

Disclaimer

This PDF is a section of the Unilever Annual Report & Accounts and Form 20-F 2003 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 & Accounts and Form 20-F 2003 should be consulted.

Certain sections of the Unilever Annual Report & Accounts and Form 20-F 2003 have been audited. Sections that have been audited are set out on pages 73 to 125, 131 to 147 and 149 to 150. The auditable part of the Directors' Remuneration report as set out on page 68 has also been audited.

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

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

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

The Annual Report & Accounts and Form 20-F 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 page 3 of the Report.

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

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Statement of Directors' responsibilities

Annual accounts

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

The Directors consider that in preparing the accounts, the Group, NV and PLC have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all United Kingdom accounting standards which they consider to be applicable have been followed, except as noted under 'Accounting standards' on page 73.

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 'Report of independent auditors' set out on page 72, 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. The maintenance and integrity of the website is the responsibility of the Directors, and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially placed on the website. Legislation in the United Kingdom and the Netherlands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Directors continue to adopt the going concern basis in preparing the accounts. This is because the Directors, after making enquiries and following a review of the Group's budget for 2004 and 2005, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue in operation for the foreseeable future.

Internal and disclosure controls and procedures

Unilever has a well established control environment, which is well documented and regularly reviewed by the Boards. This incorporates risk management, internal control procedures and disclosure controls and procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded, the risks facing the business are being controlled and all information required to be disclosed is reported to the Group's senior management, including where appropriate the Chairmen and Financial Director, within the required timeframe. Our procedures cover financial, operational, social and environmental risks and regulatory matters. The Boards of NV and PLC have also established a clear organisational structure,

including delegation of appropriate authorities. The Group's control environment is supported through a Code of Business Principles, which sets standards of professionalism and integrity for its operations worldwide.

The Boards have overall responsibility for establishing key procedures designed to achieve systems of internal control and disclosure control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these procedures and ongoing monitoring of risk and the effectiveness of controls rests with the Group's senior management at individual operating company and Business Group level. Business Groups, each of which has its own Risk Committee, review, on an ongoing basis, the risks faced by their group and the related internal control arrangements and provide written reports to the Corporate Risk Committee, the composition and function of which are set out on page 48.

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

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

Unilever's system of risk management has been in place throughout 2003 and up to the date of this report, and complies with the recommendations of 'Internal Control – Guidance for Directors on the Combined Code', published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales in September 1999. The Boards have carried out an annual review of the effectiveness of the systems of risk management and internal control during 2003 in accordance with this guidance, and have ensured that the necessary actions have been taken to address any weaknesses or deficiencies arising out of that review.

Based on an evaluation by the Boards, which comprises the Chairmen, the Financial Director and the Group's senior management, each Chairman and the Financial Director concluded that the design and operation of the Group's disclosure controls and procedures as at 31 December 2003 were reasonably effective and that subsequently there have been no significant changes in the Group's internal controls or in other factors that could significantly affect those controls.

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

Report of independent auditors

Report of the independent auditors to the members of Unilever N.V. and Unilever PLC

We have audited the accounts, which have been prepared under the historical cost convention, set out on pages 73 to 125, 131 to 147 and 149 to 150. We have also audited the auditable part of the Directors' Remuneration Report as set out on page 68.

Respective responsibilities of Directors and auditors

As described on page 71, the Directors are responsible for preparing the Annual Report & Accounts and Form 20-F. This includes responsibility for preparing the accounts in accordance with applicable Netherlands and United Kingdom law and United Kingdom accounting standards. Our responsibility is to audit the accounts and the auditable part of the Directors' Remuneration Report in accordance with applicable law, auditing standards and listing rules in the Netherlands and United Kingdom.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with Title 9, Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985. We also report to you whether the auditable part of the Directors' Remuneration Report is properly prepared in accordance with the applicable requirements in the Netherlands and the United Kingdom. We would also report to you if, in our opinion, the Directors' Report was not consistent with the accounts, if proper accounting records had not been kept, if we had not received all the information and explanations we require for our audit, or if information required regarding Directors' remuneration and transactions were not disclosed.

We read the other information contained in the Annual Report & Accounts and Form 20-F and consider the implications for our audit report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

As auditors of Unilever PLC, we review whether the statement on page 50 reflects the Company's compliance with the seven provisions of the Combined Code (issued in June 1998) specified for our review by the Listing Rules of the United Kingdom's Financial Services Authority and we report if it does not. We are not required to consider whether the Directors' statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands, the United Kingdom and the United States. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Netherlands and United Kingdom opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Unilever Group, Unilever N.V. and Unilever PLC at 31 December 2003 and of the profit and cash flows of the Group for the year then ended. In our opinion the accounts of the Unilever Group, and of Unilever N.V. and Unilever PLC respectively, have been properly prepared in accordance with Title 9, Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985. In our opinion, the auditable part of the Directors' Remuneration Report has been properly prepared in accordance with the applicable requirements in the Netherlands and the United Kingdom.

United States opinion

In our opinion, the accounts present fairly, in all material respects, the financial position of the Unilever Group at 31 December 2003 and 2002, and the results of its operations, total recognised gains and its cash flows for each of the three years in the period ended 31 December 2003, in accordance with the accounting information and policies on pages 73 to 75.

The accounting principles applied vary in certain significant respects from accounting principles generally accepted in the United States. The effect of the major differences in the determination of net profit and capital and reserves is shown on pages 131 and 132.

As discussed in note 17 and in note 29 to the consolidated accounts, the Group changed its method of accounting for pensions and share options in 2003. The change has been accounted for by restating comparative information at 31 December 2002 and 2001, and for the years then ended.

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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, England
As auditors of Unilever PLC

2 March 2004

Accounting information and policies

Unilever

The two parent companies, NV and PLC, together with their group companies, operate as nearly as is practicable as a single 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 for both companies to adopt the same accounting principles and requires as a general rule the dividends and other rights and benefits (including rights on liquidation) attaching to each Fl. 12 (€5.445) nominal of ordinary share capital of NV to be equal in value at the relevant rate of exchange to the dividends and other rights and benefits attaching to each £1 nominal of ordinary share capital of PLC, as if each such unit of capital formed part of the ordinary capital of one and the same company. For additional information please refer to 'Control of Unilever' on page 152.

Basis of consolidation

Because of the operational and contractual arrangements referred to above and the internal participating interests set out in note 21 on page 110, NV and PLC and their group companies constitute a single group under Netherlands and United Kingdom legislation for the purposes of presenting consolidated accounts.

Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts. These accounts are supplemented in notes 22 and 23 on page 111 and note 30 on page 125 by additional information for the NV and PLC parts of the Group in which group companies are consolidated according to respective ownership.

Companies legislation

The consolidated accounts of the Unilever Group comply with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985. The consolidated accounts of the Unilever Group also comply with accounting standards generally accepted in the United Kingdom, as allowed by Article 362.1 of Book 2 of the Civil Code in the Netherlands, unless such standards conflict with the Civil Code in the Netherlands which would in such case prevail. The company accounts, the notes to those accounts and the further statutory information given for each of NV and PLC comply with legislation in the Netherlands and the United Kingdom respectively. As explained under 'Group companies' below, in order to give a true and fair view, the presentation of the consolidated capital and reserves differs from that specified by the United Kingdom Companies Act 1985.

Accounting standards

The accounts are prepared under the historical cost convention and comply in all material respects with legislation in the Netherlands and with United Kingdom Accounting Standards.

The accounting policies of the Unilever Group are set out on pages 73 to 75. Our accounting policy for the treatment of exceptional items is given on page 86. Material variations from United States generally accepted accounting principles are set out on pages 131 to 136. In order to maintain the most appropriate accounting policies, Unilever has made the changes described below.

In line with recommendations of various standard setting bodies, from 1 January 2003 Unilever changed its accounting policy for share options. The impact of adoption of this change has been reflected by means of adjustments to the profit and loss accounts for the prior years. Existing share option programmes have been hedged by buying shares at the time of grant and taking the financing cost within interest. The accounting change is to include an additional non-cash charge against operating profit to reflect the fair value to the employee of the share options granted. In determining this charge we are applying an option pricing model (usually an adjusted Black-Scholes or multinomial model) of which the resulting cost is spread over the vesting period of the option. For further information see note 29 on page 116.

Unilever has adopted United Kingdom Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) as the basis of accounting for retirement benefits from 1 January 2003. Figures for prior years have been restated onto the same basis. The effect of the implementation of this standard is discussed in note 17 on page 99.

In addition, we have made a change to the presentation of securities held as collateral in respect of derivative financial instruments. The effect of this change in accounting policy is discussed in note 14 on page 94. Figures for prior years have been restated. This change has had no effect on reported earnings.

Recent changes in reporting requirements under US GAAP are discussed on page 136.

OECD Guidelines

In preparing its Annual Review and Annual Report & Accounts and Form 20-F, Unilever adheres to disclosure recommendations of the OECD Guidelines for Multinational Enterprises.

Group companies

Group companies are those companies in whose share capital NV or PLC holds an interest directly or indirectly, and whose consolidation is required for the accounts to give a true and fair view.

In order that the consolidated accounts should present a true and fair view, it is necessary to differ from the presentational requirements of the United Kingdom Companies Act 1985 by including amounts attributable to both NV and PLC shareholders in the capital and reserves shown in the balance sheet. The Companies Act would require presentation of the capital and reserves attributable to NV and PLC shareholders as minority interests in the respective consolidated accounts of PLC and NV. This presentation would not give a true and fair view of the effect of the Equalisation Agreement, under which the position of all shareholders is as nearly as possible the same as if they held shares in a single company.

Net profit and result for the year retained are presented on a combined basis on page 76, with the net profit attributable to NV and PLC shown separately. Movements in profit retained are analysed between those attributable to NV and PLC in note 22 on page 111.

Accounting information and policies

Foreign currencies

Exchange differences arising in the accounts of individual companies are dealt with in their respective profit and loss accounts. Those arising on trading transactions are taken to operating profit; those arising on cash, current investments and borrowings are classified as interest.

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

The ordinary share capital of NV and PLC is translated at the rate contained in the Equalisation Agreement of £1 = Fl. 12 (equivalent to €5.445). The difference between this and the value derived by applying the year-end rate of exchange is taken to other reserves (see note 23 on page 111).

The effects of exchange rate changes during the year on net assets at the beginning of the year are recorded as a movement in profit retained, as is the difference between profit of the year retained at average rates of exchange and at year-end rates of exchange.

Goodwill and intangible assets

No value is attributed to internally generated intangible assets. Goodwill (being the difference between the fair value of consideration paid for new interests in group companies, joint ventures and associated companies and the fair value of the Group's share of their net assets at the date of acquisition) and identifiable intangible assets purchased after 1 January 1998 are capitalised and amortised in the profit and loss account over the period of their expected useful lives, up to a maximum of 20 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. Goodwill and intangible assets purchased prior to 1 January 1998 were written off in the year of acquisition as a movement in profits retained.

On disposal of a business acquired prior to 1 January 1998, purchased goodwill written off on acquisition is reinstated in arriving at the profit or loss on disposal.

The treatment of goodwill and intangible assets under US GAAP is discussed on pages 132 to 134.

Goodwill and intangible assets are subject to review for impairment in accordance with United Kingdom Financial Reporting Standard (FRS) 11 'Impairment of Fixed Assets and Goodwill' and United States Statement of Financial Accounting Standards (SFAS) 142 'Goodwill and Other Intangible Assets'. Any impairment is charged to the profit and loss account as it arises.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight-line basis at percentages of cost based on the expected average useful lives of the assets. Estimated useful lives by major class of assets are as follows:

Freehold buildings (no depreciation on freehold land)	40 years
Leasehold land	Life of lease
Leasehold buildings	*40 years
Plant and equipment	2–20 years
Motor vehicles	3–6 years
*or life of lease if less than 40 years	

Tangible fixed assets are subject to review for impairment in accordance with FRS 11 and United States SFAS 144 'Accounting for the Impairment or Disposal of Long-Lived Assets' (SFAS 144). Any impairment is charged to the profit and loss account as it arises.

Fixed investments

Joint ventures are undertakings in which the Group has a long-term participating interest and which are jointly controlled by the Group and one or more other parties. Associated companies are undertakings in which the Group has a participating interest and exercises significant influence.

Interests in joint ventures and associated companies are stated in the consolidated balance sheet at the Group's share of their aggregate assets and liabilities.

Other fixed investments are stated at cost less any amounts written off to reflect a permanent impairment. Any impairment is charged to the profit and loss account as it arises.

Current assets

Stocks are valued at the lower of cost and estimated net realisable value. Cost is mainly average cost, and comprises direct costs and, where appropriate, a proportion of production overheads.

Debtors are stated after deducting adequate provision for doubtful debts.

Current investments are liquid funds temporarily invested and are stated at their realisable value. The difference between this and their original cost is taken to interest in the profit and loss account.

