

68 Accounting information and policies

Retirement benefits

The expected costs of providing retirement pensions under defined benefit plans, as well as the costs of other post-retirement benefits, are charged to the profit and loss account over the periods benefiting from the employees' services. Variations from expected cost are normally spread over the average remaining service lives of current employees.

Contributions to defined contribution pension plans are charged to the profit and loss account as incurred.

Liabilities arising under defined benefit plans are either externally funded or provided for in the consolidated balance sheet. Any difference between the charge to the profit and loss account in respect of funded plans and the contributions payable to each plan is recorded in the balance sheet as a prepayment or provision.

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 pages 85 and 86 and in the Financial review on pages 37 to 39. 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, but does not include our share of the turnover of associates.

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

Transfer pricing

The preferred method for determining transfer prices for 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.

Shares held by employee share trusts

The assets and liabilities of certain PLC trusts, NV and group companies which purchase and hold NV and PLC shares to satisfy options granted are included in the Group accounts. The book value of shares held is deducted from capital and 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 69

For the year ended 31 December
Unilever Group

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	€ million 2002	€ million 2001	€ million 2000
Turnover 1	48 760	52 206	48 066
Less: Share of turnover of joint ventures 1	(490)	(692)	(484)
Group turnover 1	48 270	51 514	47 582
Cost of sales 2	(24 030)	(26 962)	(25 221)
Gross profit	24 240	24 552	22 361
Distribution, selling and administrative costs 2	(19 199)	(19 378)	(19 180)
Group operating profit 1	5 041	5 174	3 181
Group operating profit BEIA 1	7 165	7 149	5 729
Exceptional items	(879)	(588)	(2 113)
Amortisation of goodwill and intangibles 1	(1 245)	(1 387)	(435)
Add: Share of operating profit of joint ventures	84	84	57
Operating profit 1	5 125	5 258	3 238
Operating profit BEIA 1	7 260	7 269	5 794
Exceptional items 4	(874)	(588)	(2 113)
Amortisation of goodwill and intangibles	(1 261)	(1 423)	(443)
Share of operating profit of associates 1	34	-	-
Other income from fixed investments 11	(7)	12	(4)
Interest 5	(1 173)	(1 646)	(632)
Profit on ordinary activities before taxation	3 979	3 624	2 602
Taxation on profit on ordinary activities 6	(1 538)	(1 547)	(1 282)
Profit on ordinary activities after taxation	2 441	2 077	1 320
Minority interests	(312)	(239)	(215)
Net profit	2 129	1 838	1 105
Attributable to:			
NV 22	1 681	817	675
PLC 22	448	1 021	430
Dividends	(1 701)	(1 581)	(1 458)
Preference dividends	(42)	(51)	(44)
Dividends on ordinary capital 8	(1 659)	(1 530)	(1 414)
Result for the year retained	428	257	(353)
Combined earnings per share 7			
Euros per €0.51 of ordinary capital	2.14	1.82	1.07
Euro cents per 1.4p of ordinary capital	32.05	27.27	16.08
On a diluted basis the figures would be:			
Euros per €0.51 of ordinary capital	2.07	1.77	1.05
Euro cents per 1.4p of ordinary capital	31.10	26.54	15.69

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 72 to 112, which form an integral part of the consolidated financial statements.

Accounting policies of the Unilever Group are set out on pages 66 to 68.

Variations from United States generally accepted accounting principles and Regulation S-X are outlined on pages 118 to 127.

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 132 mentions only the income from fixed investments after taxation and other income and expenses as separate items.

Amounts reported in 2000 for exceptional items within operating profit and for taxation on profit on ordinary activities have been restated to comply with the requirements of FRS 19. See note 18 on page 94.

70 Consolidated statement of total recognised gains and losses

For the year ended 31 December
Unilever Group

	€ million 2002	€ million 2001	€ million 2000
Net profit	2 129	1 838	1 105
Unrealised gain on partial disposal of a group company 25	56	-	-
Currency retranslation	(1 582)	(1 065)	(247)
Total recognised gains for the year	603	773	858
Adjustment related to prior year restatement 18	(202)	-	-
Total recognised gains since last annual accounts	401	773	858

Amounts reported against currency retranslation in 2000 and 2001 have been restated to comply with the requirements of FRS 19. See note 18 on page 94.

