Disclaimer

This PDF is a section of the Unilever Annual Report and Accounts 2006 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 2006 should be consulted.

Certain sections of the Unilever Annual Report and Accounts 2006 have been audited. Sections that have been audited are set out on pages 70 to 123, 129 to 130, 132 to 134 and 137 to 139. The auditable part of the Directors' Remuneration report as set out on page 49 has also been audited.

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

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

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

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

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

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

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Statement of Directors' responsibilities

Annual accounts

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

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

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

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

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

UK law sets out additional responsibilities for the Directors of PLC regarding disclosure of information to auditors. Disclosure in respect of these is made on page 140.

Going concern

The Directors continue to adopt the going concern basis in preparing the accounts. This is because the Directors, after making enquiries and following a review of the Group's budget for 2007 and 2008, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue in operation for the foreseeable future.

Internal and disclosure controls and procedures

Unilever has a well-established control framework, which is documented and regularly reviewed by the Boards. This incorporates risk management, internal control procedures and disclosure controls and procedures (including the operation of the Disclosures Committee – see page 38) which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded, the risks facing the business are being addressed and all information required to be disclosed is reported to the Group's senior management, including where appropriate the Group Chief Executive and Chief Financial Officer, within the required timeframe.

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

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

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

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

Unilever's system of risk management has been in place throughout 2006 and up to the date of this report, and complies with the recommendations of 'Internal Control – Revised Guidance for Directors on the Combined Code', published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales in October 2005. The Boards have carried out an annual review of the effectiveness of the systems of risk management and internal control during 2006 in accordance with this guidance, and have ensured that the necessary actions have been or are being taken to address any significant failings arising out of that review.

Based on an evaluation by the Boards, the Group Chief Executive and the Chief Financial Officer concluded that the design and operation of the Group's disclosure controls and procedures as at 31 December 2006 were effective, and that subsequently there have been no significant changes in the Group's internal controls, or in other factors that could significantly affect those controls.

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

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

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

Report on the consolidated accounts

We have audited the consolidated accounts of the Unilever Group for the year ended 31 December 2006 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense and the related notes on pages 70 to 123 and 129 to 130. These consolidated accounts have been prepared under the accounting policies set out in note 1 on pages 74 to 78.

We have reported separately on the company accounts of Unilever N.V. for the year ended 31 December 2006.

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 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 2006, 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 with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Rotterdam, The Netherlands, 6 March 2007
PricewaterhouseCoopers Accountants N.V.

Prof Dr J A van Manen RA

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 2006 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense and the related notes on pages 70 to 123 and 129 to 130. These consolidated accounts have been prepared under the accounting policies set out in note 1 on pages 74 to 78.

We have reported separately on the parent company accounts of Unilever PLC for the year ended 31 December 2006 and on the information in the Report of the Remuneration Committee that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the consolidated accounts in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities on page 66 and 67, and on page 140. The Directors are also responsible for preparing the Annual Report.

Our responsibility is to audit the consolidated accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the shareholders of Unilever PLC as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated accounts give a true and fair view and whether the consolidated accounts have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the consolidated accounts.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the consolidated accounts give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended;
- the consolidated accounts have been properly prepared in accordance with the United Kingdom Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the consolidated accounts.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom 6 March 2007

Consolidated income statement Unilever Group

for the year ended 31 December

	€ million 2006	€ million 2005	€ million 2004
Continuing operations			
Turnover 2	**39 642**	38 401	37 168
Operating profit 2	**5 408**	5 074	3 981
After (charging)/crediting:			
Restructuring 3	**(704)**	(328)	(913)
Business disposals, impairments and other 3	**196**	(249)	(908)
Gain on US healthcare and UK pensions 3	**266**	–	–
Net finance costs 5	**(721)**	(613)	(623)
Finance income	**128**	129	145
Finance costs	**(590)**	(689)	(714)
Preference shares provision	**(300)**	–	–
Pensions and similar obligations	**41**	(53)	(54)
Share of net profit/(loss) of joint ventures	**78**	47	39
Share of net profit/(loss) of associates	**36**	(25)	2
Other income from non-current investments 11	**30**	33	54
Profit before taxation	**4 831**	4 516	3 453
Taxation 6	**(1 146)**	(1 181)	(725)
Net profit from continuing operations	**3 685**	3 335	2 728
Net profit from discontinued operations 27	**1 330**	640	213
Net profit	**5 015**	3 975	2 941
Attributable to:			
Minority interests	**270**	209	186
Shareholders' equity	**4 745**	3 766	2 755

Combined earnings per share 7	**€ 2006**	€ 2005	€ 2004
From continuing operations			
Basic earnings per share	**1.19**	1.07	0.87
Diluted earnings per share	**1.15**	1.04	0.84
From discontinued operations			
Basic earnings per share	**0.46**	0.22	0.07
Diluted earnings per share	**0.45**	0.21	0.07
From total operations			
Basic earnings per share	**1.65**	1.29	0.94
Diluted earnings per share	**1.60**	1.25	0.91

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 74 to 123, which form an integral part of the consolidated financial statements.

Accounting policies of the Unilever Group are set out in note 1 on pages 74 to 78.

Consolidated statement of recognised income and expense Unilever Group

for the year ended 31 December

	€ million 2006	€ million 2005	€ million 2004
Fair value gains/(losses) net of tax:			
On cash flow hedges	**6**	14	n/a
On available-for-sale financial assets	**15**	–	n/a
Actuarial gains/(losses) on pension schemes net of tax	**853**	(49)	(480)
Currency retranslation gains/(losses) net of tax[(a)]	**(335)**	513	80
Net income/(expense) recognised directly in equity	**539**	478	(400)
Net profit	**5 015**	3 975	2 941
Total recognised income and expense 21	**5 554**	4 453	2 541
Attributable to:			
Minority interests	**242**	249	167
Shareholders' equity	**5 312**	4 204	2 374

(a) Includes fair value gains/(losses) on net investment hedges of €(779) million (2005: €332 million; 2004 n/a).

Consolidated balance sheet Unilever Group

as at 31 December

	€ million 2006	€ million 2005
Goodwill 9	**12 425**	12 963
Intangible assets 9	**4 781**	5 092
Property, plant and equipment 10	**6 276**	6 492
Pension asset for funded schemes in surplus 20	**1 697**	1 036
Trade and other receivables due after more than one year 14	**252**	231
Deferred tax assets 12	**1 266**	1 703
Other non-current assets 11	**874**	841
Total non-current assets	**27 571**	28 358
Inventories 13	**3 796**	4 107
Trade and other current receivables 14	**4 290**	4 830
Current tax assets	**125**	124
Cash and cash equivalents 15	**1 039**	1 529
Other financial assets 15	**237**	335
Assets held for sale 27	**14**	217
Total current assets	**9 501**	11 142
Borrowings due within one year 16	**(4 362)**	(5 942)
Trade payables and other current liabilities 18	**(7 934)**	(8 228)
Current tax liabilities	**(579)**	(554)
Provisions 19	**(1 009)**	(644)
Liabilities associated with assets held for sale 27	**–**	(26)
Total current liabilities	**(13 884)**	(15 394)
Net current assets/(liabilities)	**(4 383)**	(4 252)
Total assets less current liabilities	**23 188**	24 106
Borrowings due after more than one year 16	**4 239**	6 457
Trade payables and other liabilities due after more than one year 18	**399**	389
Non-current tax liabilities	**272**	213
Pensions and post-retirement healthcare liabilities:		
Funded schemes in deficit 20	**1 379**	2 415
Unfunded schemes 20	**3 398**	4 202
Provisions 19	**826**	732
Deferred tax liabilities 12	**1 003**	933
Total non-current liabilities	**11 516**	15 341
Called up share capital 21	**484**	512
Share premium account 21	**165**	162
Other reserves 21	**(2 143)**	(2 328)
Retained profit 21	**12 724**	10 015
Shareholders' equity	**11 230**	8 361
Minority interests 21	**442**	404
Total equity	**11 672**	8 765
Total capital employed	**23 188**	24 106

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

These financial statements, together with the Report of the Directors, were approved by the Directors on 6 March 2007.

Consolidated cash flow statement Unilever Group

for the year ended 31 December

	€ million 2006	€ million 2005	€ million 2004
Cash flow from operating activities 28	**5 574**	5 924	6 925
Income tax paid	**(1 063)**	(1 571)	(1 378)
Net cash flow from operating activities	**4 511**	4 353	5 547
Interest received	**125**	130	168
Purchase of intangible assets	**(113)**	(92)	(89)
Purchase of property, plant and equipment	**(1 013)**	(914)	(978)
Disposal of property, plant and equipment	**192**	124	151
Sale and leaseback transactions resulting in operating leases	**–**	69	47
Acquisition of group companies, joint ventures and associates	**(96)**	(20)	(40)
Consideration paid in respect of acquisitions made in previous years	**–**	–	(158)
Disposal of group companies, joint ventures and associates	**1 873**	804	413
Payments received in advance for future disposals	**–**	–	101
Acquisition of other non-current investments	**(90)**	(50)	(25)
Disposal of other non-current investments	**61**	83	68
Dividends from joint ventures, associates and other non-current investments	**120**	65	92
(Purchase)/sale of financial assets	**96**	316	130
Net cash flow from/(used in) investing activities	**1 155**	515	(120)
Dividends paid on ordinary share capital	**(2 602)**	(1 804)	(1 720)
Interest and preference dividends paid	**(605)**	(643)	(787)
Additional borrowings and change in short-term borrowings	**2 154**	3 968	2 966
Repayment of borrowings	**(5 364)**	(4 795)	(6 008)
Sale and leaseback transactions resulting in finance leases	**2**	–	211
Capital element of finance lease rental payments	**(73)**	(53)	(59)
Movement on treasury stock	**98**	(1 276)	(332)
Dividends paid and other payments (to)/from minority shareholders and joint ventures	**(182)**	(218)	(209)
Net cash flow from/(used in) financing activities	**(6 572)**	(4 821)	(5 938)
Net increase/(decrease) in cash and cash equivalents	**(906)**	47	(511)
Cash and cash equivalents at the beginning of the year	**1 265**	1 406	1 428
Effect of foreign exchange rate changes	**351**	(188)	489
Cash and cash equivalents at the end of the year 15	**710**	1 265	1 406

The cash flows of pension funds (other than contributions and other direct payments made by the Group in respect of pensions and similar obligations) are not included in the consolidated cash flow statement. Cash flows relating to discontinued operations included above are set out in note 27 on page 114.

1 Accounting information and policies

The accounting policies adopted are essentially the same as those which applied for the previous financial year. Changes arising from interpretations or amendments of applicable accounting standards are 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 1/9p 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 39.

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 EU, including interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), and with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985.

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

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following IFRIC interpretations with effect from 1 January 2006. Adoption of these interpretations did not have a material effect on the financial statements of the Group.

- IFRIC 4 'Determining Whether an Arrangement Contains a Lease', provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied.

- IFRIC 5 'Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds', establishes the accounting treatment for funds established to help finance decommissioning for a company's assets.

The Group also applied the amendment to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' which requires that financial guarantee contracts are accounted for as financial instruments, initially recognised at fair value. As the Group has no material external financial guarantees, the amendment did not have a material effect on the financial statements.

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

- Within the income statement, costs and revenues relating to restructuring, business disposals and impairments are shown separately;

- Within the balance sheet, current tax assets were previously shown net within current tax liabilities. These are now reported separately on a gross basis; and

- Secondary reporting segments are presented in four reporting segments, as opposed to six reporting segments in 2005. Further information is provided on page 81.

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 borrowings are classified as finance income or cost.

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

The ordinary share capital of NV and PLC is translated in accordance with the Equalisation Agreement. The difference between the resulting value for PLC and the value derived by applying the year-end rate of exchange is taken to other reserves (see note 23 on page 110).

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

Cumulative exchange differences arising since the transition date of 1 January 2004 are reported as a separate component of other reserves (see note 23 on page 110). In the event of disposal or part disposal of an interest in a group company either through sale or as a result of a repayment of capital, the cumulative exchange difference is recognised in the income statement as part of the profit or loss on disposal of group companies.

Business Combinations

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

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

1 Accounting information and policies (continued)

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

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

Intangible assets
On acquisition of group companies, Unilever recognises any specifically identifiable intangible assets separately from goodwill, initially measuring the intangible assets at fair value. Separately purchased intangible assets are initially measured at cost. Finite-lived intangible assets mainly comprise patented and non-patented technology, know-how and software. These assets are capitalised and amortised on a straight-line basis in the income statement over the period of their expected useful lives, or the period of legal rights if shorter, none of which exceeds ten years. Periods in excess of five years are used only where the Directors are satisfied that the life of these assets will clearly exceed that period.

Indefinite-lived intangibles are not amortised, but are subject to review for impairment.

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

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

*or life of lease if less than 40 years

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

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 settlement date accounting. Financial assets, other than those which are financial assets at fair value through profit or loss, are initially recognised at fair value plus directly attributable transaction costs. Any impairment of a financial asset is charged to the income statement as it arises.

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

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

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

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

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payment is established.

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)

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

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

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

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

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

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

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

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

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

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

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

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

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

Pensions and similar obligations
The operating and financing costs of defined benefit plans are recognised separately in the income statement. Service costs are systematically allocated over the service lives of employees, and financing costs are recognised in the periods in which they arise. The costs of individual events such as past service benefit enhancements, settlements and curtailments are recognised immediately in the income statement. Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of recognised income and expense. The assets and liabilities of defined benefit plans are recognised at fair value in the balance sheet.

The charges to the income statement for defined contribution plans are the company contributions payable, and the assets and liabilities of such plans are not included in the balance sheet of the Group.

All defined benefit plans are subject to regular actuarial review using the projected unit method, either by external consultants or by actuaries employed by Unilever. Group policy is that the most important plans, representing approximately 80% of the defined benefit liabilities, are formally valued every year; other principal plans, accounting for approximately a further 15% of liabilities, have their liabilities updated each year. Group policy for the remaining plans requires a full actuarial valuation at least every three years. Asset values for all plans are updated every year.

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.

