Disclaimer

This PDF is a section of the Unilever Annual Report and Accounts 2009 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 2009 should be consulted.

Certain sections of the Unilever Annual Report and Accounts 2009 have been audited. These are on pages 79 to 128, 131 to 132 and those parts noted as audited within the Directors' Remuneration Report on pages 71 to 73.

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.

Statement of Directors' responsibilities

Annual accounts

The Directors are required by Part 9 of Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 2006 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Unilever Group, and the NV and PLC entities as at the end of the financial year and of the profit or loss and cash flows for that year.

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

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

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

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

UK law sets out additional responsibilities for the Directors of PLC regarding disclosure of information to auditors. Disclosure in respect of these responsibilities is made on page 143.

Directors' responsibility statement

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

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

The Directors and their functions are listed on pages 22 and 23.

Going concern

The activities of the Group, together with the factors likely to affect its future development, performance and position are set out on pages 1 to 21 and 25 to 36. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review 2009 on pages 37 to 46 and the Financial Review 2008 on pages 47 to 49. In addition, we describe in note 15 on pages 104 to 110: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

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

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

Internal and disclosure controls and procedures

Please refer to pages 30 to 34 for a discussion of Unilever's principal risk factors and to page 35 for commentary on the Group's approach to risk management and control.

Auditor's report Netherlands

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

Report on the consolidated financial statements

We have audited the consolidated financial statements which are part of the Annual Report 2009 of the Unilever Group for the year ended 31 December 2009 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes on pages 79 to 128 and 131 to 132.

We have reported separately on the company accounts of Unilever N.V. for the year ended 31 December 2009.

Directors' responsibility

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and as issued by the International Accounting Standards Board and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements 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 financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 financial statements 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 financial statements.

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 financial statements give a true and fair view of the financial position of the Unilever Group as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and as issued by the International Accounting Standards Board and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Rotterdam, The Netherlands, 2 March 2010
PricewaterhouseCoopers Accountants N.V.

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Auditor's report United Kingdom

Independent auditors' report to the members of Unilever PLC on the consolidated financial stetements

We have audited the consolidated financial statements of the Unilever Group for the year ended 31 December 2009 which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, the related notes on pages 79 to 128, and principal group companies and non-current investments on pages 131 and 132. These consolidated financial statements have been prepared under the accounting policies set out in note 1 on pages 83 to 86. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 76, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the shareholders of Unilever PLC as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRS as issued by the IASB

As explained in note 1 to the consolidated financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board, (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 76, in relation to going concern; and
- the part of the Corporate Governance statement relating to the company's compliance with the nine provisions of the 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company accounts of Unilever PLC for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Richard Sexton
(Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
2 March 2010

Consolidated income statement

for the year ended 31 December

	€ million 2009	€ million 2008	€ million 2007
Continuing operations			
Turnover 2	**39,823**	40,523	40,187
Operating profit 2	**5,020**	7,167	5,245
After (charging)/crediting:			
Restructuring 3	**(897)**	(868)	(875)
Business disposals, impairments and other 3	**29**	2,137	306
Net finance costs 5	**(593)**	(257)	(252)
Finance income	**75**	106	147
Finance costs	**(504)**	(506)	(557)
Pensions and similar obligations	**(164)**	143	158
Share of net profit/(loss) of joint ventures 11	**111**	125	102
Share of net profit/(loss) of associates 11	**4**	6	50
Other income from non-current investments 11	**374**	88	39
Profit before taxation	**4,916**	7,129	5,184
Taxation 6	**(1,257)**	(1,844)	(1,128)
Net profit from continuing operations	**3,659**	5,285	4,056
Profit for the year from discontinued operations 27	**–**	–	80
Net profit	**3,659**	5,285	4,136
Attributable to:			
Minority interests	**289**	258	248
Shareholders' equity	**3,370**	5,027	3,888
Combined earnings per share 7			
From continuing operations			
Basic earnings per share	**€1.21**	€1.79	€1.32
Diluted earnings per share	**€1.17**	€1.73	€1.28
From discontinued operations			
Basic earnings per share	**–**	–	€0.03
Diluted earnings per share	**–**	–	€0.03
From total operations			
Basic earnings per share	**€1.21**	€1.79	€1.35
Diluted earnings per share	**€1.17**	€1.73	€1.31

References in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet and consolidated cash flow statement relate to notes on pages 83 to 128, which form an integral part of the consolidated financial statements.

Accounting policies of the Unilever Group are set out in note 1 on pages 83 to 86.

Financial statements Unilever Group

Consolidated statement of comprehensive income
for the year ended 31 December

	€ million 2009	€ million 2008	€ million 2007
Fair value gains/(losses) net of tax:			
On cash flow hedges	**40**	(118)	84
On available-for-sale financial assets	**65**	(46)	2
Actuarial gains/(losses) on pension schemes net of tax	**18**	(2,293)	542
Currency retranslation gains/(losses) net of tax[(a)]	**396**	(1,688)	(413)
Net income/(expense) recognised directly in equity	**519**	(4,145)	215
Net profit	**3,659**	5,285	4,136
Total comprehensive income 20	**4,178**	1,140	4,351
Attributable to:			
Minority interests	**301**	205	237
Shareholders' equity	**3,877**	935	4,114

(a) Includes fair value gains/(losses) on net investment hedges of €(58) million (2008: €(560) million; 2007: €(692) million).

See also note 20 on page 117.

Consolidated statement of changes in equity
for the year ended 31 December

	€ million 2009	€ million 2008	€ million 2007
Equity at 1 January	**10,372**	12,819	11,672
Total comprehensive income for the year	**4,178**	1,140	4,351
Dividends on ordinary capital	**(2,115)**	(2,052)	(2,070)
Movement in treasury stock	**129**	(1,417)	(1,054)
Share-based payment credit	**195**	125	140
Dividends paid to minority shareholders	**(244)**	(208)	(251)
Currency retranslation gains/(losses) net of tax	**3**	(38)	(18)
Other movements in equity	**18**	3	49
Equity at 31 December 21	**12,536**	10,372	12,819

For further information on movements in equity please refer to note 21 on page 118.

Consolidated balance sheet

as at 31 December

	€ million 2009	€ million 2008
Goodwill 9	**12,464**	11,665
Intangible assets 9	**4,583**	4,426
Property, plant and equipment 10	**6,644**	5,957
Pension asset for funded schemes in surplus 19	**759**	425
Deferred tax assets 17	**738**	1,068
Other non-current assets 11	**1,017**	1,426
Total non-current assets	**26,205**	24,967
Inventories 12	**3,578**	3,889
Trade and other current receivables 13	**3,429**	3,823
Current tax assets	**173**	234
Cash and cash equivalents 14	**2,642**	2,561
Other financial assets 14	**972**	632
Non-current assets held for sale 27	**17**	36
Total current assets	**10,811**	11,175
Financial liabilities 14	**(2,279)**	(4,842)
Trade payables and other current liabilities 16	**(8,413)**	(7,824)
Current tax liabilities	**(487)**	(377)
Provisions 18	**(420)**	(757)
Total current liabilities	**(11,599)**	(13,800)
Net current assets/(liabilities)	**(788)**	(2,625)
Total assets less current liabilities	**25,417**	22,342
Financial liabilities due after one year 14	**7,692**	6,363
Non-current tax liabilities	**107**	189
Pensions and post-retirement healthcare liabilities:		
Funded schemes in deficit 19	**1,519**	1,820
Unfunded schemes 19	**1,822**	1,987
Provisions 18	**729**	646
Deferred tax liabilities 17	**764**	790
Other non-current liabilities 16	**248**	175
Total non-current liabilities	**12,881**	11,970
Share capital 21	**484**	484
Share premium 21	**131**	121
Other reserves 21	**(5,900)**	(6,469)
Retained profit 21	**17,350**	15,812
Shareholders' equity	**12,065**	9,948
Minority interests 21	**471**	424
Total equity	**12,536**	10,372
Total capital employed	**25,417**	22,342

Commitments and contingent liabilities are shown in note 25 on pages 121 and 122.

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

The Board of Directors
2 March 2010

Financial statements Unilever Group

Consolidated cash flow statement

for the year ended 31 December

	€ million 2009	€ million 2008	€ million 2007
Cash flow from operating activities 28	**6,733**	5,326	5,188
Income tax paid	**(959)**	(1,455)	(1,312)
Net cash flow from operating activities	**5,774**	3,871	3,876
Interest received	**73**	105	146
Purchase of intangible assets	**(121)**	(147)	(136)
Purchase of property, plant and equipment	**(1,248)**	(1,142)	(1,046)
Disposal of property, plant and equipment	**111**	190	163
Sale and leaseback transactions resulting in operating leases	**–**	–	36
Acquisition of group companies, joint ventures and associates	**(409)**	(211)	(214)
Disposal of group companies, joint ventures and associates	**270**	2,476	164
Acquisition of other non-current investments	**(95)**	(126)	(50)
Disposal of other non-current investments	**224**	47	33
Dividends from joint ventures, associates and other non-current investments	**201**	132	188
(Purchase)/sale of financial assets	**(269)**	91	93
Net cash flow (used in)/from investing activities	**(1,263)**	1,415	(623)
Dividends paid on ordinary share capital	**(2,106)**	(2,086)	(2,182)
Interest and preference dividends paid	**(517)**	(487)	(552)
Additional financial liabilities	**2,913**	4,544	4,283
Repayment of financial liabilities	**(4,456)**	(3,427)	(2,896)
Sale and leaseback transactions resulting in finance leases	**–**	(1)	25
Capital element of finance lease rental payments	**(24)**	(66)	(74)
Share buy-back programme	**–**	(1,503)	(1,500)
Other movements on treasury stock	**103**	103	442
Other financing activities	**(214)**	(207)	(555)
Net cash flow (used in)/from financing activities	**(4,301)**	(3,130)	(3,009)
Net increase/(decrease) in cash and cash equivalents	**210**	2,156	244
Cash and cash equivalents at the beginning of the year	**2,360**	901	710
Effect of foreign exchange rate changes	**(173)**	(697)	(53)
Cash and cash equivalents at the end of the year 14	**2,397**	2,360	901

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 125.

1 Accounting information and policies

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

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 56.

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.

Inter-company transactions and balances are eliminated.

Companies legislation and accounting standards

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRIC Interpretations and in accordance with Part 9 of Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 2006. They are also in compliance with IFRS as issued by the International Accounting Standards Board.

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

The accounting policies adopted are consistent with those of the previous financial year except as set out on page 86.

Foreign currencies

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

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

In preparing the consolidated financial statements, the income statement, the cash flow statement and all other movements in assets and liabilities are translated at 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 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 119).

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

Cumulative exchange differences arising since the date of transition to IFRS of 1 January 2004 are reported as a separate component of other reserves (see note 23 on page 119). In the event of disposal or part disposal of an interest in a group company either through sale or as a result of a repayment of capital, the cumulative exchange difference is recognised in the income statement as part of the profit or loss on disposal of group companies.

Business combinations

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

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

Goodwill

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

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 an operating segment.

Intangible assets

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

Notes to the consolidated financial statements Unilever Group

1 Accounting information and policies (continued)

Indefinite-lived intangibles are not amortised, but are subject to an annual review for impairment (or more frequently if necessary). Any impairment is charged to the income statement as it arises.

Unilever monitors the level of product development costs against all the criteria set out in IAS 38. These include the requirement to establish that a flow of economic benefits is probable before costs are capitalised. For Unilever this is evident only shortly before a product is launched into the market. The level of costs incurred after these criteria have been met is currently insignificant.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and impairment. Eligible borrowing costs are capitalised as part of the cost of an asset. Depreciation is provided on a straight-line basis at percentages of cost based on the expected average useful lives of the assets and their residual values which are reviewed at least annually. Estimated useful lives by major class of assets are as follows:

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

*or life of lease if less than 40 years

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

Other non-current assets

Joint ventures are undertakings in which the Group has an interest and which are jointly controlled by the Group and one or more other parties. Associates are undertakings in which the Group has an investment and can exercise significant influence.

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

Biological assets are stated at fair value less costs to sell.

Financial instruments

Financial assets

The classification of financial assets is determined at initial recognition depending on the purpose for which they were acquired. Any impairment is recognised in the income statement as it arises.

Held-to-maturity investments

Held-to-maturity investments are assets with set cash flows and fixed maturities which Unilever intends to hold to maturity. They are held at cost plus interest using the effective interest method, less any impairments.

Loans and receivables

Loans and receivables have set payments and are not quoted in an active market. They arise when the Group provides money, goods or services. Loans and receivables are included in the balance sheet at amortised cost.

Short-term loans and receivables are initially measured at original invoice amount less any impairments.

Financial assets at fair value through profit or loss

A financial asset is in this category if it is intended to be sold in the short term. They are current assets if they are expected to be realised within 12 months. Transaction costs related to the purchase of the assets are expensed as incurred. Derivatives are classified here unless they are designated as hedges. Gains and losses arising from changes in value are included in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are assets that are designated in this category or not classified in any of the other categories. They are non-current assets unless the Group intends to dispose of them within 12 months. Changes in value are recognised in equity until the investment is sold or impaired, when they are included in the income statement.

Interest on available-for-sale securities is calculated using the effective interest rate method and recognised within other income. Dividends on equity investments are also recognised within other income.

Financial liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs. They are subsequently held at amortised cost unless they are part of a fair value hedge. Any difference between the amount on initial recognition and the redemption value is recognised in the income statement using the effective interest method.

Short-term financial liabilities are measured at original invoice amount.

Derivatives

Derivatives are measured on the balance sheet at fair value and are used primarily to manage the risks of changes in exchange 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 some raw materials. Contracts that can be settled in cash are treated as financial instruments. The Group does not use derivative financial instruments for speculative purposes.

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

Cash flow hedges

Changes in the value of derivatives used as hedges of future cash flows are recognised in equity with any ineffective portion recognised in the income statement. If the cash flow hedge results in the recognition of a non-financial asset or a liability the gain or loss on the derivative is included in the initial measurement of that asset or liability. For other cash flow hedges amounts deferred in equity are taken to the income statement when the hedged item affects profit or loss.

When a hedging instrument no longer qualifies for hedge accounting, any cumulative gain or loss is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gain or loss is transferred to the income statement.

Fair value hedges

In an effective fair value hedge, the hedged item is adjusted for changes in fair value, with the corresponding entry in the income statement. Gains and losses on the hedging instrument are recognised in the income statement. In a fully effective hedge the adjustments to the income statement are of equal and opposite value. For non-derivatives only the foreign currency element can be a hedging instrument.

Net investment hedges

Net investment hedges are hedges of exchange risks from investments in foreign subsidiaries. Gains and losses are recognised in equity. The accumulated gains and losses are taken to the income statement when the foreign operation is sold or partially disposed.

Valuation principles

The fair values of quoted investments are based on current bid prices. For listed securities where the market is not liquid, and for unlisted securities, the Group uses 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 calculations.

