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IMPERIAL CHEMICAL INDUSTRIES PLC
GROUP ACCOUNTS

For the year ended 31 December 1992

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The Directors are required to present for each accounting period financial statements which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the profit or loss for that period. In preparing the financial statements, suitable accounting policies, framed by reference to reasonable and prudent judgements and estimates, have to be used and applied consistently. Applicable accounting standards also have to be followed, subject to any material departures being disclosed and explained in the notes to the accounts. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors are also responsible for maintaining adequate accounting records so as to enable them to ensure the safeguarding of the assets of the Group, and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT

To the Members of Imperial Chemical Industries PLC.

We have audited the financial statements on pages 34 to 62 in accordance with Auditing Standards.

In our opinion these financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1992 and of the loss and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
8 March 1993

James Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

ACCOUNTS

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GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December	Notes	Before exceptional items 1992 £m	Exceptional items (note 3) 1992 £m	Total 1992 £m	Total 1991 as restated (note 2) £m
Turnover - continuing operations		12,061	-	12,061	12,488
Operating costs	4	(11,451)	(664)	(12,115)	(11,591)
Other operating income	4	125	-	125	109
Trading profit - continuing operations	4	735	(664)	71	1,006
Share of profits less losses of associated undertakings	6	46	(19)	27	30
Losses less profits on sale or closure of operations		-	(191)	(191)	16
Provisions for costs of reorganisation		-	(75)	(75)	-
Profit on disposal of fixed assets		-	-	-	11
Profit (loss) on ordinary activities before interest		781	(949)	(168)	1,063
Net interest payable	7	(216)	-	(216)	(220)
Profit (loss) on ordinary activities before taxation		565	(949)	(384)	843
Tax on profit (loss) on ordinary activities	8	(200)	17	(183)	(279)
Profit (loss) on ordinary activities after taxation		365	(932)	(567)	564
Attributable to minorities		(17)	14	(3)	(22)
Net profit (loss) for the financial year		348	(918)	(570)	542
Dividends	10			(393)	(391)
Profit (loss) retained for year				(963)	151
Earnings (loss) per £1 Ordinary Share	11	48.8p		(78.9)p	76.4p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1992 £m	1991 £m
Net profit (loss) for the financial year	(570)	542
Currency translation differences on foreign currency net investments and related loans	444	70
Unrealized gains (losses) on trade investments and other items	(6)	(37)
Total recognised gains (losses) relating to the year	(132)	575

£m means millions of pounds sterling.

BALANCE SHEETS

		Group		Company	
		1992	1991	1992	1991
		£m	£m	£m	£m
At 31 December					
ASSETS EMPLOYED					
Fixed assets	12	5,634	5,128	353	1,079
Tangible assets				5,800	4,347
Investments	13			255	222
Subsidiary undertakings	14	455	396		
Participating interests		6,089	5,524	5,408	5,648
Current assets					
Stocks	15	2,273	2,025	417	278
Debtors	16	3,033	2,716	4,641	815
Investments and short-term deposits	17	507	608	-	-
Cash	17	220	197	12	8
		6,033	5,546	5,070	1,202
		12,122	11,070	11,478	6,850
Total assets					
Creditors due within one year	18	(671)	(296)	(17)	(10)
Short-term borrowings	20	(282)	(220)	(75)	(156)
Current instalments of loans	19	(3,424)	(2,894)	(6,031)	(1,281)
Other creditors		(4,377)	(3,410)	(6,123)	(1,447)
		1,656	2,136	(1,053)	(245)
Net current assets (liabilities)					
		7,745	7,660	5,355	5,403
Total assets less current liabilities					
FINANCED BY					
Creditors due after more than one year	20	1,984	1,763	325	400
Loans	19	168	159	1,207	1,053
Other creditors		2,152	1,922	1,532	1,453
		956	606	35	14
Provisions for liabilities and charges	21	49	52	4	5
Deferred income: Grants not yet credited to profit		302	288		
Minority interests					
Capital and reserves attributable to parent company				714	711
Called-up share capital	22	714	711		
Reserves				502	469
Share premium account		502	469	-	-
Revaluation reserve		63	56	541	436
Other reserves		546	399	2,327	2,315
Profit and loss account		2,428	3,131		
Associated undertakings' reserves		33	26		
		3,572	4,081	3,070	3,220
Total reserves	23			3,784	3,931
Total capital and reserves attributable to parent company	24	4,286	4,792		
		7,745	7,660	5,355	5,403

The accounts on pages 34 to 62 were approved by the Board of Directors on 8 March 1993 and were signed on its behalf by:

Sir Denys Henderson
C. M. Short
A. G. Sball

Director

Director

General Manager Finance

STATEMENT OF GROUP CASH FLOW

<i>For the year ended 31 December</i>	<i>Notes</i>	1992 £m	1991 £m
Cash inflow from operating activities			
Net cash inflow from trading operations	25	1,153	1,651
Outflow related to exceptional items	26	(227)	(193)
Net cash inflow from operating activities		926	1,458
Returns on investments and servicing of finance			
Interest and dividends received	27	100	97
Interest paid		(293)	(294)
Dividends paid by parent company		(392)	(390)
Dividends paid by subsidiary undertakings to minority interests		(25)	(7)
Net cash outflow from returns on investments and servicing of finance		(610)	(594)
Tax paid		(98)	(266)
Investing activities			
Cash expenditure on tangible fixed assets	12	(316)	(896)
Acquisitions and new fixed asset investments	28	(59)	(57)
Disposals	29	215	514
Realisation of short-term investments and deposits		(12)	5
Net cash outflow from investing activities		(672)	(434)
Net cash outflow before financing (1991 inflow)		(454)	144
Financing			
Issues of ICI Ordinary Shares		36	19
Net decrease in loans (1991 increase)		(16)	251
Net decrease in lease finance		(13)	(10)
Net decrease in short-term borrowings		(34)	(71)
Issue of shares to minorities by subsidiary undertakings		3	-
Net cash outflow from financing (1991 inflow)	30	(24)	189
Decrease in cash and cash equivalents (1991 increase)	31	(478)	333

ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The following paragraphs describe the main policies. The accounting policies of some overseas subsidiaries do not conform with UK Accounting Standards and, where appropriate, adjustments are made on consolidation in order to present the Group accounts on a consistent basis.

DEPRECIATION

The Group's policy is to write off the book value of each tangible fixed asset evenly over its estimated remaining life. Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impracticable to calculate average asset lives exactly; however, the total lives approximate to 20 years for buildings and 15 years for plant and equipment. Depreciation of assets qualifying for grants is calculated on their full cost.

FOREIGN CURRENCIES

Profit and loss accounts in foreign currencies are translated into sterling at average rates for the relevant accounting periods. Assets and liabilities are translated at exchange rates ruling at the date of the Group balance sheet.

Exchange differences on short-term currency borrowings and deposits are included with net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to trading profit. In the Group accounts exchange differences arising on consolidation of the net investments in overseas subsidiary undertakings and associated undertakings are taken to reserves, as are differences arising on equity investments denominated in foreign currencies in the Company accounts. Differences on relevant foreign currency loans are taken to reserves and offset against the differences on net investments.

GOODWILL

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. UK Accounting Standards require that purchased goodwill be eliminated from the balance sheet either upon acquisition against reserves or by amortization over a period. Elimination against reserves has been selected as appropriate to the goodwill purchases made during recent years. On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the gross amount of any related goodwill previously taken to reserves.

LEASES

Assets held under finance leases are capitalized and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within, or creditors due after, one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to profit and loss account as incurred.

PENSION COSTS

The pension costs relating to UK retirement plans are assessed in accordance with the advice of independent qualified actuaries. The amounts so determined include the regular cost of providing the benefits under the plans which it is intended should remain a level percentage of current and expected future earnings of the employees covered under the plans. Variations from the regular pension cost are spread on a systematic basis over the estimated average remaining service lives of current employees in the plans.

Retirement plans of non-UK subsidiary undertakings are accounted for in accordance with local conditions and practice. With minor exceptions, these subsidiaries recognise the expected cost of providing pensions on a systematic basis over the average remaining service lives of employees in accordance with the advice of independent qualified actuaries.

ASSOCIATED UNDERTAKINGS

The Group's share of the profits less losses of all significant associated undertakings is included in the Group profit and loss account on the equity accounting basis. The holding value of significant associated undertakings in the Group balance sheet is calculated by reference to the Group's equity in the net tangible assets of such undertakings, as shown by the most recent accounts available, adjusted where appropriate.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to profit in the year in which it is incurred.

STOCK VALUATION

Finished goods are stated at the lower of cost or net realizable value, raw materials and other stocks at the lower of cost or replacement price; the first in, first out or an average method of valuation is used. In determining cost for stock valuation purposes, depreciation is included but selling expenses and certain overhead expenses are excluded.

TAXATION

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and for accounting purposes. However, no provision is made for taxation deferred by reliefs unless there is reasonable evidence that such deferred taxation will be payable in the future.

ENVIRONMENTAL LIABILITIES

The Group is exposed to environmental liabilities relating to its past operations, principally in respect of soil and groundwater remediation costs. Provisions for these costs are made when expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes.

NOTES RELATING TO THE ACCOUNTS

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NOTES RELATING TO THE ACCOUNTS

1 COMPOSITION OF THE GROUP

The Group accounts consolidate the accounts of Imperial Chemical Industries PLC (the Company) and its subsidiary undertakings, of which there were 579 at 31 December 1992. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 70 subsidiaries made up their accounts to dates earlier than 31 December, but not earlier than 30 September; 1 subsidiary makes up its accounts to 31 March but interim accounts to 31 December are drawn up for consolidation purposes.

2 CHANGES TO ACCOUNTING POLICIES AND PRESENTATION OF FINANCIAL INFORMATION

The presentation of financial information has changed compared with the 1991 Annual Report as a result of the adoption of Accounting Standards issued by the Accounting Standards Board in the past year, including early adoption of Financial Reporting Standard No.3 - 'Reporting Financial Performance' (FRS 3). Prior year's figures have been restated on a comparable basis.

The principal changes in policy and presentation are

- 1 the profit or loss on disposal or closure of a previously acquired business is calculated after taking account of the gross amount of any related goodwill previously taken directly to reserves.
- 2 Items which were previously reported as extraordinary have been reclassified as exceptional.
- 3 the format of the Group Profit and Loss Account has been amended to display separately from trading profit significant profits or losses from sales or closures of operations, fundamental restructuring costs and profits or losses on sales of fixed assets.
- 4 FRS 3 requires separate disclosure of acquisitions and discontinued activities which materially affect the nature and focus of the Group's operations. There were no acquisitions or discontinued operations of a material nature in either 1991 or 1992.
- 5 a statement of recognised gains and losses, and notes of historical cost profits and losses and reconciliation of movements in shareholders' funds are now included.

3 EXCEPTIONAL ITEMS

Owing to the material impact that exceptional items have had on the reported results for the year, these items have been disclosed separately on the face of the profit and loss account so that their overall effect may be better appreciated.

	Group 1992 £m	1991 £m
Charged in arriving at trading profit		
Provisions for environmental liabilities	(148)	-
Re-assessment to reflect current experience and tightening worldwide requirements.		
Provisions to remediate impaired sites, principally relating to potential soil and groundwater contamination, have been increased to a more prudent level within the range of possible outcomes.		
Provisions for business rationalisation	(516)	-
The cost of restructuring initiatives to address the Group's cost base.		
The initiatives are being taken by all businesses and include actions to streamline operating, corporate and regional support functions. The charge includes employee related costs, principally severance, of £313m and asset write downs and provisions of £160m.		
	(664)	-
Profits (losses) on disposal of associated undertakings and provisions against participating interests		
Profits	8	27
Losses/provisions	(27)	-
	(19)	27
Profits (losses) on sale or closure of operations and related provisions		
Profits	83	16
Losses/provisions	(274)	-
	(191)	16
Provisions for costs of reorganisation in preparation for potential demerger, including professional fees, product registration and labelling costs	(75)	-
Profit on disposal of fixed assets	-	11
Exceptional items within profit (loss) on ordinary activities before taxation	(949)	54
Exceptional tax charges/credits (see note 8)	17	-
Attributable to minorities	14	(3)
	(918)	51

NOTES RELATING TO THE ACCOUNTS

4 TRADING PROFIT

	Before exceptional items 1992 £m	Exceptional items (note 3) 1992 £m	Total 1992 £m	Total 1991 £m
Turnover	12,061		12,061	12,488
Operating costs				
Cost of sales	(7,312)	(123)	(7,435)	(7,429)
Distribution costs	(792)	(7)	(799)	(859)
Research and development (£647m (1991 £596m)) and technical service (£74m (1991 £96m))	(721)	(31)	(752)	(692)
Administrative and other expenses	(2,626)	(355)	(2,981)	(2,611)
Exceptional provisions for environmental liabilities	-	(148)	(148)	-
	(11,451)	(664)	(12,115)	(11,591)
Other operating income				
Government grants	12		12	17
Royalties	59		59	41
Other income	54		54	51
	125		125	109
Trading profit (loss)	735	(664)	71	1,006
Total charge for depreciation included above	588	88	676	549
Gross profit, as defined by the Companies Act 1985			4,626	5,059

5 NOTE OF HISTORICAL COST PROFITS AND LOSSES

There were no material differences between reported profits and losses and historical profits and losses on ordinary activities before tax.

6 SHARE OF PROFITS LESS LOSSES OF ASSOCIATED UNDERTAKINGS

	1992 £m	1991 £m
Share of profits less losses		
Share of undistributed profits less losses	20	(25)
Dividend income	19	21
Share of profits less losses before tax	39	(4)
Gains less losses on disposals of investments	5	35
Amounts written off investments (including provisions raised £23m (1991 £9m) and released £6m (1991 £8m))	(17)	(1)
	27	30
Of which accounted for as exceptional	(19)	27

Total dividend income from shares in associated undertakings comprised £8m (1991 £11m) from listed companies and £11m (£10m) from unlisted companies.

7 NET INTEREST PAYABLE

	1992 £m	1991 £m
Interest payable and similar charges		
Loan interest	190	195
Interest on short-term borrowings and other financing costs	96	108
	286	303
Interest receivable and similar income from current asset investments		
Listed redeemable securities	(7)	(18)
Short-term deposits	(63)	(65)
	(70)	(83)
	216	220

Loan interest includes £101m (1991 £101m) on loans not wholly repayable within 5 years.

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1992 £m	1991 £m
ICI and subsidiary undertakings		
United Kingdom taxation		
Corporation tax	157	136
Double taxation relief	(106)	(87)
Deferred taxation	-	(20)
	51	29
Overseas taxation		
Overseas taxes	169	205
Deferred taxation	(47)	31
	122	236
	173	265
Associated undertakings	10	14
Tax on profit (loss) on ordinary activities	183	279

UK and overseas taxation has been provided on the profits (losses) earned for the periods covered by the Group accounts. UK corporation tax has been provided at the rate of 33 per cent (1991 33.25 per cent).

	1992 £m	1991 £m
Exceptional tax charges/credits		
Exceptional items included in tax on ordinary activities		
Tax costs of reorganisation prior to potential demerger	30	-
Tax relief on exceptional items less deferred tax provisions *	(47)	-
Total exceptional tax	(17)	-

* Represents tax relief on the exceptional charges offset by a deferred tax provision in respect of UK capital allowances to reflect the expected future tax position of the Group following demerger. It includes a net deferred tax credit of £34m.

Deferred taxation

The amounts of deferred taxation accounted for at the balance sheet date and the potential amounts of deferred taxation are disclosed below.

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Accounted for at balance sheet date (see note 21)				
Timing differences on UK capital allowances and depreciation	212	52	47	-
Miscellaneous timing differences	(157)	51	(69)	8
	55	103	(22)	8
Not accounted for at balance sheet date				
UK capital allowances utilized in excess of depreciation charged	108	329	-	173
Miscellaneous timing differences	(116)	(44)	(44)	20
	(8)	285	(44)	193
Full potential deferred taxation	47	388	(66)	201

NOTES RELATING TO THE ACCOUNTS

9 SEGMENT INFORMATION

Classes of Business

	Turnover		Profit before taxation			
	1992 £m	1991 £m	Before exceptional items 1992 £m	Before exceptional items 1991 £m	After exceptional items 1992 £m	After exceptional items 1991 £m
Bioscience Products	2,978	2,953	582	682	524	682
Specialty Chemicals and Materials	5,256	5,384	177	180	(128)	187
Industrial Chemicals	3,224	3,612	(24)	135	(214)	135
Regional Businesses	1,164	1,246	(8)	9	(162)	29
	12,622	13,195	727	1,006	20	1,033
Inter-class eliminations	(561)	(707)	8	-	8	-
	12,061	12,488				
Trading profit before exceptional items			735	1,006		
Share of profits less losses of associated undertakings			46	3	27	30
Provisions for environmental liabilities					(148)	-
Provisions for costs of reorganisation					(75)	-
Profit (loss) on ordinary activities before interest			781	1,009	(168)	1,063
Net interest payable			(216)	(220)	(216)	(220)
Profit (loss) on ordinary activities before taxation			565	789	(384)	843

The Group's policy is to transfer products internally at external market prices. £379m (1991 £472m) of the inter-class turnover shown above represents sales from Industrial Chemicals to Specialty Chemicals and Materials.

The environmental provisions are largely associated with former plant sites, and third party sites, not related to current business operations.

	Total assets less current liabilities		Capital expenditure		Depreciation	
	1992 £m	1991 £m	1992 £m	1991 £m	1992 £m	1991 £m
Bioscience Products	1,839	1,625	190	147	125	112
Specialty Chemicals and Materials	3,005	2,894	262	317	306	212
Industrial Chemicals	1,501	1,479	286	339	197	149
Regional Businesses	753	533	72	84	175	76
Net operating assets	7,098	6,531				
Net non-operating assets	647	1,129				
	7,745	7,660	810	887	803	549

Net non-operating assets include assets in course of construction, investments in associated undertakings and other participating interests, current asset investments, short-term deposits and cash, less short-term borrowings, and debtors and creditors relating to taxes and dividends.

9 SEGMENT INFORMATION (continued)

Geographic areas

The information opposite is re-analysed in the table below by geographic area. The figures for each geographic area show the net operating assets owned by and the turnover and profit made by companies located in that area; export sales and related profits are included in the areas from which those sales were made.

	Turnover		Profit before interest and taxation			
	1992 £m	1991 £m	Before exceptional items 1992 £m	Before exceptional items 1991 £m	After exceptional items 1992 £m	After exceptional items 1991 £m
United Kingdom						
Sales in the UK	2,225	2,571				
Sales overseas	3,216	3,079				
	5,441	5,650	124	293	(182)	300
Continental Europe	3,207	3,194	154	191	20	191
The Americas	3,735	3,843	327	391	84	391
Asia Pacific	1,975	1,951	103	99	20	119
Other countries	404	455	22	45	21	45
	14,762	15,093	730	1,019	23	1,046
Inter-area eliminations	(2,701)	(2,605)	5	(13)	5	(13)
	12,061	12,488				
Trading profit before exceptional items			735	1,006		
Share of profits less losses of associated undertakings			46	3	27	30
Provisions for environmental liabilities					(148)	-
Provisions for costs of reorganisation					(75)	-
Profit (loss) on ordinary activities before interest			781	1,009	(168)	1,063

Inter-area turnover shown above includes sales of £2,149m (1991 £2,075m) from the United Kingdom to overseas subsidiaries.

Provisions for environmental liabilities are largely related to sites in The Americas.

	Net operating assets	
	1992 £m	1991 £m
United Kingdom	3,027	2,925
Continental Europe	1,033	997
The Americas	1,589	1,569
Asia Pacific	1,365	987
Other countries	84	53
	7,098	6,531

Geographic markets

	Turnover	
	1992 £m	1991 £m
Turnover in each geographic market in which customers are located		
United Kingdom	2,242	2,592
Continental Europe	3,247	3,196
The Americas	3,736	3,828
Asia Pacific	2,177	2,153
Other countries	659	719
Total turnover	12,061	12,488

NOTES RELATING TO THE ACCOUNTS

9 SEGMENT INFORMATION (continued)

Employees

	1992	1991
Average number of people employed by the Group in		
United Kingdom	45,000	51,600
Continental Europe	17,400	18,000
The Americas	29,000	31,000
Asia Pacific	15,900	16,400
Other countries	10,200	11,600
Total employees	117,500	128,600

The number of people employed by the Group at the end of 1992 was 114,000 (1991 123,600).

10 DIVIDENDS

	1992 pence per £1 Share	1991 pence per £1 Share	1992 £m	1991 £m
Interim, paid 5 October 1992	21p	21p	150	149
Second interim, to be confirmed as final, payable 29 April 1993	34p	34p	243	242
	55p	55p	393	391

11 EARNINGS PER £1 ORDINARY SHARE

	1992	1991
Net profit for the financial year before exceptional items (£m)	348	491
Exceptional items after tax and minorities (£m)	(518)	51
Net profit (loss) for the financial year (£m)	(570)	542
Average Ordinary Shares in issue during year, weighted on a time basis (millions)	713	709
Earnings per £1 Ordinary Share before exceptional items	48.8p	69.2p
Earnings (loss) per £1 Ordinary Share on exceptional items	(128.7)p	7.2p
Earnings (loss) per £1 Ordinary Share	(79.9)p	76.4p

The effect on earnings (loss) per £1 Ordinary Share of the issue of shares under option (note 22) would not be material.

Earnings per £1 Ordinary Share before exceptional items has been calculated to show the impact of exceptional items on the results for the year as such items can have a distorting effect on earnings from year to year and therefore warrant separate consideration.

12 TANGIBLE FIXED ASSETS

	Land and buildings £m	Plant and equipment £m	Payments on account and assets in course of construction £m	Total £m
GROUP				
Cost or as revalued				
At beginning of year	1,768	7,296	874	9,938
Exchange adjustments	196	604	131	931
New subsidiary undertakings	3	6		9
Capital expenditure			810	810
Transfers of assets into use	97	788	(825)	
Disposals and other movements	(43)	(324)	(4)	(371)
At end of year	2,021	8,370	926	11,317
Depreciation				
At beginning of year	596	4,214		4,810
Exchange adjustments	60	328		388
Disposals and other movements	(30)	(288)		(318)
Charge for year	69	734		803
At end of year	695	4,988		5,683
Net book value at end 1992	1,326	3,382	926	5,634
Net book value at end 1991	1,172	3,082	874	5,128

The Group depreciation charge of £803m shown above comprises £676m charged in arriving at trading profit and £127m charged within losses less profits on sale or closure of operations.

Capital expenditure in the year of £810m includes capitalized finance leases of £2m; creditors for capital work done but not paid for decreased by £8m; the resulting cash expenditure on tangible fixed assets was £816m.

The net book value of the tangible fixed assets of the Group includes capitalized finance leases of £50m comprising cost of £129m less depreciation of £79m. The depreciation charge for the year in respect of capitalized leases was £5m and finance charges £10m.

COMPANY				
Cost or as revalued				
At beginning of year	426	1,471	144	2,041
Capital expenditure			187	187
Transfer of assets into use	26	109	(135)	
Transfers to subsidiary undertakings	(271)	(899)	(167)	(1,337)
Disposals and other movements	(3)	(82)	2	(83)
At end of year	178	599	31	808
Depreciation				
At beginning of year	124	838		962
Transfers to subsidiary undertakings	(85)	(505)		(590)
Disposals, transfers and other movements	(3)	(78)		(81)
Charge for year	14	150		164
At end of year	50	405		455
Net book value at end 1992	128	194	31	353
Net book value at end 1991	302	633	144	1,079

The transfers to subsidiary undertakings of the Company principally relate to the movement of assets to Zeneca Limited prior to year end in preparation for potential demerger.

NOTES RELATING TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS (continued)

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
The net book value of land and buildings comprised				
Freeholds	1,266	1,126	127	297
Long leases (over 50 years unexpired)	47	34	1	5
Short leases	13	12	-	-
	1,326	1,172	128	302

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Revalued assets included in tangible fixed assets				
At revalued amount	107	111	140	145
Depreciation	37	45	117	121
Net book value	70	66	23	24
At historical cost	59	64	141	142
Depreciation	30	34	125	126
Net book value	29	30	16	16

13 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares £m	Loans £m	Total £m
Cost			
At beginning of year	2,184	2,319	4,503
Exchange adjustments	61	247	308
Transfers to subsidiary undertakings	(609)	-	(609)
Transfers from subsidiary undertakings	2,448	-	2,448
Shares received as consideration for transfers	122	-	122
New investments/new loans	-	810	810
Disposals/loans repaid	-	(1,620)	(1,620)
At end of year	4,206	1,756	5,962
Provisions			
At beginning of year	(144)	(12)	(156)
Exchange adjustments	(18)	-	(18)
Additions	(41)	(4)	(45)
Releases	57	-	57
At end of year	(146)	(16)	(162)
Balance sheet value at end 1992	4,060	1,740	5,800
Balance sheet value at end 1991	2,040	2,307	4,347

Cost includes scrip issues capitalized £15m (1991 £13m).

	1992 £m	1991 £m
Shares in subsidiary undertakings which are listed investments		
Balance sheet value	5	9
Market value	42	74

The Company's investment in its subsidiary undertakings consists of either equity or long term loans, or both. Normal trading balances are included in either debtors or creditors. Information on principal subsidiary undertakings is given on pages 61 and 62.

Movements in the year mainly comprise transfers forming part of the reorganisation in preparation for potential demerger.

14 INVESTMENTS IN PARTICIPATING INTERESTS

	Associated undertakings Shares £m	Loans £m	Other participating interests £m	Total £m
GROUP				
Cost				
At beginning of year	358	17	9	384
Exchange adjustments	66	1	(1)	66
Additions	27	4	-	31
Disposals and repayments	(10)	(9)	(1)	(20)
Other movements	(1)	-	-	(1)
At end of year	440	13	7	460
Share of post-acquisition reserves less losses				
At beginning of year	26			26
Exchange adjustments	(3)			(3)
Retained profits less losses	12			12
Other movements	(2)			(2)
At end of year	33			33
Provisions				
At beginning of year	(8)	(5)	(2)	(15)
Additions	(17)	-	(1)	(18)
Other movements	(5)	-	-	(5)
At end of year	(30)	(5)	(3)	(38)
Balance sheet value at end 1992	443	8	4	455
Balance sheet value at end 1991	377	12	7	396
The above investments included				
1992				
Listed investments - balance sheet value	144	-	-	144
Market value	90	-	-	90
1991				
Listed investments - balance sheet value	126	-	-	126
Market value	118	-	-	118

None of the listed investments were listed on The London Stock Exchange.

Information on principal associated undertakings is given on page 62.

NOTES RELATING TO THE ACCOUNTS

14 INVESTMENTS IN PARTICIPATING INTERESTS (continued)

	Shares £m	Associated undertakings Loans £m	Total £m
COMPANY			
Cost			
At beginning of year	224	6	230
Exchange adjustments	34	—	34
Additions	—	1	1
Disposals	—	(1)	(1)
At end of year	258	6	264
Provisions			
At beginning of year	(3)	(5)	(8)
Additions	—	(1)	(1)
At end of year	(3)	(6)	(9)
Balance sheet value at end 1992	255	—	255
Balance sheet value at end 1991	221	1	222

15 STOCKS

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Raw materials and consumables	644	603	126	110
Stocks in process	288	254	81	82
Finished goods and goods for resale	1,341	1,168	210	187
	2,273	2,025	417	379

16 DEBTORS

Amounts due within one year				
Trade debtors	2,092	1,877	157	—
Amounts owed by subsidiary undertakings			4,280	614
Amounts owed by associated undertakings	23	34	—	1
Other debtors	506	414	66	56
Prepayments and accrued income*	143	131	28	42
	2,764	2,456	4,531	713
Amounts due after more than one year				
Advance corporation tax recoverable†	82	80	82	80
Payments and other debtors*	187	180	28	22
	269	260	110	102
	3,033	2,716	4,641	815

* Includes prepaid pension costs (note 37).

† Advance corporation tax recoverable was previously deducted from the balance of deferred tax within provisions for liabilities and charges (note 21) in the Group accounts.

Amounts owed by subsidiary undertakings mainly relate to inter-group transactions in preparation for potential demerger.

7 CURRENT ASSET INVESTMENTS AND SHORT-TERM DEPOSITS

	Group	
	1992 £m	1991 £m
Redeemable securities listed on The London Stock Exchange	80	35
Other listed investments	28	57
Total listed investments	108	92
Unlisted investments	6	4
	114	96
Short-term deposits	393	512
	507	608
Included in cash and cash equivalents (see note 31)	391	506
Market value of listed investments	108	92

Included in current asset investments, short-term deposits and cash are amounts totalling £305m (1991 £267m) held by the Group's insurance subsidiaries, of which some £210m (1991 £160m) is not readily available for the general purposes of the Group.

18 SHORT-TERM BORROWINGS

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Bank borrowings				
Secured by fixed charge	15	9	14	7
Secured by floating charge	21	13	-	-
Unsecured	590	251	3	3
	626	273	17	10
Other borrowings (unsecured)	45	23	-	-
	671	296	17	10
Included in cash and cash equivalents (see note 31)	667	264		

19 OTHER CREDITORS

Amounts due within one year				
Trade creditors	1,080	1,004	189	162
Amounts owed to subsidiary undertakings			5,106	519
Amounts owed to associated undertakings	6	8	-	-
Corporate taxation	367	286	197	159
Value added and payroll taxes and social security	81	80	-	-
Other creditors*	1,111	796	235	140
Accruals	537	478	62	59
Dividends to Ordinary Shareholders	242	242	242	242
	3,424	2,894	6,031	1,281
Amounts due after more than one year				
Amounts owed to subsidiary undertakings			1,194	1,045
Other creditors*	169	159	13	8
	169	159	1,207	1,053

* Includes costs charged as exceptional items in 1992 (note 3), obligations under finance leases (note 32) and accrued pension costs (note 37).

Amounts owed to subsidiary undertakings mainly relate to inter-group transactions in preparation for potential demerger.

NOTES RELATING TO THE ACCOUNTS

20 LOANS

	Repayment dates	Group		Company	
		1992 £m	1991 £m	1992 £m	1991 £m
Secured loans					
US dollars (5½ to 10½%)	1993/2012	19	33		
Australian dollars (11.1 to 17.1%)	1993/97	25	29		
Other currencies	1993/2006	159	88		
Total secured		203	156		
Secured by fixed charge		188	152		
Secured by floating charge		15	4		
Unsecured loans					
Sterling					
9½ to 11½% bonds	1994/2005	325	400	325	400
9½% Notes	1993	75	75	75	75
Others	1993/2002	128	129		
		528	604	400	475
US dollars					
7½ to 8% Eurodollar bonds	1993/96	66	54		
8½ to 9.05% bonds	1992/2003	-	129		
8½% debentures	2006	165	133		
7½ to 8.9% medium-term notes	1994/2002	66	54		
8½% Notes	2001	165	133		
7½% Notes	1997	148	-		
9½% Notes	2000	198	160		
7½% Notes	2002	132	-		
Others	1993/2013	117	102		
		1057	765		
Australian dollars (9.5 to 15½%)	1993/94	62	137	-	81
Canadian dollars (10½ to 14½%)	1993/96	69	67		
Swiss francs (3½ to 6½%)	1993/99	248	162		
Other currencies	1993/2005	99	92		
Total unsecured		2,063	1,827	400	556
Total loans		2,266	1,983	400	556
Loans from banks included in the table above amounted to £451m (1991 £367m) in the Group of which £164m (£101m) was secured.					
New borrowings during the year by subsidiary undertakings included US\$200m 7½% Medium-Term Notes 2002, US\$225m 7½% Guaranteed Notes 1997 and SFr150m 6½% Bonds 1992-1997: the proceeds of these were used for the general purposes of the Group.					
Loans or instalments thereof are repayable					
After 5 years from balance sheet date					
Lump sums		1,018	734	200	200
Instalments		147	292	-	-
		1,165	1,026	200	200
From 2 to 5 years		641	516	125	125
From 1 to 2 years		178	221	-	75
Total due after more than one year		1,984	1,763	325	400
Total due within one year		282	220	75	156
		2,266	1,983	400	556
Aggregate amount of loans repayable by					
Instalments any of which fall due after 5 years		518	588	-	-

21 PROVISIONS FOR LIABILITIES AND CHARGES

	At beginning of year £m	Profit and loss account £m	Net amounts paid or becoming current £m	Exchange and other movements £m	At end of year £m
GROUP					
Deferred taxation (see note 8)	103	(47)	22	(23)	55
Employee benefits*	242	67	(70)	63	302
Reorganisation, environmental and other provisions	261	430	(109)	17	599
	606	450	(157)	57	956
COMPANY					
Deferred taxation	8	(6)	(24)	—	(22)
Other provisions	6	52	(10)	9	57
	14	46	(34)	9	35

* Includes provisions for unfunded pension costs (note 37).