1 Accounting information and policies (continued)

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

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

Provisions

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

Segment information

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

Revenue recognition

Turnover comprises sales of goods and services after deduction of discounts and sales taxes. It does not include sales between group companies. Discounts given by Unilever include rebates, price reductions and incentives given to customers, promotional couponing and trade communication costs.

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

Research and market support costs

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

Leases

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

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

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

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

Share-based payments

The economic cost of awarding shares and share options to employees is reflected by recording a charge in the income statement equivalent to the fair value of the benefit awarded over the vesting period. The fair value is determined with reference to option pricing models, principally adjusted Black-Scholes models or a multinomial pricing model.

Shares held by employee share trusts

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

Assets held for sale

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

Critical accounting estimates and judgements

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

The preparation of financial statements under IFRS 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 89.

Retirement benefits

Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality, inflation rates and expected long-term rates of return on assets. Details of assumptions made are given in note 20 on pages 103 and 104.

1 Accounting information and policies (continued)

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

IFRS 7, 'Financial Instruments: Disclosures', (effective from 1 January 2007), introduces significant new disclosures to improve the information about financial instruments. It requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including analysis of sensitivity to market risk. It replaces disclosure requirements in IAS 32, 'Financial Instruments: Disclosure and Presentation'.

In addition an amendment has been issued to IAS 1 'Presentation of Financial Statements' which requires Unilever to make new disclosures to enable the users of financial statements to evaluate the Group's objectives, policies and processes for managing capital.

Unilever will apply IFRS 7 and the amendment to IAS 1 from January 2007.

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

The following interpretations, relevant to Unilever, have been released and will be adopted by Unilever on the dates as noted. Adoption is not expected to have a material effect on the consolidated results of operations or financial position of Unilever.

- IFRIC 7, 'Applying the Restatement Approach' under IAS 29 'Financial Reporting in Hyperinflationary Economies' (effective for Unilever from 1 January 2007) provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy when that economy was not hyperinflationary in the prior period.

- IFRIC 9 'Reassessment of embedded derivatives' (effective for Unilever from 1 January 2007) requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows.

- IFRIC 10 'Interim Financial Reporting and Impairment' (effective for Unilever from 1 January 2007) states that any impairment loss recognised for goodwill and equity instruments classified as available for sale in an interim period may not be reversed in subsequent interim periods.

2 Segment information

Our primary reporting segments are geographic, comprising our three operating regions of Europe, The Americas and Asia Africa. The home countries of the Unilever Group are the Netherlands and the United Kingdom. Turnover for these two countries combined in 2006 was €3 710 million (2005: €3 679 million; 2004: €3 831 million). The combined operating profit in 2006 was €555 million (2005: €648 million; 2004: €667 million). Turnover for the United States for 2006 was €7 627 million (2005: €7 550 million; 2004: €7 361 million). No other countries 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 81 are not material. Total assets and capital expenditure are based on the location of the assets. Segment results are presented on the basis of operating profit. Segment assets consist primarily of property, plant and equipment, goodwill and other intangible assets, inventories and receivables. Corporate assets consist of financial assets, cash and cash equivalents, other non-current investments and pension and current and deferred tax assets. Segment liabilities consist primarily of trade payables and other liabilities. Corporate liabilities include borrowings, tax balances payable, provisions and pension and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions. Other non-cash charges include charges to the income statement during the year in respect of share-based compensation, restructuring and other provisions.

Analysis by geographical segment	€ million Europe	€ million The Americas	€ million Asia Africa	€ million Total
2006				
Turnover	**15 000**	**13 779**	**10 863**	**39 642**
Operating profit	**1 903**	**2 178**	**1 327**	**5 408**
Net finance costs				**(721)**
Share of net profit/(loss) of joint ventures	**17**	**60**	**1**	**78**
Share of net profit/(loss) of associates	**36**	**–**	**–**	**36**
Other income from non-current investments				**30**
Profit before taxation				**4 831**
Taxation				**(1 146)**
Net profit from continuing operations				**3 685**
Net profit from discontinued operations				**1 330**
Net profit				**5 015**
2005				
Turnover	14 940	13 179	10 282	38 401
Operating profit	2 064	1 719	1 291	5 074
Net finance costs				(613)
Share of net profit/(loss) of joint ventures	11	36	–	47
Share of net profit/(loss) of associates	(25)	1	(1)	(25)
Other income from non-current investments				33
Profit before taxation				4 516
Taxation				(1 181)
Net profit from continuing operations				3 335
Net profit from discontinued operations				640
Net profit				3 975
2004				
Turnover	15 252	12 296	9 620	37 168
Operating profit	2 045	896	1 040	3 981
Net finance costs				(623)
Share of net profit/(loss) of joint ventures	6	31	2	39
Share of net profit/(loss) of associates	(2)	3	1	2
Other income from non-current investments				54
Profit before taxation				3 453
Taxation				(725)
Net profit from continuing operations				2 728
Net profit from discontinued operations				213
Net profit				2 941

2 Segment information (continued)

Analysis by geographical segment	€ million Europe	€ million The Americas	€ million Asia Africa	€ million Total
Assets				
2006				
Segment assets	**14 445**	**11 550**	**5 875**	**31 870**
Joint ventures/associates	**78**	**16**	**9**	**103**
Total assets by geographical segment	**14 523**	**11 566**	**5 884**	**31 973**
Corporate assets				**5 099**
Total assets				**37 072**
2005				
Segment assets[(a)]	15 138	12 532	6 299	33 969
Joint ventures/associates	26	37	21	84
Total assets by geographical segment	15 164	12 569	6 320	34 053
Corporate assets				5 447
Total assets				39 500
Liabilities				
2006				
Segment liabilities	**4 375**	**1 732**	**2 192**	**8 299**
Joint ventures/associates	**18**	**11**	**5**	**34**
Total liabilities by geographical segment	**4 393**	**1 743**	**2 197**	**8 333**
Corporate liabilities				**17 067**
Total liabilities				**25 400**
2005				
Segment liabilities	4 485	1 914	2 244	8 643
Joint ventures/associates	20	11	6	37
Total liabilities by geographical segment	4 505	1 925	2 250	8 680
Corporate liabilities				22 055
Total liabilities				30 735
Capital expenditure				
2006	**511**	**396**	**294**	**1 201**
2005	447	305	298	1 050
Depreciation of property, plant and equipment				
2006	**(368)**	**(239)**	**(180)**	**(787)**
2005	(390)	(230)	(150)	(770)
2004	(429)	(303)	(217)	(949)
Amortisation of finite-lived intangible assets and software				
2006	**(63)**	**(76)**	**(18)**	**(157)**
2005	(52)	(38)	(9)	(99)
2004	(37)	(24)	(3)	(64)

(a) During the year the Directors have reassessed the allocation of goodwill to segments following the implementation of a new operating framework and establishment of primary segments based on geographies during 2005. The reassessment is based on the relative fair values of the segments at the time of the implementation of the new operating framework and results in a reallocation of goodwill (and associated currency retranslation effects during 2005) from Europe and The Americas regions of €0.1 billion and €1.1 billion respectively into the Asia Africa region. Segmental amounts for 2005 have been amended to reflect this allocation.

2 Segment information (continued)

Analysis by geographical segment	€ million Europe	€ million The Americas	€ million Asia Africa	€ million Total
Impairment charges				
2006				
Goodwill	**(12)**	**–**	**–**	**(12)**
Intangible assets	**–**	**(2)**	**–**	**(2)**
Total impairment charge	**(12)**	**(2)**	**–**	**(14)**
2005				
Goodwill	–	(129)	(2)	(131)
Intangible assets	–	(241)	(10)	(251)
Other	–	–	(15)	(15)
Total impairment charge	–	(370)	(27)	(397)
2004				
Goodwill	(147)	(793)	(63)	(1 003)
Other non-cash charges				
2006	**(679)**	**(231)**	**(52)**	**(962)**
2005	(224)	(311)	(53)	(588)
2004	(417)	(472)	(194)	(1 083)

Although the Group's operations are managed on a geographical basis, the two Foods and Home and Personal Care categories manage brands which we group into our principal product areas; these are our secondary reporting segments and are listed below. In 2006, we reviewed the structure of our secondary reporting segments in the light of the planned disposal of the majority of our European frozen foods businesses. As a consequence we are presenting the main product areas in four reporting segments, as opposed to six reporting segments in 2005. We have presented the information on this basis, as the products in each of the four reported segments are substantially similar in nature, and combining the segments provides more meaningful information. Information for prior years has been restated accordingly.

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

Analysis by product area	€ million Savoury, dressings and spreads	€ million Ice cream and beverages	€ million Foods	€ million Personal care	€ million Home care and other	€ million Home and personal care	€ million Total
2006							
Turnover	**13 767**	**7 578**	**21 345**	**11 122**	**7 175**	**18 297**	**39 642**
Operating profit	**1 993**	**900**	**2 893**	**1 913**	**602**	**2 515**	**5 408**
Net finance costs							**(721)**
Share of net profit/(loss) of joint ventures	**13**	**64**	**77**	**1**	**–**	**1**	**78**
Share of net profit/(loss) of associates	**–**	**–**	**–**	**–**	**36**	**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**

2 Segment information (continued)

Analysis by product area	€ million Savoury, dressings and spreads	€ million Ice cream and beverages	€ million Foods	€ million Personal care	€ million Home care and other	€ million Home and personal care	€ million Total
2005							
Turnover	13 557	7 332	20 889	10 485	7 027	17 512	38 401
Operating profit	2 026	609	2 635	1 793	646	2 439	5 074
Net finance costs							(613)
Share of net profit/(loss) of joint ventures	10	36	46	1	–	1	47
Share of net profit/(loss) of associates	–	–	–	–	(25)	(25)	(25)
Other income from non-current investments							33
Profit before taxation							4 516
Taxation							(1 181)
Net profit from continuing operations							3 335
Net profit from discontinued operations							640
Net profit							3 975
2004							
Turnover	13 476	7 090	20 566	9 780	6 822	16 602	37 168
Operating profit	1 880	(30)	1 850	1 508	623	2 131	3 981
Net finance costs							(623)
Share of net profit/(loss) of joint ventures	5	31	36	1	2	3	39
Share of net profit/(loss) of associates	–	–	–	–	2	2	2
Other income from non-current investments							54
Profit before taxation							3 453
Taxation							(725)
Net profit from continuing operations							2 728
Net profit from discontinued operations							213
Net profit							2 941
Assets							
2006							
Segment assets	**20 434**	**4 485**	**24 919**	**3 616**	**3 335**	**6 951**	**31 870**
Joint ventures/associates	**29**	**24**	**53**	**7**	**43**	**50**	**103**
Total assets by product area	**20 463**	**4 509**	**24 972**	**3 623**	**3 378**	**7 001**	**31 973**
Corporate assets							**5 099**
Total assets							**37 072**
2005							
Segment assets	21 289	5 455	26 744	3 622	3 603	7 225	33 969
Joint ventures/associates	23	31	54	9	21	30	84
Total assets by product area	21 312	5 486	26 798	3 631	3 624	7 255	34 053
Corporate assets							5 447
Total assets							39 500
Capital expenditure							
2006	**387**	**327**	**714**	**195**	**292**	**487**	**1 201**
2005	346	226	572	245	233	478	1 050

3 Gross profit and operating costs

	€ million 2006	€ million 2005	€ million 2004
Turnover	**39 642**	38 401	37 168
Cost of sales	**(20 093)**	(19 539)	(18 942)
Gross profit	**19 549**	18 862	18 226
Distribution and selling costs	**(9 486)**	(9 078)	(8 025)
Administrative expenses[(a)]	**(4 655)**	(4 710)	(6 220)
Operating profit	**5 408**	5 074	3 981

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

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

	€ million 2006	€ million 2005	€ million 2004
Restructuring	**(704)**	(328)	(913)
Business disposals, impairments and other			
Gain/(loss) on disposals of group companies	**179**	132	264
Impairments	**(14)**	(397)	(1 003)
(Provision for)/release of Brazilian sales tax	**31**	16	(169)
Gains on US healthcare and UK pensions	**266**	–	–

Restructuring costs are incurred as the business continues to reorganise operations and support functions. 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. In 2005 and 2004 significant impairment charges were recognised in respect of *Slim•Fast,* respectively €363 million and €791 million.

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

Other items within operating costs include:

	€ million 2006	€ million 2005	€ million 2004
Staff costs	**(5 355)**	(5 745)	(5 708)
Raw and packaging materials and goods purchased for resale	**(15 655)**	(15 106)	(14 278)
Amortisation of finite-lived intangible assets and software	**(157)**	(99)	(64)
Depreciation of property, plant and equipment	**(787)**	(770)	(949)
Advertising and promotions	**(5 203)**	(4 918)	(4 365)
Exchange gains/(losses)	**(25)**	19	(97)
Lease rentals	**(451)**	(421)	(389)
Minimum operating lease payments	**(455)**	(423)	(393)
Contingent operating lease payments	**(3)**	(3)	(5)
Less: Sub-lease income relating to operating lease agreements	**7**	5	9

Total expenditure on research and development in 2006, including costs incurred under some of the headings reported above, was €906 million (2005: €932 million; 2004: €972 million).

4 Staff costs

Staff costs	€ million 2006	€ million 2005	€ million 2004
Remuneration of employees	**(4 377)**	(4 456)	(4 378)
Emoluments of Executive Directors	**(8)**	(11)	(12)
Pensions and other post-employment benefits[(a)]	**(132)**	(384)	(445)
Social security costs	**(718)**	(702)	(660)
Share-based compensation costs	**(120)**	(192)	(213)
	(5 355)	(5 745)	(5 708)

(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 2006	'000 2005	'000 2004
Europe	**47**	51	53
The Americas	**46**	46	48
Asia Africa	**96**	115	126
	189	212	227

5 Net finance costs

Finance costs	€ million 2006	€ million 2005	€ million 2004
Finance costs	**(590)**	(689)	(714)
Bank loans and overdrafts	**(93)**	(90)	(106)
Bonds and other loans	**(505)**	(580)	(612)
Dividends paid on preference shares[(a)]	**(6)**	(11)	n/a
Exchange gains/(losses)	**14**	(8)	4
Preference shares provision[(b)]	**(300)**	–	–
Finance income	**128**	129	145
Pensions and similar obligations[(c)]	**41**	(53)	(54)
	(721)	(613)	(623)

(a) From 1 January 2005, Unilever has adopted IAS 32 'Financial Instruments: Disclosure and Presentation' which requires preference shares that provide for a fixed preference dividend to be classified as borrowings, and preference dividends to be recognised in the income statement as a finance cost. In accordance with the transition rules for IAS 32, 2004 comparatives have not been restated.
(b) For further information please refer to note 19 on page 102.
(c) Net finance costs in respect of pensions and similar obligations are analysed in note 20 on page 106.