Consolidated cashflow statement

For the year ended 31 December
Unilever Group

	€ million 2002	€ million 2001	€ million 2000
Cash flow from group operating activities 26	7 883	7 497	6 738
Dividends from joint ventures	83	82	38
Returns on investments and servicing of finance 27	(1 386)	(1 887)	(798)
Taxation	(1 817)	(2 205)	(1 734)
Capital expenditure and financial investment 27	(1 706)	(1 358)	(1 061)
Acquisitions and disposals 27	1 755	3 477	(27 373)
Dividends paid on ordinary share capital	(1 580)	(1 420)	(1 365)
Cash flow before management of liquid resources and financing	3 232	4 186	(25 555)
Management of liquid resources 27	(592)	1 106	2 464
Financing 27	(2 591)	(5 098)	22 902
Increase/(decrease) in cash in the period	49	194	(189)

Reconciliation of cashflow to movement in net funds/(debt)

	€ million 2002	€ million 2001	€ million 2000
Net funds/(debt) at 1 January 28	(23 199)	(26 468)	684
Increase/(decrease) in cash in the period	49	194	(189)
Cash flow from (increase)/decrease in borrowings	2 600	5 095	(22 920)
Cash flow from increase/(decrease) in liquid resources	592	(1 106)	(2 464)
Change in net funds resulting from cash flows	3 241	4 183	(25 573)
Borrowings within group companies acquired	(77)	(1)	(3 113)
Borrowings within group companies sold	20	3	2
Liquid resources within group companies acquired	-	-	13
Liquid resources within group companies sold	(1)	-	-
Non-cash movements	1 467	(408)	455
Currency retranslation	1 583	(508)	1 064
(Increase)/decrease in net debt in the period	6 233	3 269	(27 152)
Net funds/(debt) at 31 December 28	(16 966)	(23 199)	(26 468)

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	€ million 2002	€ million 2001
Fixed assets	28 389	35 088
Goodwill and intangible assets 9	20 274	24 964
Tangible fixed assets 10	7 436	9 240
Fixed investments 11	679	884
Interest in joint ventures 11	274	708
Interest in associates 11	1	-
Other fixed investments 11	404	176
Current assets		
Stocks 12	4 500	5 343
Debtors 13	8 231	10 034
Debtors due within one year 13	5 875	7 185
Debtors due after more than one year 13	2 356	2 849
Current investments 14	1 226	439
Cash at bank and in hand 14	2 252	1 862
Total current assets	16 209	17 678
Creditors due within one year	(20 602)	(23 212)
Borrowings 14	(9 511)	(11 279)
Trade and other creditors 16	(11 091)	(11 933)
Net current assets	(4 393)	(5 534)
Total assets less current liabilities	23 996	29 554
Creditors due after more than one year	11 574	15 026
Borrowings 14	10 933	14 221
Trade and other creditors 16	641	805
Provisions for liabilities and charges	5 927	6 871
Pensions and similar obligations 17	4 220	4 602
Deferred taxation 18	504	910
Restructuring and other provisions 19	1 188	1 359
Interest in associates 11	15	-
Minority interests	628	664
Capital and reserves 20	5 867	6 993
Attributable to: NV:		
Called up share capital 21	420	420
Share premium account	1 397	1 397
Other reserves 23	(1 498)	(1 077)
Profit retained 22	5 381	4 149
	5 700	4 889
PLC:		
Called up share capital 21	222	222
Share premium account	144	154
Other reserves 23	(595)	(540)
Profit retained 22	396	2 268
	167	2 104
Total capital employed	23 996	29 554

Capital and reserves include amounts 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.

The 2001 amounts for goodwill, debtors due after more than one year, provisions for deferred taxation and profit retained have been restated to comply with the requirements of FRS 19, see note 18 on page 94.

Commitments and contingent liabilities are shown in note 24 on page 99.

