outstanding issues.

Other competition issues

As previously reported, in 2006 the French competition authorities commenced an inquiry into potential competition law infringements in France involving a number of consumer goods companies in the home and personal care sector, including Unilever France and Lever Fabergé France, both subsidiaries of the Unilever Group. Interviews have been conducted with present and former members of our staff and documents have been supplied to the French authorities. No Statement of Objections or proposals for fines have yet been lodged against either Unilever France or Lever Fabergé France as the authorities' investigation has had to be restarted following procedural challenge. Accordingly, the potential financial implications, if any, of this investigation cannot yet be assessed. A Statement of Objections is, however, expected in the near future.

By a decision dated 19 February 2008, the German Federal Cartel Office imposed a fine on Unilever in relation to anti competitive behaviour in the toothpaste market in Germany. Unilever lodged an appeal against that decision on 29 February 2008. However, in light of a revised decision reducing the fines to be imposed upon Unilever, the appeal was withdrawn by Unilever on 9 October 2008.

On 25 February 2008, a purported class action lawsuit was filed in the United States of America in the United States District Court for the Northern District of Illinois alleging, relying upon the German investigation described above, that Unilever N.V., Unilever PLC and Unilever United States, Inc. allegedly conspired with certain other companies to fix prices of oral, home and personal care products in the United States. On 18 December 2008, the trial court issued an opinion dismissing all claims in the case for lack of jurisdiction.

In April 2008, Unilever received a notice from the UK Office of Fair Trading requiring the production of documents in relation to an investigation into potential co ordination of the retail prices of certain products in the grocery sector. A response to the notice was provided in June 2008. It is too early to gauge whether the investigation to which the notice relates will lead to a Statement of Objections being addressed to Unilever or its subsidiaries.

In June 2008, Unilever premises in Austria, Belgium, Italy, The Netherlands and Spain were the subject of unannounced inspections by the European Commission and/or national competition authorities. The inspections were in relation to the home care and/or personal care markets. Requests for information from the European Commission relating to alleged anti competitive behaviour in detergents markets in the EEA were subsequently received by Unilever in July 2008 and December 2008. Responses were provided in October 2008 and January 2009, respectively. Separately, a request for information relating to alleged anti competitive behaviour in personal care markets in The Netherlands was received by Unilever from the Dutch Competition Authority in November and a response filed in December 2008. It is too early to gauge whether the investigations that have been initiated will lead to Statements of Objections being addressed to Unilever or its subsidiaries.

In late 2008 Unilever Greece attended hearings before the Greek Competition Authority in relation to an alleged violation of competition rules deriving from a term previously included in its contracts with a limited number of retailers in the period 2000 to 2002 in relation to parallel imports. As from 2003 Unilever Greece had voluntarily removed the relevant term from its contracts. A decision in this case is expected in March 2009.

It is Unilever's policy to co-operate fully with the competition authorities in the context of all ongoing investigations.

25 Commitments and contingent liabilities (continued)**Tax cases Brazil**

During 2004 the Federal Supreme Court in Brazil (local acronym STF) announced a review of certain cases that it had previously decided in favour of taxpayers. Because of this action, we established a provision in 2004 for the potential repayment of sales tax credits in the event that the cases establishing precedents in our favour are reversed. Since that time we continue to monitor the situation and have made changes as appropriate to the amount provided.

In June 2007, the Supreme Court ruled against the taxpayers in one of these cases. Industry associations (of which Unilever is a member) attempted to negotiate a settlement with the Federal Revenue Service to reduce or avoid the payment of interest and/or penalties on such amounts. On 3 December 2008 the negotiations resulted in the publication of a settlement by the Brazilian government, open to all taxpayers including Unilever. The amount payable based on this offer does not result in additional liabilities beyond those already accounted for.

Also during 2004 in Brazil, and in common with many other businesses operating in that country, one of our Brazilian subsidiaries received a notice of infringement from the Federal Revenue Service. The notice alleges that a 2001 reorganisation of our local corporate structure was undertaken without valid business purpose. The dispute is in court and if upheld, will result in a tax payment relating to years from 2001 to the present day. The 2001 reorganisation was comparable with restructurings done by many companies in Brazil. We believe that the likelihood of a successful challenge by the tax authorities is remote. While this view is supported by the opinion of outside counsel there can be no guarantee of success in court.