Retirement benefits

With effect from 1 January 2003, the Group accounts for pensions and similar benefits under the United Kingdom Financial Reporting Standard 17 (FRS 17). Figures for 2002 and 2001 have been restated. In accordance with the new standard, the operating and financing costs of defined benefit plans are recognised separately in the profit and loss account; service costs are systematically spread over the service lives of employees, and financing costs are recognised in the periods in which they arise. Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of total recognised gains and losses. The costs of individual events such as past service benefit enhancements, settlements and curtailments are recognised immediately in the profit and loss account. The liabilities and, where applicable, the assets of defined benefit plans are recognised at fair value in the balance sheet. The charges to the profit and loss account for defined contribution plans are the company contributions payable and the assets of such plans are not included in the Group balance sheet.

Accounting information and policies

Deferred taxation

Full provision is made for deferred taxation on all significant timing differences arising from the recognition of items for taxation purposes in different periods from those in which they are included in the Group accounts. Full provision is made at the rates of tax prevailing at the year end unless future rates have been enacted or substantively enacted. Deferred tax assets and liabilities have not been discounted.

Provision is made for taxation which will become payable if retained profits of group companies and joint ventures are distributed to the parent companies only to the extent that we are committed to such distributions.

Provisions

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

Derivative financial instruments

The types of derivative financial instruments used by Unilever are described in note 15 on page 97, in the Financial review on page 20 and under Risk management on page 46. Hedge accounting, as described below, is applied.

Changes in the value of forward foreign exchange contracts are recognised in the results in the same period as changes in the values of the assets and liabilities they are intended to hedge. Interest payments and receipts arising from interest rate derivatives such as swaps and forward rate agreements are matched to those arising from underlying debt and investment positions.

Payments made or received in respect of the early termination of derivative financial instruments are spread over the original life of the instrument so long as the underlying exposure continues to exist.

Research, development and market support costs

Expenditure on research and development and on market support costs such as advertising is charged against the profit of the year in which it is incurred.

Group turnover and Turnover

Group turnover comprises sales of goods and services after deduction of discounts and sales taxes. It includes sales to joint ventures and associated companies but does not include sales by joint ventures and associated companies or sales between group companies. Turnover includes the Group share of the turnover of joint ventures, net of the Group share of any sales to the joint ventures already included in the Group figures, but does not include our share of the turnover of associates.

Discounts given by Unilever include rebates, price reductions and incentives given to customers in cash or company products. At each balance sheet date the degree of expenditure incurred but not yet invoiced is estimated and accrued.

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

Exceptional items

Exceptional items are those items within ordinary activities which,

because of their size or nature, are disclosed to give a proper understanding of the underlying result for the period. These include restructuring charges in connection with reorganising businesses (comprising impairment of fixed assets, costs of severance, and other costs directly attributable to the restructuring), and profits and losses on disposal of businesses. United Kingdom FRS 3 would require profits and losses on disposal of most businesses to be excluded from operating profit. However, because the business disposals in the period and the restructuring costs are part of a series of linked initiatives, separate presentation would not give a true and fair view and therefore all exceptional items arising from these initiatives have been included on a single line in operating profit. Costs associated with restructuring, such as training, are recognised as they arise and are not treated as exceptional.

Transfer pricing

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

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

General services provided by central advisory departments, business groups, divisions and research laboratories are charged to operating companies on the basis of fees.

Leases

Lease payments, which are principally in respect of operating leases, are charged to the profit and loss account on a straight-line basis over the lease term, or over the period between rent reviews where these exist.

Share-based payments

From 1 January 2003, Unilever has reflected the economic cost of awarding shares and share options to employees by recording a charge in the profit and loss account equivalent to the fair value of the benefit awarded. The fair value is determined with reference to option pricing models, principally adjusted Black-Scholes models or the multinomial pricing model. The charge is recognised in the profit and loss account over the vesting period of the award. Figures for prior years have been restated on the same basis. Share-based payments are described in more detail in note 29 on page 116.

Shares held by employee share trusts

Unilever's accounting policy for the treatment of its own shares has always followed the requirements of Netherlands law. The recently issued United Kingdom Urgent Issues Task Force Abstracts 37 and 38 (UITF 37 and UITF 38) regarding the treatment of own shares is now consistent with Netherlands law and therefore Unilever has adopted UITF 37 and UITF 38 with no effect on the consolidated financial statements.

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 Group accounts. The book value of shares held is deducted from other reserves, and trust borrowings are included in the Group's borrowings. The costs of the trusts are included in the results of the Group. These shares are excluded from the calculation of earnings per share.

Consolidated profit and loss account

Unilever Group for the year ended 31 December

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Turnover 1	42 942	48 760	52 206
Less: Share of turnover of joint ventures 1	(249)	(490)	(692)
Group turnover 1	42 693	48 270	51 514
Cost of sales 2	(21 192)	(24 049)	(27 095)
Gross profit	21 501	24 221	24 419
Distribution, selling and administrative costs 2	(16 018)	(19 214)	(19 473)
Group operating profit 1	5 483	5 007	4 946
After charging:			
Exceptional items	(97)	(707)	(579)
Amortisation of goodwill and intangible assets 1	(1 139)	(1 245)	(1 387)
Add: Share of operating profit of joint ventures 1	46	84	84
Operating profit 1	5 529	5 091	5 030
After charging:			
Exceptional items 4	(100)	(702)	(579)
Amortisation of goodwill and intangible assets 1	(1 143)	(1 261)	(1 423)
Share of operating profit of associates 1	25	34	–
Other income from fixed investments 11	(3)	(7)	12
Interest 5	(847)	(1 173)	(1 646)
Other finance income/(cost) – pensions and similar obligations 17	(166)	108	42
Profit on ordinary activities before taxation	4 538	4 053	3 438
Taxation on profit on ordinary activities 6	(1 527)	(1 605)	(1 519)
Profit on ordinary activities after taxation	3 011	2 448	1 919
Minority interests	(249)	(312)	(239)
Net profit	2 762	2 136	1 680
Attributable to: NV 22	1 976	1 679	764
PLC 22	786	457	916
Dividends	(1 709)	(1 701)	(1 581)
Preference dividends	(27)	(42)	(51)
Dividends on ordinary capital 8	(1 682)	(1 659)	(1 530)
Result for the year retained	1 053	435	99
Combined earnings per share 7			
Basic earnings per share:			
Euros per €0.51 of ordinary capital	2.82	2.14	1.66
Euro cents per 1.4p of ordinary capital	42.33	32.16	24.86
On a diluted basis the figures would be:			
Euros per €0.51 of ordinary capital	2.74	2.08	1.61
Euro cents per 1.4p of ordinary capital	41.09	31.20	24.19

All amounts are related to continuing operations as defined by United Kingdom Financial Reporting Standard 3.

References in the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated cash flow statement and consolidated balance sheet relate to notes on pages 79 to 125, which form an integral part of the consolidated financial statements.

Accounting policies of the Unilever Group are set out on pages 73 to 75.

Variations from United States generally accepted accounting principles and Regulation S-X are outlined on pages 131 to 141.

In accordance with Article 402 of Book 2 of the Civil Code in the Netherlands, the profit and loss account of the entity NV on page 146 shows only the income from fixed investments after taxation and other income and expenses as separate items.

Amounts for 2002 and 2001 reported in the financial statements have been restated following changes in our accounting policies for pensions and other post-employment benefits and for share-based payments. See note 17 on page 99 and note 29 on page 116.

Consolidated statement of total recognised gains and losses

Unilever Group for the year ended 31 December

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Net profit	2 762	2 136	1 680
Unrealised gain on partial disposal of a group company	–	56	–
Pensions and similar obligations: 17			
Net actuarial gain/(loss) recognised	148	(4 152)	(2 195)
Deferred taxation thereon	(176)	1 341	709
Currency retranslation	159	(1 567)	(1 274)
Total recognised gains/(losses) for the year	2 893	(2 186)	(1 080)
Prior year restatement 20	(1 165)		
Total recognised gains since last annual accounts	1 728		

Consolidated cash flow statement

Unilever Group for the year ended 31 December

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Cash flow from group operating activities 26	6 780	7 883	7 497
Dividends from joint ventures	52	83	82
Returns on investments and servicing of finance 27	(1 180)	(1 386)	(1 887)
Taxation	(1 423)	(1 817)	(2 205)
Capital expenditure and financial investment 27	(1 024)	(1 706)	(1 358)
Acquisitions and disposals 27	622	1 755	3 477
Dividends paid on ordinary share capital	(1 715)	(1 580)	(1 420)
Cash flow before management of liquid resources and financing	2 112	3 232	4 186
Management of liquid resources 27	(41)	(592)	1 106
Financing 27	(2 917)	(3 078)	(5 172)
Increase/(decrease) in cash in the period	(846)	(438)	120

Reconciliation of cash flow to movement in net funds/(debt)

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Net funds/(debt) at 1 January 28	(16 966)	(23 199)	(26 468)
Increase/(decrease) in cash in the period	(846)	(438)	120
Cash flow from (increase)/decrease in borrowings	2 909	3 087	5 169
Cash flow from increase/(decrease) in liquid resources	41	592	(1 106)
Change in net funds resulting from cash flows	2 104	3 241	4 183
Borrowings within group companies acquired	(25)	(77)	(1)
Borrowings within group companies sold	5	20	3
Liquid resources within group companies sold	(3)	(1)	–
Non-cash movements	690	1 467	(408)
Currency retranslation	1 640	1 583	(508)
(Increase)/decrease in net debt in the period	4 411	6 233	3 269
Net funds/(debt) at 31 December 28	(12 555)	(16 966)	(23 199)

Amounts for 2002 and 2001 reported in the financial statements have been restated following changes in our accounting policies for pensions and other post-employment benefits, for share-based payments and for the presentation of securities held as collateral. See note 17 on page 99, note 29 on page 116 and note 14 on page 94.

Consolidated balance sheet

Unilever Group as at 31 December

	€ million 2003	€ million 2002
		Restated
Fixed assets		
Goodwill and intangible assets 9	17 713	20 274
Tangible fixed assets 10	6 655	7 436
Fixed investments 11	199	679
Total fixed assets	24 567	28 389
Current assets		
Stocks 12	4 175	4 500
Debtors 13	5 881	6 571
Debtors due within one year 13	5 082	5 875
Debtors due after more than one year 13	799	696
Current investments 14	1 491	1 226
Cash at bank and in hand 14	1 854	1 678
Total current assets	13 401	13 975
Creditors due within one year	(17 074)	(19 955)
Borrowings 14	(7 434)	(8 937)
Trade and other creditors 16	(9 640)	(11 018)
Net current assets/(liabilities)	(3 673)	(5 980)
Total assets less current liabilities	20 894	22 409
Creditors due after more than one year	9 130	11 574
Borrowings 14	8 466	10 933
Trade and other creditors 16	664	641
Provisions for liabilities and charges (excluding pensions and similar obligations)	1 645	1 578
Deferred taxation 18	747	375
Restructuring and other provisions 19	871	1 188
Interest in associates 11	27	15
Net liabilities for pensions and similar obligations 17	3 759	3 936
Net pension asset for funded schemes in surplus 17	(490)	(381)
Net pension liability for funded schemes in deficit 17	1 629	1 767
Net pension liability for unfunded schemes 17	2 620	2 550
Minority interests	440	619
Capital and reserves 20	5 920	4 702
Attributable to: NV: Called up share capital 21	420	420
Share premium account	1 397	1 397
Other reserves 23	(1 783)	(1 534)
Profit retained 22	6 835	5 655
	6 869	5 938
PLC: Called up share capital 21	222	222
Share premium account	133	144
Other reserves 23	(659)	(610)
Profit retained 22	(645)	(992)
	(949)	(1 236)
Total capital employed	20 894	22 409

Capital and reserves include €1 502 million relating to preference shares in NV which under United Kingdom Financial Reporting Standard 4 are classified as non-equity. Minority interests in group companies are substantially all equity interests.

Commitments and contingent liabilities are shown in note 24 on page 112.

Amounts for 2002 and 2001 reported in the financial statements have been restated following changes in our accounting policies for pensions and other post-employment benefits, for share-based payments and for the presentation of securities held as collateral. See note 17 on page 99, note 29 on page 116 and note 14 on page 94.

