Unilever Pension Fund

Fifth Report and Statement of Accounts

For the year ended 31 March 2005

Unilever

Contents

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Fifth Report and Statement of Accounts

For the year ended 31 March 2005

Scheme Details	**2**
Trustees and Advisors	**4**
Trustees' Report	**6**
Investment Report	**14**
Independent Auditor's Report	**17**
Financial Statements	**18**
Notes to the Financial Statements	**20**
Independent Auditor's Statement	**26**
Unilever Pension Fund	**26**
Compliance Statement	**27**

Unilever Pension Fund

Established under a definitive
Trust Deed dated 31 January 2000

Scheme Details

The Unilever Pension Fund, which was established under a definitive Trust Deed dated 31 January 2000, provides pensions and lump sums to members on their retirement and to their spouses, children and dependants, in the event of their death before or after retirement. The Principal Company is Unilever PLC. The name of the scheme changed to the Unilever UK Pension Fund from 1 April 2005, but throughout this report it is still referred to as the Unilever Pension Fund (UPF).

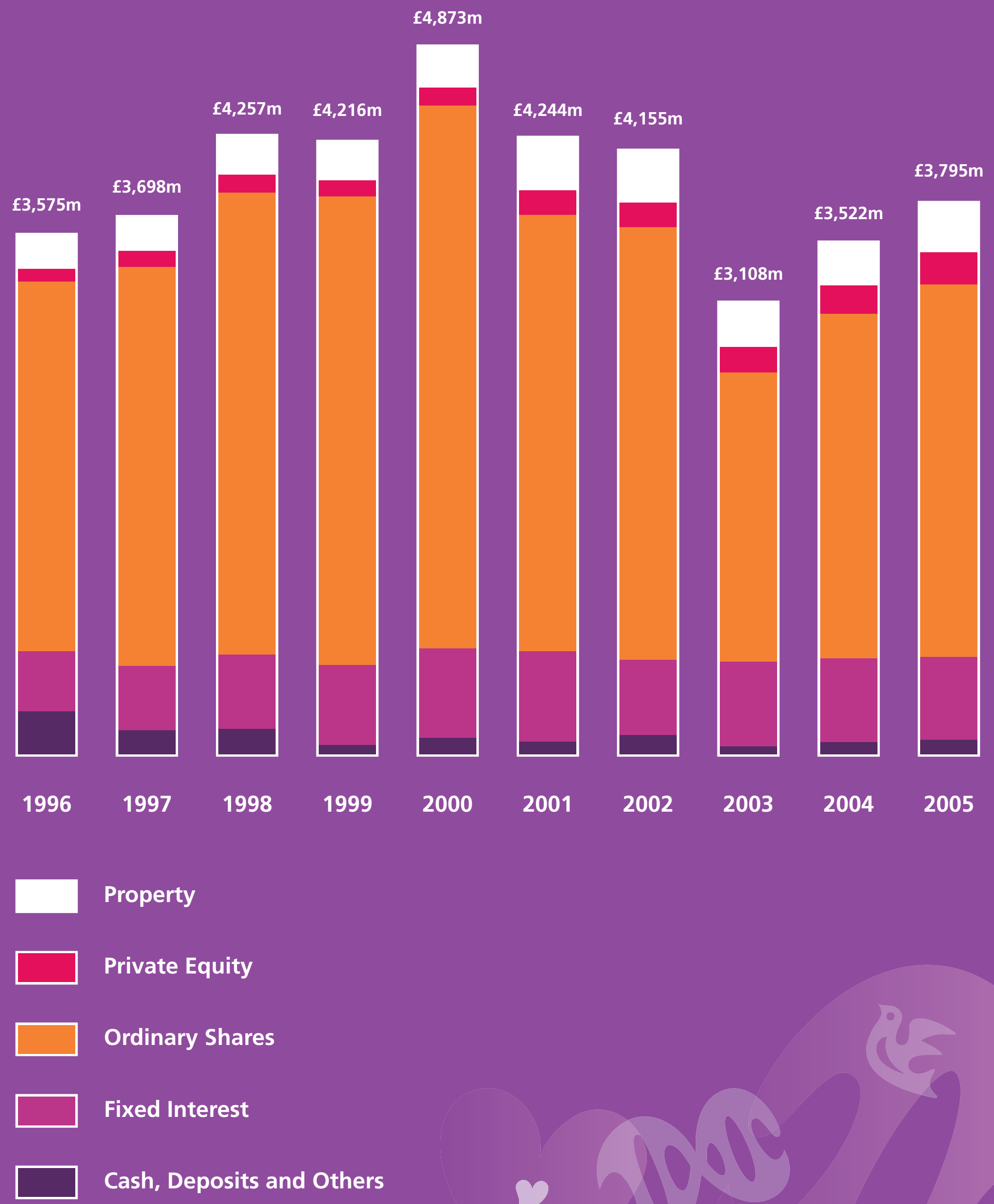
The Trustee of the Fund is a trustee company, Unilever Pension Fund Trustees Limited. The power to remove the Trustee and to appoint a new Trustee or additional Trustees is vested jointly in Unilever PLC and Unilever Pension Fund Trustees Limited. Unilever Pension Fund Trustees Limited has a Board of fourteen Directors of whom seven, including the Chairman are appointed by Unilever PLC, six are elected by employee delegates and one is elected by eligible pensioners. In addition, there are six Alternate Directors elected by employee delegates and two Alternate Directors elected by eligible pensioners. Elected Directors and Alternate Directors hold office for a term of four years. Elections for the Pensioner Director and Alternate Directors were held in October 2004. Elections for the Directors and Alternate Directors for the South and East area and North and West area are scheduled to be held at the delegates' conferences in 2006 and 2008 respectively.

Throughout this Report references to 'the Trustees' mean the Directors of Unilever Pension Fund Trustees Limited.

Certain of the Trustees' powers of investment of the assets of the Fund are exercised on behalf of the Trustees by the Investment Committee which was established by resolution of the Directors dated 31 March 2000 as subsequently amended. However the Trustees retain full responsibility for the investments and reserve certain investment matters for decision by themselves.

Value of Investments 1996 – 2005 *as at 31 March*

1996 – 2000 Unilever Superannuation Fund
2001 – 2005 Unilever Pension Fund



Trustees and Advisors

as at 31 March 2005

Directors of Unilever Pension Fund Trustees Limited

[1]Appointed by Unilever PLC
[2]Elected by employee delegates
[3]Elected by eligible pensioners

Gavin Neath (Chairman)[1]

Roger Bevan[2]

Steve Bolton[1]

Richard Clark[3]

Malcolm Colbeck[2]

Alan Cornish[2]

Steve Cutting[2]

Richie Furlong[1]

David Jones[2]

Tonia Lovell[1]

Wendy Mayall[1]

Jimmy McGovern[1]

Mike Samuel[1]

David Saunders[2]

Fund Secretary

Andrew Rowell

Investment Committee of the Trustees

(as at 31 March 2005)

Wendy Mayall (Chairman)

Nigel Biggs

Neil Cross

David Jones

Philip Lambert

Jimmy McGovern

John Wilcock (Secretary)

Investment Managers

Barclays Global Investors Limited

Capital International Limited

Deutsche Asset Management Limited

Fidelity Pensions Management

Goldman Sachs Asset Management International

Legal & General Assurance (Pensions Management) Limited

Pantheon Ventures Limited

PPM Ventures Limited

M&G Investment Management Limited

CB Richard Ellis Investors Limited

Custodian

The Northern Trust Company

Administration

Administration of the Fund benefits is carried out by a combination of:

Unilever UK Pensions

Nigel Biggs (Head of UK Pensions)

Kim Northwood (Service Delivery Manager)

Andrew Rowell (Fund Secretary/ Benefits & Compliance Manager)

John Wilcock (Financial Controller)

Non-member specific enquiries should be addressed to:

Unilever UK Pensions,
Walton Court,
Station Avenue,
Walton-on-Thames,
Surrey KT12 1UP

Hewitt Bacon and Woodrow Limited

Non-active member specific enquiries should be addressed to:

Unilever Pensions Team,
Hewitt Bacon and Woodrow Limited,
6 More London Place,
London SE1 2DA

Active member specific enquiries should be made via the Unilever UK Peoplelink Service Desk – 01932 261000

Scheme Actuary

Richard Whitelam FIA
(Hewitt Bacon & Woodrow)

Scheme Auditor

PricewaterhouseCoopers LLP

Solicitors

Slaughter and May

Travers Smith

Investment Consultants

Frank Russell Company

Hewitt Bacon & Woodrow Limited

Bankers

HSBC Bank plc

Trustees' Report

Conduct of Trustees' Business

The Trustees hold quarterly meetings to conduct the business of the Fund, including reviews of the performance of the Fund's assets and presentations from the Fund's investment managers. An additional meeting was held in July 2004 to consider the Company's proposal for the reorganisation of the administration of the UPF.