1 Accounting information and policies (continued)

Impairment of financial instruments
At each balance sheet date the Group assesses whether there is evidence that financial assets are impaired. A significant or prolonged fall in value below cost is considered in determining whether an asset is impaired. For available-for-sale financial assets the cumulative loss is removed from equity and recognised in the income statement. Any subsequent reversals of impairment losses on available-for-sale equity instruments are not recognised in 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, investments in money market funds with insignificant risk of changes in value, 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 comprehensive income. The defined benefit plan surplus or deficit in the balance sheet comprises the total for each plan of the fair value of plan assets less the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds).

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.

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
Segment information is provided based on the geographic segments of the management structure of the Group. Additional information is provided by product area.

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

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

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

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

Assets held under finance leases are recognised as non-current assets of the Group at their fair value at the date of commencement of the lease or, if lower, at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. 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.

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

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

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

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

Notes to the consolidated financial statements Unilever Group

1 Accounting information and policies (continued)

Critical accounting estimates and judgements

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

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

Income statement presentation

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

Impairment of goodwill and indefinite-lived intangible assets

Impairment reviews in respect of goodwill and indefinite-lived 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 94.

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 19 on pages 113 to 115.

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

Adopted by the Group

The Group adopted IFRS 7 'Financial Instruments: Disclosures' amendments (effective for periods beginning on or after 1 January 2009) which requires additional disclosures about fair value measurement and liquidity risk.

IFRS 8 'Operating Segments' (effective for periods beginning on or after 1 January 2009) has replaced IAS 14 Segment Reporting and introduced a management approach to segment reporting.

We have implemented the Revised IAS 1 'Presentation of Financial Statements' relating to the presentation of the statement of comprehensive income.

The Group has also adopted the following new and amended IFRSs and IFRIC interpretations with no material impact:

- Amendment to IFRS 2 'Share-based Payment' relating to vesting conditions and cancellations.
- Revised IAS 23 'Borrowing Costs' relating to capitalisation of borrowing costs.
- IFRIC 13 'Customer Loyalty Programmes' requiring customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted.
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' relating to guidance on the accounting for hedges of a net investment in foreign operations.
- IFRIC 18 'Transfers of Assets from Customers' relating to treatment of items of property plant and equipment or cash to acquire or construct such assets received from customers.

Not adopted by the Group

The Group is currently assessing the impact of the following revised standards and interpretations or amendments that are not yet effective. These changes will be adopted on the effective dates noted and are not expected to have a material impact on the Group's results of operations, financial position or disclosures:

- IFRS 3 'Business Combinations (Revised)' and IAS 27 'Consolidated and Separate Financial Statements (Amended)' (effective for periods beginning on or after 1 July 2009). The changes will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.
- IFRS 2 (Amendments), 'Group cash-settled and share-based payment transactions' (effective 1 January 2010).
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items' (effective for periods beginning or on 1 July 2009).
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective for periods beginning on or after 1 July 2009).
- Improvements to IFRSs (issued April 2009) (effective for periods beginning on or after 1 January 2010).

2 Segment information

Our operating and reportable segments are the three operating regions of Asia Africa Central and Eastern Europe, The Americas and Western Europe. Additional information is provided by product area; our products are sold across all operating regions.

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 are carried out at arm's length. Inter-segment sales were not material. Other non-cash charges include charges to the income statement during the year in respect of the share-based compensation, impairment and provisions. Segment results are presented on the basis of operating profit.

	€ million Asia Africa CEE	€ million The Americas	€ million Western Europe	€ million Total
2009				
Turnover	**14,897**	**12,850**	**12,076**	**39,823**
Operating profit	**1,927**	**1,843**	**1,250**	**5,020**
Restructuring, disposals and other one-off items (RDIs)[a]	**(147)**	**(231)**	**(490)**	**(868)**
Operating profit before RDIs	**2,074**	**2,074**	**1,740**	**5,888**
Share of net profit/(loss) of joint ventures	**–**	**62**	**49**	**111**
Share of net profit/(loss) of associates	**–**	**–**	**4**	**4**
Depreciation and amortisation	**(301)**	**(311)**	**(407)**	**(1,019)**
Impairment and other non-cash charges	**(111)**	**(196)**	**(194)**	**(501)**
2008				
Turnover	14,471	13,199	12,853	40,523
Operating profit	1,701	2,945	2,521	7,167
Restructuring, disposals and other one-off items (RDIs)[a]	6	907	356	1,269
Operating profit before RDIs	1,695	2,038	2,165	5,898
Share of net profit/(loss) of joint ventures	2	63	60	125
Share of net profit/(loss) of associates	–	–	6	6
Depreciation and amortisation	(247)	(283)	(426)	(956)
Impairment and other non-cash charges	(27)[b]	(236)	(293)	(556)
2007				
Turnover	13,418	13,442	13,327	40,187
Operating profit	1,711	1,971	1,563	5,245
Restructuring, disposals and other one-off items (RDIs)[a]	109	(98)	(580)	(569)
Operating profit before RDIs	1,602	2,069	2,143	5,814
Share of net profit/(loss) of joint ventures	2	74	26	102
Share of net profit/(loss) of associates	–	–	50	50
Depreciation and amortisation	(231)	(297)	(416)	(944)
Impairment and other non-cash charges	(91)	(216)	(341)	(648)

(a) Restructuring, disposals and other one-off items. See note 3 on page 89 for further information.
(b) Including the reversal of provisions following sale of edible oil business in Côte d'Ivoire (see note 26 on page 123).

Notes to the consolidated financial statements Unilever Group

2 Segment information (continued)

The home countries of the Unilever Group are the Netherlands and the United Kingdom. Turnover and non-current assets (other than other non-current financial assets, deferred tax assets and pension assets for funded schemes in surplus) for these two countries combined, the USA (being the largest country outside the home countries) and all other countries are:

	€ million Netherlands/ United Kingdom	€ million USA	€ million All other countries	€ million Total
2009				
Turnover	**3,384**	**6,332**	**30,107**	**39,823**
Non-current assets	**2,434**	**5,498**	**16,291**	**24,223**
2008				
Turnover	3,543	6,606	30,374	40,523
Non-current assets	2,079	5,533	14,958	22,570
2007				
Turnover	3,768	7,120	29,299	40,187

No other country had turnover or non-current assets (as shown above) greater than 10% of the Group total.

Additional information by product area

Although the Group's operations are managed on a geographical basis, we provide additional information based on brands grouped into four principal areas, as set out below.

Savoury, dressings and spreads – including sales of soups, bouillons, sauces, snacks, mayonnaise, salad dressings, margarines and spreads, and cooking products such as liquid margarines.

Ice cream and beverages – including sales of ice cream, tea-based beverages, weight management products, and nutritionally enhanced staples sold in developing markets.

Personal care – including sales of skin care and hair care products, deodorants and anti-perspirants, and oral care products.

Home care and other operations – including sales of home care products, such as laundry tablets, powders and liquids, soap bars and a wide range of cleaning products. To support our consumer brands, we own tea plantations, the results of which are reported within this segment.

	€ million Savoury, dressings and spreads	€ million Ice cream and beverages	€ million Personal care	€ million Home care and other	€ million Total
2009					
Turnover	**13,256**	**7,753**	**11,846**	**6,968**	**39,823**
Operating profit	**1,840**	**731**	**1,834**	**615**	**5,020**
Share of net profit/(loss) of joint ventures	**14**	**87**	**4**	**6**	**111**
Share of net profit/(loss) of associates	**–**	**–**	**–**	**4**	**4**
2008					
Turnover	14,232	7,694	11,383	7,214	40,523
Operating profit	3,216	915	1,824	1,212	7,167
Share of net profit/(loss) of joint ventures	15	98	5	7	125
Share of net profit/(loss) of associates	–	–	–	6	6
2007					
Turnover	13,988	7,600	11,302	7,297	40,187
Operating profit	2,059	809	1,786	591	5,245
Share of net profit/(loss) of joint ventures	15	85	1	1	102
Share of net profit/(loss) of associates	–	–	–	50	50

3 Gross profit and operating costs

	€ million 2009	€ million 2008	€ million 2007
Turnover	**39,823**	40,523	40,187
Cost of sales	**(20,580)**	(21,342)	(20,558)
Gross profit	**19,243**	19,181	19,629
Distribution and selling costs	**(9,468)**	(9,309)	(9,489)
Administrative expenses	**(4,755)**	(2,705)	(4,895)
Research and development	**(891)**	(927)	(868)
Other[(a)]	**(3,864)**	(1,778)	(4,027)
Operating profit	**5,020**	7,167	5,245

(a) Includes gain on disposals of group companies, amortisation of finite-lived intangible assets and impairment of goodwill and intangible assets. Gains on business disposals were particularly significant in 2008 (see below and note 26 on page 124).

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

	€ million 2009	€ million 2008	€ million 2007
Restructuring	**(897)**	(868)	(875)
Business disposals, impairments and other:			
Gain/(loss) on disposals of group companies	**4**	2,190	297
Impairments	**–**	(53)	–
(Provision for)/release of Brazilian sales tax	**25**	–	9

Restructuring costs are incurred as Unilever continues to simplify the organisation, reorganise operations and support functions and redevelop the portfolio. They primarily relate to redundancy and retirement costs. Business disposals generate both costs and revenues which are not reflective of underlying performance. Impairment charges are primarily recognised for goodwill other than where included in restructuring or as part of business disposals.

Other items within operating costs include:

	€ million 2009	€ million 2008	€ million 2007
Staff costs 4	**(5,223)**	(5,274)	(5,537)
Raw and packaging materials and goods purchased for resale	**(15,267)**	(16,489)	(15,588)
Amortisation of finite-lived intangible assets and software	**(168)**	(168)	(140)
Depreciation of property, plant and equipment	**(851)**	(788)	(804)
Advertising and promotions	**(5,302)**	(5,055)	(5,289)
Exchange gains/(losses):	**(33)**	108	(15)
On underlying transactions	**(19)**	77	(10)
On covering forward contracts	**(14)**	31	(5)
Lease rentals:	**(472)**	(487)	(477)
Minimum operating lease payments	**(475)**	(495)	(488)
Contingent operating lease payments	**(3)**	–	–
Less: Sub-lease income relating to operating lease agreements	**6**	8	11

Notes to the consolidated financial statements Unilever Group

4 Staff and management costs

Staff costs	€ million 2009	€ million 2008	€ million 2007
Remuneration of employees	**(4,162)**	(4,193)	(4,418)
Pensions and other post-employment benefits	**(256)**	(329)	(321)
Social security costs	**(610)**	(627)	(646)
Share-based compensation costs	**(195)**	(125)	(152)
	(5,223)	(5,274)	(5,537)

Average number of employees during the year	'000 2009	'000 2008	'000 2007
Asia, Africa and Central & Eastern Europe	**98**	100	96
The Americas	**41**	42	44
Western Europe	**29**	32	35
	168	174	175

Key management compensation	€ million 2009	€ million 2008	€ million 2007
Salaries and short-term employee benefits	**(13)**	(16)	(19)
Non-Executive Directors' fees	**(2)**	(2)	(2)
Post-employment benefits	**(2)**	(5)	(2)
Share-based benefits	**(7)**	(7)	(2)
	(24)	(30)	(25)
Of which:			
Executive Directors	**(7)**	(16)	(12)
Non-Executive Directors	**(2)**	(2)	(2)
Other	**(15)**	(12)	(11)
	(24)	(30)	(25)

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

Details of the remuneration of Directors are given in the parts noted as audited in the Directors' Remuneration Report on pages 67 to 73. See also note 30 on page 128 for information on related party transactions.

5 Net finance costs

Finance costs	€ million 2009	€ million 2008	€ million 2007
Finance costs	**(504)**	(506)	(557)
Bank loans and overdrafts	**(47)**	(73)	(62)
Bonds and other loans	**(429)**	(429)	(493)
Dividends paid on preference shares	**(7)**	(7)	(7)
Preference shares provision	**–**	–	(7)
Net gain/(loss) on natural hedges[a]	**(21)**	3	12
On interest rate swaps	**–**	–	(1)
On foreign exchange derivatives	**(168)**	(221)	538
Exchange difference on underlying items	**147**	224	(525)
Finance income	**75**	106	147
Pensions and similar obligations[b]	**(164)**	143	158
	(593)	(257)	(252)

(a) For further details on natural hedges please refer to note 15 on pages 107 and 108.
(b) Net finance costs in respect of pensions and similar obligations are analysed in note 19 on page 116.

6 Taxation

Tax charge in income statement	€ million 2009	€ million 2008	€ million 2007
Current tax			
Current year	**(1,263)**	(1,650)	(1,118)
Over/(under) provided in prior years[a]	**151**	80	226
	(1,112)	(1,570)	(892)
Deferred tax			
Origination and reversal of temporary differences	**(276)**	(271)	(261)
Changes in tax rates	**3**	(3)	21
Recognition of previously unrecognised losses brought forward	**128**	–	4
	(145)	(274)	(236)
	(1,257)	(1,844)	(1,128)

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

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

Reconciliation of effective tax rate	% 2009	% 2008	% 2007
Computed rate of tax[b]	**29**	30	29
Differences due to:			
Incentive tax credits	**(6)**	(5)	(6)
Withholding tax on dividends	**2**	2	2
Adjustments to previous years	**(3)**	(2)	(5)
Expenses not deductible for tax purposes	**1**	1	2
Other	**3**	–	–
Effective tax rate	**26**	26	22

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

Notes to the consolidated financial statements Unilever Group

7 Combined earnings per share

Combined earnings per share	€ 2009	€ 2008	€ 2007
From continuing operations			
Basic earnings per share	**1.21**	1.79	1.32
Diluted earnings per share	**1.17**	1.73	1.28
From discontinued operations			
Basic earnings per share	**–**	–	0.03
Diluted earnings per share	**–**	–	0.03
From total operations			
Basic earnings per share	**1.21**	1.79	1.35
Diluted earnings per share	**1.17**	1.73	1.31
From total operations before RDIs (see below)			
Basic earnings per share	**1.33**	1.43	1.42
Diluted earnings per share	**1.29**	1.38	1.37

Basis of calculation

The calculations of combined earnings per share are based on the net profit attributable to ordinary capital divided by the average number of share units representing the combined ordinary share capital of NV and PLC in issue during the year, after deducting shares held as treasury stock.

The calculations of diluted earnings per share are based on: (i) conversion into PLC ordinary shares of those shares in a group company which are convertible in the year 2038, as described in Corporate governance on page 58; and (ii) the effect of share-based compensation plans, details of which are set out in note 29 on pages 126 to 127.