1 Segmental information

	€ million	€ million	€ million	€ million	€ million	€ million
	Europe	North America	Africa, Middle East & Turkey	Asia & Pacific	Latin America	Total
Analysis by geographical area						
2003						
Turnover^(a)	18 297	9 869	3 302	7 094	4 380	42 942
Less: Share of turnover of joint ventures	(89)	(95)	(26)	(31)	(8)	(249)
Group turnover^(a)	18 208	9 774	3 276	7 063	4 372	42 693
Group operating profit	2 563	1 071	419	1 072	358	5 483
After charging:						
Exceptional items	52	(139)	6	88	(104)	(97)
Amortisation of goodwill and intangible assets	(505)	(419)	(22)	(37)	(156)	(1 139)
Add: Share of operating profit of joint ventures	13	30	3	–	–	46
Operating profit^{(b)(c)}	2 576	1 101	422	1 072	358	5 529
After charging:						
Exceptional items	49	(139)	6	88	(104)	(100)
Amortisation of goodwill and intangible assets	(505)	(420)	(22)	(40)	(156)	(1 143)
Share of operating profit of associates ^(d)	11	8	–	4	2	25
2002 (restated)						
Turnover^(a)	19 657	12 568	3 225	7 865	5 445	48 760
Less: Share of turnover of joint ventures	(84)	(122)	(86)	(186)	(12)	(490)
Group turnover^(a)	19 573	12 446	3 139	7 679	5 433	48 270
Group operating profit	1 598	1 541	282	1 081	505	5 007
After charging:						
Exceptional items	(621)	(3)	(39)	14	(58)	(707)
Amortisation of goodwill and intangible assets	(511)	(494)	(16)	(17)	(207)	(1 245)
Add: Share of operating profit of joint ventures	22	32	9	21	–	84
Operating profit^{(b)(c)}	1 620	1 573	291	1 102	505	5 091
After charging:						
Exceptional items	(615)	(3)	(39)	13	(58)	(702)
Amortisation of goodwill and intangible assets	(511)	(494)	(19)	(30)	(207)	(1 261)
Share of operating profit of associates ^(d)	12	14	1	5	2	34
2001 (restated)						
Turnover^(a)	20 220	13 880	3 455	8 046	6 605	52 206
Less: Share of turnover of joint ventures	(101)	(113)	(264)	(200)	(14)	(692)
Group turnover^(a)	20 119	13 767	3 191	7 846	6 591	51 514
Group operating profit	2 412	1 127	196	873	338	4 946
After charging:						
Exceptional items	254	(276)	(139)	(157)	(261)	(579)
Amortisation of goodwill and intangible assets	(511)	(564)	(4)	(26)	(282)	(1 387)
Add: Share of operating profit of joint ventures	21	32	12	18	1	84
Operating profit^{(b)(c)}	2 433	1 159	208	891	339	5 030
After charging:						
Exceptional items	254	(276)	(139)	(157)	(261)	(579)
Amortisation of goodwill and intangible assets	(511)	(564)	(26)	(40)	(282)	(1 423)
Net operating assets						
2003	11 306	7 750	1 236	1 346	3 283	24 921
2002 (restated)	12 301	9 681	1 213	1 232	3 760	28 187

- (a) The analysis of turnover by geographical area is stated on the basis of origin. Turnover on a destination basis would not be materially different. Inter-segment sales between geographical areas and between product categories as on page 80 are not material.
- (b) In 2003 the Group's share of amortisation of goodwill and intangible assets in joint ventures was €(4) million (2002: €(16) million; 2001: €(36) million), of which €(1) million (2002: € nil; 2001: € nil) arose in North America, € nil (2002: €(3) million; 2001: €(22) million) arose in Africa, Middle East and Turkey and €(3) million (2002: €(13) million; 2001: €(14) million) in Asia and Pacific.
- (c) In 2003 the Group's share of exceptional items in joint ventures was €(3) million (2002: €5 million; 2001: € nil), of which €(3) million (2002: €6 million; 2001: € nil) arose in Europe and € nil (2002: €(1) million; 2001: € nil) arose in Asia and Pacific.
- (d) There were no associates in 2001.

1 Segmental information continued

Segmental information is provided below on the basis of product categories. These categories are:

Savoury and dressings – including sales of soups, bouillons, sauces, snacks, mayonnaise, salad dressings and olive oil.

Spreads and cooking products – including sales of branded margarines and spreads and cooking products such as liquid margarines.

Health & wellness and beverages – including sales of tea, weight management products, and nutritionally enhanced staples sold in developing markets.

Ice cream and frozen foods – including sales of ice cream and frozen food.

Home care – including sales of home care products, such as laundry powders and liquids and a wide range of cleaning products. In May 2002 we sold DiverseyLever, our professional cleaning business, the revenues of which were also included within this segment for the years ending 31 December 2002 and 2001. The profit from our retained stake in this business, which is an associated company, continues to be reported in this segment.

Personal care – including sales of skin care and hair care products, deodorants and antiperspirants, oral care products, and a number of prestige fragrances.

Other operations – to support our consumer brands, we own tea plantations and palm oil plantations, the results of which are reported within this segment.

	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Savoury and dressings	Spreads and cooking products	Health & wellness and beverages	Ice cream and frozen foods	Home care	Personal care	Other operations	Total
Analysis by operation								
2003								
Turnover	8 609	5 028	3 569	6 994	7 230	11 153	359	42 942
Less: Share of turnover of joint ventures	(58)	(51)	(120)	–	(5)	(10)	(5)	(249)
Group turnover	8 551	4 977	3 449	6 994	7 225	11 143	354	42 693
Group operating profit	475	782	367	1 024	908	1 858	69	5 483
After charging:								
Exceptional items	(108)	(1)	(11)	32	8	(94)	77	(97)
Amortisation of goodwill and intangible assets	(906)	(73)	(112)	(20)	(14)	(12)	(2)	(1 139)
Add: Share of operating profit of joint ventures	3	7	36	–	–	–	–	46
Operating profit^{(e)(f)}	478	789	403	1 024	908	1 858	69	5 529
After charging:								
Exceptional items	(110)	(2)	(11)	32	8	(94)	77	(100)
Amortisation of goodwill and intangible assets	(908)	(74)	(113)	(20)	(14)	(12)	(2)	(1 143)
Share of operating profit of associates ^(d)	–	–	–	–	25	–	–	25
2002 (restated)								
Turnover	9 503	6 216	4 215	7 456	8 579	12 245	546	48 760
Less: Share of turnover of joint ventures	(231)	(71)	(151)	–	(14)	(9)	(14)	(490)
Group turnover	9 272	6 145	4 064	7 456	8 565	12 236	532	48 270
Group operating profit	399	768	347	569	837	2 045	42	5 007
After charging:								
Exceptional items	9	(167)	(99)	(237)	(64)	(149)	–	(707)
Amortisation of goodwill and intangible assets	(1 051)	(17)	(119)	(27)	(17)	(13)	(1)	(1 245)
Add: Share of operating profit of joint ventures	28	19	36	–	(1)	3	(1)	84
Operating profit^{(e)(f)}	427	787	383	569	836	2 048	41	5 091
After charging:								
Exceptional items	8	(161)	(99)	(237)	(64)	(149)	–	(702)
Amortisation of goodwill and intangible assets	(1 064)	(19)	(120)	(27)	(17)	(13)	(1)	(1 261)
Share of operating profit of associates ^(d)	–	–	–	–	34	–	–	34

(d) Please refer to footnote on page 79.

(e) In 2003, the Group's share of amortisation of goodwill and intangible assets in joint ventures was €(4) million (2002: €(16) million; 2001: €(36) million), of which €(2) million (2002: €(13) million; 2001: €(36) million) arose in savoury and dressings, €(1) million (2002: €(2) million; 2001: € nil) arose in spreads and cooking products and €(1) million (2002: €(1) million; 2001: € nil) arose in the health & wellness and beverages segment.

(f) In 2003, the Group's share of exceptional items in joint ventures was €(3) million (2002: €5 million; 2001: € nil), of which €(2) million (2002: €(1) million; 2001: € nil) arose in savoury and dressings and €(1) million (2002: €6 million; 2001: € nil) arose in the spreads and cooking products segment.

1 Segmental information continued

	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Savoury and dressings	Spreads and cooking products	Health & wellness and beverages	Ice cream and frozen foods	Home care	Personal care	Other operations	Total
Analysis by operation								
2001 (restated)								
Turnover	9 999	6 771	4 299	7 727	10 467	12 310	633	52 206
Less: Share of turnover of joint ventures	(402)	(90)	(149)	–	(35)	(3)	(13)	(692)
Group turnover	9 597	6 681	4 150	7 727	10 432	12 307	620	51 514
Group operating profit	744	751	255	386	626	2 135	49	4 946
After charging:								
Exceptional items	349	(259)	(127)	(321)	(200)	(46)	25	(579)
Amortisation of goodwill and intangible assets	(1 182)	(9)	(136)	(29)	(18)	(11)	(2)	(1 387)
Add: Share of operating profit of joint ventures	21	20	41	–	1	2	(1)	84
Operating profit^{(e)(f)}	765	771	296	386	627	2 137	48	5 030
After charging:								
Exceptional items	349	(259)	(127)	(321)	(200)	(46)	25	(579)
Amortisation of goodwill and intangible assets	(1 218)	(9)	(136)	(29)	(18)	(11)	(2)	(1 423)
Net operating assets								
2003	15 624	1 949	2 550	2 346	951	1 229	272	24 921
2002 (restated)	17 787	1 823	3 231	2 315	1 308	1 317	406	28 187

(e) Please refer to footnote on page 80.

(f) Please refer to footnote on page 80.

Additional segmental information as required by US GAAP

Segmental information is provided on the following pages in accordance with SFAS 131 on the basis of the product categories described on page 80.

Unilever has reviewed the extent of its business with major customers. As a result, Unilever has concluded that it has no major customers that would require separate disclosure during the reporting periods covered by this filing.

For management reporting purposes, Unilever uses a number of measures of segment performance at constant average rates of exchange (that is, the same rates as in the preceding year). The internal management measure of profit which is most consistent with operating profit reported in the accounts is 'Trading Result'. This differs from operating profit, mainly because Trading Result includes a number of other adjustments, including the application of an inflation charge on working capital which is added back to arrive at operating profit, and certain other statistical items. Prior to 1 January 2003 these statistical items included the use of replacement cost depreciation of tangible fixed assets. In presenting results from 1 January 2003 this adjustment has been eliminated as financial depreciation is also used for internal management reporting purposes. Prior years have been restated onto a comparable basis. The change in internal management reporting has reduced depreciation in 2002 by €220 million and by €248 million in 2001.

1 Segmental information continued

Additional segmental information as required by US GAAP continued

	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Savoury and dressings	Spreads and cooking products	Health & wellness and beverages	Ice cream and frozen foods	Home care	Personal care	Other operations	Total
Analysis by operation								
2003								
Turnover								
At constant 2002 exchange rates	9 482	5 419	4 052	7 517	8 034	12 784	412	47 700
Exchange rate adjustments	(873)	(391)	(483)	(523)	(804)	(1 631)	(53)	(4 758)
At current 2003 exchange rates	8 609	5 028	3 569	6 994	7 230	11 153	359	42 942
Trading result								
At constant 2002 exchange rates:								
Before exceptional items	1 644	914	605	1 073	1 000	2 289	(4)	7 521
Exceptional items	(144)	(4)	(10)	32	(27)	(110)	99	(164)
Exchange rate adjustments	1 500	910	595	1 105	973	2 179	95	7 357
	(131)	(49)	(78)	(70)	(77)	(291)	(18)	(714)
At current 2003 exchange rates	1 369	861	517	1 035	896	1 888	77	6 643
Amortisation of goodwill and intangible assets								(1 143)
Other adjustments								29
Operating profit								5 529
2002 (restated)								
Turnover								
At constant 2001 exchange rates	10 138	6 474	4 467	7 646	9 436	13 273	586	52 020
Exchange rate adjustments	(635)	(258)	(252)	(190)	(857)	(1 028)	(40)	(3 260)
At current 2002 exchange rates	9 503	6 216	4 215	7 456	8 579	12 245	546	48 760
Trading result^(g)								
At constant 2001 exchange rates:								
Before exceptional items	1 588	1 022	641	945	989	2 344	19	7 548
Exceptional items	(127)	(160)	(100)	(226)	(74)	(166)	14	(839)
Exchange rate adjustments	1 461	862	541	719	915	2 178	33	6 709
	(80)	(13)	(31)	(13)	(61)	(180)	(3)	(381)
At current 2002 exchange rates	1 381	849	510	706	854	1 998	30	6 328
Amortisation of goodwill and intangible assets								(1 261)
Other adjustments								24
Operating profit								5 091
2001 (restated)								
Turnover								
At constant 2000 exchange rates	10 154	6 917	4 367	7 748	10 884	12 685	645	53 400
Exchange rate adjustments	(155)	(146)	(68)	(21)	(417)	(375)	(12)	(1 194)
At current 2001 exchange rates	9 999	6 771	4 299	7 727	10 467	12 310	633	52 206
Trading result^(g)								
At constant 2000 exchange rates:								
Before exceptional items	1 675	1 037	563	808	880	2 313	28	7 304
Exceptional items	350	(264)	(127)	(328)	(202)	(28)	36	(563)
Exchange rate adjustments	2 025	773	436	480	678	2 285	64	6 741
	(5)	(2)	(1)	5	(30)	(74)	(2)	(109)
At current 2001 exchange rates	2 020	771	435	485	648	2 211	62	6 632
Amortisation of goodwill and intangible assets								(1 423)
Other adjustments								(179)
Operating profit								5 030

(g) Amounts for 2002 and 2001 have been restated following a change in the method of calculating depreciation for internal management reporting purposes. See page 81 for further details.