The Trustees additionally hold two strategic/planning meetings each year that are also attended by Alternate Directors.

Changes to the Board of Trustees

On 30 June 2004, Richard Greenhalgh resigned as a Director in anticipation of his forthcoming retirement from Unilever and was replaced by Gavin Neath as both a Director and as Chairman. The Company appointed Wendy Mayall on 2 March 2005 to fill the position vacated by Karen Collier on 2 March 2005. The term of office for the Pensioner Director, Dennis Cockerill and the Alternates Rob Fairclough and John Scholey came to an end on 1 December 2004. Following elections held in October, Richard Clark took up the position of Pensioner Director and David Jones and Jean Watson became the first and second Alternates. There were no other changes to the Directors or Alternate Directors during the year. A full list of the Directors and Alternate Directors in office on 31 May 2005 appears in the Compliance Statement on page 27 of this Report.

Delegates' Conference

The annual Delegates' Conference was held in Birmingham on 8/9 March 2005. It was attended by 35 Delegates, certain Company Nominated Trustees, the Pensioner Elected Trustee and Alternate Trustees, certain HR representatives and the management of Unilever UK Pensions.

Mike Samuel, who acted as Chairman, opened the Conference explaining that the focus for the 2005 Conference would be on education and building the Delegates' knowledge. As such, many of the sessions had an educational theme and the syndicate sessions were replaced by workshops.

Nigel Biggs, Head of Unilever UK Pensions, then provided an overview of the current pensions environment and developments in relation to the UPF since the 2004 Delegates' Conference. In particular, Nigel provided an update on the UPF's membership profile, provided an overview of the decision to outsource more of the UPF's administration to Hewitt, reported that the UPF had won an award for its communications with pensioners, and advised of the increase in number of pensioner visitors.

Nigel Biggs then provided information on the rising cost of pension provision due to falling real investment yields and increased life expectancy. Finally, Nigel provided a brief overview of the new legislative environment impacting on pensions in the UK.

Andrew Rowell, Fund Secretary, then provided an overview of the reclarified role of member Delegates agreed by the Company and Trustees. This can be summarised as follows:

- Acting as a signpost (i.e. pointing members in the right direction to answer pension queries);
- Acting as a local contact and/or assisting in pension communication;
- Acting as the voice of members.

The first day continued with a presentation from Paul Stannard of Travers Smith, explaining the changing role and responsibilities for trustees of occupational pension schemes. Andrew Rowell followed this session with a more in-depth analysis of the new pensions legislation, including a summary of the soon to be introduced Pension Protection Fund, the new scheme-specific funding requirements, and the new tax regime which will cover all pension arrangements from April 2006.

The first day ended with a question and answer session with Delegates given the opportunity to ask questions of the Unilever UK Pensions Team and Paul Stannard.

The second day of the Delegates' Conference was introduced by Gavin Neath, Chairman of Unilever UK and the Trustee Board. Gavin stressed the importance of the role of Delegates to help communicate the benefits of the UPF and to act as a channel of communication between the Trustees, the Company and members.

The second day of the Conference continued with a presentation from Kim Northwood, Service Delivery Manager, explaining how the new administration procedures operate with the further outsourcing of active member administration to Hewitt.

The day continued with Cynthia Elliott, Pensioners Liaison Manager, providing an overview of the feedback from a series of site visits that she had recently undertaken and those undertaken earlier in the year by Hannah Clarke, former member of the UK Pensions team.

Wendy Mayall, Chief Investment Officer, then presented the investment report for the UPF over the year to 31 March 2004. In particular, Wendy noted that there has been a recovery in equity markets with positive returns also from other asset classes. Wendy also updated the Delegates on certain other investment matters being discussed by the full Trustee Board and the Investment Sub-Committee.

The Conference closed with a final question and answer session.

As mentioned, during the course of the Conference, a series of workshops were run to help educate Delegates. These covered the following areas:

- The UPF's AVC arrangements;
- Forthcoming changes to the manner in which contributions are made to the UPF;
- The UPF benefit structure/UK pensions framework.

Pensioners' Conference

The 2005 Pensioners' Conference was held in Birmingham on 11 and 12 April 2005 and provided a useful forum for invited pensioners to discuss current pensions issues. All Trustee Directors and Substitute Directors were also invited to the Conference. The programme overlapped heavily with the programme for the Delegates' Conference.

Gavin Neath, Chairman of Unilever UK and the Trustee Board, opened the Conference and provided a brief overview of developments in relation to Unilever, both in the UK and globally, and developments for the UPF.

Nigel Biggs then provided an update on matters specifically relating to the UPF during the past twelve months. In particular, he provided details of the further restructuring of the administration services with the additional outsourcing of administration for active members to Hewitt. He also gave an overview of the forthcoming new pensions legislation and the increasing cost of pension provision.

In the afternoon of the first day of the Conference, two further presentations were made: one from Paul Stannard (Travers Smith) on the changing role and responsibilities of pension scheme trustees and one from Wendy Mayall (Chief Investment Officer) on investment matters and performance.

The first day closed with a question and answer session.

The second day commenced with a presentation from Andrew Rowell, Fund Secretary and Benefits and Compliance Manager, on the new pensions legislation. In particular, the aspects of the new legislation which relate to pensioners, including the establishment of the Pension Protection Fund from 6 April 2005.

The final presentation was from Derek Wildey of the Retirement Counselling Service, on eligibility for and claiming of, state benefits. In particular, Derek explained the eligibility conditions for the following benefits:

- Pension Credit
- Disability Benefits
- Council Tax Benefit
- Care Homes
- Free bus passes

He reminded the Pensioner Delegates, who also act as pensioner visitors, of the existence of the Benefits Helpline, made available to UPF pensioners via the Retirement Counselling Service.

The Conference closed with a final question and answer session.

Scheme Membership

The membership numbers as at 31 March 2005 were as follows:

	2004	2005
Contributory members	10,833	**9,792**
Deferred members	42,497	**42,166**
Pensioners	45,310	**45,216**
Total	98,640	**97,174**

At 31 March 2005 pensioners' numbers included 12,455 spouse pensioners, 171 dependant pensioners and 203 child pensioners.

During the course of the year, 149 members individually elected to transfer the cash equivalent of their preserved benefits from the Fund to their new pension arrangements. The monies transferred were calculated and verified in the manner prescribed by regulations made under relevant legislation. Further details of the basis on which transfer values are calculated may be found in the Compliance Statement.

Pension Increases

The Fund Rules require pensions in payment and deferred benefits, in excess of Guaranteed Minimum Pensions (GMPs), to be increased annually on 1 April in line with the Retail Price Index, subject to the agreement of the Principal Company for any increase in excess of 5%. Prior to a rule change made on 16 December 2002, increases were made on 1 October each year.