Advance corporation tax recoverable is now shown within debtors (note 16).

No provision has been released or applied for any purpose other than that for which it was established.

22 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	Authorized £m	Allotted, called-up and fully paid 1992 £m	1991 £m
Ordinary Shares (£1 each)	714	714	711
Unclassified shares (£1 each)	136		
	850	714	711

The number of Ordinary Shares Issued during the year totalled 3.4m comprising issues in respect of the Employees' Profit-Sharing Scheme 2.0m, and the exercise of options 1.4m.

At 31 December 1992 there were options outstanding in respect of 14,335,618 Ordinary Shares of £1 under the Company's share option schemes for staff (1991 16,373,647) normally exercisable in the period 1993 to 2002 (1992 to 2001) at subscription prices of £5.95 to £15.12 (£5.95 to £15.12). The weighted average subscription price of options outstanding at 31 December 1992 was £10.81.

Options granted to directors are shown in note 36.

During 1992 movements in the number of shares under option comprised new options issued 913,588, options exercised 1,298,337, and options lapsed or waived 1,653,080. At the end of 1992 there were 16,892,199 shares available for the granting of options (1991 16,051,661).

NOTES RELATING TO THE ACCOUNTS

22 RESERVES

	Share premium account £m	Revaluation £m	Other £m	Profit and loss account £m	Associated under- takings £m	1992 Total £m	1991 Total £m
GROUP							
Reserves attributable to parent company							
At beginning of year	469	56	399	3,131	26	4,081	3,963
Profit (loss) retained for year				(975)	12	(962)	151
Amounts taken direct to reserves							
Share premiums	33					33	23
Goodwill				(17)		(17)	(89)
Exchange adjustments		7	133	307	(3)	444	70
Other movements			1	(5)	(2)	(6)	(37)
	33	7	134	285	(5)	454	(33)
Other movements between reserves			13	(13)			
At end of year	502	63	546	2,428	33	3,572	4,081

In the Group accounts, £223m (1991 nil) of net exchange losses on foreign currency loans in 1992 have been offset in reserves against exchange gains on the net investment in overseas subsidiaries and associated undertakings.

The movement in goodwill includes £20m of goodwill written off on the acquisition of new subsidiaries and £3m relating to goodwill transferred to the profit and loss account on the disposal of subsidiaries.

The cumulative amount of goodwill resulting from acquisitions during 1992 and prior years, net of goodwill attributable to subsidiary undertakings or businesses disposed of prior to 31 December 1992, amounted to £1,769m (1991 £1,752m).

There are no significant statutory or contractual restrictions on the distribution of current profits of subsidiary or associated undertakings; undistributed profits of prior years are, in the main, permanently employed in the businesses of these companies. The undistributed profits of Group companies overseas may be liable to overseas taxes and/or UK taxation (after allowing for double taxation relief) if they were to be distributed as dividends. No provision has been made in respect of potential taxation liabilities on realization of assets at restated or revalued amounts or on realization of associated undertakings at equity accounted value.

For the purpose of calculating the basis of the borrowing limits in accordance with the Articles of Association, the total of the sums standing to the credit of capital and revenue reserves of the Company and its subsidiary undertakings, to be added to the nominal amount of the share capital of the Company, was £4,871m at 31 December 1992.

	Share premium account £m	Other £m	Profit and loss account £m	1992 Total £m	1991 Total £m
COMPANY					
Reserves					
At beginning of year	469	436	2,315	3,220	3,281
Profit (loss) retained for year			(285)	(285)	13
Amounts taken direct to reserves					
Share premiums	33			33	23
Exchange adjustments		109	3	112	(97)
Other movements		(4)	(6)	(10)	-
	33	105	(3)	135	(74)
At end of year	502	541	2,027	3,070	3,220

By virtue of S230 of the Companies Act 1985, the Company is exempt from presenting a profit and loss account.

1 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1992 £m	1991 £m
Net (loss) profit for the financial year	(570)	542
Dividends	(393)	(391)
	(963)	151
Issues of ICI Ordinary Shares	36	26
Goodwill written off	(17)	(89)
Other recognised gains and losses related to the year (net)	438	33
Net (reduction) addition to capital and reserves attributable to parent company	(506)	121
Capital and reserves attributable to parent company at beginning of year	4,792	4,671
Capital and reserves attributable to parent company at end of year	4,286	4,792

25 NET CASH INFLOW FROM TRADING OPERATIONS

	1992 £m	1991 £m
Trading profit	71	1,006
Exceptional charges within trading profit	664	-
Trading profit before exceptional items	735	1,006
Depreciation	588	549
Stocks decrease	1	171
Debtors increase (1991 decrease)	(45)	65
Creditors increase (1991 decrease)	53	(102)
Other non-cash movements, including exchange	(179)	(38)
	1,153	1,651

26 OUTFLOW RELATED TO EXCEPTIONAL ITEMS

This includes expenditure charged to exceptional provisions relating to business rationalisation and restructuring and for sale or closure of operations, including severance and other employee costs, plant demolition and site clearance. The major part of the 1992 expenditure relates to provisions raised in 1990.

27 INTEREST AND DIVIDENDS RECEIVED

	1992 £m	1991 £m
Dividends received from equity accounted associated undertakings	14	14
Other dividends received	7	3
Interest received	79	80
	100	97

NOTES RELATING TO THE ACCOUNTS

28 ACQUISITIONS AND NEW FIXED ASSET INVESTMENTS

	1992 £m	1991 £m
Acquisitions and new fixed asset investments		
Acquisitions of subsidiary undertakings involving		
Fixed assets	9	11
Current assets	9	21
Total liabilities	(7)	(29)
Net assets of subsidiary undertakings acquired	11	3
Goodwill	20	33
Fair value of consideration for subsidiary undertakings	31	36
Investment in equity accounted undertakings	14	9
Other investments	14	15
	59	60
Consideration for acquisitions and new investments		
Cash and cash equivalents acquired	-	(1)
Deferred consideration and non-cash consideration	-	4
Net cash investment	59	57
	59	60

Fixed and current assets are adjusted to fair value based on external valuations and internal reviews; provisions for closure are made where appropriate.

29 DISPOSALS

	1992 £m	1991 £m
Disposals in the year resulted in the following net asset movements		
Tangible fixed assets	80	160
Investments in participating interests	18	30
Other net current assets	40	53
Creditors due after more than one year	(4)	(1)
Provisions for liabilities and charges	(2)	232
Minority interests	2	-
	134	474
Goodwill	3	-
Profit and loss account		
Ordinary activities	(14)	(2)
Exceptional items	83	54
	206	526
Satisfied by		
Cash consideration	215	514
Deferred consideration	(8)	9
Non-cash consideration	(1)	3
	206	526

The cash consideration for disposals in 1992 includes £121m (1991 £456m) with respect to items accounted for as exceptional.

The cash consideration for disposals includes £19m (1991 £40m) relating to equity accounted participating interests.

Apart from the disposal proceeds, the contribution of the businesses and subsidiary undertakings divested in 1992 to the cash flows for the year was not material.

30 CHANGES IN FINANCING DURING THE YEAR

	Share capital £m	Share premium account £m	Loans, £m	Finance leases £m	Short-term borrowings* £m	Total £m
At beginning of 1991	708	446	1,723	89	101	3,076
Exchange adjustments	-	-	3	3	2	8
New finance	2	17	555	-	32	636
Finance repaid	-	-	(324)	(10)	(103)	(447)
Shares issued other than for cash	1	6	-	-	-	7
Other movements	-	-	6	2	-	8
At beginning of 1992	711	469	1,983	93	32	3,288
Exchange adjustments	-	-	303	11	6	320
New finance	3	33	352	-	12	400
Finance repaid	-	-	(368)	(13)	(46)	(427)
Shares issued other than for cash	-	-	-	-	-	-
Other movements	-	-	(4)	3	-	(1)
At end of 1992	714	502	2,266	94	4	3,580

A further source of new finance in 1992 was a £3m issue of shares to minorities by a subsidiary undertaking (1991 nil).

* Amount of short-term borrowings repayable more than 3 months from date of advance.

31 CASH AND CASH EQUIVALENTS

	1992 £m	1991 £m
Balance of cash and cash equivalents		
Cash	220	187
Investments and short-term deposits which were within 3 months of maturity when acquired (see note 17)	391	506
Short-term borrowings repayable within 3 months from date of advance (see note 18)	(667)	(264)
	(56)	439
Change in the balance of cash and cash equivalents		
At beginning of year	439	111
Exchange adjustments	(17)	(5)
Cash outflow for year (1991 inflow)	(478)	333
At end of year	(56)	439

NOTES RELATING TO THE ACCOUNTS

32 LEASES

The total rentals under operating leases, charged as an expense in the profit and loss account, are disclosed below.

	1992 £m	1991 £m
Hire of plant and machinery	92	116
Other	57	46
	149	162

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which each lease expires.

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Land and buildings				
Expiring within 1 year	4	7	-	-
Expiring in years 2 to 5	19	18	-	1
Expiring thereafter	17	15	4	3
	40	40	4	4
Other assets				
Expiring within 1 year	26	18	7	4
Expiring in years 2 to 5	45	53	7	15
Expiring thereafter	2	4	-	1
	73	75	14	20

Obligations under finance leases comprise

Rentals due within 1 year	22	23	1	1
Rentals due in years 2 to 5	68	80	5	5
Rentals due thereafter	40	41	3	4
Less interest element	(39)	(51)	(5)	(5)
	91	93	4	5

Obligations under finance leases are included in other creditors (note 19).

The Group had no commitments under finance leases at the balance sheet date which were due to commence thereafter.

33 EMPLOYEE COSTS

The average number of people employed by the Group in 1992 was 117,500 (1991 128,600) and the staff costs incurred during the year in respect of those employees were:

	1992 £m	1991 £m
Salaries	2,285	2,306
Social security costs	245	235
Pension costs	208	175
Other employment costs	69	70
Employees' profit-sharing bonus	27	31
	2,834	2,823
Less amounts allocated to capital and to provisions set up in previous years	(84)	(111)
Severance costs charged in arriving at profit before tax	354	45
Employee costs charged in arriving at profit before tax	2,904	2,757
Adjustment of severance to a cash paid basis*	(139)	166
Total employee costs in respect of people employed by the Group for use in value added calculations	2,765	2,923

* Included in this item are severance and employment payments charged to provisions set up in previous years.

34 COMMITMENTS AND CONTINGENT LIABILITIES

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Commitments for capital expenditure not provided for in these accounts (including acquisitions)				
Contracts placed for future expenditure	401	365	66	40
Expenditure authorized but not yet contracted	304	431	96	157
	705	796	162	197

Contingent liabilities existed at 31 December 1992 in connection with guarantees and uncalled capital relating to subsidiary and other undertakings and guarantees relating to pension funds, including the solvency of pension funds. The maximum contingent liability in respect of guarantees of borrowings and uncalled capital at 31 December 1992 was £28m (1991 £24m) for the Group; the maximum contingent liability for the Company, mainly on guarantees of borrowings by subsidiaries, was £1,537m (1991 £1,157m).

The Group is also subject to contingencies pursuant to environmental laws and regulations that in the future may require it to take action to correct the effects on the environment of prior disposal or release of chemical substances by the Group or other parties. The ultimate requirement for such actions, and their cost, is inherently difficult to estimate, however provisions have been established at 31 December 1992 in accordance with the accounting policy noted on page 37. It is believed that, taking account of these provisions, the cost of addressing currently identified environmental obligations is unlikely to impair materially the Group's financial position.

The Group is also involved in various other legal proceedings, principally in the UK and US, arising out of the normal course of business. The Group does not believe that the outcome of these proceedings will have a material effect on the Group's financial position.

Other guarantees and contingencies arising in the ordinary course of business, for which no security has been given, are not expected to result in any material financial loss.

A subsidiary company has entered into a take-or-pay contract to purchase electric power commencing 1 April 1993 for fifteen years. The subsidiary is obligated to make monthly payments including a fixed capacity charge and a variable energy charge. The present value of the commitment to purchase electric power over the period of the agreement is estimated at £559m.

In North America, and to a lesser extent in some other countries, the Group's employment practices include the provision of healthcare and life assurance benefits for retired employees. Some 10,931 retired employees currently benefit from these provisions, and 29,387 current employees will be eligible on retirement. The benefits are currently accounted for on a cash paid basis which resulted in a charge to profits of some £7m in 1992. In both the US and the UK accounting standards are moving to a requirement to accrue the present value of such retiree benefit obligations over the working life of the employee. This approach has to be adopted in accounts filed in the US for 1993 onwards, and for UK accounts by 1994. It is estimated that the unprovided obligation for the Group at the end of 1992, calculated in accordance with the new standards, amounts to some £279m. It is also estimated that, leaving aside the accounting for this unprovided initial liability, the implementation of accrual accounting will reduce profit before tax by some £34m per annum. Tax relief on these charges will be deferred until cash payments are made.

At 31 December 1992, the Group had outstanding forward foreign exchange contracts to purchase £154m (1991 £236m) equivalent and to sell £314m (1991 £950m) equivalent. These contracts are taken out with commercial banks for the purpose of hedging currency exposures. The majority of the contracts had a maturity of six months or less from the balance sheet date. The Group also had outstanding currency option contracts to sell £731m equivalent to hedge anticipated foreign currency transactions for 1993.

The Group has entered into currency swap, interest rate swap, and forward rate agreements to manage the interest rate and currency exposure of its borrowings. At 31 December 1992, the Group had agreements outstanding with commercial banks which had principal amounts of £1,228m (1991 £601m) equivalent at the exchange rate on that date. The principal amounts under the cross-currency agreements are revalued from contract rates to balance sheet rates with any exchange gains or losses arising treated in accordance with the Group's accounting policy on foreign currencies.

NOTES RELATING TO THE ACCOUNTS

35 EMOLUMENTS OF DIRECTORS

The total emoluments of the directors of the Company, and of the Chairman, for the years 1988 to 1992 are shown in the table below. Total emoluments for 1992 include directors' fees of £194,000 (1991 £245,000). Pensions, commutations of pensions and gratuities in respect of service of former directors amounted to £5,406,000 (1991 £5,674,000).

	Total directors' emoluments £	Chairman £
1988	2,805,000	478,000
1989	3,071,000	514,000
1990	2,686,000	448,000
1991	3,023,000	499,000
1992	2,834,000	526,000

Percentage increase:

1992/1988	1.0%	10.0%
-----------	------	-------

Comparison with percentage increase in:

	Retail price index	Average earnings index
1992/1988	29.6%	37.2%

The remuneration of executive directors is decided by the Remuneration Committee of non-executive directors. The reward structure includes provision for a performance related bonus. In view of the Group's results the Remuneration Committee judged it inappropriate to award any bonus for 1991 or 1992.

Some directors were also granted options to subscribe for Ordinary Shares under the Company's share option schemes (note 36).

The table which follows shows the number of directors of the Company whose emoluments during the year were within the bands stated.

Emoluments £	Number		Emoluments £	Number	
	1992	1991		1992	1991
5,001 - 10,000		1	235,001 - 240,000	1	1
10,001 - 15,000	2		255,001 - 260,000	1	1
15,001 - 20,000	1	3	260,001 - 265,000		1
20,001 - 25,000	4	3	265,001 - 270,000	1	1
40,001 - 45,000	1		270,001 - 275,000	1	
45,001 - 50,000		1	300,001 - 305,000		1
50,001 - 55,000		1	305,001 - 310,000	1	
65,001 - 70,000	1		325,001 - 330,000		1
75,001 - 80,000	1	1	350,001 - 355,000	1	
215,001 - 220,000	1	1	495,001 - 500,000		1
225,001 - 230,000		1	525,001 - 530,000	1	

Five of the directors whose emoluments are shown above for 1992 were directors for part of the year only (1991 four).

36 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The interests at 31 December 1992 of the persons who on that date were directors (including the interests of their families) in shares and debentures of the Company and its subsidiaries, are shown below. Their interests at 1 January 1992 (or, if appointed during 1992, at their date of appointment) are shown in parentheses where these differ from the holdings at the year end.

	ICI Ordinary Shares
J. D. F. Barnes	2,813
Lord Chilver	1,000
P. Doyle	3,050 (2,798)
Sir Richard Greenbury	500
R. C. Hampel	5,811 (5,492)
C. Hampson	922
Sir Denys Henderson	21,274 (20,274)
R. J. Margetts	1,340
Sir Jeremy Morse	1,819
Sir Antony Pilkington	500
A. T. G. Rodgers	600
Miss Ellen R. Schnelder-Lenné	500
C. M. Short	500
P. A. Volcker	2,000
T. H. Wyman	500

C. Hampson has a beneficial interest in 1,430 ICI Australia Ltd A\$1 Ordinary Shares.

During the period 1 January 1993 to 16 February 1993, there was no change in the interests of directors shown in this note.

Options to subscribe for Ordinary Shares granted to and exercised by directors during 1992 are included in the table below:

	At 1 January 1992	Options granted	Price £	Options exercised	Options lapsed	At 31 December 1992
J. D. F. Barnes	90,700	3,200	13.75	-	-	93,900
P. Doyle	78,755	-	-	252	-	78,503
R. C. Hampel	99,531	19,700	13.75	319	-	118,912
C. Hampson	93,899	-	-	-	-	93,899
Sir Denys Henderson	174,100	7,200	13.75	-	-	181,300
R. J. Margetts	54,622*	-	-	-	-	54,622
A. T. G. Rodgers	68,992	200	13.75	-	275	68,917
C. M. Short	90,438	8,800	13.75	-	-	99,238

* The number of options held on 1 September 1992, the date of appointment.

The options outstanding are exercisable at prices between £8.14 and £15.12.

NOTES RELATING TO THE ACCOUNTS

37 PENSION COSTS

The Company and most of its subsidiaries operate retirement plans which cover the majority of employees (including directors) in the Group. These plans are generally of the defined benefit type under which benefits are based on employees' years of service and average final remuneration and are funded through separate trustee-administered funds.

The total pension cost for the Group for 1992 was £208m (1991 £175m). Formal actuarial valuations of the Group's main plans are undertaken triennially. Actuarial valuations of these funds have been undertaken on varying dates. The actuarial assumptions used to calculate the projected benefit obligation of the Group's pension plans vary according to the economic conditions of the country in which they are situated. The weighted average discount rate used in determining the actuarial present values of the benefit obligations was 9.6 per cent. The weighted average expected long-term rate of return on investments was 9.6 per cent. The weighted average rate of increase of future earnings was 6.7 per cent. The actuarial value of the fund assets of these plans was sufficient to cover 97 per cent of the benefits that had accrued to members after allowing for expected future increases in earnings. The contribution rate paid by the Company to the major plan, which is in deficit, is being increased in line with actuarial advice.

The market value of the assets of the major plans in the Group at the date of the latest actuarial valuations was £6,249m (1991 £6,281m). Accrued pension costs amounted to £43m (1991 £34m) and are included in other creditors (note 19); provisions for the benefit obligation of a small number of unfunded plans amounted to £220m (1991 £162m) and are included in provisions for employee benefits (note 21). Prepaid pension costs amounting to £78m (1991 £85m) are included in debtors (note 16).

38 STATUTORY AND OTHER INFORMATION

Included in debtors are interest-free loans of £285,000 (1991 £60,000) to three (1991 two) officers of the Company. These loans were provided in accordance with the Company's policy of providing housing assistance to staff who have been transferred.

Prior to his appointment as a Director of the Company on 1 September 1992, Mr R. J. Margetts was in receipt of interest free housing finance from the Company of £385,000 in connection with a company initiated employment move. The loans, which existed at 31 December 1991, were repaid in full by 31 August 1992.

Remuneration of auditors charged in the Group accounts for 1992 was £5.2m (1991 £4.7m); fees paid to the auditors of the parent Company for services other than statutory audit supplied to the Company and its UK subsidiaries during 1992 totalled £3.8m.

39 SUBSEQUENT EVENTS

On 1 January 1993 the remaining assets and liabilities and subsidiaries relating to the bioscience activities of Imperial Chemical Industries PLC were transferred at book value to Zeneca Limited, a wholly-owned subsidiary.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 1992	Class of capital	Held by ICI %	Principal activities
EUROPE			
Deutsche ICI GmbH Germany	Ordinary	100†	Manufacture of nylon fibre, paints, pharmaceuticals, chlorine, caustic soda, specialty plastics, polyurethanes and specialty chemicals; merchanting of other ICI products
ICI Chemicals & Polymers Ltd England	Ordinary	100†	Manufacture of chemicals, plastics, nylon and polyester fibres and fertilizers; merchanting of ICI and other products
ICI Finance PLC England	Ordinary	100†	Financial services
I.C.I. France SA France	Ordinary	100†	Manufacture of bulk and specialty plasticisers, ethylene/propylene oxide derivatives, acrylics and polyurethanes; merchanting of other ICI products
ICI Holland BV The Netherlands	Ordinary	100†	Manufacture of bulk and specialty plastics, films, nylon and polyester polymers and polyurethane chemicals; merchanting of other ICI products
Imperial Chemicals Insurance Ltd England	Ordinary	100†	Insurance and re-insurance underwriting
Tioxide Group Ltd England	Ordinary	100	Manufacture of titanium dioxide pigments
Zeneca SA France	Ordinary	100†	Manufacture of pharmaceuticals, agrochemicals, specialty chemicals and processing of seeds
THE AMERICAS			
ICI American Holdings Inc USA	Common	100†	Manufacture of acrylics, films, paints, composites, polyurethanes and chemicals; merchanting of other ICI products
ICI Brasil SA Brazil	Ordinary	100	Manufacture of agrochemicals, colours, seeds, specialty and other chemicals; merchanting of ICI and other products
ICI Canada Inc Canada	Common Preference	100† 100†	Manufacture of fertilizers, industrial explosives and initiating systems, paints and chemicals; merchanting of other ICI products
IPR Pharmaceuticals Inc Puerto Rico	Common	100†	Manufacture of pharmaceutical products
Zeneca Holding Inc USA	Common	100†	Manufacture of pharmaceuticals, agrochemicals, specialty chemicals and processing of seeds
OTHER COUNTRIES			
Chemical Company of Malaysia Berhad Malaysia	Ordinary*	50†	Manufacture of paints, chlor-alkali chemicals, fertilizers and agrochemicals; merchanting of ICI and other products
ICI Australia Ltd Australia (Accounting and reporting date 30 September)	Ordinary*	63†	Manufacture of agrochemicals, chemicals, fertilizers, industrial explosives, paints, plastics and pharmaceuticals; merchanting of ICI and other products
ICI (China) Ltd Hong Kong and China	Ordinary	100†	Merchanting of ICI and other products
ICI India Ltd India (Accounting date 31 March; reporting date 31 December)	Equity*	51	Manufacture of fertilizers, industrial explosives, polyester fibre, paints, agrochemicals, pharmaceuticals, rubber chemicals and specialty chemicals
ICI Japan Ltd Japan	Ordinary	1 99†	Merchanting of ICI and other products; manufacture of polyester films and other materials; research and development into materials and chemicals

PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 1992	Class of capital	Held by ICI %	Principal activities
OTHER COUNTRIES (continued)			
ICI Pakistan Ltd Pakistan	Ordinary*	61†	Manufacture of polyester fibre, soda ash, paints and specialty chemicals; formulation of agrochemicals, merchandising of general chemicals and pharmaceutical products
ICI-Pharma Ltd Japan	Ordinary	60	Marketing of ICI pharmaceutical products

* Listed

† Held by subsidiaries

The country of principal operations and registration or incorporation is stated below each company. The accounting dates of principal subsidiary undertakings are 31 December unless otherwise stated.

PRINCIPAL ASSOCIATED UNDERTAKINGS

At 31 December 1992	Issued share and loan capital at date of latest available audited accounts	Class of capital	£m	Held by ICI %	Principal activities
AECI Ltd Republic of South Africa (Accounting date 31 December; reporting date 30 September)	Ordinary* Preference Loan	30 1 24	38† — —		Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
European Vinyls Corporation (Holdings) BV The Netherlands (Accounting and reporting date 31 December)	Ordinary	185	50†		Manufacture of vinyl chloride monomer, polyvinyl chloride and fabricated PVC products

* Listed

† Held wholly or partly by subsidiaries (the Group's 38 per cent shareholding in AECI Ltd includes 28 per cent held through Afex Holdings (Pty) Ltd in which the Group's interest is 50 per cent).

The country of registration or incorporation is stated below each company. The principal operations of AECI Ltd are carried out in the Republic of South Africa and those of European Vinyls Corporation (Holdings) BV in the UK, Italy, Germany and Switzerland.

Where audited accounts are not available, the results are taken from unaudited management accounts.

SOURCES AND DISPOSAL OF VALUE ADDED

For the year ended 31 December	Notes	1992 £m	1991 £m	Change %
SOURCES OF INCOME				
Sales turnover		12,061	12,488	-3%
Royalties and other trading income		113	119	-5%
Less materials and services		(8,408)	(8,312)	
Value added by manufacturing and trading activities		3,766	4,295	-12%
Share of profits less losses of associated undertakings		27	30	-10%
Value added related to exceptional items taken below trading profit		(66)	27	
Total value added		3,727	4,352	-14%
DISPOSAL OF TOTAL VALUE ADDED				
Employees	1			
Pay, plus national insurance contributions, pension costs and severance payments		2,938	2,892	
Profit-sharing bonus	2	27	31	
Total employee costs		2,965	2,923	+1%
Adjustment of severance to an accrued basis	3	139	(166)	
	4	3,104	2,757	+13%
Governments				
Corporate taxes	5	183	279	
Less grants		(12)	(17)	
		171	262	-35%
Providers of capital				
Interest cost of net borrowings		216	220	
Dividends to shareholders		393	391	
Minority shareholders in subsidiary undertakings		3	22	
		612	633	-3%
Re-investment in the business				
Depreciation		803	549	
Profit (loss) retained		(963)	151	
		(160)	700	
Total disposal		3,727	4,352	-14%

Notes

- 1 The average number of employees in the Group worldwide decreased by 8.6 per cent. The average number employed in the UK decreased by 12.8 per cent.
- 2 The ratio of value added by manufacturing and trading activities to employee costs was below the point at which a bonus is normally payable (1991 3.5p). However, because of the potential demerger, the Board is proposing to suspend the profit-sharing arrangements for 1993 and, in the circumstances, has declared a discretionary bonus of 3.0p in respect of 1992. These costs have been accounted for as part of the exceptional items.
- 3 See note 33 on page 56.
- 4 Employee costs charged in arriving at profit before tax (note 33).
- 5 Does not include tax deducted from the pay of employees. Income tax deducted from the pay of UK employees under PAYE amounted to £196m in 1992 (1991 £201m).

This table, which is used for calculating the bonus under the Employees' Profit-Sharing Scheme, is based on the audited accounts; it shows the total value added to the cost of materials and services purchased from outside the Group and indicates the ways in which this increase in value has been disposed.

GROUP FINANCIAL RECORD

For the years ended 31 December

	1988 £m	1989 £m	1990 £m	1991 £m	1992 £m
Balance sheet					
Tangible fixed assets	4,092	4,856	4,947	5,128	5,634
Investments	513	753	461	396	455
Current assets					
Stocks	2,004	2,380	2,214	2,025	2,273
Debtors	2,397	2,964	2,670	2,716	3,033
Cash and short-term investments	456	383	565	805	727
	4,857	5,727	5,449	5,546	6,033
Total assets	9,462	11,336	10,857	11,070	12,122
Creditors due within one year					
Short-term borrowings	(289)	(771)	(447)	(296)	(671)
Current instalments of loans	(50)	(109)	(78)	(220)	(282)
Other creditors	(2,671)	(2,738)	(2,881)	(2,894)	(3,424)
Total assets less current liabilities	6,452	7,718	7,451	7,660	7,745
Creditors due after more than one year					
Loans	1,616	1,613	1,648	1,763	1,984
Other creditors	137	86	154	159	168
Provisions and deferred income	470	670	692	658	1,005
Minority interests	304	335	286	288	302
Capital and reserves attributable to parent company	3,925	5,014	4,671	4,792	4,286
	6,452	7,718	7,451	7,660	7,745
Capital gearing					
Total borrowings as a percentage of total borrowings, shareholders' funds and minority interests	32.0	32.1	31.4	31.8	39.8
Turnover and profits					
Turnover	11,699	13,171	12,906	12,488	12,061
Trading profit before exceptional items	1,430	1,425	993	1,006	735
Exceptional items charged to trading profit	-	-	-	-	(664)
Trading profit after exceptional items	1,430	1,425	993	1,006	71
Associated undertakings - pre exceptional	162	233	132	3	46
Associated undertakings - exceptional profits (losses)	-	46	376	27	(19)
Profits (losses) on sale or closure of operations	18	226	(26)	16	(191)
Provisions for costs of fundamental reorganisation and restructuring	(52)	-	(513)	-	(75)
Profit on disposal of fixed assets	22	26	32	11	-
Profit (loss) before interest	1,580	1,956	994	1,063	(168)
Net interest payable	(162)	(219)	(206)	(220)	(216)
Profit (loss) before taxation	1,418	1,737	788	843	(384)
Taxation	(532)	(614)	(283)	(279)	(183)
Attributable to minorities	(49)	(66)	(22)	(22)	(3)
Net profit (loss) attributable to parent company	837	1,057	483	542	(570)
Dividends	(341)	(381)	(389)	(391)	(393)
Profit (loss) retained, transferred to reserves	496	676	94	151	(963)
Total charge for depreciation included above	484	536	525	549	803
Return on assets					
Profit (loss) before loan interest and exceptional items as a percentage of assets employed (average total assets less current liabilities)	25.9	22.8	14.2	13.0	9.8

<i>For the years ended 31 December</i>	1988 £m	1989 £m	1990 £m	1991 £m	1992 £m
Cash flow					
Net cash inflow from operating activities	1,700	1,518	1,728	1,458	926
Net cash outflow from returns on investments and servicing of finance	(406)	(492)	(564)	(594)	(610)
Tax paid	(459)	(593)	(412)	(286)	(99)
Net cash outflow from investing activities	(882)	(1,002)	(345)	(434)	(672)
Net cash inflow (outflow) before financing	(47)	(569)	407	144	(454)
Net cash inflow (outflow) from financing	135	69	157	189	(24)
Increase (decrease) in cash and cash equivalents	88	(500)	564	333	(478)

ICI ORDINARY SHARE COMPARISONS

	1988	1989	1990	1991	1992
Millions					
Shares in issue					
At year end	683	694	708	711	714
Weighted average for year	679	689	702	709	713
£ per £1 Ordinary Share					
Stock Market price					
Highest	11.84	13.35	12.51	13.76	14.03
Lowest	9.50	10.13	8.08	8.52	9.81
At year end	10.13	11.34	8.66	12.10	10.59
Earnings per £1 Ordinary Share before exceptional items	123p	125p	79p	69p	49p
Earnings (loss) per £1 Ordinary Share	123p	153p	69p	76p	(80)p
Dividends					
Dividends (net)	50p	55p	55p	55p	55p
Dividends grossed up for imputed tax credit	67p	73p	73p	73p	73p †
Dividends (net) in 1992 money (adjusted by RPI)	65p	66p	60p	57p	55p
Balance sheet value of Ordinary Shareholders' equity at end of year – £ per £1 Ordinary Share	5.75	7.22	6.60	6.74	6.00
Indexed value of the £, expressed in average 1992 £s, based on RPI	1.30	1.20	1.10	1.04	1.00

† Assumes a basic rate of income tax of 25 per cent.