1 Segmental information continued

Additional segmental information as required by US GAAP continued

	€ million Savoury and dressings	€ million Spreads and cooking products	€ million Health & wellness and beverages	€ million Ice cream and frozen foods	€ million Home care	€ million Personal care	€ million Other operations	€ million Total
Analysis by operation								
Depreciation and amortisation								
2003								
At constant 2002 exchange rates	1 243	194	206	267	149	203	24	2 286
Exchange rate adjustments	(124)	(22)	(33)	(20)	(17)	(25)	(7)	(248)
At current 2003 exchange rates	1 119	172	173	247	132	178	17	2 038
2002^{(g)(h)}								
At constant 2001 exchange rates	1 370	187	227	298	442	242	19	2 785
Exchange rate adjustments	(105)	(9)	(18)	(11)	(40)	(20)	–	(203)
At current 2002 exchange rates	1 265	178	209	287	402	222	19	2 582
2001^{(g)(h)}								
At constant 2000 exchange rates	1 465	248	211	349	348	246	33	2 900
Exchange rate adjustments	(30)	(24)	(5)	21	(11)	(5)	(1)	(55)
At current 2001 exchange rates	1 435	224	206	370	337	241	32	2 845
Capital expenditure								
2003								
At constant 2002 exchange rates	213	123	91	234	184	282	23	1 150
Exchange rate adjustments	(23)	(9)	(13)	(14)	(19)	(31)	(3)	(112)
At current 2003 exchange rates	190	114	78	220	165	251	20	1 038
2002								
At constant 2001 exchange rates	216	171	178	280	231	274	30	1 380
Exchange rate adjustments	(14)	(5)	(11)	(10)	(16)	(23)	(3)	(82)
At current 2002 exchange rates	202	166	167	270	215	251	27	1 298
2001								
At constant 2000 exchange rates	245	157	108	313	374	327	28	1 552
Exchange rate adjustments	29	(13)	(8)	(21)	(14)	(9)	(3)	(39)
At current 2001 exchange rates	274	144	100	292	360	318	25	1 513
Total assets								
2003								
Total assets by operation	18 050	2 806	3 044	3 573	2 904	3 771	431	34 579
Corporate								3 389
								37 968
2002^{(g)(h)}								
Total assets by operation	19 426	3 589	4 051	3 834	3 580	4 083	597	39 160
Corporate ⁽ⁱ⁾								3 204
								42 364

(g) Please refer to footnote on page 82.

(h) Amounts for prior years have been restated to allocate certain central assets to geographic and operational segments.

(i) Amounts for prior years have been restated following a change in the presentation for securities held as collateral in connection with derivative financial instruments. See note 14 on page 94.

1 Segmental information continued

Additional segmental information as required by US GAAP continued

	€ million United Kingdom & Netherlands	€ million United States	€ million Other	€ million Total
Additional geographic analysis^{(j)(k)}				
Turnover				
2003				
At constant 2002 exchange rates	5 229	10 733	31 738	47 700
Exchange rate adjustments	(361)	(1 772)	(2 625)	(4 758)
At current 2003 exchange rates	4 868	8 961	29 113	42 942
2002				
At constant 2001 exchange rates	5 444	12 120	34 456	52 020
Exchange rate adjustments	(38)	(578)	(2 644)	(3 260)
At current 2002 exchange rates	5 406	11 542	31 812	48 760
2001				
At constant 2000 exchange rates	5 794	12 388	35 218	53 400
Exchange rate adjustments	(89)	351	(1 456)	(1 194)
At current 2001 exchange rates	5 705	12 739	33 762	52 206
Tangible fixed assets				
2003				
2002 ^(h)	1 145	1 260	4 250	6 655
	1 333	1 564	4 539	7 436

(h) Please refer to footnote on page 83.

(j) The analysis of turnover by geographical area is stated on the basis of origin. Turnover on a destination basis would not be materially different. Inter-segment sales between geographical areas and between product categories are not material.

(k) For the United Kingdom and the Netherlands, the combined operating profit was €918 million (2002: €750 million; 2001: €1 473 million). The 2002 and 2001 amounts have been restated for the change in accounting policy for pensions and the restatement discussed in footnote (h).

2 Operating costs

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Cost of sales	(21 192)	(24 049)	(27 095)
Distribution and selling costs	(10 096)	(12 185)	(12 605)
Administrative expenses ^(a)	(5 922)	(7 029)	(6 868)
Operating costs	(37 210)	(43 263)	(46 568)
Operating costs include:			
Staff costs 3	(6 225)	(7 042)	(7 359)
Raw materials and packaging	(15 874)	(18 086)	(19 924)
Amortisation of goodwill and intangible assets ^(b)	(1 139)	(1 245)	(1 387)
Depreciation of tangible fixed assets ^(c)	(899)	(1 337)	(1 458)
Advertising and promotions	(6 069)	(6 839)	(6 648)
Research and development	(1 065)	(1 166)	(1 178)
Remuneration of auditors: ^(d)			
Statutory audit fees	(13)	(15)	(16)
Other audit services	(2)	(2)	(4)
Other payments to PricewaterhouseCoopers for non-audit services:			
Audit-related services	(1)	(10)	(6)
Tax ^(e)	(14)	(6)	(5)
General consulting	(2)	(16)	(60)
Other services	(1)	(1)	(1)
Lease rentals:			
Minimum lease payments	(413)	(503)	(548)
Contingent lease payments	(3)	(15)	(28)
	(416)	(518)	(576)
Less: Sub-lease income	8	8	10
	(408)	(510)	(566)
of which:			
Plant and machinery	(113)	(141)	(147)
Other	(295)	(369)	(419)

(a) Includes amortisation of goodwill and intangible assets.

(b) Includes exceptional amount of €(11) million in 2003, €(22) million in 2002 and €(8) million in 2001.

(c) Includes exceptional amount of €(50) million in 2003, €(256) million in 2002 and €(263) million in 2001.

(d) A description of the services we allow our auditors to perform is given within the Corporate governance section on page 50.

(e) Includes €(10) million in 2003 for fees in respect of a prior year tax settlement.

3 Staff costs and employees

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Remuneration of employees	(4 895)	(5 748)	(5 975)
Emoluments of Directors as managers	(11)	(17)	(18)
Pensions and other post-employment benefits 17	(430)	(351)	(494)
Social security costs	(681)	(741)	(766)
Share option costs 29	(208)	(185)	(106)
Total staff costs	(6 225)	(7 042)	(7 359)

Details of the remuneration of Directors and Advisory Directors are given in the auditable part of the Remuneration report as defined on page 68.

The average number of employees during the year was:

	'000 2003	'000 2002	'000 2001
Europe	57	65	75
North America	20	22	30
Africa, Middle East and Turkey	53	52	49
Asia and Pacific	79	84	84
Latin America	31	35	41
Total	240	258	279

4 Exceptional items

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Included in operating profit			
Restructuring	(470)	(1 163)	(1 506)
Other, principally business disposals	370	461	927
Total	(100)	(702)	(579)

These amounts, which include amounts relating to joint ventures, are mainly included in administrative expenses.

Exceptional items are those items within ordinary activities which, because of their size or nature, are disclosed to give a proper understanding of the underlying result for the period. These include restructuring charges in connection with reorganising businesses (comprising impairment of fixed assets, costs of severance, and other costs directly attributable to the restructuring), and profits and losses on disposal of businesses. United Kingdom FRS 3 would require profits and losses on disposal of most businesses to be excluded from operating profit. However, because the business disposals above and the restructuring costs are part of a series of linked initiatives, separate presentation would not give a true and fair view and therefore we have included all exceptional items arising from these initiatives on a single line in operating profit. Costs associated with restructuring, such as training, are recognised as they arise and are not treated as exceptional.

The exceptional items in 2003, 2002 and 2001 principally relate to a series of linked initiatives (the 'Path to Growth'), announced on 22 February 2000 to align the organisation behind plans for accelerating growth and expanding margins and to restructuring arising from the integration of Bestfoods. The total net cost of these programmes is estimated to be €6.2 billion over five years, most of which is expected to be exceptional restructuring costs. Provisions for these costs and asset write downs are being recognised as necessary consultations are completed and plans finalised.

In 2003, €0.3 billion of net costs have been incurred under Path to Growth programmes, of which a net €0.1 billion is exceptional. To date, which is four years into the five-year programme, the total net cost incurred is €5.4 billion, of which a net €4.5 billion is exceptional.

In 2002, exceptional items included €1.1 billion of Path to Growth net costs. Other exceptional items in 2002 included the release of provisions (€98 million) against environmental exposures when events showed that the provisions were no longer required. These provisions were originally recorded on the acquisition of the Bestfoods business.

In 2001, exceptional items included €1.4 billion of Path to Growth net costs and €811 million gain on the sale of brands to secure regulatory approval for the acquisition of Bestfoods.

Information relating to the cash flows arising from restructuring is given in note 19 on page 108. Information relating to business disposals is given in note 25 on page 112.

5 Interest

	€ million 2003	€ million 2002	€ million 2001
Total interest payable and similar charges	(1 173)	(1 446)	(1 914)
Group interest payable and similar charges:			
Bank loans and overdrafts	(158)	(186)	(451)
Bonds and other loans	(965)	(1 228)	(1 463)
Share of interest payable of joint ventures	(2)	(5)	–
Share of interest payable of associates	(48)	(27)	–
Group interest receivable and similar income ^(a)	320	247	210
Exchange differences	6	26	(3)
	(847)	(1 173)	(1 707)
Less: interest capitalised on businesses held for resale	–	–	61
Total net interest	(847)	(1 173)	(1 646)

(a) Includes in 2003 one-off credits of €23 million in respect of profit on the sale of the JohnsonDiversey senior discount note and €13 million in respect of the early termination of an interest rate swap.

Other finance income/(cost) in respect of pensions and similar obligations is not included above but is analysed in note 17 on page 99.

6 Taxation on profit on ordinary activities

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Parent and group companies ^{(a)(b)}	(1 529)	(1 582)	(1 494)
Joint ventures	(5)	(19)	(25)
Associates	7	(4)	–
Total	(1 527)	(1 605)	(1 519)
Of which:			
Adjustments to previous years			
United Kingdom taxes	46	11	(3)
Other taxes	167	245	61
(a) United Kingdom Corporation Tax at 30.0%	(346)	(161)	(371)
less: double tax relief	191	66	140
United Kingdom taxes	(155)	(95)	(231)
plus: non-United Kingdom taxes	(1 374)	(1 487)	(1 263)
	(1 529)	(1 582)	(1 494)
(b) Of which, tax on exceptional items amounted to	94	180	228
Deferred taxation has been included on a full provision basis for:			
Accelerated depreciation	18	50	87
Other	(238)	175	(179)
	(220)	225	(92)
Of which:			
United Kingdom deferred taxes	23	31	20
Non-United Kingdom deferred taxes	(243)	194	(112)

Europe is Unilever's domestic tax base. The reconciliation between the computed rate of income tax expense which is generally applicable to Unilever's European companies and the actual rate of taxation charged, expressed in percentages of the profit of ordinary activities before taxation, is as follows:

	% 2003	% 2002	% 2001
		Restated	Restated
Computed rate of tax (see below)	32	34	34
Differences due to:			
Other rates applicable to non-European countries	1	3	(1)
Incentive tax credits	(2)	(3)	(3)
Withholding tax on dividends	1	2	3
Adjustments to previous years	(5)	(6)	(2)
Non-deductible goodwill amortisation	7	9	12
Other	–	1	1
Actual rate of tax (current and deferred)	34	40	44
Actual rate of deferred tax for:			
Accelerated depreciation	–	1	3
Other	(5)	4	(5)
Actual rate of current tax	29	45	42

In the above reconciliation, the computed rate of tax is the average of the standard rate of tax applicable in the European countries in which Unilever operates, weighted by the amount of profit on ordinary activities before taxation generated in each of those countries.

6 Taxation on profit on ordinary activities continued

The total charge in future periods will be affected by any changes to the corporate tax rates in force in the countries in which the Group operates. The current tax charges will also be affected by changes in the excess of tax depreciation over book depreciation and the use of tax credits.