6 Taxation

Tax charge in income statement	€ million 2006	€ million 2005	€ million 2004
Current tax			
Current year	**(1 171)**	(1 172)	(1 534)
Over/(under) provided in prior years[(a)]	**206**	107	330
	(965)	(1 065)	(1 204)
Deferred tax			
Origination and reversal of temporary differences	**(171)**	(123)	445
Changes in tax rates	**(15)**	2	34
Utilisation of unrecognised losses brought forward	**5**	5	–
	(181)	(116)	479
	(1 146)	(1 181)	(725)

(a) Provisions have been released for amounts over provided for tax in prior years in a number of countries, none of which is individually material.

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

Reconciliation of effective tax rate	% 2006	% 2005	% 2004
Computed rate of tax[(b)]	**30**	31	32
Differences due to:			
Other rates applicable to non-European countries	**1**	–	1
Incentive tax credits	**(7)**	(5)	(5)
Withholding tax on dividends	**1**	2	2
Adjustments to previous years	**(4)**	(2)	(10)
Expenses not deductible for tax purposes	**2**	2	–
Utilisation of previously unrecognised tax losses	**–**	(1)	–
Other	**1**	(1)	1
Effective tax rate	**24**	26	21

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

6 Taxation (continued)

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

	€ million 2006	€ million 2005	€ million 2004
Profit before taxation			
Europe			
Parent and group companies	**2 266**	2 379	2 203
Share of net profit/(loss) of joint ventures	**17**	11	7
Share of net profit/(loss) of associates	**36**	(20)	(2)
	2 319	2 370	2 208
Outside Europe			
Group companies	**2 451**	2 115	1 209
Share of net profit/(loss) of joint ventures	**61**	36	32
Share of net profit/(loss) of associates	**–**	(5)	4
	2 512	2 146	1 245
	4 831	4 516	3 453
Taxation			
Europe			
Parent and group companies:			
Current taxes payable	**(359)**	(414)	(615)
Deferred taxation	**(174)**	(162)	164
Accelerated depreciation	**2**	22	54
Pensions	**(196)**	(123)	(63)
Provisions	**24**	(25)	57
Goodwill and intangible assets	**4**	(48)	109
Other	**(8)**	12	7
	(533)	(576)	(451)
Outside Europe			
Group companies:			
Current taxes payable	**(606)**	(651)	(589)
Deferred taxation	**(7)**	46	315
Accelerated depreciation	**25**	(40)	(20)
Pensions	**(142)**	28	(26)
Provisions	**16**	(78)	205
Goodwill and intangible assets	**98**	123	168
Other	**(4)**	13	(12)
	(613)	(605)	(274)
	(1 146)	(1 181)	(725)

7 Combined earnings per share

Combined earnings per share	€ 2006	€ 2005	€ 2004
From continuing operations			
Basic earnings per share	**1.19**	1.07	0.87
Diluted earnings per share	**1.15**	1.04	0.84
From discontinued operations			
Basic earnings per share	**0.46**	0.22	0.07
Diluted earnings per share	**0.45**	0.21	0.07
From total operations			
Basic earnings per share	**1.65**	1.29	0.94
Diluted earnings per share	**1.60**	1.25	0.91

Basis of calculation

The calculations of combined earnings per share are based on the net profit attributable to ordinary capital divided by the average number of share units representing the combined ordinary capital of NV and PLC in issue during the year, after deducting shares held as treasury stock. Earnings per share are calculated on the basis of the revised nominal share values which have been applied since 22 May 2006 and which resulted in a one-to-one equivalence of ordinary shares of NV and PLC as regards their economic interest in the Group. For further information please refer to note 22 on page 109.

The calculations of diluted earnings per share are based on: (i) conversion into PLC ordinary shares of the shares in a group company which are convertible in the year 2038, as described in Corporate governance on page 42; (ii) conversion of the €0.05 NV preference shares, details of which are set out below and in note 22 on page 109; (iii) the effect of share-based compensation plans, details of which are set out in note 29 on pages 117 to 121; and (iv) the forward equity contract described in note 29 on page 121.

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

Calculation of average number of share units	2006	Millions of share units 2005	2004
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	**(141.6)**	(111.9)	(134.7)
Combined average number of share units for all bases except diluted earnings per share	**2 883.3**	2 913.0	2 890.2
Add shares issuable in 2038	**70.9**	70.9	70.9
Add shares for conversion	**–**	7.1	56.6
Add dilutive effect of share-based compensation plans and forward equity contract	**18.3**	16.0	14.9
Adjusted combined average number of share units for diluted earnings per share basis	**2 972.5**	3 007.0	3 032.6

Calculation of earnings	€ million 2006	€ million 2005	€ million 2004
Net profit attributable to shareholders' equity	**4 745**	3 766	2 755
Less preference dividends	**n/a**	n/a	(28)
Net profit attributed to ordinary capital for basic earnings per share calculations	**4 745**	3 766	2 727
Adjusted net profit attributed to ordinary capital for the diluted earnings per share calculation[a]	**4 745**	3 769	2 748

(a) In accordance with IAS 33, the net profit for diluted earnings per share has been adjusted for the preference dividend on shares for conversion, which in 2006 amounted to €nil (2005: €3 million; 2004: €21 million).

8 Dividends on ordinary capital

Dividends paid on ordinary capital during the year	€ million 2006	€ million 2005	€ million 2004
Final dividend 2003 paid in June 2004	**–**	–	(1 116)
Interim dividend 2004 paid in November 2004	**–**	–	(603)
Final dividend 2004 paid in June 2005	**–**	(1 229)	–
Interim dividend 2005 paid in December 2005	**–**	(638)	–
Final dividend 2005 paid in June 2006	**(1 269)**	–	–
Interim dividend 2006 paid in December 2006	**(664)**	–	–
One-off dividend paid in December 2006	**(751)**	–	–
	(2 684)	(1 867)	(1 719)

	Per €0.16 NV ordinary share			Per 3¹/₉p PLC ordinary share		
Dividends per share	€ 2006	€ 2005	€ 2004	pence 2006	pence 2005	pence 2004
Interim	**0.23**	0.22	0.21	**15.62**	15.04	14.07
Final	**–**	0.44	0.42	**–**	30.09	28.49
Proposed final[(a)]	**0.47**	–	–	**32.04**	–	–
	0.70	0.66	0.63	**47.66**	45.13	42.56
One-off	**0.26**	–	–	**17.66**	–	–
	0.96	0.66	0.63	**65.32**	45.13	42.56

(a) The proposed final dividend on ordinary capital for the year 2006 has to be approved by shareholders at the Annual General Meetings. In accordance with IFRS, no provision for the amount of this dividend, estimated at €1 358 million, has been recognised in the financial statements for the year ended 31 December 2006.

Full details of dividends per share for the years 2002 to 2006 are given on page 145.

9 Goodwill and intangible assets

Indefinite-lived intangible assets principally comprise those trademarks for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows. These are considered to have an indefinite life, given the strength and durability of our brands and the level of marketing support. Brands that are classified as indefinite have been in the market for many years, and the nature of the industry we operate in is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend. Finite-lived intangible assets, which primarily comprise patented and non-patented technology, know-how, and software, are capitalised and amortised in operating profit on a straight-line basis over the period of their expected useful lives, none of which exceeds ten years. The level of amortisation for finite-lived intangible assets is not expected to change materially over the next five years.

At cost less amortisation and impairment	€ million 2006	€ million 2005
Goodwill	**12 425**	12 963
Indefinite-lived intangible assets	**4 174**	4 450
Finite-lived intangible assets	**343**	416
Software	**264**	226
	17 206	18 055

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

9 Goodwill and intangible assets (continued)

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

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

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

Impairments charges in the year
The impairments charged in 2006 principally relate to planned business disposals that will be completed during 2007.

In 2006, *Slim•Fast* was fully integrated into The Americas business as part of the North American beverage operations. As a result of the integration, *Slim•Fast* is no longer evaluated on a stand-alone basis but as part of the North American beverage CGU. The 2006 impairment review on this basis and on a stand-alone basis did not result in any impairments (2005: €363 million; 2004: €791 million).

Significant CGUs
The goodwill and indefinite-lived intangible assets (predominantly *Knorr* and *Hellmann's*) held in the global savoury and dressings CGU, comprising €11.6 billion (2005: €11.9 billion) and €3.4 billion (2005: €3.6 billion) respectively, are considered significant in comparison to the total carrying amounts of goodwill and indefinite-lived intangible assets at 31 December 2006. No other CGUs are considered significant in this respect.

During 2006, 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 3%, 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 3%; and
- average operating margins for the major product groups within the CGU ranging from 16% 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.

10 Property, plant and equipment

At cost less depreciation and impairment	€ million 2006	€ million 2005
Land and buildings	**1 944**	1 994
Plant and equipment	**4 332**	4 498
	6 276	6 492
Includes freehold land	**205**	224
Commitments for capital expenditure at 31 December	**231**	263

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

(a) After reinstating certain assets with gross value of €112 million and accumulated depreciation of €28 million which were previously classified as held for sale.
(b) Includes €(18) million relating to discontinued operations.

10 Property, plant and equipment (continued)

Movements during 2005	€ million Land and buildings	€ million Plant and equipment	€ million Total
Gross			
1 January 2005	2 859	10 013	12 872
Disposals of group companies	(26)	(117)	(143)
Additions	163	795	958
Disposals	(95)	(619)	(714)
Reversal of asset held for sale not included in final disposal	53	57	110
Currency retranslation	269	798	1 067
Reclassification as held for sale	(175)	(116)	(291)
Other adjustments	(34)	34	–
31 December 2005	3 014	10 845	13 859
Depreciation			
1 January 2005	(966)	(5 855)	(6 821)
Disposals of group companies	12	91	103
Depreciation charge for the year(c)	(77)	(715)	(792)
Disposals	53	549	602
Reversal of asset held for sale not included in final disposal	(5)	(50)	(55)
Currency retranslation	(83)	(466)	(549)
Reclassification as held for sale	51	94	145
Other adjustments	(5)	5	–
31 December 2005	(1 020)	(6 347)	(7 367)
Net book value 31 December 2005	1 994	4 498	6 492
Includes payments on account and assets in course of construction	64	487	551

(c) Includes €(22) million relating to discontinued operations.

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

Net book value	**€ million** Buildings	**€ million** Plant and equipment	**€ million** Total
Gross book value	**62**	**369**	**431**
Depreciation	**(20)**	**(201)**	**(221)**
31 December 2006	**42**	**168**	**210**
Gross book value	68	354	422
Depreciation	(18)	(202)	(220)
31 December 2005	50	152	202

11 Other non-current assets

	€ million 2006	€ million 2005
Interest in net assets of joint ventures	**57**	67
Interest in net assets of associates	**46**	17
Other non-current assets	**771**	757
	874	841

Movements during 2006 and 2005	€ million 2006	€ million 2005
Joint ventures[(a)]		
1 January	**67**	32
Additions[(b)]	**–**	26
Dividends received/reductions	**(85)**	(43)
Share in net profit	**78**	47
Currency retranslation	**(3)**	5
31 December	**57**	67
Associates[(c)]		
1 January	**(20)**	6
Acquisitions/(disposals)	**5**	7
Dividends received/reductions	**(13)**	(11)
Share in net profit	**36**	(25)
Currency retranslation	**4**	3
	12	(20)
Of which: Net liabilities of JohnsonDiversey reclassified to provisions	**34**	37
31 December	**46**	17
Other non-current assets[(d)]		
1 January	**757**	731
Additions/(reductions)/(impairments)/fair value movements	**46**	(22)
Currency retranslation	**(32)**	48
31 December	**771**	757

(a) Our principal joint ventures are the FIMA business in Portugal and the Pepsi/Lipton Partnership in the US.
(b) Effect of the 2005 transaction in connection with our Foods business in Portugal (see note 26 on page 113).
(c) Associates primarily comprise our investments in JohnsonDiversey Holdings Inc., Palmci and Langholm Capital Partners. Other Unilever Ventures assets (excluding Langholm) are included under 'Other non-current assets' above.
(d) Other non-current assets are mainly available-for-sale assets, and predominantly consist of investments in a number of companies and financial institutions in India, Europe and the US, including €181 million (2005: €197 million) of assets in a trust to fund benefit obligations in the US (see also note 20 on page 103). Also included under this heading are biological assets with a fair value of €36 million (2005: €37 million).

Analysis of listed and unlisted investments	€ million 2006	€ million 2005
Investments listed on a recognised stock exchange	**402**	326
Unlisted investments	**369**	431
	771	757

Other income from non-current investments	€ million 2006	€ million 2005	€ million 2004
Income from other non-current investments	**21**	20	36
Profit/(loss) on disposal	**9**	13	18
	30	33	54

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

The Group has no outstanding capital commitments to joint ventures.

Outstanding balances with joint ventures and associates are shown in note 30 on page 122.

12 Deferred taxation

Movements during the year	€ million As at 1 January 2006	€ million Income statement[a]	€ million Equity[b]	€ million Acquisitions and disposals	**€ million As at 31 December 2006**
Pensions and similar obligations	1 478	(344)	(415)	(5)	**714**
Provisions	666	40	(37)	23	**692**
Goodwill and intangible assets	(834)	102	49	(1)	**(684)**
Accelerated tax depreciation	(742)	55	29	9	**(649)**
Tax losses	146	(36)	(5)	8	**113**
Fair value gains	–	(2)	1	–	**(1)**
Fair value losses	–	7	(3)	–	**4**
Share-based payments	74	9	11	(2)	**92**
Other	(18)	13	(2)	(11)	**(18)**
	770	(156)	(372)	21	**263**

(a) Includes €25 million credit reported under discontinued operations in the income statement.
(b) Of the total movement in equity of €372 million, €39 million arises as a result of currency retranslation.