Calculation of average number of share units	Millions of share units 2009	2008	2007
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	**(228.6)**	(215.3)	(150.3)
Combined average number of share units for all bases except diluted earnings per share	**2,796.3**	2,809.6	2,874.6
Add shares issuable in 2038	**70.9**	70.9	70.9
Add dilutive effect of share-based compensation plans	**22.8**	25.4	30.6
Adjusted combined average number of share units for diluted earnings per share basis	**2,890.0**	2,905.9	2,976.1

Calculation of earnings	€ million 2009	€ million 2008	€ million 2007
For earnings per share from total operations:			
Net profit attributable to ordinary capital for total operations	**3,370**	5,027	3,888
For earnings per share from continuing operations:			
Net profit from continuing operations	**3,659**	5,285	4,056
Minority interest in continuing operations	**(289)**	(258)	(248)
Net profit attributable to ordinary capital for continuing operations	**3,370**	5,027	3,808
For earnings per share before restructuring, business disposals and other one-off items (RDIs)			
Net profit attributable to ordinary capital for total operations	**3,370**	5,027	3,888
RDIs included in operating profit 3	**868**	(1,269)	569
Tax impact of RDIs in operating profit	**(249)**	333	(242)
Other RDIs within income statement[(a)]	**(264)**	(82)	(141)
Net profit attributable to ordinary capital before RDIs	**3,725**	4,009	4,074

(a) In 2009 this included a gain of €327 million from the disposal of the majority of our equity interest in JohnsonDiversey.

The numbers of shares included in the calculation of earnings per share is an average for the period. These numbers are influenced by the share buy-back programmes that we undertook during 2007 and 2008. During those periods the following movements in shares took place:

	Millions of share units 2009	2008	2007
Number of shares at 1 January (net of treasury stock)	**2,789.1**	2,853.1	2,889.9
Net movements in shares under incentive schemes	**15.1**	11.4	29.7
Share buy-back	**–**	(75.4)	(66.5)
Number of shares at 31 December	**2,804.2**	2,789.1	2,853.1

8 Dividends on ordinary capital

Dividends paid on ordinary capital during the year	**€ million 2009**	€ million 2008	€ million 2007
Final NV dividend for the prior year	**(786)**	(779)	(767)
Final PLC dividend for the prior year	**(570)**	(548)	(589)
Interim NV dividend for the current year	**(417)**	(397)	(400)
Interim PLC dividend for the current year	**(342)**	(328)	(314)
	(2,115)	(2,052)	(2,070)
Of which:			
NV dividends	**(1,203)**	(1,176)	(1,167)
PLC dividends	**(912)**	(876)	(903)

Full details of dividends per share for the years 2005 to 2009 are given on page 130.

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 2009**	€ million 2008
Goodwill	**12,464**	11,665
Intangible assets:	**4,583**	4,426
Indefinite-lived intangible assets	**4,050**	3,886
Finite-lived intangible assets	**153**	206
Software	**380**	334
	17,047	16,091

Movements during 2009	**€ million** Goodwill	**€ million** Indefinite-lived intangible assets	**€ million** Finite-lived intangible assets	**€ million** Software	**€ million** Total
Cost					
1 January 2009	**12,617**	**4,107**	**598**	**580**	**17,902**
Acquisitions of group companies	**350**	**105**	**1**	**–**	**456**
Disposals of group companies	**–**	**(1)**	**–**	**–**	**(1)**
Additions	**–**	**1**	**–**	**149**	**150**
Disposals	**–**	**–**	**–**	**(72)**	**(72)**
Currency retranslation	**441**	**57**	**12**	**30**	**540**
31 December 2009	**13,408**	**4,269**	**611**	**687**	**18,975**
Amortisation and impairment					
1 January 2009	**(952)**	**(221)**	**(392)**	**(246)**	**(1,811)**
Disposal of group companies	**–**	**–**	**–**	**–**	**–**
Amortisation for the year	**–**	**–**	**(58)**	**(110)**	**(168)**
Disposals	**–**	**–**	**–**	**62**	**62**
Currency retranslation	**8**	**2**	**(8)**	**(13)**	**(11)**
31 December 2009	**(944)**	**(219)**	**(458)**	**(307)**	**(1,928)**
Net book value 31 December 2009	**12,464**	**4,050**	**153**	**380**	**17,047**

Notes to the consolidated financial statements Unilever Group

9 Goodwill and intangible assets (continued)

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

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

Impairments charge in the year

There were no material impairments in 2009. The impairments charged in 2008 principally related to a non-core savoury business in the Americas which was subsequently classified as held for sale.

Significant CGUs

The goodwill and indefinite lived intangible assets (predominantly Knorr and Hellmann's) held in the regional Savoury and Dressings CGUs are considered significant in comparison to the total carrying amounts of goodwill and indefinite-lived intangible assets at 31 December 2009. No other CGUs are considered significant in this respect.

The goodwill and indefinite lived intangible assets held in the regional Savoury and Dressings CGUs are:

	€ billion 2009 Goodwill	**€ billion 2009** Indefinite-lived intangibles	€ billion 2008 Goodwill	€ billion 2008 Indefinite-lived intangibles
Western Europe	**5.2**	**1.3**	5.1	1.3
The America's	**3.9**	**1.3**	3.6	1.3
AAC	**1.9**	**0.6**	1.9	0.5

During 2009, we conducted an impairment review of the carrying value of these assets. Value in use in the regional Savoury and Dressings CGUs 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 regional Savoury and Dressings CGUs:

- a longer-term sustainable growth rate of 2% to 3% for Western Europe, 5% for the Americas and 9% to 10% for AAC;
- average near-term nominal growth rates for the major product groups within the CGUs of 2% Western Europe, 4.5% The Americas, 9% for AAC; and
- average operating margins for the major product groups within the CGUs ranging from 16% to 20% Western Europe, 19% to 20% The Americas and 10% to 12% AAC.

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 regional Savoury and Dressings CGUs 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 reasonable possible changes in key assumptions would cause the recoverable amount of the regional Savoury and Dressings CGUs to be less than the carrying amount.

10 Property, plant and equipment

At cost less depreciation and impairment	€ million 2009	€ million 2008
Land and buildings	**2,148**	1,859
Plant and equipment	**4,496**	4,098
	6,644	5,957
Includes freehold land	**160**	154
Commitments for capital expenditure at 31 December	**291**	286

Movements during 2009	€ million Land and buildings	€ million Plant and equipment	€ million Total
Gross			
1 January 2009	**2,840**	**9,519**	**12,359**
Acquisition of group companies	**21**	**5**	**26**
Disposals of group companies	**(11)**	**(3)**	**(14)**
Additions	**315**	**1,047**	**1,362**
Disposals	**(36)**	**(513)**	**(549)**
Currency retranslation	**114**	**406**	**520**
Reclassification as held for sale	**(9)**	**(17)**	**(26)**
Other adjustments	**3**	**(36)**	**(33)**
31 December 2009	**3,237**	**10,408**	**13,645**
Depreciation			
1 January 2009	**(981)**	**(5,421)**	**(6,402)**
Disposals of group companies	**8**	**2**	**10**
Depreciation charge for the year	**(103)**	**(748)**	**(851)**
Disposals	**15**	**431**	**446**
Currency Retranslation	**(34)**	**(203)**	**(237)**
Reclassification as held for sale	**3**	**6**	**9**
Other adjustments	**3**	**21**	**24**
31 December 2009	**(1,089)**	**(5,912)**	**(7,001)**
Net book value 31 December 2009	**2,148**	**4,496**	**6,644**
Includes payments on account and assets in course of construction	**203**	**709**	**912**

Notes to the consolidated financial statements Unilever Group

10 Property, plant and equipment (continued)

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

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	**189**	**207**	**396**
Depreciation	**(24)**	**(150)**	**(174)**
31 December 2009	**165**	**57**	**222**
Gross book value	177	243	420
Depreciation	(25)	(146)	(171)
31 December 2008	152	97	249

11 Other non-current assets

	€ million 2009	€ million 2008
Interest in net assets of joint ventures	**60**	73
Interest in net assets of associates	**42**	67
Other non-current financial assets[(a)]:	**485**	904
Held-to-maturity investments[(b)]	**–**	472
Loans and receivables	**2**	9
Available-for-sale financial assets[(c)(d)]	**436**	370
Financial assets at fair value through profit or loss[(d)]	**47**	53
Long-term trade and other receivables[(e)]	**212**	171
Fair value of biological assets	**32**	31
Other non-financial assets	**186**	180
	1,017	1,426

(a) Predominantly consist of investments in a number of companies and financial institutions in India, Europe and the US, including €129 million (2008: €146 million) of assets in a trust to fund benefit obligations in the US (see also note 19 on page 116).
(b) During 2009 €436 million held-to-maturity investments were reclassified as available for sale in relation to the closure of an employee savings programme. See also note 14 on page 101.
(c) Includes unlisted preferred shares arising in connection with US laundry disposal.
(d) Methods of valuation techniques used to determine fair values are given in note 15 on page 108.
(e) Classified as loans and receivables.

Movements during 2009 and 2008

	€ million 2009	€ million 2008
Joint ventures[(f)]		
1 January	**73**	150
Additions	**–**	–
Dividends received/reductions[(g)]	**(145)**	(202)
Share in net profit	**111**	125
Currency retranslation	**21**	–
31 December	**60**	73
Associates[(h)]		
1 January	**67**	44
Acquisitions/(disposals)	**–**	22
Dividends received/reductions	**(32)**	(22)
Share in net profit	**4**	6
Currency retranslation	**3**	(14)
	42	36
Of which: Net liabilities of JohnsonDiversey reclassified to provisions	**–**	31
31 December	**42**	67

(f) Our principal joint ventures are Unilever Jerónimo Martins in Portugal, Pepsi/Lipton International and the Pepsi/Lipton Partnership in the US.
(g) A reduction of €110 million in carrying value of Pepsi/Lipton International was recorded in relation to the extension of the Pepsi/Lipton joint venture for ready-to-drink tea in January 2008.
(h) Associates as at 31 December 2009 primarily comprise our investment in Langholm Capital Partners. Other Unilever Ventures assets (excluding Langholm) are included under 'Other non-current financial assets' above.

Analysis of listed and unlisted investments

	€ million 2009	€ million 2008
Investments listed on a recognised stock exchange	**60**	344
Unlisted investments	**425**	560
	485	904

Other income from non-current investments

	€ million 2009	€ million 2008	€ million 2007
Income from other non-current investments	**47**	19	19
Profit/(loss) on disposal[(i)]	**327**	69	20
	374	88	39

(i) For 2008 includes disposal of Palmci plantations.
For 2009 includes €327 million profit from the disposal of the majority of our equity interest in JohnsonDiversey.

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 128.

Notes to the consolidated financial statements Unilever Group

12 Inventories

Inventories	€ million 2009	€ million 2008
Raw materials and consumables	**1,298**	1,437
Finished goods and goods for resale	**2,280**	2,452
	3,578	3,889

Inventories with a value of €91million (2008: €134 million) are carried at net realisable value, this being lower than cost. During 2009, €200 million (2008: €246 million) was charged to the income statement for damaged, obsolete and lost inventories. In 2009, €19 million (2008: €23 million) was utilised or released to the income statement from inventory provisions taken in earlier years.

In 2009, inventories with a carrying amount of €10 million were pledged as security for certain of the Group's borrowings (2008: €34 million).

13 Trade and other receivables

Trade and other receivables	€ million 2009	€ million 2008
Due within one year		
Trade receivables	**2,314**	2,788
Prepayments and accrued income	**472**	380
Other receivables	**643**	655
	3,429	3,823

Credit terms for customers are determined in individual territories. Concentrations of credit risk with respect to trade receivables are limited, due to the Group's customer base being large and diverse. Our historical experience of collecting receivables, supported by the level of default, is that credit risk is low across territories and so trade receivables are considered to be a single class of financial assets. Other receivables comprise loans and receivables of €221 million (2008: €258 million) and other non-financial assets of €422 million (2008: €397 million). We do not consider the fair values of trade and other receivables to be significantly different from their carrying values. Balances are considered for impairment on an individual basis rather than by reference to the extent that they become overdue.

Ageing of trade receivables	€ million 2009	€ million 2008
Total trade receivables	**2,443**	2,908
Less impairment provision for trade receivables	**(129)**	(120)
	2,314	2,788
Of which:		
Not overdue	**1,768**	2,182
Past due less than three months	**443**	499
Past due more than three months but less than six months	**81**	100
Past due more than six months but less than one year	**57**	52
Past due more than one year	**94**	75
Impairment provision for trade receivables	**(129)**	(120)
	2,314	2,788

Impairment provision for trade and other receivables – movements during the year	€ million 2009	€ million 2008
1 January	**165**	176
Charged to current year income statement	**27**	36
Reductions/releases	**(40)**	(37)
Currency retranslation	**5**	(10)
31 December	**157**	165

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

14 Financial assets and liabilities

Summary of financial assets and liabilities	€ million 2009	€ million 2008
Financial liabilities as per balance sheet	**(9,971)**	(11,205)
Financial liabilities due within one year	**(2,279)**	(4,842)
Financial liabilities due after one year	**(7,692)**	(6,363)
Cash and cash equivalents as per balance sheet	**2,642**	2,561
Cash and cash equivalents as per cash flow statement	**2,397**	2,360
Add bank overdrafts deducted therein	**245**	201
Other financial assets	**972**	632
Net financial assets and liabilities	**(6,357)**	(8,012)

Cash and cash equivalents and other financial assets	€ million 2009	€ million 2008
Cash and cash equivalents		
Cash at bank and in hand	**744**	587
Short-term deposits with maturity of less than three months	**748**	1,974
Other cash equivalents[a]	**1,150**	–
	2,642	2,561
Other financial assets[b]		
Held-to-maturity investments	**–**	13
Available-for-sale financial assets[d][e]	**613**	–
Financial assets at fair value through profit or loss[c][d][e]	**359**	619
	972	632
Of which:		
Listed	**94**	31
Unlisted	**878**	601
	972	632

(a) Other cash equivalents are wholly comprised of available-for-sale financial assets and include investments in money market funds of €1,096 million (2008: €nil) for which the risk of changes in value is insignificant.
(b) Other financial assets include government securities, A minus or higher rated money and capital market instruments and derivatives.
(c) Financial assets at fair value through profit and loss include derivatives amounting to €271 million (2008: €597 million). The fair value of derivatives is determined by calculating the discounted value of the related future cash flows. Discounting of the cash flows is done based on the relevant yield curves and exchange rates as per the end of the year.
(d) Methods of valuation technique used to determine fair value are given in note 15 on page 108.
(e) Includes €463 million (€393 million available-for-sale and €70 million fair value through profit or loss) relating to an employee savings programme. For related liabilities see page 101.