Analyses of European and non-European profit on ordinary activities before taxation, and of the actual taxation charge thereon, are as follows:

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Profit on ordinary activities before taxation			
Europe:			
Parent and group companies	2 586	2 077	2 372
Joint ventures	11	19	21
Associates	11	12	–
	2 608	2 108	2 393
Outside Europe:			
Group companies	1 931	1 890	982
Joint ventures	33	60	63
Associates	(34)	(5)	–
	1 930	1 945	1 045
Total	4 538	4 053	3 438
Taxation on profit on ordinary activities			
Europe:			
Parent and group companies			
Taxes payable	(644)	(723)	(760)
Deferred taxation	(67)	65	(107)
of which:			
Accelerated depreciation	18	113	62
Other	(85)	(48)	(169)
Joint ventures	(4)	(6)	(6)
Associates	(3)	(5)	–
	(718)	(669)	(873)
Outside Europe:			
Group companies			
Taxes payable	(665)	(1 084)	(642)
Deferred taxation	(153)	160	15
of which:			
Accelerated depreciation	–	(63)	25
Other	(153)	223	(10)
Joint ventures	(1)	(13)	(19)
Associates	10	1	–
	(809)	(936)	(646)
Total	(1 527)	(1 605)	(1 519)

7 Combined earnings per share

	Per €0.51 share of NV ordinary capital			Per 1.4p share of PLC ordinary capital		
	€ 2003	€ 2002	€ 2001	€ cents 2003	€ cents 2002	€ cents 2001
		Restated	Restated		Restated	Restated
Basic earnings per share	2.82	2.14	1.66	42.33	32.16	24.86
Diluted earnings per share	2.74	2.08	1.61	41.09	31.20	24.19
Basic earnings per share before exceptional items and amortisation of goodwill and intangible assets	4.02	3.95	3.39	60.31	59.27	50.80

Basis of calculation:

The calculations of combined earnings per share are based on the net profit attributable to ordinary capital divided by the average number of share units representing the combined ordinary capital of NV and PLC in issue during the year, after deducting shares held to meet Unilever employee share options which are not yet exercised. For the calculation of combined ordinary capital, the exchange rate of £1 = Fl. 12 = €5.445 has been used, in accordance with the Equalisation Agreement.

Earnings per share before exceptional items and amortisation of goodwill and intangible assets is provided in this Annual Report & Accounts because the Directors believe it better explains the ongoing trends in the Group's performance during the duration of the Path to Growth programme. This measure is an important component of the targets on which Directors' annual performance bonuses are based. United Kingdom Financial Reporting Standard 14 requires the company to provide a reconciliation of earnings in the notes to the accounts in these circumstances. This is set out below.

The calculations of diluted earnings per share are based on (a) conversion into PLC ordinary shares of the shares in a group company which are convertible in the year 2038 as described in 'Control of Unilever' on page 152, and (b) the exercise of share options, details of which are set out in note 29 on page 116.

Calculation of average number of share units:

	Millions of €0.51 share units			Millions of 1.4p share units		
	2003	2002	2001	2003	2002	2001
Average ordinary capital: NV	571.6	571.6	571.6	3 810.5	3 810.5	3 810.5
PLC	436.7	436.7	436.7	2 911.5	2 911.5	2 911.5
less: shares held by employee share trusts and companies	(39.4)	(31.6)	(25.5)	(262.6)	(210.4)	(169.7)
Combined average number of share units for all bases except diluted earnings per share	968.9	976.7	982.8	6 459.4	6 511.6	6 552.3
add: shares issuable in 2038	23.6	23.6	23.6	157.5	157.5	157.5
add: shares under option	42.2	35.3	23.5	281.4	235.3	156.3
less: shares issuable at fair value	(36.6)	(29.0)	(19.9)	(244.0)	(193.6)	(132.7)
Adjusted combined average number of share units for diluted earnings per share basis	998.1	1 006.6	1 010.0	6 654.3	6 710.8	6 733.4

Calculation of earnings:

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Net profit	2 762	2 136	1 680
less: preference dividends	(27)	(42)	(51)
Net profit attributed to ordinary capital for basic and diluted earnings per share calculations	2 735	2 094	1 629
add: exceptional items net of tax	67	550	329
add: amortisation of goodwill and intangible assets net of tax	1 094	1 216	1 371
Net profit attributed to ordinary capital before exceptional items and amortisation	3 896	3 860	3 329

8 Dividends on ordinary capital

	€ million 2003	€ million 2002	€ million 2001
Dividends on ordinary capital			
Interim	(574)	(537)	(491)
Final	(1 108)	(1 122)	(1 039)
Total	(1 682)	(1 659)	(1 530)

	Per €0.51 share of NV ordinary capital			Per 1.4p share of PLC ordinary capital		
	€ 2003	€ 2002	€ 2001	pence 2003	pence 2002	pence 2001
Dividends per share						
Interim	0.59	0.55	0.50	6.16	5.21	4.65
Final	1.15	1.15	1.06	11.92	10.83	9.89
Total	1.74	1.70	1.56	18.08	16.04	14.54

Full details of dividends for the years 1999 to 2003 are given on page 161.

9 Goodwill and intangible assets

No value is attributed to internally generated intangible assets. Goodwill and identifiable intangible assets purchased after 1 January 1998 are capitalised and amortised in operating profit over the period of their expected useful lives, up to a maximum of 20 years. Goodwill and intangible assets purchased prior to 1 January 1998 were written off in the year of acquisition as a movement in profits retained.

Goodwill and intangible assets are subject to review for impairment in accordance with United Kingdom FRS 11 and United States SFAS 142. Any impairment is charged to the profit and loss account as it arises.

Acquisitions include goodwill transferred from joint ventures following the buyout of the interest of our partners Ajinomoto of Japan.

Intangible assets principally consist of trademarks.

	€ million 2003	€ million 2002
At cost less amortisation		
Goodwill	13 457	15 328
Intangible assets	4 256	4 946
Total	17 713	20 274

Movements during 2003	€ million Goodwill	€ million Intangible assets	€ million Total
Cost			
1 January	17 345	5 603	22 948
Acquisitions of group companies	422	187	609
Disposals of group companies	(98)	(54)	(152)
Currency retranslation	(1 586)	(617)	(2 203)
31 December	16 083	5 119	21 202
Amortisation			
1 January	(2 017)	(657)	(2 674)
Acquisitions of group companies	-	(20)	(20)
Disposals of group companies	16	9	25
Charged to profit and loss account ^(a)	(852)	(287)	(1 139)
Currency retranslation	227	92	319
31 December	(2 626)	(863)	(3 489)
Net book value 31 December	13 457	4 256	17 713

(a) Includes exceptional write down of €11 million.

10 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight-line basis at percentages of cost based on the expected average useful lives of the assets. Estimated useful lives by major class of assets are as follows:

Freehold buildings (no depreciation on freehold land)	40 years
Leasehold land	Life of lease
Leasehold buildings	*40 years
Plant and equipment	2–20 years
Motor vehicles	3–6 years
*or life of lease if less than 40 years	

Tangible fixed assets are subject to review for impairment in accordance with United Kingdom FRS 11 and United States SFAS 144. Any impairment in the value of such fixed assets is charged to the profit and loss account as it arises.

	€ million 2003	€ million 2002
At cost less depreciation:		
Land and buildings ^(a)	2 278	2 622
Plant and machinery	4 377	4 814
Total	6 655	7 436
(a) includes: freehold land	238	282
leasehold land (mainly long-term leases)	58	63
Commitments for capital expenditure at 31 December	167	244

	€ million Land and buildings	€ million Plant and machinery	€ million Total
Movements during 2003			
Gross			
1 January	3 850	11 448	15 298
Currency retranslation	(321)	(821)	(1 142)
Capital expenditure	143	895	1 038
Disposals	(196)	(849)	(1 045)
Acquisitions of group companies	25	74	99
Disposals of group companies	(120)	(324)	(444)
Other adjustments	5	(5)	–
31 December	3 386	10 418	13 804
Depreciation			
1 January	(1 228)	(6 634)	(7 862)
Currency retranslation	103	478	581
Disposals	84	748	832
Acquisitions of group companies	(6)	(38)	(44)
Disposals of group companies	41	202	243
Charged to profit and loss account ^(b)	(93)	(806)	(899)
Other adjustments	(9)	9	–
31 December	(1 108)	(6 041)	(7 149)
Net book value 31 December	2 278	4 377	6 655
Includes payments on account and assets in course of construction	77	524	601

(b) Including a charge of €50 million in respect of fixed assets written down to net realisable value in connection with restructuring projects, all of which was exceptional.

11 Fixed investments

Joint ventures are undertakings in which the Group has a long-term participating interest and which are jointly controlled by the Group and one or more other parties. Associated companies are undertakings in which the Group has a participating interest and exercises significant influence.

Interests in joint ventures and associated companies are stated in the consolidated balance sheet at the Group's share of their aggregate assets and liabilities.

Other fixed investments are stated at cost less any amounts written off to reflect a permanent impairment. Any impairment is charged to the profit and loss account as it arises.

	€ million 2003	€ million 2002
Share of gross assets of joint ventures	79	370
Share of gross liabilities of joint ventures	(39)	(96)
Interest in net assets of joint ventures	40	274
Interest in net assets of associates	16	1
Total joint ventures and associates	56	275
Other fixed investments	143	404
Total fixed investments	199	679

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

Joint ventures – movements during 2003	€ million Goodwill	€ million Other	€ million Total
1 January	211	63	274
Acquisitions/disposals ^(a)	(187)	(24)	(211)
Additions/reductions	–	10	10
Amortisation of goodwill	(4)	–	(4)
Share of profit retained	–	(6)	(6)
Currency retranslation	(16)	(7)	(23)
31 December	4	36	40

(a) During 2003, the Ajinomoto Joint Ventures in Asia have been reclassified as subsidiaries following the buy-out of the interests of our partners Ajinomoto of Japan.

Associates – movements during 2003	€ million Goodwill	€ million Other	€ million Total
1 January	154	(168)	(14)
Acquisitions/disposals	–	15	15
Additions/reductions	–	2	2
Amortisation of goodwill	(7)	–	(7)
Share of profit retained	–	(8)	(8)
Currency retranslation	(25)	26	1
	122	(133)	(11)
Of which: Net liabilities of JohnsonDiversey reclassified to provisions for liabilities and charges (€27 million net)	(122)	149	27
31 December	–	16	16

Associated companies primarily comprise our investments in JohnsonDiversey Holdings Inc. and Langholm Capital. Other Unilever Ventures investments are included under 'Other fixed investments' below.

Other fixed investments – movements during 2003	€ million
1 January	404
Additions/reductions	(236)
Currency retranslation	(25)
31 December	143

Other fixed investments consist mainly of investments in a number of companies and financial institutions in India, Europe and the US.

11 Fixed investments continued

	€ million 2003	€ million 2002
Analysis of listed and unlisted investments		
Investments listed on a recognised stock exchange	7	19
Unlisted investments	192	660
Total fixed investments	199	679
Market value of listed investments	10	19
	€ million 2003	€ million 2002
Other income from fixed investments		€ million 2001
Income from other fixed investments	8	2
Exceptional impairment	(26)	–
Profit/(loss) on disposal	15	10
	(3)	(7)

Unlisted investments included in 2002 the Senior Discount Note issued by JohnsonDiversey as part consideration for the purchase of the DiverseyLever business; this note was sold on 11 September 2003. The profit on disposal of this note was recorded against interest (see note 5 on page 86).

The following related party balances existed with associates at 31 December:

	€ million 2003	€ million 2002
Trading balances receivable	28	38
Financing balances receivable	–	247

Sales agency fees to JohnsonDiversey were incurred of approximately €77 million in 2003 (2002: €85 million).

12 Stocks

	€ million 2003	€ million 2002
Raw materials and consumables	1 498	1 720
Finished goods and goods for resale	2 677	2 780
Total stocks	4 175	4 500

13 Debtors

	€ million 2003	€ million 2002
Due within one year:		Restated
Trade debtors	3 510	4 112
Prepayments and accrued income	551	573
Other debtors	1 021	1 190
	5 082	5 875
Due after more than one year:		
Deferred taxation 18	637	472
Other debtors	162	224
	799	696
Total debtors	5 881	6 571

13 Debtors continued

The following information is required by schedule 210.12-09 under Regulation S-X of the United States Securities and Exchange Commission:

	€ million 2003	€ million 2002	€ million 2001
Provision for doubtful debtors			
Movements during the year:			
1 January	294	328	307
Charged to profit and loss account	38	155	96
Charged to other accounts ^(a)	(24)	(24)	13
Reductions	(29)	(165)	(88)
31 December	279	294	328

(a) Includes currency retranslation of opening balances.

14 Net funds/(debt)

	€ million 2003	€ million 2002
		Restated
Current investments		
Listed	91	62
Unlisted	1 400	1 164
	1 491	1 226
Cash at bank and in hand		
On call and in hand	1 304	1 028
Repayment notice required	550	650
	1 854	1 678
Borrowings		
Bank loans and overdrafts	(1 834)	(1 844)
Bonds and other loans	(14 066)	(18 026)
	(15 900)	(19 870)
Total net funds/(debt)	(12 555)	(16 966)

Current investments include government securities and A- or higher rated money and capital market instruments.

An amount of €20 million (2002: €13 million) is included in cash at bank with repayment notice required. This relates to cash collateral deposited as required by a forward purchase contract with a counterparty bank to buy 10 000 000 PLC shares at 559p per share in November 2006. Further details are given in note 15 on page 98.