At the balance sheet date, the Group has unused tax losses of €1 621 million and tax credits amounting to €338 million available for offset against future taxable profits. Deferred tax assets have not been recognised in respect of unused tax losses of €1 243 million and tax credits of €338 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 €494 million of state and federal tax losses in the USA which expire between now and 2026.

Other deductible temporary differences of €199 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 €755 million (2005: €765 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the forseeable future.

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

Deferred tax assets and liabilities	**€ million Assets 2006**	€ million Assets 2005	**€ million Liabilities 2006**	€ million Liabilities 2005	**€ million Total 2006**	€ million Total 2005
Pensions and similar obligations	**925**	1 709	**(211)**	(231)	**714**	1 478
Provisions	**670**	704	**22**	(38)	**692**	666
Goodwill and intangible assets	**(194)**	(431)	**(490)**	(403)	**(684)**	(834)
Accelerated tax depreciation	**(328)**	(489)	**(321)**	(253)	**(649)**	(742)
Tax losses	**112**	144	**1**	2	**113**	146
Fair value gains	**(1)**	–	**–**	–	**(1)**	–
Fair value losses	**4**	6	**–**	(6)	**4**	–
Share-based payments	**92**	74	**–**	–	**92**	74
Other	**(14)**	(14)	**(4)**	(4)	**(18)**	(18)
	1 266	1 703	**(1 003)**	(933)	**263**	770
Of which deferred tax to be recovered/(settled) after more than 12 months	**460**	1 269	**(621)**	(834)	**(161)**	435

13 Inventories

Inventories	€ million 2006	€ million 2005
Raw materials and consumables	**1 360**	1 512
Finished goods and goods for resale	**2 436**	2 595
	3 796	4 107

Inventories with a value of €96 million (2005: €123 million) are carried at net realisable value, this being lower than cost. During 2006, €160 million (2005: €159 million) was charged to the income statement for damaged, obsolete and lost inventories. In 2006, €34 million (2005: €35 million) was utilised or released to the income statement from inventory provisions taken in earlier years.

In 2006, inventories with a carrying amount of €6 million were pledged as security for certain of the Group's borrowings (2005: €8 million).

14 Trade and other receivables

Trade and other receivables	€ million 2006	€ million 2005
Due within one year		
Trade receivables	**3 054**	3 345
Prepayments and accrued income	**477**	833
Other receivables	**759**	652
	4 290	4 830
Due after more than one year		
Other receivables	**252**	231
Total trade and other receivables	**4 542**	5 061

Concentrations of credit risk with respect to trade receivables are limited, due to the Group's customer base being large and diverse.

Impairment provision for trade receivables – movements during the year	€ million 2006	€ million 2005
1 January	**258**	232
Charged to current year income statement	**38**	39
Reductions/releases	**(107)**	(33)
Currency retranslation	**(9)**	20
31 December	**180**	258

15 Cash and cash equivalents and other financial assets

Cash and cash equivalents and other financial assets	€ million 2006	€ million 2005
Cash and cash equivalents		
Cash at bank and in hand	**469**	867
Short-term deposits with maturity of less than three months	**390**	412
Other cash equivalents	**180**	250
	1 039	1 529
Other financial assets		
Listed	**47**	36
Unlisted	**190**	299
	237	335
Total cash and cash equivalents and other financial assets	**1 276**	1 864

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

Cash and cash equivalents included in the cash flow statement	€ million 2006	€ million 2005	€ million 2004
Cash and cash equivalents as per balance sheet	**1 039**	1 529	1 590
Cash and cash equivalents in businesses held for sale	**–**	1	n/a
Bank overdrafts	**(329)**	(265)	(184)
	710	1 265	1 406

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 99 and 100.

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 2007	
Assets – 2006						
Euro	1	3.1%	0.1 years	210	4.1%	**211**
Sterling	1 549	5.3%	1.0 years	1 193	5.6%	**2 742**(a)
US dollar	–			8	5.4%	**8**
Indian rupee	–			403	8.8%	**403**
Other	–			635	7.0%	**635**
	1 550			2 449		**3 999**
Sterling leg of currency derivatives mainly relating to intra-group loans(a)						**(2 723)**
Total						**1 276**
Assets – 2005(b)						
Euro	14	3.1%	1.1 years	636		650
Sterling	–			57		57
US dollar	–			94		94
Indian rupee	–			346		346
Other	–			967		967
Total	14			2 100		2 114(c)

(a) Includes the sterling leg of the currency derivatives mainly relating to intra-group loans, amounting to €2 723 million for 2006. These derivatives create a sterling interest rate exposure. However, to reconcile the assets with the balance sheet, the total value is eliminated again. The other leg of the currency derivatives is shown in note 16 as a liability.
(b) Figures for 2005 have been restated to reflect the amount of fixing and related average interest rate for the following year.
(c) Includes fair value of borrowing-related derivatives amounting to €250 million. For further information please refer to note 17 on pages 99 and 100.

16 Borrowings

Borrowings	€ million 2006	€ million 2005
Preference shares	**124**	124
Bank loans and overdrafts	**1 307**	1 456
Bonds and other loans		
At amortised cost	**6 561**	8 609
Subject to fair value hedge accounting	**609**	2 210
	8 601	12 399

Borrowings – additional details	€ million 2006	€ million 2005
The repayments fall due as follows		
Within one year:		
Bank loans and overdrafts	**743**	786
Bonds and other loans	**3 619**	5 156
Total due within one year	**4 362**	5 942
After one year but within two years	**385**	2 049
After two years but within three years	**311**	180
After three years but within four years	**1 344**	391
After four years but within five years	**2**	1 493
After five years	**2 197**	2 344
Total due after more than one year	**4 239**	6 457
Secured borrowings	**–**	8
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 2006							
7% Cumulative Preference	75 000	**32**	€428.57	29 000	**12**	**1**	**13**
6% Cumulative Preference	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 2005							
7% Cumulative Preference	75 000	34	€453.78	29 000	13	–	13
6% Cumulative Preference	200 000	91	€453.78	161 060	73	–	73
4% Cumulative Preference	750 000	34	€45.38	750 000	34	–	34
Share premium					4	–	4
		159			124	–	124

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

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

In order to maintain the same economic rights for the preference shares as before the euro conversion, it was decided that their entitlement to dividend and liquidation proceeds remains linked, using the official euro conversion rate, to the amount in Dutch guilders originally paid up on these shares. As a consequence the amount paid out as preference dividends will remain the same euro amount as paid out in previous years.

16 Borrowings (continued)

Borrowings – additional details
The tables set out below and on page 95 take into account the various interest rate swaps and forward foreign currency contracts entered into by the Group, details of which are set out in note 17 on pages 99 and 100.

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

	€ million Amortised cost 2006	**€ million Fair value 2006(a)**	€ million Amortised cost 2005	€ million Fair value 2005(a)
Unilever N.V.				
5.125% Bonds 2006 (€)	**–**	**–**	–	1 010
5.125% Notes 2006 (US $)	**–**	**–**	431	–
4.250% Bonds 2007 (€)	**505**	**500**	513	507
5.000% Bonds 2007 (US $)	**490**	**–**	–	556
3.375% Bonds 2015 (€)	**747**	**–**	747	–
Commercial paper (€)	**–**	**–**	2 180	–
Commercial paper (£)	**–**	**–**	491	–
Commercial paper (US $)	**–**	**–**	348	–
Commercial paper (Swiss francs)	**–**	**–**	53	–
Other	**7**	**–**	36	–
Total Unilever N.V.	**1 749**	**500**	4 799	2 073
Other group companies				
Netherlands				
Commercial paper (€)	**770**	**–**	–	–
Commercial paper (£)	**532**	**–**	–	–
Commercial paper (US $)	**236**	**–**	–	–
Commercial paper (Swiss francs)	**63**	**–**	–	–
United States				
6.150% Bonds 2006 (US $)	**–**	**–**	253	–
7.125% Bonds 2010 (US $)	**1 321**	**–**	1 467	–
7.000% Bonds 2017 (US $)	**110**	**–**	120	–
7.250% Bonds 2026 (US $)	**217**	**–**	239	–
6.625% Bonds 2028 (US $)	**166**	**–**	185	–
5.900% Bonds 2032 (US $)	**746**	**–**	829	–
5.600% Bonds 2097 (US $)	**69**	**–**	77	–
Commercial paper (US $)	**259**	**–**	–	–
Other	**8**	**–**	12	–
Japan				
Floating rate note 2006 (Japanese yen)	**–**	**–**	151	–
Thailand				
3.300% Bonds 2007 (Thai baht)	**139**	**–**	134	–
South Africa				
10.200% Bonds 2008 (South African rand)	**–**	**109**	–	137
Commercial paper (South African rand)	**27**	**–**	120	–
Other countries	**149**	**–**	223	–
Total other group companies	**4 812**	**109**	3 810	137
Total bonds and other loans	**6 561**	**609**	8 609	2 210

(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.

Reclassifications
During 2006 Unilever discontinued fair value accounting for 5.000% Bonds 2007. On the date the hedge accounting discontinued, the fair value became the new value at amortised cost.

16 Borrowings (continued)

Undrawn committed facilities

Unilever had the following undrawn committed facilities at 31 December 2006:

- revolving 364-day bilateral credit facilities of in aggregate US $4 263 million (2005: US $3 958 million) with a 364-day term out;
- revolving five-year bilateral credit facilities of in aggregate US $334 million (2005: US $334 million);
- revolving 364-day notes commitments of US $200 million (2005: 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 $1 420 million (2005: US $1 725 million), under which the underwriting banks agree, subject to certain conditions, to subscribe for notes with maturities of up to three years.

The facilities that matured in November 2006 and December 2006 have been renewed until November 2007.

Interest rate

The average interest rate on short-term borrowings in 2006 was 3.6% (2005: 3.0%).

Interest rate profile and currency analysis of financial liabilities

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

	€ million Fixed rate	Fixed rate	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 2007	
Liabilities – 2006						
Euro[a]	**1 771**	3.4%	4.5 years	**351**	4.1%	**2 122**
Sterling	**140**	7.8%	20.8 years	**140**	5.6%	**280**
US dollar	**3 444**	6.6%	12.2 years	**2 687**	5.4%	**6 131**
Swedish krona	**–**			**830**	3.8%	**830**
Swiss francs	**–**			**519**	2.4%	**519**
Japanese yen	**1**	4.0%	0.5 years	**377**	0.8%	**378**
Thai baht	**139**	3.2%	0.9 years	**85**	5.2%	**224**
Other	**102**	11.7%	3.9 years	**936**	7.7%	**1 038**
	5 597			**5 925**		**11 522**
Euro leg of currency derivatives mainly relating to intra-group loans[b]						**(2 723)**
Total						**8 799**[c]
Liabilities – 2005[d]						
Euro[a]	1 897	3.0%	4.9 years	571		2 468
Sterling	91	5.4%	0.7 years	(52)		39
US dollar	3 857	6.3%	12.9 years	2 517		6 374
Japanese yen	2	4.0%	1.5 years	436		438
Thai baht	153	3.2%	1.9 years	104		257
Other	127	11.7%	4.8 years	2 913		3 040
Total	6 127			6 489		12 616[e]

(a) Euro borrowings include €124 million preference shares that provide for a fixed preference dividend.
(b) Includes the euro leg of the currency derivatives mainly relating to intra-group loans, amounting to €2 723 million for 2006. These derivatives create an interest rate exposure in euro. However, to reconcile the liability with the balance sheet, the total value is eliminated again. The other leg of the currency derivatives is shown in note 15 on page 95 as an asset.
(c) Includes finance lease creditors amounting to €187 million and fair value of borrowing-related derivatives (see note 17 on page 99) amounting to €11 million.
(d) Figures for 2005 have been restated to reflect the amount of fixing and related average interest rate for the following year.
(e) Includes finance lease creditors amounting to €217 million.

17 Financial instruments and treasury risk management

The Group has comprehensive policies in place, approved by the Boards, covering the use of derivative financial instruments. These instruments are used for hedging purposes. Established controls are in place covering all financial instruments. These include policies, guidelines, exposure limits, a system of authorities and independent reporting. Performance is closely monitored with independent reviews undertaken by internal audit. Hedge accounting principles are described in note 1 on page 74. The use of leveraged instruments is not permitted. Details of the instruments used for interest rate and foreign exchange exposure management, together with information on related exposures, are given below.

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

At the end of 2006, interest rates were fixed on approximately 48% of the projected net of cash and borrowing positions for 2007 and 52% for 2008 (compared with 61% for 2006 and 49% for 2007 at the end of 2005).

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

In the assessment of hedge effectiveness the credit risk element on the underlying hedged item has been excluded. Hedge ineffectiveness is immaterial.

Fair values of derivatives used as cash flow hedges, fair value hedges and in connection with purchases of own shares at 31 December 2006 amounted in total to assets of €23 million (2005: €62 million) and liabilities of €9 million (2005: €22 million). Of these amounts, the fair value of borrowing-related derivatives at 31 December 2006 was €5 million (2005: €46 million).

Fair values of derivatives used as hedges of net investments in foreign entities	**€ million Assets 2006**	€ million Assets 2005	**€ million Liabilities 2006**	€ million Liabilities 2005
Current				
Foreign exchange derivatives	**11**	250	**350**	1

The fair value of borrowing-related derivatives included above at 31 December 2006 amounted to €(339) million (2005: €249 million). The impact of exchange rate movements on the fair value of forward exchange contracts used to hedge net investments is recognised in reserves.