Notes to the consolidated financial statements Unilever Group

14 Financial assets and liabilities (continued)

Financial liabilities	€ million 2009	€ million 2008
Preference shares	**124**	124
Bank loans and overdrafts	**1,415**	1,377
Bonds and other loans		
At amortised cost	**5,805**	8,477
Subject to fair value hedge accounting	**2,308**	801
Finance lease creditors 25	**212**	207
Derivatives	**107**	219
	9,971	11,205

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

Financial liabilities – additional details	€ million 2009	€ million 2008
The repayments fall due as follows		
Within one year:		
Bank loans and overdrafts	**450**	746
Bonds and other loans	**1,713**	3,853
Finance lease creditors	**22**	24
Derivatives	**94**	219
Total due within one year	**2,279**	4,842
After one year but within two years	**834**	1,364
After two years but within three years	**1,328**	751
After three years but within four years	**1,159**	948
After four years but within five years	**929**	830
After five years	**3,442**	2,470
Total due after more than one year	**7,692**	6,363
Secured financial liabilities	**83**	34
Of which secured against property, plant and equipment	**76**	–

Preference shares	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 2009							
7% Cumulative Preference	75,000	**32**	€428.57	29,000	**12**	**1**	**13**
6% Cumulative Preference[f]	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 2008							
7% Cumulative Preference	75,000	32	€428.57	29,000	12	1	13
6% Cumulative Preference[f]	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

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

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

14 Financial assets and liabilities (continued)

Additional details

Details of specific bonds and other loans are given below:

	€ million Amortised cost 2009	**€ million Fair value 2009**[g]	€ million Amortised cost 2008	€ million Fair value 2008[g]
Unilever N.V.				
Floating rate note 2009 (€)	**–**	**–**	750	–
3.625% notes 2011 (Swiss francs)	**271**	**–**	267	–
3.125% notes 2012 (Swiss francs)	**169**	**–**	167	–
4.625% Bonds 2012 (€)[h]	**–**	**749**	747	–
4.875% Bonds 2013 (€)	**–**	**811**	–	801
3.125% Bonds 2013 (US $)	**313**	**–**	–	–
3.500% notes 2015 (Swiss francs)	**236**	**–**	232	–
3.375% Bonds 2015 (€)[h]	**–**	**748**	747	–
Other	**33**	**–**	22	–
Total Unilever N.V.	**1,022**	**2,308**	2,932	801
Unilever PLC				
4.000% Bonds 2014 (£)	**391**	**–**	–	–
4.750% Bonds 2017 (£)	**447**	**–**	–	–
Total Unilever PLC	**838**	**–**	–	–
Other group companies				
At amortised cost:				
Netherlands				
Commercial paper (€)	**–**	**–**	811	–
Commercial paper (US $)	**–**	**–**	308	–
Commercial paper (Swiss francs)	**–**	**–**	20	–
Commercial paper (Japanese yen)	**–**	**–**	12	–
Other[i]	**440**	**–**	115	–
United States				
Floating rate extendible note 2009 (US $)	**–**	**–**	49	–
7.125% Bonds 2010 (US $)	**1,219**	**–**	1,230	–
3.650% Notes 2014 (US $)	**521**	**–**	–	–
7.000% Bonds 2017 (US $)	**102**	**–**	103	–
4.800% Notes 2019 (US $)	**521**	**–**	–	–
7.250% Bonds 2026 (US $)	**200**	**–**	202	–
6.625% Bonds 2028 (US $)	**153**	**–**	155	–
5.900% Bonds 2032 (US $)	**686**	**–**	693	–
5.600% Bonds 2097 (US $)	**64**	**–**	64	–
Commercial paper (US $)	**10**	**–**	1,705	–
Other	**10**	**–**	9	–
South Africa				
Commercial paper (South African rand)	**14**	**–**	55	–
Other countries	**5**	**–**	14	–
Total other group companies	**3,945**	**–**	5,545	–
Total bonds and other loans	**5,805**	**2,308**	8,477	801

(g) 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.
(h) Reclassifications: During 2009 Unilever started fair value hedge accounting for the 4.625% Euro bonds and the 3.375% Euro bonds.
(i) Includes €427 million liabilities to be repaid during 2010 in relation to the closure of an employee savings programme. For related assets see page 99.

Notes to the consolidated financial statements Unilever Group

14 Financial assets and liabilities (continued)

Interest rate profile and currency analysis of financial assets

The table set out below takes into account the various interest rate swaps and forward foreign currency contracts entered into by the Group, details of which are set out in note 15 on pages 104 to 110.

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

	€ million Fixed rate	Fixed rate	Fixed rate	€ million Floating rate	Floating rate	€ million Total
	Amount of fixing for following year	Average interest rate for following year	Weighted average fixing period		Interest rate for following year	
Assets – 2009						
Euro	**351**	2.3%	0.2 years	**7,802**	0.9%	**8,153**[j]
Sterling	**–**			**36**	0.8%	**36**
US dollar	**–**			**71**	0.4%	**71**
Indian rupee	**–**			**472**	6.6%	**472**
Brazilian real	**–**			**36**	8.7%	**36**
Other	**–**			**735**	5.2%	**735**
	351			**9,152**		**9,503**
Euro leg of currency derivatives mainly relating to intra-group loans[j]						**(5,889)**
Total						**3,614**[k]
Assets – 2008						
Euro	142	5.9%	0.6 years	6,882	2.3%	7,024[j]
Sterling	1	4.5%	0.1 years	26	1.7%	27
US dollar	–			29	1.3%	29
Indian rupee	–			187	11.4%	187
Brazilian real	–			40	13.7%	40
Other	–			563	7.1%	563
	143			7,727		7,870
Euro leg of currency derivatives mainly relating to intra-group loans[j]						(4,677)
Total						3,193[k]

(j) Includes the euro leg of the currency derivatives relating to intra-group loans, amounting to €5,889 million (2008: €4,677 million). These derivatives create a euro interest rate exposure. However, to reconcile the total assets with the balance sheet, the total value is eliminated again. The other leg of the currency derivatives is shown on page 103 as part of the interest rate profile of financial liabilities.

(k) Includes fair value of financial liability-related derivatives amounting to €271 million (2008: €597 million).

14 Financial assets and liabilities (continued)

Interest rate profile and currency analysis of financial liabilities

The table set out below takes into account the various interest rate swaps and forward foreign currency contracts entered into by the Group, details of which are set out in note 15 on pages 104 to 110. The interest rate profiles of the Group's financial liabilities analysed by principal currency are set out in the table below:

	€ million Fixed rate	Fixed rate	Fixed rate	€ million Floating rate	Floating rate	€ million Total
	Amount of fixing for following year	Average interest rate for following year	Weighted average fixing period		Interest rate for following year	
Liabilities – 2009						
Euro[l]	**124**	5.6%	5.0 years	**4,274**	1.0%	**4,398**
Sterling	**1,428**	3.8%	5.7 years	**1,436**	0.9%	**2,864**
US dollar	**4,391**	5.1%	8.8 years	**1,368**	0.5%	**5,759**
Swiss francs	**678**	3.6%	3.1 years	**(106)**	0.4%	**572**
Japanese yen	**–**			**451**	0.3%	**451**
Swedish krona	**–**			**352**	1.0%	**352**
Russian rouble	**–**			**190**	10.8%	**190**
Chinese yuan	**–**			**186**	2.3%	**186**
Thai baht	**52**	4.0%	1.9 years	**124**	1.3%	**176**
Australian dollar	**2**	5.3%	10.0 years	**164**	4.8%	**166**
Other	**108**	10.4%	3.4 years	**638**	5.6%	**746**
	6,783			**9,077**		**15,860**
Foreign currency leg of currency derivatives relating to intra-group loans[m]						**(5,889)**
Total						**9,971**[n]
Liabilities – 2008						
Euro[l]	1,794	4.3%	4.8 years	2,551	2.3%	4,345
Sterling	124	6.4%	18.8 years	1,305	1.7%	1,429
US dollar	2,608	6.8%	12.8 years	4,693	1.3%	7,301
Swiss francs	668	3.6%	4.1 years	(56)	1.1%	612
Japanese yen	147	1.0%	0.5 years	264	1.1%	411
Swedish krona	–			654	2.6%	654
Russian rouble	50	11.7%	0.5 years	66	15.7%	116
Chinese yuan	–			211	2.4%	211
Thai baht	–			196	2.3%	196
Australian dollar	4	6.4%	6.6 years	162	4.5%	166
Other	16	17.0%	7.4 years	425	8.3%	441
	5,411			10,471		15,882
Foreign currency leg of currency derivatives relating to intra-group loans[m]						(4,677)
Total						11,205[n]

(l) Euro financial liabilities include €124 million preference shares that provide for a fixed preference dividend.
(m) Includes the foreign currency leg of the currency derivatives relating to our intra-group loans, amounting to €5,889 million (2008: €4,677 million). These derivatives create an interest rate exposure in mainly sterling and US dollar. However to reconcile the total liability with the balance sheet, the total value is eliminated again. The other leg of the currency derivatives is shown on page 102 as part of the interest rate profile of financial assets.
(n) Includes finance lease creditors amounting to €212 million (2008: €207 million) and fair value of financial liability-related derivatives amounting to €107 million (2008: €219 million).

Interest rate

The average interest rate on short-term borrowings in 2009 was 2.3% (2008: 4.2%).

Notes to the consolidated financial statements Unilever Group

15 Financial instruments and treasury risk management

Uncertainty and volatility in the financial markets: impact on Treasury

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

To cope with the volatility and uncertainty in the financial markets, we undertook, amongst others, the following actions:

Liquidity management:

- During 2009 we issued four bonds at competitive rates for a total of €2.2 billion to take advantage of historically low long term interest rates;
- As a result, we have been able to keep commercial paper at a low level, issuing at significant discounts to Libor, when needed; and
- As the business successfully managed working capital positions throughout the year, Unilever closed the year with a cash and cash equivalents balance of around €2.6 billion.

Counterparty exposures:

We regularly reviewed and tightened counterparty limits. Banking exposures were actively monitored on a daily basis. During the year most of our deposits remained on an overnight basis providing maximum flexibility. Unilever benefits from collateral agreements with our principal banks (see also page 106) based on which banks need to deposit securities and/or cash as collateral for their obligations in respect of derivative financial instruments. Unilever did not encounter any material counterparty exposure loss from financial institutions during 2009.

Funding costs:

Throughout the year, in general, credit spreads have decreased significantly but remain volatile. During 2009 we were able to issue commercial paper and bonds at competitive rates, with a very good reception by the markets.

Bank facility renewal:

Our bank facilities are renewed annually. On 31 December 2009 we had US $6,050 million of undrawn committed facilities. For further details, see 'Liquidity risk' section below.

Treasury risk management

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

Currency risks

Because of Unilever's broad operational reach, it is subject to risks from changes in foreign currency values that could affect earnings. As a practical matter, it is not feasible to fully hedge these fluctuations. Unilever does have a foreign exchange policy that requires operating companies to manage trading and financial foreign exchange exposures within prescribed limits. This is achieved primarily through the use of forward foreign exchange contracts. On a case-by-case basis, depending on potential income statement volatility that can be caused by the fair value movement of the derivative, companies decide whether or not to apply cash flow hedge accounting. Regional groups monitor compliance with this foreign exchange policy. At the end of 2009, there was no material exposure from companies holding assets and liabilities other than in their functional currency.

In addition, as Unilever conducts business in many foreign currencies but publishes its financial statements and measures its performance in euros, it is subject to exchange risk due to the effects that exchange rate movements have on the translation of the underlying net assets of its foreign subsidiaries. Unilever aims to minimise its foreign exchange exposure in operating companies by borrowing in the local currency, except where inhibited by local regulations, lack of local liquidity or local market conditions. For those countries that in the view of management have a substantial retranslation risk, Unilever may decide on a case-by-case basis, taking into account amongst other factors the impact on the income statement, to hedge such net investments. This is achieved through the use of forward foreign exchange contracts on which hedge accounting is applied. Nevertheless, from time to time, currency revaluations on unhedged investments will trigger exchange translation movements in the balance sheet.

Interest rate risks

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

At the end of 2009, interest rates were fixed on approximately 95% of the projected net of cash and financial liability positions for 2010, slightly higher than 90%, the upper limit of the band due to the good cash delivery from the business and 75% for 2011 (compared with 56% for 2009 and 51% for 2010 at the end of 2008).

15 Financial instruments and treasury risk management (continued)

Liquidity risk

A material and sustained shortfall in our cash flow could undermine our credit rating and overall investor confidence and could restrict the Group's ability to raise funds.

Operational cash flow provides the funds to service the financing of financial liabilities and enhance shareholder return. Unilever manages the liquidity requirements by the use of short-term and long-term cash flow forecasts. Unilever maintains access to global debt markets through an infrastructure of short-term and long-term debt programmes. In addition to this, Unilever has committed credit facilities in place to support its commercial paper programmes and for general corporate purposes. During 2009 we did not utilise the committed facilities.

Unilever had US $6,050 million of undrawn committed facilities on 31 December 2009 as follows:

- revolving 364-day bilateral credit facilities of in aggregate US $5,285 million (2008: US $4,230million) out of which US $5,285 million (2008: US $3,675 million) with a 364-day term out; and
- 364-day bilateral money market commitments of in aggregate US $765 million (2008: US $1,775 million), under which the underwriting banks agree, subject to certain conditions, to subscribe for notes with maturities of up to three years.

Revolving 364-day notes commitments of US $200 million at 31 December 2008 were converted during 2009 into the revolving 364-day bilateral credit facilities, and were therefore nil at 31 December 2009.

As part of the regular annual process these facilities will be renewed in 2010.

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

Undiscounted cash flows	€ million Due within 1 year	€ million Due between 1 and 2 years	€ million Due between 2 and 3 years	€ million Due between 3 and 4 years	€ million Due between 4 and 5 years	€ million Due after 5 years	€ million Total	€ million Net carrying amount as shown in balance sheet
2009								
Non-derivative financial liabilities:								
Financial liabilities excluding related derivatives and finance lease creditors	**(2,167)**	**(817)**	**(1,317)**	**(1,088)**	**(928)**	**(3,347)**	**(9,664)**	**(9,652)**
Interest on financial liabilities	**(411)**	**(315)**	**(299)**	**(248)**	**(201)**	**(1,669)**	**(3,143)**	
Finance lease creditors including related finance cost	**(34)**	**(28)**	**(22)**	**(21)**	**(20)**	**(244)**	**(369)**	**(212)**
Trade payables and other liabilities excluding social security and sundry taxes[(a)]	**(8,071)**	**(248)**	**–**	**–**	**–**	**–**	**(8,319)**	**(8,319)**
Issued financial guarantees	**(48)**	**–**	**–**	**–**	**–**	**–**	**(48)**	
	(10,731)	**(1,408)**	**(1,638)**	**(1,357)**	**(1,149)**	**(5,260)**	**(21,543)**	
Derivative financial liabilities:								
Interest rate derivatives:								
Derivative contracts – receipts	**66**	**64**	**62**	**23**	**–**	**–**	**215**	
Derivative contracts – payments	**(70)**	**(68)**	**(68)**	**(24)**	**–**	**–**	**(230)**	
Foreign exchange derivatives:								
Derivative contracts – receipts	**6,138**	**6**	**–**	**–**	**–**	**–**	**6,144**	
Derivative contracts – payments	**(6,265)**	**(7)**	**–**	**–**	**–**	**–**	**(6,272)**	
	(131)	**(5)**	**(6)**	**(1)**	**–**	**–**	**(143)**	**(143)**[(b)]
31 December	**(10,862)**	**(1,413)**	**(1,644)**	**(1,358)**	**(1,149)**	**(5,260)**	**(21,686)**	

(a) See note 16 on page 110.
(b) Includes financial liability-related derivatives amounting to €(107) million (2008: €(219) million).