	€ million 2003	€ million 2002
		Restated
Borrowings – additional details		
The repayments fall due as follows:		
Within one year:		
Bank loans and overdrafts	1 629	1 514
Bonds and other loans	5 805	7 423
Total due within one year	7 434	8 937
After one year but within two years	1 881	1 734
After two years but within three years	1 719	2 047
After three years but within four years	1 806	1 807
After four years but within five years	163	1 807
After five years: By instalments	5	–
Not by instalments	2 892	3 538
Total due after more than one year	8 466	10 933
Total amount repayable by instalments any of which are payable after five years	8	2
Secured borrowings	177	44
Of which secured against tangible fixed assets	120	6

During 2003 Unilever changed its accounting policy for the presentation of securities held as collateral in respect of derivative financial instruments. Until 2002 Unilever presented such collateral under cash on call and in hand and under bonds and other loans respectively. Because, in normal circumstances, Unilever has to return the securities in the same form as the original security received, and Unilever does not retain the benefit of any dividends or interest on those securities, they are not presented as assets and liabilities of the Group. As a result, both cash on call and in hand and bonds and other loans at 31 December 2002 have been reduced by €574 million.

Notes to the consolidated accounts

Unilever Group

14 Net funds/(debt) continued

The tables set out below and on page 96 take into account the various interest rate swaps and forward foreign currency contracts entered into by the Group, details of which are set out in note 15 on pages 97 and 98. Details of specific bonds and other loans are also given below.

	€ million 2003	€ million 2002
		Restated
NV		
Floating rate notes 2003 (€)	–	1 000
Floating rate notes 2003 (US \$)	–	477
Floating rate notes 2003 (Japanese Yen)	–	402
4.750% Bonds 2004 (€)	999	998
7.250% Bonds 2004 (US \$)	198	238
6.500% Bonds 2004 (€)	159	159
7.125% Bonds 2004 (€)	229	228
6.625% Notes 2005 (US \$)	159	191
3.375% Bonds 2005 (Swiss Francs)	320	343
5.125% Bonds 2006 (€)	998	998
5.125% Notes 2006 (US \$)	395	474
4.250% Bonds 2007 (€)	997	996
5.000% Bonds 2007 (US \$)	514	617
Commercial paper (€)	1 733	962
Commercial paper (£)	629	234
Commercial paper (US \$)	950	595
Commercial paper (Swiss Francs)	158	93
Other	164	214
Total NV	8 602	9 219
PLC		
5.375% Notes 2003 (€)	–	1 250
Commercial paper (€)	–	59
Commercial paper (£)	–	98
Total PLC	–	1 407
Other group companies:		
United States:		
6.750% Notes 2003 (US \$)	–	1 429
6.875% Notes 2003 (US \$)	–	95
6.875% Notes 2005 (US \$)	1 188	1 427
6.150% Bonds 2006 (US \$)	233	277
7.125% Bonds 2010 (US \$)	1 379	1 657
7.000% Bonds 2017 (US \$)	113	135
7.250% Bonds 2026 (US \$)	225	270
6.625% Bonds 2028 (US \$)	175	209
5.900% Bonds 2032 (US \$)	785	943
5.000% Bonds 2045 (Swiss Francs)	128	138
5.600% Bonds 2097 (US \$)	96	87
Commercial paper (US \$)	269	351
Other	7	41
India:		
9.000% Debenture loan 2005 (Indian Rupee)	111	–
Thailand:		
3.300% Bonds 2007 (Thai Baht)	130	144
South Africa:		
10.200% Bonds 2008 (South African Rand)	120	–
Other countries	505	197
Total other group companies	5 464	7 400
Total bonds and other loans	14 066	18 026

14 Net funds/(debt) continued

Unilever had the following undrawn committed facilities at 31 December 2003:

- revolving 364-day bilateral credit facilities of in aggregate US \$3 403 million (2002: US \$3 403 million) with a 364-day term out;
- revolving 5-year bilateral credit facilities of in aggregate US \$334 million (2002: US \$334 million);
- revolving 364-day notes commitments of US \$400 million (2002: US \$400 million) with the ability to issue notes with a maturity up to 364 days; and
- 364-day bilateral money market commitments of in aggregate US \$2 080 million (2002: US \$2 080 million), under which the underwriting banks agree, subject to certain conditions, to subscribe for notes with maturities of up to three years.

The facilities which matured in February 2004 have since been renewed until February 2005. In addition, operating companies have a variety of facilities, most of which are uncommitted.

The average interest rate on short-term borrowings in 2003 was 4% (2002: 5%).

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

Interest rate profile and currency analysis of financial assets

	€ million			€ million	€ million
	Fixed rate	Fixed rate	Fixed rate	Floating rate	Total
		Weighted average interest rate	Weighted average fixing period		
Assets – 2003					
Euro ^(a)	1 703	5.3%	0.9 years	(2)	1 701
Sterling	–			50	50
US Dollar	–			108	108
Indian Rupee	–			496	496
Other	–			990	990
Total	1 703			1 642	3 345
Assets – 2002^(b)					
Euro ^(a)	512	10.9%	1.4 years	556	1 068
Sterling	–			123	123
US Dollar	246	10.7%	10.3 years	45	291
Indian Rupee	–			568	568
Other	–			1 062	1 062
Total^(c)	758			2 354	3 112

(a) The fixed interest rate of 5.3% in 2003 includes one leg of a cross-currency interest rate swap of an intercompany loan of €478 million (2002: €512 million) with a fixed rate of 12.1% (2002: 10.9%). A corresponding interest charge is included in the US Dollar fixed rate liabilities.

(b) Amounts for 2002 have been restated. See page 94.

(c) Includes, in addition to cash and current investments, certain non-equity assets held within fixed investments.

Interest rate profile and currency analysis of financial liabilities

	€ million			€ million	€ million
	Fixed rate	Fixed rate	Fixed rate	Floating rate	Total
		Weighted average interest rate	Weighted average fixing period		
Liabilities – 2003					
Euro	121	4.8%	1.5 years	1 178	1 299
Sterling	79	5.4%	2.9 years	(58)	21
US Dollar	8 240	6.6%	7.0 years	2 475	10 715
Thai Baht	210	3.1%	3.3 years	153	363
Other	552	5.4%	7.7 years	2 950	3 502
Total	9 202			6 698	15 900
Liabilities – 2002^(d)					
Euro	32	4.8%	4.7 years	107	139
Sterling	367	6.3%	1.4 years	1 017	1 384
US Dollar	11 363	6.2%	6.7 years	4 142	15 505
Thai Baht	262	3.7%	2.9 years	128	390
Other	247	5.1%	24.0 years	2 205	2 452
Total	12 271			7 599	19 870

(d) Amounts for 2002 have been restated. See page 94.

15 Financial instruments

The Group has comprehensive policies in place, approved by the Directors, covering the use of derivative financial instruments. These instruments are used for hedging purposes. Established controls are in place covering all financial instruments. These include policies, guidelines, exposure limits, a system of authorities and independent reporting. Performance is closely monitored with independent reviews undertaken by internal audit. The accounting policies governing these instruments are in line with generally accepted practice in the UK and the Netherlands and follow hedge accounting principles described in the accounting policies on page 75. The use of leveraged instruments is not permitted. Details of the instruments used for interest rate and foreign exchange exposure management, together with information on related exposures, are given below.

Except for the description of Unilever's currency exposures, all debtors and trade and other creditors have been excluded from the analysis below and from the interest rate and currency profiles in note 14 on page 96 either due to the exclusion of short-term items, as permitted by United Kingdom Financial Reporting Standard 13, or because the amounts are not material.

Unilever's interest rate management policy is described on page 46. The Group's financial position is mainly fixed by fixed rate long-term debt issues and straightforward derivative financial instruments, such as interest rate swaps. In general, cash is invested short-term at floating interest rates.

At the end of 2003, interest rates were fixed on approximately 61% of the projected net debt for 2004 and 62% of the projected net debt for 2005 (compared with 80% for 2003 and 47% for 2004 at the end of 2002).

Nominal values of interest rate derivative instruments are shown in the table below. These nominal values do not reflect the actual level of use of financial instruments when compared with the nominal value of the underlying debt. This is because certain financial instruments have consecutive strike and maturity dates on the same underlying debt in different time periods. Whilst the nominal amounts reflect the volume of activity, they are not indicative of the amount of credit risk to which the Group is exposed. For details of our policy for managing credit risk see page 46.

	€ million	€ million
	Nominal amounts at 31 Dec	
	2003	2002
Interest rate swaps	10 190	15 804

The following table shows the extent to which the Group had unrecognised gains and losses in respect of interest rate instruments at the beginning and end of the year. It shows the movement in the market value of these instruments during the year ended 31 December 2003.

	€ million	€ million	€ million
	Gains	Losses	Total net gains/ (losses)
Unrecognised gains and losses:			
Balance at 1 January	300	(204)	96
Brought forward balance recognised in current year	129	(147)	(18)
Brought forward balance not recognised in current year	171	(57)	114
Current year items not recognised in current year	18	(4)	14
Balance at 31 December 2003	189	(61)	128
Expected to be dealt with next year	89	(48)	41
Expected to be dealt with later	100	(13)	87

The following table shows the extent to which the Group had recognised but deferred gains and losses in respect of interest rate instruments at the beginning and end of the year. It also shows the amount which has been included in the profit and loss account for the year and those gains and losses which will be reflected in the profit and loss account in 2004 or in subsequent years.

	€ million	€ million	€ million
	Gains	Losses	Total net gains/ (losses)
Deferred gains and losses:			
Balance at 1 January	5	(48)	(43)
Brought forward balance recognised in current year	5	(25)	(20)
Brought forward balance not recognised in current year	–	(23)	(23)
Current year items not recognised in current year	–	3	3
Balance at 31 December 2003	–	(20)	(20)
To be recognised in the profit and loss account for next year	–	(8)	(8)
To be recognised in the profit and loss account later	–	(12)	(12)

15 Financial instruments continued

Under the Group's foreign exchange policy, transaction exposures, which usually have a maturity of less than one year, are generally hedged; this is primarily achieved through the use of forward foreign exchange contracts. The market value of these instruments at the end of 2003 represented a recognised unrealised gain of €793 million (2002: gain of €572 million) which was largely offset by recognised unrealised losses on the underlying assets and liabilities.

	€ million	€ million
	Nominal amounts at 31 Dec	
	2003	2002
Foreign exchange contracts – buy	4 909	3 627
– sell	10 350	11 076
Total	15 259	14 703

Our policy for financing the net investments in our subsidiaries is discussed in the Financial Review on page 19. At the end of 2003, some 90% (2002: 75%) of Unilever's total capital and reserves were denominated in the currencies of the two parent companies, euros and sterling.

Our policy for the management of counterparty exposures is set out on page 46.

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

The following table summarises the fair values and carrying amounts of the various classes of financial instruments as at 31 December:

	€ million	€ million	€ million	€ million
	Fair value	Fair value	Carrying	Carrying
	2003	2002	amount	amount
		Restated	2003	Restated
Financial assets:				
Other fixed investments	146	404	143	404
Current investments	1 491	1 226	1 491	1 226
Cash	1 854	1 678	1 854	1 678
	3 491	3 308	3 488	3 308
Financial liabilities:				
Bank loans and overdrafts	(1 834)	(1 849)	(1 834)	(1 844)
Bonds and other loans	(14 705)	(19 101)	(14 066)	(18 026)
	(16 539)	(20 950)	(15 900)	(19 870)
Derivatives:				
Interest rate swaps				
– assets	189	300	113	152
– liabilities	(61)	(204)	(1)	(6)
Foreign exchange contracts				
– assets	984	780	984	780
– liabilities	(191)	(208)	(191)	(208)

The fair values of listed fixed investments are based on their market values. The fair values of unlisted fixed investments are not materially different from their carrying amounts. The carrying amount of current investments is based on their market value. Cash, bank loans and overdrafts have fair values which approximate to their carrying amounts because of their short-term nature. The fair values of forward foreign exchange contracts represent the unrealised gain or loss on revaluation of the contracts to year-end exchange rates. The fair values of bonds and other loans, interest rate swaps and forward rate agreements are based on the net present value of the anticipated future cash flows associated with these instruments. Short-term debtors and creditors have fair values which approximate to their carrying values.

In November 2001, NV entered into a forward purchase contract with a counterparty bank to buy 10 000 000 PLC shares at 559p per share in November 2006. If the PLC share price falls by more than 5% below 559p, cash collateral for the difference must be placed with the counterparty bank. At 31 December 2003 €20 million (2002: €13 million) was so deposited. At 31 December 2003 the market value of the forward purchase contract was €(11) million (2002: €(1) million). See note 14 on page 94.

Counterparties have deposited securities with a market value of €832 million (2002: €574 million) as collateral for their obligations in respect of derivative financial instruments. Such collateral is not regarded as an asset of Unilever and is excluded from the balance sheet. See note 14 on page 94.

Currency exposures

Unilever's foreign exchange policies are described on page 46. Compliance with the Group's policies means that the net amount of monetary assets and liabilities at 31 December 2003 that are exposed to currency fluctuations is not material.