Cumulative preference shares

In November 2006 NV announced that it had agreed a settlement with the main parties in a legal dispute over the conversion of the cumulative preference shares that were issued in 1999 as an alternative to a cash dividend. These cumulative preference shares were converted into ordinary shares in 2005 and subsequently cancelled following approval from the Annual General Meeting in 2005. Former cumulative preference shareholders who held these shares at the opening of trading on 24 March 2004 were entitled to participate in the settlement.

A group of former cumulative preference shareholders who had bought their preference shares after 24 March 2004 and who are not entitled to the settlement, instituted claims with the Rotterdam District Court for nullification of the NV Board's decision to convert the preference shares and NV's Annual General Meeting decision to cancel the preference shares. The Rotterdam District Court has not yet decided on the merits of these claims. The claims are contested vigorously by Unilever NV.

26 Acquisitions and disposals

2008

With effect from 1 January 2008, we entered into an expanded international partnership with Pepsico for the marketing and distribution of ready-to-drink tea products under the Lipton brand.

On 3 January 2008 we completed the sale of the Boursin brand to Le Groupe Bel for €400 million. The turnover of this brand in 2007 was approximately €100 million.

On 2 April 2008 we completed the acquisition of Inmarko, the leading Russian ice cream company. The company had a turnover in 2007 of approximately €115 million.

On 31 July 2008 we completed the sale of our Lawry's and Adolph's branded seasoning blends and marinades business in the US and Canada to McCormick & Company, Incorporated for €410 million. The combined annual turnover of the business in 2007 was approximately €100 million.

On 9 September 2008 we completed the sale of our North American laundry business in the US, Canada and Puerto Rico to Vestar Capital Partners, a leading global private equity firm, for consideration of approximately US \$1.45 billion, consisting mainly of cash, along with preferred shares and warrants. These businesses had a combined turnover in 2007 of approximately US \$1.0 billion.

On 5 November 2008 we completed the sale of Komili, our olive oil brand in Turkey, to Ana Gida, part of the Anadolu Group.

On 4 December 2008 we completed the sale of our edible oil business in Côte d'Ivoire, together with its interests in local oil palm plantations Palmci and PHCI, to SIFCA, the parent company of an Ivorian agro-industry group, and to a 50:50 joint venture between two Singapore-based companies, Wilmar International Limited and Olam International Limited. At the same time we acquired the soap business of Cosmivoire, a subsidiary of SIFCA.

On 23 December 2008 we completed the disposal of our Bertolli olive oil and vinegar business to Grupo SOS for a consideration of €630 million. The transaction was structured as a worldwide perpetual licence by Unilever of the Bertolli brand in respect of olive oil and premium vinegar. The transaction included the sale of the Italian Maya, Dante and San Giorgio olive oil and seed oil businesses, as well as the factory at Inveruno, Italy.

2007

During 2007 we purchased minority interests in subsidiary companies in Greece and India. We invested in a new venture fund, Physis 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 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 established a joint venture with Perdigão.

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 101).

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, the 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.

Notes to the consolidated accounts Unilever Group

26 Acquisitions and disposals (continued)

	€ million 2008	€ million 2007	€ million 2006
Disposals			
Goodwill and intangible assets	117	5	1
Other non-current assets	145	44	242
Current assets	227	117	354
Trade creditors and other payables	(61)	(48)	(157)
Provisions for liabilities and charges	(5)	(34)	(91)
Minority interest	–	71	–
Net assets sold	423	155	349
(Gain)/loss on recycling of currency retranslation on disposal	(6)	(1)	–
Profit on sale attributable to Unilever	2 237	399	1 528
Consideration ^(a)	2 654	553	1 877
Cash	2 453	168	1 870
Cash balances of businesses sold	(15)	(4)	–
Financial assets, cash deposits and financial liabilities of businesses sold	15	113	(5)
Non-cash items and deferred consideration ^(a)	201	276	12

(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.