ADDITIONAL INFORMATION FOR US INVESTORS

DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES ACCOUNTING PRINCIPLES

The Group's financial statements are prepared in accordance with generally accepted accounting principles applicable in the United Kingdom (UK GAAP), which differ in certain significant respects from those applicable in the United States (US GAAP). The following are the main differences which are relevant to the Group's financial statements.

Deferred taxation

Deferred taxation is provided on a full deferral basis under US GAAP; in the UK no provision is made for taxation deferred by reliefs unless there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

Capitalization of interest

Interest incurred as part of the cost of constructing fixed assets is capitalized and amortized over the life of the asset under US GAAP. In accordance with common UK practice, ICI does not capitalize such interest in its financial statements.

Pension expense

UK and US pension expense accounting standards differ notably in the permitted valuation methods and in the way surpluses and deficits are accounted for. Under UK GAAP assets are valued at the discounted present value of income streams whilst under US GAAP market related values are used.

Goodwill

Under US GAAP goodwill arising on acquisitions accounted for under the purchase method is capitalized and amortized over a period. In this statement goodwill is amortized using the straight line method over periods up to 40 years. Goodwill is computed under US GAAP after ascribing fair values to all assets acquired including identifiable intangible assets, which are amortized over their useful lives not exceeding 40 years. In the UK the normal practice is for goodwill and intangible assets which are inseparable from the business to be eliminated immediately upon acquisition against income retained and other reserves.

Statement of consolidated income and balance sheet

Set out below is a summarised version of the UK GAAP financial statements using a format and terminology customary in the USA. These have been prepared from, and should be read in conjunction with, the audited results of the Group. Each statement is followed by details of the adjustments necessary to restate net income and shareholders equity to US GAAP. For convenience only, sterling figures have been translated into US dollars at the 31 December 1992 rate of £1 = \$1.52.

Summarised income statement

	Year ended 31 December			
	1992 £m	1991 £m	1992 \$m	1991 \$m
Sales	12,061	12,488	18,333	18,982
Operating Income	71	1,006	108	1,529
Net income (loss) (UK GAAP)	(570)	542	(866)	824
Adjustments to conform to US GAAP				
Deferred taxation	259	(33)	394	(50)
Capitalization of interest less amortization and disposals	(4)	35	(6)	53
Pension expense	(23)	(46)	(35)	(70)
Purchase accounting adjustments, including goodwill and intangibles	(108)	(102)	(165)	(155)
Others including foreign exchange and revaluation of fixed assets	(23)	(5)	(35)	(8)
	101	(151)	153	(230)
Net income (loss) in accordance with US GAAP	(469)	391	(713)	594
Net income (loss) (UK GAAP) per Ordinary share	(79.9)p	76.4p	\$(1.22)	\$1.16
Net income (loss) (UK GAAP) per American Depositary Receipt (ADR) #	£(3.20)	£3.06	\$(4.86)	\$4.65
Dividends per £1 ordinary share	55.0p	55.0p		
Dividends per ADR *			\$4.46	\$4.46

Four ICI Ordinary Shares are represented by each ADR.

* The current income tax convention between the UK and the USA includes provisions which entitle qualifying US resident ADR holders to a refund of the UK tax credit of 25/75ths attaching to the dividend less a 15% withholding tax charged on the sum of the dividend and the credit. Subject to certain limitations the withholding tax may be offset against federal taxes. For ADR holders able to offset the withholding tax against federal taxes the dividend of 55 pence per £1 Ordinary Share would represent \$4.46 per ADR if translated at £1 = \$1.52. The UK tax credit of 25/75ths is based on the standard rate of income tax prevailing in the UK on 8 March 1993, the date on which the ICI Group audited financial statements were signed.

Summarised Consolidated Balance Sheet

	Year ended 31 December		1992 \$m	1991 \$m
	1992 £m	1991 £m		
UK Basis				
Assets				
Current assets	727	805	1,105	1,224
Cash and marketable securities	3,033	2,716	4,610	4,128
Receivables	2,273	2,025	3,455	3,078
Inventories	6,033	5,546	9,170	8,430
Total current assets	455	396	692	602
Other assets: non-current investments	5,634	5,128	8,564	7,795
Property, plant and equipment (net of depreciation)	12,122	11,070	18,426	16,827
Total assets				
Liabilities and shareholders' equity				
Current liabilities	3,424	2,894	5,205	4,399
Accounts payable and accrued liabilities	671	296	1,020	450
Short term debt	282	220	429	334
Long term debt due within one year	4,377	3,410	6,654	5,183
Total current liabilities	1,984	1,763	3,016	2,680
Long term debt not due within one year	1,173	817	1,783	1,242
Other liabilities and deferred income	302	288	459	438
Minority interests				
Shareholders' equity	714	711	1,085	1,081
Issued Shares				
Premiums paid in excess of par value	502	469	763	713
of each Ordinary Share	3,070	3,612	4,666	5,490
Income retained and other reserves	12,122	11,070	18,426	16,827
Total liabilities and shareholders' equity (UK basis)	4,286	4,792	6,514	7,284
Total shareholders' equity (UK basis)				
Adjustments to conform to US GAAP	(461)	(782)	(701)	(1,189)
Deferred taxation	400	404	608	614
Capitalization of Interest	35	58	53	88
Pension expense				
Purchase accounting adjustments, including goodwill and intangibles	1,145	1,041	1,740	1,582
Others including revaluation of fixed assets	(58)	(62)	(88)	(94)
	1,031	659	1,612	1,001
Shareholders' equity in accordance with US GAAP	5,347	5,451	8,126	8,285

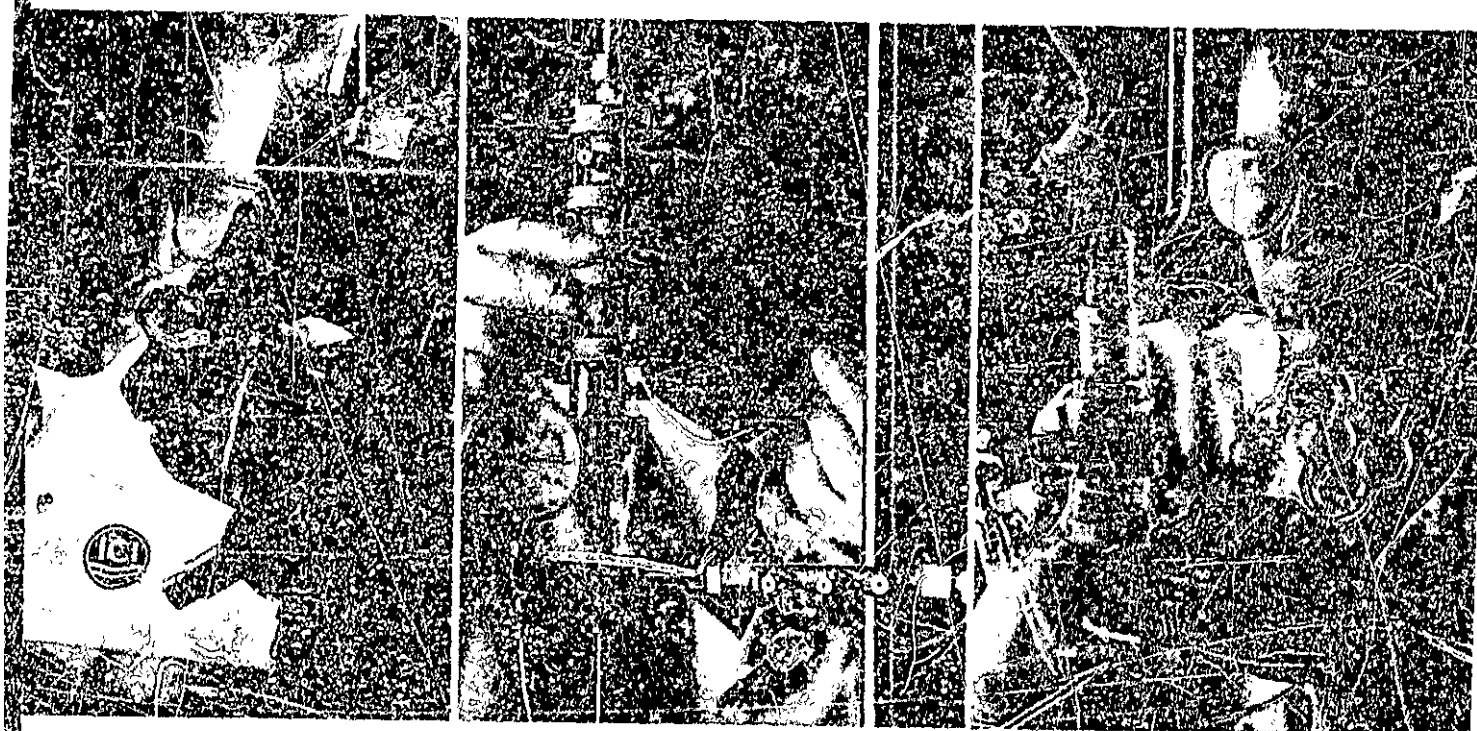
NEW US ACCOUNTING STANDARDS AND OTHER PROSPECTIVE CHANGES

With effect from 1 January 1993, when reporting consolidated income under US GAAP, the Group will adopt SFAS No.106 - 'Employers' Accounting for Post Retirement Benefits Other than Pensions', and SFAS No.109 - 'Accounting for Income Taxes'. The Group's unprovided obligation, calculated in accordance with SFAS No.106, at 31 December 1992, is estimated at £279m before recognition of deferred tax benefits (see note 34 to the accounts) and when adopted will reduce profit before taxation by £34 million. The Group intends to make provision, in its first quarter US GAAP accounts, for this unprovided obligation and to accrue costs in line with SFAS No.106 requirements thereafter. The impact of SFAS No.109 has not yet been finally determined, although a noticeable credit to net income will occur on its adoption. The SFAS No.106 one off charge will, therefore, be offset, to an extent still to be determined, by a one off SFAS No.109 credit.

The Group is also aware that the pension cost to be reported under US GAAP will rise significantly in 1993 reflecting the impact on net periodic costs of adverse movements in economic assumptions and demographics for the Group's main fund.



Annual Report 1992



Solutions through science

GROUP PURPOSE

The chemical industry is a major force towards improving people's quality of life. ICI has always aimed to be the world's leading chemical company, serving customers worldwide through the innovative and responsible application of chemistry and related sciences.

In this way, we strive to enhance the wealth and well-being of our shareholders, our employees, our customers and the communities

we serve and in which we operate.

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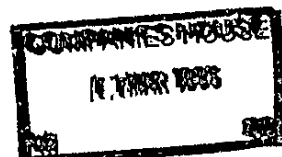
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Front cover, left to right:
ICI chemist Andrew Greaves of ICI Specialties, Andrew Sharatt of ICI Chemicals & Polymers and
Stokray of ICI Pharmaceuticals.

THE YEAR IN BRIEF

● ICI and Teijin Limited of Japan sign an agreement to supply ozone-benign refrigerant, 'Klea' 134a, to Asia Pacific markets from a new plant to be built at Mihara, near Hiroshima. (February)

● ICI and Du Pont reach agreement in principle on two transactions by which ICI acquires Du Pont's acrylics business in the USA along with a cash payment and Du Pont gets ICI's European-based nylon business. (April)



● ICI wins three Queen's Awards, bringing the total to 62. Awards for technological achievement go to ICI Pharmaceuticals for 'Diprivan' anaesthetic and to ICI Agrochemicals for the development of 'Karate' and 'Force' insecticides. ICI Katalco also wins an export award for its 'Puraspec' range of catalytic processes, having won an award for technological achievement in 1991. (April)

● ICI announces a 300 tonnes per year plant to make ICI's biodegradable plastic, 'Biopol', at Billingham, UK. (June)

● ICI announces proposals which, if implemented, would lead to the division of the Group into two separate public companies. (July)

● ICI begins production of PTA in Taiwan at its new 350,000 tonnes per year plant at Kuan Yin. The £150 million plant will serve the polyester industry in Taiwan and the rest of Asia Pacific. (August)

ZENECA

● ICI reveals a new name for its bioscience interests – derived from 'zenith', the highest point or state. (November)

Early news in 1993:

● ICI Board announces its intention to recommend demerger of Zeneca. (25 February)

As a report on the year ended 31 December 1992, this document makes little mention of the proposed demerger other than in the Chairman's Statement. However, shareholders will have received preliminary details of the proposal and further information will follow.



GROUP FINANCIAL HIGHLIGHTS

The Directors of Imperial Chemical Industries PLC present their Annual Report for 1992 together with the Accounts of the Company for that year.

These will be laid before the Shareholders at the sixty-sixth Annual

General Meeting to be held on 25 June 1993.

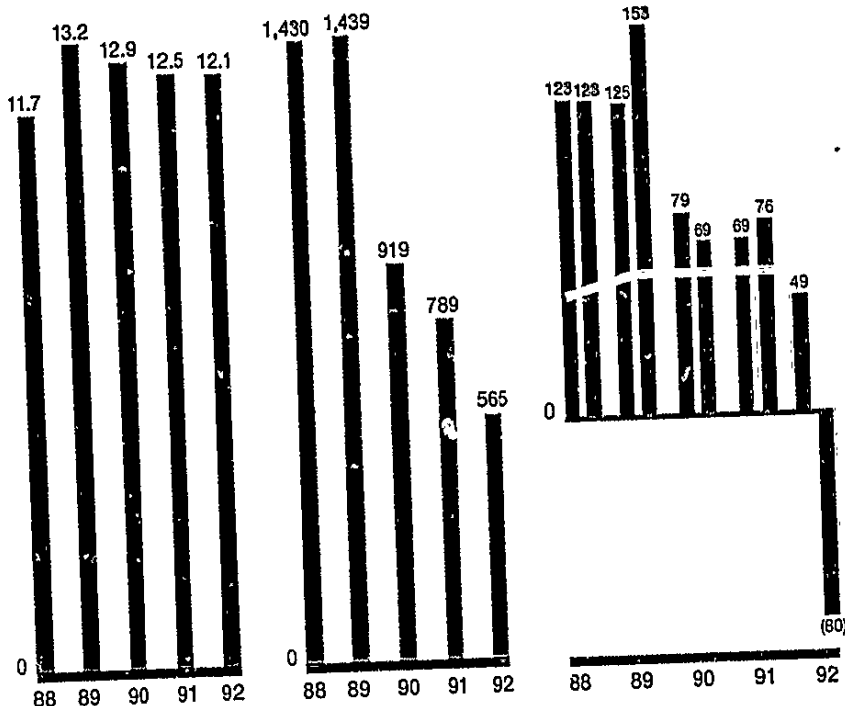
'Group' means Imperial Chemical Industries PLC and its subsidiary companies.

Annual results *

Turnover
£ billion

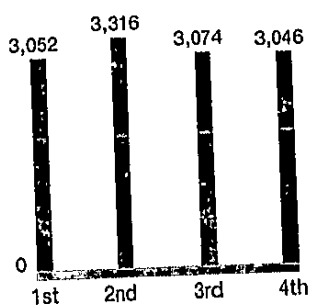
Profit before exceptional items and taxation
£ million

Earnings and dividends in pence per £1 Ordinary Share
■ before exceptional items
■ after exceptional items
dividends

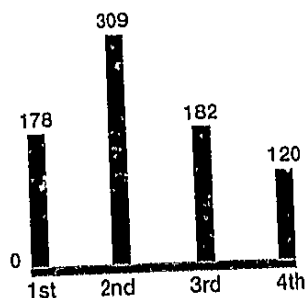


Quarterly results *

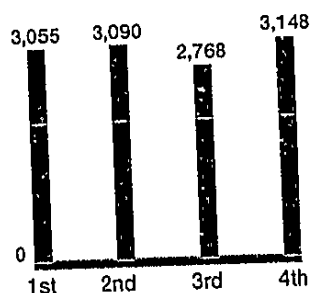
1991 - Turnover £m



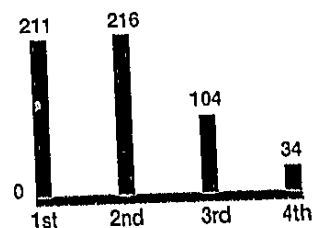
1991 - Profit before exceptional items and taxation £m



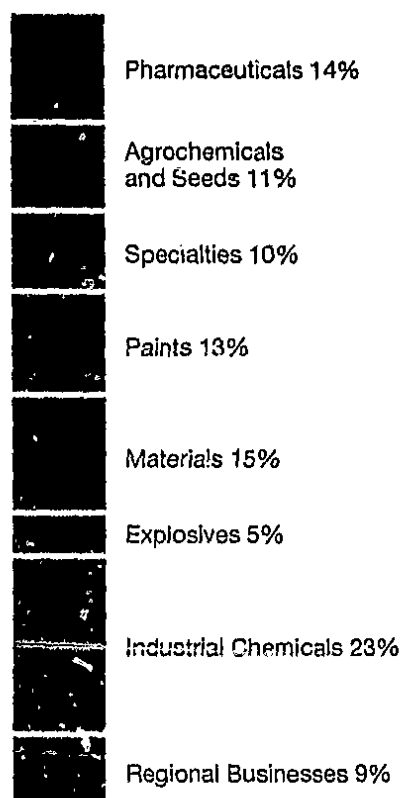
1992 - Turnover £m



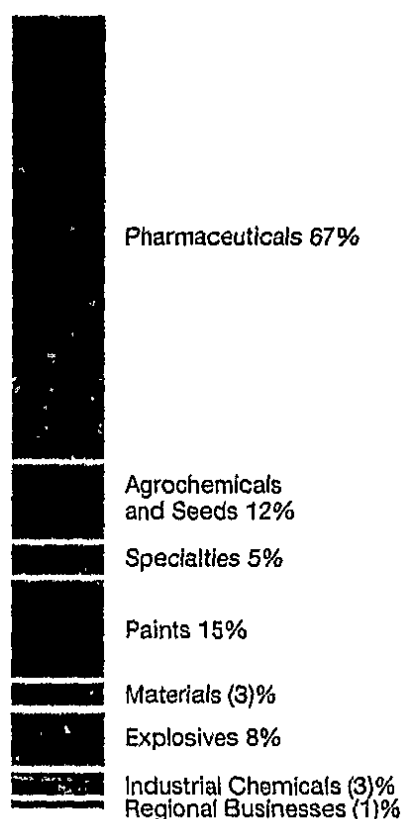
1992 - Profit before exceptional items and taxation £m



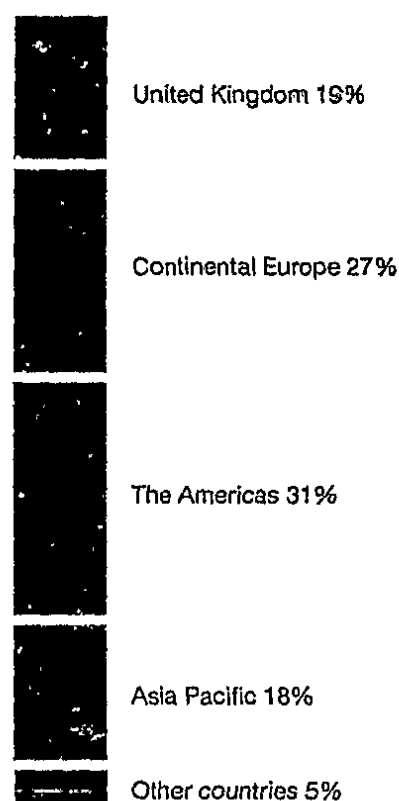
**Turnover †
by business sector %**



**Trading profit
before exceptional items
by business sector %**



**Turnover
by market %**



† Group external sales

Financial highlights *

	1990 £m	1991 £m	1992 £m
Turnover	12,906	12,488	12,061
Trading profit before exceptional items	993	1,006	735
Profit before exceptional items and taxation	919	789	565
Exceptional items before tax	(131)	54	(949)
Net profit (loss) attributable to parent company	483	542	(570)
Earnings before exceptional items per £1 Ordinary Share	79.3p	69.2p	48.8p
Earnings (loss) after exceptional items per £1 Ordinary Share	68.8p	76.4p	(79.9)p
Dividend per £1 Ordinary Share (see page 21)	55p	55p	55p

* The 1992 results have been prepared in accordance with Financial Reporting Standard 3 and previous years' figures have been restated on a comparable basis.

CHAIRMAN'S STATEMENT

Our decision to recommend the demerger proposal to our shareholders is a bold look forward to the next century. It builds on our strengths, consolidates the hard work of recent years and begins an exciting new chapter in our history.

The last decade has seen dramatic changes at ICI, but none more significant than the announcement in July 1992 of the possible demerger of the Group's bioscience businesses. In November we unveiled the new name, Zeneca, under which these businesses would trade worldwide from 1 January 1993. At the turn of the year, exactly on schedule, the organisational separation was complete – itself the culmination of a massive internal exercise involving some 200 companies in over 50 countries.

At an historic Board Meeting on 25 February 1993, your Board decided that, barring unforeseen circumstances, formal proposals would be put to shareholders to demerge ICI's bioscience businesses. The demerger

would create a separate listed company, ZENECA Group PLC, the shares of which would be distributed to ICI shareholders on the basis of one Zeneca share for each ICI share held at the time of demerger.

It was also announced that at the time of demerger Zeneca would raise approximately £1.3 billion by means of a rights issue of new Zeneca shares. Following the demerger and the Zeneca rights issue, both ICI and Zeneca will be appropriately capitalised.

Shareholders have already been sent the press release describing these decisions and will shortly receive further details of both the proposed demerger and the rights issue. Approval for the demerger will be sought at the Extraordinary General Meeting expected to be held in late May.

In trading terms, the first quarter of 1992 showed some improvement over 1991. After that, the world economic scene deteriorated and remained extremely tough. The difficult conditions were reflected in ICI's sales, which at £12.1 billion were three per cent lower than in 1991. Profits before exceptional items and tax of £565 million showed a reduction of 28 per cent on the previous year's figure. After taking into account the exceptional charge of £949 million referred to later, the result was a pre-tax loss for the year of £384 million.

Clearly these are very disappointing figures. The world has been in recession; the chemical industry has suffered more than most. However, recessions do not last forever. Rather than dwell on present difficulties, we have kept our sights on the long-term vitality of the business. The restructuring I announced as far back as February

1991 looks far beyond the present circumstances to the kind of business we will need to be in the early 21st century. Our Chief Operating Officer, Ronnie Hampel, gives more detail of how the restructuring has gone in his own report on page 6. I would simply comment that progress has been fast and effective.

The background of continuing recession, however, now makes it appropriate to take further management action which results in the exceptional charges I have mentioned. The actions we have decided upon are further restructuring with the associated costs of divestments and closures; provisions against diminished asset values caused by the recession; increases to environmental provisions; additional severance costs and of course the costs of reorganisation to separate our chemical and bioscience businesses in preparation for potential demerger. Fuller details are in Note 3 to the accounts on page 39.

The Board has also recommended that the dividend be maintained despite the fact that it was not covered. Shareholder loyalty should be rewarded, even in these difficult circumstances.

I am confident that the present conditions will not persist. With lower interest rates and UK inflation, a more competitive pound and some evidence of recovery in the USA, prospects look better than they did six months ago. However, we have been here before. With Japan and much of Europe still in the doldrums, it could be the second half of 1993 before trading conditions really improve. But when that happens, ICI and Zeneca should reap the benefits of the hard work of the last three years.

Restructuring has gone a long way to improving our profitability and long-term strategic positioning. Both ICI and Zeneca have strong, focused, global businesses and an exciting range of new products. Both benefit from experienced management and stand ready to prosper as the economic cycle turns.

Progress to demerger:

- July 1992: announcement that ICI is considering proposals to demerge its bioscience interests
- January 1993: organisational separation completed; ZENECA Limited begins trading
- February 1993: Board gives go-ahead for demerger proposals
- Mid-May 1993: demerger proposals to be sent to shareholders
- Late May/early June 1993: subject to shareholders' approval at an Extraordinary General Meeting, demerger to be completed

For all these reasons, the Board feels that this is the moment to proceed. The demerger of Zeneca will launch us into the next phase of our growth. We believe it will enable each company to focus still more selectively on its growth opportunities, releasing, over time, the true underlying values of both companies.

Every year I express my gratitude to the people of ICI for their contribution. This year my thanks are particularly heartfelt. We have been through gruelling

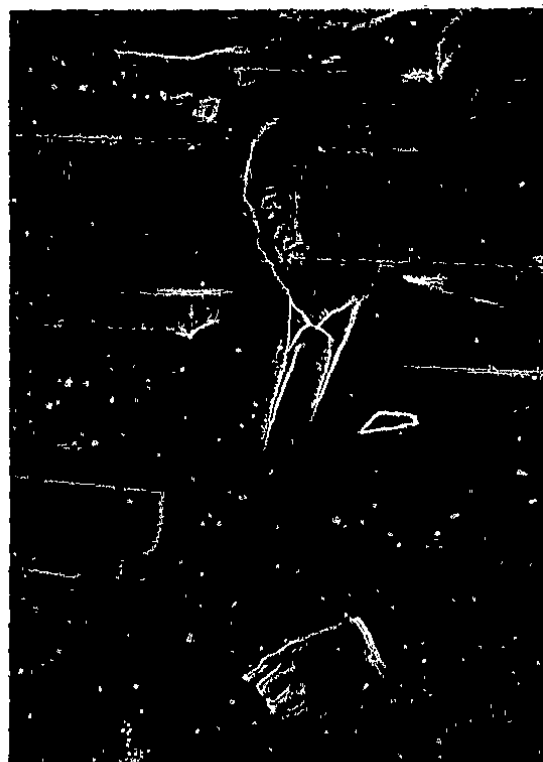
times with enormous extra pressures. Our staff have responded magnificently and I pay tribute to their efforts.

1992 saw a number of changes to the ICI Board. Sadly, Sir Patrick Meaney died last July. His contribution to our affairs was immense and he is greatly missed. Also in 1992, my long-time friend and colleague, Frank Whiteley, retired as Deputy Chairman. His steady hand and mature advice have served us well during his 13 years as an ICI Director.

Sir Richard Greenbury, the Chairman of Marks & Spencer, joined us in July. In September, one of our experienced executives, Rob Margetts, was appointed to the Board. Both are very welcome and we look forward to their contributions.

Other changes are the appointment of David Barnes as Chief Executive Officer of Zeneca from 1 January 1993 and the decision that Ronnie Hampel, currently Chief Operating Officer, should become Deputy Chairman and Chief Executive Officer of ICI following the proposed demerger. In due course a number of the current ICI Directors will resign and transfer to the Board of Zeneca, where they will be joined by John Mayo, Alan Pink and Miss Gill Lewis, a Senior Vice President of Nestlé S.A. These moves will ensure that Zeneca has a strong, experienced Board, able to continue the good corporate governance that ICI has long been practising.

My colleagues and I welcome the recommendations of the Cadbury Committee. These will be applied by the Boards of both ICI and Zeneca, as will the Group values which have served ICI so well for many years.



I shall be proud to be Chairman of both ICI and Zeneca as we embark on the most exciting adventure since our formation in 1926. I am convinced that the bold decisions we have now taken will put our businesses in the best possible shape for the 21st century.

Sir Denys Henderson
Chairman

8 March 1993

CHIEF OPERATING OFFICER'S STATEMENT

This year's poor results reflect the extremely difficult conditions of 1992. But they should not obscure the hard work which has gone into restructuring our operations and the progress we have made in preparing the Group for future growth.

As announced in our 1991 Interim Report, the 1990 pre-tax extraordinary charge of £350 million was intended to improve our profits by £400 million a year by the time the bulk of our restructuring was completed in mid-1993. We remain on target. In the last two years our headcount worldwide has fallen by over 20,000 with divestments accounting for some 23 per cent of the total. Benefits realised during 1992 came to £290 million, equivalent to an annualised improvement of over £350 million. As restructuring continues, I am confident we will achieve the promised benefits on schedule.

Recession has shown very clearly which of our businesses are not contributing satisfactorily to the growth of the Group. Over the last two years we have disposed of some 40 non-strategic operations – recent examples being the last remaining over-the-counter pharmaceuticals businesses and our rock and white salt operations.

All our restructuring has to be seen in the context of fundamental changes now taking place in the chemical industry. Three years ago, Denys Henderson was one of the first to predict that chemical companies would increasingly look to exchange businesses with one another as a means of consolidating their strengths and avoiding the cost, both human and financial, of closing down unprofitable operations. Although the practice was rare at the time, the trend has gathered pace and ICI has been among the leaders.

In the last 12 months, ICI has announced two proposed deals of this type. The larger is the sale of our nylon

fibres business to Du Pont and the purchase, in turn, of Du Pont's acrylics business – the difference in value being made up by a cash sum from Du Pont to ourselves. The arrangement has been approved by the European Commission and awaits clearance from the regulatory authorities in the USA. We hope to see it completed in the second or third quarter of 1993.

More recently we announced the proposed sale of our loss-making West European polypropylene business to BASF and the acquisition of the BASF acrylics business in Germany and Spain. We expect clearance in the second or third quarter of this year.

Business Highlights:

- ICI Group remains on schedule to meet its target of £400 million annual savings from restructuring.
- Reshaping continues. Major deals with Du Pont and BASF expected to be completed during 1993.
- Against a background of unsatisfactory results in a difficult market, there are strong performances from some individual businesses.
- Expenditure on R&D is maintained.
- Further investment in CFC replacements demonstrates ICI's continuing commitment to the environment.

The tendency of recession to highlight both strengths and weaknesses is borne out in the performances of our individual businesses. In nearly every case, the year's trading has taken place against a background of intense restructuring.

In Bioscience Products, results in the pharmaceuticals business were adversely affected by the expiry of the 'Tenormin' patent in the USA, although the business benefited from the continued good growth of the newer products in the portfolio - 'Zestril', 'Zoladex' and 'Diprivan'.

The agrochemicals business was affected by the intensely competitive herbicide market in the USA, by uncertainties arising from reform of the Common Agricultural Policy in Western Europe and by economic changes in Eastern Europe and the CIS. These more than offset good results from Latin America and particularly Asia Pacific, along with the benefits of several successful product launches.

In Specialty Chemicals and Materials, the specialties business did well with its performance and effect products but poorly with colours and surfactants - both of which were up against severe competition. The biological products arm of the specialties business continued to develop satisfactorily. 'Quorn', our myco-protein product, showed very encouraging growth.