The April 2005 increase was based on the twelve month movement in the Retail Price Index (RPI) from January 2004 to January 2005 of 3.2%. There were lower increases on a sliding scale for those who left service after March 2004.

Scheme Actuary's Report

The financial position of the Fund is kept under careful review by the Scheme Actuary. During the year the previous Scheme Actuary, Michael Pomery, was replaced by Richard Whitelam, who has reported in 2005 as follows:

A formal valuation of the Unilever Pension Fund (UPF) was carried out as at 31 March 2002 and reported to the Trustees and the Company in November 2002. The main purposes of the actuarial valuation were to review the financial position of the Fund and to recommend the rates of contributions payable to the Fund in future.

In the light of volatile stock market conditions at the time of the valuation, the Scheme Actuary recommended that an interim review of the financial position of the UPF be carried out as at 30 September 2003. This was reported to the Trustees and the Company in November 2003. I set out below firstly the results of the formal actuarial valuation and secondly the conclusions of the interim review.

Formal Actuarial Valuation

On the basis of the assumptions adopted, there was a small past service surplus of £170m as at 31 March 2002, which corresponded to a funding ratio of assets and liabilities of 104%. The funding ratio on the Minimum Funding Requirement, as laid down in legislation, was 126% as at 31 March 2002.

The long-term rate of joint contributions payable by the members and the Company was 18.4% of Pensionable Pay on the assumptions adopted.

In the light of the valuation results, and the significant falls in equity markets between the valuation date and the date of the valuation report in November 2002, the Company decided to reintroduce contributions at the long-term joint rate of 18.4% of Pensionable Pay. Member and Company contributions were phased in from 1 January 2003, with the full joint rate being paid from 1 January 2004.

It was estimated that phasing in the full contribution rate utilised a further £50m of the past service surplus in addition to the surplus identified at the 1999 valuation as required to fund the suspension of contributions until the end of September 2002. The Company and Trustees also agreed a number of minor benefit improvements which reduced the past service surplus by a further £4m.

As part of the actuarial valuation, it was also considered what the financial position of the UPF would have been as at 31 March 2002, if the Company had no longer been able to contribute to the Fund. In this situation the UPF would have been discontinued and members' benefits would have been crystallised at the date of discontinuance. Active members' benefits would be based on their Pensionable Service and Final Pensionable Pay at this date. This is clearly a hypothetical exercise, as the UPF did not discontinue on 31 March 2002.

If the UPF had been discontinued at the valuation date and continued as a closed Fund, it was estimated that there would not have been sufficient assets to pay all benefits as they fell due. The estimate of the discontinuance funding ratio was 97% at 31 March 2002. This allows only for as of right benefits and assumes any discretionary practices would no longer continue. This ratio is a "snapshot" at a particular date and the position has deteriorated as a result of the falls in equity markets and rises in bond markets since. However, the likelihood of the Company becoming unable to contribute to the UPF in the near future is extremely small and the results need to be considered in this context.

In the light of volatile stock market conditions, it was agreed that an interim review of the financial position of the UPF as at 30 September 2003 should be carried out.

Interim Review

The interim review revealed, on the basis of the assumptions adopted, that there was a deficit of £420m as at 30 September 2003, which corresponded to a funding ratio of assets and liabilities of 90%. This deficit was expected as the stock market had continued to fall following my predecessor's report on the formal valuation. As a result, and in accordance with the Scheme Actuary's advice, Unilever is paying an additional £62m per annum from 1 January 2004.

The long-term rate of joint contributions payable by the members and the Company of 18.4% of Pensionable Pay was also reviewed and it was concluded that it remained appropriate.

If the UPF had been discontinued at 30 September 2003 and continued as a closed Fund, it was estimated that there would not have been sufficient assets to pay all benefits as they fell due, and it was estimated that the discontinuance funding ratio was 73%. Again, the likelihood of the Company becoming unable to contribute to the UPF in the near future is extremely small and this result needs to be considered in that context. The funding ratio on the Minimum Funding Retirement also fell and was estimated to be about 120% at the date of the review.

The level of contributions payable to the UPF will be reviewed following the actuarial valuation of the UPF which I am currently making as at 31 March 2005. The results will be available later in the year.

The actuarial certificates required under current regulations appear on pages 30-32.

Contributions

During the year, regular employee contributions were paid at the rate of 5% of Pensionable Pay above the Lower Earnings Limit and regular Company contributions at 18.4% less member contributions. On the basis of the interim actuarial valuation of the UPF as at 30 September 2003, the Company agreed to pay an additional £62m a year from 1 January 2004, subject to review at subsequent valuations. During the year a further Company contribution amounting to £62m was, therefore, also paid.

Changes to the Trust Deed and Rules

There were no changes made to the trust pensions of the Unilever Pension Fund during the Scheme Year under review. However, during the year a new "Added Years" Additional Voluntary Contribution (AVC) facility was made available and during April 2005 three Deeds of Amendment were executed which changed the Trust Deed and Fund Rules as follows:

- The Rules were amended to allow a second lump sum payment to be made to facilitate the backdating of benefits for certain members in respect of excluded periods of part-time employment.
- The Rules were amended to allow Associated Entities to adhere to the Fund, to facilitate the adherence of the Leverhulme Trust.
- The Rules were amended to allow for the Unilever Contribution Arrangement, for membership to be on an automatic basis and for the name of the Fund to change to the Unilever UK Pension Fund.

Trustees' Statement of Values

At their meeting on 16 July 2002, the Trustees adopted the following set of values for running the Fund:

Responsible stewardship

We believe in the efficient and transparent execution of all our legal and fiduciary responsibilities. This includes responsible selection of investments considered to be in the Fund's interests.

Objective judgements

We will not let our personal opinions or sectional interests intrude upon our duties as trustees.

Fairness in respect of people

We believe that people ought to be treated fairly, and their human rights respected.

Environmental awareness

We believe in the conservation of the world's resources and we support the aim of progressing to a more sustainable world.

Openness

We believe in openness, subject to preserving confidentiality when necessary.

Change of Scheme Actuary

With effect from 30 June 2004, Michael Pomery resigned as Scheme Actuary. On resigning as Scheme Actuary, Michael was required to consider whether there were any circumstances connected to his removal from the appointment as Scheme Actuary which significantly affect the interests of current or prospective members and beneficiaries under the UPF. He confirmed that he knew of no such circumstances. Richard Whitelam of Hewitt Bacon and Woodrow was appointed as Scheme Actuary with effect from 1 July 2004.

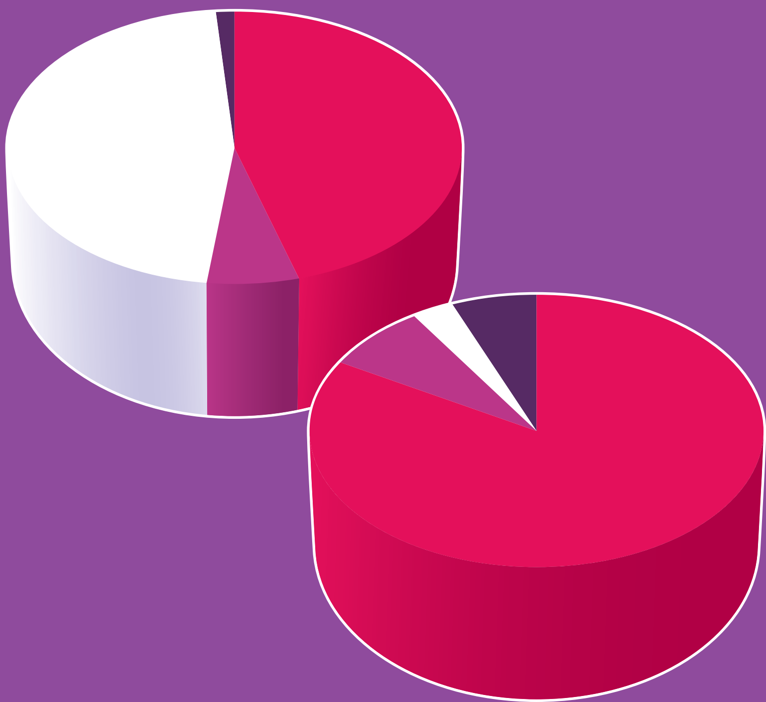
Financial Development of the Fund

During the year ended 31 March 2005, the total value of the Fund increased from £3,547 million to £3,812 million.