The following table sets out the effect of acquisitions in 2008, 2007 and 2006 on the consolidated balance sheet. The fair values currently established for all acquisitions made in 2008 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 pages 84 and 85. Any impairment is charged to the income statement as it arises. Detailed information relating to goodwill is given in note 9 on pages 97 and 98.

	€ million 2008	€ million 2007	€ million 2006
Acquisitions			
Net assets acquired	151	94	42
Goodwill arising in subsidiaries	60	334	60
Consideration	211	428	102

In 2007, 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.

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 2008	€ million 2007	€ million 2006
Turnover	–	–	1 033
Expenses	–	–	(863)
Operating profit	–	–	170
Net finance costs	–	–	(3)
Profit before tax	–	–	167
Taxation	–	–	(25)
Profit after taxation	–	–	142
Gain/(loss) on disposal of discontinued operations ^(a)	–	89	1 349
Recycling of currency retranslation upon disposal	–	–	–
Taxation arising on disposal	–	(9)	(161)
Gain/(loss) after taxation on disposal	–	80	1 188
Net profit from discontinued operations	–	80	1 330

(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 2008	€ million 2007	€ million 2006
Turnover			
Western Europe	–	–	1 033
The Americas	–	–	–
Asia, Africa and Central & Eastern Europe	–	–	–
	–	–	1 033
Foods	–	–	1 033
Personal care	–	–	–
	–	–	1 033
Operating profit			
Western Europe	–	–	170
The Americas	–	–	–
Asia, Africa and Central & Eastern Europe	–	–	–
	–	–	170
Foods	–	–	164
Personal care	–	–	6
	–	–	170

27 Assets held for sale and discontinued operations (continued)

Summary cash flow statement of discontinued operations	€ million 2008	€ million 2007	€ million 2006
Net cash flow from/(used in) operating activities	–	(4)	79
Net cash flow from/(used in) investing activities	–	80	1 618
Net cash flow from/(used in) financing activities	–	–	(1)
Net increase/(decrease) in cash and cash equivalents	–	76	1 696

The most significant items included as assets held for sale at 31 December 2007 were those relating to the Boursin, Lawry's, Adolph's and US laundry businesses. The disposal of all these businesses was completed during 2008.

Assets classified as held for sale	€ million 2008	€ million 2007
Disposal groups held for sale		
Property, plant and equipment	7	66
Inventories	15	83
Trade and other receivables	–	4
	22	153
Non-current assets held for sale		
Property, plant and equipment	14	6
	14	6

Total assets at 31 December 2008 are included in the geographical segments as follows: Western Europe €1 million; The Americas €32 million; and Asia, Africa and Central & Eastern Europe €3 million.

Liabilities classified as held for sale (part of disposal groups)	€ million 2008	€ million 2007
Trade payables and other liabilities	–	(10)
Deferred taxation	–	(3)
	–	(13)

28 Reconciliation of net profit to cash flow from operating activities

	€ million 2008	€ million 2007	€ million 2006
Cash flow from operating activities			
Net profit	5 285	4 136	5 015
Taxation	1 844	1 137	1 332
Share of net profit of joint ventures/associates and other income from non-current investments	(219)	(191)	(144)
Net finance costs:	257	252	725
Finance income	(106)	(147)	(138)
Finance cost	506	550	602
Preference shares provision	–	7	300
Pensions and similar obligations	(143)	(158)	(39)
Operating profit (continuing and discontinued operations)	7 167	5 334	6 928
Depreciation, amortisation and impairment	1 003	943	982
Changes in working capital:	(161)	27	87
Inventories	(345)	(333)	(156)
Trade and other current receivables	(248)	(43)	(172)
Trade payables and other current liabilities	432	403	415
Pensions and similar provisions less payments	(502)	(910)	(1 038)
Provisions less payments	(62)	145	107
Elimination of (profits)/losses on disposals	(2 259)	(459)	(1 620)
Non-cash charge for share-based compensation	125	118	120
Other adjustments	15	(10)	8
Cash flow from operating activities	5 326	5 188	5 574

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 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.

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 25 on page 127 for further details.