Excluding the effects of disposals in 1991 and 1992, the paints business traded at the same level as in the previous year with higher margins cancelling out a decline in volumes. There were particularly good performances in Asia Pacific and the UK

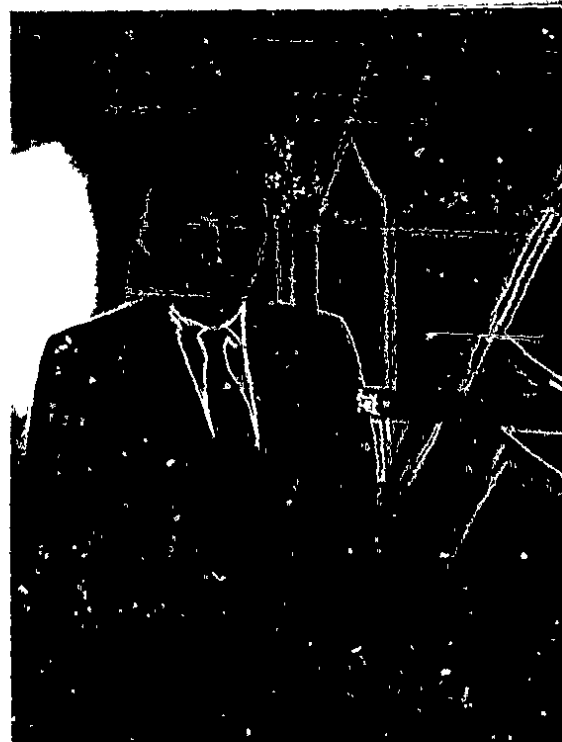
decorative sector with signs of recovery in the dealer trade in the USA.

Of the materials businesses, acrylics performed unevenly while the fibres business was badly hit by recession in the European textile industry. Polyurethanes did well in tough conditions with particularly good results in the USA. Films' 'Melinex' polyester business also performed strongly in the USA but suffered elsewhere from recession in Europe and start-up costs in Japan.

Explosives had a strong year, despite a difficult market in the USA. Performances in Asia Pacific, Australia and Brazil were particularly encouraging.

Pressure on petrochemical and chlor-alkali prices meant a poor year overall for Industrial Chemicals. Nevertheless, there were satisfactory results from the pure terephthalic acid and 'Melinar' PET businesses and an excellent performance from the catalyst business. Also growing well is our business in CFC replacements: during the year we spent some £30 million on the development of 'Klea' 134a. For its part, Tioxide had a solid year as the benefits of recent restructuring offset a decline in prices.

Despite the adverse impact of poor trading on the Group's cash position, we have been determined not to sacrifice our future. Investment in R&D has been maintained. The year has seen the commissioning of new plants - for methyl methacrylate in the UK, for pure terephthalic acid in Taiwan and for 'Klea' 134a in the USA. We purchased the leading refinish paints business in Spain and recently announced a titanium dioxide deal with Kronos which takes us into US markets with new technology.



Although unsatisfactory in terms of overall return, the year would undoubtedly have been much worse were it not for the hard work that has gone on to restructure the Group, reduce costs, strengthen the growth businesses and dispose of those that have failed to perform or are no longer strategically relevant. Tough action was necessary in 1992 and will continue to be a feature of 1993. Behind it all is our commitment to building strong businesses for the future.

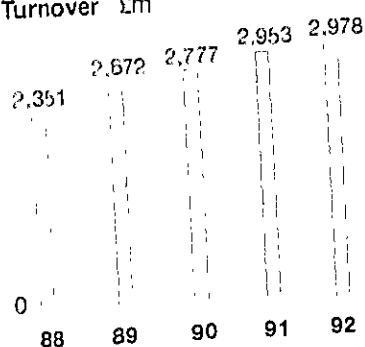
Rennie Hampel

R C Hampel
Chief Operating Officer
8 March 1993

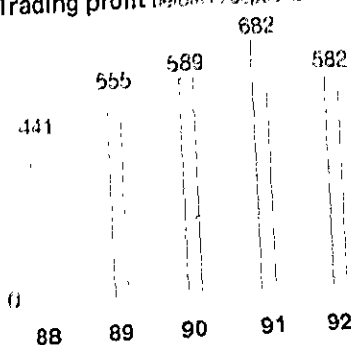
NO SCIENCE PRODUCTS

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Trading profit before exceptional items £m



Pharmaceuticals

Turnover	1,640
Trading profit before exceptional items	494

1. The first step is to identify the problem. This involves understanding the symptoms and the context in which they are occurring.

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BIOSCIENCE PRODUCTS

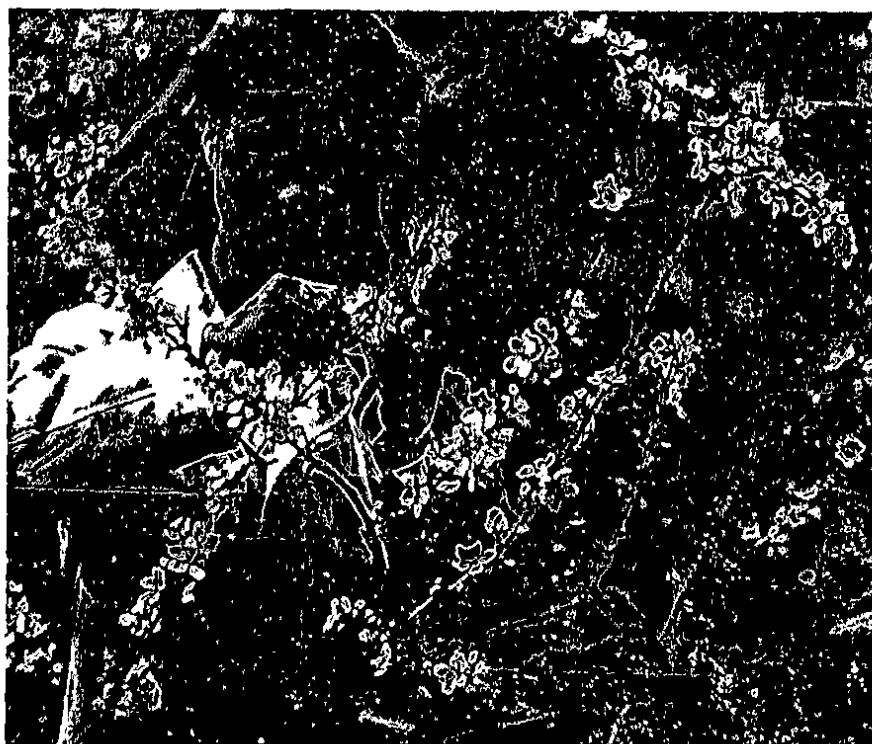
Continued

A simplified development process put in place in 1991 is designed to ensure that new compounds are brought to market as quickly as possible without compromising standards.

The agreement to co-promote Abbott Laboratories' temafloxacin came to an end when unexpected side effects caused the product to be withdrawn. Temafloxacin's place in ICI's US portfolio was subsequently filled by 'Cipro', a quinolone antibiotic co-promoted with the Bayer subsidiary, Miles Laboratories.

In line with its policy of concentrating wholly on prescription pharmaceuticals, the business divested its pre-natal vitamins line in the USA, the dental hygiene product, 'Corsodyl' and the remainder of the over-the-counter range based on 'Savlon' antiseptic.

The agrochemicals business has an international network of field stations, enabling products to be tested in a wide range of climatic conditions.



Agrochemicals and Seeds

£m	88	89	90	91	92
Turnover	1,179	1,338	1,362	1,365	1,338
Trading profit before exceptional items	120	152	110	144	88

ICI Agrochemicals

ICI Agrochemicals is one of the world's leading agrochemicals businesses.

Active in over 130 countries, it offers farmers a range of products including herbicides, insecticides and fungicides, many of them tailored to specific crops and growing conditions. In this way it helps its customers to improve their crops and so feed the world's population.

Difficult market conditions meant a slight fall in sales for ICI Agrochemicals but a greater drop in profits.

In Western Europe, sales and market share both rose. Results from Italy benefited from ICI's appointment as sole distributor for the BASF range of agrochemical products. ICI

Agrochemicals gained share in France, the largest market in Europe, and the garden products business in the UK had a record year. On the other hand, the reform of the Common Agricultural Policy is causing uncertainty with farmers keen to delay their purchases and distributors less willing to build up stocks. The French and German markets have been particularly affected.

Uncertainty continues, too, in Eastern Europe and the former Soviet Union with changes to the distribution system and a shortage of foreign exchange. ICI's sales have suffered as a result.

In the USA, a wet spring in the Corn Belt did not suit ICI's corn herbicides while two other herbicides, 'Fusilade' and 'Gramoxone', faced fierce competition on price. Although most other key products did well, overall sales were down.

In Latin America, sales were above those of 1991 despite major economic and agricultural problems in some key markets. There were particularly good results from Argentina and some of the continent's smaller markets.

Business in Asia Pacific showed strong growth. Sales in Japan were well up on 1991 while results in China benefited from developments in the country's economy. An easing of the drought in Australia helped sales there. On the other hand, greater competition and late rains in Thailand put a brake on what was previously a growth market.

Sales of ICI's newer products continued to expand. The cereal herbicide, 'Achleve', was launched into its biggest market, Canada, and is now selling well in all its main territories. The

new herbicide, 'Fytoban', already successfully launched in the USA, Japan, France and Spain, increased its sales during the year. 'Shiran' fungicide, licensed in from Ishihara Sangyo Kaisha of Japan, was launched successfully for potato crops in Holland. Of the established products, 'Karate' insecticide continued to sell well and manufacturing capacity was expanded.

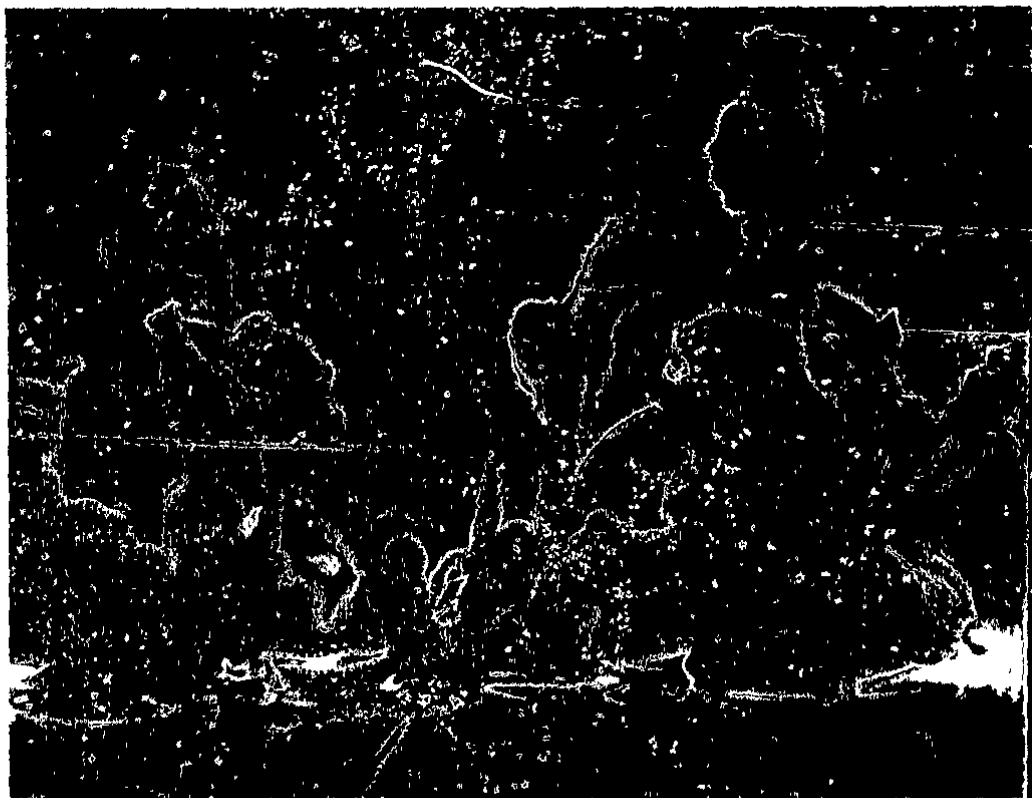
On the research front, the business announced the discovery of a new fungicide with a novel mode of action derived from natural compounds in certain types of toadstool. Development is still in its early stages but the applications are potentially very broad. In the USA, ICI is proceeding with the registration of a new corn herbicide, 'Surpass', in conjunction with Monsanto with whom it has also established a manufacturing partnership.

Work on new formulations received a boost with the opening of a £4.2 million technology centre at Yalding in the UK.

ICI Agrochemicals continues to reshape and focus its business in the light of changing needs. Marketing and distribution are now concentrated more closely on the major markets of Europe, the Americas and Asia Pacific, while formulation is increasingly carried out on a regional basis.

ICI Seeds

Since its formation in 1983, ICI Seeds has established a major presence in the world seed industry. By using bioscience to complement or improve traditional breeding techniques, it aims to develop crops with valuable new characteristics such as controlled ripening or better resistance to insects or disease.



Regeneration of sugar beet at Jealott's Hill, UK - part of Seeds' research to introduce new genes and so confer useful characteristics such as disease or insect resistance.

Like the agrochemicals business, ICI Seeds suffered from the uncertainties of the Common Agricultural Policy in Europe. At the same time, strong competition in the US maize and European sugar beet markets and a lack of hard currency in Eastern European markets added to the pressures. That said, the research programme is progressing faster than expected. New products are coming to the fore and finding markets well within the original timetable for the business.

The speed of development owes much to genetic fingerprinting. By enabling researchers to track particular genes throughout the breeding process, this new technique removes much of the trial and error from the development of hybrids.

Field trials during the year have demonstrated that ICI's genetically modified tomato hybrids are likely to offer better processing characteristics combined with good flavour and colour. Recent agreements with major food companies mean that the first applications of ICI's tomato technology should reach the market by the mid 1990s. Collaborations with tomato processors include a commercial development agreement in North America with Hunt-Wesson Inc. and evaluation agreements with Kagome Co. of Japan and Unilever in Australia. Meanwhile Dole Fresh Vegetables of North America has signed an agreement for the evaluation of fresh tomatoes.

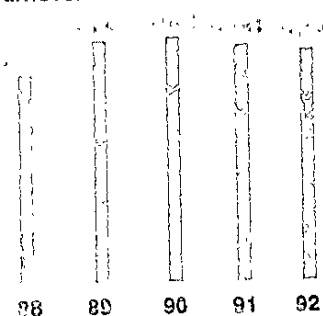
SPECIALTY CHEMICALS AND MATERIALS

The businesses in this class develop and market chemicals for a wide range of uses from pigments and surface coatings to high-performance materials.

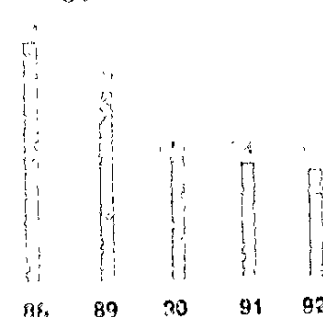
The businesses are Specialties, Paints, Materials and Explosives.



Turnover £m



Trading profit £m



Specialties

Turnover	1,289
Trading profit	34

ICI Specialties addresses the worldwide demand for high-added value chemical and biological products. Its businesses serve markets as diverse as clothing, packaging and food. Products range from biocides and dyes to ingredients for pharmaceuticals and the meat alternative, 'Quorn'.



concentrates on decorative and automotive refinish paints, coatings for cars and high performance finishes. The business is characterised by advanced technology and strong brands such as Dulux.

Paints

	90
Turnover	1 562
Total assets	111

As the world's largest supplier of paint and industrial coatings ICI Paints

SPECIALTY CHEMICALS AND MATERIALS

Continued

The car refinishing business made several important advances. The ICI Refinisher range was launched in the USA and ICI Paints acquired the leading refinishing business in Spain, 'Aqualacel', the first treatment for car repairs to be based on water rather than hydrocarbon solvents, was introduced initially in Germany and has since been launched in other European markets.

Elsewhere, ICI Paints commissioned a plant in Taiwan to supply can manufacturers in the expanding markets of Asia Pacific. In mainland China, construction began on a new paint plant in Guangdong province. The factory, a joint venture with Swire Pacific Ltd and the local development corporation, will be ICI's first manufacturing presence in the People's Republic of China.

Paints from ICI help decorate and protect this monastery near Ratchaburi, Thailand.



Materials

£m	88	89	90	91	92
Turnover	1,904	2,129	2,128	2,287	1,890
Trading profit before exceptional items	197	53	110	120	(25)

ICI Materials brings under one management the Group's interests in acrylics, fibres, composites, polyurethanes and films. Its aim is to build a portfolio of world-competitive materials businesses.

ICI Materials' main focus of attention in 1992 was on restructuring its portfolio and reducing fixed costs.

During the year, ICI Acrylics commissioned a large new methyl methacrylate (MMA) plant in the UK. MMA is the building block of the acrylics chain and the £110 million plant is ICI's biggest single investment in the UK for ten years. Incorporating the world's most sophisticated unit for recovering sulphuric acid, it has put an end to ICI's last licensed programme of waste disposal at sea. The plant, together with a newly expanded facility in Taiwan, gives ICI the most modern MMA production base in the world.

The recent North American acquisitions, KSH and Continental Polymers Inc., have now been fully integrated into the acrylics business. In Japan, the new 'Asterile' acrylics composites plant came on stream to meet the needs of the sanitaryware market in Asia.

Part of ICI Acrylics' strategy is to widen its geographic coverage and consolidate its position as a global business. In line with this strategy, ICI agreed in principle in January 1993 to acquire the BASF acrylics business

based in Germany, and Spain. A deal agreed in principle was also reached whereby ICI will take over Du Pont's acrylics business in the USA. The two transactions will make ICI a leading world supplier of acrylics.

The Du Pont proposal also involves the fibres business. Although strong in Europe, ICI Fibres does not have the global potential of ICI Acrylics and the plan is to sell it to Du Pont. The arrangement has now been agreed by the European Commission and is being considered by the Federal Trade Commission in the USA.

In the face of stagnant demand, ICI Fibres' performance was helped by rising productivity based on new spinning technology and a 23 per cent fall in manufacturing costs over the last two years.

After the slimming down of ICI's advanced materials activities in 1991, the principal remaining business, ICI Composites, faced another tough year in its main markets of military and commercial aerospace and sporting goods. In response, the business focused still further on its main activities and withdrew from its carbon-fibre composites joint venture with Mitsubishi Kasei in Japan.

ICI Polyurethanes provides chemicals and systems mainly for insulation, seat cushioning, automotive components and shoe soles. North American markets grew well and show increasing signs of recovering from recession. In Europe, conditions remained poor in the UK and Scandinavia and worsened in Germany. Prices also weakened as competing manufacturers prepared to open new capacity.



Manufacturing 'Melinex' polyester film at Hopewell, Virginia, USA.

The Asian market continued to expand.

ICI Polyurethanes made further progress in introducing low and non-CFC formulations ahead of the demands of the Montreal Protocol. New technology introduced in 1992 allows the production of high-quality, MDI-based 'Waterlily' cushioning materials without using CFCs at all.

ICI Films continued to recover during 1992. Against severe competition, it benefited from strong demand in the USA for 'Melinex' polyester film and from extra sales generated by new and improved products – these amounting to over 30 per cent of the year's total. It improved its response times, raised its manufacturing efficiency and reduced costs by cutting overheads and closing some of its older plants.

One of ICI Films' main aims is to widen the geographic spread of its polyester-related activities. Restructuring will continue on 'Propafilm' polypropylene film. New markets are being developed for Imagedata products.

Explosives

£m	89	89	90	91	92
Turnover	364	414	516	536	549
Trading profit before exceptional items	48	48	59	54	58

ICI Explosives is the world's leading supplier of industrial explosives and initiating systems. Its main customers are in the mining, quarrying, construction and seismic-exploration industries.

Despite recession in the mining and construction industries, ICI Explosives continued to grow. Much of the increase in sales has come from acquisitions as the business consolidates its position in existing markets and extends its coverage into new ones.

There were record contributions from Asia Pacific including Australia. The strong demand in Australia was augmented by expansion into new markets in Asia Pacific. Developments here included a new joint venture in Thailand.

Recession took its toll on volumes and margins in North America. At the same time, the acquisition of a number of independent distributors has helped to fill the gaps in ICI's US network. The purchase of an ammonium nitrate plant in Mexico has strengthened the business there, while productivity improvements in Brazil have helped to raise profits from ICI Explosives' operations in South America.

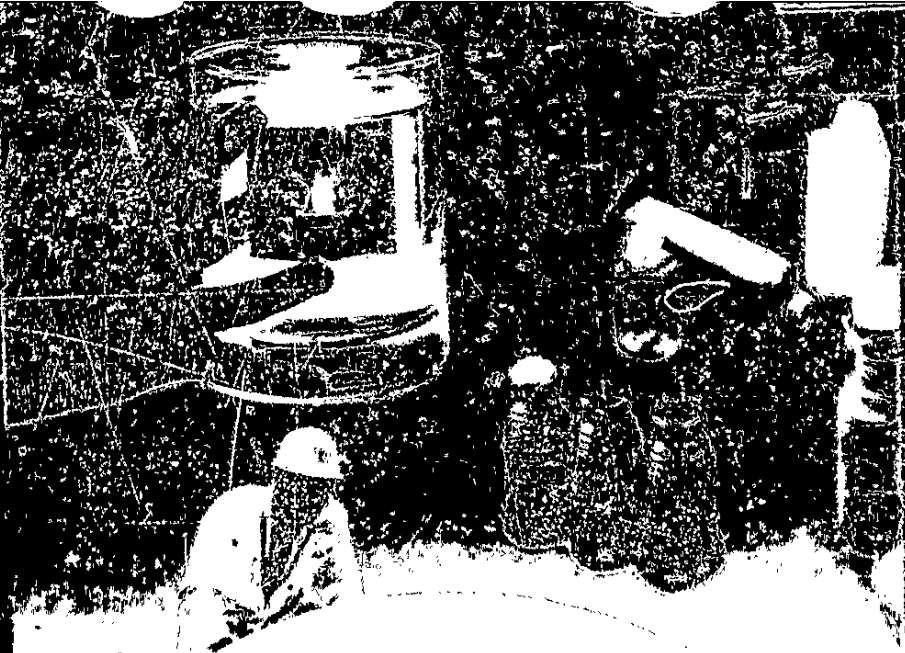
The UK suffered from the same recessionary pressures as the USA. The effects were partially offset by a strong drive to reduce costs.

A commitment to new technology produced several important advances. In the UK, ICI successfully launched its Quarry Services business delivering customised bulk explosives direct to the blast site. Another new business, ICI Explosives Environmental Services, will concentrate on the recycling and disposal of explosive waste to increasingly stringent environmental standards.

Rising sales of products and technology meant higher profits for the automotive airbag business. A major expansion of the sodium azide plant in Canada was successfully completed – sodium azide being a key ingredient in airbag inflation systems. Such has been the demand that further expansion is now under way. A pilot plant manufacturing 'Enerflow', a metallised film which could simplify the manufacture of airbags, will be commissioned in the USA in 1993.

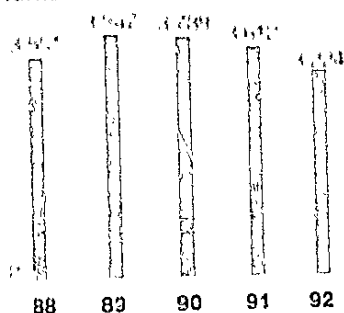
INDUSTRIAL CHEMICALS

Industrial Chemicals includes the ICI/Chemicals & Polymers Group whose products range from bulk chemicals to specialised plastics and CFC replacements. It also incorporates Tioxide Group Limited, a world-leading producer of titanium dioxide pigments.

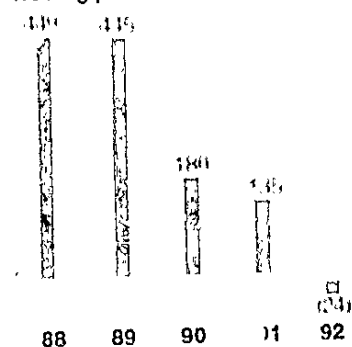


Tioxide

Turnover £m



Trading profit (£m)



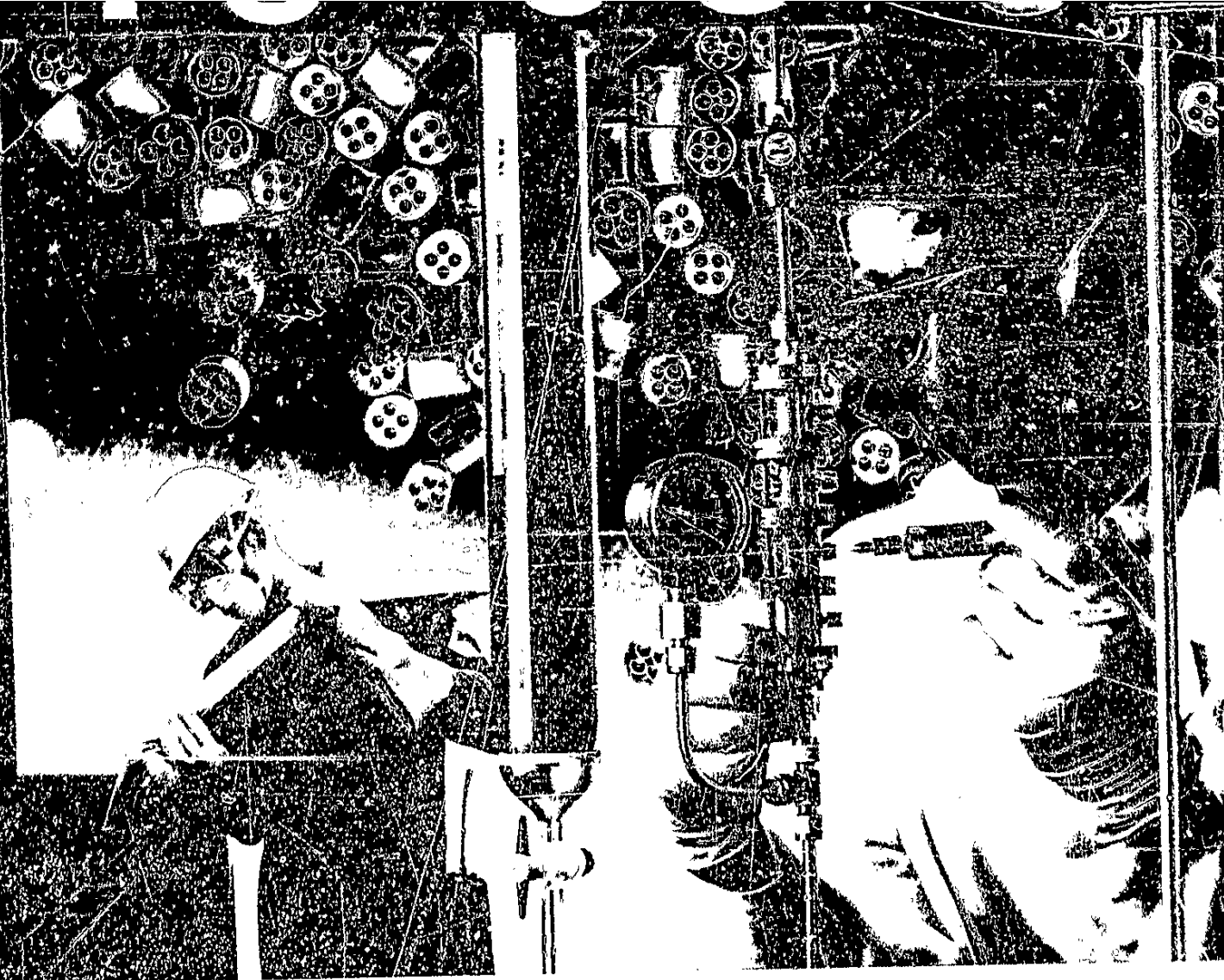
ICI Chemicals & Polymers Group (C&P)

ICI Chemicals & Polymers Group (C&P) is a leading global supplier of specialty chemicals and polymers. The group's products are used in a wide range of industries, including automotive, construction, and consumer goods. C&P has a strong presence in North America, Europe, and Asia, and is committed to innovation and sustainability.

The group's revenue is primarily derived from the sale of specialty chemicals and polymers. It has a diverse product portfolio, including high-performance plastics, specialty resins, and advanced coatings. C&P is also involved in research and development to develop new products and improve existing ones.

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the person in the uniform is holding a large, ornate, circular object, possibly a clock or a decorative piece, which is the central focus of the image.

The person in the uniform is holding the object with both hands, and the object is positioned in front of their face. The object has a complex, ornate design with many small, circular elements. The background is dark and textured, with a grid-like pattern visible on the right side. The image is heavily stylized with high contrast and grain.

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INDUSTRIAL CHEMICALS

(Continued)

dioxide and other pigments from waste streams.

FM21 membrane cells, an environmentally benign technique for making chlorine, won new contracts in China, Indonesia and Turkey. FM21 is now one of the most widely chosen chlor-alkali electrolyzers in the world.

ICI Kataco continued to target new areas where the science of catalysis offers economic or environmental benefits. 1992 was another year of growth. Ammonia and methanol catalysts sold well, and the novel 'Hydecac' process for treating effluent from the production of chlorine was successfully launched.

ICI Fertilizers again traded profitably in a difficult market. During the year, ICI invested in a new liquid carbon dioxide plant at Grimsby to maintain reliable supplies to UK customers.

ICI Chemicals & Polymers created a new business group in 1992 for 'Mellinar' PET whose many uses include packaging.

review of the Montreal Protocol. Although recession is causing many industrial customers to delay the necessary investment, the switch to CFC alternatives has begun and demand is rising rapidly.

ICI's associated PVC business, European Vinyls Corporation (Holdings) BV, again suffered from weak demand in Western Europe, aggravated by new capacity opening up in the USA and by imports from Eastern Europe.

ICI Watercare had two notable successes - a contract for the 'Coastguard' disinfection system to keep Blackpool beach safe for bathers; and the first 'Guardion' membrane filtration system installed at the 'Dulux' paint plant at Stowmarket to recycle titanium

Due to the earnings made in 1993, these projects, together with other recent investments in Italy and Spain, will complete Tioxide's programme to bring its European sulphate plants up to EC environmental standards. Initiatives are in progress to reduce discharges at Tioxide's South African plant.

The business is continuing to develop uses for the by-products from its plants. Effluent treatment at a number of plants yields gypsum, carbon dioxide and iron salts for use by other industries - as well as reducing waste from the plants themselves.

April 1993 will see the closure of the front-end, waste acid producing section of the Tioxide Canada sulphate plant at Tracy and the ending of waste acid discharges from the site. The plant will continue to operate as a finishing unit with intermediate product supplied mainly from Europe.

Agreement has been reached in principle with NL Kronos to form a manufacturing joint venture based on Kronos' new chloride plant in the USA. Pending completion of this proposal, the business has suspended the chloride process project at Becancour, Canada, which would have replaced the Tracy capacity. The proposed joint venture would accelerate Tioxide's development in North America and boost its capability through an associated chloride product and process technology exchange.

Tioxide Group Limited

Tioxide Group is the world's second biggest supplier of titanium dioxide pigments, used to give whiteness and opacity to products such as paints, paper, plastics and printing inks. Although the market has been difficult, continued restructuring has made the business more competitive and achieved savings of £20 million a year in addition to the £40 million saved in 1991.

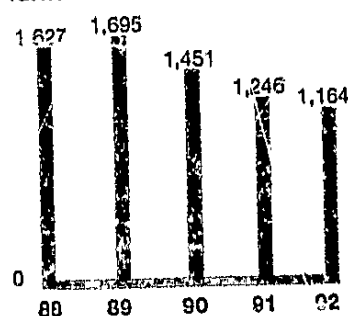
The new plant in Malaysia is well into its commissioning phase. Designed to strict environmental standards, it will manufacture high-quality product at low cost and contribute substantially to Tioxide's development in Asia Pacific.