Details of the Fund's income and expenditure are shown opposite.

Income
Total £229 million

Income from Investments	*£104m*
Contributions from Members	*£15m*
Contributions from Employers	*£107m*
Transfers from Other Funds	*£3m*



Expenditure
Total £265 million

Pensions	*£221m*
Lump Sums	*£20m*
Transfers to Other Funds	*£8m*
Expenses	*£16m*

The disposition of the Fund's investments as at 31 March 2005 was as follows:

	31 March 2004 £ million		**31 March 2005 £ million**	
Bonds				
UK Public	295	8%	**262**	7%
UK Private	261	7%	**267**	7%
Overseas Public	18	1%	**38**	1%
Indexed linked Securities	0	0%	**2**	0%
Ordinary Shares				
UK	878	25%	**964**	25%
Overseas	1,497	43%	**1,604**	42%
Private Equity Funds	197	6%	**221**	6%
UK Property	292	8%	**338**	9%
Assets transferred from Bestfoods Scheme	2	0%	**3**	0%
Cash, Deposits and Other Investments	82	2%	**96**	3%
	3,522	**100%**	**3,795**	**100%**

The disposition of the assets was broadly in line with the Fund's investment strategy.

The Fund's ten largest ordinary share holdings, excluding managed funds, at 31 March 2005 were:

Company	Holding £ million
Vodafone Group	72
BP	68
HSBC Holdings	52
Royal Bank of Scotland	43
GlaxoSmithKline	43
Shell Transport	36
Barclays	26
Astra Zeneca	24
HBOS	23
BHP Billton	18

The total value of the top ten holdings was £405 million that was equal to 10.7% of the Fund's holding of investments. Details of the Fund's holdings in pooled investment vehicles are disclosed on page 23 in Note 7 to the accounts.

Scheme investments are invested in accordance with the Occupational Pension Schemes (Investment Regulations) 1996 (SI 1996/3127). The Fund is an exempt approved scheme under the Income and Corporation Taxes Act 1988.

Statement of Trustees' Responsibilities

The financial statements are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year, and

- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement as to whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The Trustees are responsible for the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are also responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions (other than voluntary contributions) payable to the Fund by, or on behalf of, the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records of contributions received in respect of any active member of the Fund, and for ensuring that contributions are made to the Fund in accordance with the schedule of contributions.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

Preparation and Audit of Financial Statements

The Trustees confirm that the financial statements have been prepared and audited in accordance with the regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

Investment Report

Statement of Investment Principles

The Trustees maintain a Statement of Investment Principles as required by Section 35 of the Pensions Act 1995. The first Statement took effect on 18 February 2000, and the latest Statement was approved on 9 March 2004. The latest Statement states that it will be reviewed in March 2005. At their meeting on 2 March 2005, the Trustees agreed that they would not review the Statement until after they had completed their investment strategy review scheduled for later in 2005. A copy is available from the Fund Secretary on request.

Investment Strategy

The Trustees of the Unilever Pension Fund conducted an interim review of the Fund's investment strategy in 2004, following the triennial review in 2002 when an asset-liability study was undertaken as part of the investment strategy review process. The Trustees determined that a 5% allocation should be made to hedge funds, subject to approval of appropriate implementation. The Fund's investment strategy at 31 March 2005 is shown opposite.

The Fund's actual asset distribution may differ slightly from the allocation shown at any particular time.

Investment Management Structure

The Investment Managers appointed by the Trustees to manage the Fund's equities and bonds investments are Capital International Limited, Deutsche Asset Management, Barclays Global Investors, Goldman Sachs Asset Management International, Fidelity and Prudential M&G. UK property is managed by CBRE Investors and private equity investments are managed by Pantheon Ventures.

Investment Management Fees

The external investment managers are remunerated on a fee basis in accordance with contractual agreements, related to the market value of the assets under management at each quarter end.

Custodial Arrangements

The Trustees appointed The Northern Trust Company as their global custodian with effect from 1 April 2000.

Employer Related Investments

On 31 March 2005, the Fund held 945,398 shares in Unilever PLC with a market value of £5m, 85,200 shares in Unilever NV with a market value of £3m and indirectly through its holding in Capital International Emerging Markets Fund, a beneficial interest in 65,411 shares in Hindustan Lever Limited with a market value of less than £1 million. The Fund also indirectly holds 73,473 shares in Unilever NV with a market value of £3 million through its holding in Ascent Life Europe Fund. Together these investments represent less than 1% of total assets.

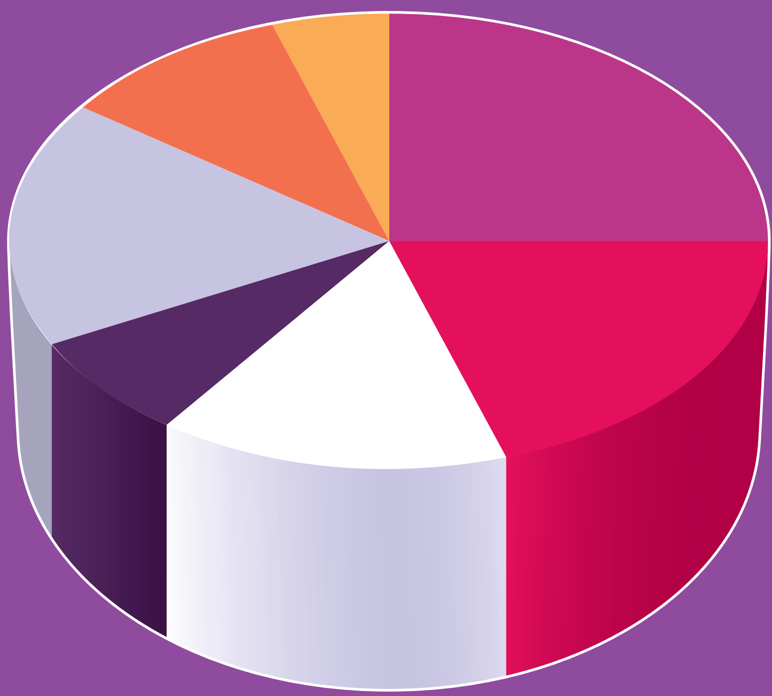
Investment Holdings

As at 31 March 2005 the following individual holdings each represented more than 5% of the Fund's total assets:

Ascent Life European Equity Fund	£194m
Aquila Life US Equity Index Fund	£251m
Ascent Life US Equity Fund	£256m

Investment Strategy - *as at 31 March 2005*

UK Equities	*25%*
North America Equities	*20%*
Europe Equities	*15%*
Japan/Pacific/Emerging Market Equities	*7.5%*
UK Bonds	*17.5%*
Property	*10%*
Private Equity	*5%*



Investment Performance

The Fund uses its global custodian, The Northern Trust Company, as an independent performance measurement service.

For the purposes of performance history, the Fund returns are those of the Unilever Superannuation Fund for periods to 31 March 2000 and those of the Unilever Pension Fund from 1 April 2000.