Notes to the consolidated accounts Unilever Group

29 Share-based compensation plans

As at 31 December 2008, the Group had share-based compensation plans in the form of performance shares, share options and other share awards. Starting in 2007, performance share awards and restricted stock awards were made under the Global Share Incentive Plan (GSIP), except in North America where awards were made under the Unilever North America 2002 Omnibus Equity Compensation Plan.

The numbers in this note include those for Executive Directors shown in the report of the Remuneration Committee on pages 60 to 73 and those for key management personnel shown in note 31 on page 135. No awards were made to Executive Directors in 2006, 2007 or 2008 under the Unilever North America 2002 Omnibus Equity Compensation 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.

Unilever will not grant share options in total in respect of share-based compensation 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 2008	€ million 2007	€ million 2006
Performance share plans	(97)	(103)	(48)
Other plans ^(a)	(28)	(49)	(72)
	(125)	(152)	(120)

(a) The Group also provides a Share Matching Plan, an All-Employee Share Option Plan, a TSR Long-Term Incentive Plan (no awards after 2006) and an Executive Option Plan (no awards after 2005).

Performance Share Plans

The Global Performance Share Plan (GPSP) was introduced in 2005. Under this plan, managers were awarded conditional shares which vest three years later at a level between 0% and 150% (for middle management) or 200% (for senior executives). The GPSP performance conditions for middle management are achievement of underlying sales growth and ungeared free cash flow targets over a three year period. For senior executives, in addition to these two conditions, there is an additional target based on TSR ranking in comparison with a peer group over the three year period (see description on page 43).

In 2007 we introduced the Global Share Incentive Plan (GSIP). The provisions of this plan are comparable with the GPSP, with the same performance conditions of underlying sales growth and ungeared free cash flow for middle management, and the additional target based on TSR ranking for senior executives. Starting in 2008, awards made to GSIP participants normally vest at a level between 0% and 200%. Monte Carlo simulation is used to value the TSR component of the awards.

North America managers participate in the North America Performance Share Programme, introduced in 2001, that awards Unilever shares if North America 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 2008, 2007 and 2006 and changes during the years ended on these dates is presented below:

	2008 Number of shares	2007 Number of shares	2006 Number of shares
Outstanding at 1 January	16 843 769	15 270 180	13 286 992
Awarded	6 887 890	6 209 781	6 162 489
Vested	(6 415 295)	(3 465 990)	(3 057 630)
Forfeited	(963 113)	(1 170 202)	(1 121 671)
Outstanding at 31 December	16 353 251	16 843 769	15 270 180
Exercisable at 31 December	–	–	–
	2008	2007	2006
Share award value information			
Fair value per share award during the year	€19.11	€19.06	€17.22

29 Share-based compensation plans (continued)

Additional information

At 31 December 2008, there were options outstanding to purchase 53 373 170 (2007: 61 579 485) ordinary shares in NV or PLC in respect of share-based compensation plans of NV and its subsidiaries and the North American plans, and 16 807 546 (2007: 18 296 234) 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 58 100 378 (2007: 68 011 392) ordinary shares of NV or PLC, and trusts in Jersey and the United Kingdom hold 9 450 493 (2007: 10 920 385) 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 3¼p ordinary share. Shares acquired for this purpose during 2008 represented less than 0.1% of the Group's called up capital. The balance of shares held in connection with share plans at 31 December 2008 represented 2.2% (2007: 2.6%) of the Group's called up capital.

The book value of €1 191 million (2007: €1 305 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 123). Their market value at 31 December 2008 was €1 134 million (2007: €2 008 million).

At 31 December 2008 the exercise price of 27 102 133 (2007: nil) 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 2008 this includes €6 million (2007: € nil) 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 133.

Between 31 December 2008 and 27 February 2009, no grants were made and 161 563 shares were forfeited related to the performance share plans.

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 2008	€ million 2007
Trading and other balances due (to)/from joint ventures	240	157
Trading balances due (to)/from associates	(33)	(21)

Joint ventures

As discussed in note 11 on page 101, Unilever completed the restructuring of its Portuguese business as at 1 January 2007. Balances owed by/(to) Unilever Jerónimo Martins and Pepsi Lipton International at 31 December 2008 were €238 million and €2 million (2007: €258 million and €(101) million) respectively.