Fair values of natural hedges[a]	**€ million Assets 2006**	€ million Assets 2005	**€ million Liabilities 2006**	€ million Liabilities 2005
Current				
Interest rate derivatives	**2**	7	**1**	2
Cross currency swaps	**–**	253	**6**	1
Foreign exchange derivatives	**371**	11	**31**	282
	373	271	**38**	285
Non-current				
Interest rate derivatives	**–**	–	**1**	4
Cross currency swaps	**–**	–	**12**	27
	–	–	**13**	31
	373	271	**51**	316

(a) 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.

Of the fair values disclosed above, the fair value of borrowing-related derivatives at 31 December 2006 amounted to €323 million (2005: €(45) million).

Additional information

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

Embedded derivatives

In accordance with IAS 39, 'Financial instruments: Recognition and Measurement', Unilever has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard; no such embedded derivatives have been identified.

17 Financial instruments and treasury risk management (continued)

Fair values of financial assets and financial liabilities

The following table summarises the fair values and carrying amounts of the various classes of financial assets and financial liabilities. All trade and other receivables and trade payables and other liabilities (other than finance lease creditors) and provisions have been excluded from the analysis below and from the interest rate and currency profiles in note 15 on page 95 and note 16 on page 96, as their carrying amounts are a reasonable approximation of their fair value, because of their short-term nature.

	€ million Fair value 2006	€ million Fair value 2005	**€ million Carrying amount 2006**	€ million Carrying amount 2005
Financial assets				
Other non-current assets	**784**	757	**771**	757
Cash and cash equivalents	**1 039**	1 529	**1 039**	1 529
Other financial assets	**237**	335	**237**	335
Derivatives related to borrowings	**–**	250	**–**	250
	2 060	2 871	**2 047**	2 871
Financial liabilities				
Bank loans and overdrafts	**(1 307)**	(1 456)	**(1 307)**	(1 456)
Bonds and other loans	**(7 402)**	(11 255)	**(7 170)**	(10 819)
Finance lease creditors	**(192)**	(225)	**(187)**	(217)
Preference shares	**(122)**	(124)	**(124)**	(124)
Derivatives related to borrowings	**(11)**	–	**(11)**	–
	(9 034)	(13 060)	**(8 799)**	(12 616)

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.

Collateral

Counterparties have deposited securities with a market value of €2 million (2005: €275 million) as collateral for their obligations in respect of derivative financial instruments. Such collateral is not regarded as an asset of Unilever and is excluded from the balance sheet.

Commodity contracts

Unilever purchases forward contracts to hedge future requirements for certain raw materials, almost always for physical delivery. Futures contracts may also be used to hedge future price movements.

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.

Unilever has an interest rate management policy aimed at optimising net interest cost and reducing volatility. This is achieved by modifying the interest rate exposure of debt and cash positions through the use of interest rate swaps.

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

Because of Unilever's broad operational reach, it is subject to risks from changes in foreign currency values that could affect earnings. As a practical matter, it is not feasible to fully hedge these fluctuations. Additionally, Unilever believes that most currencies of major countries in which it operates will equalise against the euro over time. Unilever does have a foreign exchange policy that requires operating companies to manage trading and financial foreign exchange exposures within prescribed limits. This is achieved primarily through the use of forward foreign exchange contracts. Regional groups monitor compliance with this policy. At the end of 2006, there was no material exposure from companies holding assets and liabilities other than in their functional currency.

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

17 Financial instruments and treasury risk management (continued)

Liquidity risk is managed by maintaining access to global debt markets through an infrastructure of short-term and long-term debt programmes. In addition to this, Unilever has committed credit facilities in place to support its commercial paper programmes and for general corporate purposes. See note 16 on page 96 for further details of these credit facilities.

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

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

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

Sensitivity analysis
The analysis below presents the sensitivity of the fair value of the financial instruments, including derivative financial instruments which the Group held at 31 December 2006, to hypothetical changes in interest and foreign exchange rates.

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

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

	Sensitivity to a hypothetical 10% change in rates as at 31 December	
	€ million 2006	€ million 2005
Interest rate risk	**167**	193
Foreign exchange rate risk	**16**	30

The above-mentioned interest rate sensitivity relates to financial instruments, including derivative financial instruments, with fair values amounting to €7 408 million at the end of 2006 (2005: €11 186 million). The above-mentioned foreign exchange rate risk relates to a value of financial instruments and derivatives of €164 million at the end of 2006 (2005: €300 million).

Sensitivity to not applying hedge accounting
Derivatives have to be reported at fair value. Those derivatives used for cash flow hedging for which we do not apply hedge accounting will cause volatility in the income statement. Such derivatives did not have a material impact on the 2006 income statement.

Income statement sensitivity to changes in interest rates
As mentioned above on page 100, Unilever has an interest rate management policy aimed at optimising net interest costs and reducing volatility. Part of the interest rates on funds and debt are not fixed and are therefore subject to changes in floating interest rates. The analysis shows the sensitivity of the income statement to a hypothetical one percentage point change in floating interest rates over both funds and debt on a full-year basis.

	Sensitivity to a hypothetical one percentage point change in floating rates as at 31 December	
	€ million 2006	€ million 2005
Funds	**24**	21
Debt	**(59)**	(66)

18 Trade payables and other liabilities

Trade and other payables	€ million 2006	€ million 2005
Due within one year		
Trade payables	**3 833**	3 988
Accruals	**2 741**	2 858
Social security and sundry taxes	**386**	410
Finance lease creditors	**61**	64
Others	**913**	908
	7 934	8 228
Due after more than one year		
Accruals	**197**	153
Finance lease creditors	**126**	153
Others	**76**	83
	399	389
Total trade and other payables	**8 333**	8 617

The amounts shown above do not include any creditors due after more than five years other than finance lease creditors described in note 25 on page 112.

19 Provisions

Provisions	€ million 2006	€ million 2005
Due within one year		
Restructuring provisions	**439**	391
Preference shares provision	**300**	–
Other provisions	**270**	253
	1 009	644
Due after one year		
Restructuring provisions	**53**	63
Legal provisions	**51**	38
Disputed indirect taxes	**560**	547
Net liability of associate	**34**	37
Other provisions	**128**	47
	826	732
Total restructuring and other provisions	**1 835**	1 376

Movements during 2006	€ million Restructuring provisions	€ million Legal provisions	€ million Preference shares provision	€ million Disputed indirect taxes	€ million Net liability of associate	€ million Other provisions	€ million Total
31 December 2005	**454**	**38**	**–**	**547**	**37**	**300**	**1 376**
Disposal of group companies	**1**	**–**	**–**	**–**	**–**	**48**	**49**
Income statement:							
New charges	**472**	**18**	**300**	**95**	**–**	**126**	**1 011**
Releases	**(89)**	**(3)**	**–**	**(47)**	**–**	**(30)**	**(169)**
Utilisation	**(332)**	**–**	**–**	**(22)**	**–**	**(35)**	**(389)**
Currency retranslation	**(14)**	**(2)**	**–**	**(13)**	**(3)**	**(11)**	**(43)**
31 December 2006	**492**	**51**	**300**	**560**	**34**	**398**	**1 835**

Restructuring provisions primarily relate to early retirement and redundancy costs; no projects are individually material.

Legal provisions are comprised of many claims, of which none is individually material.

Unilever announced on 8 November 2006 that it had agreed a settlement with the main parties in the legal dispute over its 1999 Unilever N.V. preference shares. The terms of the agreement are that NV will pay an amount of €1.38 plus interest of €0.16 compensation per preference share held at the beginning of 24 March 2004, the day on which NV announced its intention to convert the preference shares into NV ordinary shares. NV also agreed to reimburse the parties who initiated the Enterprise Chamber procedure for costs and expenses. On 19 January 2007 NV announced that the settlement offer will be extended to all those other former preference shareholders who held preference shares at the beginning of 24 March 2004. Unilever has provided €300 million in respect of the settlement.

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.

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 medical plans in the United States. These plans are predominantly unfunded. The Group also operates a number of defined contribution plans, the assets of which are held in external funds.

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

Exposure to risks
Pension assets and liabilities (pre-tax) of €17 278 million and €20 358 million respectively are held on the Group's balance sheet as at 31 December 2006. Movements in equity markets, interest rates, inflation and life expectancy could materially affect the level of surpluses and deficits in these schemes, and could prompt the need for the Group to make additional pension contributions, or to reduce pension contributions, in the future. The key assumptions used to value our pension liabilities are set out below and on page 104.

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

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 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.

Assumptions
With the objective of presenting the assets and liabilities of the pensions and other post-employment benefit plans at their fair value on the balance sheet, assumptions under IAS 19 are set by reference to market conditions at the valuation date. The actuarial assumptions used to calculate the benefit obligations vary according to the country in which the plan is situated. The following table shows the assumptions, weighted by liabilities, used to value the principal defined benefit pension plans (covering approximately 96% of pension liabilities – the 'principal pension plans') and plans providing other post-employment benefits, and in addition the expected long-term rates of return on assets, weighted by asset value.

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

20 Pensions and similar obligations (continued)

The valuations of other post-employment benefit plans generally assume a higher initial level of medical cost inflation, which falls from 9.9% 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	4	(3)
Effect on total benefit obligation	51	(47)

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

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

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

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

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

Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (i) United Kingdom: PMA 92 and PFA 92 with short cohort adjustment and scaling factor of 125% applied, projected to 2015 for current pensioners and to 2025 for future pensioners; (ii) the Netherlands: GBMV (1995-2000) 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	19	18	19	18
Females	22	21	22	21

As considered appropriate having regard to the factors set out above, the assumptions and approach adopted allow for future improvements in life expectancy.

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

20 Pensions and similar obligations (continued)

Balance Sheet

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

	€ million	**€ million**	**%**	€ million	€ million	%	€ million	€ million	%
			31 December 2006			31 December 2005			31 December 2004
	Pension plans	**Other post-employment benefit plans**	**Long-term rates of return expected**	Pension plans	Other post-employment benefit plans	Long-term rates of return expected	Pension plans	Other post-employment benefit plans	Long-term rates of return expected
Assets of principal plans:									
Equities	**10 274**	**–**	**7.8%**	9 670	–	7.4%	8 050	–	7.9%
Bonds	**3 946**	**–**	**4.9%**	3 854	–	4.2%	3 154	–	4.5%
Property	**1 421**	**–**	**6.3%**	1 326	–	5.8%	1 229	–	6.3%
Other	**1 221**	**–**	**6.3%**	752	–	6.1%	684	–	6.1%
Assets of other plans	**403**	**13**	**7.3%**	387	17	6.9%	288	14	7.2%
	17 265	**13**		15 989	17		13 405	14	
Present value of liabilities:									
Principal plans	**(18 711)**	**–**		(19 081)	–		(16 528)	–	
Other plans	**(722)**	**(925)**		(1 059)	(1 306)		(1 070)	(1 175)	
	(19 433)	**(925)**		(20 140)	(1 306)		(17 598)	(1 175)	
Aggregate net deficit of the plans	**(2 168)**	**(912)**		(4 151)	(1 289)		(4 193)	(1 161)	
Irrecoverable surplus[a]	**–**	**–**		(141)	–		(100)	–	
Pension liability net of assets	**(2 168)**	**(912)**		(4 292)	(1 289)		(4 293)	(1 161)	
Of which in respect of									
Funded plans in surplus:									
Liabilities	**(5 200)**	**–**		(4 728)	–		(4 176)	–	
Assets	**6 897**	**–**		5 905	–		4 901	–	
Aggregate surplus	**1 697**	**–**		1 177	–		725	–	
Irrecoverable surplus[a]	**–**	**–**		(141)	–		(100)	–	
Pension asset net of liabilities	**1 697**	**–**		1 036	–		625	–	
Funded plans in deficit:									
Liabilities	**(11 716)**	**(44)**		(12 444)	(72)		(10 795)	(62)	
Assets	**10 368**	**13**		10 084	17		8 504	14	
Pension liability net of assets	**(1 348)**	**(31)**		(2 360)	(55)		(2 291)	(48)	
Unfunded plans:									
Pension liability	**(2 517)**	**(881)**		(2 968)	(1 234)		(2 627)	(1 113)	

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

The constituents of the 'Principal plans' have been extended during 2006, such that some plans have been moved from 'Other plans' into 'Principal plans'.

Equity securities include Unilever securities amounting to €32 million (0.2% of total plan assets) and €34 million (0.2% of total plan assets) at 31 December 2006 and 2005 respectively. Property includes property occupied by Unilever amounting to €75 million and €73 million at 31 December 2006 and 2005 respectively.

The pension assets above exclude the assets in a Special Benefits Trust amounting to €181 million (2005: €197 million) to fund pension and similar obligations in the US (see also note 11 on page 92).

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 6.8%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 5.6%

20 Pensions and similar obligations (continued)

Income statement

The charge to the income statement comprises:

	€ million 2006	€ million 2005	€ million 2004
Charged to operating profit:			
Defined benefit pension and other benefit plans			
Current service cost	**(369)**	(349)	(327)
Employee contributions	**13**	18	31
Special termination benefits	**(56)**	(73)	(133)
Past service cost	**293**	(12)	(11)
Settlements/curtailments	**48**	95	60
Defined contribution plans	**(61)**	(63)	(65)
Total operating cost	**(132)**	(384)	(445)
Charged to other finance income/(cost):			
Interest on retirement benefits	**(977)**	(984)	(972)
Expected return on assets	**1 018**	931	918
Total other finance income/(cost)	**41**	(53)	(54)
Net impact on the income statement (before tax)	**(91)**	(437)	(499)

Cash flow

Group cash flow in respect of pensions and similar benefits comprises company contributions paid to funded plans and benefits paid by the company in respect of unfunded plans. In 2006, the benefits paid in respect of unfunded plans amounted to €333 million (2005: €328 million; 2004: €324 million). Company contributions to funded defined benefit plans are subject to periodic review, taking account of local legislation. In 2006, contributions to funded defined benefit plans amounted to €758 million (2005: €508 million; 2004: €462 million). Contributions to defined contribution plans including 401k plans amounted to €61 million (2005: €63 million; 2004: €65 million). In 2005, a €15 million refund of assets was received out of unrecognised surplus from Finland. Total contributions by the Group to funded plans, net of refunds, are currently expected to be €371 million in 2007 (2006 Actual: €758 million). Benefit payments by the Group in respect of unfunded plans are currently expected to be about €341 million in 2007 (2006 Actual: €333 million).