16 Trade and other creditors

	€ million 2003	€ million 2002
		Restated
Due within one year:		
Trade creditors	3 707	4 341
Social security and sundry taxes	346	458
Accruals and deferred income	2 548	2 889
Taxation on profits	728	857
Dividends	1 125	1 138
Others	1 186	1 335
	9 640	11 018
Due after more than one year:		
Accruals and deferred income	207	147
Taxation on profits	330	365
Others	127	129
	664	641
Total trade and other creditors	10 304	11 659

17 Pensions and similar obligations

Description of Plans

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

Accounting policies

With effect from 1 January 2003, the Group accounts for pensions and similar benefits under the United Kingdom Financial Reporting Standard 17 (FRS 17). Figures for prior years have been restated. In accordance with the new standard, the operating and financing costs of defined benefit plans are recognised separately in the profit and loss account; service costs are systematically spread over the service lives of employees, and financing costs are recognised in the periods in which they arise. Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of total recognised gains and losses. The costs of individual events such as past service benefit enhancements, settlements and curtailments are recognised immediately in the profit and loss account. The liabilities and, where applicable, the assets of defined benefit plans are recognised at fair value in the balance sheet. The charges to the profit and loss account for defined contribution plans are the company contributions payable and the assets of such plans are not included in the Group balance sheet.

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

Prior to 1 January 2003, the Group accounted for pensions and similar obligations under the UK accounting standard SSAP 24. The objective of that standard was to spread pension costs systematically over the service lives of employees and for the regular costs to be a reasonably stable percentage of pay. In line with the accounting objectives, assumptions were generally set reflecting long-term expectations and with asset values smoothed relative to market values. Under SSAP 24, unlike FRS 17, all components of pension expense were recognised in operating profit. Had the Group continued to account for pensions and similar obligations in 2003 under SSAP 24, the charge to operating profit would have been €561 million (2002: €416 million; 2001: €326 million), there would have been no charge to financing cost and the charge to profit after tax would have been €361 million (2002: €261 million; 2001: €205 million). No gains or losses would have been recognised in the statement of recognised gains and losses.

Healthcare

In December 2003 the Medicare Prescription Drug, Improvement and Modernisation Act became law in the US. Under the provisions of this Act, the Group's US healthcare benefit plan will be able to benefit from a subsidy towards the cost of prescription drugs. In order to be eligible to receive this subsidy it is expected that we will need to make minor changes to the rules of the Group's US plan. Until these changes are made, no recognition of the drug subsidy is reflected in the Group accounts. Preliminary estimates indicate that once eligible, the Group's liability will reduce by approximately €55 million and the ongoing service cost would reduce by an immaterial amount.

17 Pensions and similar obligations continued

FRS 17 Disclosures

Assumptions

With the objective of presenting pensions and other post-employment benefit plans' assets and liabilities at their fair value on the balance sheet, assumptions for FRS 17 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 assumptions, weighted by liabilities, used to value the principal defined benefit pension plans (covering approximately 90% of pension liabilities – the 'principal pension plans') and plans providing other post-employment benefits, and in addition the expected long-term rates of return on assets, weighted by asset value, are:

	31 Dec 2003		31 Dec 2002		31 Dec 2001	
	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	5.50%	6.10%	5.70%	6.50%	6.00%	7.25%
Inflation assumption	2.40%	n/a	2.30%	n/a	2.25%	n/a
Rate of increase in salaries	3.70%	4.50%	3.60%	4.30%	3.50%	4.50%
Rate of increase for pensions in payment	2.20%	n/a	2.20%	n/a	2.00%	n/a
Rate of increase for pensions in deferment (where provided)	2.60%	n/a	2.60%	n/a	1.50%	n/a
Long-term medical cost inflation ^(a)	n/a	4.90%	n/a	4.90%	n/a	5.00%
Expected long-term rates of return:						
Equities	8.40%		8.20%		9.00%	
Bonds	5.00%		4.90%		5.50%	
Others	6.40%		5.40%		6.00%	

(a) The valuations of other benefit plans generally assume a higher initial level of medical cost inflation, which falls from 9.50% to the long-term rate within the next five years.

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

For the most important pension plans, representing over 75% of all defined benefit plans by liabilities, the assumptions used at 31 December 2003 and 2002 were:

	United Kingdom		Netherlands		United States		Germany	
	2003	2002	2003	2002	2003	2002	2003	2002
Discount rate	5.40%	5.50%	5.20%	5.40%	6.10%	6.50%	5.20%	5.40%
Inflation assumption	2.70%	2.25%	1.80%	2.25%	2.50%	2.50%	1.80%	2.00%
Rate of increase in salaries	4.20%	3.75%	2.50%	3.00%	4.50%	4.50%	2.50%	2.75%
Rate of increase for pensions in payment	2.80%	2.50%	1.80%	2.25%	0.00%	0.00%	1.80%	2.00%
Rate of increase for pensions in deferment (where provided)	2.80%	2.50%	1.80%	2.25%	0.00%	0.00%	0.00%	0.00%
Expected long-term rates of return:								
Equities	8.30%	8.00%	8.30%	8.30%	8.60%	8.30%	8.30%	8.30%
Bonds	5.30%	4.90%	4.70%	4.70%	4.70%	4.30%	4.70%	4.70%
Others	6.40%	5.80%	6.80%	5.60%	4.70%	4.30%	5.50%	4.90%

17 Pensions and similar obligations continued

Balance Sheet

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

	€ million	€ million	%	€ million	€ million	%	€ million	€ million	%
	31 December 2003			31 December 2002			31 December 2001		
	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	8 054	–	8.4%	7 281	–	8.2%	10 494	–	9.0%
Bonds	3 123	–	5.0%	3 383	–	4.9%	4 138	–	5.5%
Other	1 582	–	6.4%	1 644	–	5.4%	1 808	–	6.0%
Assets of other plans	272	3	7.5%	417	2	8.2%	536	3	8.0%
Total plan assets	13 031	3		12 725	2		16 976	3	
Present value of liabilities									
Principal plans	(15 740)	–		(15 305)	–		(15 547)	–	
Other plans	(1 052)	(1 078)		(1 675)	(1 042)		(1 781)	(1 171)	
Total present value of liabilities	(16 792)	(1 078)		(16 980)	(1 042)		(17 328)	(1 171)	
Aggregate net surplus/(deficit) of the plans	(3 761)	(1 075)		(4 255)	(1 040)		(352)	(1 168)	
Irrecoverable surplus	(116)	–		(87)	–		(265)	–	
Related deferred tax asset/(liability)	814	379		1 058	388		(74)	467	
Net pension asset/(liability)	(3 063)	(696)		(3 284)	(652)		(691)	(701)	
Of which in respect of									
Funded plans in surplus:									
Aggregate surplus	858	–		677	–		2 454	–	
Irrecoverable surplus ^(a)	(116)	–		(87)	–		(265)	–	
Related deferred tax liability	(252)	–		(209)	–		(740)	–	
Net pension asset	490	–		381	–		1 449	–	
Funded plans in deficit:									
Aggregate deficit	(2 294)	–		(2 575)	–		(607)	–	
Related deferred tax asset	665	–		808	–		199	–	
Net pension liability	(1 629)	–		(1 767)	–		(408)	–	
Unfunded plans:									
Aggregate liability	(2 325)	(1 075)		(2 357)	(1 040)		(2 199)	(1 168)	
Related deferred tax asset	401	379		459	388		467	467	
Net pension liability	(1 924)	(696)		(1 898)	(652)		(1 732)	(701)	

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

The above amounts have been included in the restated balance sheet.

The definition of Principal plans has been extended during 2003 such that some plans have been moved from Other plans into Principal plans.

17 Pensions and similar obligations continued

Profit and loss account

The charge to the profit and loss account comprises:

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Charged to operating profit:			
Defined benefit pension and other benefit plans:			
Current service cost	(336)	(364)	(384)
Special termination benefits	(73)	(96)	(79)
Past service cost	(5)	9	(16)
Gains on settlements/curtailments	14	119	9
Recognition of previously irrecoverable surplus	–	7	–
Defined contribution plans	(30)	(26)	(24)
Total operating cost	(430)	(351)	(494)
Charged to other finance income/(cost):			
Interest on retirement benefits	(966)	(1 072)	(1 121)
Exceptional financing loss on recoverable surplus	–	–	(128)
Refund of previously irrecoverable surplus	7	–	–
Expected return on assets	793	1 180	1 291
Total other finance income/(cost)	(166)	108	42
Net impact on the profit and loss account (before tax)	(596)	(243)	(452)

Cash flow

Group cash flow in respect of pensions and similar benefits comprises company contributions paid to funded plans and benefits paid by the company in respect of unfunded plans. In 2003, the benefits paid in respect of unfunded plans amounted to €295 million (2002: €260 million; 2001: €352 million). Company contributions to funded plans have been at a reduced level for a number of years resulting from the generally strong stock market performance of the 1990s. Following the falls in stock markets in 2000, 2001 and 2002, contribution holidays are ending for many Unilever plans and the aggregate level of contributions is now rising. In 2003, contributions to funded defined benefit plans, including one-off contributions of €32 million, amounted to €170 million (2002: €140 million; 2001: €214 million net refund). The contributions in 2001 were net of a €221 million refund in the Netherlands and a €76 million refund in Finland. In 2003 a refund of €7 million was received in Finland out of previously irrecoverable surplus. Contributions are subject to periodic review and current expectations are that in 2004 contributions will restart or increase in a number of countries. Total contributions to funded plans and benefit payments by the Group in respect of unfunded plans are expected to be about €850 million in 2004. This includes one-off contributions to funded plans in the US, Germany, Switzerland and Austria of approximately €145 million.

Statement of total recognised gains and losses

The following amounts have been recognised in the statement of total recognised gains and losses:

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Actual return less expected return on pension and other benefit plan assets	967	(3 276)	(2 343)
Experience gains/(losses) arising on pension plan and other benefit plan liabilities	(135)	(95)	197
Changes in assumptions underlying the present value of the pension and other benefit plan liabilities	(644)	(952)	(198)
Actuarial gain/(loss)	188	(4 323)	(2 344)
Change in unrecognised surplus	(40)	171	149
Net actuarial gain/(loss) recognised in statement of total recognised gains and losses (before tax)	148	(4 152)	(2 195)

Reconciliation of change in surplus/deficit

Movements in surplus/deficit during the year:

	€ million 2003	€ million 2002	€ million 2001
Surplus/(deficit) at beginning of the year	(5 295)	(1 520)	1 126
Movements in year			
Acquisitions	(1)	–	–
Reclassification of employee benefits as pension liabilities	(23)	–	–
Current service cost	(336)	(364)	(384)
Special termination benefits	(73)	(96)	(79)
Past service costs	(5)	9	(16)
Settlements/curtailments	14	119	9
Other finance income	(173)	108	42
Actuarial gain/(loss)	188	(4 323)	(2 344)
Contributions	465	400	138
Currency retranslation	403	372	(12)
Surplus/(deficit) at end of the year	(4 836)	(5 295)	(1 520)

17 Pensions and similar obligations continued

History of experience gains and losses

	2003	2002	2001
Actual return less expected return on plan assets (€m)	967	(3 276)	(2 343)
As % of plan assets at beginning of year (%)	8	(19)	(12)
Experience gains/(losses) on plan liabilities (€m)	(135)	(95)	197
As % of present value of plan liabilities at beginning of year (%)	(1)	(1)	1
Total actuarial gain/(loss) (€m)	188	(4 323)	(2 344)
As % of present value of plan liabilities at beginning of year (%)	1	(23)	(13)

US GAAP disclosures

Under US GAAP, the actuarial assumptions used to calculate the benefit obligations are set by reference to market conditions at the balance sheet date, in a similar manner to that used under FRS 17. The accounting methodology however is not the same as under FRS 17, since under US GAAP all costs are recognised in operating profit and certain cost items are amortised in the profit and loss account rather than recognised immediately.

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

Measurement dates

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

Benefit obligations

The table below shows changes in benefit obligations during 2003 and 2002.

	€ million Pension plans 2003	€ million Pension plans 2002	€ million Other post- employment benefit plans 2003	€ million Other post- employment benefit plans 2002
Change in benefit obligations				
Benefit obligations at 1 January	15 215	12 750	1 012	1 171
Extension of coverage ^(a)	1 690	2 261	77	–
Service cost	308	315	23	20
Interest cost	895	864	63	78
Plan member contributions	21	8	–	–
Amendments	3	–	–	(4)
Plan mergers	–	170	–	–
Actuarial (gains)/losses	661	1 215	132	33
Acquisitions/disposals	1	(57)	–	(22)
Settlements/curtailments	(12)	(321)	(5)	–
Special termination benefits	75	–	1	–
Benefits paid	(1 139)	(1 204)	(78)	(88)
Currency retranslation	(1 000)	(786)	(176)	(176)
Benefit obligations at 31 December	16 718	15 215	1 049	1 012

(a) With effect from 1 January 2003 a number of additional pension plans were included in the SFAS 87 disclosures. This increases the overall coverage from 90% to 100% of liabilities. With effect from 1 January 2002 other plans had been included that had raised the coverage to 90% in 2002 from 76% in 2001.