Notes to the consolidated financial statements Unilever Group

15 Financial instruments and treasury risk management (continued)

Undiscounted cash flows	€ million Due within 1 year	€ million Due between 1 and 2 years	€ million Due between 2 and 3 years	€ million Due between 3 and 4 years	€ million Due between 4 and 5 years	€ million Due after 5 years	€ million Total	€ million Net carrying amount as shown in balance sheet
2008								
Non-derivative financial liabilities:								
Financial liabilities excluding related derivatives and finance lease creditors	(4,653)	(1,532)	(577)	(940)	(750)	(2,387)	(10,839)	(10,779)
Interest on financial liabilities	(343)	(313)	(210)	(197)	(157)	(1,608)	(2,828)	
Finance lease creditors including related finance cost	(37)	(36)	(26)	(21)	(19)	(242)	(381)	(207)
Trade payables and other liabilities excluding social security and sundry taxes[(a)]	(7,483)	(175)	–	–	–	–	(7,658)	(7,658)
Issued financial guarantees	(44)	–	–	–	–	–	(44)	
	(12,560)	(2,056)	(813)	(1,158)	(926)	(4,237)	(21,750)	
Derivative financial liabilities:								
Interest rate derivatives:								
Derivative contracts – receipts	–	4	–	–	–	–	4	
Derivative contracts – payments	–	(4)	–	–	–	–	(4)	
Foreign exchange derivatives:								
Derivative contracts – receipts	3,510	–	–	–	–	–	3,510	
Derivative contracts – payments	(3,772)	–	–	–	–	–	(3,772)	
	(262)	–	–	–	–	–	(262)	(262)[(b)]
31 December	(12,822)	(2,056)	(813)	(1,158)	(926)	(4,237)	(22,012)	

(a) See note 16 on page 110.
(b) Includes financial liability-related derivatives amounting to €(107) million (2008: €(219) million).

Credit risk on banks and received collateral
Credit risk related to the use of treasury instruments is managed on a group basis. This risk arises from transactions with banks like cash and cash equivalents, deposits and derivative financial instruments. To reduce the credit risk, Unilever has concentrated its main activities with a limited group of banks that have secure credit ratings. Per bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored. To reduce the credit exposures, netting agreements are in place with Unilever's principal banks that allow Unilever, in case of a default, to net assets and liabilities across transactions. To further reduce Unilever's credit exposures, Unilever has collateral agreements with Unilever's principal banks based on which they need to deposit securities and/or cash as a collateral for their obligations in respect of derivative financial instruments. At 31 December 2009 the collateral received by Unilever amounted to €208 million (2008: €369 million), of which €14 million was cash and the fair value of the bond securities amounted to €194 million. Although contractually Unilever has the right to sell or repledge the collateral, it has no intention to do so. As a consequence, the non-cash collateral has not been recognised as an asset in our balance sheet.

Derivative financial instruments
The Group has comprehensive policies in place, approved by the Boards, covering the use of derivative financial instruments. These instruments are used for hedging purposes. The Group has an established system of control in place covering all financial instruments; including policies, guidelines, exposure limits, a system of authorities and independent reporting, that is subject to periodic review by internal audit. Hedge accounting principles are described in note 1 on page 84. The use of leveraged instruments is not permitted. In the assessment of hedge effectiveness the credit risk element on the underlying hedged item has been excluded. Hedge ineffectiveness is immaterial.

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

Details of the various types of hedges are given below.

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

15 Financial instruments and treasury risk management (continued)

Cash flow hedges

The fair values of derivatives hedging the risk on future foreign currency cash flows, floating interest rate cash flows and the price risk on future purchases of raw materials amount to €(10) million (2008: €(14) million) of which €7 million relates to commodity contracts (2008: €(21) million), €(19) million to foreign exchange contracts (2008: €7 million) and €2 million to interest rate derivatives (2008: €nil). Of the total fair value of €(10) million, €(12) million is due within one year (2008: €(14) million).

The following table shows the amounts of cash flows that are designated as hedged items in the cash flow hedge relations:

	€ million Due within 1 year	**€ million** Due between 1-2 years	**€ million** Due between 2-3 years	**€ million** Due between 3-4 years	**€ million** Due between 4-5 years	**€ million** Due after 5 years	**€ million** Total
2009							
Foreign exchange cash inflows	**797**	**–**	**–**	**–**	**–**	**–**	**797**
Foreign exchange cash outflows	**(304)**	**–**	**–**	**–**	**–**	**–**	**(304)**
Interest rate cash flows	**–**	**–**	**(9)**	**(9)**	**(9)**	**(17)**	**(44)**
Commodity contracts cash flows	**(125)**	**–**	**–**	**–**	**–**	**–**	**(125)**
2008							
Foreign exchange cash inflows	–	–	–	–	–	–	–
Foreign exchange cash outflows	(200)	–	–	–	–	–	(200)
Interest rate cash flows	–	–	–	–	–	–	–
Commodity contracts cash flows	(121)	–	–	–	–	–	(121)

Fair Value hedges

The fair values of derivatives hedging the fair value interest rate risk on fixed rate debt at 31 December 2009 amounted to €92 million (2008: €68 million) which is included under other financial assets.

Net investment hedges

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

Fair values of derivatives used as hedges of net investments in foreign entities	**€ million** Assets 2009	€ million Assets 2008	**€ million** Liabilities 2009	€ million Liabilities 2008
Current				
Foreign exchange derivatives	**38**	28	**100**	257

Of the above-mentioned fair values, an amount of €38 million (2008: €28 million) is included under other financial assets and €(100) million (2008: €(257) million) is included under financial liabilities.

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

Natural hedges

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

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

Fair values of natural hedges	**€ million** Assets 2009	€ million Assets 2008	**€ million** Liabilities 2009	€ million Liabilities 2008
Current				
Interest rate derivatives	**1**	1	**1**	–
Cross-currency swaps	**–**	9	**4**	–
Foreign exchange derivatives	**267**	648	**117**	115
	268	658	**122**	115
Non-current				
Interest rate derivatives	**–**	–	**1**	–
Cross-currency swaps	**–**	–	**13**	–
	–	–	**14**	–
	268	658	**136**	115

Notes to the consolidated financial statements Unilever Group

15 Financial instruments and treasury risk management (continued)

Of the fair values of natural hedges disclosed above, the fair value of financial liability-related derivatives at 31 December 2009 amounted to €132 million (2008: €539 million) of which €139 million (2008: €501 million) is included under other financial assets and €(7) million (2008: €38 million) is included under financial liabilities.

Sensitivity to not applying hedge accounting
Derivatives have to be reported at fair value. Those derivatives used for cash flow hedging and net investment hedging for which we do not apply hedge accounting will cause volatility in the income statement. Such derivatives did not have a material impact on the 2009 income statement.

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

Fair values of financial assets and financial liabilities
The following table summarises the fair values and carrying amounts of the various classes of financial assets and financial liabilities. All trade and other receivables and trade payables and other liabilities have been excluded from the analysis below and from the interest rate and currency profiles in note 14 on pages 102 to 103, as their carrying amounts are a reasonable approximation of their fair value, because of their short-term nature.

	€ million Fair value 2009	€ million Fair value 2008	**€ million Carrying amount 2009**	€ million Carrying amount 2008
Financial assets				
Other non-current assets	**485**	891	**485**	904
Cash and cash equivalents	**2,642**	2,561	**2,642**	2,561
Other financial assets	**701**	35	**701**	35
Derivatives related to financial liabilities	**271**	597	**271**	597
	4,099	4,084	**4,099**	4,097
Financial liabilities				
Bank loans and overdrafts	**(1,419)**	(1,377)	**(1,415)**	(1,377)
Bonds and other loans	**(8,569)**	(9,488)	**(8,113)**	(9,278)
Finance lease creditors	**(218)**	(222)	**(212)**	(207)
Preference shares	**(118)**	(102)	**(124)**	(124)
Derivatives related to financial liabilities	**(107)**	(219)	**(107)**	(219)
	(10,431)	(11,408)	**(9,971)**	(11,205)

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair 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 value of unquoted available-for-sale assets is based on recent trades in liquid markets, observable market rates and statistical modelling techniques such as Monte Carlo simulation.
- The fair values and the carrying amounts of all other listed investments included in financial assets and preference shares included in financial liabilities are based on their market values.
- 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 using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair values for finance lease creditors have been assessed by reference to current market rates for comparable leasing arrangements.
- The Group enters into derivative financial instruments with various counterparties. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity. In the balance sheet the value of bonds and other loans is shown at amortised cost unless the bonds are part of an effective fair value hedge accounting relationship, in which case the value of the bond is adjusted with the market value of the related derivative.

15 Financial instruments and treasury risk management (continued)

Fair value hierarchy
Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments at fair value. The amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices for identical instruments
- Level 2: directly or indirectly observable market inputs other than Level 1 inputs
- Level 3: inputs which are not based on observable market data.

As at 31 December 2009, the Group held the following financial instruments measured at fair value in each level described above:

	€ million Level 1	€ million Level 2	€ million Level 3	€ million Total fair value 2009	€ million Total fair value 2008
Assets measured at fair value					
Other non-current financial assets 11					
Available-for-sale financial assets	**178**	**237**	**21**	**436**	370
Financial assets at fair value through profit or loss	**47**	**–**	**–**	**47**	53
Cash and cash equivalents 14					
Available-for-sale financial assets	**–**	**1,150**	**–**	**1,150**	–
Other financial assets 14					
Available-for-sale financial assets	**–**	**613**	**–**	**613**	–
Financial assets at fair value through profit or loss	**–**	**88**	**–**	**88**	22
Derivatives related to financial liabilities	**–**	**271**	**–**	**271**	597
Derivatives used for hedging trading activities (part of Trade and other receivables)	**–**	**22**	**–**	**22**	32
Other derivatives (part of Trade and other receivables)	**–**	**–**	**25**	**25**	–
Liabilities measured at fair value					
Bonds and Other loans, subject to fair value hedge accounting 14	**–**	**(2,308)**	**–**	**(2,308)**	(801)
Derivatives related to financial liabilities 14	**–**	**(107)**	**–**	**(107)**	(219)
Derivatives used for hedging trading activities (part of Trade payables and other liabilities)	**–**	**(36)**	**–**	**(36)**	(44)

During reporting period ending 31 December 2009, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Reconciliation of Level 3 fair value measurements of financial assets is given below:

	€ million Other derivative financial assets 2009	€ million Available for sale assets 2009	€ million Total 2009
Opening balances	**–**	**11**	**11**
Total gains or losses:			
In profit or loss	**–**	**–**	**–**
In other comprehensive income	**–**	**10**	**10**
Purchases, issuances and settlements	**25**	**–**	**25**
Transfers in and out of Level 3	**–**	**–**	**–**
Closing balances	**25**	**21**	**46**

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

Capital management
The Group's financial strategy supports Unilever's aim to be in the top third of a reference group including 20 other international consumer goods companies for Total Shareholder Return, as explained on page 46. The key elements of the financial strategy are:

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

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

Notes to the consolidated financial statements Unilever Group

15 Financial instruments and treasury risk management (continued)

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

Return on Invested Capital continues to be one of Unilever's key performance measures. Within this definition we have defined the components of our Invested Capital. See page 45 for the details of this definition and the calculation of Unilever's Return on Invested Capital.

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

Income statement sensitivity to changes in foreign exchange rates
The values of debt, investments and related hedging instruments, denominated in currencies other than the functional currency of the entities holding them, are subject to exchange rate movements. The translation risk on the foreign exchange receivables and payables is excluded from this sensitivity analysis as the risk is considered to be immaterial because positions will remain within prescribed limits (see currency risks on page 104).

The remaining unhedged foreign exchange positions at 31 December 2009 amount to €2 million (2008: €45 million). A reasonably possible 10% change in rates would lead to a €0.2 million movement in the income statement (2008: €5 million), based on a linear calculation of our exposure.

Income statement sensitivity to changes in interest rate
Interest rate risks are presented by way of sensitivity analysis. As described on page 104, Unilever has an interest rate management policy aimed at optimising net interest cost and reducing volatility in the income statement. As part of this policy, part of the financial assets and financial liabilities have fixed interest rates and are no longer exposed to changes in the floating rates. The remaining floating part of our financial assets and financial liabilities (see interest rate profile tables on pages 102 for the assets and 103 for the liabilities) is exposed to changes in the floating interest rates.

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

	Sensitivity to a reasonably possible one percentage point change in floating rates as at 31 December	
	€ million 2009	€ million 2008
Financial assets	**92**	77
Financial liabilities	**(91)**	(105)

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

At 31 December 2009 the nominal value of these net investment hedges amounts to €4.9 billion (2008: €5.1 billion) mainly consisting of US$/€ contracts. A reasonably possible 10% change in rates would lead to a fair value movement of €486 million (2008: €513 million). This movement would be fully offset by an opposite movement on the retranslation of the book equity of the foreign subsidiary.

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

16 Trade payables and other liabilities

Trade and other payables	**€ million 2009**	€ million 2008
Due within one year		
Trade payables	**3,982**	3,873
Accruals	**3,504**	2,720
Social security and sundry taxes	**342**	341
Others	**585**	890
	8,413	7,824
Due after more than one year		
Accruals	**104**	102
Others	**144**	73
	248	175
Total trade payables and other liabilities	**8,661**	7,999

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

17 Deferred taxation

Movements in 2009	€ million As at 1 January 2009	€ million Income[a] statement	€ million Equity[b]	**€ million As at 31 December 2009**
Pensions and similar obligations	809	(206)	(11)	**592**
Provisions	612	(46)	85	**651**
Goodwill and intangible assets	(823)	(61)	(60)	**(944)**
Accelerated tax depreciation	(555)	49	(19)	**(525)**
Tax losses[c]	105	61	(84)	**82**
Fair value gains	(6)	–	(18)	**(24)**
Fair value losses	40	2	(40)	**2**
Share-based payments	100	24	22	**146**
Other	(4)	8	(10)	**(6)**
	278	(169)	(135)	**(26)**

(a) The difference of €24 million between the income statement movement of €(169) million and the income statement charge of €(145) million as disclosed in note 6 on page 91, is due to a reclassification between deferred and current tax relating to the prior year.
(b) Of the total movement in equity of €(135) million, €59 million arises as a result of currency retranslation and €(29) million as a result of acquisitions and disposals.
(c) Of the €(84) million movement on Equity €(103) million arises as a result of the federal tax settlement in Brazil. Legislation in Brazil allowed companies to settle these outstanding tax liabilities by offset against accumulated tax losses. See note 25 on page 122.