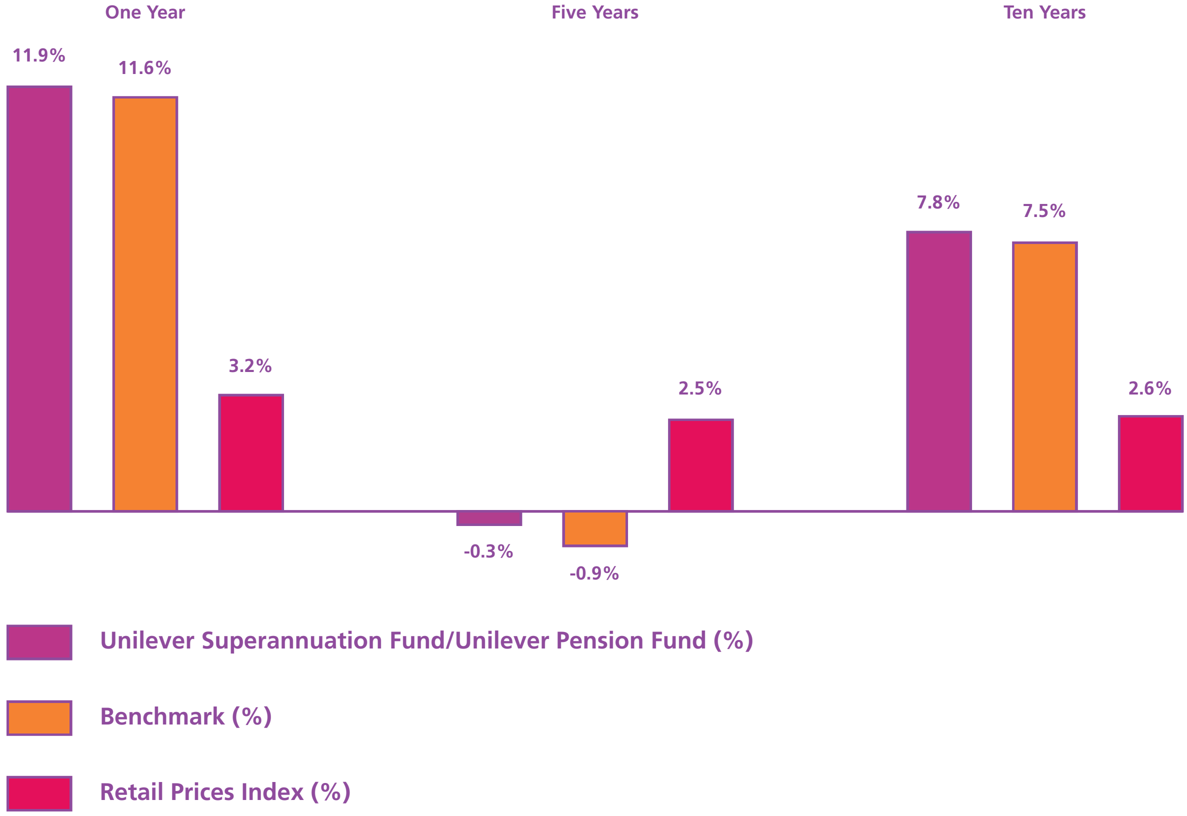
Since 1987, when the Fund became externally managed, until the end of 1996 its performance was measured against the WM 50 Universe, comprised of the 50 largest funds in the WM sample. Following the move to a Fund specific investment strategy at the beginning of 1997, performance has been measured against a customised benchmark that reflects that investment strategy. The performance returns for the Fund, calculated by WM and The Northern Trust Company, for the one, five and ten year periods ending 31 March 2005 are shown below, against the Fund benchmark returns and the Retail Prices Index.

The Fund's performance over the one-year period to 31 March 2005 was a return of 11.9% against the benchmark return of 11.6%. These results reflected a continued recovery in stockmarket returns during the period, following an extended period of negative stockmarket returns. UK equities, the Fund's largest single-equity class, returned 15.6%, as measured by the FTSE All Share Index. Overseas equity returns continued to be mixed, ranging from 19.3% in Pacific ex Japan equities, as measured by the FTSE Index, to -4.3% in Japanese equities, as measured by the FTSE Index. UK Bonds returned 5.7% as measured by the Merrill Lynch Sterling Broad Market Index and UK Property returns were 17.2% on an IPD Index basis. Inflation was 3.2% as measured by the Retail Prices Index.

Over the longer five-year period, the Fund's annualised return was -0.3% against the benchmark return of -0.9%. These returns compared to the Retail Prices Index at 2.5% per annum. Over the ten-year period to 31 March 2005, the Fund's annualised return was 7.8%, against a benchmark return of 7.5% and Retail Prices Index of 2.6% per annum.

Investment Performance - To 31 March 2005

Annualised Rates of Return



Independent Auditor's report to the Trustee of the Unilever Pension Fund

We have audited the financial statements that comprise the fund account, the net assets statement and the related notes, which have been prepared under the accounting policies set out in the related notes.

Respective responsibilities of Trustee and Auditors

The Trustees' responsibilities for obtaining an annual report, including audited financial statements prepared in accordance with applicable United Kingdom law and accounting standards, are set out in the statement of Trustees' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Fund's Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Trustees' Report, the Investment Report, the Actuarial statements, the Summary of Contributions and the Compliance Statement.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2005, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year, and contain the information specified in Regulation 3 of and the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
21 July 2005

Financial Statements

Fund Account

For the year ended 31 March 2005

	31 March 2004 £ million	31 March 2005 £ million
Contributions and Benefits		
Contributions receivable (note 2)	56	122
Transfers in (note 3)	3	3
	59	125
Benefits payable (note 4)	(234)	(241)
Payments to and on account of leavers (note 5)	(30)	(8)
Administration expenses	(8)	(7)
	(272)	(256)
Net additions/(withdrawals) from dealings with members	(213)	(131)
Returns on Investments		
Investment income (note 6)	95	104
Change in market value of:		
Fund investments (note 7)	541	299
AVC investments (note 8)	3	2
Investment management expenses	(7)	(9)
Net returns on investments	632	396
Net increase/(decrease) in the Fund during the period	419	265
Net assets of the Fund at 1 April	3,128	3,547
Net assets of the Fund at 31 March	3,547	3,812

Statement of Net Assets

As at 31 March 2005

	31 March 2004 £ million	**31 March 2005 £ million**
Investments at market value (note 7)		
Fixed-interest securities	574	**569**
Quoted securities	2,375	**2,568**
Private equity funds	197	**221**
Property	292	**338**
Assets transferred from Bestfoods Scheme	2	**3**
Cash, Deposits and Other Investments	82	**96**
	3,522	**3,795**
AVC investments (note 8)	27	**23**
Net current liabilities (note 9)	(2)	**(6)**
Net assets of the Fund at 31 March	3,547	**3,812**

The Trustee of the Fund
For Unilever Pension Fund Trustees Limited

Gavin Neath (Chairman)
Andrew Rowell (Secretary)

15 July 2005

Notes to the Financial Statements

1. Accounting Policies

These financial statements summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the assessment of the Fund's actuarial situation on page 18 of the annual report and these financial statements should be read in conjunction therewith. The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Financial Reports of Pension Schemes (revised November 2002).

The following are the key accounting policies that have been adopted in the preparation of the financial statements.

a) Investments

Quoted securities are valued on the basis of the middle market quotation of the relevant stock exchange at 31 March 2005. Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable.

Pooled investment vehicles are valued at the average of the bid and offer prices provided by the relevant Fund Managers, which reflect the average value of the underlying investments.

Securities that were on loan at 31 March 2005 are included in the net asset statement to reflect the Fund's ongoing economic interest in such securities. Financial futures and swaps are included in investments at market value and the corresponding liability is included in cash, deposits and other investments.