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Unilever Group

1 Segmental information

Analysis by geographical area	€ million Europe	€million North America	€million Africa, Middle East & Turkey	€million Asia & Pacific	€million Latin America	€ million Total
2002						
Group turnover ^(a)	19 573	12 446	3 139	7 679	5 433	48 270
Share of turnover of joint ventures	84	122	86	186	12	490
Turnover ^(a)	19 657	12 568	3 225	7 865	5 445	48 760
Group operating profit BEIA	2 990	1 995	341	1 080	759	7 165
Exceptional items	(729)	(66)	(39)	14	(59)	(879)
Amortisation of goodwill and intangibles	(511)	(494)	(16)	(17)	(207)	(1 245)
Group operating profit	1 750	1 435	286	1 077	493	5 041
Share of operating profit of joint ventures	22	32	9	21	-	84
Operating profit	1 772	1 467	295	1 098	493	5 125
Operating profit BEIA ^{(b) (f)}	3 006	2 027	353	1 115	759	7 260
Share of operating profit of associates ^(c)	12	14	1	5	2	34
Net operating assets ^(d)	9 954	8 945	1 097	1 124	3 614	24 734
2001						
Group turnover ^(a)	20 119	13 767	3 191	7 846	6 591	51 514
Share of turnover of joint ventures	101	113	264	200	14	692
Turnover ^(a)	20 220	13 880	3 455	8 046	6 605	52 206
Group operating profit BEIA	2 946	1 941	346	1 045	871	7 149
Exceptional items	254	(285)	(139)	(157)	(261)	(588)
Amortisation of goodwill and intangibles	(511)	(564)	(4)	(26)	(282)	(1 387)
Group operating profit	2 689	1 092	203	862	328	5 174
Share of operating profit of joint ventures	21	32	12	18	1	84
Operating profit	2 710	1 124	215	880	329	5 258
Operating profit BEIA ^{(b) (f)}	2 967	1 973	380	1 077	872	7 269
Net operating assets ^(d)	11 243	12 091	1 082	1 525	6 256	32 197
2000						
Group turnover ^(a)	18 967	11 631	3 296	8 038	5 650	47 582
Share of turnover of joint ventures	108	77	216	53	30	484
Turnover ^(a)	19 075	11 708	3 512	8 091	5 680	48 066
Group operating profit BEIA	2 402	1 476	338	901	612	5 729
Exceptional items ^(d)	(566)	(1 249)	(16)	(109)	(173)	(2 113)
Amortisation of goodwill and intangibles	(143)	(179)	(1)	(16)	(96)	(435)
Group operating profit ^(d)	1 693	48	321	776	343	3 181
Share of operating profit of joint ventures	18	24	8	5	2	57
Operating profit ^(d)	1 711	72	329	781	345	3 238
Operating profit BEIA ^{(b) (f)}	2 420	1 500	351	909	614	5 794

Please refer to footnotes on page 76.

Financial Statements

1 Segmental information continued

Analysis by operation ^(e)	€million Savoury and dressings	€million Spreadsand cooking products	€million Health& wellness and beverages	€million Ice cream and frozen foods	€million Home care& professional cleaning	€million Personal care	€million Other operations	€ million Total
2002								
Group turnover	9 272	6 145	4 064	7 456	8 565	12 236	532	48 270
Share of turnover of joint ventures	231	71	151	–	14	9	14	490
Turnover	9 503	6 216	4 215	7 456	8 579	12 245	546	48 760
Group operating profit BEIA	1 497	991	578	880	955	2 221	43	7 165
Exceptional items	(24)	(181)	(105)	(237)	(183)	(149)	–	(879)
Amortisation of goodwill and intangibles	(1 051)	(17)	(119)	(27)	(17)	(13)	(1)	(1 245)
Group operating profit	422	793	354	616	755	2 059	42	5 041
Share of operating profit of joint ventures	28	19	36	–	(1)	3	(1)	84
Operating profit	450	812	390	616	754	2 062	41	5 125
Operating profit BEIA ^{(b) (f)}	1 539	1 006	615	880	954	2 224	42	7 260
Share of operating profit of associates ^(c)	–	–	–	–	34	–	–	34
Net operating assets ^(d)	16 959	1 120	3 015	1 674	858	719	389	24 734
2001								
Group turnover	9 597	6 681	4 150	7 727	10 432	12 307	620	51 514
Share of turnover of joint ventures	402	90	149	–	35	3	13	692
Turnover	9 999	6 771	4 299	7 727	10 467	12 310	633	52 206
Group operating profit BEIA	1 628	1 066	531	797	885	2 217	25	7 149
Exceptional items	347	(260)	(128)	(322)	(201)	(49)	25	(588)
Amortisation of goodwill and intangibles	(1 182)	(9)	(136)	(29)	(18)	(11)	(2)	(1 387)
Group operating profit	793	797	267	446	666	2 157	48	5 174
Share of operating profit of joint ventures	21	20	41	–	1	2	(1)	84
Operating profit	814	817	308	446	667	2 159	47	5 258
Operating profit BEIA ^{(b) (f)}	1 685	1 086	572	797	886	2 219	24	7 269
Net operating assets ^(d)	22 788	651	3 025	2 496	1 540	1 312	385	32 197
2000								
Group turnover	5 950	6 670	3 430	7 848	10 258	12 567	859	47 582
Share of turnover of joint ventures	124	79	195	21	26	22	17	484
Turnover	6 074	6 749	3 625	7 869	10 284	12 589	876	48 066
Group operating profit BEIA	792	909	412	636	917	2 034	29	5 729
Exceptional items ^(d)	(170)	(22)	(18)	(394)	(323)	(1 190)	4	(2 113)
Amortisation of goodwill and intangibles	(326)	(64)	(3)	(17)	(16)	(7)	(2)	(435)
Group operating profit ^(d)	296	823	391	225	578	837	31	3 181
Share of operating profit of joint ventures	13	16	28	2	–	–	(2)	57
Operating profit ^(d)	309	839	419	227	578	837	29	3 238
Operating profit BEIA ^{(b) (f)}	813	925	440	638	917	2 034	27	5 794