The year saw good progress at Grimsby and Calais on new facilities designed to treat waste acid discharges

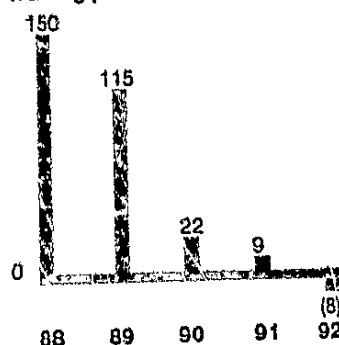
REGIONAL BUSINESSES

Besides the international businesses so far covered in this report, there are regional ICI businesses, mainly in industrial chemicals and fertilizers, in Australia, Canada, Argentina, Malaysia, India and Pakistan.

Turnover £m



Trading profit before exceptional items £m



ICI in Australia continued to face recession at home and low prices internationally for plastics and ethylene based chemicals. Trading profits from regional businesses therefore suffered. That said, restructuring continued in line with ICI Australia's plan to create a portfolio of world-competitive businesses. Progress was made in reducing overheads and manpower, raising efficiency, closing uneconomic plants and disposing of loss-makers. A major new polyethylene plant was opened in Sydney.

In Canada, the nitrogen products business benefited from the 1989/90 restructuring and a better mix of industrial and agricultural customers – more industrial customers making the business less seasonal. In January 1993, the Group announced agreement in principle to sell ICI Canada's interests in the nitrogen products business to Terra Industries Inc.

The Dupont Group in Argentina had another tough year. Argentine government policy, while helping to stabilise the economy, has also squeezed several sectors of local manufacturing between low import prices and rising local costs. The PVC market proved extremely difficult. On the other hand, sales of high-added-value products did well.

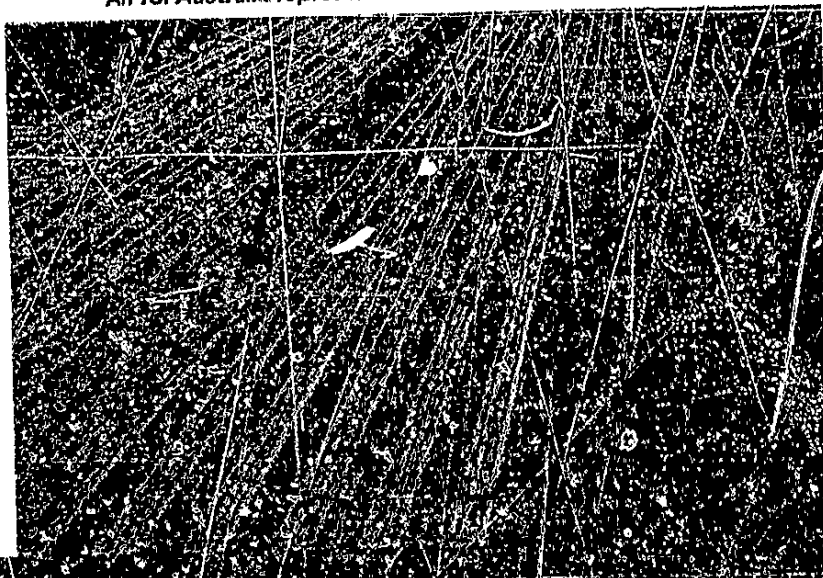
In Malaysia, decreased prices for rubber, cocoa and pepper forced many farmers to curtail their spending on fertilizers. ICI's compound fertilizers inevitably lost ground to cheaper substitutes. The industrial chemicals business did better, reflecting Malaysia's transition from an agricultural to an industrial economy. Early 1992 saw the commissioning of a new chlor-alkali plant incorporating ICI's environmentally benign FM21 technique for manufacturing chlorine.

After a good monsoon, the fertilizers business in India increased its profits but found its cash flow depleted by a delay in subsidy payments from the government. The fibres business continued to reduce its losses. 1992 also saw the commissioning of a new rubber chemicals plant producing anti-ozonant preservatives for motor tyres.

In Pakistan, the soda ash business achieved record sales and profits.

An expansion to the manufacturing plant will come on stream in 1994. Profits from the polyester fibres business fell during the year as a large, local competitor entered the market. At the same time, however, a heavy increase in demand helped to take up most of the extra capacity.

An ICI Australia representative visits a cotton farm by air.



FINANCIAL REVIEW

The Group has adopted the UK Financial Reporting Standard 'Reporting Financial Performance' (FRS 3) - issued by the Accounting Standards Board in October 1992, in the presentation of its 1992 accounts. Figures for previous years have been restated on a comparable basis.

Turnover

The Group's turnover in 1992 was £12.1 billion, 3% lower than in 1991. The continuing world recession meant that sales prices declined by 1%. Business disposals reduced sales by 3%, but there was a favourable exchange effect of 1%.

Pharmaceuticals, Specialties and Explosives increased sales while Paints maintained last year's level. The remaining businesses showed a decrease compared to 1991 with the major reductions in Industrial Chemicals and Materials.

Sales in the UK were down by 14%. While disposals accounted for 10% of the decrease, the depressed state of the British economy and pressure on selling prices were also significant factors. Sales expressed in sterling terms were down by 2% in the Americas but increased by 2%

in Continental Europe, the positive favourable exchange effects. Asia Pacific sales increased by 1%.

The chart on page 3 shows the relative size of each business sector in 1992 in terms of turnover and trading profit, and an analysis of Group turnover by geographic region.

Profit

In 1992 the Group's trading profit before exceptional items amounted to £735m (£271m down on 1991). As explained in the Business Review, results were adversely affected by persistent worldwide recession and, in the case of Pharmaceuticals, by competition from generic manufacturers in the USA following the expiry of patent protection for its heart medicine, 'Tenormin'.

Associated Undertakings contributed £46m of earnings before exceptional items, higher than last year's level due to a reduction in the losses of the European Vinyls Corporation (EVC). While the PVC market remained depressed, EVC benefited from lower feedstock prices from its parent companies.

Net interest payable of £216m was marginally lower than in 1991. Profit before exceptional items and taxation was £565m, 28% down on 1991.

1992 Group profit before taxation has been reduced by exceptional charges totalling £949m relating mainly to further planned restructuring activities including disposals and closures, write-downs of certain asset values, a reassessment of environmental liabilities and the impact of the decision to recommend demerger. This has led to a net loss for the year before taxation of £384m.

A review of business plans and cost levels in the face of continuing recession led to an acceleration of decisions to rationalise manufacturing facilities and support functions across the majority of the Group's businesses. Losses on sale or closure of operations total a net

£171m. Dispositions early announced included disposals of Canadian nitrogen products and European polypropylene and closures of certain Paints activities in Germany and of UK plants making phenol, various acids, chlorine and CFCs. The total is net of gains on the sale of the non-prescription pharmaceuticals business and the Chemicals & Polymers salt business. The exceptional rationalisation cost charged to trading of £516m includes employee related costs, principally severance, of £312m and asset write-downs and provisions of £160m. The exceptional items also include provisions of £19m against associate company values.

A review was undertaken in 1992 of the basis and amount of the Group's provision for probable environmental liabilities which principally relate to potential soil and groundwater remediation. In the light of experience gained to date, and tightening environmental requirements worldwide, the Group provisions have been increased by £148m, representing a more prudent view within the range of possible outcomes.

A charge of £75m has been made to cover the costs of reorganisation of the Group in preparation for potential demerger including professional fees, product registration and labelling costs.

The overall programme represented by the 1992 exceptional provisions will involve a manpower rundown of some 9,000 people and a net cash outlay of £565m, of which £460m is likely to occur by the end of 1995.

The charge for taxation was £183m (1991 £270m) representing an effective rate of 35% on earnings before exceptional items (1991 35%). The effective tax rate on the exceptional items reflects the impact of asset write-offs, tax costs of reorganisation, tax relief on rationalisation costs and a deferred tax provision covering timing differences on UK capital allowances to reflect the

emerged from tax provision of the Group, increasing demand.

Earnings amounted to ordinary shareholders, excluding exceptional items net of tax were £345m (1991 £494m) and represented earnings per share of 48.8p and return on assets employed of 9.8%. The exceptional charges, however, resulted in a loss per share for the year of 79.9p.

The introduction of FRS 3 means that extraordinary items are rare and items such as gains or losses on closure or disposal of businesses or investments are now included as part of the results of ordinary activities. This gives rise to fluctuations in the levels of earnings and earnings per share reported. The effect is illustrated in the earnings per ordinary share chart on page 2.

Dividend

The Annual General Meeting will be asked to confirm a second interim Ordinary dividend to shareholders of 34p per £1 Ordinary Share as the final dividend for 1992, payable on 29 April 1993. Together with the interim dividend of 21p per £1 Ordinary Share paid on 5 October 1992, this makes a total Ordinary dividend of 55p for the year. The gross equivalent (including the related tax credit) at the current basic rate of income tax is 73p. The payment of these dividends will absorb £393m (1991 £331m). The dividends in respect of 1992 will be paid out of the Company's distributable reserves.

Investments

To limit cash commitments in the present recession, fixed capital authorizations were again tightly controlled in 1992 and held to a level of £739m. Major authorizations during the year included a joint venture plant to produce 'Klea' 134a refrigerant in Japan and new manufacturing facilities for 'Zoladex' and 'Merrem', ICI's cancer treatment and antibiotic drugs. A significant number of

Group authorizations and expenditure on fixed assets

£m	Authorized			Expenditure		
	1990	1991	1992	1990	1991	1992
Tangible Fixed Assets						
United Kingdom	440	343	233	466	345	328
Continental Europe	78	144	102	110	102	131
The Americas	202	120	251	198	159	178
Other countries	143	167	153	272	281	177
	863	777	739	1,013	887	810
Total authorized but unspent at end of year				886	776	705
Acquisitions and new investments				497	60	92
Disposals				(907)	(526)	(206)

the 1992 capital authorizations were for improving safety and environmental performance. Capital expenditure at £810m was 9% below the 1991 figure.

Acquisitions and new investments totalling £69m were made during the year. Disposals amounted to £206m and included the salt business, the Corsodyl dental care product range, the Francolor Pigments SA colours business, and Paints' aerospace and defence coatings business.

Cash Flow and Finance

The net cash inflow from operating activities in 1992 was £926m (1991 £1,458m). The decrease was mainly due to lower cash generation from trading. Returns on investments and servicing of finance (comprising dividends paid and interest paid less received) amounted to £610m (1991 £594m). Tax paid was £98m, £189m lower than in 1991 due to tax refunds received.

Investing activities resulted in a cash outflow of £672m (1991 £434m). A reduction of £80m in cash expenditure on fixed assets was offset by a £299m fall in proceeds from disposals.

The above produced a net cash outflow before financing of £454m in 1992 compared to a net cash inflow of

£144m in 1991. A net repayment of finance gave a net cash outflow from financing of £24m, leading to an overall decrease in cash and cash equivalents of £478m (1991 increase, £333m).

Major new borrowings included US\$200m of Medium-Term Notes repayable in 2002, US\$225m of Guaranteed Notes and Swiss Franc 150m Bonds repayable in 1997. Loan repayments exceeded new borrowings by £16m during the year.

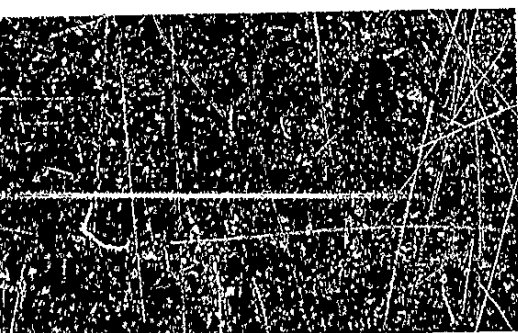
ICI issued 3.4 million Ordinary Shares in 1992. Of these, 1.4 million were issued under employees' share option schemes and 2.0 million related to the Employees' Profit-Sharing Scheme. The total value of Ordinary Shares issued, including share premium, was £36m (1991 £26m).

Despite the difficult trading year brought about by continued worldwide recession, the Group's financial position remains sound with adequate working capital resources to meet its future needs. Capital gearing was 39.8% at the end of 1992.

Research

Solutions through science

Successful research and technology demand vision. That vision must anticipate what the world needs to make it a healthier, safer, better place. 'Wait and see' is not part of ICI's philosophy. Realising the vision means getting it right, time and time again.



ICI, through the proven success of products ranging from the anti-cancer medicines, 'Nolvadex' and 'Zoladex', to the introduction of water-based paints, has consistently demonstrated its ability to turn science into solutions.

Success, though, does not depend on vision alone. It is essential to focus clearly and to target resources on selected strategic projects. The Group's academic links with more than 100 universities and many research organisations across the world allow the relevance of basic research to be assessed before company programmes are initiated.

This year, research spending reached £721 million. Of this, some 50 per cent was used for the development of new products and processes; 20 per cent was spent on

technical service and support to ensure that existing businesses maintain their position; and almost 30 per cent went on exploratory work towards the invention and discovery of new products and processes.

In each business, ICI aims to shorten the development time for new products. There is increasing emphasis on better process technology as a means of raising efficiency, lowering costs and adding quality.

Throughout the world there is growing need to bring down the cost of healthcare. One way to do so is by developing more effective medicines.

The effects of asthma have long

been a drain on health services. In the UK alone, asthma results in 2.7 million GP consultations and 100,000 hospital admissions a year. The incidence of asthma among children is about double that for adults.

The pharmaceuticals business is working intensively on developing a new anti-asthma treatment – 'Accolate', a selective leukotriene antagonist. The discovery that leukotrienes are natural chemicals which cause constriction of the airways in the lungs signalled intensive research into improved asthma treatment. The results of early studies of 'Accolate' in patients with asthma are encouraging and major clinical studies are under way in the USA and Europe.

Successful research programmes depend on spotting what to target and appreciating both overall benefits for society and commercial potential. 'Accolate' is one example; another is Agrochemicals' new fungicide, code-named ICIA 5504. Enhancing international food production, quality and efficiency to reduce the 30 per cent annual loss to pests, diseases and weeds is vital. ICIA 5504, now being developed to protect crops such as cereals, rice, vines and vegetables, could play its part in that challenge. Its breadth of disease control is regarded as an impressive feature which means that the compound should be appropriate across a wide range of crops and countries.

The seeds business, which operates an international research network, aims to develop crops with novel characteristics, ranging from improved resistance to insects, disease, climatic stress and pest attacks, to superior nutritional content and controlled ripening.

Genetic fingerprinting techniques should enable Seeds to reduce

Above left: DNA profiling – invaluable in seed breeding. Above right: 'Biopol' biodegradable plastic is now being developed for surgical implants.

significantly the development time of several corn hybrids which can tolerate modern herbicides

Research work at Seeds also includes genetic modification to improve the overall flavour of fresh and processed tomatoes. And it is also possible to control other aspects of the ripening process. These achievements may point the way to enhancing the quality of peaches and melons, with possible application to other crops as well.

Seeds is also involved in a long-term research project to evaluate the possibility of producing the natural polymer PHB (polyhydroxybutyrate) in crop plants. PHB is an integral component of 'Biopol' biodegradable resins, currently made by fermentation. 'Biopol' is the responsibility of the specialties business and can be biodegraded, recycled or incinerated. ICI believes it to be the only natural, moisture-resistant, fully biodegradable packaging material on the market.

Thanks to its ready resorption in

the body medical applications are being developed which could reduce follow-up surgery, lessening patient trauma.

A determination to anticipate customer requirements led ICI Chemicals & Polymers (C&P) to commercialise its 'Melinar' B95A 'Laser' grade of PET for making plastic bottles. This ultra-clear material is an important step towards achieving technical leadership in Europe.

A major contribution to improving the environment is C&P's 'Klea' 134a and new 'Klea' 32 ozone-benign replacements for CFCs and HCFCs. Commercial production of these was only made possible by a catalyst developed and manufactured by ICI Katalco. Development work includes blending 'Klea' 134a and 'Klea' 32 for low temperature food refrigeration. Complementing C&P's work on 'Klea' is ICI Polyurethanes' successful research and development of low-CFC and CFC-free foams, including those which can be used for refrigerator insulation.

Putting the accent on environmentally compatible products while still creating what the customer wants is a constant technological challenge. At ICI Paints, the development of waterborne basecoats for motor manufacturers was a significant step away from solvent-based technology and 'Aquadase' is successfully established with original equipment manufacturers. Now, after seven years' research and development to meet the different needs of car repair, 'Aquadase' has also been launched for the refinish market, which demands a product with long shelf-life, able to satisfy the demands for literally thousands of current and historic colours.

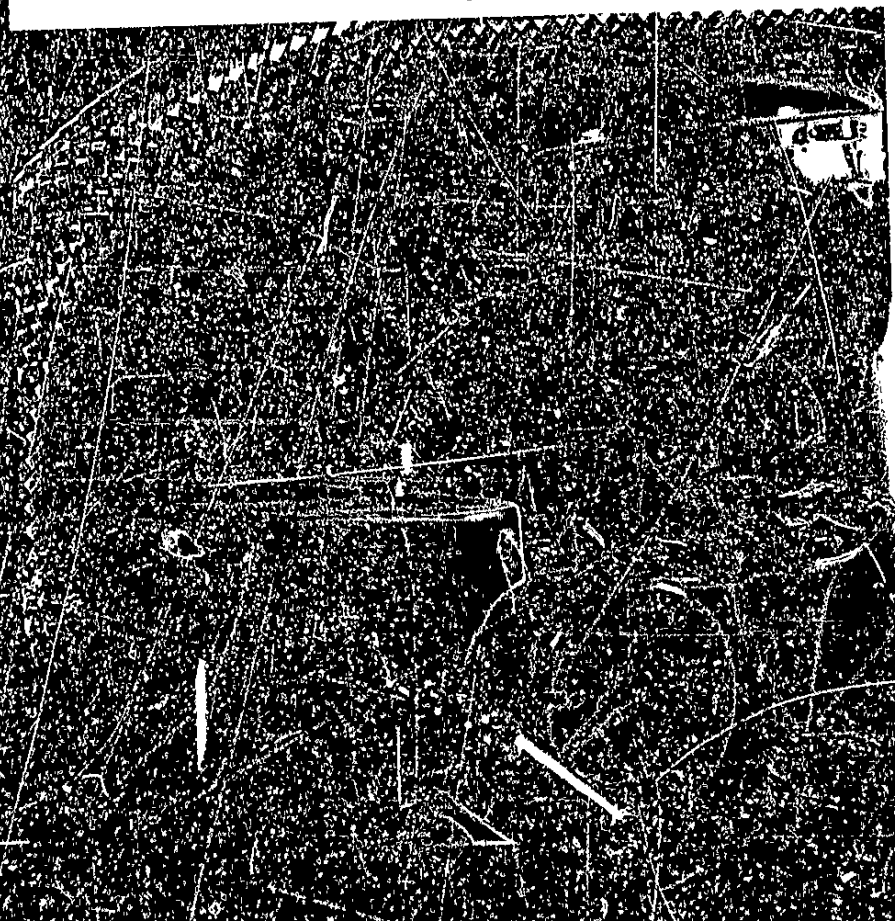
ICI Explosives is also serving the motor industry. It recently developed a new pyrotechnic material - 'Enerfoil' - that could simplify the manufacture of vehicle airbags. 'Enerfoil' ignites the gas generator cartridge to fill the airbag completely in less than 50 milliseconds. ICI Explosives expects continued rapid expansion in the world market for pyrotechnic components in the automotive industry as manufacturers respond to the growing demand for safer vehicles.

Its vision of the market-place, plus the powerful combination of commitment to research and advanced technology, enables ICI to invent and develop new products to meet demanding market needs.

ICI's research and technology helps ease pain and suffering, helps feed people across the world, helps to improve the environment.

It is helping to safeguard our future.

Pharmaceuticals' research in the high pressure laboratories at Alderley Park, UK.



SAFETY, HEALTH & THE ENVIRONMENT

ICI continuously seeks to protect the safety and health of its employees and to improve its environmental performance. In 1992, the Group's total expenditure on safety, health and the environment came to £777 million.

Safety

The number of lost-time accidents throughout the ICI Group fell in 1992 by 22 per cent – the fifth successive annual reduction. The level of compliance with ICI Group Safety Standards continues to improve among ICI businesses: 62 sites and departments reported a million or more working hours without a lost-time accident. And for the second year running, the ICI Group together with all its businesses in the UK won the Chemical Industries Association Annual Safety Award.

Sadly, seven staff died on company business: a janitor in a fall in the USA, two electricians in Germany and Uruguay, a motor cyclist in the UK, two staff in motor accidents in France and

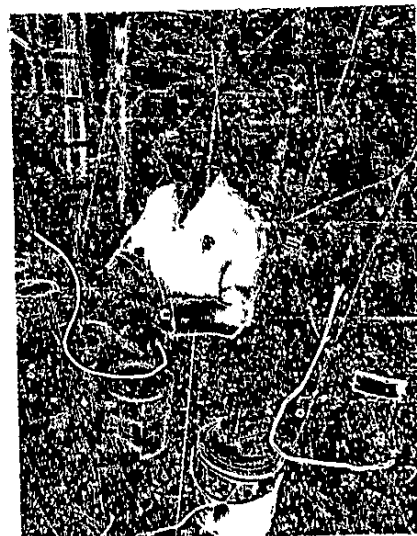
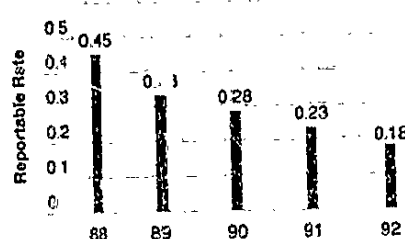
one in an aircraft in Freetown, Sierra Leone.

Three contractors also died. The generally improving trend in Group premises highlights the problem of road accidents which are now the main cause of work-related deaths among ICI staff. Group policy is to investigate all accidents involving company vehicles or staff travelling on company business just as thoroughly as accidents on site. The findings are regularly reviewed in order to try and prevent future accidents. One recent initiative has been extra training for staff who drive on company business.

The ICI award for safe contractors is now established as an annual event. The winner in 1992 was Palmers Scaffoldng Limited of Manchester.

The ICI international businesses have all been involved this year in three worldwide safety initiatives. The first was the publication of a manual to formalise the process whereby Group policy on safety, health and the environment is translated into standards, guidelines and local workplace procedures – these in turn being audited and the findings fed back to the ICI Board. The second has been a 'Safety through People' campaign, backed by a new publication that summarises the best safety techniques from around the ICI Group. The third was the launch of a quarterly electronic

Group Reportable Accidents
0.6 per 100,000 working hours



Occupational health in action. A member of the Paints' occupational health team at Slough, UK.

noticeboard for the exchange of news and information on safety matters.

Alongside its own internal initiatives, ICI supports the worldwide chemical industry's 'Responsible Care' campaign which year-on-year seeks to raise safety, health and environmental standards.

Health

ICI defines occupational health not only as caring for the Group's employees but also as safeguarding the health of its customers and the local community. To this end it has built up a first-class occupational health function with well trained staff in all the Group's businesses and territories. The work of doctors and nurses is complemented by other specialisms such as toxicology, occupational hygiene and epidemiology. ICI is one of few UK companies with an epidemiology unit, responsible for gathering data for the Group's own occupational health records.

All the activities of the occupational health function, including its work in

general trade's management and subject to policies, standards and guidelines defined and agreed across the Group. Auditing systems mean that all priorities are monitored with a view to ensuring that deficiencies are identified and corrected.

The function benefits from a computerised datasheet system with details of approximately 6 700 chemicals. The system is being developed to enable offices around the world to call up information in any one of several languages.

The Environment

In March 1992, ICI published its first report on the Group's progress towards meeting its environmental objectives. Announced at the end of 1990, these objectives covered the environmental performance of new plant, the reduction of waste, the saving of energy and resources and the promotion of recycling among ICI customers. 1992 has seen further progress. Details are published in a second environmental report issued to shareholders with this ICI Annual Report.

ICI's objectives and the ever more rigorous requirements of the law mean there can be no let up in the Group's determination to improve its environmental performance, even in a tough economic climate with mounting pressure on costs. The Group's policy in 1992 has been to concentrate on the priorities, particularly the reduction of hazardous waste. The results here have been encouraging. Work has also continued on a range of products and services that actively benefit the environment; again, details are in the report.

ICI's commitment to phasing out the production of CFCs remains as

strong as ever. Initial design and replacement of CFCs is now in production at sites in the UK and USA. ICI was the first company to begin producing another HFC, HFC-22. This will allow the users of low-temperature refrigeration and air conditioning to move away not only from CFCs but also from HCFCs which are now themselves regulated by the Montreal Protocol.

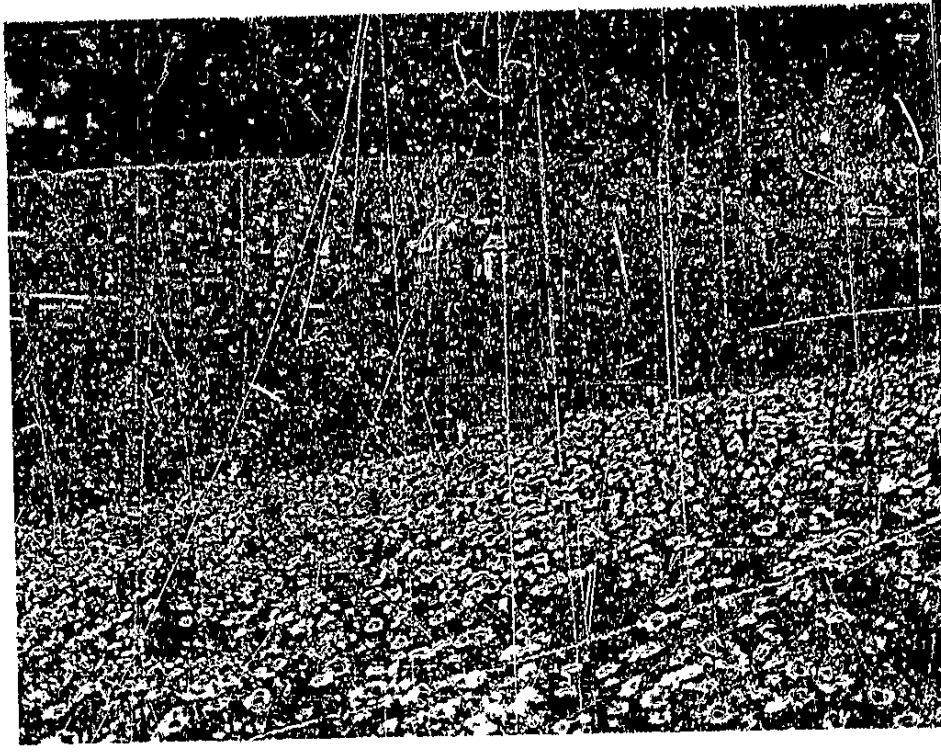
In May, Sir Denys Henderson opened new facilities at the Group Environmental Laboratory at Brighthelm, UK. These will enhance the centre's reputation as a world authority on pollution control and further ICI's work in developing new processes for the treatment of waste.

One theme of this year has been better community relations through liaison between ICI's manufacturing sites and their neighbours. Greater

efforts are being made to provide information on site activities and their impacts such as safety, health and environmental performance.

Wherever it considers appropriate and where they can reasonably be predicted, ICI provides for the expected future costs of cleaning up old waste disposal and other sites and of complying with increasingly stringent environmental legislation. Although the costs of such compliance are difficult to predict, provisions have been established at 31 December 1992 in accordance with the accounting policy noted on page 87. Taking these provisions into account, ICI believes that the cost to the Group of complying with its existing identified environmental obligations, as it currently views these obligations, is unlikely to impair materially the Group's financial position.

An ICI conservation scheme known as Nature Link now operates at selected manufacturing sites around the world.



PEOPLE AND THE COMMUNITY

ICI aims to offer a challenging career to all its employees and to provide the training and opportunities that will allow them to fulfil their potential. It also seeks to play a full part in the local community, both through donations and through the active involvement of its employees.

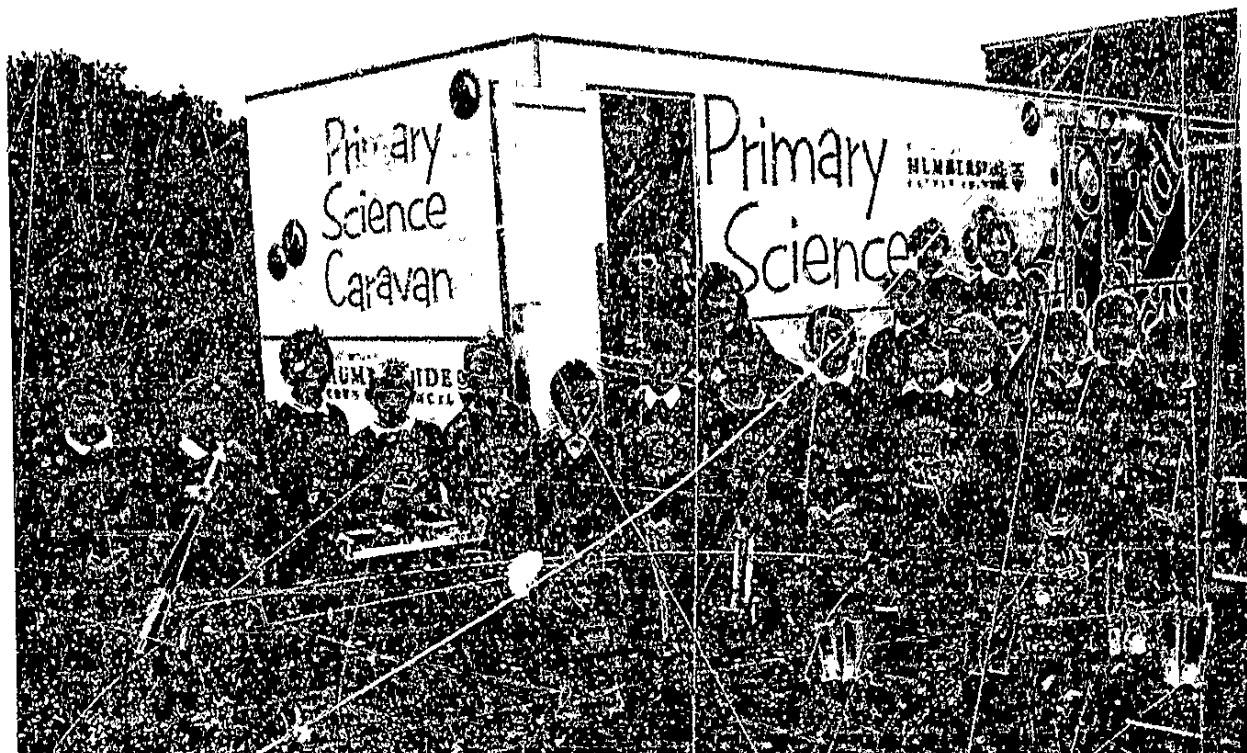
The average number of employees per site by the Group in 1992 was 117,500 worldwide. Of the total, 33 per cent are in the UK, 15 per cent in Continental Europe, 25 per cent in the Americas, 13 per cent in Asia Pacific and 9 per cent in other countries. During the year, some 730 employees were working and contributing outside their home base, broadening their own experience and helping to transfer ideas, technology and best practice across national boundaries.

In line with its philosophy that all employees should have appropriate opportunities to develop, ICI has prepared a training and development code of practice. Its aim is to foster a 'development partnership' between managers and their staff so that both sides together can identify the kind of training that is needed and help each other in planning, delivering and evaluating appropriate solutions.

At present, the code is being introduced to managers and professionals in Europe; the aim ultimately is to see it used worldwide. Once fully implemented, the code will ensure that ICI's performance in this area is equal to the best international practice.

Three years ago, the Chairman initiated a wide-ranging programme to help the Group achieve a fuller understanding of its customers' needs. A key part of this initiative has been practical training for ICI managers. This takes the form of 'market focus' workshops and so far some 2,000 staff have taken part. The programme will continue with greater emphasis in future on tailoring the workshops to particular businesses and functions. An important addition has been to involve the

Tioxide's initiatives to help improve science education include this mobile science laboratory which tours UK schools.