Transaction costs are included in the cost of investments purchased or deducted from the proceeds of investments sold. Where some part of these transactions' costs is subsequently recovered, the proceeds are credited to the change in market value of investments.

Properties are stated at market value. No provision is made for property depreciation or amortisation.

Private equity investments are valued by the investment manager, Pantheon Ventures. The valuation is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. The reasonableness of these valuations is considered by Pantheon in the light of other available knowledge and corroborative evidence. Quoted investments within the private equity portfolio are valued at mid-market price on the relevant stock exchange. A discount may be applied where trading restrictions apply to such securities.

Realised and unrealised gains/losses arising from changes in market values are taken direct to the Fund Account.

b) Foreign Currency Translation

The value of overseas securities is translated into sterling at the rates of exchange ruling at 31 March. The resulting exchange differences arising in the period are included in changes in market values of investments and taken direct to the Fund Account.

Where forward sales of foreign currency have been made as a hedge against exposure on foreign currency investments, any unrealised profit or loss at the period end, measured by the difference between spot rate and contracted rate, is included in the changes in market values of investments, together with realised gains and losses on forward contracts maturing during the period.

c) Investment Income

Dividends and interest from investments are accounted for when due with the addition of dividends and interest outstanding at 31 March on listed stocks that were then ex-dividend. Interest on deposits and loans and property rents are accounted for on an accruals basis.

d) Contributions

Normal contributions, both from the members and from the employer, are accounted for as they fall due under the schedule of contributions.

Additional contributions from the employer are accounted for in accordance with the agreement under which they are paid. Additional Voluntary Contributions from the members are accounted for in the month deducted from the payroll.

Employers special contributions are accounted for in accordance with the agreement under which they are being paid.

e) Benefits Payable

Benefit payments are accounted for as and when they fall due.

f) Transfer Values

Transfer values represent the capital sums either received in respect of newly-joined members from other pension schemes or paid to other pension schemes for members who have left the Fund. Transfer values are accounted for when the liability is accepted by the receiving scheme.

g) Investment Management Expenses

Investment management fees are accounted for on an accruals basis.

h) Administrative Expenses

Administrative expenses are accounted for on an accruals basis.

2. Contributions receivable

	Year ended 31 March 2004 £ million	Year ended 31 March 2005 £ million
Employers:		
Normal	30	45
Special contributions	16	62
Members:		
Normal	8	13
Additional Voluntary Contributions	2	2
	56	122

3. Transfers in

Transfers in from other companies	1	1
Individual transfers in from other schemes	2	2
	3	3

4. Benefits payable

Pensions	(215)	(221)
Lump sum retirement benefits	(17)	(18)
Lump sum death benefits	(2)	(2)
	(234)	(241)

5. Payments to and on account of leavers

Refunds to leavers and Contribution Equivalent Premiums	(1)	–
Group transfers to other schemes	(27)	(4)
Individual transfers to other schemes	(2)	(4)
	(30)	(8)

6. Income from investments

Income from fixed interest securities	33	34
Dividends from ordinary shares	44	45
Income from private equity investments	–	1
Interest on short-term deposits	1	3
Property rents less expenses	16	20
Other income	1	1
	95	104

7. Investments

	Market Value at 31 March 2004 £ million	Purchases (at cost) £ million	Proceeds of Sales £ million	Change in Market Value £ million	**Market Value at 31 March 2005 £ million**
Fixed-Interest Securities					
Bonds					
UK Public	295	463	503	7	**262**
UK Private	261	152	138	(8)	**267**
Overseas Public	18	72	56	4	**38**
Index linked Securities	–	2	–	–	**2**
	574	689	697	3	**569**
Quoted Shares					
UK	878	322	334	98	**964**
Europe	535	345	363	98	**615**
North America	664	160	162	14	**676**
Japan	99	100	89	(3)	**107**
Pacific	94	59	64	11	**100**
Emerging Markets	105	16	28	13	**106**
	2,375	1,002	1,040	231	**2,568**
	2,949	1,691	1,737	234	**3,137**
Private Equity Funds					
UK	13	1	1	–	**13**
Europe	72	20	22	14	**84**
North America	104	26	25	12	**117**
Asia	8	1	5	3	**7**
	197	48	53	29	**221**
Property					
UK Freehold	227	46	35	39	**277**
Long Leasehold	65	5	6	(3)	**61**
	292	51	41	36	**338**
	3,438	1,790	1,831	299	**3,696**
Assets transferred from Bestfoods Scheme					
Pooled Investment Vehicles	2			1	**3**
Cash, Deposits and Other Investments					
Cash deposits	44			-1	**83**
Cash backing for open derivative contracts	(1)				**(2)**
Amounts due to/from brokers	22				**(2)**
Income receivable	20				**20**
Property accruals/prepayment	(3)				**(3)**
	82				**96**
Total Investments per Statement of Net Assets	3,522	1,790	1,831	299	**3,795**

The Fund's holdings in quoted securities as shown previously include the following holdings in pooled funds:

	31 March 2004 £ million	**31 March 2005 £ million**
UK	65	**31**
Europe	252	**194**
North America	559	**507**
Japan	41	**–**
Pacific	37	**–**
Emerging Markets	26	**25**
	980	**757**

Apart from the Capital International Emerging Markets Fund, which is registered in Luxembourg, all the pooled funds are registered in the United Kingdom. The valuation of each fund is undertaken by the relevant investment manager.

The private equity portfolio includes 46 funds registered outside the United Kingdom with a total value of £187 million.

The Fund's holdings in quoted ordinary shares as at 31 March 2005 also include the following open derivative contracts:

	31 March 2004 £ million	**31 March 2005 £ million**
UK	1	**11**
Overseas	–	**1**
	1	**12**

The cash backing for these derivative contracts is disclosed on page 23 under Cash, Deposits and Other Investments.

The Fund participates in a stock lending programme managed by the Custodian, the Northern Trust Company. The value of securities on loan at 31 March 2005 was £189 million in exchange for which the Custodian held collateral worth £198 million. The collateral consists of eligible securities and letters of credit and forms part of Northern Trust's UK Core Collateral pool. Securities that were on loan at 31 March 2005 are included in the net asset statement to reflect the Fund's ongoing economic interest in such securities.

The UK Properties were valued at 31 December 2004. There were no acquisitions or disposals of property in the three-month period up to 31 March 2005. The property assets were valued by Colliers CRE on an open market value basis as defined by the Royal Institute of Chartered Surveyors.

All UK property leases are subject to rent review within five years.

8. AVC Investments

The Fund provides the facility for members to pay Additional Voluntary Contributions (AVCs) to purchase additional benefits on a money purchase basis. The AVCs are separately invested for the benefit of individual members who can choose from a range of investment options. Members are advised individually about the value of their investments by the investment managers. These AVC investments are excluded from the analysis of the Fund's investments given in Note 7.

The market value of AVC investments as at 31 March 2005 was £24 million.

	31 March 2004 £ million	**31 March 2005 £ million**
Balance at 1 April	28	**27**
Purchases in the period	2	**2**
Sales in the period	(6)	**(8)**
Change in market value	3	**2**
Balance at 31 March	27	**23**

9. Net Current Liabilities

	31 March 2004 £ million	**31 March 2005 £ million**
Contribution due from employer	5	**5**
Sundry creditors	(7)	**(11)**
Net Total	(2)	**(6)**

10. Commitments

At 31 March 2005 the Fund had capital commitments relating to private equity investments of £210 million.

11. Related Party Transactions

Within administration costs is £7 million paid to Unilever UK Central Resources Limited for the Fund's share of Unilever Pensions UK's expenses.

There were no significant liabilities due to Unilever PLC at 31 March 2005.

Independent Auditor's Statement

Independent Auditor's Statement about Contributions to the Trustee of the Unilever Pension Fund

We have examined the Summary of Contributions to the Unilever Pension Fund for the year ended 31 March 2005 that is set out on the following page.