Please refer to footnotes on page 76.

Segmental information is provided in accordance with SFAS 131 on the basis of product categories. 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 measure differs from operating profit, mainly because it excludes amortisation of goodwill and intangibles and certain exceptional items and includes depreciation on the basis of replacement cost. There are a number of additional adjustments, including the application of an inflation charge on working capital and certain other statistical items which are added back in order to arrive at operating profit. Tangible fixed assets are measured at depreciated replacement cost for management reporting purposes.

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Please refer to footnotes on
page 76.

2001 (d)								
Total assets by operation	27 326	2 844	3 811	5 004	4 716	5 328	1 918	50 947
Corporate								2 672
Other adjustments								(853)
								52 766

Please refer to footnotes on page 76.

76 Notes to the consolidated accounts

Unilever Group

1 Segmental information continued

	€ million United Kingdom & Netherlands	€ million United States	€ million Other	€ million Total
Additional geographic analysis				
Group turnover (a)				
2002				
At constant 2001 exchange rates	5 444	11 992	34 063	51 499
Exchange rate adjustments	(38)	(571)	(2 620)	(3 229)
At current 2002 exchange rates	5 406	11 421	31 443	48 270
2001				
At constant 2000 exchange rates	5 794	12 278	34 611	52 683
Exchange rate adjustments	(89)	348	(1 428)	(1 169)
At current 2001 exchange rates	5 705	12 626	33 183	51 514
2000				
At constant 1999 exchange rates	5 077	9 153	29 563	43 793
Exchange rate adjustments	300	1 466	2 023	3 789
At current 2000 exchange rates	5 377	10 619	31 586	47 582
Tangible fixed assets				
2002	979	1 564	4 893	7 436
2001	1 634	2 131	5 475	9 240

Footnotes to note 1:

- (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 operational segments and between geographical areas are not material. For the United Kingdom and the Netherlands, the combined Group operating profit was €578 million (2001: €1 226 million; 2000: €716 million).
- (b) In 2002 the Group's share of amortisation of goodwill and intangibles in joint ventures was €(16) million (2001: €(36) million; 2000: €(8) million), of which €(3) million (2001: €(22) million; 2000: €(5) million) arose in Africa, Middle East and Turkey and €(13) million (2001: €(14) million; 2000: €(3) million) arose in Asia and Pacific. Of the total amortisation €(13) million (2001: €(36) million; 2000: €(8) million) arose in the savoury and dressings segment, €(2) million arose in the spreads and cooking products segment and €(1) million arose in the health & wellness and beverages segment. These amounts are taken into account in the calculation of operating profit BEIA.
- (c) Nil in 2001 and 2000.
- (d) The 2001 amounts for goodwill within net operating assets and amounts reported in 2000 for exceptional items within operating profit have been restated to comply with the requirements of FRS 19. See note 18 on page 94. For the definition of net operating assets see page 115.
- (e) Analysis for Foods operations has been reclassified over new categories, as noted on page 24.
- (f) In 2002 the Group's share of exceptional items in joint ventures was €5 million (2001: €nil; 2000: €nil), of which €6 million arose in Europe and €(1) million arose in Asia and Pacific. Of the total exceptional items €(1) million arose in the savoury and dressings segment and €6 million arose in the spreads and cooking products segment. These amounts are taken into account in the calculation of operating profit BEIA.