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

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

At the balance sheet date, the Group has unused tax losses of €1,283 million and tax credits amounting to €32 million available for offset against future taxable profits. Deferred tax assets have not been recognised in respect of unused tax losses of €1,006 million and tax credits of €32 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 €412 million of state and federal tax losses in the US which expire between now and 2029.

Other deductible temporary differences of €110 million have not been recognised as a deferred tax asset. There is no expiry date for these differences.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was €1,319 million (2008: €967 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

Notes to the consolidated financial statements Unilever Group

17 Deferred taxation (continued)

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 2009	€ million Assets 2008	€ million Liabilities 2009	€ million Liabilities 2008	€ million Total 2009	€ million Total 2008
Pensions and similar obligations	**674**	887	**(82)**	(78)	**592**	809
Provisions	**556**	619	**95**	(7)	**651**	612
Goodwill and intangible assets	**(370)**	(345)	**(574)**	(478)	**(944)**	(823)
Accelerated tax depreciation	**(302)**	(368)	**(223)**	(187)	**(525)**	(555)
Tax losses	**68**	103	**14**	2	**82**	105
Fair value gains	**(17)**	–	**(7)**	(6)	**(24)**	(6)
Fair value losses	**3**	43	**(1)**	(3)	**2**	40
Share-based payments	**104**	100	**42**	–	**146**	100
Other	**22**	29	**(28)**	(33)	**(6)**	(4)
	738	1,068	**(764)**	(790)	**(26)**	278
Of which deferred tax to be recovered/(settled) after more than 12 months	**408**	736	**(741)**	(717)	**(333)**	19

18 Provisions

Provisions	€ million 2009	€ million 2008
Due within one year	**420**	757
Due after one year	**729**	646
Total provisions	**1,149**	1,403

Movements during 2009	€ million Restructuring provisions	€ million Legal provisions	€ million Disputed indirect taxes	€ million Net liability of associate	€ million Other provisions	€ million Total
1 January 2009	**504**	**60**	**544**	**31**	**264**	**1,403**
Disposal of group companies	**–**	**–**	**–**	**(25)**	**–**	**(25)**
Income statement:						
New charges	**339**	**10**	**90**	**–**	**74**	**513**
Releases	**(93)**	**(3)**	**(85)**	**–**	**(26)**	**(207)**
Utilisation	**(361)**	**(31)**	**(278)**	**–**	**(45)**	**(715)**
Currency retranslation	**11**	**–**	**176**	**(6)**	**(1)**	**180**
31 December 2009	**400**	**36**	**447**	**–**	**266**	**1,149**

Restructuring provisions primarily relate to early retirement and redundancy costs, the most significant of which relate to the formation of new multi-country organisations and several factory closures; no projects are individually material. Legal provisions are comprised of many claims, of which none is individually material. Further information is given in note 25 on page 122.

The provision for disputed indirect taxes is comprised of a number of small disputed items. The largest elements of the provision relate to disputes with the Brazilian authorities. Because of the nature of the disputes, the timing of the utilisation of the provisions, and any associated cash outflows, is uncertain. The majority of the disputed items attract an interest charge. For further information please refer to note 25 on page 122.

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.

19 Pensions and similar obligations

Description of plans

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

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

Exposure to risks

Pension assets and liabilities (pre-tax) of €14,413 million and €16,995 million respectively are held on the Group's balance sheet as at 31 December 2009. Movements in equity markets, interest rates, inflation and life expectancy could materially affect the level of surpluses and deficits in these schemes, and could prompt the need for the Group to make additional pension contributions, or to reduce pension contributions, in the future. The key assumptions used to value our pension liabilities are set out below and on pages 114 and 115.

Investment strategy

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

Assumptions

With the objective of presenting the assets and liabilities of the pensions and other post-employment benefit plans at their fair value on the balance sheet, assumptions under IAS 19 are set by reference to market conditions at the valuation date. The actuarial assumptions used to calculate the benefit obligations vary according to the country in which the plan is situated. The following table shows the assumptions, weighted by liabilities, used to value the principal defined benefit plans (which cover approximately 95% of total pension liabilities) and the plans providing other post-employment benefits, and in addition the expected long-term rates of return on assets, weighted by asset value.

	31 December 2009		31 December 2008		31 December 2007		31 December 2006	
	Principal defined benefit pension plans	**Other post-employment benefit plans**	Principal defined benefit pension plans	Other post-employment benefit plans	Principal defined benefit pension plans	Other post-employment benefit plans	Principal defined benefit pension plans	Other post-employment benefit plans
Discount rate	**5.5%**	**5.8%**	6.1%	5.8%	5.8%	6.1%	5.1%	5.9%
Inflation	**2.6%**	**n/a**	2.4%	n/a	2.6%	n/a	2.5%	n/a
Rate of increase in salaries	**3.7%**	**4.0%**	3.5%	4.0%	3.8%	4.0%	3.7%	4.0%
Rate of increase for pensions in payment (where provided)	**2.6%**	**n/a**	2.4%	n/a	2.5%	n/a	2.3%	n/a
Rate of increase for pensions in deferment (where provided)	**2.8%**	**n/a**	2.6%	n/a	2.7%	n/a	2.7%	n/a
Long-term medical cost inflation	**n/a**	**5.0%**	n/a	5.0%	n/a	5.0%	n/a	5.0%
Expected long-term rates of return:								
Equities	**7.9%**		7.4%		8.0%		7.8%	
Bonds	**4.8%**		4.7%		4.9%		4.9%	
Property	**6.4%**		5.8%		6.6%		6.3%	
Others	**6.0%**		5.4%		6.3%		6.3%	
Weighted average asset return	**6.7%**		6.3%		7.0%		6.9%	

Notes to the consolidated financial statements Unilever Group

19 Pensions and similar obligations (continued)

The valuations of other post-employment benefit plans generally assume a higher initial level of medical cost inflation, which falls from 8.5% 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	1	(1)
Effect on total benefit obligation	17	(16)

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

For the most important pension plans, representing approximately 80% of all defined benefit plans by liabilities, the assumptions used at 31 December 2009, 2008, 2007 and 2006 were:

	United Kingdom				Netherlands			
	2009	2008	2007	2006	**2009**	2008	2007	2006
Discount rate	**5.7%**	6.5%	5.8%	5.1%	**5.1%**	5.9%	5.5%	4.6%
Inflation	**3.1%**	2.8%	3.0%	2.9%	**1.9%**	2.0%	1.9%	1.9%
Rate of increase in salaries	**4.6%**	4.3%	4.5%	4.4%	**2.4%**	2.4%	2.4%	2.4%
Rate of increase for pensions in payment (where provided)	**3.1%**	2.8%	3.0%	2.9%	**1.9%**	2.0%	1.9%	1.9%
Rate of increase for pensions in deferment (where provided)	**3.1%**	2.8%	3.0%	2.9%	**1.9%**	2.0%	1.9%	1.9%
Expected long-term rates of return:								
Equities	**8.0%**	7.8%	8.0%	8.0%	**7.7%**	7.2%	8.1%	7.6%
Bonds	**4.9%**	5.0%	5.0%	5.2%	**4.6%**	5.0%	4.7%	4.4%
Property	**6.5%**	6.0%	6.5%	6.5%	**6.2%**	5.7%	6.6%	6.1%
Others	**6.7%**	5.6%	6.3%	7.2%	**5.3%**	5.6%	4.1%	4.0%
Weighted average asset return	**7.2%**	7.0%	7.2%	7.3%	**6.4%**	6.2%	6.8%	6.6%

	United States				Germany			
	2009	2008	2007	2006	**2009**	2008	2007	2006
Discount rate	**5.6%**	5.6%	5.9%	5.8%	**5.1%**	5.9%	5.5%	4.6%
Inflation	**2.4%**	2.1%	2.3%	2.5%	**1.9%**	2.0%	1.9%	1.9%
Rate of increase in salaries	**4.0%**	4.0%	4.0%	4.0%	**2.8%**	2.8%	2.8%	2.6%
Rate of increase for pensions in payment (where provided)	**0.0%**	0.0%	0.0%	0.0%	**1.9%**	2.0%	1.9%	1.9%
Rate of increase for pensions in deferment (where provided)	**0.0%**	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%
Expected long-term rates of return:								
Equities	**7.8%**	6.0%	7.8%	8.3%	**7.7%**	7.2%	8.1%	7.6%
Bonds	**5.0%**	5.1%	4.5%	5.2%	**4.6%**	4.2%	4.7%	4.4%
Property	**6.3%**	4.5%	6.3%	6.8%	**6.2%**	5.7%	6.6%	6.1%
Others	**2.0%**	1.2%	3.7%	4.8%	**5.5%**	4.4%	5.8%	3.0%
Weighted average asset return	**6.6%**	5.7%	6.8%	7.4%	**5.9%**	5.3%	6.5%	5.8%

19 Pensions and similar obligations (continued)

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy (including expectations for future improvements), plan experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plans. The assumptions made in 2009 are consistent with those applied in 2008.

Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (i) United Kingdom: PNMA 00 and PNFA 00 with medium cohort adjustment subject to a minimum annual improvement of 1% and scaling factors of 110% for current male pensioners, 125% for current female pensioners and 105% for future male and female pensioners; (ii) the Netherlands: GBMV (2000-2005) with age set back of four years for males and two years for females; (iii) United States: RP2000 with a projection period of 10-15 years; and (iv) Germany: Heubeck 1998 (Periodentafel) with a scaling factor of 85%. These tables translate into the following years of life expectancy for current pensioners aged 65:

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

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

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

Balance sheet

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

			31 December 2009			31 December 2008			31 December 2007
	€ million	**€ million**	**%**	€ million	€ million	%	€ million	€ million	%
	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	**7,359**	–	**7.9%**	6,044	–	7.4%	9,957	–	8.0%
Bonds	**4,040**	–	**4.8%**	3,244	–	4.7%	4,278	–	4.9%
Property	**792**	–	**6.4%**	1,053	–	5.8%	1,381	–	6.6%
Other	**1,867**	–	**6.0%**	1,069	–	5.4%	1,220	–	6.3%
Assets of other plans	**348**	**7**	**7.9%**	303	6	8.3%	404	13	7.5%
	14,406	**7**		11,713	6		17,240	13	
Present value of liabilities:									
Principal plans	**(15,602)**	–		(13,682)	–		(16,798)	–	
Other plans	**(744)**	**(649)**		(682)	(737)		(748)	(796)	
	(16,346)	**(649)**		(14,364)	(737)		(17,546)	(796)	
Aggregate net deficit of the plans	**(1,940)**	–		(2,651)	(731)		(306)	(783)	
Irrecoverable surplus[(a)]	**–**	–		–	–		–	–	
Pension liability net of assets	**(1,940)**	**(642)**		(2,651)	(731)		(306)	(783)	
Of which in respect of:									
Funded plans in surplus:									
Liabilities	**(4,733)**	–	–	(3,600)	–		(12,396)	–	
Assets	**5,492**	–	–	4,025	–		14,404	–	
Aggregate surplus	**759**	–	–	425	–		2,008	–	
Irrecoverable surplus[(a)]	–	–	–	–	–		–	–	
Pension asset net of liabilities	**759**	–	–	425	–		2,008	–	
Funded plans in deficit:									
Liabilities	**(10,407)**	**(33)**	–	(9,484)	(30)		(3,627)	(49)	
Assets	**8,914**	**7**	–	7,688	6		2,836	13	
Pension liability net of assets	**(1,493)**	**(26)**	–	(1,796)	(24)		(791)	(36)	
Unfunded plans:									
Pension liability	**(1,206)**	**(616)**	–	(1,280)	(707)		(1,523)	(747)	

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

Notes to the consolidated financial statements Unilever Group

19 Pensions and similar obligations (continued)

Liabilities of €150 million were transferred from the UK unfunded plan to the funded plan in 2009. This followed the payment to the UK funded plan in 2008 in expectation of a transfer in 2009 and 2010. During 2008 some previously unfunded liabilities were funded utilising existing surpluses. As a consequence of this the liabilities of €24 million were moved from unfunded to funded in the table above for 2008.

Equity securities include Unilever securities amounting to €37 million (0.3% of total plan assets) and €25 million (0.2% of total plan assets) at 31 December 2009 and 2008 respectively. Property includes property occupied by Unilever amounting to €12 million and €57 million at 31 December 2009 and 2008 respectively.

The pension assets above exclude the assets in a Special Benefits Trust amounting to €127 million (2008: €146 million) to fund pension and similar obligations in the US (see also note 11 on page 97).

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

	Change in assumption	Impact on overall liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 6.0%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 6.0%

Income statement

The charge to the income statement comprises:

	€ million 2009	€ million 2008	€ million 2007
Charged to operating profit:			
Defined benefit pension and other benefit plans			
Current service cost	**(228)**	(272)	(329)
Employee contributions	**12**	12	12
Special termination benefits	**(50)**	(54)	(59)
Past service cost	**50**	24	35
Settlements/curtailments	**20**	16	72
Defined contribution plans	**(60)**	(55)	(52)
Total operating cost 4	**(256)**	(329)	(321)
Charged to other finance income/(cost):			
Interest on retirement benefits	**(940)**	(988)	(1,013)
Expected return on assets	**776**	1,131	1,171
Total other finance income/(cost) 5	**(164)**	143	158
Net impact on the income statement (before tax)	**(420)**	(186)	(163)

Cash flow

Group cash flow in respect of pensions and similar post-employment benefits comprises company contributions paid to funded plans and benefits paid by the company in respect of unfunded plans. In 2009, the benefits paid in respect of unfunded plans amounted to €234 million (2008: €223 million; 2007: €280 million). Company contributions to funded defined benefit plans are subject to periodic review, taking account of local legislation. In 2009, contributions to funded defined benefit plans amounted to €968 million (2008: €531 million; 2007: €878 million). 2009 contributions paid to funded plans included around €370 million of future years' contributions accelerated into 2009. 2008 contributions to funded plans included €254 million to the UK pension plan to cover the transfer of unfunded liabilities into the plan in 2009 and 2010. In 2009 and 2007, refunds of €25 million €50 million respectively were received out of recognised surplus from Finland. In 2008 a €42 million refund was received from the Danish pension plan following action to externally insure the liabilities. Contributions to defined contribution plans including 401k plans amounted to €60 million (2008: €55 million; 2007 €52 million). Total contributions by the Group to funded plans, net of refunds, are currently expected to be about €425 million in 2010 (2009 actual: €968 million). Benefit payments by the Group in respect of unfunded plans are currently expected to be about €215 million in 2010 (2009 actual: €234 million). Total cash costs of pensions are expected to be around €700 million in 2010 (2009 actual: €1.3 billion).