ICI has been able to have again been active in helping out for a community. The following are a small sample of the year's projects.

When ICI Pharmaceuticals won a Queen's Award for Technological Achievement, the staff at Alderley Park in the UK asked that the event be marked by donations to local causes. Three gifts of £15,000 went to the Macclesfield scanner appeal, a local hospice and the funding of a residential unit to enable parents of children with cancer to stay with them in hospital. In a separate initiative, the business provided medical supplies to help victims of the war in Bosnia. After TV broadcasts showing Bosnian children undergoing operations without anaesthetics, ICI Pharmaceuticals sent £130,000 worth of 'Diprivan' anaesthetic from its factory in Italy to the Red Cross in Zagreb. It also supplied antiseptics and disposable operating gowns.

Meanwhile in Paris, I.C.I. France has been sponsoring the restoration of the largest painting in the Louvre – Veronese's 'The Wedding at Cana'. After three years' work, the 430-year-old masterpiece finally went back on display in November 1992, revealing a wealth of detail previously lost through age and discoloration.

Also helping the arts was ICI Glidden in the USA which donated the paint for a 200-foot long mural at a railway station in Cleveland. It also provided technical advice for the project and helped to select the winning design in co-operation with the City of Cleveland and the Cleveland Institute of



In Vietnam, ICI is helping a Save The Children Fund project to improve primary healthcare and set up farming schemes for food and income.

Art. Among its many community activities, ICI Glidden supports United Way, an umbrella organisation that raises funds for hundreds of charitable causes.

Recognising that a better environment depends very much on individuals taking the initiative within their own communities, ICI Americas and ICI Canada have jointly developed an Ecogrant programme to support their employees and retirees in local environmental projects. Fifteen Ecogrants were awarded in 1992.

When the River Jhelum in Pakistan flooded its banks in September, putting much of the surrounding area under ten feet of water, ICI Pakistan donated cash and practical aid. Besides other assistance, ICI engineers from the plant at Khewra worked alongside the army and the Highways Department to pump away water and re-open roads. As part of its long-term work in the community, ICI Pakistan has teamed up with a local charity to provide free medical treatment for the people of Khewra.

ICI's support for the Save The Children Fund will enable the charity to

develop its work in Vietnam.

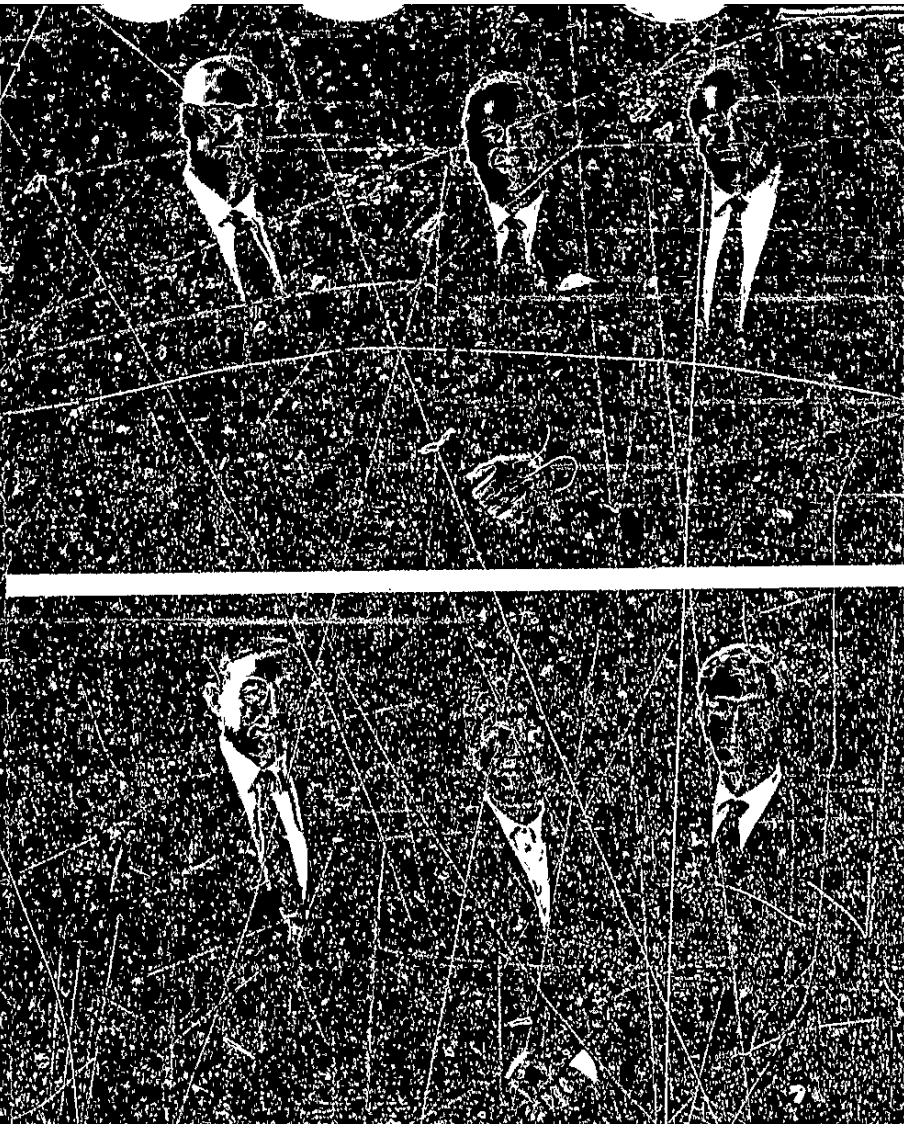
Money from ICI will go to improving healthcare and setting up farming projects to generate food and income in the northern province of Nghe Tinh. If the projects here prove successful, they could become a model for similar schemes elsewhere in the country.

ICI (South Africa) Limited made an important contribution towards multi-racial education in the country by becoming one of the sponsors of the mixed-race Woodmead preparatory school which opened officially in July.

Within the UK, ICI's expenditure on community projects and charitable donations in 1992 amounted to £5.5 million. Charitable donations alone came to £3.0 million (£3.2 million in 1991). Of the total, £2.5 million was spent by local units, who also gave some 60 years of staff time to their communities. As in previous years, ICI made no donations for political purposes.

BOARD OF DIRECTORS

Since its formation in 1926, the Company's Board has included a strong representation of Non-Executive Directors. The present Non-Executives are drawn from a wide range of business backgrounds in the UK and overseas.



Sir Richard Greenbury*

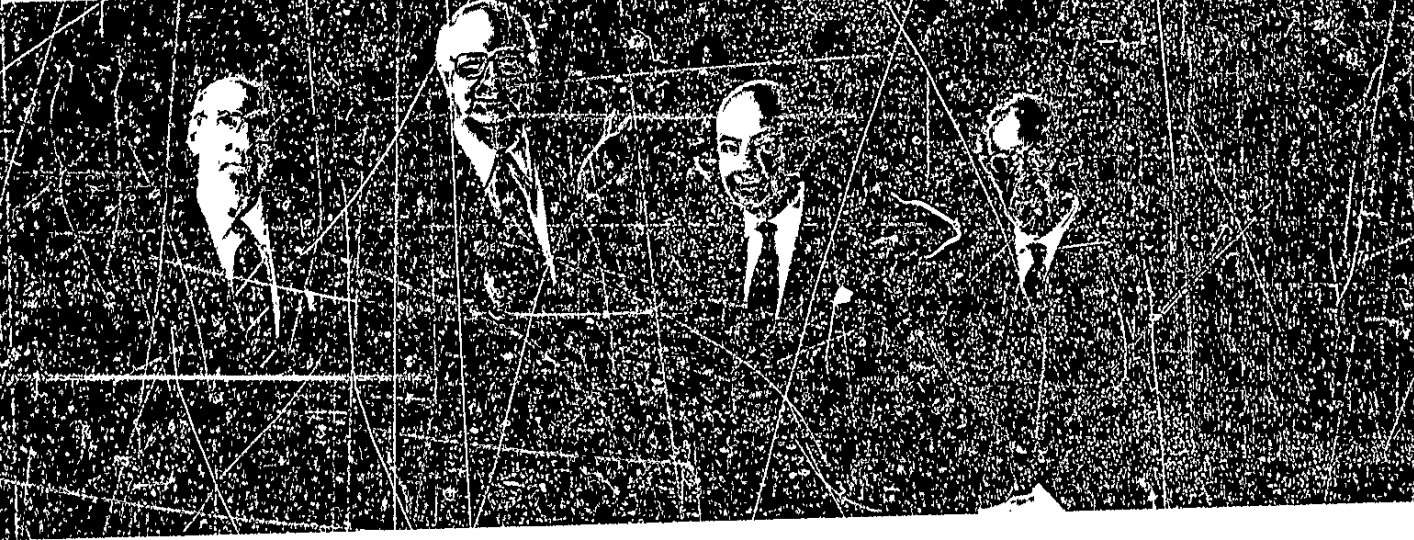
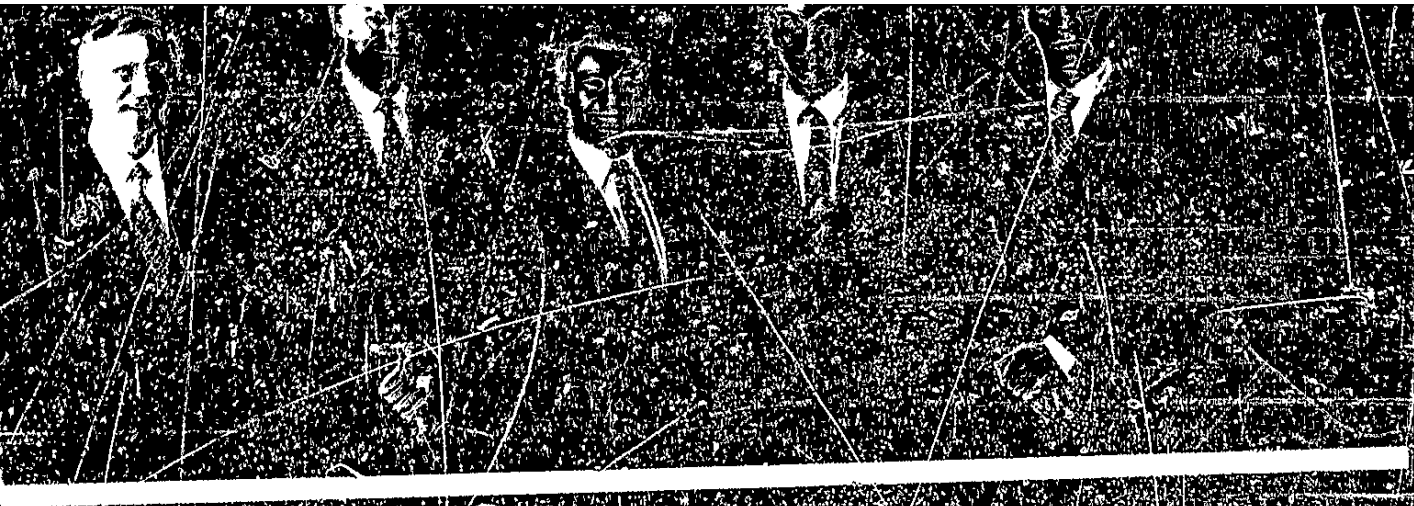
Sir Denys Henderson

R C Hampel

J D F Barnes, CBE*

Miss Ellen R
Schneider-Lenne

C M Short



Lord Chilver, FRS*

T H Wyman*

P Doyle, CBE*

R J Margetts

Sir Antony Pilkington

G Hampson

P A Volker

Sir Jeremy Morse,
KCMG*

A T G Rodgers*

CORPORATE INFORMATION

Board of Directors

The names of the Directors of the Company at the date of this Report are shown on pages 28 and 29. With the exception of Sir Richard Greenbury and Mr R J Margetts who were appointed a Non-Executive and Executive Director respectively with effect from 1 July and 1 September, all served as Directors for the whole of the year.

Mr F Whiteley was Deputy Chairman of the Company until 30 November 1992 when he retired from the Company's service. Mr Whiteley joined ICI in 1955 and was appointed Chairman of the Agricultural Division in 1977. He joined the ICI Board in 1979 and was appointed Deputy Chairman in 1987. His additional responsibilities included personnel matters and Group overview for engineering. The Board is indebted to Mr Whiteley for his wise counsel and sound judgement during a long and distinguished career.

Sir Patrick Meaney, a Non-Executive Director of the Company since 1981, sadly died in July 1992. He made a major contribution to the Board's affairs over many years and was Chairman of the Remuneration Committee from 1991. The Board will greatly miss his common sense and good humour.

Sir Peter Allen

It is with deep regret that the Board records the death, on 24 January 1993, of Sir Peter Allen, who was Chairman of the Company between 1968 and 1971.

Directors Recommended for Re-election

Under Article 74, Sir Richard Greenbury and Mr R J Margetts retire, together with Lord Chilver, Mr C Hampson, Sir Antony Pilkington and Mr T H Wyman who retire under Article 92. All are recommended for re-election. However, if the demerger proposals are approved

at an Extraordinary General Meeting of the Company intended to be held prior to 25 June 1993, Lord Chilver, Sir Richard Greenbury and Mr T H Wyman will cease to be Directors of the Company on the date of demerger.

Mr C Hampson and Mr R J Margetts each has a service contract with the Company which is subject to termination by either party giving not less than three years' notice at any time; each contract also terminates when the age of 62 is attained, unless it is extended by agreement at the request of the Company.

Directors' Interests

At no time during the year has any Director had any material interest in a contract with the Company, being a contract of significance in relation to the Company's business. A statement of Directors' interests in shares and debentures of the Company and its subsidiaries is set out on page 59.

Insurance for Officers

The Company maintains directors' and officers' liability insurance which provides insurance cover for Directors and other Officers of Group companies, including those of the Company, against liabilities which they may incur personally as a consequence of claims made against them alleging breach of duty or other wrongful acts or omissions in their capacity as Directors or Officers.

Employment in the UK

Employee involvement

ICI seeks to maintain an open management style, involving its employees in frequent discussions on day-to-day operations and matters affecting the business. Informal consultation within work groups is backed by a three-tier system of formal consultation between the ICI Chairman,

senior management and workplace representatives covering each works or department, each business unit and the UK as a whole. Two further representative sub-committees, chaired by an Executive Director, discuss business prospects and investment plans in more detail. They are supported by similar committees in business units.

Employees' profit-sharing scheme

The Company has operated an employees' profit-sharing scheme since 1954 and employee share option schemes since 1980.

The proposed demerger of Zeneca will fundamentally affect the existing profit-sharing arrangements. The Company is therefore proposing to suspend the scheme for 1993.

In the circumstances the Company has declared a bonus rate for 1992 of 3.0p per £1 of remuneration (at a total cost of £27m) compared with 3.5p (£31m) in 1991, although the application of the pre-determined scale would have produced no bonus payment.

If the demerger is implemented, both the Company and ZENECA Group PLC will make proposals to their respective employees as to how the scheme might be appropriately replaced in 1994.

Equal opportunities

ICI believes that every employee should be treated with the same respect. It values the diversity and creative potential that men and women with differing backgrounds and abilities can bring to the ICI community. It seeks to encourage a culture of equal opportunities in which personal success depends solely on individual merit and performance.

To this end, it is ICI's policy that there should be no discrimination against any person for any reason that is not relevant to the effective performance of their job. All judgements about people

for the purposes of recruitment, development and promotion will be made solely on the basis of their ability and potential in relation to the needs of the job.

To support equal opportunities for its women employees, ICI offers career breaks, extended maternity pay and flexibility in working hours. It also operates a clear policy against sexual harassment.

Every manager is responsible for ensuring that equal opportunities policies are actively pursued and put into practice. Further measures have been taken to help women combine career and family responsibilities: for example, a new custom-built creche has been opened at Wilton, UK.

Employment of the disabled

Disabled people are given the same consideration as others when they apply for jobs. Depending on their skills and abilities, they enjoy the same career prospects as other employees and the same scope for realising their potential.

As a member of the Employers' Forum on Disability, ICI was involved in 1992 in the launch of the Employers' Agenda on Disability.

Training and development

All employees are fully trained to do their immediate jobs. They are also given the opportunity to develop further as individuals and to pursue career opportunities consistent with their abilities.

In 1992, ICI published a new Training and Development Code of Practice, aimed at ensuring that ICI's performance matched the best international practice.

Graduates

Despite the recession, ICI maintained a reasonable level of graduate recruitment and maintained a high proportion of women graduates and graduates from

ethnic minorities. Graduate employees are making a significant contribution to the company's innovative ventures, with particular involvement in

Pensions

Further rationalisation of ICI's pension arrangements in the UK included the merger of Imperial Chemical's Supplementary Pension Fund with the ICI Pension Fund in September. A full actuarial valuation of both Funds was carried out as at 31 March 1992 and showed a satisfactory state of solvency, but indicated that the Company's contribution rate should increase from 13.6 per cent to 18.1 per cent of salaries in April 1993 to meet pension obligations.

Pensions in payment were raised by 4.0 per cent from November 1992, this increase being financed by resources within the Fund.

Arrangements were made for ZENECA Limited to become a Contributing Company of the ICI Pension Fund on 1 January 1993.

Associated Undertakings

Information on the two largest associated companies is given below and details of ICI's investments in these companies are given on page 62.

European Vinyls Corporation (Holdings) BV

European Vinyls Corporation (Holdings) BV (EVC) is jointly owned by ICI and EniChem SpA and produces vinyl chloride monomer, polyvinyl chloride (PVC) and a range of PVC compounds and fabricated products. In the early part of 1992 there were some signs of improvement in demand within the industry, but these were not sustained. Although economic conditions in Europe remained difficult, EVC was able to make some reduction in its losses.

AECI Ltd

AECI Ltd, the South African group in which ICI has a 35 per cent interest, produces a wide range of general chemicals, plastics, vinyl products, paints, industrial explosives, fibres and fertilisers.

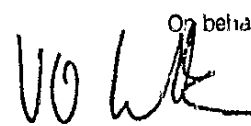
Sales by AECI were R5 48m in 1992 (1991: R5 58m) and trading profit was R403m (R437m). Earnings per ordinary share were 100 cents (121 cents).

Employment in South Africa

ICI constantly seeks to improve the employment conditions and overall welfare of its employees in South Africa. The Company's latest report to the UK Government on its implementation of the EC Code of Conduct is available on request.

Auditors

A resolution re-appointing KPMG Peat Marwick as Auditors of the Company and authorising the Directors to agree their remuneration will be submitted to the Annual General Meeting. The remuneration and expenses of the Auditors in respect of the statutory report to the members of the Company for the year 1992, provided for in the Group accounts, amounted to £355,000 (1991: £325,000). The total figure for the Group was £5.2m (1991: £4.7m) which includes charges for audits of subsidiary companies in the UK and overseas, both for the purposes of consolidation into the Group accounts and to meet statutory requirements of the countries in which subsidiaries operate.

On behalf of the Board

V O White
Secretary

Imperial Chemical House
Millbank, London SW1P 3JF
8 March 1993

CORPORATE GOVERNANCE

The Board welcomes the recent Report of the Cadbury Committee on the Financial Aspects of Corporate Governance. The Company is in full compliance with its Code of Best Practice, so far as this is possible in the absence of guidelines yet to be issued by the accountancy bodies.

Membership of the Board Committees is set out below.

Audit Committee

Members:

T H Wyman (Chairman)

Lord Oliver

Sir Antony Pilkington

Terms of Reference:

To assist the Board in the discharge of its responsibilities for corporate governance, financial reporting and corporate control.

Remuneration and Nomination Committee

Members:

T H Wyman (Chairman)

The Non-Executive Directors

Terms of Reference:

To determine employment terms and retirement provisions for Executive Directors and the most senior management in the Company. To exercise the powers of the Directors under the Senior Staff Share Option Schemes. To propose to the Board new appointments of Directors of the Company.

Appeals Committee

Members:

J D F Byrnes (Chairman)

Dr P Doyle

R J Margetts

Sir Jeremy Morse

Terms of Reference:

To determine the policy and practice for the making of charitable donations in the UK.

SENIOR EXECUTIVES

Chief Executive Officers

Agrochemicals and Seeds	A I H Pink
Explosives	R W Clark
Chemicals & Polymers	M E Brogden
Materials	W F Madden
Paints	H M Scopes
Pharmaceuticals	D Friend
Specialties	R Brown
Tioxide Group Limited	A E Pedder

General Managers

Group Solicitor and Secretary	V O White
Finance	A G Spall
Planning	J T Harrison
Personnel	H M Donaldson

Regional Chairman of North America

B H Lochtenberg

Chief Executive of ICI Australia Ltd

W W Haynes

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The Directors are required to present for each accounting period financial statements which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the profit or loss for that period. In preparing the financial statements, suitable accounting policies, framed by reference to reasonable and prudent judgements and estimates, have to be used and applied consistently. Applicable accounting standards also have to be followed, subject to any material departures being disclosed and explained in the notes to the accounts. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors are also responsible for maintaining adequate accounting records so as to enable them to ensure the safeguarding of the assets of the Group, and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT

To the Members of Imperial Chemical Industries PLC.

We have audited the financial statements on pages 34 to 62 in accordance with Auditing Standards.

In our opinion these financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1992 and of the loss and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
8 March 1993

KPMG Post Merwick
Chartered Accountants
Registered Auditors

ACCOUNTS

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GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December	Notes	Before exceptional items 1992 £m	Exceptional items (note 8) 1992 £m	Total 1992 £m	Total 1991 as restated (note 2) £m
Turnover - continuing operations		12,061	—	12,061	12,488
Operating costs	4	(11,451)	(664)	(12,115)	(11,591)
Other operating income	4	125	—	125	100
Trading profit - continuing operations	4	735	(664)	71	1,006
Share of profits less losses of associated undertakings	6	46	(19)	27	30
Losses less profits on sale or closure of operations		—	(191)	(191)	16
Provisions for costs of reorganisation		—	(75)	(75)	—
Profit on disposal of fixed assets		—	—	—	1
Profit (loss) on ordinary activities before interest		781	(949)	(168)	1,063
Net interest payable	7	(216)	—	(216)	(220)
Profit (loss) on ordinary activities before taxation		565	(949)	(384)	843
Tax on profit (loss) on ordinary activities	8	(200)	17	(183)	(275)
Profit (loss) on ordinary activities after taxation		365	(932)	(567)	564
Attributable to minorities		(17)	14	(3)	(2)
Net profit (loss) for the financial year		348	(918)	(570)	542
Dividends	10			(393)	(391)
Profit (loss) retained for year				(953)	151
Earnings (loss) per £1 Ordinary Share	11	48.8p		(79.9)p	76.4p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1992 £m	1991 £m
Net profit (loss) for the financial year	(570)	542
Currency translation differences on foreign currency net investments and related loans	444	73
Unrealized gains (losses) on trade investments and other items	(6)	(37)
Total recognised gains (losses) relating to the year	(132)	575

£m means millions of pounds sterling.

BALANCE SHEETS

At 31 December	Notes	Group		Company	
		1992 £m	1991 £m	1992 £m	1991 £m
ASSETS EMPLOYED					
Fixed assets					
Tangible assets	12	5,634	5,126	353	1,079
Investments					
Subsidiary undertakings	13			5,800	4,347
Participating interests	14	455	396	255	222
		6,089	5,524	6,408	5,648
Current assets					
Stocks	15	2,273	2,025	417	379
Debtors	16	3,033	2,710	4,641	815
Investments and short-term deposits	17	507	608	—	—
Cash	17	220	197	12	5
		6,033	5,546	5,070	1,202
Total assets		12,122	11,070	11,478	6,850
Creditors due within one year					
Short-term borrowings	18	(671)	(296)	(17)	(10)
Current instalments of loans	20	(282)	(220)	(75)	(156)
Other creditors	19	(3,424)	(2,894)	(6,031)	(1,281)
		(4,377)	(3,410)	(6,123)	(1,447)
Net current assets (liabilities)		1,656	2,136	(1,053)	(245)
Total assets less current liabilities		7,745	7,660	5,355	5,403
FINANCED BY					
Creditors due after more than one year					
Loans	20	1,984	1,763	325	400
Other creditors	19	136	159	1,207	1,053
		2,152	1,922	1,532	1,453
Provisions for liabilities and charges	21	956	606	35	14
Deferred income: Grants not yet credited to profit		49	52	4	5
Minority interests		302	288	—	—
Capital and reserves attributable to parent company					
Called-up share capital	22	714	711	714	711
Reserves					
Share premium account		502	469	502	469
Revaluation reserve		63	56	—	—
Other reserves		546	399	541	436
Profit and loss account		2,423	3,131	2,027	2,315
Associated undertakings' reserves		33	26	—	—
Total reserves	23	3,572	4,081	3,070	3,220
Total capital and reserves attributable to parent company	24	4,286	4,792	3,784	3,931
		7,745	7,660	5,355	5,403

The accounts on pages 34 to 62 were approved by the Board of Directors on 8 March 1993 and were signed on its behalf by:

Sir Denys Henderson

Director

C. M. Short

Director

A. G. Spall

General Manager - Finance

STATEMENT OF GROUP CASH FLOW

<i>For the year ended 31 December</i>	<i>Notes</i>	1992 £m	1991 £m
Cash inflow from operating activities			
Net cash inflow from trading operations	25	1,193	1,651
Outflow related to exceptional items	26	(227)	(199)
Net cash inflow from operating activities		926	1,458
Returns on investments and servicing of finance			
Interest and dividends received	27	100	97
Interest paid		(293)	(294)
Dividends paid by parent company		(392)	(390)
Dividends paid by subsidiary undertakings to minority interests		(25)	(7)
Net cash outflow from returns on investments and servicing of finance		(610)	(594)
Tax paid		(98)	(286)
Investing activities			
Cash expenditure on tangible fixed assets	12	(816)	(896)
Acquisitions and new fixed asset investments	28	(59)	(57)
Disposals	29	215	514
Realisation of short-term investments and deposits		(12)	5
Net cash outflow from investing activities		(672)	(434)
Net cash outflow before financing (1991 inflow)		(454)	144
Financing			
Issues of ICI Ordinary Shares		36	10
Net decrease in loans (1991 increase)		(16)	251
Net decrease in lease finance		(13)	(10)
Net decrease in short-term borrowings		(34)	(71)
Issue of shares to minorities by subsidiary undertakings		3	-
Net cash outflow from financing (1991 inflow)	30	(24)	189
Decrease in cash and cash equivalents (1991 increase)	31	(478)	333

ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The following paragraphs describe the main policies. The accounting policies of some overseas subsidiaries do not conform with UK Accounting Standards and, where appropriate, adjustments are made on consolidation in order to present the Group accounts on a consistent basis.

DEPRECIATION

The Group's policy is to write off the book value of each tangible fixed asset evenly over its estimated remaining life. Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impracticable to calculate average asset lives exactly, however, the total lives approximate to 20 years for buildings and 15 years for plant and equipment. Depreciation of assets qualifying for grants is calculated on their full cost.

FOREIGN CURRENCIES

Profit and loss accounts in foreign currencies are translated into sterling at average rates for the relevant accounting periods. Assets and liabilities are translated at exchange rates ruling at the date of the Group balance sheet.

Exchange differences on short-term currency borrowings and deposits are included with net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to trading profit. In the Group accounts exchange differences arising on consolidation of the net investments in overseas subsidiary undertakings and associated undertakings are taken to reserves, as are differences arising on equity investments denominated in foreign currencies in the Company accounts. Differences on relevant foreign currency loans are taken to reserves and offset against the differences on net investments.

GOODWILL

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. UK Accounting Standards require that purchased goodwill be eliminated from the balance sheet either upon acquisition against reserves or by amortization over a period. Elimination against reserves has been selected as appropriate to the goodwill purchases made during recent years. On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the gross amount of any related goodwill previously taken to reserves.

LEASES

Assets held under finance leases are capitalized and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within, or creditors due after, one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to profit and loss account as incurred.

PENSION COSTS

The pension costs relating to UK retirement plans are assessed in accordance with the advice of independent qualified actuaries. The amounts so determined include the regular cost of providing the benefits under the plans which it is intended should remain a level percentage of current and expected future earnings of the employees covered under the plans. Variations from the regular pension cost are spread on a systematic basis over the estimated average remaining service lives of current employees in the plans.

Retirement plans of non-UK subsidiary undertakings are accounted for in accordance with local conditions and practice. With minor exceptions, these subsidiaries recognise the expected cost of providing pensions on a systematic basis over the average remaining service lives of employees in accordance with the advice of independent qualified actuaries.

ASSOCIATED UNDERTAKINGS

The Group's share of the profits less losses of all significant associated undertakings is included in the Group profit and loss account on the equity accounting basis. The holding value of significant associated undertakings in the Group balance sheet is calculated by reference to the Group's equity in the net tangible assets of such undertakings, as shown by the most recent accounts available, adjusted where appropriate.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to profit in the year in which it is incurred.

STOCK VALUATION

Finished goods are stated at the lower of cost or net realizable value, raw materials and other stocks at the lower of cost or replacement price; the first in, first out or an average method of valuation is used. In determining cost for stock valuation purposes, depreciation is included but selling expenses and certain overhead expenses are excluded.

TAXATION

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and for accounting purposes. However, no provision is made for taxation deferred by reliefs unless there is reasonable evidence that such deferred taxation will be payable in the future.

ENVIRONMENTAL LIABILITIES

The Group is exposed to environmental liabilities relating to its past operations, principally in respect of soil and groundwater remediation costs. Provisions for these costs are made when expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes.

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NOTES RELATING TO THE ACCOUNTS

1 COMPOSITION OF THE GROUP

The Group accounts consolidate the accounts of Imperial Chemical Industries PLC (the Company) and its subsidiary undertakings of which there were 673 at 31 December 1992. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 70 subsidiaries made up their accounts to dates earlier than 31 December, but not earlier than 30 September. 1 subsidiary makes up its accounts to 31 March but interim accounts to 31 December are drawn up for consolidation purposes.

2 CHANGES TO ACCOUNTING POLICIES AND PRESENTATION OF FINANCIAL INFORMATION

The presentation of financial information has changed compared with the 1991 Annual Report as a result of the adoption of Accounting Standards issued by the Accounting Standards Board in the past year, including early adoption of Financial Reporting Standard No 3 - 'Reporting Financial Performance' (FRS 3). Prior year's figures have been restated on a comparable basis.

The principal changes in policy and presentation are:

- 1 the profit or loss on disposal or closure of a previously acquired business is calculated after taking account of the gross amount of any related goodwill previously taken directly to reserves;
- 2 items which were previously reported as extraordinary have been reclassified as exceptional;
- 3 the format of the Group Profit and Loss Account has been amended to display separately from trading profit significant profits or losses from sales or closures of operations, fundamental restructuring costs and profits or losses on sales of fixed assets;
- 4 FRS 3 requires separate disclosure of acquisitions and discontinued activities which materially affect the nature and focus of the Group's operations. There were no acquisitions or discontinued operations of a material nature in either 1991 or 1992;
- 5 a statement of recognised gains and losses, and notes on historical cost profits and losses and reconciliation of movements in shareholders' funds are now included.

3 EXCEPTIONAL ITEMS

Owing to the material impact that exceptional items have had on the reported results for the year, these items have been disclosed separately on the face of the profit and loss account so that their overall effect may be better appreciated.