Respective responsibilities of Trustee and Auditors

The Trustees' responsibilities for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions are set out in the statement of Trustees' responsibilities.

Our responsibility is to provide a statement about contributions to the Fund in accordance with relevant legislation and to report our opinion to you. This report, including the statement about contributions, has been prepared for and only for the Fund's Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this statement, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of statement about contributions

We planned and performed our work 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 contributions reported in the attached summary have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the schedule of contributions. Our statement about contributions is required to refer to those breaches of the schedule of contributions that we consider to be material for this statement and which come to our attention in the course of our work.

Statement about contributions to the Fund

In our opinion, the contributions payable to the Fund required by the schedule of contributions during the year ended 31 March 2005 as reported in the adjacent Summary of Contributions table, have been paid in accordance with the schedule of contributions certified by the Actuary on 5 February 2004.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
21 July 2005

Unilever Pension Fund

Summary of Contributions payable in the year

During the year, the contributions payable to the Fund by the employer were as follows:

	Member £m	Employer £m
Required by the schedule of contributions		
Normal contributions	13	45
Special contributions	–	62
Total	**13**	**107**
Other contributions payable		
AVCs	2	–
Total (as per Fund Account)	**15**	**107**

The Trustee of the Fund
For Unilever Pension Fund Trustees Limited

Gavin Neath (Chairman)
Andrew Rowell (Secretary)

15 July 2005

Compliance Statement

On 30 June 2004 Richard Greenhalgh resigned as a Director in anticipation of his retirement from Unilever. The Company appointed Gavin Neath as his replacement. Karen Collier resigned as Director on 2 March 2005. The Company appointed Wendy Mayall as her replacement.

An election for the Pensioner Director and Alternate Pensioner Director positions was held in October 2004. Richard Clark was elected as the Pensioner Director and David Jones and Jean Watson as the first and second Alternates. They took up their positions on 1 December 2004 following the end of the terms of office of Dennis Cockerill, Rob Fairclough and John Scholey.

Christopher Tripp resigned from the business and therefore his position as Fund Secretary on 31 July 2004. John Wilcock was appointed as Fund Secretary from 31 July 2004 until 9 September 2004 when Andrew Rowell joined the business and took on this position.

The Trustees and Alternate Trustees in office at 31 May 2005 were:

Company Nominated Trustees

Gavin Neath (Chairman)
Steve Bolton
Tonia Lovell
Richie Furlong
Wendy Mayall
Jimmy McGovern[1]
Mike Samuel

Delegate Elected Trustees

Trustees	*Alternates*
North and West Area	
Steve Cutting (O/M)	Ian Dettmer (first alternate O/M)
Roger Bevan (P/S)	Kim Lewis (second alternate O/M)
Malcolm Colbeck (P/S)	Dave Ivison (P/S)
South East Area	
Alan Cornish (P/S)	Terry Thomas (P/S)
David Saunders (O/M)	Ian Burns (first alternate O/M)
David Jones (O/M)	Trevor Hoy (second alternate O/M)

Pensioner Elected Trustees

Trustees	*Alternates*
Richard Clark[1]	David Jones[1] (first alternate)
	Jean Watson[1] (second alternate)

(O/M = office/managerial employee
P/S = production/service employee)

[1] *Trustees in receipt of pension benefits from the UPF*

Membership

	2003/2004	2004/2005
Number of contributory members at 1 April	12,863	**10,833**
Less adjustments from opening position[1]	(170)	**(55)**
New Members	692	**663**
Members opting out preserving benefits	(2)	**–**
Members leaving service taking a refund of contributions	(111)	**(108)**
Members leaving service or becoming non-contributory and preserving benefits	(1,926)	**(1,047)**
Retirements at or before normal retirement age	(503)	**(484)**
Deaths	(10)	**(10)**
Number at 31 March	10,833	**9,792**

	2003/2004	2004/2005
Deferred pensioners at 1 April	42,443	**42,497**
Less adjustments from opening position[1]	3	**(183)**
New leavers with preserved benefits	1,926	**1,047**
Transfers out[2]	(933)	**(149)**
Retirements	(783)	**(998)**
Deaths	(68)	**(47)**
Commutations and refunds	(91)	**(1)**
Number at 31 March	42,497	**42,166**

	2003/2004	2004/2005
Pensioners at 1 April	45,436	**45,310**
Less adjustments from opening position[1]	48	**(66)**
New retirements	1,286	**1,482**
New Spouses	622	**588**
New Dependants	5	**1**
New Children	23	**16**
Deaths	(1,943)	**(1,906)**
Termination of child pensions	(32)	**(35)**
Other terminations/cessations	(135)	**(174)**
Number at 31 March	45,310	**45,216**

[1] *These relate to movements with an effective date before 1 April 2005 but because of pipeline delays they were processed after the accounts for last year were finalised.*

[2] *Includes bulk transfers paid during the year in respect of company sales.*

Calculation of Individual Transfer Values

Transfer values are calculated in accordance with the requirements of Section 97 of the Pension Schemes Act 1993 and provide as a minimum, amounts consistent with those used for the purposes of Section 57 of the Pensions Act 1995, subject only to appropriate adjustments.

The Principal Company has currently consented so that members retiring at or after age 60 receive an unreduced pension. The category of member affected depends on the date they joined and left Pensionable Service. Where relevant, the transfer value calculation reflects this in full. This is achieved by valuing the unreduced pension payable from age 60.

Pension increases in excess of 5% are subject to the consent of the Principal Company. For the purpose of transfer value calculations full allowance is made for these discretionary increases by assuming pension increases in line with anticipated price inflation.

Actuarial Certificate

Given for the purposes of Section 58 of the Pensions Act 1995 (Certification of Schedule of Contributions)

Name of scheme: Unilever Pension Fund

Adequacy of rates of contributions

1. I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 28 January 2004 are adequate for the purpose of securing that throughout the period it covers the scheme will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.

2. In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN 27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

Michael Pomery
Fellow of the Institute of Actuaries
Hewitt Bacon & Woodrow Limited,
6 More London Place, London SE1 2DA
5 February 2004

Note:

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

Note from the Fund Secretary:

In anticipation of the Unilever Contribution Arrangement being introduced from 1 May 2005 a new Schedule of Contributions was agreed on 28 April 2005. An updated Actuarial Certificate for the purposes of Section 58 of the Pensions Act 1995 was signed by the Scheme Actuary on 28 April 2005.

Actuarial Statement

Made for the purposes of Regulation 30 of the Occuapational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

Name of scheme: Unilever Pension Fund

Effective date of valuation: 31 March 2002

1. Security of prospective rights

In my opinion, the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. This statement assumes the scheme continues and does not mean that should the scheme wind up there would be sufficient assets to provide the full accrued benefits.

In giving this opinion, I have assumed that the following amounts will be paid to the scheme:

by the members: For new members joining the Company and the UPF on or after 1 January 2003, 5% of Pensionable Pay less the Lower Earnings Limit.

For all other members 2% of Pensionable Pay less the Lower Earnings Limit from 1 January 2003, increasing to 5% thereof from 1 January 2004.

by the Company: The balance required to make total contributions of 9.2% of Pensionable Pay from 1 January 2003, increasing to 18.4% of Pensionable Pay from 1 January 2004.

Additional contributions of £5,166,667 per month from 1 January 2004 for nine years subject to review at future actuarial valuations.

I have made assumptions consistent with market values, prospective investment returns and economic conditions at the effective date. I have also taken into account movements in market values and yields since the effective date. In particular, I carried out an actuarial review of the scheme as at 30 September 2003. However, significant changes in market values of the assets after this date may mean that the assumptions and market values on which it is based are no longer appropriate. If you are reading this statement some time after 30 September 2003 you should bear in mind that the scheme's funding position could have changed significantly, which could affect the contributions payable after the next valuation. It should also be noted that the actuarial investigation does not include an examination of the Company's ability to meet future contribution requirements.