19 Pensions and similar obligations (continued)

Statement of comprehensive income

Amounts recognised in the statement of comprehensive income:

	€ million 2009	€ million 2008	€ million 2007	€ million 2006	€ million 2005	€ million Cumulative since 1 January 2004
Actual return less expected return on pension and other benefit plan assets	**1,277**	(4,243)	(236)	533	1,592	(708)
Experience gains/(losses) arising on pension plan and other benefit plan liabilities	**250**	–	103	51	27	384
Changes in assumptions underlying the present value of the pension and other benefit plan liabilities	**(1,489)**	1,116	946	474	(1,706)	(1,706)
Actuarial gain/(loss)	**38**	(3,127)	813	1,058	(87)	(2,030)
Change in unrecognised surplus	–	–	–	142	(41)	103
Refund of unrecognised assets	–	–	–	–	15	15
Net actuarial gain/(loss) recognised in statement of comprehensive income (before tax)	**38**	(3,127)	813	1,200	(113)	(1,912)

Reconciliation of change in assets and liabilities

Movements in assets and liabilities during the year:

	€ million Assets 2009	€ million Assets 2008	€ million Assets 2007	**€ million Liabilities 2009**	€ million Liabilities 2008	€ million Liabilities 2007
1 January	**11,719**	17,253	17,278	**(15,101)**	(18,342)	(20,358)
Acquisitions/disposals	–	–	(3)	–	2	5
Current service cost	–	–	–	**(228)**	(272)	(329)
Employee contributions	**12**	12	12	–	–	–
Special termination benefits	–	–	–	**(50)**	(54)	(59)
Past service costs	–	–	–	**50**	24	35
Settlements/curtailments	**(9)**	(12)	(4)	**29**	28	76
Expected returns on plan assets	**776**	1,131	1,171	–	–	–
Interest on pension liabilities	–	–	–	**(940)**	(988)	(1,013)
Actuarial gain/(loss)	**1,277**	(4,243)	(236)	**(1,239)**	1,117	1,049
Employer contributions	**1,202**	754	1,158	–	–	–
Benefit payments	**(1,204)**	(1,367)	(1,247)	**1,204**	1,367	1,247
Reclassification of benefits[(b)]	–	(7)	(7)	–	7	7
Currency retranslation	**640**	(1,802)	(869)	**(720)**	2,010	998
31 December	**14,413**	11,719	17,253	**(16,995)**	(15,101)	(18,342)

(b) Certain obligations have been reclassified as employee benefit obligations.

The actual return on plan assets during 2009 was € 2,053 million i.e. the sum of € 776 million and €1,277 million from the table above (2008: €(3,112) million).

Funded status of plans at the year end

	€ million 2009	€ million 2008	€ million 2007	€ million 2006	€ million 2005
Total assets	**14,413**	11,719	17,253	17,278	16,006
Total pension liabilities	**(16,995)**	(15,101)	(18,342)	(20,358)	(21,446)
Net liabilities	**(2,582)**	(3,382)	(1,089)	(3,080)	(5,440)
Less unrecognised surplus	**–**	–	–	–	(141)
Pension liabilities net of assets	**(2,582)**	(3,382)	(1,089)	(3,080)	(5,581)

20 Comprehensive income

Tax effects of the components of other comprehensive income were as follows:

	€ million Before tax 2009	**€ million Tax (charged)/ credit 2009**	**€ million After tax 2009**	€ million Before tax 2008	€ million Tax (charged)/ credit 2008	€ million After tax 2008
Fair value gains/(losses) on financial instruments	**163**	**(58)**	**105**	(204)	40	(164)
Actuarial gains/(losses) on pension schemes	**38**	**(20)**	**18**	(3,127)	834	(2,293)
Currency redistribution gains/(losses)	**396**	**–**	**396**	(1,688)	–	(1,688)

Notes to the consolidated financial statements Unilever Group

21 Equity

Consolidated statement of changes in equity	€ million Called up share capital	€ million Share premium account	€ million Other reserves	€ million Retained profit	€ million Total shareholders' equity	€ million Minority interests	€ million Total equity
1 January 2007	484	165	(2,143)	12,724	11,230	442	11,672
Total comprehensive income for the year	–	–	(314)	4,428	4,114	237	4,351
Dividends on ordinary capital	–	–	–	(2,070)	(2,070)	–	(2,070)
Movements in treasury stock[(a)]	–	–	(955)	(99)	(1,054)	–	(1,054)
Share-based payment credit[(b)]	–	–	–	140	140	–	140
Dividends paid to minority shareholders	–	–	–	–	–	(251)	(251)
Currency retranslation gains/(losses) net of tax	–	(12)	–	–	(12)	(6)	(18)
Other movements in equity	–	–	–	39	39	10	49
31 December 2007	484	153	(3,412)	15,162	12,387	432	12,819
Total comprehensive income for the year	–	–	(1,757)	2,692	935	205	1,140
Dividends on ordinary capital	–	–	–	(2,052)	(2,052)	–	(2,052)
Movements in treasury stock[(a)]	–	–	(1,304)	(113)	(1,417)	–	(1,417)
Share-based payment credit[(b)]	–	–	–	125	125	–	125
Dividends paid to minority shareholders	–	–	–	–	–	(208)	(208)
Currency retranslation gains/(losses) net of tax	–	(32)	–	–	(32)	(6)	(38)
Other movements in equity	–	–	4	(2)	2	1	3
31 December 2008	**484**	**121**	**(6,469)**	**15,812**	**9,948**	**424**	**10,372**
Total comprehensive income for the year	**–**	**–**	**339**	**3,538**	**3,877**	**301**	**4,178**
Dividends on ordinary capital	**–**	**–**	**–**	**(2,115)**	**(2,115)**	**–**	**(2,115)**
Movements in treasury stock[(a)]	**–**	**–**	**224**	**(95)**	**129**	**–**	**129**
Share-based payment credit[(b)]	**–**	**–**	**–**	**195**	**195**	**–**	**195**
Dividends paid to minority shareholders	**–**	**–**	**–**	**–**	**–**	**(244)**	**(244)**
Currency retranslation gains/(losses) net of tax	**–**	**10**	**–**	**–**	**10**	**(7)**	**3**
Other movements in equity	**–**	**–**	**6**	**15**	**21**	**(3)**	**18**
31 December 2009	**484**	**131**	**(5,900)**	**17,350**	**12,065**	**471**	**12,536**

(a) Includes purchases and sales of treasury stock, and transfer from treasury stock to retained profit of share settled schemes arising from prior years and differences between exercise and grant price of share options.
(b) The share-based payment credit relates to the reversal of the non-cash charge recorded against operating profit in respect of the fair value of share options and awards granted to employees.

22 Share capital

Called up share capital	€ million 2009	€ million 2008
Ordinary share capital of NV	**274**	274
Ordinary share capital of PLC	**210**	210
	484	484

Ordinary share capital	Number of shares authorised	Authorised 2009	Authorised 2008	Nominal value per share	Number of shares issued	Issued, called up and fully paid 2009	Issued, called up and fully paid 2008
		€ million	€ million			€ million	€ million
NV ordinary shares	3,000,000,000	**480**	480	€0.16	1,714,727,700	**274**	274
NV ordinary shares (shares numbered 1 to 2,400 – 'Special Shares')		**1**	1	€428.57	2,400	**1**	1
Internal holdings eliminated on consolidation (€428.57 shares)		**–**	–			**(1)**	(1)
		481	481			**274**	274
		£ million	£ million			£ million	£ million
PLC ordinary shares	4,377,075,492	**136.2**	136.2	3¹⁄₉p	1,310,156,361	**40.8**	40.8
PLC deferred stock	100,000	**0.1**	0.1	£1 stock	100,000	**0.1**	0.1
Internal holding eliminated on consolidation (£1 stock)		**–**	–			**(0.1)**	(0.1)
		136.3	136.3			**40.8**	40.8
Euro equivalent in millions (at £1.00 = €5.143)						**210**	210

For information on the rights of shareholders of NV and PLC and the operation of the Equalisation Agreement, see Corporate governance on pages 56 and 57.

A nominal dividend of 6% is paid on the deferred stock of PLC, which is not redeemable.

Internal holdings

The ordinary shares numbered 1 to 2,400 (inclusive) in NV ('Special Shares') and deferred stock of PLC are held as to one half of each class by N.V. Elma – a subsidiary of NV – and one half by United Holdings Limited – a subsidiary of PLC. This capital is eliminated on consolidation. For information on the rights related to the aforementioned ordinary shares, see Corporate governance on pages 55 and 56. 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 126 and 127.

23 Other reserves[(a)]

	€ million NV 2009	€ million NV 2008	€ million NV 2007	€ million PLC 2009	€ million PLC 2008	€ million PLC 2007	€ million Total 2009	€ million Total 2008	€ million Total 2007
Fair value reserves	**16**	(41)	92	**26**	(22)	9	**42**	(63)	101
Cash flow hedges	**1**	(22)	86	**6**	(11)	(1)	**7**	(33)	85
Available-for-sale financial assets	**15**	(19)	6	**20**	(11)	10	**35**	(30)	16
Currency retranslation of group companies	**42**	(640)	104	**(1,501)**	(1,053)	(204)	**(1,459)**	(1,693)	(100)
Adjustment on translation of PLC's ordinary capital at 3¹⁄₉p = €0.16	**–**	–	–	**(165)**	(169)	(155)	**(165)**	(169)	(155)
Capital redemption reserve	**16**	16	16	**16**	16	16	**32**	32	32
Book value treasury stock	**(3,703)**	(3,886)	(2,741)	**(647)**	(690)	(549)	**(4,350)**	(4,576)	(3,290)
	(3,629)	(4,551)	(2,529)	**(2,271)**	(1,918)	(883)	**(5,900)**	(6,469)	(3,412)

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

Unilever acquired 29,666 ordinary shares of NV and 27,769 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 2009 is 170,178,644 (2008: 177,223,649) NV shares and 50,546,994 (2008: 58,584,845) PLC shares. Of these, 28,618,015 NV shares and 23,850,000 PLC shares were held in connection with share-based compensation plans (see note 29 on pages 126 and 127).

Notes to the consolidated financial statements Unilever Group

23 Other reserves (continued)

Treasury stock – movements during the year	€ million 2009	€ million 2008
1 January	**(4,576)**	(3,290)
Purchases and other utilisations	**226**	(1,286)
31 December	**(4,350)**	(4,576)

Currency retranslation reserve – movements during the year	€ million 2009	€ million 2008
1 January	**(1,693)**	(100)
Currency retranslation during the year	**292**	(1,027)
Movement in net investment hedges	**(58)**	(560)
Recycled to income statement	**–**	(6)
31 December	**(1,459)**	(1,693)

24 Retained profit[a]

Movements during the year	€ million NV 2009	€ million NV 2008	€ million NV 2007	€ million PLC 2009	€ million PLC 2008	€ million PLC 2007	€ million Total 2009	€ million Total 2008	€ million Total 2007
1 January	**15,343**	10,403	8,404	**469**	4,759	4,320	**15,812**	15,162	12,724
Recognised income and expense through retained profit	**2,583**	1,742	2,599	**955**	950	1,829	**3,538**	2,692	4,428
Dividends on ordinary capital	**(1,203)**	(1,176)	(1,167)	**(912)**	(876)	(903)	**(2,115)**	(2,052)	(2,070)
Utilisation of treasury stock	**(33)**	(66)	(53)	**(62)**	(47)	(46)	**(95)**	(113)	(99)
Share-based compensation credit[b]	**115**	79	90	**80**	46	50	**195**	125	140
Adjustment arising from change in structure of group companies[c]	**(363)**	4,346	499	**363**	(4,346)	(499)	**–**	–	–
Other movements in retained profit	**16**	15	31	**(1)**	(17)	8	**15**	(2)	39
31 December	**16,458**	15,343	10,403	**892**	469	4,759	**17,350**	15,812	15,162
Of which retained by:									
Parent companies	**10,657**	10,602	10,009	**2,373**	1,996	2,344	**13,030**	12,598	12,353
Other group companies	**5,730**	4,732	345	**(1,267)**	(1,348)	2,555	**4,463**	3,384	2,900
Joint ventures and associates	**71**	9	49	**(214)**	(179)	(140)	**(143)**	(170)	(91)
	16,458	15,343	10,403	**892**	469	4,759	**17,350**	15,812	15,162

(a) The movements in retained profit are analysed between the NV and PLC parts of the Group, aggregated according to the relative legal ownership of individual entities by NV or PLC.
(b) The share-based compensation credit relates to the reversal of the non-cash charge recorded against operating profit in respect of the fair value of share options and awards granted to employees.
(c) As part of the review of Unilever's corporate structure, and in the light of the constitutional and operational arrangements which enable Unilever N.V. and Unilever PLC to operate as nearly as practicable as a single company, the Directors have been authorised to take any action necessary or desirable in order to ensure that the ratio of the dividend generating capacity of PLC to that of NV does not differ substantially from the ratio of the dividend entitlement of ordinary shareholders in PLC to that of ordinary shareholders in NV. In 2008 shareholdings in the Unilever companies in Belgium, Austria, Netherlands, Poland and Switzerland were transferred to 100% NV ownership. In addition, shareholdings in Canada and Indonesia were re-aligned between NV and PLC. In 2007 and 2009 there were no significant changes in group structure.

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 2009	€ million Finance cost 2009	€ million Present value 2009	€ million Future minimum lease payments 2008	€ million Finance cost 2008	€ million Present value 2008
Buildings[a]	**340**	**156**	**184**	330	166	164
Plant and machinery	**29**	**1**	**28**	51	8	43
	369	**157**	**212**	381	174	207
The commitments fall due as follows:						
Within 1 year	**34**	**12**	**22**	37	13	24
Later than 1 year but not later than 5 years	**91**	**46**	**45**	102	52	50
Later than 5 years	**244**	**99**	**145**	242	109	133
	369	**157**	**212**	381	174	207

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

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

Long-term operating lease commitments	€ million 2009	€ million 2008
Land and buildings	**1,240**	1,230
Plant and machinery	**248**	261
	1,488	1,491

Operating lease and other commitments fall due as follows	€ million Operating leases 2009	€ million Operating leases 2008	€ million Other commitments 2009	€ million Other commitments 2008
Within 1 year	**301**	344	**884**	722
Later than 1 year but not later than 5 years	**782**	730	**1,328**	1,339
Later than 5 years	**405**	417	**164**	79
	1,488	1,491	**2,376**	2,140

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

Other commitments principally comprise commitments under contracts to purchase materials and services. They do not include commitments for capital expenditure, which are reported in note 10 on page 95.

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

Contingent liabilities arise in respect of litigation against group companies, investigations by competition, regulatory and fiscal authorities and obligations arising under environmental legislation. The estimated total of such contingent liabilities at 31 December 2009 was some €205 million (2008: €355 million).

Notes to the consolidated financial statements Unilever Group

25 Commitments and contingent liabilities (continued)

Legal proceedings

Details of significant outstanding legal proceedings and ongoing regulatory investigations are as follows:

Competition investigations

As previously reported, in June 2008 the European Commission initiated an investigation into potential competition law infringements in the European Union in relation to consumer detergents. Unilever has received a number of requests for information from the European Commission regarding the investigation and has been subject to unannounced investigations at some of its premises. The investigation is ongoing although no statement of objections against Unilever has been issued to date. It is too early to reliably assess the ultimate resolution or to estimate the fines which the Commission will seek to impose on Unilever as a result of this investigation. Therefore no provision has been made. However, substantial fines can be levied as a result of European Commission investigations. Fines imposed in other sectors for violations of competition rules have amounted to hundreds of millions of euros.