	Group 1992 £m	1991 £m
Charged in arriving at trading profit		
Provisions for environmental liabilities:	(145)	-
Re-assessment to reflect current experience and tightening worldwide requirements.		
Provisions to remediate impaired sites, principally relating to potential soil and groundwater contamination, have been increased to a more prudent level within the range of possible outcomes.		
Provisions for business rationalisation	(510)	-
The cost of restructuring initiatives to address the Group's cost base.		
The initiatives are being taken by all businesses and include actions to streamline operating, corporate and regional support functions. The charge includes employee related costs, principally severance, of £912m and asset write downs and provisions of £160m.		
	(654)	-
Profits (losses) on disposal of associated undertakings and provisions against participating interests		
Profits	8	27
Losses/provisions	(27)	-
	(19)	27
Profits (losses) on sale or closure of operations and related provisions		
Profits	83	15
Losses/provisions	(274)	-
	(191)	15
Provisions for costs of reorganisation in preparation for potential demerger, including professional fees, product registration and labelling costs	(75)	-
Profit on disposal of fixed assets	-	94
Exceptional items within profit (loss) on ordinary activities before taxation	(242)	54
Exceptional tax charges/credits (see note E)	17	-
Attributable to minorities	14	(3)
	(211)	51

NOTES RELATING TO THE ACCOUNTS

4 TRADING PROFIT

	Before exceptional items 1992 £m	Exceptional items (note 3) 1992 £m	Total 1992 £m	Total 1991 £m
Turnover	12,061		12,061	12,488
Operating costs				
Cost of sales	(7,312)	(123)	(7,435)	(7,429)
Distribution costs	(792)	(7)	(799)	(859)
Research and development (£647m (1991 £596m)) and technical service (£74m (1991 £96m))	(721)	(31)	(752)	(692)
Administrative and other expenses	(2,626)	(355)	(2,981)	(2,611)
Exceptional provisions for environmental liabilities	-	(148)	(148)	-
	(11,451)	(664)	(12,115)	(11,591)
Other operating income				
Government grants	12		12	17
Royalties	59		59	41
Other income	54		54	51
	125		125	109
Trading profit (loss)	735	(664)	71	1,006
Total charge for depreciation included above	588	88	676	549
Gross profit, as defined by the Companies Act 1985			4,020	5,059

5 NOTE OF HISTORICAL COST PROFITS AND LOSSES

There were no material differences between reported profits and losses and historical profits and losses on ordinary activities before tax.

6 SHARE OF PROFITS LESS LOSSES OF ASSOCIATED UNDERTAKINGS

	1992 £m	1991 £m
Share of profits less losses		
Share of undistributed profits less losses	20	(26)
Dividend income	19	21
Share of profits less losses before tax	39	(4)
Gains less losses on disposals of investments	5	36
Amounts written off investments (including provisions raised £28m (1991 £9m) and released £6m (1991 £8m))	(17)	(1)
	27	30
Of which accounted for as exceptional	(19)	27

Total dividend income from shares in associated undertakings comprised £8m (1991 £11m) from listed companies and £11m (£10m) from unlisted companies.

7 NET INTEREST PAYABLE

	1992 £m	1991 £m
Interest payable and similar charges		
Loan interest	180	196
Interest on short-term borrowings and other financing costs	98	108
	288	303
Interest receivable and similar income from current asset investments		
Listed redeemable securities	(7)	(18)
Short-term deposits	(63)	(69)
	(70)	(87)
	218	220

Loan interest includes £701m (1991 £101m) on loans not wholly repayable within 5 years.

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1992 £m	1991 £m
ICI and subsidiary undertakings		
United Kingdom taxation	157	136
Corporation tax	(106)	(87)
Double taxation relief	-	(20)
Deferred taxation	51	29
Overseas taxation	169	205
Overseas taxes	(47)	31
Deferred taxation	122	236
	173	265
	10	14
Associated undertakings	183	279
Tax on profit (loss) on ordinary activities		

UK and overseas taxation has been provided on the profits (losses) earned for the periods covered by the Group accounts.
UK corporation tax has been provided at the rate of 33 per cent (1991 33.25 per cent).

	1992 £m	1991 £m
Exceptional tax charges/credits		
Exceptional items included in tax on ordinary activities	30	-
Tax costs of reorganisation prior to potential demerger	(47)	-
Tax relief on exceptional items less deferred tax provisions *	(17)	-
Total exceptional tax		

* Represents tax relief on the exceptional charges offset by a deferred tax provision in respect of UK capital allowances to reflect the expected future tax position of the Group following demerger. It includes a net deferred tax credit of £34m

Deferred taxation.
The amounts of deferred taxation accounted for at the balance sheet date and the potential amounts of deferred taxation are disclosed below.

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Accounted for at balance sheet date (see note 21)	212	52	47	-
Timing differences on UK capital allowances and depreciation	(157)	51	(69)	2
Miscellaneous timing differences	55	103	(22)	8
Not accounted for at balance sheet date	108	329	-	173
UK capital allowances utilized in excess of depreciation charged	(116)	(44)	(44)	20
Miscellaneous timing differences	(8)	285	(44)	193
Full potential deferred taxation	47	388	(66)	201

NOTES RELATING TO THE ACCOUNTS

D SEGMENT INFORMATION

Classes of Business

	Turnover		Profit before taxation			
	1992 £m	1991 £m	Before exceptional items 1992 £m	Before exceptional items 1991 £m	After exceptional items 1992 £m	After exceptional items 1991 £m
Bioscience Products	2,978	2,950	582	682	574	662
Specialty Chemicals and Materials	5,256	5,384	177	180	(128)	187
Industrial Chemicals	3,224	3,612	(24)	135	(214)	135
Regional Businesses	1,164	1,246	(8)	9	(162)	29
	12,622	13,195	727	1,006	20	1,033
Inter-class eliminations	(561)	(707)	8	-	8	-
	12,061	12,488				
Trading profit before exceptional items			735	1,006		
Share of profits less losses of associated undertakings			46	3	27	30
Provisions for environmental liabilities					(148)	-
Provisions for costs of reorganisation					(75)	-
Profit (loss) on ordinary activities before interest			781	1,009	(168)	1,063
Net interest payable			(216)	(220)	(216)	(220)
Profit (loss) on ordinary activities before taxation			565	789	(384)	843

The Group's policy is to transfer products internally at external market prices. £379m (1991 £472m) of the inter-class turnover shown above represents sales from Industrial Chemicals to Specialty Chemicals and Materials.

The environmental provisions are largely associated with former plant sites, and third party sites, not related to current business operations.

	Total assets less current liabilities		Capital expenditure		Depreciation	
	1992 £m	1991 £m	1992 £m	1991 £m	1992 £m	1991 £m
Bioscience Products	1,839	1,626	199	147	125	112
Specialty Chemicals and Materials	3,005	2,994	262	317	306	212
Industrial Chemicals	1,501	1,479	286	339	197	149
Regional Businesses	753	533	72	84	175	76
Net operating assets	7,098	6,531				
Net non-operating assets	647	1,129				
	7,745	7,660	810	887	803	549

Net non-operating assets include assets in course of construction, investments in associated undertakings and other participating interests, current asset investments, short-term deposits and cash, less short-term borrowings, and debtors and creditors relating to taxes and dividends.

9 SEGMENT INFORMATION (continued)

Geographic areas

The information opposite is re-analysed in the table below by geographic area. The figures for each geographic area show the net operating assets owned by and the turnover and profit made by companies located in that area; export sales and related profits are included in the areas from which those sales were made.

	Turnover		Profit before interest and taxation			
	1992 £m	1991 £m	Before exceptional items 1992 £m	1991 £m	After exceptional items 1992 £m	1991 £m
United Kingdom						
Sales in the UK	2,225	2,571				
Sales overseas	3,216	3,079				
	5,441	5,650	124	293	(182)	300
Continental Europe	3,207	3,194	154	191	20	191
The Americas	3,735	3,843	327	391	84	391
Asia Pacific	1,975	1,951	103	99	80	119
Other countries	404	455	22	45	21	45
	14,762	15,093	730	1,019	23	1,046
Inter-area eliminations	(2,701)	(2,605)	5	(13)	5	(13)
	12,061	12,488				
Trading profit before exceptional items			735	1,006		
Share of profits less losses of associated undertakings			46	3	27	30
Provisions for environmental liabilities					(143)	-
Provisions for costs of reorganisation					(75)	-
Profit (loss) on ordinary activities before interest			781	1,009	(168)	1,069

Inter-area turnover shown above includes sales of £2,149m (1991 £2,075m) from the United Kingdom to overseas subsidiaries.

Provisions for environmental liabilities are largely related to sites in The Americas.

	Net operating assets	
	1992 £m	1991 £m
United Kingdom	3,027	2,925
Continental Europe	1,033	997
The Americas	1,589	1,509
Asia Pacific	1,365	987
Other countries	84	53
	7,098	6,531

Geographic markets

	Turnover	
	1992 £m	1991 £m
Turnover in each geographic market in which customers are located		
United Kingdom	2,242	2,592
Continental Europe	3,247	3,196
The Americas	3,736	3,828
Asia Pacific	2,177	2,153
Other countries	659	719
Total turnover	12,061	12,488

NOTES RELATING TO THE ACCOUNTS

9 SEGMENT INFORMATION (continued)

Employees

	1992	1991
Average number of people employed by the Group in		
United Kingdom	45,000	51,000
Continental Europe	17,400	18,000
The Americas	29,000	31,000
Asia Pacific	15,900	16,400
Other countries	10,200	11,600
Total employees	117,500	128,000

The number of people employed by the Group at the end of 1992 was 114,000 (1991 123,600).

10 DIVIDENDS

	1992 pence per £1 Share	1991 pence per £1 Share	1992 £m	1991 £m
Interim, paid 5 October 1992	21p	21p	150	140
Second interim, to be confirmed as final, payable 29 April 1993	34p	34p	243	242
	55p	55p	393	382

11 EARNINGS PER £1 ORDINARY SHARE

	1992	1991
Net profit for the financial year before exceptional items (£m)	348	401
Exceptional items after tax and minorities (£m)	(918)	51
Net profit (loss) for the financial year (£m)	(570)	542
Average Ordinary Shares in issue during year, weighted on a time basis (millions)	713	709
Earnings per £1 Ordinary Share before exceptional items	48.8p	60.2p
Earnings (loss) per £1 Ordinary Share on exceptional items	(128.7)p	7.2p
Earnings (loss) per £1 Ordinary Share	(79.9)p	67.4p

The effect on earnings (loss) per £1 Ordinary Share of the issue of shares under option (note 22) would not be material.

Earnings per £1 Ordinary Share before exceptional items has been calculated to show the impact of exceptional items on the results for the year as such items can have a distorting effect on earnings from year to year and therefore warrant separate consideration.

12 TANGIBLE FIXED ASSETS

	Land and buildings £m	Plant and equipment £m	Payments on account and assets in course of construction £m	Total £m
GROUP				
Cost or as revalued				
At beginning of year	1,768	7,295	874	9,937
Exchange adjustments	196	604	(131)	931
New subsidiary undertakings	3	6		9
Capital expenditure			810	810
Transfers of assets into use	97	788	(885)	
Disposals and other movements	(43)	(324)	(4)	(371)
At end of year	2,021	8,370	620	11,011
Depreciation				
At beginning of year	596	4,214		4,810
Exchange adjustments	60	328		388
Disposals and other movements	(30)	(288)		(318)
Charge for year	69	734		803
At end of year	695	4,968		5,663
Net book value at end 1992	1,326	3,402	620	5,348
Net book value at end 1991	1,172	3,082	874	5,128

The Group depreciation charge of £803m shown above comprises £676m charged in arriving at trading profit and £127m charged within losses less profits on sale or closure of operations.

Capital expenditure in the year of £810m includes capitalized finance leases of £2m; creditors for capital work done but not paid or decreased by £8m; the resulting cash expenditure on tangible fixed assets was £815m.

The net book value of the tangible fixed assets of the Group includes capitalized finance leases of £50m comprising cost of £129m less depreciation of £79m. The depreciation charge for the year in respect of capitalized leases was £5m and finance charges £10m.

COMPANY				
Cost or as revalued				
At beginning of year	426	1,471	144	2,041
Capital expenditure			187	187
Transfer of assets into use	26	109	(135)	
Transfers to subsidiary undertakings	(271)	(899)	(167)	(1,337)
Disposals and other movements	(3)	(82)	2	(83)
At end of year	178	599	31	808
Depreciation				
At beginning of year	124	838		962
Transfers to subsidiary undertakings	(65)	(505)		(570)
Disposals, transfers and other movements	(3)	(78)		(81)
Charge for year	14	150		164
At end of year	50	405		455
Net book value at end 1992	128	194	31	353
Net book value at end 1991	302	633	144	1,079

The transfers to subsidiary undertakings of the Company principally relate to the movement of assets to Zeneca Limited prior to year end in preparation for potential demerger.

NOTES RELATING TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS (continued)

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
The net book value of land and buildings comprised	1,266	1,126	127	297
Freeholds	47	54	2	5
Long leases (over 50 years unexpired)	13	12	-	-
Short leases				
	1,326	1,172	129	302

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Revalued assets included in tangible fixed assets				
At revalued amount	107	111	140	145
Depreciation	37	45	117	121
Net book value	70	66	23	24
At historical cost	59	64	141	142
Depreciation	30	34	125	126
Net book value	29	30	16	16

13 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares £m	Loans £m	Total £m
Cost	2,184	2,319	4,503
At beginning of year	61	247	308
Exchange adjustments	(609)	-	(609)
Transfers to subsidiary undertakings	2,448	-	2,448
Transfers from subsidiary undertakings	122	-	122
Shares received as consideration for transfers	-	810	810
New investments/new loans	-	(1,620)	(1,620)
Disposals/loans repaid	4,200	1,766	5,966
At end of year			
Provisions	(144)	(12)	(156)
At beginning of year	(18)	-	(18)
Exchange adjustments	(41)	(4)	(45)
Additions	57	-	57
Releases	(146)	(16)	(162)
At end of year	4,060	1,740	5,800
Balance sheet value at end 1992	2,040	2,307	4,347
Balance sheet value at end 1991			

Cost includes scrip issues capitalized £15m (1991 £13m).

	1992 £m	1991 £m
Shares in subsidiary undertakings which are listed investments	5	9
Balance sheet value	42	74
Market value		

The Company's investment in its subsidiary undertakings consists of either equity or long term loans, or both. Normal trading balances are included in either debtors or creditors. Information on principal subsidiary undertakings is given on pages 61 and 62.

Movements in the year mainly comprise transfers forming part of the reorganisation in preparation for potential demerger.

14 INVESTMENTS IN PARTICIPATING INTERESTS

	Associated undertakings Shares £m	Loans £m	Other participating interests £m	Total £m
GROUP				
Cost				
At beginning of year	358	17	9	384
Exchange adjustments	66	1	(1)	66
Additions	27	4	-	31
Disposals and repayments	(10)	(9)	(1)	(20)
Other movements	(1)	-	-	(1)
At end of year	440	13	7	460
Share of post-acquisition reserves less losses				
At beginning of year	26			26
Exchange adjustments	(3)			(3)
Retained profits less losses	12			12
Other movements	(2)			(2)
At end of year	33			33
Provisions				
At beginning of year	(8)	(5)	(2)	(15)
Additions	(17)	-	(1)	(18)
Other movements	(5)	-	-	(5)
At end of year	(30)	(5)	(3)	(38)
Balance sheet value at end 1992	443	8	4	455
Balance sheet value at end 1991	377	12	7	396
The above investments included				
1992				
Listed investments - balance sheet value	144	-	-	144
Market value	90	-	-	90
1991				
Listed investments - balance sheet value	126	-	-	126
Market value	118	-	-	118

None of the listed investments were listed on The London Stock Exchange.

Information on principal associated undertakings is given on page 62.

NOTES RELATING TO THE ACCOUNTS

14 INVESTMENTS IN PARTICIPATING INTERESTS (continued)

	Shares £m	Associated undertakings Loans £m	Total £m
COMPANY			
Cost			
At beginning of year	224	5	229
Exchange adjustments	34	-	34
Additions	-	1	1
Disposals	-	(1)	(1)
At end of year	258	6	264
Provisions			
At beginning of year	(3)	(5)	(8)
Additions	-	(1)	(1)
At end of year	(3)	(6)	(9)
Balance sheet value at end 1992	255	-	255
Balance sheet value at end 1991	221	1	222

15 STOCKS

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Raw materials and consumables	644	603	126	110
Stocks in process	288	254	81	82
Finished goods and goods for resale	1,341	1,168	210	187
	2,273	2,025	417	379

16 DEBTORS

Amounts due within one year				
Trade debtors	2,092	1,877	157	-
Amounts owed by subsidiary undertakings			4,280	614
Amounts owed by associated undertakings	23	34	-	1
Other debtors	506	414	66	56
Prepayments and accrued income*	143	131	28	42
	2,764	2,456	4,531	713
Amounts due after more than one year				
Advance corporation tax recoverable†	82	80	82	80
Payments and other debtors*	197	180	28	22
	269	260	110	102
	3,033	2,716	4,641	815

* Includes prepaid pension costs (note 37).

† Advance corporation tax recoverable was previously deducted from the balance of deferred tax within provisions for liabilities and charges (note 21) in the Group accounts.

Amounts owed by subsidiary undertakings mainly relate to inter-group transactions in preparation for potential demerger.

17 CURRENT ASSET INVESTMENTS AND SHORT-TERM DEPOSITS

	Group	
	1992 £m	1991 £m
Redeemable securities listed on The London Stock Exchange	80	35
Other listed investments	28	57
Total listed investments	108	92
Unlisted investments	6	4
Short-term deposits	114	96
	393	512
	507	608
Included in cash and cash equivalents (see note 31)	391	506
Market value of listed investments	108	92

Included in current asset investments, short-term deposits and cash are amounts totalling £305m (1991 £267m) held by the Group's insurance subsidiaries, of which some £210m (1991 £160m) is not readily available for the general purposes of the Group.

18 SHORT-TERM BORROWINGS

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Bank borrowings				
Secured by fixed charge	15	9	14	7
Secured by floating charge	21	13	-	-
Unsecured	590	251	3	3
Other borrowings (unsecured)	626	273	17	10
	45	23	-	-
	671	296	17	10
Included in cash and cash equivalents (see note 31)	667	264		

19 OTHER CREDITORS

Amounts due within one year				
Trade creditors	1,080	1,004	189	162
Amounts owed to subsidiary undertakings			5,106	519
Amounts owed to associated undertakings	6	8	-	-
Corporate taxation	367	286	197	159
Value added and payroll taxes and social security	81	80	-	-
Other creditors*	1,111	796	235	140
Accruals	537	478	62	69
Dividends to Ordinary Shareholders	242	242	242	242
	3,424	2,894	6,031	1,281
Amounts due after more than one year				
Amounts owed to subsidiary undertakings			1,194	1,045
Other creditors*	168	159	13	8
	168	159	1,207	1,053

* Includes costs charged as exceptional items in 1992 (note 3), obligations under finance leases (note 32) and accrued pension costs (note 37).

Amounts owed to subsidiary undertakings mainly relate to inter-group transactions in preparation for potential demerger.

NOTES RELATING TO THE ACCOUNTS

20 LOANS

	Repayment dates	1992 £m	Group 1991 £m	1992 £m	Company 1991 £m
Secured loans					
US dollars (5% to 10%)	1993/2012	19	29		
Australian dollars (11.1 to 17.1%)	1993/97	25	29		
Other currencies	1993/2006	159	88		
Total secured		203	156		
Secured by fixed charge		168	152		
Secured by floating charge		15	4		
Unsecured loans					
Sterling					
9% to 11 1/4% bonds	1994/2005	325	400	325	400
9 7/8% Notes	1993	75	75	75	75
Others	1993/2002	128	129		
		528	604	400	475
US dollars					
7% to 8% Eurodollar bonds	1993/96	60	54		
8% to 9.05% bonds	1992/2003	-	129		
8 1/8% debentures	2006	165	133		
7 1/2 to 8.9% medium-term notes	1994/2002	66	54		
8 1/8% Notes	2001	165	133		
7 7/8% Notes	1997	148	-		
9 1/8% Notes	2000	198	160		
7 1/8% Notes	2002	132	-		
Others	1993/2013	117	102		
		1057	765		
Australian dollars (9.5 to 15 1/2%)	1993/94	62	137	-	81
Canadian dollars (10% to 14 1/2%)	1993/96	69	67		
Swiss francs (3 1/2 to 6 1/4%)	1993/97	248	162		
Other currencies	1993/2006	99	92		
Total unsecured		2,063	1,827	400	556
Total loans		2,266	1,983	400	556

Loans from banks included in the table above amount to £1,983m (1991 £1,367m) in the Group of which £164m (£101m) was secured.

New borrowings during the year by subsidiary undertakings included US\$200m 7 1/8% Medium-Term Notes 2002, US\$225m 7 1/8% Guaranteed Notes 1997 and SFr150m 6 1/4% Bonds 1992-1997: the proceeds of these were used for the general purposes of the Group.

Loans or instalments thereof are repayable

After 5 years from balance sheet date

Lump sums

Instalments

From 2 to 5 years

From 1 to 2 years

Total due after more than one year

Total due within one year

Aggregated amount of loans repayable by

instalments any of which fall due after 5 years

1,015	734	200	200
147	292	-	-
1,165	1,026	200	200
641	516	125	125
178	221	-	75
1,984	1,763	325	400
282	320	75	156
2,266	1,983	400	556
518	588	-	-

21 PROVISIONS FOR LIABILITIES AND CHARGES

	At beginning of year £m	Profit and loss account £m	Net amounts paid or becoming current £m	Exchange and other movements £m	At end of year £m
GROUP					
Deferred taxation (see note 8)	103	(47)	22	(23)	55
Employee benefits*	242	67	(70)	63	302
Reorganisation, environmental and other provisions	261	430	(109)	17	599
	605	450	(157)	57	956
COMPANY					
Deferred taxation	8	(6)	(24)	-	(22)
Other provisions	6	52	(10)	9	57
	14	46	(34)	9	35

* Includes provisions for unfunded pension costs (note 37).

Advance corporation tax recoverable is now shown within debtors (note 16)

No provision has been released or applied for any purpose other than that for which it was established.

22 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	Authorized £m	Alotted, called-up and fully paid 1992 £m	1991 £m
Ordinary Shares (£1 each)	714	714	711
Unclassified shares (£1 each)	136		
	850	714	711

The number of Ordinary Shares issued during the year totalled 3.4m comprising issues in respect of the Employees' Profit-Sharing Scheme 2.0m, and the exercise of options 1.4m.

At 31 December 1992 there were options outstanding in respect of 14,335,618 Ordinary Shares of £1 under the Company's share option schemes for staff (1991 16,373,647) normally exercisable in the period 1993 to 2002 (1992 to 2001) at subscription prices of £5.95 to £15.12 (£5.95 to £15.12). The weighted average subscription price of options outstanding at 31 December 1992 was £10.81.

Options granted to directors are shown in note 36.

During 1992 movements in the number of shares under option comprised new options issued 913,388, options exercised 1,298,337, and options lapsed or waived 1,653,080. At the end of 1992 there were 16,892,199 shares available for the granting of options (1991 16,051,661).

NOTES RELATING TO THE ACCOUNTS

23 RESERVES

	Share premium account £m	Revaluation £m	Other £m	Profit and loss account £m	Associated under- takings £m	1992 Total £m	1991 Total £m
GROUP							
Reserves attributable to parent company							
At beginning of year	469	56	399	3,131	26	4,081	3,963
Profit (loss) retained for year				(975)	12	(963)	151
Amounts taken direct to reserves							
Share premiums	33					33	23
Goodwill				(17)		(17)	(89)
Exchange adjustments		7	133	307	(3)	444	70
Other movements			1	(5)	(2)	(6)	(37)
	33	7	134	285	(5)	454	(33)
Other movements between reserves			13	(13)			
At end of year	502	63	546	2,428	33	3,572	4,081

In the Group accounts, £223m (1991 nil) of net exchange losses on foreign currency loans in 1992 have been offset in reserves against exchange gains on the net investment in overseas subsidiaries and associated undertakings.

The movement in goodwill includes £20m of goodwill written off on the acquisition of new subsidiaries and £3m relating to goodwill transferred to the profit and loss account on the disposal of subsidiaries.

The cumulative amount of goodwill resulting from acquisitions during 1992 and prior years, net of goodwill attributable to subsidiary undertakings or businesses disposed of prior to 31 December 1992, amounted to £1,769m (1991 £1,752m).

There are no significant statutory or contractual restrictions on the distribution of current profits of subsidiary or associated undertakings; undistributed profits of prior years are, in the main, permanently employed in the businesses of these companies. The undistributed profits of Group companies overseas may be liable to overseas taxes and/or UK taxation (after allowing for double taxation relief) if they were to be distributed as dividends. No provision has been made in respect of potential taxation liabilities on realization of assets at restated or revalued amounts or on realization of associated undertakings at equity accounted value.

For the purpose of calculating the basis of the borrowing limits in accordance with the Articles of Association, the total of the sums standing to the credit of capital and revenue reserves of the Company and its subsidiary undertakings, to be added to the nominal amount of the share capital of the Company, was £4,871m at 31 December 1992.

	Share premium account £m	Other £m	Profit and loss account £m	1992 Total £m	1991 Total £m
COMPANY					
Reserves					
At beginning of year	469	436	2,315	3,220	3,281
Profit (loss) retained for year			(285)	(285)	13
Amounts taken direct to reserves					
Share premiums	33			33	23
Exchange adjustments		109	3	112	(97)
Other movements		(4)	(6)	(10)	-
	33	105	(3)	135	(74)
At end of year	502	541	2,027	3,070	3,220

By virtue of S230 of the Companies Act 1985, the Company is exempt from presenting a profit and loss account.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1992 £m	1991 £m
Net (loss) profit for the financial year	(570)	542
Dividends	(393)	(391)
	(963)	151
Issues of ICI Ordinary Shares	36	26
Goodwill written off	(17)	(89)
Other recognised gains and losses related to the year (net)	438	33
Net (reduction) addition to capital and reserves attributable to parent company	(506)	121
Capital and reserves attributable to parent company at beginning of year	4,792	4,671
Capital and reserves attributable to parent company at end of year	4,286	4,792

25 NET CASH INFLOW FROM TRADING OPERATIONS

	1992 £m	1991 £m
Trading profit	71	1,006
Exceptional charges within trading profit	664	-
Trading profit before exceptional items	735	1,006
Depreciation	588	549
Stocks decrease	1	171
Debtors increase (1991 decrease)	(45)	65
Creditors increase (1991 decrease)	33	(102)
Other non-cash movements, including exchange	(179)	(38)
	1,153	1,651

26 OUTFLOW RELATED TO EXCEPTIONAL ITEMS

This includes expenditure charged to exceptional provisions relating to business rationalisation and restructuring and for sale or closure of operations, including severance and other employee costs, plant demolition and site clearance. The major part of the 1992 expenditure relates to provisions raised in 1990.

27 INTEREST AND DIVIDENDS RECEIVED

	1992 £m	1991 £m
Dividends received from equity accounted associated undertakings	14	14
Other dividends received	7	3
Interest received	79	80
	100	97

NOTES RELATING TO THE ACCOUNTS

28 ACQUISITIONS AND NEW FIXED ASSET INVESTMENTS

	1992 £m	1991 £m
Acquisitions and new fixed asset investments		
Acquisitions of subsidiary undertakings involving		
Fixed assets	9	11
Current assets	9	21
Total liabilities	(7)	(28)
Net assets of subsidiary undertakings acquired	11	3
Goodwill	20	33
Fair value of consideration for subsidiary undertakings	31	36
Investment in equity accounted undertakings	14	9
Other investments	14	15
	59	60
Consideration for acquisitions and new investments		
Cash and cash equivalents acquired	-	(1)
Deferred consideration and non-cash consideration	-	4
Net cash investment	59	57
	59	60

Fixed and current assets are adjusted to fair value based on external valuations and internal reviews; provisions for closure are made where appropriate.

29 DISPOSALS

	1992 £m	1991 £m
Disposals in the year resulted in the following net asset movements		
Tangible fixed assets	80	160
Investments in participating interests	18	30
Other net current assets	40	53
Creditors due after more than one year	(4)	(1)
Provisions for liabilities and charges	(2)	232
Minority interests	2	-
	134	474
Goodwill	3	-
Profit and loss account		
Ordinary activities	(14)	(2)
Exceptional items	83	54
	206	526
Satisfied by:		
Cash consideration	215	514
Deferred consideration	(8)	9
Non-cash consideration	(1)	3
	206	526

The cash consideration for disposals in 1992 includes £121m (1991 £456m) with respect to items accounted for as exceptional.

The cash consideration for disposals includes £19m (1991 £40m) relating to equity accounted participating interests.

Apart from the disposal proceeds, the contribution of the businesses and subsidiary undertakings divested in 1992 to the cash flows for the year was not material.

30 CHANGES IN FINANCING DURING THE YEAR

	Share capital £m	Share premium account £m	Loans £m	Finance leases £m	Short-term borrowings* £m	Total £m
At beginning of 1991	708	446	1,723	98	101	3,076
Exchange adjustments	-	-	3	3	2	8
New finance	2	17	585	-	32	636
Finance repaid	-	-	(334)	(10)	(103)	(447)
Shares issued other than for cash	1	6	-	-	-	7
Other movements	-	-	6	2	-	8
At beginning of 1992	711	469	1,983	93	32	3,288
Exchange adjustments	-	-	303	11	6	320
New finance	3	33	352	-	12	400
Finance repaid	-	-	(368)	(13)	(46)	(427)
Shares issued other than for cash	-	-	-	-	-	-
Other movements	-	-	(4)	3	-	(1)
At end of 1992	714	502	2,266	94	4	3,580

A further source of new finance in 1992 was a £3m issue of shares to minorities by a subsidiary undertaking (1991 nil).

* Amount of short-term borrowings repayable more than 3 months from date of advance.

31 CASH AND CASH EQUIVALENTS

	1992 £m	1991 £m
Balance of cash and cash equivalents	220	197
Cash		
Investments and short-term deposits which were within 3 months of maturity when acquired (see note 17)	391	506
Short-term borrowings repayable within 3 months from date of advance (see note 18)	(667)	(264)
	(56)	439
Change in the balance of cash and cash equivalents	439	111
At beginning of year	(17)	(5)
Exchange adjustments	(478)	333
Cash outflow for year (1991 inflow)	(56)	439
At end of year		

NOTES RELATING TO THE ACCOUNTS

32 LEASES

The total rentals under operating leases, charged as an expense in the profit and loss account, are disclosed below.

	1992 £m	1991 £m
Hire of plant and machinery	92	116
Other	57	46
	149	162

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which each lease expires.

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Land and buildings				
Expiring within 1 year	4	7	-	-
Expiring in years 2 to 5	19	18	-	1
Expiring thereafter	17	15	4	3
	40	40	4	4
Other assets				
Expiring within 1 year	26	18	7	4
Expiring in years 2 to 5	45	53	7	15
Expiring thereafter	2	4	-	1
	73	75	14	20

Obligations under finance leases comprise

Rentals due within 1 year	22	23	1	1
Rentals due in years 2 to 5	68	80	5	5
Rentals due thereafter	40	41	3	4
Less interest element	(39)	(51)	(5)	(5)
	91	93	4	5

Obligations under finance leases are included in other creditors (note 19).

The Group had no commitments under finance leases at the balance sheet date which were due to commence thereafter.

33 EMPLOYEE COSTS

The average number of people employed by the Group in 1992 was 117,500 (1991 128,600) and the staff costs incurred during the year in respect of those employees were:

	1992 £m	1991 £m
Salaries	2,265	2,308
Social security costs	245	235
Pension costs	208	175
Other employment costs	69	78
Employees' profit-sharing bonus	27	31
	2,814	2,827
Less amounts allocated to capital and to provisions set up in previous years	(84)	(111)
Severance costs charged in arriving at profit before tax	354	45
Employee costs charged in arriving at profit before tax	3,104	2,757
Adjustment of severance to a cash paid basis*	(139)	166
Total employee costs in respect of people employed by the Group for use in value added calculations	2,965	2,923

* Included in this item are severance and employment payments charged to provisions set up in previous years.