Assumptions

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

	% Pension plans 2003	% Pension plans 2002	% Other post- employment benefit plans 2003	% Other post- employment benefit plans 2002
Weighted average assumptions used to determine benefit obligations for the principal plans at 31 December				
Discount rate	5.50	5.70	6.10	6.50
Salary increases	3.70	3.60	4.50	4.30
Pension increases	2.20	2.20	n/a	n/a

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

17 Pensions and similar obligations continued

Post-employment healthcare benefits

Additional assumptions in respect of healthcare benefits are:

	2003	2002
Weighted average healthcare trend rates at 31 December		
Healthcare cost trend rate assumed for next year	9.50%	10.00%
Rate to which the cost trend rate gradually declines	4.90%	4.90%
Year that the rate reaches the rate at which it is assumed to remain	2009	2008

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

	€ million 1% point increase	€ million 1% point decrease
Effect on post-employment benefit obligation	59	(53)

Plan assets

The table below shows the changes in plan assets during 2003 and 2002.

	€ million Pension plans 2003	€ million Pension plans 2002	€ million Other post- employment benefit plans 2003	€ million Other post- employment benefit plans 2002
Change in plan assets				
Fair value of plan assets at 1 January	12 097	13 560	2	3
Extension of coverage ^(a)	485	2 320	–	–
Plan mergers	–	154	–	–
Actual return on plan assets	1 744	(1 953)	–	(1)
Acquisitions/(disposals)	–	(10)	–	–
Settlements	1	(249)	–	–
Employer contributions/surplus refunds	390	36	79	88
Plan member contributions	21	8	–	–
Benefits paid from plan assets	(1 139)	(1 118)	(78)	(88)
Currency retranslations	(749)	(651)	–	–
Fair value of plan assets at 31 December	12 850	12 097	3	2

(a) With effect from 1 January 2003, a number of additional pension plans were included in the SFAS 87 disclosures. This increased the coverage from 90% to 100%. With effect from 1 January 2002, other plans had been included that had raised the coverage to 90% in 2002, from 76% in 2001.

Asset allocation

The asset allocation for the Group's principal pension plans at 31 December 2002 and 2003, target allocation for 2004, and expected long-term rates of return by asset category are as follows:

	Target percentage allocation for 2004	Percentage of plan assets at 31 December 2003	Percentage of plan assets at 31 December 2002	Long-term expected return on plan assets at 31 December 2003
Long-term asset category				
Equity securities	63	63	59	8.4%
Debt securities	28	25	28	5.0%
Property	8	9	10	6.8%
Other	1	3	3	5.3%
Total	100	100	100	7.2%

Equity securities include Unilever securities amounting to €44 million (0.3% of total plan assets) and €43 million (0.3% of total plan assets) at 31 December 2003 and 2002 respectively.

Investment strategy

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

17 Pensions and similar obligations continued

Funded status

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

	€ million	€ million	€ million	€ million
	Pension plans 2003	Pension plans 2002	Other post-employment benefit plans 2003	Other post-employment benefit plans 2002
Fair value of plan assets	12 850	12 097	3	2
Benefit obligations	(16 718)	(15 215)	(1 049)	(1 012)
Funded status at 31 December	(3 868)	(3 118)	(1 046)	(1 010)
Unrecognised net transition liability/(asset)	(117)	(178)	–	–
Unrecognised net actuarial loss/(gain)	2 662	3 285	156	(34)
Unrecognised prior service cost	142	178	1	1
Other (SFAS 112 liabilities)	n/a	n/a	(29)	(30)
Net amount recognised at 31 December	(1 181)	167	(918)	(1 073)
Amount recognised in the statement of financial position consists of:				
Prepaid benefit cost	1 147	1 543	–	–
Accrued benefit liability	(2 328)	(1 376)	(918)	(1 069)
Additional minimum liability	(2 233)	(2 454)	–	–
Intangible asset	148	94	–	–
Accumulated other comprehensive income	2 085	2 360	–	(4)
Net amount recognised at 31 December	(1 181)	167	(918)	(1 073)

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

	€ million	€ million	€ million	€ million
	Pension plans 2003	Pension plans 2002	Plans where ABO exceeds plan assets 2003	Plans where ABO exceeds plan assets 2002
As at 31 December				
Projected benefit obligations	16 718	15 215	10 703	11 015
Accumulated benefit obligations	15 531	14 049	9 980	10 188
Fair value of plan assets	12 850	12 097	6 073	7 334

Net periodic cost

	€ million	€ million	€ million	€ million	€ million	€ million
	Pension plans 2003	Pension plans 2002	Pension plans 2001	Other post-employment benefit plans 2003	Other post-employment benefit plans 2002	Other post-employment benefit plans 2001
Components of net periodic benefit cost ^(a)						
Service cost (gross)	329	324	253	23	20	20
Interest cost	895	864	737	63	78	83
Expected returns on plan assets	(791)	(1 189)	(1 007)	–	–	–
Expected employee contributions	(21)	(9)	(1)	–	–	–
Amortisation of prior service cost	36	33	24	1	–	–
Amortisation of transition (asset)	(59)	(63)	(63)	–	–	–
Amortisation of actuarial loss/(gain)	217	(45)	(81)	(1)	(6)	(2)
Total before SFAS 88 events	606	(85)	(138)	86	92	101
Adjustments for SFAS 88 events	83	(118)	43	(1)	(23)	(2)
Net periodic benefit cost	689	(203)	(95)	85	69	99

(a) With effect from 1 January 2003, a number of additional pension plans were included in the SFAS 87 valuation exercise. This increased the coverage from 90% to 100%. With effect from 1 January 2002, other plans had been included that had raised the coverage to 90% in 2002, from 76% in 2001.

In 2002 and previous years the Group did not calculate pension costs and balances under SFAS 87 for a number of small defined benefit plans. The amounts originally recognised for these plans in the group accounts under SSAP 24 would not have been materially different under SFAS 87. The amounts previously provided in the Group balance sheet for these plans were 2002: €1 129 million (2001: €1 685 million). The amounts previously charged in the profit and loss account were 2002: €158 million (2001: €202 million).

17 Pensions and similar obligations continued

Assumptions

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

	% Pension plans 2003	% Pension plans 2002	% Pension plans 2001	% Other post- employment benefit plans 2003	% Other post- employment benefit plans 2002	% Other post- employment benefit plans 2001
Weighted average assumptions used to determine net cost for the principal plans for the years ended 31 December						
Discount rate	5.70	6.00	6.25	6.50	7.25	7.50
Expected long-term rate of return on plan assets	6.90	7.75	7.25	n/a	n/a	n/a
Salary increases	3.60	3.75	3.75	4.30	4.50	4.50
Pension increases	2.20	2.50	2.50	n/a	n/a	n/a

Expected rate of return on plan assets

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

Post-employment healthcare benefits

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

	€ million 1% point increase	€ million 1% point decrease
Effect on total of service and interest cost components	6	(5)

Expected cash flows

During 2004 Unilever expects to make cash contributions of €500 million to funded defined benefit plans. This includes both mandatory and discretionary payments. In addition, a further €30 million is expected to be contributed to defined contribution plans.

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

	€ million		€ million
	Funded	Unfunded	Other benefits Unfunded
Expected benefit payments			
2004	863	223	96
2005	840	236	99
2006	872	244	102
2007	902	255	104
2008	916	265	106
2009–2013	4 950	1 477	560

18 Deferred taxation

Following the adoption of the new pension accounting standard (FRS 17) with effect from 1 January 2003, deferred tax balances in respect of pensions are now reported as a separate component of the pensions balances and no longer aggregated with the rest of the deferred tax balances. This treatment has resulted in a decrease of the opening deferred tax liability balance of €129 million and the deferred tax asset balance of €820 million.

	€ million 2003	€ million 2002
		Restated
Deferred taxation on:		
Accelerated depreciation	859	877
Stock reliefs	31	41
Short-term and other timing differences	(780)	(1 015)
	110	(97)
Less: asset balances reclassified as debtors due after more than one year 13	637	472
	747	375
Movements in deferred taxation:		
1 January	375	
Currency retranslation	(30)	
Acquisition of group companies	(2)	
Disposal of group companies	(5)	
Profit and loss account	262	
Other movements	147	
31 December	747	

19 Restructuring and other provisions

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

	€ million 2003	€ million 2002
Restructuring provisions	445	633
Other provisions	426	555
Total	871	1 188
Movements in restructuring provisions:		
1 January	633	
Currency retranslation	(34)	
Disposal of group companies	2	
Profit and loss account:		
New charges	308	
Releases	(48)	
Utilisation	(416)	
31 December	445	
Movements in other provisions:		
1 January	555	
Currency retranslation	(30)	
Disposal of group companies	-	
Profit and loss account:		
New charges	11	
Releases	(32)	
Utilisation	(78)	
31 December	426	

Restructuring provisions at the end of 2003 relate to the Path to Growth initiatives described in note 4 on page 86. These amounted to €0.4 billion, the cash impact of which is expected to be a cash outflow of €0.3 billion in 2004 and €0.1 billion thereafter. Other provisions principally comprise balances held in respect of legal, environmental and other exposures. The cash impact of these balances is expected to be a cash outflow of €0.1 billion in 2004, and €0.3 billion thereafter.

20 Capital and reserves

Amounts reported in the financial statements have been restated following changes in our accounting policy for pensions and other post-employment benefits and in our accounting for share-based payments. The impact of these changes on capital and reserves was as follows:

	€ million As at 31 Dec 2002	€ million As at 31 Dec 2001	€ million As at 31 Dec 2000
Capital and reserves as reported in the 2002 Annual Report & Accounts	5 867	6 993	7 974
Accounting policy change – pensions	(1 238)	1 444	3 237
Accounting policy change – share options	73	-	-
Capital and reserves as restated	4 702	8 437	11 211

20 Capital and reserves continued

The following tables present combined disclosure of movements in capital and reserves of NV and PLC for the years 2003, 2002 and 2001 in order to show these changes for the Unilever Group as a whole. This information does not reflect the separate legal status of NV and PLC; information on capital and reserves attributable to each of NV and PLC is given in notes 21, 22 and 23 on pages 110 and 111.

	€ million Called up share capital	€ million Share premium account	€ million Other reserves ^(b)	€ million Profit retained	€ million Total
2003					
1 January 2003	642	1 541	(2 144)	4 663	4 702
Result for the year retained	–	–	–	1 053	1 053
Goodwill movements	–	–	–	135	135
Actuarial gains/(losses) on pension schemes net of tax	–	–	–	(28)	(28)
Change in number of shares or certificates held in connection with share options	–	–	(400)	–	(400)
Share option credit ^(a)	–	–	–	208	208
Currency retranslation	–	(11)	102	159	250
31 December 2003	642	1 530	(2 442)	6 190	5 920
2002 (restated)					
1 January 2002	642	1 551	(1 663)	7 907	8 437
Result for the year retained	–	–	–	435	435
Goodwill movements	–	–	–	458	458
Actuarial gains/(losses) on pension schemes net of tax	–	–	–	(2 811)	(2 811)
Change in number of shares or certificates held in connection with share options	–	–	(556)	–	(556)
Share option credit ^(a)	–	–	–	185	185
Unrealised gain on partial disposal of a group company	–	–	–	56	56
Currency retranslation	–	(10)	75	(1 567)	(1 502)
31 December 2002	642	1 541	(2 144)	4 663	4 702
2001 (restated)					
1 January 2001	642	1 548	(1 167)	10 188	11 211
Result for the year retained	–	–	–	99	99
Goodwill movements	–	–	–	274	274
Actuarial gains/(losses) on pension schemes net of tax	–	–	–	(1 486)	(1 486)
Change in number of shares or certificates held in connection with share options	–	–	(482)	–	(482)
Share option credit ^(a)	–	–	–	106	106
Currency retranslation	–	3	(14)	(1 274)	(1 285)
31 December 2001	642	1 551	(1 663)	7 907	8 437

(a) The share option credit relates to the reversal of the non-cash charge recorded against operating profit in respect of the fair value of share options awarded to employees.

(b) Following our change in accounting policy for share-based payments, certain balances have been reclassified from other reserves to profit retained.

	€ million 2003	€ million 2002	€ million 2001
Profit retained as reported	6 190	4 663	7 907
Liabilities/assets in respect of funded pensions and similar obligations	1 139	1 386	(1 041)
Liabilities in respect of unfunded pensions and similar obligations	2 620	2 550	2 433
Profit retained excluding pensions and similar obligations	9 949	8 599	9 299

As required by UK Financial Reporting Standard 4 capital and reserves can be analysed as follows:

	€ million 2003	€ million 2002
Equity:		
Ordinary capital	4 418	3 200
Non-equity:		
7% Cumulative Preference	13	13
6% Cumulative Preference	73	73
4% Cumulative Preference	34	34
5 euro cents Cumulative Preference	1 382	1 382
Total non-equity	1 502	1 502
Total capital and reserves	5 920	4 702