Associates

At 31 December 2008 the outstanding balance payable to JohnsonDiversey Holdings Inc. was €33 million (2007: €21 million). Agency fees payable to JohnsonDiversey in connection with the sale of Unilever branded products through their channels amounted to approximately €24 million in 2008 (2007: €67 million).

Langholm Capital Partners invests in private European companies with above-average longer-term growth prospects. Its investments include: Lumene, a Finnish personal care business specialising in products for fair skins in harsh climates; Farnos, a leading Nordic provider of cleaning and hygiene solutions; Just Retirement, offering specialist financial services in the UK for those in or approaching retirement; Sikane, a Danish woven cane furniture specialist, and Tyrells, a UK premium potato chips manufacturer. During 2008 Langholm sold Dorset Cereals to Wellness Foods and restructured the capital in its Lumene business. Since the Langholm fund was launched in 2002, Unilever has invested €76 million in Langholm, with an outstanding commitment at the end of 2008 of €21 million. Unilever has received back a total of €83 million in cash from its investment in Langholm.

Physic Ventures is an early stage venture capital fund based in San Francisco, focusing on consumer-driven health, wellness and sustainable living. The fund, which closed in June 2008, has made investments in: Pharmaca Integrative Pharmacy, a new concept in retail pharmacy; Elixir Pharmaceuticals, which develops drugs focused on diabetes, obesity and aging; Novomer, a technology for producing plastics from non-petroleum feedstock and Espresso Fitness which markets innovative indoor fitness equipment. Unilever has invested \$18 million in Physic Ventures since the launch of the fund in 2007. At 31 December 2008 the outstanding commitment with Physic Ventures was \$73 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 and the Non-Executive Directors.

Key management compensation	€ million 2008	€ million 2007	€ million 2006
Salaries and short-term employee benefits	(16)	(19)	(14)
Non-Executive Directors' fees	(2)	(2)	(1)
Post-employment benefits	(5)	(2)	(3)
Other long-term benefits (all share-based)	(7)	(2)	(2)
Termination payments	-	-	-
	(30)	(25)	(20)
Of which:			
Executive Directors	(16)	(12)	(11)
Non-Executive Directors	(2)	(2)	(1)
Other	(12)	(11)	(8)
	(30)	(25)	(20)

Details of the remuneration of Directors are given in the auditable part of the report of the Remuneration Committee as defined on page 60. See also note 30 above for information on related party transactions.

Notes to the consolidated accounts Unilever Group

32 Remuneration of auditors

	€ million 2008	€ million 2007	€ million 2006
Fees payable to PricewaterhouseCoopers ^(a) for the audit of the annual accounts of Unilever N.V. and Unilever PLC	(7)	(5)	(6)
Fees payable to PricewaterhouseCoopers ^(b) for the audit of accounts of subsidiaries of Unilever N.V. and Unilever PLC pursuant to the legislation	(15)	(17)	(20)
Total statutory audit fees ^(c)	(22)	(22)	(26)
Other services supplied pursuant to such legislation ^(d)	(1)	(1)	(1)
Other services relevant to taxation	(2)	(2)	(2)
Services relating to corporate finance transactions ^(e)	(2)	(1)	(2)
All other services ^(f)	(1)	(1)	(1)

(a) Of which:

€2 million was paid to PricewaterhouseCoopers Accountants N.V. (2007: €1 million; 2006: €1 million); and
€5 million was paid to PricewaterhouseCoopers LLP (2007: €4 million; 2006: €5 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 (2007: €1 million; 2006: €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

On 26 January 2009 we announced that we had signed an agreement to acquire the global TIGI professional hair product business and its supporting advanced education academies for a cash consideration of US \$411.5 million. The deal is subject to regulatory approval and is expected to be completed by the end of March 2009.

On 12 February 2009 Unilever issued a bond composed of two senior notes: (i) US \$750 million 3.65% fixed rate note which will mature in five years and (ii) US \$750 million 4.80% fixed rate note which will mature in ten years.