Statement of recognised income and expense

Amounts recognised in the statement of recognised income and expense:

	€ million 2006	€ million 2005	€ million 2004	€ million Cumulative since 1 January 2004
Actual return less expected return on pension and other benefit plan assets	**533**	1 592	369	2 494
Experience gains/(losses) arising on pension plan and other benefit plan liabilities	**51**	27	(47)	31
Changes in assumptions underlying the present value of the pension and other benefit plan liabilities	**474**	(1 706)	(1 047)	(2 279)
Actuarial gain/(loss)	**1 058**	(87)	(725)	246
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)	**1 200**	(113)	(723)	364

20 Pensions and similar obligations (continued)

Reconciliation of change in assets and liabilities

Movements in assets and liabilities during the year:

	€ million Assets 2006	€ million Assets 2005	€ million Assets 2004	**€ million Liabilities 2006**	€ million Liabilities 2005	€ million Liabilities 2004
1 January	**16 006**	13 419	12 819	**(21 446)**	(18 773)	(17 880)
Acquisitions/disposals	**(63)**	(3)	–	**123**	18	(6)
Current service cost	**–**	–	–	**(384)**	(367)	(344)
Employee contributions	**14**	19	32	**–**	–	–
Special termination benefits	**–**	–	–	**(54)**	(79)	(135)
Past service costs[b]	**–**	–	–	**293**	(13)	(13)
Settlements/curtailments	**(17)**	(10)	(23)	**76**	105	85
Other finance income	**1 021**	931	918	**–**	–	–
Other finance cost	**–**	–	–	**(982)**	(986)	(976)
Actuarial gain/(loss)	**533**	1 592	369	**525**	(1 679)	(1 094)
Employer contributions	**1 091**	836	786	**–**	–	–
Benefit payments	**(1 267)**	(1 247)	(1 223)	**1 267**	1 247	1 223
Reclassification of benefits[c]	**38**	39	(166)	**(32)**	(140)	166
Currency retranslation	**(78)**	430	(93)	**256**	(779)	201
31 December	**17 278**	16 006	13 419	**(20 358)**	(21 446)	(18 773)

(b) The reduction in liabilities in 2006 includes the €266 million reported on the face of the income statement.
(c) During 2004 some plans changed from defined benefit to defined contribution. During 2005 certain obligations were reclassified as employee benefit obligations.

History of experience gains and losses

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

21 Equity

Consolidated statement of changes in equity	€ million Called up share capital	€ million Share premium account	€ million Other reserves	€ million Retained profit	€ million Total shareholders' equity (Shareholders' equity)	€ million Minority interests	€ million Total equity (Total equity)
1 January 2004	642	1 530	(2 442)	7 006	6 736	439	7 175
Total recognised income and expense for the year	–	–	218	2 156	2 374	167	2 541
Preference dividends	–	–	–	(28)	(28)	–	(28)
Final dividends 2003 on ordinary capital	–	–	–	(1 116)	(1 116)	–	(1 116)
Interim dividends 2004 on ordinary capital	–	–	–	(603)	(603)	–	(603)
(Purchase)/sale/reduction of treasury stock	–	–	(331)	7	(324)	–	(324)
Share-based payment credit[a]	–	–	–	222	222	–	222
Dividends paid to minority shareholders	–	–	–	–	–	(203)	(203)
Currency retranslation gains/(losses) net of tax	–	–	–	1	1	(6)	(5)
Other movements in equity	–	–	–	2	2	(32)	(30)
31 December 2004	642	1 530	(2 555)	7 647	7 264	365	7 629
Accounting policy change – preference shares[b]	(130)	(1 372)	–	–	(1 502)	–	(1 502)
Accounting policy change – other financial instruments[b]	–	–	(19)	407	388	–	388
Equity as restated at 1 January 2005	512	158	(2 574)	8 054	6 150	365	6 515
Total recognised income and expense for the year	–	–	379	3 825	4 204	249	4 453
Final dividends 2004 on ordinary capital	–	–	–	(1 229)	(1 229)	–	(1 229)
Interim dividends 2005 on ordinary capital	–	–	–	(638)	(638)	–	(638)
Conversion of preference shares	–	–	1 129	(199)	930	–	930
(Purchase)/sale/reduction of treasury stock	–	–	(1 262)	–	(1 262)	–	(1 262)
Share-based payment credit[a]	–	–	–	186	186	–	186
Dividends paid to minority shareholders	–	–	–	–	–	(217)	(217)
Currency retranslation gains/(losses) net of tax	–	4	–	–	4	9	13
Other movements in equity	–	–	–	16	16	(2)	14
31 December 2005	**512**	**162**	**(2 328)**	**10 015**	**8 361**	**404**	**8 765**
Total recognised income and expense for the year	**–**	**–**	**(263)**	**5 575**	**5 312**	**242**	**5 554**
Final dividends 2005 on ordinary capital	**–**	**–**	**–**	**(1 269)**	**(1 269)**	**–**	**(1 269)**
Interim dividends 2006 on ordinary capital	**–**	**–**	**–**	**(664)**	**(664)**	**–**	**(664)**
One-off dividend	**–**	**–**	**–**	**(751)**	**(751)**	**–**	**(751)**
(Purchase)/sale/reduction of treasury stock[c]	**–**	**–**	**403**	**(285)**	**118**	**–**	**118**
Share-based payment credit[a]	**–**	**–**	**–**	**111**	**111**	**–**	**111**
Dividends paid to minority shareholders	**–**	**–**	**–**	**–**	**–**	**(184)**	**(184)**
Currency retranslation gains/(losses) net of tax	**(12)**	**3**	**14**	**–**	**5**	**(11)**	**(6)**
Other movements in equity	**(16)**	**–**	**31**	**(8)**	**7**	**(9)**	**(2)**
31 December 2006	**484**	**165**	**(2 143)**	**12 724**	**11 230**	**442**	**11 672**

(a) The share-based payment credit relates to the reversal of the non-cash charge recorded against operating profit in respect of the fair value of share options and awards granted to employees.
(b) From 1 January 2005, Unilever adopted IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'.
(c) Includes transfer from treasury stock to retained profit of share settled schemes arising from prior years and differences between exercise and grant price of share options.

22 Share capital

Called up share capital	€ million 2006	€ million 2005
Ordinary share capital of NV	**274**	290
Ordinary share capital of PLC	**210**	222
	484	512

Ordinary share capital	Number of shares authorised	Authorised 2006	Authorised 2005	Nominal value per share	Number of shares issued	Issued, called up and fully paid 2006	Issued, called up and fully paid 2005
		€ million	€ million			**€ million**	€ million
NV ordinary shares	3 000 000 000	**480**	508	€0.16	1 714 727 700	**274**	290
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	509			**274**	290
		£ million	£ million			**£ million**	£ million
PLC ordinary shares	4 377 075 492	**136.2**	136.2	3 1⁄9p	1 310 156 361	**40.8**	40.8
PLC deferred stock	100 000	**0.1**	0.1	£1 stock	100 000	**0.1**	0.1
Internal holding eliminated on consolidation (£1 stock)		**–**	–			**(0.1)**	(0.1)
		136.3	136.3			**40.8**	40.8
Euro equivalent in millions (at £1.00 = €5.143) (2005: £1.00 = €5.445)						**210**	222

For information on the rights of shareholders of NV and PLC and the operation of the Equalisation Agreement, see Corporate governance on pages 39 to 40.

At the Annual General Meetings of NV and PLC held on 8 May and 9 May 2006 respectively, shareholders approved proposals that the NV ordinary shares be split in the ratio 3 to 1 and that the PLC ordinary shares be consolidated in the ratio 9 to 20. At the same time, amendments were made to NV's Articles of Association to convert into euros the share capital amounts previously denominated in Dutch guilders. Following these changes, which became effective on 22 May 2006, the nominal value of each NV ordinary share is €0.16 and the nominal value of each PLC ordinary share is 3 1⁄9p. In the case of the NV ordinary shares, the new nominal value per share does not, for reasons of rounding, equate exactly to the equivalent value expressed in Dutch guilders. As a result, the reported share capital issued at 31 December 2006 is €16 million lower than in 2005, with a corresponding amount being included in other reserves (see note 23 on page 110). In the case of the PLC ordinary shares, the euro conversion rate is now £1.00 = €5.143. As at 31 December 2005 when the NV shares were denominated in Dutch guilders, the effective rate of exchange was £1.00 = €5.445. This rate change results in a reduction in the euro equivalent of €12 million with a corresponding amount being included in other reserves (see note 23 on page 110). 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. It carried the right to nominate persons for election as Directors at general meetings of shareholders. At NV's AGM held on 8 May 2006 and at PLC's AGM held on 9 May 2006 it was decided to abandon this right. Accordingly, NV's and PLC's Articles of Association were amended so that for an alteration of the provisions within them relating to the unity of management between NV and PLC, prior approval is required from meetings of the holders of the NV Special Shares and the PLC Deferred Stock. The subsidiaries mentioned above have waived their rights to dividends on their ordinary shares in NV.

Share-based compensation

The Group operates a number of share-based compensation plans involving options and awards of ordinary shares of NV and PLC. Full details of these plans are given in note 29 on pages 117 to 121.

23 Other reserves

	€ million NV 2006	€ million NV 2005	€ million NV 2004	€ million PLC 2006	€ million PLC 2005	€ million PLC 2004	€ million Total 2006	€ million Total 2005	€ million Total 2004
Fair value reserves	**9**	(3)	n/a	**7**	(2)	n/a	**16**	(5)	n/a
Cash flow hedges	**4**	(3)	n/a	**(3)**	(2)	n/a	**1**	(5)	n/a
Available-for-sale financial assets	**5**	–	n/a	**10**	–	n/a	**15**	–	n/a
Currency retranslation of group companies	**318**	548	160	**(19)**	35	58	**299**	583	218
Adjustment on translation of PLC's ordinary capital at 3 1/9p = €0.16	**–**	–	–	**(150)**	(164)	(164)	**(150)**	(164)	(164)
Capital redemption reserve	**16**	–	–	**16**	16	16	**32**	16	16
Book value treasury stock	**(1 623)**	(2 010)	(2 065)	**(717)**	(748)	(560)	**(2 340)**	(2 758)	(2 625)
	(1 280)	(1 465)	(1 905)	**(863)**	(863)	(650)	**(2 143)**	(2 328)	(2 555)

Cash flow hedges – movements during the year	€ million 2006	€ million 2005
1 January	**(5)**	(19)
Additions	**12**	9
Transfers to income statement	**(4)**	1
Transfers to inventories/non-current assets	**(2)**	4
31 December	**1**	(5)

Unilever acquired 3 010 666 ordinary shares of NV and 3 010 465 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 2006 is 70 319 259 (2005: 74 179 011) NV shares and 64 656 456 (2005: 71 332 301) PLC shares. Of these, 55 514 379 NV shares and 53 100 244 PLC shares were held in connection with share-based compensation plans (see note 29 on pages 117 to 121).

Treasury stock – movements during the year	€ million 2006	€ million 2005
1 January	**(2 758)**	(2 625)
Utilised for preference shares conversion at average book value	**–**	1 129
Purchases and other utilisations	**418**	(1 262)
31 December	**(2 340)**	(2 758)

Currency retranslation reserve – movements during the year	€ million 2006	€ million 2005
1 January	**583**	218
Currency retranslation during the year	**495**	92
Movement in net investment hedges	**(779)**	332
Recycled to income statement	**–**	(59)
31 December	**299**	583

24 Retained profit

Movements during the year	€ million NV 2006	€ million NV 2005	€ million NV 2004	€ million PLC 2006	€ million PLC 2005	€ million PLC 2004	€ million Total 2006	€ million Total 2005	€ million Total 2004
31 December 2004		8 331			(684)			7 647	
Accounting policy change for financial instruments[(a)]		(1 500)			1 907			407	
1 January	**8 721**	6 831	7 321	**1 294**	1 223	(315)	**10 015**	8 054	7 006
Recognised income and expense through retained profit	**3 727**	3 092	1 520	**1 848**	733	636	**5 575**	3 825	2 156
Preference dividends[(b)]	**–**	–	(28)	**–**	–	–	**–**	–	(28)
Final dividends 2003 on ordinary capital	**–**	–	(630)	**–**	–	(486)	**–**	–	(1 116)
Interim dividends 2004 on ordinary capital	**–**	–	(343)	**–**	–	(260)	**–**	–	(603)
Final dividends 2004 on ordinary capital	**–**	(710)	–	**–**	(519)	–	**–**	(1 229)	–
Interim dividends 2005 on ordinary capital	**–**	(363)	–	**–**	(275)	–	**–**	(638)	–
Final dividends 2005 on ordinary capital	**(722)**	–	–	**(547)**	–	–	**(1 269)**	–	–
Interim dividends 2006 on ordinary capital	**(379)**	–	–	**(285)**	–	–	**(664)**	–	–
One-off dividend	**(428)**	–	–	**(323)**	–	–	**(751)**	–	–
Conversion of preference shares	**–**	(199)	–	**–**	–	–	**–**	(199)	–
Utilisation of treasury stock	**(217)**	–	7	**(68)**	–	–	**(285)**	–	7
Share-based compensation credit[(c)]	**70**	132	152	**41**	54	70	**111**	186	222
Adjustment arising from change in structure of group companies[(d)]	**(2 368)**	(70)	332	**2 368**	70	(332)	**–**	–	–
Other movements in retained profit	**–**	8	–	**(8)**	8	3	**(8)**	16	3
31 December	**8 404**	8 721	8 331	**4 320**	1 294	(684)	**12 724**	10 015	7 647
Of which retained by:									
Parent companies	**9 755**	9 463	7 693	**2 306**	2 145	1 553	**12 061**	11 608	9 246
Other group companies	**(1 294)**	(668)	731	**2 006**	(837)	(2 235)	**712**	(1 505)	(1 504)
Joint ventures and associates	**(57)**	(74)	(93)	**8**	(14)	(2)	**(49)**	(88)	(95)
	8 404	8 721	8 331	**4 320**	1 294	(684)	**12 724**	10 015	7 647

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

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

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

(d) 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 Unilever PLC to that of Unilever N.V. does not differ substantially from the ratio of the dividend entitlement of ordinary shareholders in Unilever PLC to that of ordinary shareholders in Unilever N.V. Therefore, 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, have been transferred from Unilever N.V. to Unilever 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 Unilever N.V. part of the Group has instead been paid to a company within the Unilever PLC part of the Group. Re-organisations of group companies have produced similar types of adjustments in previous years.