In December 2009, Unilever received separate statements of objection from the French competition authority and from the Italian competition authority in connection with investigations into certain product markets in France and Italy respectively. An earlier decision by the Greek authority fining Unilever in relation to alleged restrictions on parallel trade within certain of its contracts with retailers in Greece is under appeal. Appropriate provisions have been made in relation to these investigations and the fining decision.

In addition and as previously reported, Unilever is involved in a number of other ongoing investigations by national competition authorities. These include investigations in Belgium, France, Germany and The Netherlands. These investigations are at various stages and concern a variety of product markets. In several cases it is not clear that the authorities will seek to impose a fine on Unilever, and in others it is too early to be able reasonably to assess the level of fines which the authorities may seek to impose.

It is Unilever's policy to co-operate fully with the competition authorities in the context of all ongoing investigations. In addition, Unilever reinforces and enhances its internal competition law compliance procedures on an ongoing basis.

Tax cases Brazil

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

In June 2007, the Supreme Court ruled against the taxpayers in one of these cases. Industry associations (of which Unilever is a member) attempted to negotiate a settlement with the Federal Revenue Service to reduce or avoid the payment of interest and/or penalties on such amounts. On 3 December 2008 the negotiations resulted in the publication of a settlement by the Brazilian government, open to all taxpayers including Unilever. This settlement was ratified by the President of Brazil in 2009 and was subsequently supported by further legislation which increased the discount on the interest payable. Unilever made a payment on October 29th, 2009 to settle the claim and this matter is now resolved.

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

26 Acquisitions and disposals

On 2 April 2009 we announced the completion of our purchase of the global TIGI professional hair product business and its supporting advanced education academies. TIGI's major brands include Bed Head, Catwalk and S-Factor. Turnover of the business worldwide in 2008 was around US $250 million. The cash consideration of $411.5 million was made on a cash and debt free basis. In addition, further limited payments related to future growth may be made contingent upon meeting certain thresholds.

On 23 June 2009 we announced that we had increased our holding in our business in Vietnam to 100%, following an agreement with Vinachem who previously owned 33.3% of the business.

On 3 July 2009 we completed the acquisition of Baltimor Holding ZAO's sauces business in Russia. The acquisition includes ketchup, mayonnaise and tomato paste business under the Baltimor, Pomo d'Oro and Vostochniy Gourmand brands – accounting for turnover of around €70 million in 2008 – and a production facility at Kolpino, near St Petersburg.

On 3 September 2009 we announced the sale of our oil palm plantation business in the Democratic Republic of Congo to Feronia Inc, for an undisclosed sum.

On 25 September 2009 we announced a binding offer to acquire the personal care business of the Sara Lee Corporation for €1.275 billion in cash. The Sara Lee brands involved include Sanex, Radox and Duschdas, and generated annual sales in excess of €750 million in the year ending June 2009. The transaction is subject to regulatory approval and consultation with European Works Councils, and is expected to be completed by the third quarter of 2010.

On 24 November 2009 we completed the sale of our interest in JohnsonDiversey. The cash consideration received was US $390 million, which included both the originally announced cash consideration of US $158 million plus the proceeds of the sale of the 10.5% senior notes in JohnsonDiversey Holdings, Inc. We retain a 4% interest in JohnsonDiversey in the form of warrants. See also note 11 on page 97.

2008

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

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

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

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

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

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

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

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

2007

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

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

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

Other disposals in 2007 included the sale of local Brazilian margarine brands. In addition, to further develop our healthy heart brand margarine, Becel, in Brazil we established a joint venture with Perdigão.

Notes to the consolidated financial statements Unilever Group

26 Acquisitions and disposals (continued)

Disposals	€ million 2009	€ million 2008	€ million 2007
Goodwill and intangible assets	**1**	117	5
Other non-current assets	**1**	145	44
Current assets	**3**	227	117
Trade creditors and other payables	**–**	(61)	(48)
Provisions for liabilities and charges	**1**	(5)	(34)
Minority interest	**–**	–	71
Net assets sold	**6**	423	155
(Gain)/loss on recycling of currency retranslation on disposal	**–**	(6)	(1)
Profit on sale attributable to Unilever	**7**	2,237	399
Consideration[(a)]	**13**	2,654	553
Cash	**11**	2,453	168
Cash balances of businesses sold	**–**	(15)	(4)
Financial assets, cash deposits and financial liabilities of businesses sold	**2**	15	113
Non-cash items and deferred consideration[(a)]	**–**	201	276

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

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

The following table sets out the effect of acquisitions in 2009, 2008 and 2007 on the consolidated balance sheet. The fair values currently established for all acquisitions made in 2009 are provisional. The goodwill arising on these transactions has been capitalised and is subject to an annual review for impairment (or more frequently if necessary) in accordance with our accounting policies as set out in note 1 on pages 83 and 84. Any impairment is charged to the income statement as it arises. Detailed information relating to goodwill is given in note 9 on pages 93 and 94.

Acquisitions	€ million 2009	€ million 2008	€ million 2007
Net assets acquired	**128**	151	94
Goodwill arising in subsidiaries	**350**	60	334
Consideration	**478**	211	428

In 2007, consideration consisted of €214 million cash, principally relating to acquisitions of minority interest, and €214 million fair value economic swap in South Africa.

27 Assets held for sale and discontinued operations

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 2009	€ million 2008	€ million 2007
Turnover	–	–	–
Expenses	–	–	–
Operating profit	–	–	–
Net finance costs	–	–	–
Profit before tax	–	–	–
Taxation	–	–	–
Profit after taxation	–	–	–
Gain/(loss) on disposal of discontinued operations[a]	–	–	89
Recycling of currency retranslation upon disposal	–	–	–
Taxation arising on disposal	–	–	(9)
Gain/(loss) after taxation on disposal	–	–	80
Net profit from discontinued operations	–	–	80

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

Summary cash flow statement of discontinued operations	€ million 2009	€ million 2008	€ million 2007
Net cash flow from/(used in) operating activities	–	–	(4)
Net cash flow from/(used in) investing activities	–	–	80
Net cash flow from/(used in) financing activities	–	–	–
Net increase/(decrease) in cash and cash equivalents	–	–	76

Assets classified as held for sale	€ million 2009	€ million 2008
Disposal groups held for sale		
Property, plant and equipment	**7**	7
Inventories	**1**	15
Trade and other receivables	**–**	–
	8	22
Non-current assets held for sale		
Property, plant and equipment	**9**	14
	9	14

Total assets at 31 December 2009 are included in the geographical segments as follows: Asia, Africa and Central & Eastern Europe €3 million; The Americas €14 million; Western Europe € nil.

Notes to the consolidated financial statements Unilever Group

28 Reconciliation of net profit to cash flow from operating activities

Cash flow from operating activities	€ million 2009	€ million 2008	€ million 2007
Net profit	**3,659**	5,285	4,136
Taxation	**1,257**	1,844	1,137
Share of net profit of joint ventures/associates and other income from non-current investments	**(489)**	(219)	(191)
Net finance costs:	**593**	257	252
Finance income	**(75)**	(106)	(147)
Finance cost	**504**	506	550
Preference shares provision	**–**	–	7
Pensions and similar obligations	**164**	(143)	(158)
Operating profit (continuing and discontinued operations)	**5,020**	7,167	5,334
Depreciation, amortisation and impairment	**1,032**	1,003	943
Changes in working capital:	**1,701**	(161)	27
Inventories	**473**	(345)	(333)
Trade and other current receivables	**640**	(248)	(43)
Trade payables and other current liabilities	**588**	432	403
Pensions and similar provisions less payments	**(1,028)**	(502)	(910)
Provisions less payments	**(258)**	(62)	145
Elimination of (profits)/losses on disposals	**13**	(2,259)	(459)
Non-cash charge for share-based compensation	**195**	125	118
Other adjustments	**58**	15	(10)
Cash flow from operating activities	**6,733**	5,326	5,188

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

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

29 Share-based compensation plans

As at 31 December 2009, the Group had share-based compensation plans in the form of performance shares, share options and other share awards. Starting in 2007, performance share awards and restricted stock awards were made under the Global Share Incentive Plan (GSIP), except in North America where awards were made under the Unilever North America 2002 Omnibus Equity Compensation Plan.

The numbers in this note include those for Executive Directors shown in the Directors' Remuneration Report on pages 67 to 73 and those for key management personnel shown in note 4 on page 90. No awards were made to Executive Directors in 2007, 2008 or 2009 under the Unilever North America 2002 Omnibus Equity Compensation Plan. Non-Executive Directors do not participate in any of the share-based compensation plans.

The economic fair value of the awards is calculated using option pricing models and the resulting cost is recognised as remuneration cost amortised over the vesting period of the grant.

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

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

Income statement charge	€ million 2009	€ million 2008	€ million 2007
Performance share plans	**(166)**	(97)	(103)
Other plans[a]	**(29)**	(28)	(49)
	(195)	(125)	(152)

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

29 Share-based compensation plans (continued)

Performance Share Plans

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

North America managers participate in the North America Performance Share Programme, introduced in 2001, that awards Unilever shares if North America company performance targets are met over a three-year period. The amount to be paid to the company by participants to obtain the shares at vesting is zero.

The Global Performance Share Plan (GPSP) was introduced in 2005. Under this plan, managers were awarded conditional shares which vest three years later at a level between 0% and 150% (for middle management) or 200% (for senior executives). The GPSP performance conditions for middle management were achievement of underlying sales growth and ungeared free cash flow targets over a three-year period. For senior executives, in addition to these two conditions, there was an additional target based on TSR ranking in comparison with a peer group over the three-year period (see description on page 46).

A summary of the status of the Performance Share Plans as at 31 December 2009, 2008 and 2007 and changes during the years ended on these dates is presented below:

	2009 Number of shares	2008 Number of shares	2007 Number of shares
Outstanding at 1 January	**16,353,251**	16,843,769	15,270,180
Awarded	**8,867,844**	6,887,890	6,209,781
Vested	**(6,278,634)**	(6,415,295)	(3,465,990)
Forfeited	**(1,406,313)**	(963,113)	(1,170,202)
Outstanding at 31 December	**17,536,148**	16,353,251	16,843,769
Exercisable at 31 December	**–**	–	–

	2009	2008	2007
Share award value information			
Fair value per share award during the year	**€13.02**	€19.11	€19.06

Additional information

At 31 December 2009, there were options outstanding to purchase 41,786,145 (2008: 53,373,170) ordinary shares in NV or PLC in respect of share-based compensation plans of NV and its subsidiaries and the North American plans, and 14,260,636 (2008: 16,807,546) 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 45,317,466 (2008: 58,100,378) ordinary shares of NV or PLC, and trusts in Jersey and the United Kingdom hold 7,150,549 (2008: 9,450,493) PLC shares. The trustees of these trusts have agreed, until further notice, to waive dividends on these shares, save for the nominal sum of 0.01p per 3⅑p ordinary share. Shares acquired for this purpose during 2009 represented less than 0.1% of the Group's called up capital. The balance of shares held in connection with share plans at 31 December 2009 represented 1.7% (2008: 2.2%) of the Group's called up capital.

The book value of €965 million (2008: €1,191 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 119). Their market value at 31 December 2009 was €1,187 million (2008: €1,134 million).

At 31 December 2009 there were no options for which the exercise price was above market price. At 31 December 2008 the exercise price of 27,102,133 NV and PLC options were above the market price of the shares.

Shares held to satisfy options are accounted for in accordance with IAS 32 and SIC 12. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to reserves. In 2008 this included €6 million for shares held to meet options expiring in the short term which were priced above market value. The basis of the charge to operating profit for the economic value of options granted is discussed on page 126.

Between 31 December 2009 and 1 March 2010, no grants were made and 144,276 shares were forfeited related to the performance share plans.

Notes to the consolidated financial statements Unilever Group

30 Related party transactions

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

Related party balances	€ million 2009	€ million 2008
Trading and other balances due from joint ventures	**231**	240
Trading and other balances due from/(to) associates	**5**	(33)

Joint ventures
Unilever completed the restructuring of its Portuguese business as at 1 January 2007. Sales by Unilever group companies to Unilever Jeronimo Martins and Pepsi Lipton International were €91 million and €14 million in 2009 (2008: €84 million and €12 million) respectively. Sales from Jeronimo Martins to Unilever group companies were €46 million in 2009 (2008: €48 million). Balances owed by/(to) Unilever Jerónimo Martins and Pepsi Lipton International at 31 December 2009 were €230 million and €1 million (2008: €238 million and €2 million) respectively.

Associates
At 31December 2009 the outstanding balance receivable from JohnsonDiversey Holdings Inc. was €5 million (2008: balance payable was €33 million). Agency fees payable to JohnsonDiversey in connection with the sale of Unilever branded products through their channels amounted to approximately €20 million in 2009 (2008: €24 million).

Langholm Capital Partners invests in private European companies with above-average longer-term growth prospects. Since the Langholm fund was launched in 2002, Unilever has invested €76 million in Langholm, with an outstanding commitment at the end of 2009 of €21 million. Unilever has received back a total of €123 million in cash from its investment in Langholm.

Physic Ventures is an early stage venture capital fund based in San Francisco, focusing on consumer-driven health, wellness and sustainable living. Unilever has invested €20 million in Physic Ventures since the launch of the fund in 2007. At 31 December 2009 the outstanding commitment with Physic Ventures was €43 million.

31 Remuneration of auditors

	€ million 2009	€ million 2008	€ million 2007
Fees payable to PricewaterhouseCoopers[(a)] for the audit of the consolidated and parent company accounts of Unilever N.V. and Unilever PLC	**(5)**	(7)	(5)
Fees payable to PricewaterhouseCoopers[(b)] for the audit of accounts of subsidiaries of Unilever N.V. and Unilever PLC pursuant to the legislation	**(14)**	(15)	(17)
Total statutory audit fees[(c)]	**(19)**	(22)	(22)
Other services supplied pursuant to such legislation	**–**	(1)	(1)
Other services relevant to taxation	**(2)**	(2)	(2)
Services relating to corporate finance transactions	**–**	(2)	(1)
All other services	**(1)**	(1)	(1)

(a) Of which:
€1 million was paid to PricewaterhouseCoopers Accountants N.V. (2008: €2 million; 2007: €1 million); and
€4 million was paid to PricewaterhouseCoopers LLP (2008: €5 million; 2007: €4 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 (2008: €1 million; 2007: €1 million).

32 Events after the balance sheet date

As agreed at the AGMs and at meetings of ordinary shareholders in May 2009 Unilever has with effect from 1 January 2010 moved to an arrangement of paying quarterly dividends. The first quarterly interim dividends of €0.1950 per NV ordinary share and £0.1704 per PLC ordinary share were declared on 4 February 2010.