2. Summary of methods and assumptions used

The future service Company contribution rate and the value of the past service liabilities have been assessed using the "Projected Unit Method". The contributions in the period to 1 January 2004 were phased in and took account of part of the funding surplus revealed at the effective date. From 1 January 2004, the Company is paying the full future service Company contribution rate, and following the actuarial review as at 30 September 2003, additional contributions to eliminate the funding deficit revealed at that date. The additional contributions are designed to amortise the funding deficit over the expected future working lifetime of the active members using the mortgage method.

Note that the method assumes that the scheme is ongoing and does not consider the position if the scheme were to be discontinued.

The main assumptions used in my calculations at the effective date were:

Price inflation	2.8%	*pa*
Rate of pay increases	4.3%	*pa plus an allowance for promotional increases*
Rate of pension increases	2.9%	*pa on pensions in excess of GMPs*
Post-retirement discount rate	5.7%	*pa*
Pre-retirement discount rate	7.2%	*pa*
Management expenses (other than investment related expenses)	2%	*of Pensionable Pay*

The assets were taken at market value at the valuation date.

The financial assumptions used in my calculations for the actuarial review were determined using the same principles as those at the effective date, but were based on market conditions as at 30 September 2003. Details of the principles used are set out in my valuation report.

For the actuarial review, I used a smoothing adjustment which recognises gradually over a three-year period any over or under-performance of the investments relative to the return on a portfolio matched to the liabilities.

Further details of the methods and assumptions used are set out in my actuarial valuation report addressed to the Trustees dated 8 November 2002.

Michael Pomery
Fellow of the Institute of Actuaries
Hewitt Bacon & Woodrow Limited,
6 More London Place, London SE1 2DA
9 June 2004

Note from the Fund Secretary:

Following the introduction of the Unilever Contribution Arrangement on 1 May 2005 the majority of Fund members ceased to pay regular contributions with the Company paying the equivalent of those contributions. The Scheme Actuary has therefore produced an updated statement for the purposes of regulation 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996.

Compliance with Myners Principles

The following table sets out, in detail, the Trustees' compliance with the Myners Principles:

Principle	Does the Fund comply?
1. Effective Decision Making	
Decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.	*Yes.*
Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities.	*Yes.*
Trustees should also be paid, unless there are specific reasons to the contrary.	*No. Trustees, including pensioners, are not paid for undertaking their duties as trustees.*
It is good practice for trustee boards to have an investment subcommittee to provide the appropriate focus.	*Yes.*
Trustees should assess whether they have the right set of skills, both individually and collectively, and the right structures and processes to carry out their role effectively.	*Yes.*
They should draw up a forward-looking business plan.	*Yes.*
2. Clear Objectives	
Trustees should set out an overall objective for the fund that:	
• represents their best judgement of what is necessary to meet the fund's liabilities given their understanding of the contributions likely to be received from employer(s) and employees; and	*Yes.*
• takes account of their attitude to risk, specifically their willingness to accept underperformance due to market conditions.	
Objectives for the overall fund should not be expressed in terms which have no relationship to the fund's liabilities, such as performance relative to other pension funds, or to market index.	*The Trustees' overall objective is expressed in terms which relate to the Fund's liabilities.*
3. Focus on asset allocation	
Strategic asset allocation decisions should receive a level of attention (and, where relevant, advisory or management fees) that fully reflect the contribution they can make towards achieving the fund's investment objective. Decision-makers should consider a full range of investment opportunities, not excluding from consideration any major asset class, including private equity. Asset allocation should reflect the fund's own characteristics, not the average allocation of other funds.	*Yes.*

Principle	Does the Fund comply?
4. Expert Advice	
Contracts for actuarial services and investment advice should be opened to separate competition. The fund should be prepared to pay sufficient fees for each service to attract a broad range of kinds of potential providers.	*Yes.*
5. Explicit Mandates	
Trustees should agree with both internal and external investment managers an explicit written mandate covering agreement between trustees and managers on:	
• An objective, benchmark(s) and risk parameters that together with all the other mandates are coherent with the fund's aggregate objective and risk tolerances;	*Yes.*
• The manager's approach in attempting to achieve the objective; and	*The investment management agreement requires each manager to provide an initial report including a summary of their investment approach/philosophy.*
• Clear timescale(s) of measurement and evaluation, such that the mandate will not be terminated before the expiry of the evaluation timescale for underperformance alone.	*No commitment is given or implied that the investment mandate will not be terminated before the expiry of the evaluation timescale.*
The mandate and trust deed and rules should not exclude the use of any set of financial instruments, without clear justification in the light of the specific circumstances of the fund.	*Yes.*
Trustees, or those to whom they have delegated the task, should have a full understanding of the transaction-related costs they incur, including commissions. They should understand all the options open to them in respect of these costs, and should have an active strategy – whether through direct financial incentives or otherwise – for ensuring that these costs are properly controlled without jeopardising the fund's other objectives. Trustees should not without good reason permit soft commissions to be paid in respect of their fund's transactions.	*The Investment Committee has received a comprehensive report from its investment consultant and has commissioned and received an additional third party service to provide a full analysis of transaction costs. Soft commissions are not permitted*

Principle	Does the Fund comply?

6. Activism

The mandate and trust deed should incorporate the principle of the US Department of Labor Interpretative Bulletin on activism. Trustees should also ensure that managers have an explicit strategy, elucidating the circumstances in which they will intervene in a company; the approach they will use in doing so; and how they measure the effectiveness of this strategy.	*The Trustees have a voting policy and the investment managers are required to report annually to the Trustees on their voting activities. The Trust Deed and investment management mandates do not incorporate the principle of the US Department of Labor Interpretative Bulletin on activism.*

7. Appropriate Benchmarks

Trustees should:

• explicitly consider, in consultation with their investment manager(s), whether the index benchmarks they have selected are appropriate; in particular, whether the construction of the index creates incentives to follow sub-optimal investment strategies;	*Yes, with advice from the Fund's investment consultants.*
• if setting limits on divergence from an index, ensure that they reflect the approximations involved in index construction and selection;	
• consider explicitly for each asset class invested, whether active or passive management would be more appropriate given the efficiency, liquidity and level of transaction costs in the market concerned; and	
• where they believe active management has the potential to achieve higher returns, set both targets and risk controls that reflect this, giving the managers the freedom to pursue genuinely active strategies.	

8. Performance Measurement

Trustees should:

• arrange for measurement of the performance of the fund	*Yes.*
• make formal assessment of their own procedures and decisions	*Procedures – annual review.* *Decisions – annual review.*
• arrange for a formal assessment of performance and decision-making delegated to advisors and managers.	*Yes.*

Principle	Does the Fund comply?
9. Transparency	
A strengthened Statement of Investment Principles should set out:	
• who is taking which decisions and why this structure has been selected;	*No.*
• the fund's planned asset allocation strategy, including projected investment returns on each asset class, and how the strategy has been arrived at;	*Asset allocation – yes.* *Projected returns – no.* *Process – yes.*
• the mandates given to all advisers and managers; and	*No.*
• the nature of the fee structures in place for all advisers and managers, and why this set of structures has been selected.	*No.*
10. Regular Reporting	
Trustees should publish their Statement of Investment Principles and the results of their monitoring of advisers and managers. They should send key information from these annually to members of these funds, including an explanation of why the fund has chosen to depart from any of these Principles.	***Statement Investment Principles*** *The Statement of Investment Principles is available, on request, to all members. Any significant departures from the statement would ordinarily be reported in this Trustees' Scheme Annual Report.*