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

25 Commitments and contingent liabilities

Long-term finance lease commitments	€ million Future minimum lease payments 2006	€ million Finance cost 2006	€ million Present value 2006	€ million Future minimum lease payments 2005	€ million Finance cost 2005	€ million Present value 2005
Buildings[(a)]	**137**	**94**	**43**	160	95	65
Plant and machinery	**159**	**15**	**144**	170	18	152
	296	**109**	**187**	330	113	217
The commitments fall due as follows:						
Within 1 year	**71**	**10**	**61**	75	11	64
After 1 year but within 2 years	**68**	**8**	**60**	60	10	50
After 2 years but within 3 years	**22**	**6**	**16**	56	6	50
After 3 years but within 4 years	**17**	**6**	**11**	14	6	8
After 4 years but within 5 years	**10**	**5**	**5**	13	6	7
After 5 years	**108**	**74**	**34**	112	74	38
	296	**109**	**187**	330	113	217

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

Long-term operating lease commitments	€ million 2006	€ million 2005
Land and buildings	**1 257**	1 472
Plant and machinery	**360**	459
	1 617	1 931

Operating lease and other commitments fall due as follows	€ million Operating leases 2006	€ million Operating leases 2005	€ million Other commit-ments 2006	€ million Other commit-ments 2005
Within 1 year	**342**	339	**471**	365
After 1 year but within 2 years	**294**	297	**261**	323
After 2 years but within 3 years	**243**	267	**192**	62
After 3 years but within 4 years	**182**	222	**175**	40
After 4 years but within 5 years	**156**	209	**153**	23
After 5 years	**400**	597	**528**	18
	1 617	1 931	**1 780**	831

The Group has sublet part of the leased properties under operating leases. Future minimum sublease payments of €16 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 90. The increase in other commitments as at 31 December 2006 is due to outsourcing initiatives.

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

Examples of the first type of contingent liability arise in respect of litigation against group companies, investigations by competition, regulatory and fiscal authorities and obligations arising under environmental legislation. The estimated total of such contingent liabilities at 31 December 2006 was some €439 million (2005: €349 million). This includes amounts relating to some of the legal proceedings mentioned on page 8.

Examples of the second type of contingent liability are guarantees issued by group companies. At 31 December 2006 these amounted to some €105 million (2005: €113 million). Included in this are discounted trade bills with a value of €23 million (2005: €25 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 2006 was €41 million (2005: €39 million). The fair value of guarantees is not material in either 2005 or 2006.

26 Acquisitions and disposals

Acquisitions

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 92).

The following table sets out the effect of acquisitions of group companies in 2006, 2005 and 2004 on the consolidated balance sheet. The fair values currently established for all acquisitions made in 2006 are provisional. The goodwill arising on these transactions has been capitalised and is subject to an annual review for impairment (or more frequently if necessary) in accordance with our accounting policies as set out in note 1 on page 74. Any impairment is charged to the income statement as it arises. Detailed information relating to goodwill is given in note 9 on pages 88 and 89.

Acquisitions	**€ million 2006**	€ million 2005	€ million 2004
Net assets acquired	**42**	7	33
Goodwill arising in subsidiaries	**60**	13	7
Consideration	**102**	20	40

Consideration consisted wholly of cash.

Disposals

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

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

The principal disposals in 2005 were UCI across the world, Stanton Oil in UK and Ireland, Dextro in various countries in Europe, Opal in Peru, Karo and Knax in Mexico, spreads and cooking products in Australia and in New Zealand, Crispa, Mentadent, Marmite, Bovril and Maizena in South Africa, frozen pizza in Austria, Biopon in Hungary and tea plantations in India.

In March 2005 Unilever completed the restructuring of its Portuguese foods business. Before the restructuring Unilever Portugal held an interest in FIMA/VG – Distribuição de Produtos Alimentares, Lda. (FIMA) foods business, a joint venture with Jerónimo Martins Group, in addition to its wholly owned Bestfoods business acquired in 2000. As a result of the transaction the two foods businesses – FIMA and Unilever Bestfoods Portugal – were unified and the joint venture stakes were re-balanced so that Unilever hold 49% of the combined foods business and Jerónimo Martins Group 51%. During the year, Unilever signed an agreement with Jerónimo Martins to restructure the ownership of the Portuguese operations effective 1 January 2007. Further information is provided in note 33 on page 123.

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

Disposals	**€ million 2006**	€ million 2005	€ million 2004
Goodwill and intangible assets	**1**	150	23
Other non-current assets	**242**	78	52
Current assets	**354**	207	145
Trade creditors and other payables	**(157)**	(106)	(34)
Provisions for liabilities and charges	**(91)**	(15)	(9)
Minority interest	**–**	(1)	(25)
Net assets sold	**349**	313	152
(Gain)/loss on recycling of currency retranslation on disposal	**–**	(5)	2
Profit on sale attributable to Unilever	**1 528**	655	338
Consideration	**1 877**	963	492
Cash	**1 870**	845	417
Cash balances of businesses sold	**–**	(17)	(4)
Financial assets, cash deposits and borrowings of businesses sold	**(5)**	8	39
Non-cash items and deferred consideration	**12**	26	40
Payment received in prior year	**–**	101	–

Financial Statements (continued)

27 Assets held for sale and discontinued operations

Following the announcement on 9 February 2006 of the intention to dispose of the majority of Unilever's European frozen foods businesses, the results of these businesses have been presented as discontinued operations. The sale of these businesses to Permira Funds was completed on 3 November 2006. Also included under this heading are the results of Unilever Cosmetics International (UCI) following the sale of this business to Coty Inc. in July 2005.

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

Income statement of discontinued operations	**€ million 2006**	€ million 2005	€ million 2004
Turnover	**1 033**	1 501	1 940
Expenses	**(863)**	(1 253)	(1 648)
Operating profit	**170**	248	292
Net finance costs	**(3)**	(6)	(7)
Profit before tax	**167**	242	285
Taxation	**(25)**	(72)	(98)
Profit after taxation	**142**	170	187
Gain/(loss) on disposal of discontinued operations	**1 349**	513	39
Recycling of currency retranslation upon disposal	**–**	5	–
Taxation arising on disposal	**(161)**	(48)	(13)
Gain/(loss) after taxation on disposal	**1 188**	470	26
Net profit from discontinued operations	**1 330**	640	213

Segment analysis of discontinued operations	**€ million 2006**	€ million 2005	€ million 2004
Turnover			
Europe	**1 033**	1 397	1 702
The Americas	**–**	102	231
Asia Africa	**–**	2	7
	1 033	1 501	1 940
Foods	**1 033**	1 271	1 398
Personal care	**–**	230	542
	1 033	1 501	1 940
Operating profit			
Europe	**170**	227	241
The Americas	**–**	20	47
Asia Africa	**–**	1	4
	170	248	292
Foods	**164**	226	219
Personal care	**6**	22	73
	170	248	292

Summary cash flow statement of discontinued operations	**€ million 2006**	€ million 2005	€ million 2004
Net cash flow from/(used in) operating activities	**79**	62	314
Net cash flow from/(used in) investing activities	**1 618**	621	44
Net cash flow from/(used in) financing activities	**(1)**	(4)	(5)
Net increase/(decrease) in cash and cash equivalents	**1 696**	679	353

27 Assets held for sale and discontinued operations (continued)

Various non-current assets were held for sale at the year end, including a number of other production and distribution facilities.

Assets classified as held for sale	€ million 2006	€ million 2005
Disposal groups held for sale		
Goodwill	–	–
Intangible assets	–	–
Property, plant and equipment	–	42
Biological assets	–	21
Other non-current investments	–	–
Inventories	–	18
Trade and other receivables	–	6
Cash and cash equivalents	–	1
	–	88
Non-current assets held for sale		
Property, plant and equipment	**14**	129
	14	217

Liabilities classified as held for sale (part of disposal groups)	€ million 2006	€ million 2005
Trade payables and other liabilities	–	(16)
Restructuring and other provisions	–	–
Pension liability for unfunded schemes	–	(1)
Deferred taxation	–	(9)
	–	(26)

Total assets at 31 December 2006 are included in the geographical segments as follows: Europe €9 million; The Americas €4 million; and Asia Africa €1 million.

28 Reconciliation of net profit to cash flow from operating activities

Cash flow from operating activities	€ million 2006	€ million 2005	€ million 2004
Net profit	**5 015**	3 975	2 941
Taxation	**1 332**	1 301	836
Share of net profit of joint ventures/associates and other income from non-current investments	**(144)**	(55)	(95)
Net finance costs	**725**	618	631
Finance income	**(138)**	(130)	(145)
Finance cost	**602**	693	717
Preference shares provision	**300**	–	–
Pensions and similar obligations	**(39)**	55	59
Depreciation, amortisation and impairment	**982**	1 274	2 063
Changes in working capital	**87**	193	547
Inventories	**(156)**	(153)	221
Trade and other current receivables	**(172)**	(36)	298
Trade payables and other current liabilities	**415**	382	28
Pensions and similar provisions less payments	**(1 038)**	(532)	(472)
Provisions less payments	**107**	(230)	574
Elimination of (profits)/losses on disposals	**(1 620)**	(789)	(308)
Non-cash charge for share-based compensation	**120**	192	218
Other adjustments	**8**	(23)	(10)
Cash flow from operating activities	**5 574**	5 924	6 925

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

Major non-cash transactions

During 2006 the Group has taken a provision of €300 million for possible compensation payments relating to the 2005 conversion of preference shares, issued by Unilever N.V. in 1999.

During 2006 the Group entered into new finance lease arrangements in respect of equipment with a capital value at inception of the lease of €51 million (2005: €49 million).

On 15 February 2005 €1 129 million of treasury stock was used in the conversion of the €0.05 preference shares into ordinary NV shares.

29 Share-based compensation plans

As at 31 December 2006, the Group had a number of share-based compensation plans:

(i) All-Employee Share Option Plans
Local All-Employee Share Option Plans have been set up in 15 countries to enhance employee involvement with Unilever and its performance by providing a potential financial benefit linked to the Unilever share price. There are no individual performance targets to be met. The plans permit participation by all permanent employees in the country where the relevant plan applies.

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

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

(iv) TSR Long-Term Incentive Plan
This plan was introduced in 2001 and, depending on the TSR ranking (see page 27) of Unilever in comparison with its peer group, it will potentially award top executives on the vesting date three years later with between 0% and 200% of the original conditional award.

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

(vi) Other plans
These comprise a Share Matching Plan, a Restricted Share Plan, and a cash-settled share-based retention plan.

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

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

The numbers in this note include those for Executive Directors shown in the report of the Remuneration Committee on pages 49 to 62 and those for key management personnel shown in note 31 on page 122. No awards were made to Executive Directors in 2004, 2005 and 2006 under the North America Performance Share Programme, the Restricted Share Plan or the cash-settled share-based retention plan. Non-Executive Directors do not participate in any of the share-based compensation plans.

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

	€ million 2006	€ million 2005	€ million 2004
All-Employee Share Option Plans	**(12)**	(13)	(17)
Executive Option Plans	**(29)**	(63)	(105)
Global Performance Share Plan	**(17)**	(15)	–
TSR Long-Term Incentive Plan	**(9)**	(10)	(9)
North America Performance Share Programme	**(31)**	(63)	(64)
Other Plans	**(22)**	(28)	(23)
	(120)	(192)	(218)

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

In the tables for each plan or group of plans, option or award valuations are given on the basis of the weighted average of options or awards granted during each period. For plans involving options, the fair value per option is estimated using the Black-Scholes option pricing method. The expected option terms are based on historic data. Figures for expected volatility are set with regard to historic volatility over the last six years. The expected dividend yield is based on the dividend yield in the year of grant. Forfeiture rates are set annually with regard to historic forfeiture rates.

29 Share-based compensation plans (continued)

(i) All-Employee Share Option Plans

Unilever has All-Employee Share Option Plans in 15 countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and Switzerland, and with a share save element in South Africa and the United Kingdom.

The vesting periods range between three and five years (Netherlands nil) and the maximum term is five years.

A summary of the status of the All-Employee Plans as at 31 December 2006, 2005 and 2004 and changes during the years ended on these dates is presented below:

	Number of options	**2006 Weighted average exercise price**	Number of options	2005 Weighted average exercise price	Number of options	2004 Weighted average exercise price
Outstanding at 1 January	**20 467 554**	**€19.11**	22 155 623	€18.77	21 564 274	€18.71
Granted	**4 356 278**	**€17.65**	4 884 012	€17.62	4 830 401	€17.79
Exercised	**(1 921 936)**	**€17.32**	(3 077 008)	€15.59	(563 445)	€14.21
Forfeited	**(1 683 941)**	**€19.18**	(1 967 127)	€18.91	(2 150 074)	€18.22
Expired	**(3 224 609)**	**€21.35**	(1 527 946)	€17.93	(1 525 533)	€19.12
Outstanding at 31 December	**17 993 346**	**€18.54**	20 467 554	€19.02	22 155 623	€18.64
Exercisable at 31 December	**6 484 654**	**€19.66**	6 819 376	€20.88	5 988 657	€19.71

The weighted average market price of the shares at the time of exercise was €19.92 (2005: €18.34; 2004: €17.12). As at 1 January 2006 there were 13 648 178 non-vested options at a weighted average fair value of €3.59. As at 31 December 2006 there were 11 508 692 non-vested options at a weighted average fair value of €3.30. During 2006 there were 5 132 333 options vested at a weighted average fair value of €3.83.