34 COMMITMENTS AND CONTINGENT LIABILITIES

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Commitments for capital expenditure not provided for in these accounts (including acquisitions)				
Contracts placed for future expenditure	401	365	66	40
Expenditure authorized but not yet contracted	304	431	96	157
	705	796	162	197

Contingent liabilities existed at 31 December 1992 in connection with guarantees and uncalled capital relating to subsidiary and other undertakings and guarantees relating to pension funds, including the solvency of pension funds. The maximum contingent liability in respect of guarantees of borrowings and uncalled capital at 31 December 1992 was £28m (1991 £24m) for the Group; the maximum contingent liability for the Company, mainly on guarantees of borrowings by subsidiaries, was £1,537m (1991 £1,157m).

The Group is also subject to contingencies pursuant to environmental laws and regulations that in the future may require it to take action to correct the effects on the environment of prior disposal or release of chemical substances by the Group or other parties. The ultimate requirement for such actions, and their cost, is inherently difficult to estimate, however provisions have been established at 31 December 1992 in accordance with the accounting policy noted on page 37. It is believed that, taking account of these provisions, the cost of addressing currently identified environmental obligations is unlikely to impair materially the Group's financial position.

The Group is also involved in various other legal proceedings, principally in the UK and US, arising out of the normal course of business. The Group does not believe that the outcome of these proceedings will have a material effect on the Group's financial position.

Other guarantees and contingencies arising in the ordinary course of business, for which no security has been given, are not expected to result in any material financial loss.

A subsidiary company has entered into a take-or-pay contract to purchase electric power commencing 1 April 1993 for fifteen years. The subsidiary is obligated to make monthly payments including a fixed capacity charge and a variable energy charge. The present value of the commitment to purchase electric power over the period of the agreement is estimated at £559m.

In North America, and to a lesser extent in some other countries, the Group's employment practices include the provision of healthcare and life assurance benefits for retired employees. Some 10,931 retired employees currently benefit from these provisions, and 29,387 current employees will be eligible on retirement. The benefits are currently accounted for on a cash paid basis which resulted in a charge to profits of some £7m in 1992. In both the US and the UK accounting standards are moving to a requirement to accrue the present value of such retiree benefit obligations over the working life of the employee. This approach has to be adopted in accounts filed in the US for 1993 onwards, and for UK accounts by 1994. It is estimated that the unprovided obligation for the Group at the end of 1992, calculated in accordance with the new standards, amounts to some £279m. It is also estimated that, leaving aside the accounting for this unprovided initial liability, the implementation of accrual accounting will reduce profit before tax by some £34m per annum. Tax relief on these charges will be deferred until cash payments are made.

At 31 December 1992, the Group had outstanding forward foreign exchange contracts to purchase £154m (1991 £236m) equivalent and to sell £934m (1991 £950m) equivalent. These contracts are taken out with commercial banks for the purpose of hedging currency exposures. The majority of the contracts had a maturity of six months or less from the balance sheet date. The Group also had outstanding currency option contracts to sell £731m equivalent to hedge anticipated foreign currency transactions for 1993.

The Group has entered into currency swap, interest rate swap, and forward rate agreements to manage the interest rate and currency exposure of its borrowings. At 31 December 1992, the Group had agreements outstanding with commercial banks which had principal amounts of £1,228m (1991 £601m) equivalent at the exchange rate on that date. The principal amounts under the cross-currency agreements are revalued from contract rates to balance sheet rates with any exchange gains or losses arising treated in accordance with the Group's accounting policy on foreign currencies.

NOTES RELATING TO THE ACCOUNTS

35 EMOLUMENTS OF DIRECTORS

The total emoluments of the directors of the Company, and of the Chairman, for the years 1988 to 1992 are shown in the table below. Total emoluments for 1992 include directors' fees of £194,000 (1991 £245,000). Pensions, commutations of pensions and gratuities in respect of service of former directors amounted to £5,406,000 (1991 £5,674,000).

	Total directors' emoluments £	Chairman £
1988	2,805,000	478,000
1989	3,071,000	514,000
1990	2,586,000	448,000
1991	3,023,000	499,000
1992	2,834,000	526,000

Percentage increase:

1992/1988	1.0%	10.0%
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Comparison with percentage increase in:

	Retail price index	Average earnings index
1992/1988	29.6%	37.2%

The remuneration of executive directors is decided by the Remuneration Committee of non-executive directors. The reward structure includes provision for a performance related bonus. In view of the Group's results the Remuneration Committee judged it inappropriate to award any bonus for 1991 or 1992.

Some directors were also granted options to subscribe for Ordinary Shares under the Company's share option schemes (note 36).

The table which follows shows the number of directors of the Company whose emoluments during the year were within the bands stated.

Emoluments £	Number		Emoluments £	Number	
	1992	1991		1992	1991
5,001 - 10,000		1	235,001 - 240,000	1	1
10,001 - 15,000	2		255,001 - 260,000	1	1
15,001 - 20,000	1	3	260,001 - 265,000		1
20,001 - 25,000	4	3	265,001 - 270,000	1	1
40,001 - 45,000	1		270,001 - 275,000	1	
45,001 - 50,000		1	300,001 - 305,000		1
50,001 - 55,000		1	305,001 - 310,000	1	
65,001 - 70,000	1		325,001 - 330,000		1
75,001 - 80,000	1	1	350,001 - 355,000	1	
215,001 - 220,000	1	1	495,001 - 500,000		1
225,001 - 230,000		1	525,001 - 530,000	1	

Five of the directors whose emoluments are shown above for 1992 were directors for part of the year only (1991 four).

36 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The interests at 31 December 1992 of the persons who on that date were directors (including the interests of their families) in shares and debentures of the Company and its subsidiaries, are shown below. Their interests at 1 January 1992 (or, if appointed during 1992, at their date of appointment) are shown in parentheses where these differ from the holdings at the year end.

	ICI Ordinary Shares
J. D. F. Barnes	2,813
Lord Chilver	1,000
P. Doyle	3,050 (2,798)
Sir Richard Greenbury	500
R. C. Hampel	5,811 (5,492)
C. Hampson	922
Sir Denys Henderson	21,274 (20,274)
R. J. Margetts	1,340
Sir Jeremy Morse	1,819
Sir Antony Pilkington	500
A. T. G. Rodgers	600
Miss Ellen R. Schneider-Lenné	500
C. M. Short	500
P. A. Volcker	2,000
T. H. Wyman	500

C. Hampson has a beneficial interest in 1,430 ICI Australia Ltd A\$1 Ordinary Shares.

During the period 1 January 1993 to 16 February 1993, there was no change in the interests of directors shown in this note.

Options to subscribe for Ordinary Shares granted to and exercised by directors during 1992 are included in the table below:

	At 1 January 1992	Options granted	Price £	Options exercised	Options lapsed	At 31 December 1992
J. D. F. Barnes	90,700	3,200	13.75	-	-	93,900
P. Doyle	78,755	-	-	252	-	78,503
R. C. Hampel	99,531	19,700	13.75	319	-	118,912
C. Hampson	93,899	-	-	-	-	93,899
Sir Denys Henderson	174,100	7,200	13.75	-	-	181,300
R. J. Margetts	54,622*	-	-	-	-	54,622
A. T. G. Rodgers	68,992	200	13.75	-	275	68,917
C. M. Short	90,438	8,800	13.75	-	-	99,238

* The number of options held on 1 September 1992, the date of appointment.

The options outstanding are exercisable at prices between £8.14 and £15.12.

NOTES RELATING TO THE ACCOUNTS

37 PENSION COSTS

The Company and most of its subsidiaries operate retirement plans which cover the majority of employees (including directors) in the Group. These plans are generally of the defined benefit type under which benefits are based on employees' years of service and average final remuneration and are funded through separate trustee-administered funds.

The total pension cost for the Group for 1992 was £203m (1991 £175m). Formal actuarial valuations of the Group's main plans are undertaken triennially. Actuarial valuations of these funds have been undertaken on varying dates. The actuarial assumptions used to calculate the projected benefit obligation of the Group's pension plans vary according to the economic conditions of the country in which they are situated. The weighted average discount rate used in determining the actuarial present values of the benefit obligations was 9.6 per cent. The weighted average expected long-term rate of return on investments was 9.6 per cent. The weighted average rate of increase of future earnings was 5.7 per cent. The actuarial value of the fund assets of these plans was sufficient to cover 97 per cent of the benefits that had accrued to members after allowing for expected future increases in earnings. The contribution rate paid by the Company to the major plan, which is in deficit, is being increased in line with actuarial advice.

The market value of the assets of the major plans in the Group at the date of the latest actuarial valuations was £6,249m (1991 £6,281m). Accrued pension costs amounted to £43m (1991 £34m) and are included in other creditors (note 19); provisions for the benefit obligation of a small number of unfunded plans amounted to £220m (1991 £162m) and are included in provisions for employee benefits (note 21). Prepaid pension costs amounting to £78m (1991 £85m) are included in debtors (note 16).

38 STATUTORY AND OTHER INFORMATION

Included in debtors are interest-free loans of £285,000 (1991 £60,000) to three (1991 two) officers of the Company. These loans were provided in accordance with the Company's policy of providing housing assistance to staff who have been transferred.

Prior to his appointment as a Director of the Company on 1 September 1992, Mr R. J. Margetts was in receipt of interest free housing finance from the Company of £385,000 in connection with a company initiated employment move. The loans, which existed at 31 December 1991, were repaid in full by 31 August 1992.

Remuneration of auditors charged in the Group accounts for 1992 was £5.2m (1991 £4.7m); fees paid to the auditors of the parent Company for services other than statutory audit supplied to the Company and its UK subsidiaries during 1992 totalled £3.8m.

39 SUBSEQUENT EVENTS

On 1 January 1993 the remaining assets and liabilities and subsidiaries relating to the bioscience activities of Imperial Chemical Industries PLC were transferred at book value to Zeneca Limited, a wholly-owned subsidiary.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 1992	Class of capital	Held by ICI %	Principal activities
EUROPE			
Deutsche ICI GmbH Germany	Ordinary	100†	Manufacture of nylon fibre, paints, pharmaceuticals, chlorine, caustic soda, specialty plastics, polyurethanes and specialty chemicals; merchandising of other ICI products
ICI Chemicals & Polymers Ltd England	Ordinary	100†	Manufacture of chemicals, plastics, nylon and polyester fibres and fertilizers; merchandising of ICI and other products
ICI Finance PLC England	Ordinary	100†	Financial services
I.C.I. France SA France	Ordinary	100†	Manufacture of bulk and specialty plasticisers, ethylene/propylene oxide derivatives, acrylics and polyurethanes; merchandising of other ICI products
ICI Holland BV The Netherlands	Ordinary	100†	Manufacture of bulk and specialty plastics, films, nylon and polyester polymers and polyurethane chemicals; merchandising of other ICI products
Imperial Chemicals Insurance Ltd England	Ordinary	100†	Insurance and re-insurance underwriting
Tioxide Group Ltd England	Ordinary	100	Manufacture of titanium dioxide pigments
Zeneca SA France	Ordinary	100†	Manufacture of pharmaceuticals, agrochemicals, specialty chemicals and processing of seeds
THE AMERICAS			
ICI American Holdings Inc USA	Common	100†	Manufacture of acrylics, films, paints, composites, polyurethanes and chemicals; merchandising of other ICI products
ICI Brasil SA Brazil	Ordinary	100	Manufacture of agrochemicals, colours, seeds, specialty and other chemicals; merchandising of ICI and other products
ICI Canada Inc Canada	Common Preference	100† 100†	Manufacture of fertilizers, industrial explosives and initiating systems, paints and chemicals; merchandising of other ICI products
IPR Pharmaceuticals Inc Puerto Rico	Common	100†	Manufacture of pharmaceutical products
Zeneca Holding Inc USA	Common	100†	Manufacture of pharmaceuticals, agrochemicals, specialty chemicals and processing of seeds
OTHER COUNTRIES			
Chemical Company of Malaysia Berhad Malaysia	Ordinary*	50†	Manufacture of paints, chlor-alkali chemicals, fertilizers and agrochemicals; merchandising of ICI and other products
ICI Australia Ltd Australia (Accounting and reporting date 30 September)	Ordinary*	63†	Manufacture of agrochemicals, chemicals, fertilizers, industrial explosives, paints, plastics and pharmaceuticals; merchandising of ICI and other products
ICI (China) Ltd Hong Kong and China	Ordinary	100†	Merchandising of ICI and other products
ICI India Ltd India (Accounting date 31 March; reporting date 31 December)	Equity*	51	Manufacture of fertilizers, industrial explosives, polyester fibre, paints, agrochemicals, pharmaceuticals, rubber chemicals and specialty chemicals
ICI Japan Ltd Japan	Ordinary	1 99†	Merchandising of ICI and other products; manufacture of polyester films and other materials; research and development into materials and chemicals

PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 1992	Class of capital	Held by ICI %	Principal activities
OTHER COUNTRIES (continued)			
ICI Pakistan Ltd Pakistan	Ordinary*	61†	Manufacture of polyester fibre, soda ash, paints and specialty chemicals; formulation of agrochemicals, merchandising of general chemicals and pharmaceutical products.
ICI-Pharma Ltd Japan	Ordinary	60	Marketing of ICI pharmaceutical products

* Listed

† Held by subsidiaries

The country of principal operations and registration or incorporation is stated below each company. The accounting dates of principal subsidiary undertakings are 31 December unless otherwise stated.

PRINCIPAL ASSOCIATED UNDERTAKINGS

At 31 December 1992	Class of capital	Issued share and loan capital at date of latest available audited accounts £m	Held by ICI %	Principal activities
AECI Ltd Republic of South Africa (Accounting date 31 December; reporting date 30 September)	Ordinary* Preference Loan	30 1 94	35† — —	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
European Vinyls Corporation (Holdings) BV The Netherlands (Accounting and reporting date 31 December)	Ordinary	185	50†	Manufacture of vinyl chloride monomer, polyvinyl chloride and fabricated PVC products

* Listed

† Held wholly or partly by subsidiaries (the Group's 38 per cent shareholding in AECI Ltd includes 28 per cent held through Afex Holdings (Pty) Ltd in which the Group's interest is 50 per cent).

The country of registration or incorporation is stated below each company. The principal operations of AECI Ltd are carried out in the Republic of South Africa and those of European Vinyls Corporation (Holdings) BV in the UK, Italy, Germany and Switzerland.

Where audited accounts are not available, the results are taken from unaudited management accounts.

SOURCES AND DISPOSAL OF VALUE ADDED

	Notes	1992 £m	1991 £m	Change %
For the year ended 31 December				
SOURCES OF INCOME				
Sales turnover		12,051	12,488	-3%
Royalties and other trading income		113	119	-5%
Less materials and services		(8,405)	(8,312)	
		3,766	4,295	-12%
Value added by manufacturing and trading activities		27	30	-10%
Share of profits less losses of associated undertakings		(66)	27	
Value added related to exceptional items taken below trading profit				-14%
Total value added		3,727	4,352	
DISPOSAL OF TOTAL VALUE ADDED				
Employees				
Pay, plus national insurance contributions, pension costs and severance payments	1	2,938	2,892	
Profit-sharing bonus	2	27	31	
		2,965	2,923	+1%
Total employee costs	3	139	(166)	
Adjustment of severance to an accrued basis	4	3,104	2,757	+13%
Governments				
Corporate taxes	5	183	279	
Less grants		(12)	(17)	
		171	262	-35%
Providers of capital				
Interest cost of net borrowings		216	220	
Dividends to shareholders		393	391	
Minority shareholders in subsidiary undertakings		3	22	
		612	633	-3%
Re-investment in the business				
Depreciation		803	549	
Profit (loss) retained		(963)	151	
		(160)	700	
Total disposal		3,727	4,352	-14%

Notes

- The average number of employees in the Group worldwide decreased by 8.6 per cent. The average number employed in the UK decreased by 12.8 per cent.
- The ratio of value added by manufacturing and trading activities to employee costs was below the point at which a bonus is normally payable (1991 3.5p). However, because of the potential demerger, the Board is proposing to suspend the profit-sharing arrangements for 1993 and, in the circumstances, has declared a discretionary bonus of 3.0p in respect of 1992. These costs have been accounted for as part of the exceptional items.
- See note 33 on page 56.
- Employee costs charged in arriving at profit before tax (note 33).
- Does not include tax deducted from the pay of employees. Income tax deducted from the pay of UK employees under PAYE amounted to £196m in 1992 (1991 £201m).

This table, which is used for calculating the bonus under the Employees' Profit-Sharing Scheme, is based on the audited accounts; it shows the total value added to the cost of materials and services purchased from outside the Group and indicates the ways in which this increase in value has been disposed.

GROUP FINANCIAL RECORD

For the year ended 31 December

Balance sheet

Tangible fixed assets

Investments

Current assets

Stocks

Debtors

Cash and short-term investments

Total assets

Creditors due within one year

Short-term borrowings

Current instalments of loans

Other creditors

Total assets less current liabilities

Creditors due after more than one year

Loans

Other creditors

Provisions and deferred income

Minority interests

Capital and reserves attributable to parent company

Capital gearing

Total borrowings as a percentage of total borrowings,
shareholders' funds and minority interests

Turnover and profits

Turnover

Trading profit before exceptional items

Exceptional items charged to trading profit

Trading profit after exceptional items

Associated undertakings - pre exceptional

Associated undertakings - exceptional profits (losses)

Profits (losses) on sale or closure of operations

Provisions for costs of fundamental reorganisation

and restructuring

Profit on disposal of fixed assets

Profit (loss) before interest

Net interest payable

Profit (loss) before taxation

Taxation

Attributable to minorities

Net profit (loss) attributable to parent company

Dividends

Profit (loss) retained, transferred to reserves

Total charge for depreciation included above

Return on assets

Profit (loss) before loan interest and exceptional items

as a percentage of assets employed (average

total assets less current liabilities)

	1988 £m	1989 £m	1990 £m	1991 £m	1992 £m
Tangible fixed assets	4,082	4,856	4,947	5,128	5,654
Investments	513	753	461	386	455
Current assets					
Stocks	2,004	2,380	2,214	2,025	2,273
Debtors	2,397	2,964	2,670	2,716	3,033
Cash and short-term investments	456	383	565	806	727
	4,857	5,727	5,449	5,546	6,033
Total assets	9,462	11,336	10,857	11,070	12,122
Creditors due within one year					
Short-term borrowings	(289)	(771)	(447)	(296)	(671)
Current instalments of loans	(50)	(109)	(78)	(220)	(282)
Other creditors	(2,671)	(2,738)	(2,881)	(2,894)	(3,424)
Total assets less current liabilities	6,452	7,718	7,451	7,660	7,745
Creditors due after more than one year					
Loans	1,616	1,613	1,848	1,763	1,984
Other creditors	137	86	154	159	168
Provisions and deferred income	470	670	692	656	1,005
Minority interests	304	335	286	283	302
Capital and reserves attributable to parent company	3,925	5,014	4,671	4,792	4,286
	6,452	7,718	7,451	7,660	7,745
Capital gearing					
Total borrowings as a percentage of total borrowings, shareholders' funds and minority interests	32.0	32.1	31.4	31.6	39.8
Turnover and profits					
Turnover	11,699	13,171	12,906	12,488	12,061
Trading profit before exceptional items	1,430	1,425	993	1,006	735
Exceptional items charged to trading profit	-	-	-	-	(664)
Trading profit after exceptional items	1,430	1,425	993	1,006	71
Associated undertakings - pre exceptional	162	233	132	3	46
Associated undertakings - exceptional profits (losses)	-	46	376	27	(19)
Profits (losses) on sale or closure of operations	18	226	(26)	16	(191)
Provisions for costs of fundamental reorganisation and restructuring	(52)	-	(513)	-	(75)
Profit on disposal of fixed assets	22	26	32	11	-
Profit (loss) before interest	1,580	1,956	994	1,063	(169)
Net interest payable	(162)	(219)	(206)	(220)	(216)
Profit (loss) before taxation	1,418	1,737	788	843	(384)
Taxation	(532)	(614)	(283)	(279)	(183)
Attributable to minorities	(49)	(36)	(22)	(22)	(3)
Net profit (loss) attributable to parent company	837	1,057	483	542	(570)
Dividends	(341)	(381)	(389)	(391)	(393)
Profit (loss) retained, transferred to reserves	496	676	94	151	(963)
Total charge for depreciation included above	484	536	525	549	903
Return on assets					
Profit (loss) before loan interest and exceptional items as a percentage of assets employed (average total assets less current liabilities)	25.9	22.8	14.2	13.0	9.3

For the years ended 31 December	1988 £m	1989 £m	1990 £m	1991 £m	1992 £m
Cash flow					
Net cash inflow from operating activities	1,700	1,518	1,728	1,458	926
Net cash outflow from returns on investments and servicing of finance	(406)	(492)	(564)	(594)	(610)
Tax paid	(459)	(593)	(412)	(286)	(98)
Net cash outflow from investing activities	(862)	(1,002)	(345)	(434)	(672)
Net cash inflow (outflow) before financing	(47)	(569)	407	144	(454)
Net cash inflow (outflow) from financing	135	69	157	189	(24)
Increase (decrease) in cash and cash equivalents	88	(500)	564	333	(478)

ICI ORDINARY SHARE COMPARISONS

	1988	1989	1990	1991	1992
Millions					
Shares in issue					
At year end	683	694	708	711	714
Weighted average for year	679	689	702	709	713
£ per £1 Ordinary Share					
Stock Market price					
Highest	11.84	13.25	12.51	13.76	14.03
Lowest	9.50	10.13	8.08	8.52	9.81
At year end	10.13	11.34	8.66	12.10	10.59
Earnings per £1 Ordinary Share before exceptional items	123p	125p	79p	69p	49p
Earnings (loss) per £1 Ordinary Share	123p	153p	69p	76p	(80)p
Dividends					
Dividends (net)	50p	55p	55p	55p	55p
Dividends grossed up for imputed tax credit	67p	73p	73p	73p	73p †
Dividends (net) in 1992 money (adjusted by RPI)	65p	66p	60p	57p	55p
Balance sheet value of Ordinary Shareholders' equity at end of year – £ per £1 Ordinary Share	5.75	7.22	6.60	6.74	6.00
Indexed value of the £, expressed as average 1992 £s, based on RPI	1.30	1.20	1.10	1.04	1.00

† Assumes a basic rate of income tax of 25 per cent.

ADDITIONAL INFORMATION FOR US INVESTORS

DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES ACCOUNTING PRINCIPLES.

The Group's financial statements are prepared in accordance with generally accepted accounting principles applicable in the United Kingdom (UK GAAP), which differ in certain significant respects from those applicable in the United States (US GAAP). The following are the main differences which are relevant to the Group's financial statements.

Deferred taxation

Deferred taxation is provided on a full deferral basis under US GAAP; in the UK no provision is made for taxation deferred by reliefs unless there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

Capitalization of interest

Interest incurred as part of the cost of constructing fixed assets is capitalized and amortized over the life of the asset under US GAAP. In accordance with common UK practice, ICI does not capitalize such interest in its financial statements.

Pension expense

UK and US pension expense accounting standards differ notably in the permitted valuation methods and in the way surpluses and deficits are accounted for. Under UK GAAP assets are valued at the discounted present value of income streams whilst under US GAAP market related values are used.

Goodwill

Under US GAAP goodwill arising on acquisitions accounted for under the purchase method is capitalized and amortized over a period. In this statement goodwill is amortized using the straight line method over periods up to 40 years. Goodwill is computed under US GAAP after ascribing fair values to all assets acquired including identifiable intangible assets, which are amortized over their useful lives not exceeding 40 years. In the UK the normal practice is for goodwill and intangible assets which are inseparable from the business to be eliminated immediately upon acquisition against income retained and other reserves.

Statement of consolidated income and balance sheet

Set out below is a summarised version of the UK GAAP financial statements using a format and terminology customary in the USA. These have been prepared from, and should be read in conjunction with, the audited results of the Group. Each statement is followed by details of the adjustments necessary to restate net income and shareholders equity to US GAAP. For convenience only, sterling figures have been translated into US dollars at the 31 December 1992 rate of £1 = \$1.52.

Summarised income statement	Year ended 31 December			
	1992 £m	1991 £m	1992 \$m	1991 \$m
Sales	12,061	12,488	18,333	18,982
Operating income	71	1,008	108	1,529
Net income (loss) (UK GAAP)	(570)	542	(866)	824
Adjustments to conform to US GAAP				
Deferred taxation	259	(33)	394	(50)
Capitalization of interest less amortization and disposals	(4)	35	(6)	53
Pension expense	(23)	(46)	(35)	(70)
Purchase accounting adjustments, including goodwill and intangibles	(108)	(102)	(165)	(155)
Others including foreign exchange and revaluation of fixed assets	(23)	(5)	(35)	(8)
	101	(151)	153	(230)
Net income (loss) in accordance with US GAAP	(469)	391	(713)	594
Net Income (loss) (UK GAAP) per ordinary share	(79.9)p	76.4p	\$(1.22)	\$1.16
Net Income (loss) (UK GAAP) per American Depositary Receipt (ADR) #	£(3.20)	£3.06	\$(4.86)	\$4.65
Dividends per £1 ordinary share	55.0p	55.0p		
Dividends per ADR *			\$4.46	\$4.46

Four ICI Ordinary Shares are represented by each ADR.

* The current income tax convention between the UK and the USA includes provisions which entitle qualifying US resident ADR holders to a refund of the UK tax credit of 25/75ths attaching to the dividend less a 15% withholding tax charged on the sum of the dividend and the credit. Subject to certain limitations the withholding tax may be offset against federal taxes. For ADR holders able to offset the withholding tax against federal taxes the dividend of 55 pence per £1 Ordinary Share would represent \$4.46 per ADR if translated at £1 = \$1.52. The UK tax credit of 25/75ths is based on the standard rate of income tax prevailing in the UK on 8 March 1993, the date on which the ICI Group audited financial statements were signed.

Summarised Consolidated Balance Sheet	Year ended 31 December			
	1992 £m	1991 £m	1992 \$m	1991 \$m
UK Basis				
Assets				
Current assets				
Cash and marketable securities	727	805	1,105	1,224
Receivables	3,033	2,716	4,610	4,128
Inventories	2,273	2,025	3,455	3,078
Total current assets	6,033	5,546	9,170	8,430
Other assets: non-current investments	455	396	692	602
Property, plant and equipment (net of depreciation)	5,534	5,128	8,564	7,795
Total assets	12,122	11,070	18,426	16,827
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	3,424	2,894	5,205	4,399
Short term debt	671	296	1,020	450
Long term debt due within one year	282	220	429	334
Total current liabilities	4,377	3,410	6,654	5,183
Long term debt not due within one year	1,984	1,763	3,016	2,680
Other liabilities and deferred income	1,173	817	1,783	1,242
Minority interests	302	288	459	438
Shareholders' equity				
Issued Shares	714	711	1,085	1,081
Premiums paid in excess of par value of each Ordinary Share	502	469	763	713
Income retained and other reserves	3,070	3,612	4,666	5,490
Total liabilities and shareholders' equity (UK basis)	12,122	11,070	18,426	16,827
Total shareholders' equity (UK basis)	4,286	4,792	6,514	7,284
Adjustments to conform to US GAAP				
Deferred taxation	(461)	(782)	(701)	(1,189)
Capitalization of interest	400	404	608	614
Pension expense	35	58	53	88
Purchase accounting adjustments, including goodwill and intangibles	1,145	1,041	1,740	1,582
Others including revaluation of fixed assets	(58)	(62)	(88)	(94)
	1,061	659	1,612	1,001
Shareholders' equity in accordance with US GAAP	5,347	5,451	8,126	8,285

NEW US ACCOUNTING STANDARDS AND OTHER PROSPECTIVE CHANGES

With effect from 1 January 1993, when reporting consolidated income under US GAAP, the Group will adopt SFAS No.106 - 'Employers' Accounting for Post Retirement Benefits Other than Pensions', and SFAS No.109 - 'Accounting for Income Taxes'. The Group's unprovided obligation, calculated in accordance with SFAS No.106, at 31 December 1992, is estimated at £279m before recognition of deferred tax benefits (see note 34 to the accounts) and when adopted will reduce profit before taxation by £34 million. The Group intends to make provision, in its first quarter US GAAP accounts, for this unprovided obligation and to accrue costs in line with SFAS No.106 requirements thereafter. The impact of SFAS No.109 has not yet been finally determined, although a noticeable credit to net income will occur on its adoption. The SFAS No.106 one off charge will, therefore, be offset, to an extent still to be determined, by a one off SFAS No.109 credit.

The Group is also aware that the pension cost to be reported under US GAAP will rise significantly in 1993 reflecting the impact on net periodic costs of adverse movements in economic assumptions and demographics for the Group's main fund.

SHAREHOLDER INFORMATION

Dividend Payments

A second interim dividend for the year 1992, which the Annual General Meeting will be asked to confirm as the final dividend for that year, is payable on 29 April 1993 to Ordinary shareholders registered in the books of the Company on 25 March 1993. Dividends are normally paid as follows:

First Interim: Announced on the last Thursday in July and paid early in October.

Second Interim: Announced on the last Thursday in February and paid late in April.

Quarterly Results

Unaudited trading results of the ICI Group for 1993 are expected to be announced as follows:

First quarter	29 April 1993
Half year	29 July 1993
Nine months	28 October 1993
Full year	24 February 1994

Taxation

In certain circumstances, when a shareholder in the UK sells shares, his liability to tax in respect of capital gains is computed by reference to the market value of the shares on 31 March 1982 adjusted for inflation between that date and the date of disposal. The market value of ICI Ordinary Shares at 31 March 1982, for the purposes of the capital gains tax, was 309p.

The Company is not, and has not been, a close company within the meaning of the Income and Corporation Taxes Act 1988.

Shareholders

The following table analyses the holdings of 21 Ordinary Shares at the end of 1992:

Size of holding	Number of Ordinary shareholders accounts	Number of shares	%
1-250	148,221	17,710,551	2.5
251-500	82,995	31,023,181	4.4
501-1,000	59,136	42,902,252	6.0
1,001-5,000	39,185	52,409,146	7.3
5,001-10,000	1,013	7,286,706	1.0
10,001-50,000	1,104	25,945,684	3.6
50,001-1,000,000	831	185,180,870	25.9
Over 1,000,000	100	351,844,876	49.3
All holdings	323,569	714,303,866	100

In addition to the number of registered shareholders shown, there are approximately 14,500 holders of American Depositary Receipts. The ADRs, each of which is equivalent to four £1 Ordinary Shares, are issued by Morgan Guaranty Trust Company of New York.

As at 16 February 1993 (one month prior to the date of Notice of Meeting) Morgan Guaranty Trust Company of New York had a non-beneficial interest in 26,227,272 Ordinary Shares of the Company (being 3.67 per cent of the issued Ordinary Share Capital), all of which were registered in the name of their nominee company, Guaranty Nominees Limited. At that date the Prudential Corporation group of companies had an interest in 26,298,898 Ordinary Shares of the Company (being 3.68 per cent of the issued Ordinary Share Capital) of which 18,198,237 shares were registered in the name of Prudential Assurance Company Limited.

Also at that date Schroder Investment Management Limited had an interest in 26,657,525 Ordinary Shares of the Company (being 3.73 per cent of the issued Ordinary Share Capital) of which 17,410,150 shares were registered in the name of Schroder Nominees Limited.

No other person held an interest in shares comprising three per cent or more of the issued Ordinary Share Capital of the Company.

ICI Ordinary Shares are listed on all the major European Stock Exchanges and on the Tokyo Stock Exchange. In the form of ADRs, they are also listed on the New York Stock Exchange.

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