	2006	2005	2004
Option value information			
Fair value per option	**€3.10**	€3.01	€3.18
Valuation assumptions:			
Expected option term	**3.5 years**	3.5 years	3.4 years
Expected volatility	**27.5%**	27.5%	27.5%
Expected dividend yield	**3.8%**	3.6%	3.3%
Risk-free interest rate	**3.8%**	2.9%	3.5%

The exercise prices and remaining life of the All-Employee Option Plans as at 31 December 2006 are as follows:

			Options outstanding		Options exercisable
Range of exercise prices	Number outstanding at 31 December 2006	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 31 December 2006	Weighted average exercise price
€17.00 – €23.34	**17 993 346**	**3 years**	**€18.54**	**6 484 654**	**€19.66**

29 Share-based compensation plans (continued)

(ii) Executive Option Plans

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

NV Executive Option Plan and PLC Executive Option Plan

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

North America Executive Stock Option Programme

This programme is covered by the Unilever North America 2002 Omnibus Equity Compensation Plan and provides for the granting of options to purchase a maximum of 121.5 million shares in Unilever N.V. of the New York Registry, and 117.9 million shares of Unilever PLC, at a price not lower than the market value on the day the options are granted. These options become exercisable over a three-year period from the date of grant and have a maximum term of ten years.

Managers working in India can participate in an Executive Option Plan relating to Hindustan Lever Limited's shares. As these are neither NV nor PLC shares, no figures for this plan are disclosed in this note, but the fair value costs for 2006 €1 million (2005: €2 million; 2004: €3 million) and are included in the costs of Executive Option Plans on page 117.

A summary of the status of the Executive Option Plans as at 31 December 2006, 2005 and 2004 and changes during the years ended on these dates is presented below:

	Number of options	**2006 Weighted average exercise price**	Number of options	2005 Weighted average exercise price	Number of options	2004 Weighted average exercise price
Outstanding at 1 January	**94 304 917**	**€18.16**	106 817 066	€18.18	101 146 875	€17.45
Granted	**–**	**–**	994 780	€17.07	16 785 813	€17.03
Exercised	**(12 458 411)**	**€16.80**	(6 387 147)	€15.34	(5 079 787)	€12.41
Forfeited	**(3 487 375)**	**€19.76**	(7 078 325)	€19.19	(6 035 835)	€18.34
Expired	**(55 912)**	**€13.87**	(41 457)	€18.00	–	–
Outstanding at 31 December	**78 303 219**	**€18.31**	94 304 917	€18.29	106 817 066	€17.57
Exercisable at 31 December	**64 704 677**	**€18.46**	59 766 857	€18.39	49 223 513	€16.54

The weighted average market price of the shares at the time of exercise was €19.64 (2005: €18.82; 2004:€17.13). As at 1 January 2006 there were 34 538 060 non-vested options at a weighted average fair value of €4.13. As at 31 December 2006 there were 13 598 542 non-vested options at a weighted average fair value of €3.82. During 2006 21 234 947 options vested at a weighted average fair value of €4.32.

	2006	2005	2004
Option value information			
Fair value per option	**–**	€3.67	€3.72
Valuation assumptions:			
Expected option term	**–**	6.0 years	5.9 years
Expected volatility	**–**	27.5%	27.5%
Expected dividend yield	**–**	3.8%	3.4%
Risk-free interest rate	**–**	4.0%	3.7%

The exercise prices and remaining life of the Executive Option Plans as at 31 December 2006 are as follows:

			Options outstanding		Options exercisable
Range of exercise prices	Number outstanding at 31 December 2006	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 31 December 2006	Weighted average exercise price
€8.58 – €11.65	**1 165 006**	**4 years**	**€11.51**	**1 165 006**	**€11.51**
€12.34 – €16.91	**16 001 431**	**5 years**	**€15.10**	**14 608 402**	**€14.95**
€17.19 – €24.66	**61 136 782**	**5 years**	**€19.28**	**48 931 269**	**€19.68**

29 Share-based compensation plans (continued)

(iii) Global Performance Share Plan

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

A summary of the status of the GPSP as at 31 December 2006 and 2005 and changes during the year is presented below:

	2006 Number of shares	2005 Number of shares
Outstanding at 1 January	**3 770 644**	–
Awarded	**3 426 757**	3 771 268
Vested	**–**	–
Forfeited	**(470 972)**	(624)
Outstanding at 31 December	**6 726 429**	3 770 644
Exercisable at 31 December	**–**	–

	2006	2005
Share award value information		
Fair value per share award	**€17.07**	€15.98

As at 1 January 2006 there were 3 770 644 non-vested share awards at a weighted average fair value of €15.87. As at 31 December 2006 there were 6 726 429 non-vested share awards at a weighted average fair value of €16.47. During 2006 no share awards vested.

(iv) TSR Long-Term Incentive Plan

Under this plan, introduced in 2001, grants are made to Executive Directors and some senior executives. The level of share award which will vest three years later will vary in accordance with the Total Shareholder Return in comparison with a peer group (see description on page 27). If the ranking is below the median, the share award will lapse; the higher the ranking above the median, the higher the share award. The amount to be paid to the company by participants to obtain the shares at vesting is zero.

A summary of the status of the TSR Long-Term Incentive Plan as at 31 December 2006, 2005 and 2004 and changes during the year ended on these dates is presented below:

	2006 Number of shares	2005 Number of shares	2004 Number of shares
Outstanding at 1 January	**2 150 450**	2 180 626	1 994 258
Awarded	**602 347**	689 495	734 699
Vested[(a)]	**–**	–	(454 759)
Forfeited	**(33 971)**	(21 944)	(93 572)
Expired[(b)]	**(771 570)**	(697 727)	–
Outstanding at 31 December	**1 947 256**	2 150 450	2 180 626
Exercisable at 31 December	**–**	**–**	–

(a) 2001 award vested 100% as ranking was 6th.
(b) 2002 and 2003 awards expired (zero vesting) as rankings were 13th and 14th respectively.

	2006	2005	2004
Share award value information			
Fair value per share award[(c)]	**€14.08**	€13.48	€13.68

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

As at 1 January 2006 there were 2 150 450 non-vested share awards at a weighted average fair value of €14.13. As at 31 December 2006 there were 1 947 256 non-vested share awards at a weighted average fair value of €13.83. During 2006 there were 771 570 share awards at a weighted average fair value of €14.84 which expired on the vesting date.

29 Share-based compensation plans (continued)

(v) North America Performance Share Programme

This long-term incentive plan for North American managers, introduced in 2001, awards Unilever shares if 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 North America Performance Share Programme as at 31 December 2006, 2005 and 2004 and changes during the years ended on these dates is presented below:

	2006 Number of shares	2005 Number of shares	2004 Number of shares
Outstanding at 1 January	**9 516 348**	10 749 007	11 255 341
Awarded	**2 735 732**	2 742 984	3 456 287
Vested	**(3 057 630)**	(3 510 939)	(3 819 424)
Forfeited	**(650 699)**	(464 704)	(143 197)
Outstanding at 31 December	**8 543 751**	9 516 348	10 749 007
Exercisable at 31 December	**–**	–	–

	2006	2005	2004
Share award value information			
Fair value per share award	**€17.42**	€19.02	€15.88

As at 1 January 2006 there were 9 516 348 non-vested share awards at a weighted average fair value of €16.14. As at 31 December 2006 there were 8 543 751 non-vested share awards at a weighted average fair value of €16.93. During 2006 there were 3 189 363 share awards vested at a weighted average fair value of €15.12.

(vi) Other Plans

The Group also provides a Share Matching Plan, a Restricted Share Plan, and a cash-settled share-based retention plan.

Additional information

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

At 31 December 2006, there were options outstanding to purchase 87 114 773 (2005: 99 687 447) ordinary shares in NV or PLC in respect of share-based compensation plans of NV and its subsidiaries and the North American plans, and 28 832 519 (2005: 33 703 439) 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 91 935 752 (2005: 99 695 763) ordinary shares of NV or PLC, and trusts in Jersey and the United Kingdom hold 16 678 871 (2005: 19 454 453) 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 3 1/9p ordinary share. Shares acquired during 2006 represent 0.2% of the Group's called up capital. The balance at year end is 3.6% (2005: 3.9%).

The book value of €1 836 million (2005: €2 258 million) of all shares held in respect of share-based compensation plans for both NV and PLC is eliminated on consolidation by deduction from other reserves (see note 23 on page 110). Their market value at 31 December 2006 was €2 279 million (2005: €2 261 million).

At 31 December 2006 the exercise price of 14 989 001 (2005: 43 740 558) 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 2006 this includes €7 million (2005: €7 million) for shares held to meet options expiring in the short term which are priced above market value. The basis of the charge to operating profit for the economic value of options granted is discussed on page 117.

Obligations over the following number of shares were granted, exercised, forfeited or expired between 31 December 2006 and 1 March 2007. In this period we have also, in line with prior years practice, purchased 206 871 NV New York Registry Shares and 259 522 PLC shares in the form of ADRs to satisfy awards under the North America Executive Option and Share Matching Plans.

	Granted	Exercised, forfeited or expired
	Numbers of shares	Numbers of shares
All-Employee Option Plans	–	443 488
Executive Option Plans	–	3 006 729
Global Performance Share Plan	–	20 083
TSR Long-Term Incentive Plan	–	–
North America Performance Share Programme	–	91 187

Financial Statements (continued)

30 Related party transactions

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

Related party balances	€ million 2006	€ million 2005
Trading and other balances due (to)/from joint ventures	**91**	85
Trading balances due (to)/from associates	**(14)**	(8)

Joint ventures
As discussed in note 33 on page 123, Unilever completed the restructuring of its Portuguese business as at 1 January 2007. Balances owed by FIMA at 31 December 2006 were €91 million (2005: €85 million).

Associates
Following the sale of DiverseyLever, our institutional and industrial cleaning business, to Johnson Professional Holdings Inc. in 2002, Unilever has a one-third equity stake in the combined JohnsonDiversey business, with an option to exit the business from 2007. This option had a fair value of zero at 31 December 2006 and 31 December 2005. At 31 December 2006 the outstanding balance payable to JohnsonDiversey Holdings Inc. was €14 million (2005: €8 million). Sales agency fees to JohnsonDiversey were incurred of approximately €68 million in 2006 (2005: €76 million; 2004: €68 million).

Langholm Capital Partners invests in private European companies with above-average longer-term growth prospects. It has invested in: Lumene OY, a Finnish personal care business specialising in natural personal care for fair skins in harsh climates; Dorset Cereals, a UK manufacturer of cereal products aimed at the healthy eating and luxury niche of the cereals market; Just Retirement, a specialist financial services company based in the UK, providing customised retirement solution for those in and approaching retirement, and Elvi, a UK retailer of plus-size women's clothing with 25 owned shops and 66 concession outlets. An IPO of Just Retirement took place in 2006. As a result of sale of shares during the IPO, Langholm returned €13 million to Unilever. Langholm remains a majority shareholder of Just Retirement. To build business opportunities that fit our core business interests in Foods and Home and Personal Care, we have committed €97 million to Langholm Capital Partners on a total of €242 million funds raised. At 31 December 2006, the outstanding balance with Langholm Capital Partners was €45 million (not material in 2005).

Other related parties
In September 2006 Harish Manwani, President Asia Africa and member of the Unilever Executive Team, and his wife purchased an apartment from Hindustan Lever 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. Mr Manwani is also Non-Executive Chairman of Hindustan Lever Limited a company listed on, among others, the National Stock Exchange of India and the Bombay Stock Exchange. The independent Directors of Hindustan Lever Limited, including the Chairman of the Audit Committee were fully consulted.

31 Key management personnel

For 2004 key management personnel included the Executive Directors, Non-Executive Directors and Business Presidents described on pages 68 and 69 of the 2004 Report and Accounts. Following a change in the management structure which took place in 2005 key management for 2005 and 2006 for reporting purposes became the members of the UEx together with the Non-Executive Directors described on page 46.

Key management compensation	€ million 2006	€ million 2005	€ million 2004
Salaries and short-term employee benefits	**(14)**	(13)	(21)
Non-Executive Directors' fees	**(1)**	(1)	(1)
Post-employment benefits	**(3)**	(4)	(5)
Other long-term benefits (all share-based)	**(2)**	(1)	(13)
Termination payments	**–**	(1)	(2)
	(20)	(20)	(42)
Of which:			
Executive Directors	**(11)**	(16)	(24)
Non-Executive Directors	**(1)**	(1)	(1)
Other	**(8)**	(3)	(17)
	(20)	(20)	(42)

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

32 Remuneration of auditors

Remuneration of auditors is required to be presented in accordance with the requirements of The Companies (Disclosure of Auditor Remuneration) Regulations 2005 (the 'legislation') for the first time in 2006. Comparative amounts for 2004 and 2005 have been restated on this basis.

	€ million 2006	€ million 2005	€ million 2004
Fees payable to PricewaterhouseCoopers[a] for the audit of the annual accounts of Unilever N.V. and Unilever PLC	**(6)**	(4)	(4)
Fees payable to PricewaterhouseCoopers[b] for the audit of accounts of subsidiaries of Unilever N.V. and Unilever PLC pursuant to the legislation	**(20)**	(11)	(10)
Total statutory audit fees[c]	**(26)**	(15)	(14)
Other services supplied pursuant to such legislation[d]	**(1)**	(2)	(3)
Other services relevant to taxation	**(2)**	(3)	(4)
Services relating to corporate finance transactions[e]	**(2)**	(1)	(1)
All other services[f]	**(1)**	(2)	(3)

(a) Of which:
€1 million was paid to PricewaterhouseCoopers Accountants N.V. (2005: €1 million; 2004: €1 million); and
€5 million was paid to PricewaterhouseCoopers LLP (2005: €3 million; 2004: €3 million).
(b) Comprises fees paid to the network of separate and independent member firms of PricewaterhouseCoopers International Limited for audit work on statutory financial statements and group reporting returns of subsidiary companies.
(c) In addition, €1 million of statutory audit fees were payable to PricewaterhouseCoopers in respect of services supplied to associated pension schemes (2005: €1 million; 2004: €1 million).
(d) Comprises other audit services, including audit and similar work that regulatory 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 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 will be accounted for by Unilever as a joint venture.